

ASPEN INSURANCE UK SERVICES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2012

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THE COMPANY

Directors

Christopher O’Kane
Nigel Terry
Mike Cain

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

Willkie Farr & Gallagher LLP
City Point
1 Ropemaker Street
London
EC2V 9HT

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 (“AIUK”), Aspen Underwriting Limited (“AUL”), Aspen Managing Agency Limited (“AMAL”), Aspen Risk Management Limited (“ARML”), APJ Asset Protection Jersey Limited (“APJJ”) and Aspen UK Syndicate Services Limited (“AUKSS”). The Company administers and provides services for AIUK and employs all of the AIUK staff. All services and expenses are paid for by the Company and then recharged to AIUK, AUL, AMAL, ARML, APJJ and AUKSS. The Company’s activities are not expected to change in the foreseeable future.

Activities during 2012

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 AIUK, AMAL, ARML, APJJ and AUKSS,
- Payment of operating expenses incurred by AIUK, AUL, AMAL, ARML, APJJ and AUKSS,
- A processing service fee is charged on services provided to AIUK, AUL, AMAL, ARML, APJJ and AUKSS 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 2012

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 ("AIUK"), Aspen Underwriting Limited ("AUL"), Aspen Managing Agency Limited ("AMAL"), Aspen Risk Management Limited ("ARML"), APJ Asset Protection Jersey Limited ("APJJ") and Aspen UK Syndicate Services Limited ("AUKSS") The Company also acts as the employer of all staff used by AIUK, AMAL, ARML, APJJ and AUKSS 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 \$12.5m (2011: \$6.3m) and the net asset position of the Company is \$46.8m (2011: \$34.3m) The directors regard the current state of affairs of the Company and its future prospects as satisfactory A dividend of \$48m was approved and paid to Aspen (UK) Holdings Limited in July 2013

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 2012 and up to the date of this report are as follows

	Date of appointment	Date of resignation
Richard Houghton		29 February 2012
Katharine Wade		16 July 2013
Karen Green		6 September 2013
Nigel Terry	6 September 2013	
Mike Cain	6 September 2013	

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the Directors at the date of this report confirms that

- so far as each of them is aware, there is no information relevant to the audit of the Company's consolidated financial statements for the year ended 31 December 2012 of which the auditors are unaware, and
- 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 auditors, KMPG Audit Plc, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

COMPANY SECRETARY

The secretary of the Company at the date of this report is set out on page 2

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has maintained insurance to cover directors' and officers' liability as defined by section 236 of the Companies Act 2006

DIRECTORS' REPORT *(continued)*

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, Aspen Risk Management Limited, APJ Asset Protection Jersey Limited and Aspen UK Syndicate Services 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 503 (2011: 468). The number of staff employed at the period end was 512 (2011: 502).

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.

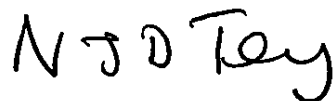
GOING CONCERN

The Directors confirm that they are satisfied that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to apply the going concern basis in the preparation of these financial statements.

DONATIONS

The company made charitable donations during the year of \$460,209 (2011: \$508,049). There were no political donations made during the year.

By Order of the Board



Nigel Terry
Director
6 September 2013

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 AUDITOR'S 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 2012 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 to them in an auditor's 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 auditor

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, 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 (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 website at 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 2012 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



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

6 September 2013

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2012

	Notes	2012 \$'000	2011 \$'000
Turnover	2	192,161	178,086
Operating expenses	3,4	<u>(179,660)</u>	<u>(167,843)</u>
Operating profit before taxation		12,501	10,243
Exchange gains/(losses)		117	(2,180)
Interest receivable		12	
Interest payable and similar charges		(16)	(214)
Profit before taxation	5	<u>12,614</u>	<u>7,849</u>
Tax on profit	6	(86)	(1,539)
Profit for the year		<u><u>12,528</u></u>	<u><u>6,310</u></u>

The results for the twelve months ended 31 December 2012 are derived from continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account

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

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

For the year ended 31 December 2012

	2012	2011
	\$'000	\$'000
Opening Shareholders' funds	34,304	27,994
Retained profit for the year	12,528	6,310
	<u>46,832</u>	<u>34,304</u>

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

BALANCE SHEET
 As at 31 December 2012

	Notes	2012 \$'000	2011 \$'000
ASSETS			
Cash at bank and in hand		22,879	9,311
Debtors Amounts falling due within one year	7,8	88,296	72,415
TOTAL ASSETS		111,175	81,726
LIABILITIES			
Capital and reserves			
Called-up share capital	9	-	-
Profit and loss account	10	46,832	34,304
Shareholders' Funds		46,832	34,304
Creditors			
Creditors Amounts falling due within one year	11	64,343	47,422
TOTAL LIABILITIES		111,175	81,726

These financial statements were approved by the board of directors on 6 September 2013 and signed on its behalf by



Nigel Terry
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

1 Accounting Policies

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

The principal accounting policies are set out below and have been applied consistently throughout the year

Cash flow statement

The Company is wholly owned subsidiary of Aspen Insurance Holdings Limited ("AIHL") and is included in the consolidated financial statements of AIHL, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the provisions of FRS1 (revised 1996)

Related party transactions

As a wholly owned subsidiary of AIHL, the Company has taken advantage of the exemption contained in FRS 8 from disclosing related party transactions or balances with entities that are part of the AIHL Group. The consolidated financial statements of AIHL are publicly available and can be requested from the address given in note 13

Turnover

Turnover represents the cost, plus a processing service fee, of providing services to AIUK, AUL, AMAL, ARML, APJJ and AUKSS

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 through the Profit & Loss account

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

2. Turnover

	2012	2011
	\$'000	\$'000
Management fees	192,161	178,086

3. Operating Expenses

	2012	2011
	\$'000	\$'000
Staff costs (see note 4 below)	102,214	87,756
Other administration costs	77,446	80,087
	<u>179,660</u>	<u>167,843</u>

4. Staff Costs (including directors)

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

	2012	2011
Underwriting	190	185
Claims administration	48	44
Other administration	265	239
	<u>503</u>	<u>468</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

4. Staff Costs (including directors) (continued)

	2012	2011
	\$'000	\$'000
Salaries	70,675	69,621
Other employee benefits	12,765	3,066
Social security costs	10,529	7,891
Pension costs	8,245	7,178
	<u>102,214</u>	<u>87,756</u>

Directors' Remuneration

The aggregate emoluments of the directors were as follows

	2012	2011
	\$'000	\$'000
Directors' emoluments	2,019	2,243
Company contributions to defined contribution pension schemes	133	225
Compensation for loss of office (excluding shares)	384	-
Total	<u>2,536</u>	<u>2,468</u>

The remuneration of the highest paid director in 2012 was \$990,026 (2011 \$912,923) plus pension contributions of \$13,780 (2011 \$79,615)

	2012	2011
Retirement benefits are accruing to the following number of current directors under		
Defined contribution pension schemes	3	3

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

5 Profit on ordinary activities before taxation

All administrative and service expenses for AIUK, AMAL, ARML, APJJ and AUKSS are borne by the Company. All these expenses, including amounts paid to the auditors of \$13,340 (2011: \$12,952), are subsequently reimbursed by AIUK together with a service fee payable to the Company. Amounts paid to the auditors relate to the audit of these financial statements.

During 2012 the only expenses incurred by the Company represented salary, NIC and pension costs for employees. All other costs were borne by fellow group companies.

6. Taxation

	2012	2011
	\$'000	\$'000
Taxation of amounts recognised in the Profit and Loss Account		
<i>UK corporation tax</i>		
Current tax on income for the year	-	(2,640)
Adjustments in respect of prior periods	2,713	413
Total current tax credit/(charge)	<u>2,713</u>	<u>(2,227)</u>
<i>Deferred tax</i>		
Origination/reversal of timing differences	(1,033)	1,258
Adjustments in respect of prior periods	(1,357)	-
Impact of rate change	(409)	(570)
Total deferred tax (charge)/credit	<u>(2,799)</u>	<u>688</u>
Total tax charge on profits on ordinary activities	<u>(86)</u>	<u>(1,539)</u>

The current tax charge (2011: charge) for the period is lower (2011: higher) than the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are explained below:

	2012	2011
	\$'000	\$'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	12,614	7,849
Current tax at 24.5% (2011: 26.5%)	<u>(3,091)</u>	<u>(2,080)</u>
<i>Effects of</i>		
Adjustments in respect of prior periods	2,713	413
Disallowed items	(368)	(443)
Adjustments relating to other timing differences	4,220	(117)
Losses carried forward	(761)	-
Total current tax credit/(charge) (see above)	<u>2,713</u>	<u>(2,227)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

6. Taxation (continued)

During the year, Finance Act 2012 enacted the reduction in corporation tax rate to 24% with effect from April 2011, and 23% from April 2013. The UK Government announced in the Autumn Statement on 5 December 2012 that the corporation tax rate would reduce to 21% (instead of 22%) from April 2014. On 20 March 2013, the UK Government made a further announcement in the 2013 Budget statement that the corporation tax rate would reduce to 20% from April 2015. Other than the enacted changes to 24% and 23%, the effects of the announced changes are not reflected in the financial statements for the year ended 31 December 2012 as they were not enacted at the balance sheet date.

7. Debtors. Amounts falling due within one year

	2012 \$'000	2011 \$'000
Deferred tax asset (note 8)	4,448	7,248
Amounts due from fellow group undertakings	70,845	58,063
Other debtors	13,003	7,104
	<u>88,296</u>	<u>72,415</u>

8. Deferred Taxation

	2012 \$'000	2011 \$'000
The deferred tax asset comprises the following		
Other short-term timing differences	3,615	7,248
Losses carried forward	833	-
	<u>4,448</u>	<u>7,248</u>

The other short-term timing differences relate to the tax deduction which will arise on the options granted by the Company.

9. Share Capital

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

	2012 £	2012 \$	2011 £	2011 \$
Allotted, issued and fully paid-up				
1 ordinary shares of £1 each	1	2	1	2

10. Reserves

	2012 \$'000	2011 \$'000
Opening reserves	34,304	27,994
Profit for the period	12,528	6,310
Closing reserves	<u>46,832</u>	<u>34,304</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

11. Creditors: Amounts falling due within one year

	2012	2011
	\$'000	\$'000
Amounts due to fellow group undertaking	37,691	22,420
Corporation tax	8,120	10,834
Other creditors	18,532	14,168
	<u>64,343</u>	<u>47,422</u>

12. 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 \$8,244,506 (2011: \$7,178,099).

13. 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 ultimate parent undertaking and controlling party is Aspen Insurance Holdings Limited ("AIHL") which is the parent undertaking of the smallest and largest group to consolidate these financial statements. 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.

14. Post Balance Sheet Event

The Company declared and paid a dividend of \$48m to its parent company, Aspen (UK) Holdings Limited in July 2013.