

Assured Guaranty Finance Overseas Ltd.

Registered Number: 4031467

**Annual report and financial statements
For the year ended 31 December 2018**



Assured Guaranty Finance Overseas Ltd.

Registered in England No. 4031467

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For the year ended 31 December 2018**

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Assured Guaranty Finance Overseas Ltd.

Registered in England No. 4031467

Company Information

Directors

Robert Adam Bailenson
Dominic John Frederico
Nicholas James Proud

Company secretary

Sandali Harvey

Registered office

6 Bevis Marks
London
EC3A 7BA

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Assured Guaranty Finance Overseas Ltd.

Registered in England No. 4031467

Directors' report for the year ended 31 December 2018

The directors present their report and the audited financial statements of Assured Guaranty Finance Overseas Ltd. (the "Company") for the year ended 31 December 2018. The Company has not prepared a strategic report as it has availed itself of the exemption for small companies within Part 15 of the Companies Act.

Principal activities

The Company is a wholly owned subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda domiciled, publicly traded holding company which, through its various operating subsidiaries, engages in the financial guarantee insurance and reinsurance business.

The principal activity of the Company is to introduce financial guarantee transactions to certain operating subsidiaries of AGL, primarily Assured Guaranty Municipal Corp. ("AGM"). AGM is an affiliated insurance company domiciled in the State of New York, United States of America.

The Company is authorised and regulated by the Financial Conduct Authority ("FCA") under Part IV of the Financial Services and Markets Act 2000 to conduct the business of advising on investments, arranging deals in investments and making arrangements with a view to transactions in investments. The FCA authorisation has been passported across various jurisdictions in the European Economic Area ("EEA") to enable the Company to conduct its business in other key European markets.

The Company's target transactions are public finance and infrastructure obligations in the European Economic Area, which would be co-insured by AGM together with Assured Guaranty Europe plc. ("AGE"), an affiliated, UK domiciled insurance company. Historically the Company's business had been to arrange credit derivative transactions between European counterparties and AG Financial Products Inc. ("AG FP"), an affiliated derivatives counterparty organised under the laws of the State of Delaware, United States of America. The Company has not arranged any transaction for AG FP since 2008.

The Company is not authorised as an insurer and does not participate in the transactions it arranges or places, and may not hold funds on behalf of its customers. The Company's permissions were extended during 2010 to allow it to introduce business to certain US affiliates. The Company's role is limited to acting as a pure introducer of business to those affiliate Companies. The fee income received by the Company is based on a mark up on overhead expenses and employee costs incurred from affiliated companies recharged to affiliates.

Future outlook

The Company continues to develop its pipeline of new business opportunities and is well positioned for growth within its key markets. In the UK the Company continues to build upon the demand for AGM's financing solutions within the university accommodation, social housing and other essential infrastructure markets, as well as seeking to develop its offering in the structured finance markets. Furthermore, a number of governments across Europe have announced plans to develop and renew infrastructure, providing new opportunities for the Company in respect of its forward pipeline of European infrastructure transactions. The UK's planned exit from the EU ("Brexit") raises uncertainties on the Company's ability to utilise passporting rights to conduct activities within EEA countries after Brexit. The Company's ability to introduce transactions for AGM within the EEA may be restricted if the UK leaves the EU without agreement on the terms of its exit (a "no deal Brexit").

Results and dividends

The Company's profit for the financial year is £198,000 (2017: £215,000). The directors do not recommend the payment of a dividend (2017: £nil).

Assured Guaranty Finance Overseas Ltd.

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Directors' report for the year ended 31 December 2018 (continued)**Directors**

The directors of the Company who were in office during the year or up to the date of the signing of the financial statements were:

Robert Adam Bailenson
Dominic John Frederico
Nicholas James Proud

Financial risk management objectives

The Company is not exposed to financial risk through financial investments as the Company's financial assets are solely cash deposits. The Company carefully manages its assets to ensure there are sufficient resources to fund the Company's obligations as they fall due.

Currency risk

The Company is exposed to currency risk in respect of liabilities to fellow group companies denominated in currencies other than UK pound sterling. The US dollar is the most significant currency to which the Company is exposed.

Liquidity risk

The Company monitors liquidity in order to ensure that the Company has sufficient available funds for operations. The financial resources of the Company are held in cash deposits and hence are available to meet the liabilities of the Company as they fall due.

Statement of disclosure of information to auditors

Each of the persons who is a director at the date of this report confirms that:

- 1) so far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2018 of which the auditors are unaware; and
- 2) they have taken all steps that they ought to have taken in their duty as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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.

Assured Guaranty Finance Overseas Ltd.

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Directors' report for the year ended 31 December 2018 (continued)

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102, 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.

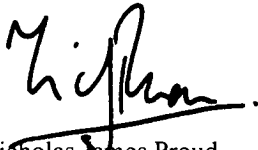
The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

Independent auditors

PricewaterhouseCoopers LLP were appointed as auditors of the Company during the year and have expressed their willingness to continue in office. A resolution concerning their reappointment was approved by the Company's Board of Directors on 24 April 2019.

Approved by the Board of Directors on 24 April 2019 and signed for on its behalf by:



Nicholas James Proud

Director

24 April 2019

Assured Guaranty Finance Overseas Ltd.

Independent auditors' report to the members of Assured Guaranty Finance Overseas Ltd.

Report on the audit of the financial statements

Opinion

In our opinion, Assured Guaranty Finance Overseas Ltd.'s financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2018; the Profit and Loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Assured Guaranty Finance Overseas Ltd.

Independent auditors' report to the members of Assured Guaranty Finance Overseas Ltd. (continued)

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Assured Guaranty Finance Overseas Ltd.

**Independent auditors' report to the members of Assured Guaranty Finance Overseas Ltd.
(continued)**

- **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



James Pearson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 April 2019

Assured Guaranty Finance Overseas Ltd.

Registered in England No. 4031467

Profit and loss account for the year ended 31 December 2018

	<i>Note</i>	2018 £'000	2017 £'000
Turnover		5,849	6,113
Administrative expenses		(5,656)	(5,821)
Profit / (loss) before taxation		193	292
Tax on profit / (loss) on ordinary activities	8	5	(77)
Profit / (loss) for the financial year		198	215

The notes on pages 12 to 16 form part of the financial statements.

All of the results set out are derived from continuing activities.

The Company has no material recognised gains and losses other than the profit above and therefore no separate statement of comprehensive income has been presented.

Assured Guaranty Finance Overseas Ltd.

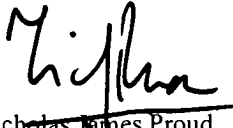
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Balance sheet as at 31 December 2018

	<i>Note</i>	2018 £'000	2017 £'000
Current assets			
Debtors	9	2,901	5,636
Cash at bank and in hand		2,781	2,151
Total Assets		5,682	7,787
Creditors: amounts falling due within one year	10	(3,291)	(5,594)
Net assets		2,391	2,193
Capital and reserves			
Called up share capital	11	200	200
Capital contribution reserve		19	19
Profit and loss account		2,172	1,974
Total shareholder's funds		2,391	2,193

The notes on pages 12 to 16 form part of the financial statements.

The financial statements on pages 9 to 16 were approved by the Board of Directors on 24 April 2019 and were signed on its behalf by:


Nicholas James Proud
Director

Assured Guaranty Finance Overseas Ltd.

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Statement of changes in equity for the year ended 31 December 2018

	Called up Share capital	Capital contribution reserve	Profit and loss account	Total shareholder's funds
	£'000	£'000	£'000	£'000
Balance as at 1 January 2017	200	19	1,759	1,978
Profit for the financial year	-	-	215	215
Balance as at 31 December 2017	200	19	1,974	2,193
Profit for the financial year	-	-	198	198
Balance as at 31 December 2018	200	19	2,172	2,391

Assured Guaranty Finance Overseas Ltd.

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Notes to the financial statements**For the year ended 31 December 2018****1. General information**

Assured Guaranty Finance Overseas Ltd. (the “Company”), is a wholly owned subsidiary of Assured Guaranty Ltd. (“AGL”). The Company is authorised and regulated by the Financial Conduct Authority (“FCA”) under Part IV of the Financial Services and Markets Act 2000 to conduct the business of advising on investments, arranging deals in investments and making arrangements with a view to transactions in investments.

The Company is a private company limited by shares and incorporated and domiciled in England. The Company’s registered office is, 6 Bevis Marks, London EC3A 7BA.

2. Statement of compliance

The financial statements of Assured Guaranty Finance Overseas Ltd. have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland, (“FRS 102”) and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

The directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also sometimes requires management to exercise its judgement in the process of applying the Company’s accounting policies. There are no material areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements and as such a separate disclosure on critical accounting judgement and estimation has not been made.

b) Turnover

Turnover is comprised of service fee income derived from introducing to, and arranging for the provision of financial guarantees from, certain of AGL’s operating subsidiaries. It is accounted for on the basis of cost plus a 10% mark up on the Company’s direct expenses and cost plus 5% mark up on the Company’s indirect expenses.

c) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at that date. All differences are recorded within the profit and loss account.

d) Administrative expenses

Administrative expenses are recognised and accrued as incurred. They are comprised of operational expenses paid by the Company.

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**Notes to the financial statements (continued)
For the year ended 31 December 2018**

3. Summary of significant accounting policies (continued)

e) Taxation

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation

A deferred tax asset or liability is recognised if transactions have occurred at the balance sheet date that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future. Deferred tax is measured using tax rates that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are not discounted.

f) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain exemptions. The Company has taken advantage of the following exemptions:

- (i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company includes the Company's cash flows in its own consolidated financial statements;
- (ii) from disclosing related party transactions on the basis the transactions are with related parties which are wholly owned within the same group.

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**Notes to the financial statements (continued)
For the year ended 31 December 2018****4. Directors' emoluments**

The directors did not receive any emoluments in respect of their services to the Company during the year (2017: nil).

During the year three directors (2017: four) participated in the long term incentive plans of the ultimate parent company, Assured Guaranty Ltd ("AGL"). No retirement benefits were accruing to directors during the year (2017: nil) as the Company does not operate a pension scheme.

5. Employees

The Company did not have any employees during the year (2017: nil). Both AGUKS and AGSRV provide certain services including the services of operational and management personnel employed by AGUKS and AGUKS to a number of companies within the AGL group, including the Company. In consideration for this service, management service fees were levied on the Company by AGUKS and by AGSRV.

6. Profit / (loss) before taxation

	2018	2017
	£'000	£'000
Profit / (loss) before taxation is stated after charging / (crediting):		
Foreign exchange gain / (loss)	4	(71)

7. Auditors' remuneration

During the year, the Company obtained the following services from the Company's auditors:

	2018	2017
	£'000	£'000
Fees payable to the Company's auditors for the audit of the Company and its financial statements	47	39
	47	39

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**Notes to the financial statements (continued)
For the year ended 31 December 2018****8. Taxation**

The tax assessed for the year differs from the effective rate of corporation tax in the UK 19% (2017: 19.25%). The differences are explained below:

	2018 £'000	2017 £'000
Current Tax:		
UK corporation tax on profit of the year	5	(58)
Adjustments in respect of prior periods	-	(19)
Tax on profit / (loss)	<u>5</u>	<u>(77)</u>

The tax assessed in the year is lower (2017: higher) than the effective rate of corporation tax in the UK 19% (2017: 19.25 %). The differences are explained below:

	2018 £'000	2017 £'000
Profit before taxation	<u>193</u>	<u>292</u>
Profit multiplied by effective rate of corporation tax in the UK 19% (2017: 19.25%)	(38)	(56)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	(24)	(2)
Group relief benefit	67	-
Adjustments in respect of prior periods	-	(19)
Tax income / (expense) for the year	<u>5</u>	<u>(77)</u>

The Company does not have any deferred tax assets or liabilities (2017: nil).

Factors affecting the tax credit / (charge) for the year:

The Finance Act 2015 introduced a reduction to the UK corporation tax rate from 20% to 19% from 1 April 2017 and to 18% from 1 April 2019. The Finance Act 2016 further reduced the corporation tax rate to 17% from 1 April 2020.

Assured Guaranty Finance Overseas Ltd.

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Notes to the financial statements (continued)**For the year ended 31 December 2018****9. Debtors**

	2018	2017
	£'000	£'000
Amounts owed by group undertakings	2,693	5,529
Corporation tax recoverable	127	68
Other debtors	81	39
	<u>2,901</u>	<u>5,636</u>

10. Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Amounts owed to group undertakings	2,380	3,848
Accruals	911	1,746
	<u>3,291</u>	<u>5,594</u>

Amounts owed to group undertakings are unsecured and interest free repayable on demand.

11. Called up share capital

	2018	2017
	£'000	£'000
Authorised		
10,000,000 (2017: 10,000,000) ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted and fully paid		
200,000 (2017: 200,000) ordinary shares of £1 each	<u>200</u>	<u>200</u>

12. Ultimate and immediate parent company

The Company's ultimate and immediate parent undertaking is AGL, a Bermuda incorporated insurance holding company.

AGL is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2018. The consolidated financial statements of AGL can be obtained from 30 Woodbourne Avenue, Hamilton HM 08, Bermuda.