

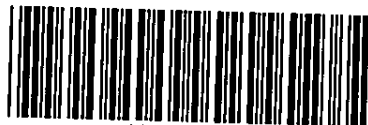
Company No: 2861145

ATRIUM 5 LIMITED

**REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2012**

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

WEDNESDAY



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24/04/2013
COMPANIES HOUSE

ATRIUM 5 LIMITED

DIRECTORS

S Cook
J Lee
N Marsh

SECRETARY

M Balicao
Equiniti David Venus & Company Limited
Thames House
Portsmouth Road
Esher
Surrey KT10 9AD

AUDITORS

Ernst & Young LLP
1 More London Place
London SE1 2AF

BANKERS

Lloyds TSB Bank plc
113 Leadenhall Street
London EC3A 4AX

REGISTERED OFFICE

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

ATRIUM 5 LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2012

Results and dividends

The profit for the year, after taxation, amounted to \$17,269,000 (2011 \$8,916,000) The directors do not recommend a final dividend, making the total of dividends paid in the year of \$15,000,000 for the year (2011 \$21,000,000)

Principal activity and review of the business

The principal activity of the Company is that of a Corporate Underwriting Member at Lloyd's and is a wholly owned subsidiary of Atrium Underwriting Group Limited (AUGL) AUGL also owns a Lloyd's Managing Agency Atrium Underwriters Limited ("AUL") which manages syndicates 570 and 609 As reported last year with effect from 1 January 2012 the managed syndicates merged for the 2012 year of account onwards

The following table shows the syndicate participations for each year of account

Syndicate No	2010 Allocated Capacity £'000	2011 Allocated Capacity £'000	2012 Allocated Capacity £'000	2013 Allocated Capacity £'000
570	35,990	35,871	-	-
609	70,813	70,898	106,769	106,769
2791	8,017	-	-	-
Total	114,820	106,769	106,769	106,769

The Company has entered into calendar year reinsurance contracts with Arden Reinsurance Company Limited (Arden Re, formerly known as Ariel Reinsurance Company Limited) a subsidiary of Arden Holdings Limited (AHL, formerly known as Ariel Holdings Limited), for 2010, 2011, 2012 and renewed for 2013 under the following terms

	2010	2011	2012	2013
Quota share	65 00%	65 00%	65 00%	65 00%
Ceding commission	2 00%	2 50%	2 75%	2 50%
Reinsurer's expenses	5 00%	5 00%	5 00%	5 00%
Profit commission	25 00%	25 00%	25 00%	25 00%

The Company measures the following Key Performance Indicators

	2012 \$'000	2011 \$'000	Change %
Gross written premium	155,197	154,934	0.2
Net premiums earned	48,690	80,607	(39.6)
Balance on technical account	16,996	8,076	110.5
Profit before tax	16,673	7,696	116.6

The decrease in net premiums earned reflects the impact of the 2009 year of account Reinsurance To Close (RITC) following the company's reduced participation on a non-managed syndicate. If this adjustment was excluded net premiums earned would be \$78.7m, in line with 2011. The increased profitability reflects the lower incidence of losses in 2012 compared to 2011.

ATRIUM 5 LIMITED

DIRECTORS' REPORT

Principal risks & uncertainties

Managed Syndicates

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 eliminate them entirely. In preparation for the proposed Solvency II regime, the AUL Board has developed its Own Risk and Solvency Assessment ("ORSA"), comprising the entirety of the processes that it uses to identify, assess, monitor and report the risks faced by its managed syndicates and to determine the capital necessary to mitigate retained risks. Critical to the efficacy of the ORSA are the effective operation of the Risk Management Framework ('RMF') and the Governance Structure. The RMF comprises the so-called "Three lines of Defence" approach to risk management and reporting.

The RMF is the mechanism through which Atrium ensures it is implementing effective and enterprise wide risk management practices across its business. Key to Atrium's business is the management of risk, return and capital, against which all significant strategic and operational business decisions are evaluated. Over many years Atrium has established systems of governance and risk management that enable it to manage its business prudently. The RMF is the articulation of these systems of risk management and governance and how the various elements interact.

The RMF encompasses the broad range of activities undertaken across the organisational hierarchy to ensure that risks are managed appropriately, spanning from the high level strategy set by the Board to the day to day underwriting decisions being made by syndicate staff and the controls in place to govern these. The RMF comprises the following categories:

Strategy This describes the Atrium strategy setting process and explains how this filters down through the organisation, incorporating the Syndicate's Business Strategy, Risk Strategy, Business Plan, Risk Policy Statement and Risk Policies.

Business Activities The individual syndicate and AUL business units are responsible for implementing the strategy and business plans in accordance with the framework set out in the risk policies. The people, controls, management information, processes and senior management oversight in place across the business units serve as the "First Line of Defence" in the RMF.

Risk Governance Structure The AUL Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation, to review the activities of the business units, and to ensure that the RMF is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the Executive Risk Committee, which fulfils the role of Atrium's Risk Management Function, and its three Risk Sub-Committees, discussed further below.

Independent Assurance Atrium has in place a Compliance Function and an Actuarial Function in addition to the Risk Management Function (fulfilled by the Executive Risk Committee as referenced in the previous paragraph). Each of these functions has specific responsibilities documented in its terms of reference and is fulfilled by fit and proper individuals with suitable qualifications, expertise and experience. The activities of these functions seek to provide the AUL Board with assurance as to the appropriateness and effectiveness of the various elements of the RMF, the internal control environment, and the calculation of capital. There are a number of risk management tools (such as the Risk Register) which support independent assessment and reporting of risk. Taken together this Independent Assurance comprises the "Second line of Defence".

Independent Oversight The RMF provides for independent oversight and challenge via the operation of the Internal Audit Function as well as the Audit Committee and Risk Committee, both of which are Committees of the AUL Board with membership comprised of Non Executive Directors. Together these three groups

ATRIUM 5 LIMITED

DIRECTORS' REPORT

provide the "Third line of Defence" The Risk Committee is charged with providing independent oversight and review of Atrium's RMF and its constituent parts whilst the Audit Committee, along with its broader responsibilities for the financial statements and financial reporting process, has oversight of internal controls and the Internal Audit Function

Risk governance is comprised of the Executive Risk Committee and its three risk sub-committees

The Executive Risk Committee fulfils the Risk Management Function, and coordinates the risk management activities conducted for the AUL managed syndicates. It is responsible for ensuring that the RMF operates effectively, and for maintaining an aggregated and holistic view of risks to the syndicates and reporting on them to the Board, Committees and management as appropriate

To support delivery of the Executive Risk Committee's responsibilities, there are three Sub-Committees, each being responsible for oversight, review and challenge of the activities of the syndicates and in particular ensuring that activities are within risk policies, that risks are suitably identified, monitored and reported, and that appropriate contingency plans are in place

The principal risks to which the syndicates are exposed are discussed below together with the mitigation techniques adopted. For clarity, the risks are analysed by reference to the Sub-Committees that have responsibility for the relevant risk area

Insurance Risks Sub-Committee (IRSC)

The IRSC is responsible for oversight of insurance risk which includes underwriting, claims, reserving, and reinsurance. Insurance risk includes the risk that a policy might be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events might be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk)

Underwriting risk is mitigated through numerous controls including underwriter peer review, authority limits, independent review of risks written, and purchase of an appropriate reinsurance programme. The Syndicate Business Forecast is completed annually and stipulates those classes of business and concentration by class that will be written during the forthcoming year. It is reviewed by the IRSC and approved by the Board prior to being submitted to the Lloyd's Franchise Board for approval. Actual performance during the year is monitored by reference to the Syndicate Business Forecast

Claims risk is mitigated by the syndicates having a defined risk appetite which determines the net loss that it intends to retain for major catastrophe events and where deemed appropriate reinsurance is purchased to limit the impact of losses. Although the likelihood of occurrence is considered to be remote, there may be circumstances where the loss from a particular catastrophe event exceeds the net risk appetite perhaps due to the occurrence of a loss that has not been considered or where the reinsurance purchased proves to be insufficient

Reserving risk is mitigated by the robust reserve adequacy exercise that is performed on a quarterly basis by the Head Actuary. The quarterly exercise involves a review of the paid and outstanding claims and an assessment of the appropriate provision for incurred but not reported (IBNR) claims. The reserves are considered by the IRSC and approved by the AUL Board. The reserving is carried out based on historical development data, the claims environment and information provided by lawyers and third party claims adjusters. Although a thorough review is carried out the reserves carried may be more or less than adequate to meet the final cost of claims

The IRSC also reviews the proposed reinsurance programmes that are used to protect capital from frequency and severity of losses that may be sustained through underwriting the varied lines of business written. The review includes analysis of the reinsurance cover being purchased and assessment of the proposed counterparties

ATRIUM 5 LIMITED

DIRECTORS' REPORT

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Financial Risks Sub-Committee (FRSC)

The FRSC is responsible for the oversight of the financial risks and the steps taken to mitigate them as they arise from investments, asset/liability management, credit, liquidity and concentration risks. These risks are discussed further below.

Investment risk is the risk that the syndicates' earnings are affected by changes in the value of the investment portfolio, such changes in value may be driven by changes in the economic and political environment and by movements in interest and foreign exchange rates. AUL manages the syndicates' investments in accordance with investment guidelines established by the AUL Board that are reviewed on a regular basis. The FRSC monitors the performance of the external investment manager and the custodians responsible for the safekeeping of the investments, and reports regularly to the AUL Board.

Asset/liability mis-match is the risk that the syndicate could incur a loss through inadequate matching of its investments with its liabilities. Due to the short-tail nature of the majority of the liabilities, the syndicates do not seek to achieve a precise matching with the investment portfolio, instead developing an investment duration guideline that is broadly in line with the average payment profile of the liabilities. However, the syndicates substantially mitigate exposure to currency mis-match by investing premiums in the currency in which subsequent claims are most likely to be incurred. The majority of the syndicates' business is denominated in US dollars and accordingly the substantial part of the investment portfolio is in US dollar denominated investments.

The key aspect of credit risk is the risk of default by one or more of the syndicates' reinsurers, their investment counterparties, or insurance intermediaries. Reinsurance is placed with those reinsurers that comply with the Atrium reinsurance policy. The exposure to credit risk in the investment portfolio is mitigated through adherence to the investment guidelines which require the syndicates' investment portfolios to be held in government and corporate debt with a high credit quality rating and with a relatively short duration, thus substantially mitigating the risk of sustaining losses from default. Exposure to intermediaries is mitigated by rigorous review of new intermediaries, contractual terms of business, regulated or segregated client accounts, monitoring of balances and credit control procedures.

Liquidity risk is the risk that the syndicates will not be able to meet their short term liabilities as they fall due, owing to a shortfall in cash. This risk is mitigated through holding invested funds in high credit quality and short duration investments, and cash-flow projections are also reviewed on a regular basis. The need for overdraft facilities in case of unprojected cash flow deficit is also reviewed regularly.

Concentration risk is the exposure to loss that could arise if the bulk of the amounts recoverable by the syndicates was dependent on a limited number of reinsurers, or if investments were restricted to limited numbers of counterparties or sectors. The risk is mitigated by restricting the permitted cessions to individual reinsurers for any one underwriting year and through the investment guidelines which limit exposure to individual investment counterparties and sectors.

Operational Risks Sub-Committee (ORSC)

The ORSC is responsible for oversight of the syndicates' exposures to operational, group and regulatory risks.

Operational risk includes exposure to loss from errors caused by people, processes or systems, group risk and emerging risks. AUL seeks to manage these risks by operating a controls-based environment which consists of

ATRIUM 5 LIMITED

DIRECTORS' REPORT

documented procedures, segregation of duties and appropriate levels of review. Regular reviews are performed by the internal audit department to ensure that any deviations from AUL's policies are identified and reported to the appropriate level of management and audit committee when considered necessary.

The Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The agency has a Compliance Officer and team who monitor regulatory developments and assess the impact on agency policy. They also carry out a compliance monitoring programme.

Solvency II

During the past year further progress has been made by AUL on its Solvency II project. Specifically, AUL has met all the requirements of the 2012 Dry Run and submitted to Lloyd's a Final Application Pack, ORSA Report and Validation Report as required. AUL will continue to work closely with the Corporation of Lloyd's to ensure that Atrium remains on track to meet the demands of the Solvency II regime.

Non-Managed Syndicate

With respect to the participation in the non-managed syndicate, it has been concluded by the Board that it is appropriate to assume that risk management policies should be in place which are similar to those in place at AUL in order for the managing agent of the non-managed syndicate to remain authorised and regulated by the FSA.

Future Developments

The Directors intend that the Atrium Group will continue to participate in underwriting at Lloyd's throughout 2013 on its managed syndicate. For 2013 the Atrium Group's participation on Syndicate 570 is limited to the run-off of the 2011 year of account which is expected to close by reinsurance into Syndicate 609's 2012 year of account at the end of 2013.

Group Developments

On 29 February 2012, Ariel Holdings Limited (AHL), the Managing Agent's ultimate holding company announced a transaction by which an affiliate of Goldman Sachs would acquire the Bermuda operations of Ariel Reinsurance Company Ltd (Ariel Re) another subsidiary in the Ariel group. On 2 March 2012, it was announced that Arch Capital Group Ltd intended to acquire Ariel Re's Switzerland-based reinsurance operations.

On 5 April 2012, the Goldman Sachs transaction completed. Goldman Sachs acquired the name and brand Ariel and, therefore, shortly after completion, AHL was renamed Arden Holdings Limited and Ariel Re was renamed Arden Reinsurance Company Limited.

On 9 April 2012, the Arch Capital Group Ltd transaction completed.

The Atrium Group is not part of these transactions and continues to be owned by AHL.

Events since the balance sheet date

There have been no significant events since the balance sheet date.

ATRIUM 5 LIMITED

DIRECTORS' REPORT

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Directors of the Company

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

The following Director was appointed after the end of the year but before the date of this report
J Lee (appointed effective 6 February 2013)

The following Director resigned after the end of the year but before the date of this report
A Baddeley (resigned effective 6 February 2013)

In addition the company secretary changed during the year
M Bruce, Equiniti David Venus Limited (resigned effective 29 June 2012)
M Balicao, Equiniti David Venus Limited (appointed effective 29 June 2012)

Disclosure of information to the auditors

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 auditors

The Company's auditors will be deemed to be reappointed in accordance with Section 487 of the Companies Act 2006.

By order of the board



S Cook
Director
15 April 2013

ATRIUM 5 LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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. 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 have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

ATRIUM 5 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATRIUM 5 LIMITED

We have audited the financial statements of the Company for the year ended 31 December 2012 which comprise the Profit and Loss account, Balance Sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Auditors

As explained more fully in the Statement of Directors' Responsibilities on page 8, the directors are responsible for the preparation of the company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the company 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the company financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the company 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 by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company 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.

Angus Millar (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
18 April 2013

Ernst & Young LLP

ATRIUM 5 LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2012

TECHNICAL ACCOUNT – GENERAL BUSINESS

	Note	2012 \$'000	2011 \$'000
Gross premiums written	2	155,197	154,934
Outward reinsurance premiums		(104,143)	(75,741)
Net premiums written		51,054	79,193
Change in the gross provision for unearned premiums		(1,854)	2,371
Change in the provision for unearned premiums, reinsurers' share		(510)	(957)
Change in the net provision for unearned premiums		(2,364)	1,414
Earned premiums, net of reinsurance		48,690	80,607
Allocated investment return transferred from the non-technical account	2	4,968	5,123
Claims paid			
Gross amount		(65,852)	(69,065)
Reinsurers' share		22,004	50,637
Net claims paid		(43,848)	(18,428)
Change in the provision for claims			
Gross amount		13,277	(6,271)
Reinsurers' share		43,090	(1,053)
Net change in provision for claims		56,367	(7,324)
Claims incurred, net of reinsurance		12,519	(25,752)
Net operating expenses	3	(49,181)	(51,902)
Balance on the technical account for general business	2	16,996	8,076

ATRIUM 5 LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2012

NON-TECHNICAL ACCOUNT

	Note	2012 \$'000	2011 \$'000
Balance on the general business technical account	2	16,996	8,076
Investment income	4	4,512	6,046
Unrealised gain on investments	4	2,002	3,201
Investment expenses and charges	4	(675)	(1,462)
Unrealised losses on investments	4	(871)	(2,662)
Allocated investment return transferred to the general business technical account		(4,968)	(5,123)
Other charges, including amortisation	5	(323)	(380)
Profit on ordinary activities before tax		16,673	7,696
Tax on profit on ordinary activities	8	596	1,220
Profit on ordinary activities after tax		17,269	8,916

The profit and loss account relates entirely to continuing activities

There are no recognised gains and losses other than the profit or loss for the period, therefore, no statement of total recognised gains or losses has been presented

ATRIUM 5 LIMITED

BALANCE SHEET

at 31 December 2012

	Note	2012 \$'000	2011 \$'000
Assets			
Intangible assets			
Purchased syndicate capacity	10	<u>4,311</u>	<u>4,606</u>
Investments			
Financial investments	11	<u>238,769</u>	<u>276,008</u>
Deposits with ceding undertakings		<u>353</u>	<u>405</u>
		<u>239,122</u>	<u>276,413</u>
Reinsurers' share of technical provisions			
Provision for unearned premiums		<u>3,524</u>	<u>4,034</u>
Claims outstanding		<u>90,238</u>	<u>78,698</u>
		<u>93,762</u>	<u>82,732</u>
Debtors			
Arising out of direct insurance operations			
- owed by intermediaries		<u>54,991</u>	<u>51,619</u>
Arising out of reinsurance operations		<u>70,152</u>	<u>59,574</u>
Other debtors		<u>49,281</u>	<u>49,534</u>
	12	<u>174,424</u>	<u>160,727</u>
Other assets			
Cash at bank		<u>29,743</u>	<u>39,693</u>
		<u>29,743</u>	<u>39,693</u>
Prepayments and accrued income			
Deferred acquisition costs		<u>18,072</u>	<u>16,854</u>
Other prepayments and accrued income		<u>83</u>	<u>423</u>
		<u>18,155</u>	<u>17,277</u>
Total assets		<u>559,517</u>	<u>581,448</u>

ATRIUM 5 LIMITED

BALANCE SHEET

at 31 December 2012

	Note	2012 \$'000	2011 \$'000
Liabilities			
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account		20,335	18,066
Total shareholders funds	14	20,335	18,066
Technical provisions			
Provision for unearned premiums		62,546	60,692
Claims outstanding		250,319	292,650
		312,865	353,342
Provisions for other risk and charges	8(c)	36,302	43,839
Deposits received from reinsurers		165	156
Creditors			
Arising out of direct insurance operations		23,447	24,576
Arising out of reinsurance operations		145,420	118,406
Other creditors including taxation and social security		16,791	15,750
	15	185,658	158,732
Accruals and deferred income		4,192	7,313
Total liabilities		559,517	581,448

The financial statements were approved by the Board of Directors on 15 April 2013 and signed on its behalf by



S Cook
Director

Company No 2861145

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

1. ACCOUNTING POLICIES

(a) Basis of preparation and changes in accounting policy

The financial statements are prepared in accordance with the special provisions relating to insurance companies in Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulation 2008 made under the Companies Act 2006, and include statements of the transactions, assets and liabilities of the syndicates on which the Company participates as a corporate member at Lloyd's. The financial statements comply with applicable accounting standards. The Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 2005 as amended in December 2006 (the ABI SORP) has been adopted.

The syndicates in which the Company participates are managed and controlled by their respective managing agents. The accounting information in respect of these participations has been provided by the managing agents and has been audited by the syndicate auditors. Information in respect of the Company's participations on the managed syndicates is available direct from the syndicate accounting records.

As a wholly owned subsidiary of AHL, the Company has applied the exemption available in FRS 1 from the requirement to prepare a cash flow statement.

As a wholly owned subsidiary of AHL, the Company has applied the exemption available in FRS 8 from the requirement to disclose transactions with related parties.

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

There have been no changes made to the accounting policies in the current year.

(b) Basis of accounting

The financial statements have been prepared using the annual basis of accounting. Under the annual basis of accounting a result is determined at the end of each accounting period reflecting the profit or loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

(c) Premiums

Written premiums comprise the total premiums receivable for the whole period of cover under contracts incepting during the financial year, together with adjustments arising in the financial year to premiums receivable in respect of business written in previous financial years.

All premiums are shown gross of commission payable to intermediaries and are exclusive of taxes and duties levied thereon.

Outwards reinsurance premiums are allocated by the managing agent of each syndicate to reflect the protection purchased by each year of account.

(d) Unearned premiums

Written premiums are recognised as earned income over the period of the policy on a time apportionment basis, having regard, where appropriate, to the incidence of the risk. The specific basis adopted by each individual syndicate is determined by the relevant managing agency.

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

(e) Claims

Claims incurred comprise the estimated cost of all claims occurring during the period, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous periods

The provision for claims outstanding is made on an individual case by case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported at the balance sheet date based on statistical methods. The estimation process will vary from managing agent to managing agent but is likely to include the use of statistical projections based on previous claims history, case by case reviews of notified losses, and the use of security ratings to help assess the financial ability of reinsurers to pay reinsurance recoveries anticipated of them

The provision for claims outstanding is based on information available at the balance sheet date. Significant delays are experienced in notification and settlement of certain claims and accordingly the ultimate cost of such claims cannot be known with certainty at the balance sheet date. Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. Any differences between provisions and subsequent settlements are dealt with in the technical account – general business of later periods

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate were to be unable to meet its obligations and other elements of the Lloyd's chain of security were to fail, then the members of the closed underwriting year would have to settle outstanding claims. The Directors consider that the likelihood of such failure of the reinsurance to close is extremely remote and, therefore, the reinsurance to close has been deemed to settle liabilities outstanding at the closure of the underwriting account and no further provision is made for any potential variation in the ultimate liability of that year of account

(f) Deferred acquisition costs

Acquisition costs, comprising commission and other costs related to the acquisition of insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date

(g) Unexpired risks

Provision is made where the cost of claims and expenses arising after the end of the financial period from contracts concluded before that date is expected to exceed the provision for unearned premiums, net of deferred acquisition costs, and premiums receivable. The assessment of whether a provision is necessary is made on a syndicate by syndicate basis, using information supplied by the respective managing agents

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

(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.

Investment return, comprising investment income, realised and unrealised gains and losses, and investment expenses, is included initially within the non-technical account. The investment return is allocated from the non-technical account to the technical account - general business so as to reflect the longer term investment return on the Company’s investments supporting its underwriting activities together with the whole of the investment return on the Company’s share of syndicate investments.

(i) Income tax

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

Current income tax the current tax charge is based on the taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account 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 income tax deferred income 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 income tax is determined 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.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the timing differences can be used. 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.

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

(j) Investments

Investments are stated at their current values at the end of the year. Listed investments are included in the balance sheet at bid-market value. Unlisted investments are stated at an estimate of market value determined by the managing agents of the relevant syndicates. Deposits with credit institutions are included at cost.

(k) Intangible assets

Syndicate participations

Managed syndicate capacity purchased at auction is capitalised at cost and amortised on a straight-line basis over its estimated useful life of 20 years less any accumulated impairment losses. Third party syndicate capacity purchased at auction is capitalised at cost and amortised on a straight-line basis over its estimated useful life of 3 years. Amortisation is charged from the beginning of the first accounting period following acquisition, when the asset becomes available for use.

Managed syndicate capacity is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The amount of any impairment is charged to the income statement in the year in which the impairment arises.

(l) Foreign currencies

Items in the profit and loss account have been translated into the functional currency of US Dollars at the average rate for the quarter in which the transaction takes place, whilst the Balance Sheet has been translated at the exchange rate on the balance sheet date as per the following table, with translation differences being recognised through the profit and loss account.

	Balance sheet rate at 31 December 2012	Average rate for Quarter 1 2012	Average rate for Quarter 2 2012	Average rate for Quarter 3 2012	Average rate for Quarter 4 2012
Sterling	1.6168	1.5710	1.5836	1.5799	1.6060

All other exchange differences are included in the technical account.

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

2. SEGMENTAL ANALYSIS

	Gross Premiums Written \$'000	Gross Premiums Earned \$'000	Gross Claims Incurred \$'000	Gross Operating Expenses \$'000	Reinsurance Balance \$'000	Net Technical Result \$'000	Net Technical Provisions \$'000
2012							
Direct business							
Accident and health	14,412	13,672	(5,762)	(5,958)	914	2,866	9,847
Motor	1,924	1,973	(1,287)	(859)	614	441	1,702
Marine, aviation and transport	58,168	59,050	(10,617)	(20,154)	(5,803)	22,476	57,511
Fire and other damage to property	36,530	35,146	(13,814)	(12,993)	(19,873)	(11,534)	45,911
Third party liability	27,959	27,196	(13,458)	(10,091)	(5,859)	(2,212)	73,295
Other	2,242	1,938	(681)	(621)	1,196	1,832	3,420
Total direct	141,235	138,975	(45,619)	(50,676)	(28,811)	13,869	191,686
Reinsurance business							
Reinsurance acceptances	13,962	14,368	(6,956)	(2,035)	(7,218)	(1,841)	27,417
	155,197	153,343	(52,575)	(52,711)	(36,029)	12,028	219,103
Allocated investment return						4,968	
Balance on technical account						16,996	
2011							
Direct business							
Accident and health	11,292	11,276	(3,599)	(4,480)	(2,380)	437	11,622
Motor	1,483	1,776	(1,173)	(714)	(11)	(122)	2,257
Marine aviation and transport	66,554	65,661	(23,103)	(22,513)	(7,009)	13,306	71,859
Fire and other damage to property	34,735	35,040	(17,841)	(12,740)	(7,184)	(2,725)	53,501
Third party liability	24,977	25,716	(11,797)	(10,401)	(4,446)	(928)	83,741
Other	1,579	1,416	(643)	(526)	29	276	6,150
Total direct	140,620	140,885	(58,156)	(51,754)	(21,001)	9,974	229,130
Reinsurance Business							
Reinsurance acceptances	14,314	16,420	(17,180)	(4,789)	(1,472)	(7,021)	41,480
	154,934	157,305	(75,336)	(56,543)	(22,473)	2,953	270,610
Allocated investment return						5,123	
Balance on technical account						8,076	

Commission on direct insurance gross premiums earned during 2012 were \$31,035k (2011 \$34,486k) The Company's activities are undertaken solely in the United Kingdom

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

3. NET OPERATING EXPENSES

	2012	2011
	\$'000	\$'000
Brokerage and other business acquisition expenses	38,128	39,877
Change in deferred acquisition costs	(1,218)	(295)
Foreign exchange loss/(gain)	288	1,214
Syndicate operating expenses	6,222	6,726
Direct operating expenses	9,291	9,021
	52,711	56,543
Reinsurance commissions receivable	(3,530)	(4,641)
	49,181	51,902

4. INVESTMENT RETURN

	2012	2011
	\$'000	\$'000
Investment income		
Income from investments	4,510	6,039
Net gains on the realisation of investments	-	-
Other interest	2	7
	4,512	6,046
Investment expenses and charges		
Investment management expenses	(276)	(498)
Net (losses) on the realisation of investments	(399)	(964)
	(675)	(1,462)
Net unrealised (losses)/gains on investments		
Unrealised gains on investments	2,002	3,201
Unrealised (losses) on investments	(871)	(2,662)
	1,131	539
Total investment return	4,968	5,123

OTHER CHARGES, INCLUDING AMORTISATION

Other charges include, amortisation of syndicate capacity of \$296,000 (2011 \$296,000), auditors' remuneration in respect of audit services of \$20,769 (2011 \$20,008) and fees paid to the Company's auditor for tax services are \$nil (2011 \$nil)

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

5. STAFF COSTS

The Company does not have any direct employees, however it uses the services of employees of the Atrium Group. No amounts are charged to the Company for the use of these services (2011: \$nil)

6. DIRECTORS EMOLUMENTS

The Directors of the Company are all remunerated by Atrium Group Services Limited (AGSL), the employing company within the Atrium Group. Their remuneration is disclosed in the financial statements of AGSL. No amounts are charged to the Company for the use of these services (2011: \$nil)

7. TAX

	2012	2011
	\$'000	\$'000
(a) Tax on profit on ordinary activities		
The tax charge is made up as follows		
Current tax		
UK corporation tax	8,035	4
Group relief payment	615	2,233
Tax overprovided in previous years	(2,139)	(1,131)
	6,511	1,106
Foreign tax	430	832
Total current tax (note 8 (b))	6,941	1,938
Deferred tax		
Origination and reversal of timing differences	(4,555)	(626)
Deferred tax underprovided in previous years	268	969
Effect of decreased tax rate	(3,250)	(3,501)
Total deferred tax (note 8 (c))	(7,537)	(3,158)
Tax on profit on ordinary activities	(596)	(1,220)
(b) Factors affecting current tax charge		
The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%). The differences are reconciled below		
Profit on ordinary activities before tax	16,673	7,696
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%)	4,085	2,039
Effects of		
Timing of underwriting profits	4,558	5,093
Other timing differences	(4)	-
Utilisation of tax losses brought forward	-	(4,346)
Tax overprovided in previous years	(2,139)	(1,131)
Foreign tax	430	276
Permanent differences	10	7
Current tax charge for period (note 8(a))	6,941	1,938

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

8 TAX (continued)

	2012	2011
	\$'000	\$'000
(c) Deferred tax		
Balance at 1 January	43,839	46,997
Deferred tax charge in profit and loss account (note 8(a))	(7,537)	(3,158)
At 31 December	<u>36,302</u>	<u>43,839</u>
Analysis of deferred tax liability at 31 December		
Provision for underwriting results	36,340	43,884
Other	(38)	(45)
	<u>36,302</u>	<u>43,839</u>

The deferred tax liability in respect of underwriting results relates to the underwriting results that have arisen on the 2010, 2011 and 2012 years of account. These results will be assessed to tax in 2013, 2014 and 2015 respectively.

(d) Factors affecting future tax charges

The Company's profits are taxable in the UK under the standard rate of corporation tax being 24.5% for 2012 (2011: 26.5%).

On 21 March 2012, the UK government announced as part of the Budget that the rate of corporation tax would be reduced by an additional 1% at 1 April 2012, from the 25% rate enacted as part of Finance Act 2011. The 24% rate was substantively enacted on 26 March 2012, and enacted on 17 July 2012 when Finance Bill 2012 received Royal Assent. It was also announced that a rate of corporation tax of 23% would apply from 1 April 2013, which was substantively enacted and enacted on 3 July 2012 and 17 July 2012 respectively. The closing deferred tax liability has taken into account the substantively enacted rate of corporation tax as at the balance sheet date.

Furthermore, the Government announced in the Autumn Statement on 5 December 2012 that it intends to reduce the rate of corporation tax by a further 2% to 21% to apply from 1 April 2014. A further reduction of 1% to apply from 1 April 2015 was announced in the budget on 20 March 2013. The reduction to 20% has not been reflected in the closing deferred tax liability as it has not been substantively enacted at the balance sheet date. It is anticipated that the impact of this future change on the closing deferred tax position would be \$1,718,000.

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

8. DIVIDENDS

	2012 \$'000	2011 \$'000
Declared and paid during the year on ordinary shares		
Equity dividends paid		
Interim dividend	15,000	21,000

9. INTANGIBLE ASSETS

Purchased syndicate capacity	\$'000
Cost	
At 1 January 2012	5,911
Disposals	-
At 31 December 2012	5,911
Amortisation	
At 1 January 2012	1,305
Amortisation on disposals	-
Provided during the year	295
At 31 December 2012	1,600
Net book value	
At 31 December 2012	4,311
At 1 January 2012	4,606

10. FINANCIAL INVESTMENTS

	2012 Historic Cost \$'000	2012 Market Value \$'000	2011 Historic Cost \$'000	2011 Market Value \$'000
Debt securities and other fixed income securities	209,053	210,022	219,640	220,932
Loans and deposits with credit institutions	10,600	10,667	15,381	15,385
Other	1,959	1,959	9,979	10,165
Money Market balances	16,121	16,121	29,526	29,526
	237,733	238,769	274,526	276,008

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

11. FINANCIAL INVESTMENTS *(continued)*

Analysis of market value	2012 \$'000	2011 \$'000
Listed investments	210,022	220,932
Unlisted investments	12,626	25,550
Money market balances	16,121	29,526
	<u>238,769</u>	<u>276,008</u>

Disclosure of Fair Values in accordance with the fair value hierarchy

In accordance with the Amendments to FRS 29 Financial Instruments Disclosures, the fair value of financial instruments based on a three-level fair value hierarchy that reflects the significance of the inputs used in measuring the fair value is provided below

The levels of the fair value hierarchy are defined by the standard as follows

Level 1 - fair values measured using quoted prices (unadjusted) in active markets for identical instruments,

Level 2 - fair values measured using directly or indirectly observable inputs or other similar valuation techniques for which all significant inputs are based on observable market data,

Level 3 - fair values measured using valuation techniques for which significant inputs are not based on market observable data

The fair value of the Company's financial assets are based on prices provided by investment managers who obtain market data from numerous independent pricing services. The pricing services used by the investment manager obtain actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources

Included within Level 1 of the hierarchy are the Company's share of Government bonds and Treasury bills which are measured based on quoted prices over which the Atrium Group has control

Level 2 of the hierarchy contains the Company's share of US Government Agencies, Corporate Securities, Asset Backed Securities, Mortgage Backed Securities over which the Atrium Group has control. The fair value of these assets are based on prices obtained from both investment managers and investment custodians as discussed above. This level also include a disclosure of the Company's share of investments held by non managed syndicates. The directors have classified these holdings as Level 2 following discussions with the relevant managing agencies

The Company records the unadjusted price provided and validates the price through a number of methods, including a comparison of the prices provided by the investment managers with the investment custodians and the valuation used by external parties to derive fair value. Quoted prices for US Government Agencies and Corporate Securities are based on a limited number of transactions for those securities and as such the Company considers these instruments to have similar characteristics of those instruments classified as Level 2

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

11. FINANCIAL INVESTMENTS *(continued)*

Having reviewed the Company's investments using the above criteria for valuation and pricing the Directors are satisfied that there are no Level 3 investments

In certain cases, the inputs used to measure the fair value of a financial instrument may fall into more than one level within the fair value hierarchy. In this instance, the fair value of the instrument in its entirety is classified based on the lowest level of input that is significant to the fair value measurement.

During the year, there were no transfers made between Level 1 and Level 2 of the fair value hierarchy.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
31 December 2012				
Financial assets designated at fair value through profit or loss				
Government securities	78,417	49,455	-	127,872
Corporate	-	66,870	-	66,870
Asset backed securities	-	8,389	-	8,389
Mortgage backed securities	-	10,667	-	10,667
Deposits with ceding undertakings	-	353	-	353
Money market balances	16,121	-	-	16,121
Group Share of Non managed syndicate investments	-	8,850	-	8,850
	<u>94,538</u>	<u>144,584</u>	<u>-</u>	<u>239,122</u>

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total fair value \$'000
31 December 2011				
Financial assets designated at fair value through profit or loss				
Government securities	73,925	39,651	-	113,576
Corporate	-	41,977	-	41,977
Asset backed securities	-	16,975	-	16,975
Mortgage backed securities	-	11,692	-	11,692
Deposits with ceding undertakings	-	405	-	405
Money market balances	29,526	-	-	29,526
Group Share of Non managed syndicate investments	-	62,262	-	62,262
	<u>103,451</u>	<u>172,962</u>	<u>-</u>	<u>276,413</u>

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

12. DEBTORS

	2012 \$'000	2011 \$'000
Amounts falling due within one year		
Arising out of direct insurance operations		
- owed by intermediaries	54,934	51,418
Arising out of reinsurance operations	70,066	59,381
Other debtors	46,275	46,195
	<u>171,275</u>	<u>156,994</u>
Amounts falling due after one year		
Arising out of direct insurance operations		
- owed by intermediaries	57	201
Arising out of reinsurance operations	86	193
Other debtors	3,006	3,339
	<u>3,149</u>	<u>3,733</u>
	<u>174,424</u>	<u>160,727</u>

13. AUTHORISED AND ISSUED SHARE CAPITAL

	2012 £	2011 £
Authorised		
75 (2011 – 75) ordinary shares of £1 each	75	75
100 (2011 – 100) 'A' of £1 each	100	100
	<u>175</u>	<u>175</u>
Allotted, called up and fully paid		
1 (2011 – 1) ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

Following the change of functional currency in 2009, the brought forward balances for the issued share capital have been translated into USD for the purposes of financial reporting at the exchange rate at the date of the change being £1 \$1 4479

	2012 \$	2011 \$
Allotted, called up and fully paid		
1 (2011 – 1) ordinary share	1	1
	<u>1</u>	<u>1</u>

The rights of the shares can be summarised as follows

Ordinary shares confer upon the holders the right to receive notice, attend and vote at General Meetings of the Company, and the right to receive a dividend. The holders of the 'A' ordinary shares do not have the right to receive notice, attend and vote at General Meetings of the Company.

The holders of 'A' ordinary shares shall, on payment of a dividend, or other distribution, be entitled to receive 1p on each 'A' ordinary share for every £10,000 paid per ordinary share, either by dividend or other distribution.

Upon wind-up of the Company and a return of assets, the 'A' ordinary share holders will be paid the amounts paid up on each 'A' ordinary share, after repayment of the amount paid up on the ordinary shares plus the payment of £1m per ordinary share.

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	S'000
2012	
Balance at 1 January 2012	18,066
Profit for the financial year	17,269
Dividends	(15,000)
	<hr/>
Balance at 31 December 2012	20,335
	<hr/>
2011	
At 1 January 2011	30,150
Profit for the financial year	8,916
Dividends	(21,000)
	<hr/>
Balance at 31 December 2011	18,066
	<hr/>

15. CREDITORS

	2012 S'000	2011 S'000
Amounts falling due within one year		
Arising out of direct insurance operations	23,447	24,529
Arising out of reinsurance operations	144,851	117,919
Other creditors including taxation and social security	16,585	15,750
	<hr/>	<hr/>
	184,883	158,198
Amounts falling due after one year		
Arising out of direct insurance operations	-	47
Arising out of reinsurance operations	569	487
Other creditors including taxation and social security	206	-
	<hr/>	<hr/>
	775	534
	<hr/>	<hr/>
	185,658	158,732
	<hr/>	<hr/>

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

16. CONTINGENT LIABILITIES

Charge over assets

On 28 November 2007, the company and its fellow underwriting subsidiaries (the ceasing corporate members) entered into an interavailable Lloyd's Security and Trust Deed securing all monies due and to become due from each company to the Society of Lloyd's. On the same day AUGL created a floating charge over all its assets to secure all monies due and to become due from AUGL to Lloyd's under the terms of the Deed of Indemnity provided by AUGL to Lloyd's in connection with the foregoing.

Under the terms of the interavailable Lloyd's Security and Trust Deed, the ceasing corporate members and the Company gave undertakings to the Society of Lloyd's, supported by a commitment from AUGL, 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.

On 23 March 2010 the Company and its fellow underwriting subsidiaries signed Deeds of Transition and new Trust Deeds to facilitate the implementation by the Society of Lloyd's of a new Trust Deed architecture. The changes made to the documentation related to streamlining and simplifying the administration of Funds at Lloyd's and do not have any financial impact on the Company.

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 Company. 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 AUGL by which AUGL 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.

17. ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking is Atrium Underwriting Group Limited.

The ultimate holding company of Atrium 5 Limited is Arden Holdings Limited, formerly Ariel Holdings Limited registered in Bermuda number 37470.

The consolidated financial statements of Arden Holdings Limited, within which this Company is included, can be obtained from that company's offices at Purvis House, 29 Victoria Street, Hamilton HM 10, Bermuda.