

ASPEN RECOVERIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



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THE COMPANY

Directors

Scott Kirk
Silvia Martinez
Lynn Hassett

Secretary

Helen Lipscomb

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Legal Advisors

Wilkie Farr & Gallagher LLP
City Point
1 Ropemaker Street
London
EC2Y 9HT

Registered Office

30 Fenchurch Street
London
EC3M 3BD

Registered in England No. 8228285

STRATEGIC REPORT

The Directors present the Strategic Report for the year ended 31 December 2018.

Overview

Aspen Recoveries Limited (the "Company") is a special purpose vehicle which manages subrogation rights for Aspen Insurance UK Limited ("AIUK").

Activities during the year

The Company is not involved in any day-to-day trading activities and the directors intend to wind up the Company within the next 12 months.

Principal risks and uncertainties

The Company's business is to manage subrogation rights for Aspen Insurance UK Limited ("AIUK"). The Company has in place a risk management process, which is undertaken in accordance with the Aspen Group Risk Framework.

By order of the board



Scott Kirk

Director

17 July 2019

DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 31 December 2018.

Principal activity and review of the business

Aspen Recoveries Limited is a special purpose vehicle which managed subrogation rights for AIUK. 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 is set out in the accompanying Income Statement on page 9. The loss after tax for the year was \$3,000 (2017: profit of \$34,000). The Company has not declared or paid any dividends during the year (2017: nil).

Balance sheet

The Balance Sheet of the Company at the end of 2018 consists of total assets of \$1,718,000 (2017: \$1,721,000) and shareholder's equity of \$1,698,000 (2017: \$1,701,000). The largest asset consists of amounts owed by group undertakings of \$1,631,000 (2017: \$1,634,000).

Share capital

The issued share capital of the Company consists of one (2017: one) ordinary share of £1 (2017: £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 2018 and up to the date of this report are as follows:

	<u>Date of appointment</u>	<u>Date of resignation</u>
Silvia Martinez	June 4, 2019	
Mike Cain		June 4, 2019

According to the Register of Directors' interests, no Director had a disclosable interest in the shares of the Company, and no Director had been granted or had exercised any right to subscribe for such shares during the period under review.

Company secretary

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

Financial risk management

The Company's business was to hold subrogation rights in connection to claims payments made by AIUK. The Company has in place a risk management process, which is undertaken in accordance with the Aspen Group Risk Framework.

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.

Employees

There are no employees in the Company (2017: nil) and all of the personnel employed in the Company's business are employed by Aspen Insurance UK Services Limited ("AIUKS"), a fellow group subsidiary.

Going Concern

The Directors intend to wind up the Company within the next 12 months, therefore it is no longer regarded as a going concern. Investments in subsidiaries are held at the lower of carrying amount and fair value less cost to sell. Other assets and liabilities are stated at the carrying amount which is considered a reasonable approximation of the recoverable amount.

Charitable and political donations

The Company made no charitable or political donations during the year (2017: \$Nil).

Future Developments

The Directors intend to wind up the Company within 12 months of these financial statements being signed.

Events since the reporting date

On 15 February 2019, Aspen Insurance Holdings Limited ("AIHL") the ultimate parent of the Company, merged with Highlands Merger Sub, Ltd. ("Merger Sub"), a Bermuda exempted company and wholly owned subsidiary of Highlands Holdings, Ltd., a Bermuda exempted company ("Parent"). Both Merger Sub and Parent are affiliates of certain investment funds managed by affiliates of Apollo Global Management, LLC ("Apollo"). AIHL, Parent and Merger Sub merged with and into AIHL with AIHL continuing as the surviving company and as a wholly-owned subsidiary of the Parent Company.

On 8 July 2019, an application submitted to the Accounting and Corporate Regulatory Authority of Singapore to strike off Chaspark Maritime Holdings Pte Limited was accepted.

Statement of 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 auditor is unaware and each Director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

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

By order of the board



Scott Kirk
Director

17 July 2019

Aspen Recoveries Limited
Company Number: 8228285

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT,
THE 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 MEMBER OF ASPEN RECOVERIES LIMITED

Opinion

We have audited the financial statements of Aspen Recoveries Limited ("the Company") for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet and related notes, including the accounting policies in note 1:

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter - non-going concern basis of preparation

We draw attention to the disclosure made in Note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

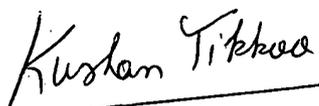
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Kushan Tikkoo (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
17 July 2019

STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

	Notes	For the year ended 31 December	
		2018 \$'000	2017 \$'000
Interest income	2	—	48
Other expenses	3	(4)	(1)
(Loss)/Profit before taxation	5	<u>(4)</u>	<u>47</u>
Tax credit/(charge) on (Loss)/Profit	7	1	(13)
(Loss)/Profit for the year		<u>(3)</u>	<u>34</u>
Total Comprehensive (Loss)/Income for the Year		<u><u>(3)</u></u>	<u><u>34</u></u>

All results for the year are classed as discontinuing as the Directors have the intent to wind up the Company within 12 months from the signing of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	For the year ended 31 December	
	2018 \$'000	2017 \$'000
Opening shareholder's equity	1,701	1,667
(Loss)/Profit for the financial year	(3)	34
Closing shareholder's equity	<u><u>1,698</u></u>	<u><u>1,701</u></u>

The notes on pages 11 to 15 form part of these financial statements.

BALANCE SHEET

	Notes	As at 31 December	
		2018 \$'000	2017 \$'000
ASSETS			
Investments			
Investments in group undertakings	8	26	26
Debtors			
Amounts owed by group undertakings	9	1,631	1,634
Cash at bank and in hand		61	61
Total Assets		<u>1,718</u>	<u>1,721</u>
LIABILITIES AND EQUITY			
Creditors			
Other creditors	10	<u>20</u>	<u>20</u>
Total liabilities		<u>20</u>	<u>20</u>
Capital and reserves			
Called up share capital	11	—	—
Capital contribution reserve	12	2,200	2,200
Profit and loss account		(502)	(499)
Shareholder's equity		<u>1,698</u>	<u>1,701</u>
Total Equity and Liabilities		<u>1,718</u>	<u>1,721</u>

These financial statements were approved by the Board of Directors on 15 July 2019 and signed on its behalf:



Scott Kirk
Director

17 July 2019

The notes on pages 11 to 15 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. ACCOUNTING POLICIES

1.1 Statement of Compliance

Aspen Recoveries Limited ("the Company") is a Company limited by shares and incorporated and domiciled in the United Kingdom. The Registered Office is 30 Fenchurch Street, London EC3M 3BD.

The Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its consolidated results.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") being applicable UK GAAP accounting standard, and in accordance with Schedule 1 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations.

1.2 Basis of Preparation

The financial statements for the year ended 31 December 2018 were approved for issue by the Board of Directors on July 2019. The presentation and functional 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 as at 31 December 2018, 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, available to the public and may be obtained from the Secretary, Aspen Insurance Holdings Limited, c/o the address shown in Note 12. 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; and
- Key management personnel compensation.

1.3 Going Concern

These financial statements are prepared under historical cost convention. The Directors intend to wind up the Company within the next 12 months therefore it is no longer regarded as a going concern. All assets and liabilities held by the Company will be transferred to its immediate parent Aspen (UK) Holdings Limited ("AUKH"). Investments in subsidiaries are held at the lower of carrying amount and fair value less cost to sell. Other assets and liabilities are stated at the carrying amount which is considered a reasonable approximation of the recoverable amount.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.4 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:

Judgements made by the Directors, in the application of these accounting policies, that have significant effect on the financial statement and estimate with a significant risk of material adjustment in the next year are the ability of subsidiaries to continue in business.

1.5 Significant Accounting Policies

Investments

Investments are valued at cost less any provision required for impairment.

Short-term debtors and creditors

Short-term debtors and creditors include balances with group undertakings. Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price less any impairment.

Impairment of assets

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their net realisable value and value in use. The net realisable value is the expected proceeds less the cost to sell. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment.

Reversals of impairment

For assets where the recoverable amount increases as a result of a change in economic conditions or in the expected realisable value of the asset then the resultant reversal of the impairment loss should be recognised in the current year.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Interest income

Interest income is derived from interest bearing loans made to related parties. Interest is calculated in accordance with the relevant loan terms and is recognised on an accruals basis.

Foreign exchange

The financial statements are prepared in US dollars. Foreign currency transactions have been translated at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities have been translated into US dollars at the rate of exchange ruling at the balance sheet date. Foreign exchange gains and losses are dealt with through the profit and loss account.

Taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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.

2. INTEREST INCOME

No interest income was recognised in 2018. The amount recognized in 2017 of \$48,000 was in respect to the interest bearing loan advanced to Chaspark Maritime of \$1,140,000 (see Note 9 for further details).

3. OTHER EXPENSES

A summary of the Company's other expenses for the 12 months ended December 31, 2018 is as follows:

	2018	2017
	\$'000	\$'000
Write-off of amount owed by group undertaking	(4)	—
Bank charges	—	(1)
	(4)	(1)
	(4)	(1)

4. DIRECTORS' REMUNERATION

No Directors' remuneration was incurred in the year (2017: \$Nil).

5. PROFIT BEFORE TAXATION

The fee for the audit of the Company of \$5,000 (2017: \$5,000) was excluded from the profit before taxation and was fully borne by another group company.

6. STAFF NUMBERS AND COSTS

The average number of employees (including directors) employed by the Company in the year was Nil (2017: Nil), and no payroll related costs were borne by the Company during the year (2017: \$Nil).

7. TAXATION

An analysis of the tax credit/(charge) in the year is as follows:

	2018	2017
	\$'000	\$'000
<i>UK corporation tax</i>		
Current tax credit/(charge) on the result for the year	1	(9)
Adjustment in respect of prior periods	—	(4)
Total tax credit/(charge) on (loss)/profit	1	(13)
	1	(13)

The current tax charge (2017: tax credit) for the period is higher (2017: equal) than the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained as follows:

	2018	2017
	\$'000	\$'000
<i>Total tax reconciliation</i>		
(Loss)/Profit before tax	(4)	47
Current tax credit/(charge) at standard rate 19.00% (2017: 19.25%)	1	(9)
<i>Effects of:</i>		
Adjustments in respect of prior years	—	(4)
Tax credit/(charge) on (loss)/profit	1	(13)
	1	(13)

8. INVESTMENTS IN GROUP UNDERTAKINGS AND RELATED PARTIES

Investments in group undertakings are as follows:

Name	Country of incorporation	Class of shares held	Principal activities	Held directly or indirectly
Chaspark Maritime Holdings Pte Limited	Singapore	Ordinary	Holding company	Directly
Chaspark Maritime Pte Limited (Liquidated)	Singapore	Ordinary	Shipping lines	Indirectly

Chaspark Maritime Holdings Pte Limited

The Company directly owned 58.45% of Chaspark Maritime Holdings Pte Limited. The remaining 41.55% of the shares in Chaspark Maritime Holdings Pte Limited are owned by other companies unrelated to the Company. This investment is held at its cost of \$26,000.

Chaspark Maritime Pte Limited

Chaspark Maritime Holdings Pte Limited owned 90% of Chaspark Maritime Pte Limited prior to its liquidation on 30 October 2018. The remaining 10% of the shares in Chaspark Maritime Pte Limited was owned by other companies unrelated to the Company. Chaspark Maritime Pte Limited operated a fixed-rate charter a maritime cement carrying vessel which was received as a subrogation settlement.

9. DEBTORS

	2018 \$'000	2017 \$'000
Amounts owed by group undertakings	1,631	1,634
	<u>1,631</u>	<u>1,634</u>

The 2018 balance of \$1,631,000 will be cleared down as part of the Director's decision to wind up the Company within the next 12 months.

10. CREDITORS

	2018 \$'000	2017 \$'000
Other creditors	20	20
	<u>20</u>	<u>20</u>

Other creditors relate to outstanding consultancy fees.

11. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid up share capital consists of one (2017: one) ordinary share of £1 (2017: £1).

12. CAPITAL CONTRIBUTION RESERVE

In 2012, the Company received a \$2,200,000 capital contribution from AUKH, the Company's immediate parent company. This was made to fund the operations of the Company. No shares were issued in exchange for this contribution.

The total funds available for distribution of \$1,698,000 (2017: \$1,701,000) include the \$2,200,000 (2017: \$2,200,000) capital contribution reserve less the \$502,000 (2017: \$499,000) profit and loss account.

13. ULTIMATE HOLDING COMPANY

The Company is a direct subsidiary undertaking of AUKH whose ultimate parent company as at 31 December 2018 was AIHL incorporated in Bermuda. The largest group in which the results of the Company are consolidated is that headed by AIHL. 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.

14. SUBSEQUENT EVENTS

On 15 February 2019, AIHL, the ultimate parent of the Company, merged with Highlands Merger Sub, Ltd. ("Merger Sub"), a Bermuda exempted company and wholly owned subsidiary of Highlands Holdings, Ltd., a Bermuda exempted company ("Parent"). Both Merger Sub and Parent are affiliates of certain investment funds managed by affiliates of Apollo Global Management, LLC ("Apollo"). AIHL, Parent and Merger Sub merged with and into AIHL with AIHL continuing as the surviving company and as a wholly-owned subsidiary of the Parent Company.

On 8 July 2019, an application submitted to the Accounting and Corporate Regulatory Authority of Singapore to strike off Chaspark Maritime Holdings Pte Limited was accepted.