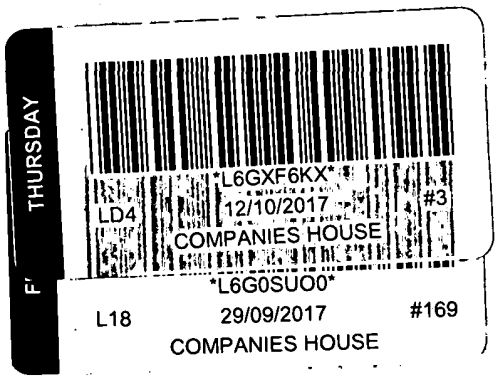
Registered No. 4270446

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ASPEN INSURANCE UK SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016



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THE COMPANY

Directors
Christopher O'Kane
Helen Rose
Karen Green
Michael Cain (appointed 19 April 2017)

Secretary
Helen Lipscomb

Auditor
KPMG LLP
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

STRATEGIC REPORT

Overview

Aspen Insurance UK Services Limited ("the Company") has, throughout the year, continued to act as a service company for the following entities within the Aspen group (together referred to as "the group companies"):

- Aspen Insurance UK Limited ("AIUK");
- Aspen Underwriting Limited ("AUL");
- Aspen Managing Agency Limited ("AMAL");
- Aspen Risk Management Limited ("ARML"); and
- Aspen Lloyd's Syndicate 4711.

The Company administers and provides services and employs staff used by the group companies, except for ARML. All services and expenses are paid for by the Company and then recharged to the group companies. The Company's activities are not expected to change in the foreseeable future.

Activities during 2016

The Company is a service company and 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 the group companies; and
- payment of operating expenses incurred by the group companies. A processing service fee is charged on services (excluding staff related costs) provided to the group companies in addition to the cost of the services.

No dividends were paid during the year to Aspen (UK) Holdings Limited (2015: $5.0m), the Company's immediate parent company. The financial performance and position of the Company is explained in the Directors' Report, set out on page 4.

Principal Risks and Uncertainties

The Company's business is the provision of administrative and other services to the group companies. The Company has in place a risk management process which is appropriate to the relatively low risks of the Company and is in accordance with the Aspen Group Risk Management Framework. The main risks are defined as follows:

- Liquidity Risk - the risk that the Company is unable to make payment particularly to suppliers when required. This will be reduced through funding from fellow group companies as and when needed;
- Operational Risk - the risk of loss arising from inadequate or failed internal processes, personnel or systems or from external events. Operational risks are managed by the Aspen group at the level of the entities that use the service company. The Group Risk Management Team have worked with key members of management within those entities and identified operation risks and their related risk assessments, owners and identified controls in a separate 'Operational Risk Register' for each of those entities. This will include operational risks relating to processes undertaken by the service company; and
- Market Risk - the risk of variation in the fair value of derivative contracts including the effect of changes in foreign currency exchange rates.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Company is the provision of administrative and other services to the group companies. The Company also acts as the employer of all staff used by the group companies, except ARML. A review of the business and future prospects of the Company is contained within the Strategic Report on page 3.

RESULTS AND DIVIDENDS

The results for the year are set out in the accompanying Income Statement. The net profit for the year before tax was $16.8m (2015: $6.5m) and the net asset position of the Company is $19.2m (2015: $3.8m). The directors regard the current state of affairs of the Company and its future prospects as satisfactory.

No dividends were declared or paid in the year (2015: $5.0m to Aspen (UK) Holdings Limited, the Company's immediate parent company).

SHARE CAPITAL

The authorised share capital of the Company is 1 ordinary share of £1.

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 2016 and up to the date of this report are as follows:

	Date of appointment	Date of resignation
Helen Rose	19 November 2015	
Carole Barlow		26 August 2016
Karen Green	26 August 2016	
Michael Cain	19 April 2017	

COMPANY SECRETARY

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

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, as far as they are each aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditor will deemed to be reappointed and KPMG LLP will therefore continue in office.

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.

FINANCIAL RISK MANAGEMENT

The Company's business is the provision of administrative and other services to the group companies. The Company has in place a risk management process which is appropriate to the relatively low risks of the Company and is in accordance with the Aspen Group Risk Management Framework. This is explained in more detail in the Strategic Report on page 3.

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 affirmation, 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 year the average number of staff employed was 751 (2015: 701). The number of staff employed at the year end was 800 (2015: 710).

SUPPLIER PAYMENT POLICY

During the financial year the Company has 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.

EVENTS SINCE THE REPORTING DATE

In April 2017, the Company purchased the tangible fixed assets of AIUK, a fellow group subsidiary, at a value of $50.5m. This is funded by a $60m 10-year intercompany loan issued by AIUK, with the available balance to purchase new fixed assets.

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 no charitable or political donations during the year (2015: $nil).

By Order of the Board

Helen Rose

Helen Rose
Director
21 September 2017

Registered in England No: 4270446

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

The directors are responsible for preparing the Strategic Report, 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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 judgements 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 2016 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) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.
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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2016 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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 LLP, Statutory Auditor
Chartered Accountants
15 Canada Square London
E14 5GL
21 September 2017

INCOME STATEMENT

	Notes	For the year ended 31 December 2016 $'000	2015 $'000
Turnover		217,312	210,473
Operating expenses	2	(210,460)	(203,368)
Operating profit		6,852	7,105
Foreign exchange gains/(losses)		9,899	(677)
Interest receivable		56	50
Profit on ordinary activities before taxation	4	16,807	6,478
Tax on profit on ordinary activities	5	(2,123)	(1,010)
Profit for the financial year		**14,684**	5,468

STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the year ended 31 December 2016 $'000	2015 $'000
Profit for the financial year		14,684	5,468
Profit/(Loss) on cash flow hedges	9	722	(1,242)
Total comprehensive income for the year		**15,406**	4,226

The results for the year ended 31 December 2016 and 2015 are derived from continuing operations.

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

STATEMENT OF CHANGES IN EQUITY

	Notes	For the year ended 31 December 2016 $'000	2015 $'000
Opening shareholder's equity		3,801	4,575
Dividends paid	10	—	(5,000)
Profit for the financial year	10	14,684	5,468
Other reserves	9	722	(1,242)
Closing shareholder's funds		**19,207**	**3,801**

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

BALANCE SHEET

As at 31 December 2016

	Notes	2016 $'000	2015 $'000
ASSETS			
Cash at bank and in hand		11,327	15,299
Debtors	6	27,075	63,107
Total Assets		**38,402**	**78,406**
EQUITY AND LIABILITIES			
Capital and reserves			
Called up share capital	8	—	—
Other reserves	9	(520)	(1,242)
Profit and loss account	10	19,727	5,043
		19,207	**3,801**
Liabilities			
Creditors: amounts falling due within one year	11	19,195	74,605
Total Equity and Liabilities		**38,402**	**78,406**

These financial statements were approved by the Board of Directors on 21 September 2017 and signed on its behalf by:

Helen Rose
Director

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. Accounting policies

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 ("FRS 102"), being applicable UK GAAP accounting standard in the United Kingdom.

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006.

Basis of preparation

The functional and presentation currency of these financial statements is US dollars. All amounts in the financial statements have been rounded to the nearest $1,000.

The Company's ultimate parent undertaking, Aspen Insurance Holdings Limited ("AIHL") includes the Company in its consolidated financial statements. The consolidated financial statements of AIHL are prepared in accordance with US GAAP, which are publicly available and may be obtained from 141 Front Street, Hamilton, Bermuda. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Requirements of related party disclosures;
- Key management personnel compensation.

The principal accounting policies are set out below and have been applied consistently to all periods presented in these financial statements.

Turnover

Turnover represents the cost, plus a processing service fee, of providing services to the group companies and is recognised on an accrual basis in line with the underlying expense.

Operating expenses

Operating expenses represents the costs of providing administrative and other services to the group services as incurred.

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 102.

Foreign currency

Foreign currency transactions are translated at the average rates of exchange for the year.

Monetary assets and liabilities are translated into US Dollars at year end exchange rates and differences arising on translation are recorded through the Income Statement.

Financial instruments

a) **Other debtors and other creditors**

Other debtors are recognised initially at transaction price less attributable transaction costs. Other creditors are recognised initially at transaction price plus attributable transaction costs.

b) **Cash flow hedges**

The Company entered into several forward exchange contracts in order to hedge its cash flow in respect of salaries and rent against the devaluation of the USD. The cash flow for these payments are expected to be made monthly and recognised in the Income Statement at the date of payment. Further information is provided in Note 9.

The financial liabilities relating to derivatives are recognised at fair value through other comprehensive income, and are classified within creditors.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are the company's key sources of estimation uncertainty:

Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

2. Operating expenses

	2016 $'000	2015 $'000
Staff costs (Note 3)	124,856	125,924
Other administration costs	85,604	77,444
	210,460	**203,368**

3. Staff costs

The average number of employees (including directors) employed by the Company in the year was as follows:

	2016	2015
Underwriting	377	326
Claims administration	51	49
Other administration	323	326
	751	**701**

	2016 $'000	2015 $'000
Salaries	96,270	95,086
Social security costs	10,903	10,172
Other employee benefits	9,741	11,331
Pension costs	7,942	9,335
	124,856	**125,924**

Directors' remuneration

The aggregate emoluments of the directors were as follows:

	2016 $'000	2015 $'000
Directors' emoluments	1,969	1,824
Company contributions to defined contribution pension schemes	36	92
	2,005	**1,916**

The remuneration of the highest paid director in 2016 was $953,050 (2015: $1,132,030) plus pension contributions of $nil (2015: $nil). This was fully recharged to other Group companies.

Retirement benefits are accruing to the following number of current directors under:

	2016	2015
Defined contribution pension schemes	**3**	**3**

4. Profit on ordinary activities before tax

All administrative and service expenses for the group companies are borne by the Company. All these expenses are subsequently reimbursed by the group companies together with a service fee payable to the Company.

Fees paid to the auditors in respect of the audit of these financial statements of $26,045 (2015: $25,135) were reimbursed by AIUK.

5. Taxation

	2016 $'000	2015 $'000
UK corporation tax		
Current tax charge on profit for the year	(4,041)	(711)
Adjustments in respect of prior periods	1,134	(653)
Total current tax charge	**(2,907)**	**(1,364)**
Deferred tax		
Origination/reversal of timing differences	1,328	295
Adjustments in respect of prior periods	(126)	499
Impact of rate change	(418)	(440)
Total deferred tax credit	**784**	**354**
Tax charge on profit on ordinary activities	**(2,123)**	**(1,010)**

The tax charge (2015: charge) for the period is lower (2015: lower) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained below.

	2016 $'000	2015 $'000
Total tax reconciliation		
Profit on ordinary activities before tax	16,807	6,478
Current tax at 20.00% (2015: 20.25%)	(3,361)	(1,312)
Effects of		
Disallowed items	(580)	(608)
Adjustments relating to share based payments	737	1,596
Foreign exchange	491	(93)
Impact of rate change	(418)	(440)
Adjustments in respect of prior periods	1,008	(153)
Total tax charge (see above)	**(2,123)**	**(1,010)**

Further reductions of the U.K. corporate tax rate to 19% from April 1, 2017 and 17% from April 1, 2020 were enacted on November 18, 2015 and September 15, 2016 respectively. These reductions have been reflected in measuring deferred taxes.

6. Debtors

	2016 $'000	2015 $'000
Deferred tax asset (Note 7)	4,657	3,873
Amounts owed by group undertakings	18,287	48,176
Other debtors	4,131	11,058
	27,075	**63,107**

7. Deferred taxation

	2016 $'000	2015 $'000
The deferred tax asset comprises the following:		
Temporary differences related to share based payments	4,328	3,658
Temporary differences related to pension contributions	329	215
	4,657	**3,873**

8. Called up share capital

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

	2016 £	2016 $	2015 £	2015 $
Allotted, issued and fully paid-up				
1 ordinary share of £1 each	**1**	**2**	**1**	**2**

9. Other reserves

Other reserves comprise the following:

	2016 $'000	2015 $'000
Cash flow hedges		
As at 1 January	(1,242)	—
Change in fair value recognised in other comprehensive income	722	(1,242)
As at 31 December	**(520)**	**(1,242)**

The financial liabilities in respect of derivatives are measured at fair value through other comprehensive income are included within creditors (Note 11).

10. Profit and loss account

	2016 $'000	2015 $'000
As at 1 January	5,043	4,575
Profit for the financial year	14,684	5,468
Dividends paid	—	(5,000)
As at 31 December	**19,727**	**5,043**

11. Creditors: amounts falling due within one year

	2016 $'000	2015 $'000
Amounts owed to group undertakings	5,841	45,268
Amounts owed to group undertakings relating to tax	4,374	12,074
Other creditors	8,336	16,021
Financial liability relating to derivatives (Note 9)	644	1,242
	19,195	**74,605**

12. Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the fund and amounted to $7,941,920 (2015: $9,335,162) (Note 3).

13. Event since the reporting date

In April 2017, the Company purchased the tangible fixed assets of AIUK, a fellow group subsidiary, at a value of $50.5m. This is funded by a 10-year intercompany loan facility issued by AIUK.

14. Ultimate holding company

The Company is a direct subsidiary undertaking of Aspen (UK) Holdings Limited whose ultimate parent company is AIHL incorporated in Bermuda. The ultimate parent undertaking and controlling party is 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.