

# **ASPEN INSURANCE UK SERVICES LIMITED**

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31st December 2010**

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## THE COMPANY

### Directors

Christopher O’Kane  
Richard Houghton  
Karen Green  
Katie Wade

Director  
Director  
Director  
Director

### Secretary

Helen Lipscomb

### Auditor

KPMG Audit Plc  
15 Canada Square  
London  
E14 5GL

### Registered Office

30 Fenchurch Street  
London  
EC3M 3BD

Registered in England No 4270446

### Legal Advisors

Dewey & LeBoeuf L L P  
No 1 Minster Court  
Mincing Lane  
London  
EC3R 7YL

### Bankers

Barclays Bank Plc  
1 Churchill Place  
London  
E14 5HP

## **ENHANCED BUSINESS REVIEW**

### **Overview**

Aspen Insurance UK Services Limited ("the Company") has, throughout the year, continued to act as a service company for Aspen Insurance UK Limited ("Aspen Re"), Aspen Underwriting Limited ("AUL") and Aspen Managing Agency Limited ("AMAL"). The Company also acts as a service company for Aspen Risk Management Limited ("ARML") which was acquired by Aspen UK Holdings Limited in 2010. The Company administers and provides services for Aspen Re and employs all of the Aspen Re staff. All services and expenses are paid for by the Company and then recharged to Aspen Re, AUL, AMAL and ARML. The Company's activities are not expected to change in the foreseeable future.

### **Activities during 2010**

The Company is a service company. The principal activities of the Company reported in these financial statements are:

- Payment of salaries and related expenses for all staff employed by the Company and working for the benefit of Aspen Re,
- Payment of operating expenses incurred by Aspen Re,
- A processing service fee is charged on services provided to Aspen Re in addition to the cost of the services,
- Other income in the form of interest received

## DIRECTORS' REPORT

The directors have pleasure in submitting their annual report, together with the audited financial statements for the twelve months ended 31 December, 2010

## PRINCIPAL ACTIVITY & REVIEW OF THE BUSINESS

The principal activity of Aspen Insurance UK Services Limited ("the Company") is the provision of administrative and other services to Aspen Insurance UK Limited ("Aspen Re") and to act as the employer of all staff used by Aspen Re. A review of the business and future prospects of the Company is contained within the Enhanced Business Review on page 3

## RESULTS AND DIVIDENDS

The results for the period are set out in the accompanying profit and loss account. The net profit for the year after tax was \$1.4m (2009: \$5.5m) and the net asset position of the Company is \$28.0m (2009: \$23.1m). The directors regard the current state of affairs of the Company and its future prospects as satisfactory.

## SHARE CAPITAL

The authorised share capital of the company is 100 £1 ordinary shares.

## DIRECTORS AND DIRECTORS' INTERESTS

The directors of the Company at the date of this report are set out on page 2. Changes in directors during 2010 and up to the date of this report are as follows:

	Date of appointment	Date of resignation
Karen Green	18 February 2010	
Katie Wade	9 July 2010	
Stephen Rose		18 February 2010

## DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## COMPANY SECRETARY

The secretary of the Company at the date of this report is set out on page 2. Helen Lipscomb was appointed Company Secretary on 19 April 2011.

## FINANCIAL RISK MANAGEMENT

The Company's business is the provision of administrative and other services to Aspen Insurance UK Limited, Aspen Underwriting Limited, Aspen Managing Agency Limited and Aspen Risk Management Limited. The Company has in place a risk management process which is appropriate to the relatively low risks of the Company.

## EMPLOYEES

The Company encourages its employees to develop their full potential by providing opportunities for training and professional development. Such opportunities, as well as career development and promotion, are equally available to disabled employees, whether newly recruited or existing employees who become disabled whilst in the Company's employment.

The Company's equal opportunities policy aims to ensure that no potential or existing employee receives less favourable treatment because of his/her sex, actual or perceived sexual orientation, gender (including gender reassignment), marital or family state, age, ethnic origin, disability, race, colour, nationality, national origin, creed, political affiliation, part-time status, or any other condition, unless it can be shown to be legally justifiable.

Copies of the Company's policies are available on the Company's website or on request

During the period the average number of staff employed was 357 (2009 372) The number of staff employed at the period end was 381 (2009 401)

#### **SUPPLIER PAYMENT POLICY**

During the financial year the Company's followed standard payment terms and conditions for the Company's suppliers Copies of the conditions can be obtained from the registered office of the Company

#### **DONATIONS**

The company made charitable donations during the year of \$824,811 (2009 \$336,516) There were no political donations made during the year

By Order of the Board



Katie Wade  
Director  
19 May 2011

Registered in England No 4270446

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 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 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ASPEN INSURANCE UK SERVICES LIMITED**

We have audited the financial statements of Aspen Insurance UK Services Limited for the year ended 31 December 2010 set out on pages 8 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **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 UK 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



**Philip Smart (Senior Statutory Auditor)**  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London E14 5GL

19 May 2011

**PROFIT AND LOSS ACCOUNT**  
For the year ended 31st December 2010

	Notes	2010 \$'000	2009 \$'000
Turnover	2	168,029	162,800
Operating expenses	3,4	<u>(158,585)</u>	<u>(154,253)</u>
Operating profit before taxation		9,444	8,547
Interest receivable and similar income		-	3
Interest payable and similar charges	5	(477)	(443)
Profit before taxation	6	<u>8,967</u>	<u>8,107</u>
Tax on profit	7	(7,521)	(2,610)
<b>Profit for the year</b>		<u><u>1,446</u></u>	<u><u>5,497</u></u>

The results for the twelve months ended 31st December 2010 are derived from continuing operations

The notes on pages 11 to 16 form part of these financial statements

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

For the year ended 31st December 2010

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
Opening Shareholders's funds	23,142	23,357
Retained profit for the year	1,446	5,497
Dividend	-	-
Other recognised gains / (losses) for the year	3,406	(5,712)
	<u>27,994</u>	<u>23,142</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

For the year ended 31st December 2010

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
Profit for the period	1,446	5,497
Dividend	-	-
Exchange gains / (losses)	3,406	(5,712)
	<u>4,852</u>	<u>(215)</u>

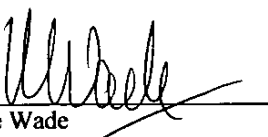
The notes on pages 11 to 16 form part of these financial statements

**BALANCE SHEET**

As at 31st December 2010

	Notes	2010 \$'000	2009 \$'000
<b>ASSETS</b>			
Cash at bank and in hand		204	776
Debtors Amounts falling due within one year	8,9	97,785	74,242
<b>TOTAL ASSETS</b>		<b>97,989</b>	<b>75,018</b>
<b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Called-up share capital	10	-	-
Profit and loss account	11	27,994	23,142
<b>Shareholders' Funds</b>		<b>27,994</b>	<b>23,142</b>
<b>Creditors</b>			
Creditors Amounts falling due within one year	12	69,995	51,876
<b>TOTAL LIABILITIES</b>		<b>97,989</b>	<b>75,018</b>

These financial statements were approved by the board of directors on 19 May 2011 and signed on its behalf by

  
Katie Wade  
Director

The notes on pages 11 to 16 form part of these financial statements

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December 2010

### **1. Accounting Policies**

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

#### **Basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost accounting rules and on a going concern basis

The Company is exempt from preparing a cash flow statement under FRS1 (revised) as a consolidated cash flow statement incorporating the cash flows of the group is presented in the financial statements of the ultimate parent company, Aspen Insurance Holdings Limited ("AIHL")

As the Company is a wholly owned subsidiary of AIHL the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of AIHL, within which this company is included, can be obtained from the address given in note 14

#### **Turnover**

Turnover represents the cost, plus a processing service fee, of providing services to Aspen Insurance UK Limited and other subsidiary companies of AIHL

#### **Post retirement benefits**

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period

#### **Taxation**

The charge for taxation is based on the profit for the accounting period and takes into account taxation deferred due to timing differences between the treatments of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

#### **Foreign Currency**

Foreign currency transactions are translated at the average rates of exchange rate for the period

Monetary assets and liabilities are translated into US Dollars at year end exchange rates and differences arising on translation are recorded in reserves and disclosed in the Statement of total recognised gains and losses

All other exchange differences are reported in the profit and loss account

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2010

### 2. Turnover

	12 months ended December 2010	12 months ended December 2009
	\$'000	\$'000
Management fees	<u>168,029</u>	<u>162,800</u>

### 3. Operating Expenses

	12 months ended December 2010	12 months ended December 2009
	\$'000	\$'000
Staff costs (see note 4 below)	94,522	90,519
Other administration costs	64,063	63,734
	<u>158,585</u>	<u>154,253</u>

### 4. Staff Costs (including directors)

The average number of employees (including directors) employed by the company in the period was as follows

	12 months ended December 2010	12 months ended December 2009
Underwriting	117	141
Claims administration	33	33
Other administration	207	198
	<u>357</u>	<u>372</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December 2010

**4. Staff Costs (including directors) (continued)**

	12 months ended December 2010	12 months ended December 2009
	\$'000	\$'000
Salaries	72,499	64,600
Other employee benefits	7,318	11,312
Social security costs	8,840	9,128
Pension costs	5,864	5,479
	<u>94,522</u>	<u>90,519</u>

**Directors' Remuneration**

The aggregate emoluments of the directors were as follows

	12 months ended December 2010	12 months ended December 2009
	\$'000	\$'000
Directors' emoluments	5,784	1,679
Company contributions to defined contribution pension schemes	301	243
Total	<u>6,085</u>	<u>1,922</u>

The remuneration of the highest paid director in 2010 was \$2,967,617 (2009 \$786,003) plus pension contributions of \$147,017 (2009 \$132,593)

	12 months ended December 2010	12 months ended December 2009
Retirement benefits are accruing to the following number of current directors under		
Defined contribution pension schemes	4	3

**5. Interest Payable**

Included within interest payable is an amount of \$477k for realised exchange gains (2009. \$441k)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December 2010

**6. Profit on ordinary activities before taxation**

All administrative and service expenses for Aspen Re are borne by the Company. All these expenses, including amounts paid to the auditors of \$12,575 (2009: \$10,811), are subsequently reimbursed by Aspen Re together with a service fee payable to the Company. Amounts paid to the auditors relate to the audit of these financial statements.

During 2010 the only expenses incurred by the Company represented salary, NIC and pension costs for employees. All other costs were borne by fellow group companies.

**7. Tax on Profit on Ordinary Activities**

The current tax charge is lower than the standard rate of corporation tax in the UK of 28%. The differences are explained below:

	12 months ended December 2010	12 months ended December 2009
	\$'000	\$'000
<i>UK corporation tax</i>		
Current tax on income for the year	3,246	3,697
Adjustments in respect of prior periods	4,749	136
Total current tax	<u>7,995</u>	<u>3,833</u>
<i>Deferred tax</i>		
Timing difference – options	(474)	(1,223)
Tax on profit on ordinary activities	<u>7,521</u>	<u>2,610</u>
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	8,967	8,107
Current tax at 28.0% (2009: 28%)	<u>2,511</u>	<u>2,270</u>
<i>Effects of</i>		
Adjustments in respect of prior periods	4,749	136
Disallowed items	244	204
Corporate Share Scheme deductions	491	1,223
Total current tax charge (see above)	<u>7,995</u>	<u>3,833</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31st December 2010

**8. Debtors: Amounts falling due within one year**

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
Deferred tax asset (note 9)	6,500	6,276
Amounts due from fellow group undertakings	80,210	62,367
Other debtors	11,075	5,599
	<u>97,785</u>	<u>74,242</u>

**9. Deferred Tax Asset**

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
Opening balance	6,276	2,984
Movement in year	224	3,292
Closing balance	<u>6,500</u>	<u>6,276</u>

The deferred tax asset relates to the tax deduction which will arise on the options granted by the Company

**10. Share Capital**

The allotted, issued and paid-up capital is set out below

	<b>2010</b> <b>£</b>	<b>2010</b> <b>\$</b>	<b>2009</b> <b>£</b>	<b>2009</b> <b>\$</b>
Allotted, issued and fully paid-up				
1 ordinary shares of £1 each	1	2	1	2
	=	=	=	=

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31st December 2010

**11. Reserves**

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
Opening reserves	23,142	23,357
Profit for the period	1,446	5,497
Dividend	-	-
Other recognised gains & (losses) for the year	3,406	(5,712)
Closing reserves	<u>27,994</u>	<u>23,142</u>

**12. Creditors: Amounts falling due within one year**

	<b>2010</b> <b>\$'000</b>	<b>2009</b> <b>\$'000</b>
Amounts due to fellow group undertaking	27,698	1,292
Corporation tax	8,536	4,508
Other creditors	33,761	45,285
Bank overdraft	-	791
	<u>69,995</u>	<u>51,876</u>

**13. Pension scheme**

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to \$5,863,873 (2009 \$5,479,299)

**14. Ultimate Holding Company**

The Company is a direct subsidiary undertaking of Aspen (UK) Holdings Limited whose ultimate parent company is Aspen Insurance Holdings Limited incorporated in Bermuda

The largest group in which the results of the Company are consolidated is that headed by Aspen Insurance Holdings Limited. The consolidated accounts of this company are available to the public and may be obtained from The Company Secretary, Aspen Insurance Holdings Limited, c/o 30 Fenchurch Street, London, EC3M 3BD. No other group accounts include the results of the Company