

AmTrust Lloyd's Holdings (UK) Limited

**Directors' report and financial
statements**

31 December 2017

Registered number 10189982

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Directors and advisers

Directors

J E Cadle
P Dewey

Registered Office

10th Floor
Market Square House
Saint James' Street
Nottingham
NG1 6FG

Registration Number

10189982

Independent auditors

KPMG LLP

Strategic report

The directors present their Strategic report for AmTrust Lloyd's Holdings (UK) Limited ("the Company") for the year ended 31 December 2017.

Overview

The principal activity of the Company is of an intermediate holding company.

The Company's immediate parent is AmTrust International Limited, a company incorporated in the UK.

The Company's ultimate parent company is AmTrust Financial Services, Inc. (Nasdaq: AFSI) ("AmTrust").

On 1 March 2018 AFSI has entered into a definitive agreement with Evergreen Parent, L.P., an entity formed by private equity funds managed by Stone Point Capital LLC, together with Barry D. Zyskind, Chairman and CEO of AFSI, George Karfunkel and Leah Karfunkel (collectively, the "Karfunkel-Zyskind Family"), in which Evergreen Parent will acquire the approximately 45% of the company's issued and outstanding common shares that the Karfunkel-Zyskind Family and certain of its affiliates and related parties do not presently own or control. The proposed transaction as contemplated by the definitive agreement was approved by AFSI's stockholders on 21 June 2018. The proposed transaction is anticipated to close during the second half of 2018, subject to the satisfaction of customary closing conditions, including approval by regulatory authorities.

Business review and future developments

The loss after taxation for the year was \$99,289,869 (period ended 31 December 2016: \$7,870).

The results of the Company are set out in the statement of comprehensive income on page 8.

Key Performance Indicators

The Company's key financial performance indicator during the year was as follows:

	2017	2016
	\$000	\$000
Net assets	103,988	203,269

The decrease in net assets is due to an impairment in subsidiaries of \$99,262,105.

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are as follows:

Subsidiary Performance Risk

This is the risk that the performance of the subsidiaries is such that the carrying value of subsidiaries is impaired, resulting in a write down of the investment valuation. The nature of the business of the Company's subsidiaries, in the normal course of business, is that they should be profitable, thus mitigating this risk. The Chief Financial Officer monitors the performance of the Company's subsidiaries to ensure that their performance is satisfactory.

Operational Risk

As an intermediate holding company, the Company has limited operational risks and what risks remain are mitigated by close involvement of all directors in key decision making.

Liquidity risk

This is the risk that the Company will not be able to meet its liabilities as they fall due, owing to a shortfall in liquid funds. To mitigate this risk, minimum levels of cash are maintained and cash flow is monitored through regular cash flow forecasting.

Strategic report *(continued)*

Group Risks

Group risk refers to risks arising in other parts of the group as well as those arising from the Company's own activities. Other than where services are outsourced to other Group subsidiaries, the group's exposure to other Group risk is minimal.

Group risks are monitored and controlled by the Company and its subsidiaries.

By order of the Board


P Dewey
Director

10th Floor
Market Square House
Saint James' Street
Nottingham
NG1 6FG

5 October 2018

Directors' report

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 2017.

Results and dividends

The loss after taxation for the year was \$99,289,869 (period ended 31 December 2016: \$7,870).

The directors do not recommend the payment of a dividend for the year ended 31 December 2017 (period ended 31 December 2016: \$nil).

Going concern

Whilst the Company has net assets of \$104.0m (2016: \$203.3m) it has net current liabilities of \$27,408 (2016: \$7,724). The Company is reliant on the support of its parent to ensure it can meet its ongoing obligations.

The directors have reasonable expectation that the Company has adequate resources to continue operations for the foreseeable future due to the continued support provided by the AmTrust group. They have therefore prepared the financial statements on the going concern basis.

Directors

The names of the directors who served during the year and as at the date of this report are listed on page 1.

Political contributions

The Company made no political donations during the year (period ended 31 December 2016: \$nil).

Auditor

The board of the Company intends to reappoint KPMG LLP in 2018.

Disclosure of information to auditor

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 group'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 group's auditor is aware of that information.

By order of the Board



P Dewey
Director

10th Floor
Market Square House
Saint James' Street
Nottingham
NG1 6FG

5 October 2018

Statement of directors' responsibilities

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 members of AmTrust Lloyd's Holdings (UK) Limited

Opinion

We have audited the financial statements of AmTrust Lloyd's Holdings (UK) Limited for the year ended 31 December 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and related notes, including accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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 5, 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.

Independent auditor's report to the members of AmTrust Lloyd's Holdings (UK) Limited *(continued)*

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.



Mark Taylor (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
5 October 2018

Statement of comprehensive income

for the year ended 31 December 2017

	Notes	2017	2016
		\$	\$
Turnover			
Administrative expenses		(99,286,561)	(9,837)
Operating loss and loss on ordinary activities before taxation	4	<u>(99,286,561)</u>	<u>(9,837)</u>
Taxation credit on loss on ordinary activities	7	4,692	1,967
Total comprehensive loss for the financial year	14	<u><u>(99,281,869)</u></u>	<u><u>(7,870)</u></u>

The Company's turnover and expenses all relate to continuing operations.

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

Statement of financial position*as at 31 December 2017*

	Notes	2017	2016
		\$	\$
Non-current assets			
Investments	8	104,015,009	203,277,194
Current assets			
Debtors	9	6,794	2,090
Creditors: amounts falling due within one year	10	(34,202)	(9,814)
Net current liabilities		<u>(27,408)</u>	<u>(7,724)</u>
Total net assets		<u>103,987,601</u>	<u>203,269,470</u>
Capital and reserves			
Called up share capital	11	146	146
Share premium	12	203,277,194	203,277,194
Profit and loss account	12	(99,289,739)	(7,870)
Total shareholder's funds - equity interests		<u>103,987,601</u>	<u>203,269,470</u>

These financial statements were approved by the board of directors on 5 October 2018 and were signed on its behalf by:



P Dewey
Director

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

Statement of changes in equity
as at 31 December 2017

	Called-up share capital	Share premium	Profit and loss account	Total
	\$	\$	\$	\$
Shares issued at incorporation on 19 May 2016	146	-	-	146
Capital contribution	-	203,277,194	-	203,277,194
Profit and total comprehensive income for the period	-	-	(7,870)	(7,870)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	146	203,277,194	(7,870)	203,269,470
Profit and total comprehensive income for the year	-	-	(99,281,869)	(99,281,869)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017	146	203,277,194	(99,289,739)	103,987,601
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Notes

(forming part of the financial statements)

1. Company information

AmTrust Lloyd's Holdings (UK) Limited is a company domiciled in England and Wales, registration number 10189982. The Registered Office is at 10th Floor, Market Square House, Saint James' Street, Nottingham NG1 6FG.

2. Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS102") as issued in August 2014. The amendments to FRS102 issued in July 2015 have been applied.

The financial statements have been prepared on the historical cost basis.

The directors have determined that it is appropriate for the accounts to be prepared on a going concern basis having reviewed the annual budget and forecasts as well as taking into account the support that the company continues to receive from other AFSI group companies including the confirmation received from AmTrust Equity Solutions that it will continue to provide financial support to the Company for at least 12 months from the date of approval of these financial statements for the year ended 31 December 2017 and thereafter for the foreseeable future to enable the Company to continue to trade.

The presentation currency of these financial statements is US Dollar (USD). The functional currency of the Company is considered to be US Dollars because that is the primary economic environment in which the Company operates.

The Company's ultimate parent undertaking is AmTrust Financial Services, Inc. ("AFSI"). AFSI includes the Company in its consolidated financial statements, which are available from that company's registered office, see note 13. In these financial statements, the Company is considered to be a qualifying entity under FRS 102 and is therefore taking advantage of the exemption to prepare consolidated accounts, a cash flow statement, disclose related party transactions and information relating to financial instruments.

3. Accounting policies

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

Key accounting judgements and sources of estimation uncertainty

The preparation of these Financial Statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates; however, the Financial Statements presented are based on conditions that existed at the reporting date.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In applying the Company's accounting policies as described in the notes to the Financial Statements, management has primarily applied judgment in the following areas:

Notes *(continued)***Use of estimation techniques and key areas of estimation uncertainty**

Estimation techniques are used for the purposes of assessing any impairment to the value of the Company's investments in its subsidiaries where appropriate. Significant sensitivity in the use of projection techniques when estimating subsidiaries' value in use arises from the following:

- revenue growth factors including those used to extrapolate beyond most recent budgets/forecasts;
- expectations about possible variations in the timing and amount of such future cash flows;
- discount factor used to calculate present value of future cash flows

Investments

Investments in subsidiaries are recorded at cost less provision for permanent diminutions in value. Any permanent diminution in value is recognised in the statement of comprehensive income.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in years different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are not discounted.

Foreign currencies

Transactions in foreign currencies are translated to the functional currency using the exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rates of exchange ruling at the reporting date. Differences arising on retranslation of foreign currency amounts are included in the statement of comprehensive income.

Basic financial instruments – trade and other debtors / creditors / cash at bank

Trade and other debtors are recognised at fair value. These are mainly in relation to the recharges with the relevant group entities and subsidiaries. Trade and other creditors, mainly relating to expenses incurred, are also recognised at fair value. Cash at hand and in bank comprises of cash balances, which are measured at fair value and are subject to an insignificant risk of change.

Notes *(continued)***4. Loss on ordinary activities before taxation**

Loss on ordinary activities before taxation is stated after charging:

	2017	<i>2016</i>
	\$	\$
Impairment of investment in subsidiary	99,262,185	-
Foreign exchange losses	984	<i>23</i>
	<hr/>	<hr/>

	2017	<i>2016</i>
	\$	\$
The analysis of the auditor's remuneration is as follows:		
Audit of the Company's annual accounts	12,000	<i>9,814</i>
	<hr/>	<hr/>

5. Staff numbers and costs

No staff were employed by the Company during the year (period ended 31 December 2016: nil).

6. Directors emoluments

The directors are remunerated by CBS (AmTrust Central Bureau of Services Limited). CBS does not allocate any costs to the Company in respect of the directors due to the fact that their activities are minimal and therefore services are effectively nil.

Notes *(continued)***7. Tax on loss on ordinary activities****a) Analysis of tax credit for the year**

	2017	2016
	\$	\$
Current tax		
UK corporation tax credit for the year	(4,692)	(1,967)
	<hr/>	<hr/>
Total current tax	(4,692)	(1,967)
	<hr/>	<hr/>

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2017	2016
	\$	\$
Loss on ordinary activities before tax	(99,286,561)	(9,837)
	<hr/>	<hr/>
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.25% (2016: 20%)	(19,112,663)	(1,967)
Effects of:		
Impairment loss not deductible for tax purposes	19,107,971	-
	<hr/>	<hr/>
Total current tax credit for the year	(4,692)	(1,967)
	<hr/>	<hr/>

b) Change of tax rate

The calculation of the taxes at the balance sheet date takes into account the reduction in the UK main corporation tax rate to 19% from 1 April 2017. The Finance Act 2018 enacted a further reduction from April 2020 to 17%.

Notes *(continued)***8. Investments**

	Shares in subsidiaries
	\$
At 1 January 2017	203,277,194
Impairments	(99,262,185)
At 31 December 2017	104,015,009

The detail of investments in subsidiaries is as follows:

Name	Country of incorporation	%	Class of shares	Registered address	Principal activity
ANV Holdings BV	Netherlands	100	Ordinary	Herikerbergweg 238, 1011 CM, Amsterdam	Holding Company

9. Debtors

	2017	2016
	\$	\$
Amounts falling due within one year		
Amounts owed by group undertakings	135	123
Corporation Tax	6,659	1,967
	6,794	2,090

10. Creditors

	2017	2016
	\$	\$
Amounts falling due within one year		
Accruals	10,810	9,814
Amounts owed to group undertakings	23,392	-
	34,202	9,814

Notes (continued)**11. Called-up share capital**

	2017	2016
	\$	\$
Allotted, called-up and fully-paid		
100 ordinary class A shares of £1 (\$1.46) each	146	146
	<u>146</u>	<u>146</u>

12. Reserves

	Share premium	Profit and loss account	Total
	\$	\$	\$
1 January 2017	203,277,194	(7,870)	203,269,324
Loss for the financial year	-	(99,286,561)	(99,286,561)
31 December 2017	<u>203,277,194</u>	<u>(99,294,431)</u>	<u>103,982,763</u>

13. Related party transactions

As the Company is a wholly owned subsidiary of AmTrust International Limited and is included in the consolidated financial statements of AmTrust Financial Services, Inc. (AFSI), which are publicly available, it has taken advantage of the exemptions available not to disclose transactions with entities that are part of the AFSI group.

14. Ultimate parent company

The immediate parent company is AmTrust International Limited, a company incorporated in the UK. The Company's ultimate holding company is AmTrust Financial Services, Inc. (AFSI) a company incorporated in Delaware, USA and listed on the NASDAQ Stock Market. A copy of AFSI's consolidated accounts can be obtained from that company's registered office, which is located at 59 Maiden Lane, 43rd Floor, New York, USA.

15. Post balance sheet events

On 1 March AFSI has entered into a definitive agreement with Evergreen Parent, L.P., an entity formed by private equity funds managed by Stone Point Capital LLC, together with Barry D. Zyskind, Chairman and CEO of AFSI, George Karfunkel and Leah Karfunkel (collectively, the "Karfunkel-Zyskind Family"), in which Evergreen Parent will acquire the approximately 45% of the company's issued and outstanding common shares that the Karfunkel-Zyskind Family and certain of its affiliates and related parties do not presently own or control. The proposed transaction as contemplated by the definitive agreement was approved by AFSI's stockholders on 21 June 2018. The proposed transaction is anticipated to close during the second half of 2018, subject to the satisfaction of customary closing conditions, including approval by regulatory authorities.