Company No: 2860390

ATRIUM UNDERWRITING GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2015

Registered Office:
Room 790
Lloyd's
1 Lime Street
London
EC3M 7DQ

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A10 18/08/2016 #6
COMPANIES HOUSE

ATRIUM UNDERWRITING GROUP LIMITED

DIRECTORS
DA Baird
SJ Cook
AGK Hamilton
RdWW Harries
JRF Lee
BRA Merriman
SJ Riley
MW Smith
PJ O'Shea
NA Packer
S Shah

SECRETARY
M Bruce
Bruce Wallace Associates Limited
120 Pall Mall
London SW1Y 5EA

AUDITOR
KPMG
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London E14 5GL

BANKER
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London EC3A 4AX

REGISTERED OFFICE
Room 790, Lloyd's
1 Lime Street
London EC3M 7DQ

ATRIUM UNDERWRITING GROUP LIMITED

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2015.

Results

The profit after tax for the year, before dividends payable, amounted to $27.6m (2014: $5.5m).

Management has taken advantage of the exemption available in Section 401 of Companies Act 2006 allowing Atrium Underwriting Group Limited (AUGL) to prepare and submit company only accounts on the basis that the Company and its subsidiaries were included within the consolidated accounts of Enstar Group Limited (Enstar), the ultimate parent company.

Principal activities and review of the business

AUGL is the parent company of the Atrium Group of Companies (Atrium Group). AUGL is a limited liability company and participates in underwriting at Lloyd's through its subsidiary, Atrium 5 Limited, on Syndicate 609.

Atrium Group also owns a Lloyd's Managing Agency, Atrium Underwriters Limited (AUL), which manages Syndicate 609, and Atrium Insurance Agency Limited (AIAL), which manages a consortium of syndicates underwriting space risks. Atrium Group earns profits from the underwriting activities of Atrium 5 Limited and fees and profit commission from the businesses of AUL and AIAL.

The Company measures the following Key Performance Indicators:

	2015 $m	2014 $m	Change %
Profit before tax	28.2	4.2	572.7
Total assets less current liabilities	68.1	65.0	4.8

The profit before tax of $28.2m is higher than the 2014 profit of $4.2m, largely due to an increase of $20.2m in dividends received from the Company's subsidiaries following the excellent results of the 2013 underwriting year, a decrease in expenses related to share based incentive plans and a fall in foreign exchange losses.

The United Kingdom Accounting Standards have been updated by Financial Reporting Standard 102 (FRS 102) which the Company is reporting under for the first time. The Company has considered and early adopted the amendments to FRS 102 which were issued in July 2015 but they have not resulted in any material amendments.

Strategy

The Company's strategy is to build book value through the provision of capital for, and the management of, underwriting operations.

Capital and funds at Lloyd's

The Atrium Group has capital requirements to meet solvency rules that apply to its regulated subsidiaries and to maintain sufficient shareholders funds to meet these requirements. It must also hold sufficient funds to support its level of underwriting capacity at Lloyd's. The Atrium Group maintained underwriting capacity for the 2015 year of account at $157.8m (£107.1m). The Atrium Group's net funds at Lloyd's requirement is satisfied by letters of credit partly secured by invested assets held by Arden Reinsurance Company Limited.

STRATEGIC REPORT *(continued)*

Atrium's space venture

Atrium Insurance Agency Limited (AIAL), a UK coverholder business authorised by the Financial Conduct Authority (FCA), manages the Atrium Space Insurance Consortium (ASIC). ASIC is led by Atrium's Syndicate 609 with a further ten Lloyd's syndicates delegating underwriting authority for ASIC to underwrite on their behalf. The consortium benefits from a line of up to US$40m (2014: $38.25m) for any one satellite or launch with Syndicate 609 taking a $12.0m line for 2015 (2014: $12.0m) .

Atrium's overseas operations

The Group has service companies in Singapore, British Columbia, Canada and Washington State, USA to support the marketing and client service activities of Syndicate 609.

Future developments

The Directors intend that the Company, through its subsidiaries, will continue to participate in underwriting at Lloyd's on its managed syndicate.

Principal risks & uncertainties

The Board of AUGL is responsible for the Group's systems and internal controls and for reviewing their effectiveness.

Governance
The Board recognises the critical importance of having efficient and effective risk management systems in place but also recognises that it can only mitigate risks, and not remove them completely. The Atrium Group has established a risk management framework encompassing a risk register, a programme of internal control testing and the risk policies which set out the risk appetite, controls and business conduct standards in order to manage the risks to which the Atrium Group is exposed.

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

Income risk
The Company is exposed to income risk through loss of dividend income from its subsidiaries. This risk arises if the underwriting results, and resulting profit commission receipts, of the subsidiaries are worse than expected due to higher frequency or severity of insured events (referred to as insurance claims risk). The group monitors its exposures to insured events using the Lloyd's prescribed Realistic Disaster Scenarios.

Market risk
The key aspect of market risk is that the Company could incur losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. This risk is mitigated as the majority of the Company's business is denominated in US dollars and the majority of assets are maintained in US dollars.

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 cash. To mitigate this risk, cashflow projections are reviewed on a regular basis. The need for group borrowings or overdraft facilities in case of unprojected cash flow deficit is also reviewed regularly.

STRATEGIC REPORT *(continued)*

Operational risk

This is the risk that errors caused by people, processes or systems lead to losses to the Company. The group seeks to manage this risk by operating a control based environment which consists of documented procedures, segregation of duties and appropriate levels of review. Regular reviews are performed by the compliance department to ensure that any deviations from the group's policies are identified and reported to the appropriate level of management when considered necessary.

Regulatory risk

Subsidiary companies are required to comply with the requirements of the FCA and the PRA. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The group has a Compliance Officer and a team who monitor regulatory developments and assess the impact on group policy. They also carry out a compliance monitoring programme.

By order of the Board



RdWW Harries
Chief Executive Officer
25 May 2016

ATRIUM UNDERWRITING GROUP LIMITED

DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 2015.

Directors and officers of the Company

The current directors of the Company are disclosed on page 1.

The following director was appointed during the year:
SJ Riley (appointed effective 8 May 2015)

The following director resigned during the year:
SP Moser (resigned effective 8 May 2015)

The following director changes occurred after the year end:
RJ Harris (resigned effective 12 January 2016)
M Smith (appointed effective 12 January 2016)

Dividends

During the period a dividend of $24.5m was paid from the profits available at the time, based on the interim accounts prepared. The Directors do not recommend a final dividend, making the total dividends paid in the year $24.5m (2014: $20.0m).

Board and management changes

In 2015
Scott Moser, an Atrium Non-Executive Director since 2008, stepped down from the Board on 8 May 2015 and was replaced by Stephen Riley on the same date.

In 2016
Richard Harris, an Atrium Non-Executive Director since 2013, stepped down from the Board on 12 January 2016 and was replaced by Mark Smith on the same date.

With effect from 1 January 2016 a number of Board changes within the group took effect. Richard Harries stepped down from his role as Active Underwriter for Syndicate 609 and was replaced by Toby Drysdale. Richard became the Chief Executive Officer of the Managing Agency and remains the Chief Executive Officer of the Atrium Group. On the same date, Steve Cook stepped down from his Executive Director role of Deputy Chairman of the Atrium Group and became a Non-Executive Director of Atrium Underwriting Group Limited.

Future developments

The Directors intend that the Company continues to be the parent company for the Atrium Group of Companies.

Events since the balance sheet date

There have been no significant events since the balance sheet date other than those noted in the Board and Management changes above.

DIRECTORS' REPORT *(continued)*

Going concern

Following consideration, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least a twelve month period from the date of issue of these financial statements. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Political donations

The Company made no political donations during the year (2014: £nil).

Financial risk management

The risk management of the Company has been detailed within the Strategic Report on page 2.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditor

The Board of Directors re-appointed KPMG LLP as the Company auditor for the year ending 31 December 2016. KPMG LLP indicated their willingness to continue in office as the Company auditor.

By order of the Board



RdWW Harries
Chief Executive Officer
25 May 2016

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)'.

Under company law the Directors must not approve the financial statements unless they are satisfied that the financial statements give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 updated by FRS 102. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATRIUM UNDERWRITING GROUP LIMITED

We have audited the financial statements of Atrium Underwriting Group Limited for the year ended 31 December 2015 set out on pages 9 to 23. 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 7, 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 2015 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 matters 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.

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.

Jonathan Bell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
25 May 2016

ATRIUM UNDERWRITING GROUP LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2015

	Notes	2015 $'000	2014 $'000
Administrative expenses	4	**(6,683)**	(10,586)
Other operating income		**-**	9
Operating loss		**(6,683)**	(10,577)
Interest receivable		**10**	74
Income from shares in group undertakings		**34,866**	14,700
Profit on ordinary activities before tax		**28,193**	4,197
Income tax (charge)/credit on ordinary activities	7	**(565)**	1,321
Profit on ordinary activities after tax		**27,628**	5,518

All results are derived from continuing activities.

The attached notes form an integral part of these financial statements.

ATRIUM UNDERWRITING GROUP LIMITED

BALANCE SHEET
As at 31 December 2015

	Notes	2015 $'000	2014 $'000
Fixed assets			
Investments in subsidiaries	9	**68,056**	68,056
Current assets			
Debtors: amounts falling due within one year	10	**4,191**	14,110
Financial investments	11	**-**	-
Cash and cash equivalents		**6,142**	11,155
		10,333	25,265
Creditors: amounts falling due within one year	12	**(10,265)**	(28,325)
Net current assets		**68**	(3,060)
Total assets less current liabilities		**68,124**	64,996
Capital and reserves			
Called up share capital	13	**24,702**	24,702
Share premium account		**2,160**	2,160
Revaluation reserve		**40,847**	40,847
Retained earnings		**415**	(2,713)
Shareholders' funds		**68,124**	64,996

The attached notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 25 May 2016 and were signed on its behalf by:

RdWW Harries
Chief Executive Officer

BRA Merriman
Chief Financial Officer

Company No: 2860390

ATRIUM UNDERWRITING GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Share Capital $'000	Share Premium $'000	Revaluation Reserve $'000	Retained Earnings $'000	Total $000
Balance as at 1 January 2014	24,702	2,160	40,847	11,769	79,478
Profit for the year	-	-	-	5,518	5,518
Dividend	-	-	-	(20,000)	(20,000)
Balance as at 31 December 2014	24,702	2,160	40,847	(2,713)	64,996
Profit for the year	-	-	-	27,628	27,628
Dividend				(24,500)	(24,500)
Balance as at 31 December 2015	24,702	2,160	40,847	415	68,124

1. GENERAL INFORMATION

The principal activity of the Company during the year remained as a parent company of the Atrium Group of Companies.

The Company is limited by shares and is incorporated in the United Kingdom. The address of its registered office is Room 790, Lloyd's, 1 Lime Street, London, EC3M 7DQ.

2. STATEMENT OF COMPLIANCE

The financial statements are prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 amended in July 2015, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and section 396 of, and schedule 4 to, the Companies Act 2006.

The company has also early adopted the amendments to FRS 102 which were issued in July 2015.

In the transition to FRS 102 from previous UK GAAP, the Company has made measurement recognition adjustments, as described in note 3(m) and note 18.

The Company produces annual forecasts which take account of possible changes to the revenue streams and expense base of the Company. These forecasts show that the Company should have sufficient financial resources in order to continue trading for the foreseeable future. Following consideration, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least a twelve month period from the date of issue of these financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are prepared on a going concern basis under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3(m). This is the first year in which the financial statements have been prepared under FRS 102. The date of transition to FRS 102 was 1 January 2014. Details of the transition to FRS 102 are disclosed in note 18.

(b) Change in accounting policy/prior period adjustment

Changes to existing policies and the impact of new policies or matters within existing standards/policies (through the adoption of FRS 102) have been considered. The only material impact on the financial statements relates to the valuation of the investment in subsidiaries during 2014, as disclosed in note 3(m) and note 18.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. Atrium Underwriting Group Limited is a qualifying entity as its results are consolidated into the financial statements of Enstar Group Limited which are publicly available.

As a qualifying entity, the Company has taken exemption from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102.

(d) Foreign currencies

i) Functional and presentation currency

The Company's functional and presentational currency is US dollars.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the quarterly average rate in effect at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign currency rates of exchange to the functional currency (US dollars) are shown in the table below.

	Closing rate at 31 December 2015	Average rate Quarter 1 2015	Average rate Quarter 2 2015	Average rate Quarter 3 2015	Average rate Quarter 4 2015
Sterling	1.4734	1.5149	1.5333	1.5490	1.5166
Euro	1.0866	1.1268	1.1069	1.1125	1.0952
Canadian dollar	0.7232	0.8063	0.8134	0.7643	0.7484
Singapore dollar	0.7057	0.7372	0.7447	0.7189	0.7104

(e) Employee benefits

i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Employee benefits *(continued)*

ii) Pensions

The Company incurs pension costs from a defined contribution scheme, which is operated by Atrium Group Services Ltd (AGSL). Certain directors and staff have personal pension arrangements to which the Company contributes. Contributions are charged to the income statement as they become payable in accordance with rules of the schemes.

iii) Share based incentive schemes

During the financial year, Enstar Group Limited operated a number of executive and employee share based incentive schemes in the shares of the intermediate holding company, Northshore Holdings Limited (Northshore). The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instrument at the date at which it was granted. The expense is recognised in the income statement over the performance period of the share based incentive scheme.

The fair value of the equity-settled transactions granted was set by the Board of Directors of Northshore.

The Company has taken advantage of the transition exemption under paragraph 35.10(b) of FRS 102 in respect of share-based payment transactions, from retrospectively re-measuring share-based payments based on the requirements of FRS 102 for those share options granted before the transition date.

(f) Taxation

The tax charge represents the sum of the current tax and the deferred tax.

Current tax: the current tax credit or charge is based on the taxable profit or loss for the year. Taxable profit or loss differs from profit or loss as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax: deferred tax is generally provided in full on timing differences arising between the tax bases of assets and liabilities and their carrying value in the financial statements. Deferred tax is measured on an undiscounted basis using tax rates enacted or substantively enacted at the balance sheet date and which are expected to apply when the related tax is payable or receivable.

Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(g) Operating leased assets

Leases that do not transfer all of the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Investment income and expenses

Dividends are included as investment income when the investments to which they relate are declared "ex-dividend". Interest income and investment expenses are recognised on an accruals basis.

Realised investment gains and losses are calculated as the difference between net proceeds on disposal and their purchase price.

Unrealised investment gains and losses are calculated as the difference between the valuation at the balance sheet date and their valuation at the last balance sheet date or purchase price, if acquired during the year. Unrealised investment gains and losses include adjustments in respect of unrealised gains and losses recorded in prior years that have been realised during the year and are reported as realised gains and losses in the current profit and loss account.

(i) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the income statement.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of the impairment loss is recognised in the income statement.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(k) Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including debtors and cash and cash equivalents, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

All such financial assets are subsequently carried at amortised cost using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial instruments *(continued)*

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement immediately.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement immediately.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade creditors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at the transaction price and subsequently are measured at amortised cost.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts, and there is an intention to settle on a net basis, or to realise the asset and settle to liability simultaneously.

(l) Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. There were no significant accounting judgements made during the year.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. .

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Investment in subsidiaries

AUGL acts as the holding company for a number of companies within the Atrium Group. See note 9 for a full listing of the subsidiaries.

Prior to the implementation of FRS 102 investments in subsidiary undertakings were stated at the directors' valuation, being the cost of the investment adjusted for the movement in underlying net assets applicable to the investments since their date of acquisition. Positive value adjustments were dealt with through the revaluation reserve, whilst negative value adjustments, to the extent that they exceed previously recognised positive value adjustments, were dealt with through the profit and loss account. The reversal of any previously recognised negative value adjustments were dealt with through the profit and loss account, to the extent that the original impairment was recognised through the profit and loss account. No adjustment was made to reduce the value of an investment below nil. An impairment review was carried out if events or changes in circumstances indicated that the carrying value of any investment may not be recoverable.

Paragraph 9.26 of FRS 102 requires investments in subsidiaries to be accounted for either:
(a) at cost less impairment,
(b) at fair value with changes in fair value recognised in other comprehensive income,
(c) at fair value with changes in fair value recognised in profit or loss.

Under a transitional arrangement, paragraph 35.10 (f) (ii) of FRS 102 permits deemed cost to be used at the date of implementing FRS 102, which shall be the carrying amount at the date of transition as determined under the entity's previous GAAP. The directors have decided to adopt this transitional arrangement. This has resulted in changes to the comparative 2014 balance sheet and profit and loss account, the financial impact of which is disclosed in note 18. This deemed cost is checked annually to the latest fair value estimate for impairment.

(n) Future amendments to FRS 102

Amendments to FRS 102 were issued in July 2015 as a result of changes to the EU-directives and UK Companies Regulations. The amendments are mandatory for periods beginning on or after 1 January 2016, with early adoption permitted for periods beginning on or after 1 January 2015. Entities have to adopt and comply with all amendments if they elect to early adopt the amendments to FRS 102 (issued in July 2015). The amendments to FRS 102 (issued in July 2015) have been early adopted by the Company in these financial statements. None of these amendments have had a material impact on the financial statements of the Company.

4. ADMINISTRATIVE EXPENSES

These include:	2015 $'000	2014 $'000
Auditors' remuneration – statutory audit	**31**	23
Operating lease rentals	**30**	45

No fees were paid to the Company's auditor for services other than the statutory audit of the Company (2014: $nil).

5. EMPLOYEE BENEFITS

The Company does not have any employees; however it uses the services of employees of the Atrium Group for which it is recharged $4,007,364 (2014: $6,387,009). $2,225,945 (2014: $4,453,545) relating to share based incentive schemes is included within this recharge.

6. DIRECTORS' REMUNERATION

The Directors of the Company are remunerated by Atrium Group Services Limited (AGSL), the employing company within the Atrium Group. Their remuneration is disclosed in the financial statements of AGSL. $3,150,549 is recharged to the Company for the use of these services (2014: $3,726,463).

The amount recharged from AGSL for key management personnel includes share-based payments under FRS 102.

7. TAXATION

(a) Tax on profit on ordinary activities

The tax credit is made up as follows:	2015 $'000	2014 $'000
Current tax:		
Group relief received	**(1,158)**	(2,110)
Tax under provided in previous years	**1,723**	135
Impact of exchange rate differences	**-**	654
Total current tax (note 7 (b))	**565**	(1,321)
Deferred tax:		
Origination and reversal of timing differences	**-**	-
Total deferred tax	**-**	-
Tax charge/(credit) on profit on ordinary activities	**565**	(1,321)

(b) Factors affecting the current tax credit

	2015 $'000	2014 $'000
Profit on ordinary activities before tax	**28,193**	4,197
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	**5,709**	901
Permanent differences	**193**	803
Amounts under provided in previous years	**1,723**	135
Intragroup dividends	**(7,060)**	(3,160)
Total current tax charge/ (credit) (note 7 (a))	**565**	(1,321)

(c) Factors affecting future tax charges

The UK corporation tax rate for the 2015/2016 tax year was 20%. With effect from 1 April 2017 the rate will reduce to 19% as enacted as part of Finance Act 2015.

8. DIVIDENDS

	2015 $'000	2014 $'000
Declared and paid during the year	**24,500**	20,000

9. INVESTMENTS IN SUBSIDIARIES

	2015 $'000	2014 $'000
Cost:		
At 1 January and 31 December	**27,209**	27,209
Value adjustments:		
At 1 January and 31 December	**40,847**	40,847
Impairments:		
At 1 January and 31 December	**-**	-
Net book value at 31 December	**68,056**	68,056

Details of the investments in which the Company (unless indicated) holds 20% or more of the nominal value of any class of share capital are as follows:

Company undertakings	Primary business operation	Class of shares	% Held
Atrium Group Services Limited	Service Company	Ordinary	100
Atrium Insurance Agency Limited	UK Coverholder	Ordinary	100
Atrium Insurance Agency (Asia) Pte Limited	Singapore Coverholder	Ordinary	100
Atrium Underwriters Limited	Lloyd's Managing Agency	Ordinary	100
Atrium Underwriting Holdings Limited	Holding Company	Ordinary	100
Atrium 5 Limited	Underwriter at Lloyd's	Ordinary	100
Atrium Risk Management Services (Washington) Limited	Service Company	Ordinary	100
Atrium Risk Management (British Columbia) Ltd	Service Company	Ordinary	100
Atrium Nominees Limited (acquired 20 January 2015)	Holds Northshore shares on behalf of Atrium employees	Ordinary	100*

*Held by a subsidiary undertaking

9. INVESTMENTS IN SUBSIDIARIES *(continued)*

In addition the company holds 100% ordinary shares, via a subsidiary undertaking, of the following dormant corporate names at Lloyd's:
Atrium 1 Limited, Atrium 2 Limited, Atrium 3 Limited, Atrium 4 Limited, Atrium 6 Limited, Atrium 7 Limited, Atrium 8 Limited, Atrium 9 Limited, Atrium 10 Limited, 609 Capital Limited.

All companies are incorporated in England and Wales, except Atrium Insurance Agency (Asia) Pte Limited, which is incorporated in Singapore, Atrium Risk Management Services (Washington) Limited, which is incorporated in Washington, United States of America and Atrium Risk Management (British Columbia) Ltd, which is incorporated in British Columbia, Canada.

10. DEBTORS

	2015 $'000	2014 $'000
Amounts due from group undertakings	**3,308**	4,861
Corporation tax recoverable	**883**	9,249
	4,191	14,110

11. FINANCIAL INVESTMENTS

	2015 $'000	2014 $'000
Cost		
At 1 January	-	24,820
Additions	-	-
Disposals	-	(24,820)
At 31 December	-	-
Fair value adjustments		
At 1 January	-	2
Movements	-	-
Disposals	-	(2)
At 31 December	-	-
Money market balances	-	-
Net book value at 31 December	-	-

The portfolio of investments was built up to meet future Group tax liabilities. The portfolio has been fully liquidated in line with the intention, as the tax liabilities have been settled.

12. CREDITORS

	2015 $'000	2014 $'000
Amounts owed to group undertakings	**10,112**	27,593
Amounts owed to parent company	**-**	74
Other creditors	**153**	22
Accruals and deferred income	**-**	636
	10,265	28,325

13. SHARE CAPITAL

	31 December 2015		31 December 2014	
	Number	**$'000**	Number	$'000
Allotted, called up and fully paid ordinary shares	**17,060,405**	**24,702**	17,060,405	24,702

14. OPERATING LEASES

	2015 $'000	2014 $'000
At 31 December 2015, the Company had non-cancellable operating leases in which the commitment expires:		
within the year	**21**	**-**
in the second to fifth years inclusive	**27**	85

Of the commitments due under operating leases for the period to 31 December 2015, as at 31 December 2015, $48k (2014: $85k) will be reimbursed by AIAL.

15. CONTINGENT LIABILITIES

Charge over assets

At 1 January 2015, the Atrium Group's participation in underwriting at Lloyd's is £107.1m (2014: £106.8m), $157.8m (2014: $176.9m) at year end exchange rates, through ownership of its underwriting subsidiary Atrium 5 Limited (the continuing corporate member). The other underwriting subsidiaries (the ceasing corporate members) have not participated in underwriting at Lloyd's after the 2007 year of account.

Under the terms of the interavailable Lloyd's Security and Trust Deed, the ceasing corporate members and the continuing corporate member gave undertakings to the Society of Lloyd's, supported by a commitment from the Company, that if one of them failed to meet any of its obligations to Lloyd's the others would assign to Lloyd's on demand their rights to current and future profits held in their Premium Trust Funds or contribute profits received out of their Trust Funds to the Central Fund of Lloyd's in each case until the amounts owed by the defaulting subsidiary were paid in full.

15. CONTINGENT LIABILITIES *(continued)*

On 26 May 2010, following closure of the 2007 year of account at which point the ceasing corporate members had no further participations on any syndicates at Lloyd's, they each entered into a Deed of Total Determination Release and Substitution whereby the interavailable Letter of Credit provided as a Lloyd's Deposit under the aforementioned Security and Trust Deed was replaced by a non-interavailable Letter of Credit provided by the continuing member. On the same date, in order to secure the release of the ceased members funds at Lloyd's, the ceasing corporate members entered into a Deed of Indemnity agreement with the Company by which the Company has given an undertaking to the Society of Lloyd's that if the ceasing corporate members failed to meet any of their obligations to Lloyd's in respect of US Federal Income and US Federal Excise tax liabilities as well as any tax liabilities in those jurisdictions where the ceased member underwrote insurance business, then the Company would meet those obligations in full.

16. RELATED PARTIES

The Company is a wholly owned subsidiary of ALOPUC Limited, the financial statements of which are publicly available. Accordingly, the Company has taken advantage of the exemption in Section 33.1A of FRS 102 'Related party disclosures' from disclosing transactions with wholly owned members of the ALOPUC Group.

See note 6 for disclosure of the directors' remuneration. These directors are deemed to be key management personnel of the entity.

17. ULTIMATE HOLDING COMPANY

The Company's immediate parent and controlling party is ALOPUC Limited, incorporated in Great Britain.

The Company's ultimate parent undertaking, Enstar Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Enstar Group Limited are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), are available to the public and may be obtained from the US Securities and Exchange Commission (www.sec.gov). Refer to notes 3(c) and 18 for exemptions claimed in relation to the preparation of the financial statements under FRS 102.

18. TRANSITION TO FRS 102

This is the first year that the Company has presented its results under FRS 102. FRS 102 has been adopted by the Company for year ended 31 December 2015. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. The Company has early adopted the amendments to FRS 102 (issued in July 2015).

Set out below are the changes in accounting policies which reconcile profit for the financial year ended 31 December 2014 and the total equity as at 1 January 2014 and 31 December 2014 between UK GAAP as previously reported and FRS 102.

a) Transition exemption – Investment in subsidiaries:

The Company has taken advantage of the transition exemption under paragraph 35.10(f)(ii) of FRS 102 in respect of investment in subsidiaries permitting deemed cost to be used at the date of implementing FRS 102, which shall be the carrying amount at the date of transition as determined under the entity's previous GAAP.

18. TRANSITION TO FRS 102 *(continued)*

In accordance with the requirements of FRS 102 a reconciliation of the opening balances impacted by the change in basis of valuing investment in subsidiaries is provided as below:

i) Reconciliation of profit for the year:

	31 December 2014 $'000
Profit after tax for the year as previously reported under UK GAAP	5,513
Foreign exchange on investment in subsidiary valuation	5
Profit for the year as reported under FRS 102	5,518

The $5k adjustment is the write back of the foreign exchange arising from the revaluation movement that was booked in the 2014 statutory accounts of the company.

ii) Reconciliation of revaluation reserve as at 1 January 2014 and 31 December 2014

	1 January 2014 $'000	31 December 2014 $'000
Revaluation reserve as previously reported under UK GAAP	40,847	51,797
Investment in subsidiary valuation previously recorded	-	(10,950)
Total revaluation reserve as reported under FRS 102	40,847	40,847

The $10,950k adjustment is the write back of the increase in revaluation reserve that was booked in the 2014 statutory accounts of the Company under the previous UK GAAP.

iii) Reconciliation of investment in subsidiaries as at 1 January 2014 and 31 December 2014

	1 January 2014 $'000	31 December 2014 $'000
Investment in subsidiaries as previously reported under UK GAAP	68,056	79,001
Revaluation of investment in subsidiary previously recorded	-	(10,945)
Investment in subsidiaries as reported under FRS 102	68,056	68,056

The $10,945k adjustment is the write back of the increase in the value of investment in subsidiaries that was booked in the 2014 statutory accounts of the Company under the previous UK GAAP.

b) Transition exemption – Share Based Payments:

The Company has taken advantage of the transition exemption under paragraph 35.10(b) of FRS 102 in respect of share-based payment transactions from retrospectively re-measuring share-based payments based on the requirements of FRS 102 for those share options granted before the transition date. On transition to FRS 102, the Company is not required to apply Section 26 Share-based payments to equity instruments that were granted before the date of transition to FRS 102, or to liabilities arising from share-based payments transactions that were settled before the date of transition to FRS 102.