Company No: 2861145

ATRIUM 5 LIMITED

REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2015

ATRIUM 5 LIMITED

DIRECTORS
JRF Lee
RdWW Harries
BRA Merriman

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

AUDITOR
KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

BANKER
Lloyds Banking Group plc
113 Leadenhall Street
London EC3A 4AX

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

ATRIUM 5 LIMITED

STRATEGIC REPORT

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

Results

The profit for the year, after taxation, amounted to $13,162k (2014: $10,413k).

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 Syndicate 609.

The managed syndicate's principal activity during the year continued to be the transaction of general insurance and reinsurance business at Lloyd's. Syndicate 609 reported an excellent result for the 2015 calendar year, despite difficult market conditions. The syndicate's combined ratio of 80% was well ahead of expectations. All classes of business were profitable with the exception of the Liability franchise class due to a number of cyber related losses impacting performance, and the Property & Casualty Binding Authority franchise class due to the performance of the Motor and GL Direct books being below expectations.

The following table shows the participation on Syndicate 609 for each year of account.

	2013 Allocated Capacity £'000	2014 Allocated Capacity £'000	2015 Allocated Capacity £'000	2016 Allocated Capacity £'000
Syndicate 609	106,769	106,769	107,105	107,105

The Company has entered into calendar year reinsurance contracts with Arden Reinsurance Company Limited (Arden Re), a subsidiary of Enstar Group Limited (Enstar), for 2013, 2014, 2015 and renewed for 2016 under the terms below.

	2013	2014	2015	2016
Quota share	65.00%	65.00%	65.00%	65.00%
Ceding commission	2.50%	2.50%	2.50%	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:

	2015 $'000	2014 $'000	Change %
Gross written premium	149,082	155,231	(3.96)
Net premiums earned	88,075	87,274	0.92
Balance on technical account	14,739	14,056	4.86
Profit before tax	14,706	14,265	3.09

The Board has reviewed the results of the Company and are pleased that the KPIs demonstrate continued profitability.

STRATEGIC REPORT *(continued)*

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 and they have not resulted in any amendments.

Strategy

The Company's strategy is to remain as a corporate member at Lloyd's supporting Syndicate 609.

Principal risks & uncertainties

The Board of AUGL is responsible for the Group's systems and controls and for reviewing their effectiveness. The Board of AUL is responsible for the management of the systems and controls of the Syndicate, as detailed below. Reference to "the Board" in the section below relates to the Board of AUL.

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. The 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 syndicate 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), the Governance Structure and Atrium's Internal Model. The RMF incorporates 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 can be illustrated as follows:

Strategy: This describes Atrium's 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 agency 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 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 (ERC), 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 ERC as referenced in the previous paragraph). These functions have specific responsibilities documented in their terms of reference and are staffed by fit and proper individuals with suitable qualifications, expertise and experience. The activities of these functions seek to provide the 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 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 Board with membership comprised of Non Executive Directors. Together these three groups 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.

Executive Risk Committee (ERC): Atrium's Risk governance structure is comprised of the ERC and its three Risk Sub-Committees.

The ERC fulfils the Risk Management function, and coordinates the risk management activities conducted for the Agency's managed syndicate. It is responsible for ensuring that the RMF, and Internal Model, operates effectively, and for maintaining an aggregated and holistic view of risks to the syndicate in which the company participates in and reporting on them to the Board, committees and management as appropriate. It also ensures that there is robust and effective management, governance and oversight of Atrium's Internal Model which is used to set capital and is also widely used within the business.

To support delivery of the ERC's responsibilities, there are three Risk sub-committees, each being responsible for oversight, review and challenge of the activities of the syndicate 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 syndicate in which the company participates in is exposed are discussed below together with the mitigation techniques adopted. For clarity, the risks are analysed by reference to the Risk Sub-Committees that have responsibility for the relevant risk area.

Insurance Risk Sub-Committee (IRSC)

The IRSC is responsible for oversight of insurance risk which includes underwriting, claims, reserving, and reinsurance.

Underwriting risk is the risk that future losses are greater than allowed for within premiums. This could be due to natural fluctuations in claims frequencies and severities, changes in economic and judicial environments, anti-selection, inappropriate premium estimation or catastrophic loss activity.

Reserving risk is the risk that we have insufficient provision for losses that have already occurred.

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 Business Forecast of the syndicate in which the company participates in 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.

The risk of catastrophic claims is mitigated by the syndicate 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 Actuarial Function and approved by the Board. 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 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 programme that is 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, assessment of the proposed counterparties and the results of the Internal Model.

Financial Risk Sub-Committee (FRSC)

The FRSC is responsible for oversight of 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 syndicate in which the company participates in's 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. Atrium manages the syndicate's investments in accordance with investment guidelines established by the 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 Board.

Asset/liability mis-match is the risk that the syndicate in which the company participates in could incur a loss through inadequate matching of its investments with its insurance liabilities. Due to the short-tail nature of the majority of these liabilities, the syndicate does 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 syndicate substantially mitigates exposures to currency mis-match by investing premiums in the currency in which subsequent claims are most likely to be incurred and periodic rebalancing to ensure that these remain appropriate for the liabilities. The majority of the syndicate's 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 reinsurers of the syndicate in which the company participates in, 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 syndicate's 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 syndicate in which the company participates in will not be able to meet its

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 un-projected 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 syndicate were 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 Risk Sub-Committee (ORSC)
The ORSC is responsible for oversight of the syndicate in which the company participates exposures to operational, group, conduct and regulatory risks.

Operational risk includes exposure to loss from errors caused by people, processes or systems, group risk and emerging risks. The Company seeks to manage these risks by operating a control based environment which consists of documented procedures, segregation of duties and appropriate levels of review.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Company has a Compliance Officer and team who monitor regulatory developments and assess the impact on Company policy and maintain an ongoing open dialogue with both regulators and Lloyd's. They also carry out a compliance monitoring programme.

Conduct Risk is the risk that as part of writing and servicing insurance policies the syndicate fails to pay due regard to the interests of its customers. This is mitigated through the application of Atrium's conduct risk policy and procedures and through staff's adherence to Atrium's Code of Business Principles and Ethics. Atrium is committed to conducting its activities and stakeholder relationships in a fair and honest manner and the highest standard of conduct, professionalism and integrity is expected from all of its employees, with due regard paid at all levels of the organisation to ensuring fair outcomes for customers. Key controls include training of staff, embedding of the consideration of conduct risk as part of the business planning process and through the product life-cycle and Board and governance oversight and reporting. The ORSC fulfils the role of a "product oversight group" providing customer challenge and perspective to Atrium's products.

Regular reviews are performed by the Internal Audit department to ensure that deviations from the Company's policies and control weaknesses, are identified and reported to the appropriate level of management and the Audit Committee when considered necessary.

By order of the board

JRF Lee
Director
25 May 2016

DIRECTORS' REPORT

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

Dividends

The Directors do not recommend a final dividend, making the total dividends paid in the year $17,000k (2014: $6,500k).

Directors and officers of the Company

The current directors of the Company are disclosed on page 1. There were no director appointments or resignations during the year.

Future developments

The Directors intend that the Atrium Group will continue to participate in underwriting at Lloyd's throughout 2016 through Syndicate 609.

Events since the balance sheet date

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

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 3.

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 have indicated their willingness to continue in office as the Company auditor.

By order of the board

JRF Lee
Director
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 5 LIMITED

We have audited the financial statements of Atrium 5 Limited for the year ended 31 December 2015 set out on pages 11 to 44. 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 9, 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
Canary Wharf
London E14 5GL
25 May 2016

ATRIUM 5 LIMITED

INCOME STATEMENT
For the year ended 31 December 2015

TECHNICAL ACCOUNT – GENERAL BUSINESS

	Note	2015 $'000	2014 $'000
Gross premiums written	7	**149,082**	155,231
Outward reinsurance premiums		**(61,102)**	(67,228)
Net premiums written		**87,980**	88,003
Change in the gross provision for unearned premiums		**228**	(855)
Change in the provision for unearned premiums, reinsurers' share		**(133)**	126
Change in the net provision for unearned premiums		**95**	(729)
Earned premiums, net of reinsurance		**88,075**	87,274
Allocated investment return transferred from the non-technical account	12	**1,549**	2,406
Claims paid			
Gross amount		**(58,556)**	(65,797)
Reinsurers' share		**35,248**	42,734
Net claims paid		**(23,308)**	(23,063)
Change in the provision for claims			
Gross amount		**9,268**	(1,693)
Reinsurers' share		**(2,057)**	4,477
Change in the net change in provision for claims		**7,211**	2,784
Claims incurred, net of reinsurance		**(16,097)**	(20,279)
Net operating expenses	9	**(58,788)**	(55,345)
Balance on the technical account for general business	7	**14,739**	14,056

All operations relate to continuing activities.

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

ATRIUM 5 LIMITED

INCOME STATEMENT
For the year ended 31 December 2015

NON-TECHNICAL ACCOUNT

	Note	2015 $'000	2014 $'000
Balance on the general business technical account	7	**14,739**	14,056
Investment income	12	**4,081**	4,167
Net unrealised losses on investments	12	**(2,410)**	(1,391)
Foreign exchange gains		**964**	1,437
Investment expenses and charges	12	**(122)**	(370)
Other charges, including amortisation	13	**(997)**	(1,228)
Allocated investment return transferred to the general business technical account		**(1,549)**	(2,406)
Profit on ordinary activities before tax		**14,706**	14,265
Tax on profit on ordinary activities	14	**(1,544)**	(3,852)
Profit on ordinary activities after tax		**13,162**	10,413

All operations relate to continuing activities.

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

ATRIUM 5 LIMITED

BALANCE SHEET
At 31 December 2015

	Note	2015 $'000	2014 $'000
Assets			
Intangible assets			
Purchased syndicate capacity	16	**3,549**	3,851
Investments	17	**194,226**	216,433
Deposits with ceding undertakings		**480**	369
		194,706	216,802
Reinsurers' share of technical provisions			
Provision for unearned premiums	22	**3,312**	3,523
Claims outstanding	22	**68,479**	75,853
		71,791	79,376
Debtors			
Arising out of direct insurance operations			
- owed by intermediaries		**45,555**	41,911
Arising out of reinsurance operations		**60,252**	66,438
Amounts owed by parent undertakings		**7,747**	24,075
Other debtors		**3,944**	4,441
	18	**117,498**	136,865
Other assets			
Cash at bank and in hand		**9,740**	7,695
Overseas deposits		**20,799**	19,149
		30,539	26,844
Prepayments and accrued income			
Accrued interest		**40**	26
Deferred acquisition costs	19	**19,760**	19,588
		19,800	19,614
Total assets		**437,883**	483,352

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

ATRIUM 5 LIMITED

BALANCE SHEET
At 31 December 2015

	Note	2015 $'000	2014 $'000
Liabilities			
Capital and reserves			
Called up share capital	20	-	-
Retained earnings		**18,612**	22,450
Shareholders' equity		**18,612**	22,450
Technical provisions			
Provision for unearned premiums	22	**60,716**	62,352
Claims outstanding	22	**202,822**	216,129
		263,538	278,481
Deferred tax liability	14(d)	**4,912**	10,148
Deposits received from reinsurers		**9**	85
Creditors			
Arising out of direct insurance operations		**7,250**	12,087
Arising out of reinsurance operations		**126,525**	135,571
Amounts owed to group undertakings		**287**	1,060
Other creditors		**12,044**	19,309
	23	**146,106**	168,027
Accruals and deferred income		**4,706**	4,161
Total liabilities		**437,883**	483,352

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 signed on its behalf by:

JRF Lee
Director

Company No: 2861145

STATEMENT OF CHANGES IN EQUITY
As at 31 December 2015

	Share capital $'000	Retained earnings $'000	Total equity $'000
Balance as at 1 January 2014	-	18,537	18,537
Profit for the year	-	10,413	10,413
Dividends	-	(6,500)	(6,500)
Balance as at 31 December 2014	**-**	**22,450**	**22,450**
Profit for the year	-	13,162	13,162
Dividends	-	(17,000)	(17,000)
Balance as at 31 December 2015	**-**	**18,612**	**18,612**

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

There has been an impact on the retained earnings brought forward at 1 January 2014 following the adoption of FRS 102. More detail is provided in note 26.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2015

1. GENERAL INFORMATION

The principal activity of the Company during the year was it continued to be that of a Corporate Underwriting Member at Lloyd's.

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

These financial statements have been prepared in accordance with the applicable Accounting Standards in the United Kingdom including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) as issued in August 2014 and Financial Reporting Standard 103, 'Insurance contracts' (FRS 103) as issued in March 2014.

The financial statements are also 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 syndicate in which the Company participates as a corporate member at Lloyd's. The company has transitioned to FRS 102 and FRS 103 with effect from 1 January 2014. Details of this transition are disclosed in note 26.

In the transition to FRS 102 and FRS 103 from previous UK GAAP, the Company has changed its accounting treatment for non-monetary items. Details of this change are described in more detail in note 26.

3. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis with the exception of financial assets which are measured at fair value through profit or loss.

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.

The syndicate in which the Company participates is managed and controlled by its managing agent. The accounting information in respect of this participation has been provided by the managing agent and has been audited by the syndicate's auditors. Information in respect of the Company's participations on the managed syndicate is available directly from the syndicate accounting records.

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 5 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.

4. USE OF JUDGMENTS AND ESTIMATES

In preparing these financial statements, the directors of the Company have made judgements, estimates and assumptions that affect the application of the syndicate in which the company participates accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The measurement of the provision for claims outstanding involves judgments and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgment is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the in house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged. Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 6.

The useful life of intangible assets has a significant risk of causing a material adjustment to the carrying amount of assets within the next financial year which are discussed in more detail in note 5(m)).

5. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Details of the transition to FRS 102 are disclosed in note 26.

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 4.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Insurance classification

The syndicate's contracts are classified at inception, for accounting purposes, as insurance contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to make significant additional benefits in any scenario, excluding scenarios that lack commercial substance. Such contracts may also transfer financial risk.

(b) Gross premiums written

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

(c) 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. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date.

(d) Reinsurance premium ceded

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

(e) Claims provisions and related recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

The provision for claims outstanding is assessed on an individual 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 (IBNR) at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Claims provisions and related recoveries *(continued)*

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

(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

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated by reference to the classes of business which are managed together, after taking into account relevant investment returns.

(h) Investment income and expenses

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price.

Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments support the underwriting business.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Foreign currencies

i) Functional and presentation currency

The Company's functional and presentation 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.

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 non-technical account.

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

	Balance sheet 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

(j) Taxation

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

Current tax: the current tax credit or charge is based on the taxable profit for the year. Taxable profit differs from profit 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.

(k) Financial Instruments

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

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial Instruments *(continued)*

Basic financial assets, including deposits with credit institutions, debtors arising out of direct insurance operations (policyholders), cash and cash equivalents and other debtors, 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. Such assets are subsequently carried at fair value.

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at market value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date. Any surplus or deficit on any revaluation is recognised in the non-technical account.

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.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Basic financial liabilities, including creditors arising from insurance operations that are classified as debt, 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.

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

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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 the liability simultaneously.

Fair value measurement
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the syndicate estimates the fair value by using a valuation technique. See note 17 for further information on the valuation techniques of the syndicate in which the company participates in.

At each reporting date the syndicate in which the Company participates in assesses whether there is objective evidence that financial assets not at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial Instruments *(Continued)*

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(m) 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. Amortisation is charged to the non-technical account 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.

(n) Future amendments to FRS 102 and FRS 103

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.

6. RISK AND CAPITAL MANAGEMENT

This note presents information about the nature and extent of insurance and financial risks to which the Syndicate is exposed.

Risk management framework
The Board of Directors of the company has overall responsibility for the establishment and oversight of the Syndicate's risk management framework. The 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 Risk Management Framework is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the Executive Risk Committee ('ERC'), which fulfils the role of Atrium's Risk Management Function, and its three Risk Sub-Committees. These are the Insurance Risk Sub-Committee ('IRSC'), the Financial Risk Sub-Committee ('FRSC') and the Operational Risk Sub-Committee ('ORSC'). The ERC reports regularly to the Board of Directors on its activities.

6. RISK AND CAPITAL MANAGEMENT *(continued)*

Insurance risk management

The syndicate accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The syndicate is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The actual number and value of claims will vary from year to year and from the level estimated, possibly significantly.

The syndicate manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the syndicate from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis. Where an individual exposure is deemed surplus to the syndicate's risk appetite additional facultative reinsurance is also purchased.

The IRSC oversees the management of reserving risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development are all instrumental in mitigating reserving risk.

In house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters, claims and reinsurance technicians. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is reviewed by external consulting actuaries.

The IRSC performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review the IRSC makes recommendations to the Managing Agent's Board of Directors of the claims provisions to be established. In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

Concentration of insurance risk

A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

The concentration of insurance by the location of the underlying risk is summarised below by reference to liabilities.

	Gross Claims Outstanding		Reinsurer's Share of Claims Outstanding		Net	
	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000
UK	**11,561**	11,671	**3,903**	4,096	**7,658**	7,575
Other EU Countries	**11,966**	13,616	**4,040**	4,779	**7,926**	8,837
US	**113,378**	116,710	**38,281**	40,960	**75,097**	75,750
Asia	**10,750**	11,887	**3,629**	4,172	**7,121**	7,715
Canada	**9,735**	9,942	**3,287**	3,489	**6,448**	6,453
Australia	**6,896**	6,484	**2,328**	2,276	**4,568**	4,208
Other	**38,536**	45,819	**13,011**	16,081	**25,525**	29,738
	202,822	**216,129**	**68,479**	**75,853**	**134,343**	**140,276**

6. RISK AND CAPITAL MANAGEMENT *(continued)*

The concentration of insurance by type of contract is summarised below by reference to liabilities.

	Gross Claims Outstanding		Reinsurer's Share of Claims Outstanding		Net	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Accident and health	**7,182**	7,509	**2,321**	2,344	**4,861**	5,165
Motor (third party liability)	**51**	31	**6**	6	**45**	25
Motor (other classes)	**3,318**	2,468	**8**	42	**3,310**	2,426
Marine, aviation and transport	**41,077**	52,833	**22,325**	28,562	**18,752**	24,271
Fire and other damage to property	**32,967**	32,449	**7,197**	6,248	**25,770**	26,201
Third party liability	**87,875**	88,535	**30,727**	33,705	**57,148**	54,830
Credit and suretyship	**673**	1,487	**143**	233	**530**	1,254
Legal expenses	**1,631**	1,645	**40**	7	**1,591**	1,638
	174,774	186,956	**62,767**	71,148	**112,007**	115,809
Reinsurance	**28,048**	29,172	**5,712**	4,705	**22,336**	24,467
Total	**202,822**	216,129	**68,479**	75,853	**134,343**	140,276

Assumptions and sensitivities

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The syndicate uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios.

The syndicate considers that the liability for non-life insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

A 5% increase or decrease in the loss ratios would have the following impact on profit or loss and equity. For each sensitivity the impact of a change in a single factor is shown, with other assumptions unchanged.

	Total profit or loss impact	
	2015	**2014**
	$'000	**$'000**
5% increase in net loss ratios	**(805)**	(1,014)
5% decrease in net loss ratios	**805**	1,014

Financial risk management

The syndicate is exposed to financial risk through its financial assets, reinsurance assets and policyholder liabilities. In particular the key financial risk is that proceeds from, or the valuation of, financial assets are not sufficient to fund the obligations arising from policies as they fall due. The syndicate monitors and manages the financial risks relating to the operations of the syndicate through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Market risk

Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the syndicate in managing its market risk is to ensure risk is managed in line with the syndicate's risk appetite.

6. RISK AND CAPITAL MANAGEMENT *(continued)*

Market risk (continued)

The syndicate has established policies and procedures in order to manage market risk and methods to measure it.

There were no changes in the syndicate's market risk exposure in the financial year nor to the objectives, policies and processes for managing market risk.

Foreign currency risk management
The syndicate undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

The syndicate has minimal exposure to currency risk as the syndicates financial assets are primarily matched to the same currencies as its insurance contract liabilities. As a result, foreign exchange risk arises from other recognised assets and liabilities denominated in other currencies.

6. RISK AND CAPITAL MANAGEMENT *(continued)*

Financial risk management *(continued)*

Foreign currency risk management (continued)

The table below summarises the carrying value of the Company's assets and liabilities at the reporting date.

As at 31 December 2015	**Sterling $'000**	**Euro $'000**	**US Dollar $'000**	**Can Dollar $'000**	**Other $'000**	**Total $'000**
Intangible assets	-	-	3,549	-	-	**3,549**
Investments	10,503	22,583	148,472	12,668	-	**194,226**
Deposits with ceding undertakings	187	4	277	12	-	**480**
Reinsurers' share of technical provisions	43,833	904	26,902	152	-	**71,791**
Debtors	73,747	1,239	42,767	(135)	(120)	**117,498**
Other assets	12,891	1,358	14,195	1,597	498	**30,539**
Prepayments and accrued income	4,705	717	13,324	1,054	-	**19,800**
Total assets	**145,866**	**26,805**	**249,486**	**15,348**	**378**	**437,883**
Technical provisions	26,805	15,689	211,467	9,577	-	**263,538**
Provisions for liabilities	-	-	4,912	-	-	**4,912**
Deposits received from reinsurers	-	-	9	-	-	**9**
Creditors	123,673	8,709	10,517	2,941	266	**146,106**
Accruals and deferred income	(10)	53	4,003	662	-	**4,708**
Total liabilities	**150,468**	**24,451**	**230,908**	**13,180**	**266**	**419,273**
Net assets	**(4,602)**	**2,354**	**18,578**	**2,168**	**112**	**18,610**

As at 31 December 2014	**Sterling $'000**	**Euro $'000**	**US Dollar $'000**	**Can Dollar $'000**	**Other $'000**	**Total $'000**
Intangible assets	-	-	3,851	-	-	**3,851**
Investments	17,098	25,968	158,698	14,669	-	**216,433**
Deposits with ceding undertakings	168	4	196	1	-	**369**
Reinsurers' share of technical provisions	1,557	1,008	76,671	140	-	**79,376**
Debtors	(29,179)	2,838	161,386	1,607	213	**136,865**
Other assets	7,542	1,699	15,438	1,587	578	**26,844**
Prepayments and accrued income	4,320	872	13,295	1,127	-	**19,614**
Total assets	**1,506**	**32,389**	**429,535**	**19,131**	**791**	**483,352**
Technical provisions	26,257	19,787	221,424	11,013	-	**278,481**
Provisions for liabilities	-	-	10,148	-	-	**10,148**
Deposits received from reinsurers	-	4	81	-	-	**85**
Creditors	23,697	10,858	129,298	3,742	432	**168,027**
Accruals and deferred income	2,191	81	1,323	577	(11)	**4,161**
Total liabilities	**52,145**	**30,730**	**362,274**	**15,332**	**421**	**460,902**
Net assets	**(50,639)**	**1,659**	**67,261**	**3,799**	**370**	**22,450**

The following table details the company's sensitivity to a 10% increase and decrease in the Sterling against US dollar and Euro. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

6. RISK AND CAPITAL MANAGEMENT *(continued)*

	Profit or loss for the year 2015 $'000	Profit or loss for the year 2014 $'000
10% increase in US Dollar/GBP exchange rate	**264**	64
10% decrease in US Dollar/GBP exchange rate	**(264)**	(64)
10% increase in US Dollar /Euro exchange rate	**464**	340
10% decrease in US Dollar /Euro exchange rate	**(464)**	(340)

The method for sensitivity of the syndicate in which the company participates in to currency rate fluctuations has not changed significantly over the financial year.

Interest rate risk management
Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises primarily from the syndicate's financial investments, cash and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The FRSC monitors the duration of these assets on a regular basis. Interest rate risk also exists in products sold by the syndicate. The syndicate has no significant concentration of interest rate risk. The syndicate manages this risk by adopting close asset/liability matching criteria, to minimise the impact of mismatches between asset and liability values arising from interest rate movements.

The following table details the syndicate's sensitivity to a 50 basis point increase and decrease in the yield curve. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	Total Profit or Loss Impact 2015 $'000	2014 $'000
50 basis point increase	**(2,558)**	(2,417)
50 basis point decrease	**2,202**	1,336

The method for sensitivity to interest rate fluctuations of the syndicate in which the company participates has not changed significantly over the financial year.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the syndicate. The key areas of exposure to credit risk for the syndicate are in relation to its investment portfolio, reinsurance programme and amounts due from policyholders and intermediaries.

The objective of the syndicate in managing its credit risk is to ensure risk is managed in line with the syndicate's risk appetite. The syndicate has established policies and procedures in order to manage credit risk and methods to measure it.

There were no changes in the syndicate's credit risk exposure in the financial year nor to the objectives, policies and processes for managing credit risk.

The syndicate has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The syndicate only transacts with entities that are rated the equivalent to investment grade and above.

6. RISK AND CAPITAL MANAGEMENT *(continued)*

Credit risk (continued)

This information is supplied by independent rating agencies where available and if not available the syndicate uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers.

The exposure and the credit ratings of the counterparties of the syndicate in which the company participates in are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the FRSC annually. Furthermore, in certain instances, the syndicate receives deposits from its reinsurers which it holds under the terms of the reinsurance agreements.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The syndicate in which the company participates in does not have any significant credit risk exposure to any single counterparty or any group of counterparties. Concentration of credit did not exceed 5% of gross monetary assets at any time during the financial year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets and reinsurance assets recorded in the financial statements, which is net of impairment losses, represents the syndicate's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The syndicate in which the company participates in monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investments and reinsurance assets held by the syndicate on a quarterly basis.

Reinsurance assets are reinsurers' share of outstanding claims and IBNR and reinsurance receivables. They are allocated below on the basis of ratings for claims paying ability.

Receivables from policyholders, agents and intermediaries generally do not have a credit rating.

The following table shows aggregated credit risk exposure for assets with external credit ratings.

	AAA	AA	A	BBB	BB	Not rated	Total
As at 31 December 2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Investments	38,129	50,539	75,522	30,036	-	-	194,226
Deposits with ceding undertakings	94	125	187	74	-	-	480
Reinsurers' share of outstanding claims	-	8,339	16,908	42,360	2	4,182	71,791
Debtors	-	-	57,671	59,826	-	-	117,498
Other assets	14,088	2,388	12,901	1,112	-	50	30,539
Accrued interest	26	5	6	2	-	-	40
Total	52,337	61,397	163,196	133,411	2	4,231	414,574

	AAA	AA	A	BBB	BB	Not rated	Total
As at 31 December 2014	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Investments	95,880	49,419	45,052	23,108	-	2,974	**216,433**
Deposits with ceding undertakings	-	-	369	-	-	-	**369**
Reinsurers' share of outstanding claims	-	9,855	17,493	47,215	-	4,813	**79,376**
Debtors	-	270	136,568	27	-	-	**136,865**
Other assets	4,832	11,552	10,216	177	-	67	**26,844**
Accrued interest	15	9	2	-	-	-	**26**
Total	**100,727**	**71,105**	**209,700**	**70,527**	-	**7,854**	**459,913**

6. RISK AND CAPITAL MANAGEMENT *(continued)*

Credit risk (continued)

The following table shows the carrying value of debtors that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired. The factors considered in determining that the value of the assets have been impaired were: analysis of impairment, ageing of balances, past loss experience, current economic conditions and other relevant circumstances.

	Neither past due nor impaired	Past due less than 30 days	Past due 31 to 60 days	Past due 61 to 90 days	Past due more than 90 days	Past due and impaired	Carrying amount
As at 31 December 2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Debtors arising out of direct insurance operations	45,555	-	-	-	-	-	**45,555**
Debtors arising out of direct reinsurance operations	55,402	3,852	998	-	-	-	**60,252**
Total	**100,957**	**3,852**	**998**	-	-	-	**105,807**
As at 31 December 2014							
Debtors arising out of direct insurance operations	41,911	-	-	-	-	-	**41,911**
Debtors arising out of direct reinsurance operations	57,047	6,228	268	57	2,838	-	**66,438**
Total	**98,958**	**6,228**	**268**	**57**	**2,838**	-	**108,349**

Liquidity risk management

Liquidity risk is the risk that the syndicate in which the company participates in cannot meet its obligations associated with financial liabilities as they fall due. The syndicate has adopted an appropriate liquidity risk management framework for the management of the syndicate's liquidity requirements. The syndicate manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The syndicate is exposed to liquidity risk arising from clients on its insurance and investment contracts. In respect of catastrophic events there is liquidity risk from a difference in timing between claim payments and recoveries thereon from reinsurers. Liquidity management ensures that the syndicate has sufficient access to funds necessary to cover insurance claims, surrenders, withdrawals and maturing liabilities. In practice, most of the syndicate's assets are marketable securities which could be converted in to cash when required.

There were no changes in the syndicate's liquidity risk exposure in the financial year nor to the objectives, policies and processes for managing liquidity risk.

In relation to the financial assets, the tables below have been drawn up based on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except where the syndicate anticipates that the cash flow will occur in a different period. The table also shows the expected maturity profile of the syndicate's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance and participating investment contract liabilities. The table includes both interest and principal cash flows.

6. RISK AND CAPITAL MANAGEMENT *(continued)*

Liquidity risk management (continued)

As at 31 December 2015	Less than 1 year $'000	1 - 3 years $'000	3 - 5 years $'000	More than 5 years $'000	Total $'000
Investments	50,183	107,830	33,924	2,289	**194,226**
Deposits with ceding undertakings	124	266	84	6	**480**
Reinsurers' share of technical provisions	3,830	60,202	3,992	3,767	**71,791**
Debtors	95,634	21,864	-	-	**117,498**
Other assets	21,069	8,868	561	41	**30,539**
Accrued interest	18	20	2	-	**40**
Total	**170,858**	**199,050**	**39,563**	**6,103**	**414,574**
Technical provisions	91,260	100,431	41,491	30,356	**263,538**
Deposits received from reinsurers	9	-	-	-	**9**
Creditors	74,928	71,178	-	-	**146,106**
Accruals and deferred income	3,641	-	1,067	-	**4,708**
Total	**169,838**	**171,609**	**42,558**	**30,356**	**414,361**

As at 31 December 2014	Less than 1 year $'000	1 - 3 years $'000	3 - 5 years $'000	More than 5 years $'000	Total $'000
Investments	67,327	128,539	19,383	1,184	**216,433**
Deposits with ceding undertakings	369	-	-	-	**369**
Reinsurers' share of technical provisions	11,870	59,959	3,883	3,664	**79,376**
Debtors	110,399	26,466	-	-	**136,865**
Other assets	21,268	2,038	1,294	2,244	**26,844**
Prepayments and accrued income	5	0	8	13	**26**
Total	**211,238**	**217,002**	**24,568**	**7,105**	**459,913**
Technical provisions	96,436	106,125	43,843	32,077	**278,481**
Deposits received from reinsurers	85	-	-	-	**85**
Creditors	92,747	75,280	-	-	**168,027**
Accrued interest	3,625	-	536	-	**4,161**
Total	**192,893**	**181,405**	**44,379**	**32,077**	**450,754**

Capital Management

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to supervision by the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000, and in accordance with the Solvency II Framework.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's would comply with the Solvency II requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level, Accordingly, the capital requirement in respect of Syndicate 609 is not disclosed in these financial statements.

6. RISK AND CAPITAL MANAGEMENT *(continued)*

Capital Management *(continued)*

Lloyd's capital setting process
In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member's SCR is determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2016 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members
Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), assets held and managed within a syndicate (funds in syndicate), or as the member's share of the members' balances on each syndicate on which it participates.

Accordingly all of the assets less liabilities of the syndicate, as represented in the members' balances reported on the balance sheet, represent resources available to meet members' and Lloyd's capital requirements.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2015

7. ANALYSIS OF UNDERWRITING RESULT

2015	Gross Premiums Written $'000	Gross Premiums Earned $'000	Gross Claims Incurred $'000	Gross Operating Expenses $'000	Reinsurance Balance $'000	Total $'000	Net Technical Provisions $'000
Direct business							
Accident and health	12,583	12,105	(5,307)	(5,840)	(704)	254	9,072
Motor	3,546	3,521	(3,297)	(1,193)	104	(865)	3,564
Marine, aviation and transport	34,064	37,218	(4,534)	(16,099)	(18,429)	(1,844)	36,687
Fire and other damage to property	46,224	45,136	(15,910)	(19,308)	(4,446)	5,472	41,364
Third party liability	37,987	36,516	(17,217)	(15,191)	658	4,766	75,779
Other	2,142	2,613	479	(872)	(237)	1,983	2,280
Total direct	136,546	137,109	(45,786)	(58,503)	(23,054)	9,766	168,746
Reinsurance business							
Reinsurance acceptances	12,536	12,201	(3,502)	(2,302)	(2,973)	3,424	23,001
	149,082	149,310	(49,288)	(60,805)	(26,027)	13,190	191,747
Allocated investment return						1,549	
Balance on technical account						14,739	

2014	Gross Premiums Written $'000	Gross Premiums Earned $'000	Gross Claims Incurred $'000	Gross Operating Expenses $'000	Reinsurance Balance $'000	Total $'000	Net Technical Provisions $'000
Direct business							
Accident and health	13,639	14,010	(5,860)	(5,852)	(1,089)	1,209	8,834
Motor	3,567	3,373	(3,440)	(1,168)	835	(400)	2,812
Marine, aviation and transport	42,326	45,536	(18,651)	(16,643)	(6,957)	3,285	46,721
Fire and other damage to property	46,279	44,108	(13,617)	(17,310)	(8,844)	4,337	40,343
Third party liability	37,422	35,156	(20,363)	(13,116)	450	2,127	73,503
Other	2,941	2,884	(1,686)	(1,001)	(110)	87	3,257
Total direct	146,174	145,067	(63,617)	(55,090)	(15,715)	10,645	175,470
Reinsurance Business							
Reinsurance acceptances	9,057	9,309	(3,873)	(2,414)	(2,017)	1,005	23,635
	155,231	154,376	(67,490)	(57,504)	(17,732)	11,650	199,105
Allocated investment return						2,406	
Balance on technical account						14,056	

7. ANALYSIS OF UNDERWRITING RESULT *(continued)*

Commission on direct insurance gross premiums earned during 2015 was $40,735k (2014:$37,546k).

No gains or losses were recognised in profit or loss during the year on buying reinsurance (2014: nil).

All premiums were concluded in the UK.

The geographical analysis of premiums by destination is as follows:

	2015	2014
	%	%
UK	**5.7**	5.4
Other EU countries	**5.9**	6.3
US	**55.9**	54.0
Asia	**5.3**	5.5
Canada	**4.8**	4.6
Australia	**3.4**	3.0
Other	**19.0**	21.2
Total	**100.0**	100.0

8. CLAIMS OUTSTANDING

Reassessment of claims outstanding on underwriting years 2012 & prior (2014 - 2011 & prior) resulted in an improvement of $20,791k (2014 - $17,320k).

9. NET OPERATING EXPENSES

	2015	2014
	$'000	$'000
Acquisition costs:		
Brokerage and commission	**37,740**	35,608
Other acquisition costs	**6,608**	6,436
Change in deferred acquisition costs	**(710)**	(889)
Syndicate administrative expenses	**8,028**	7,712
Direct administrative expenses	**9,139**	8,637
	60,805	57,504
Reinsurance commissions receivable	**(2,017)**	(2,159)
	58,788	55,345

10. STAFF COSTS

The Company does not directly employ any staff however it uses the services of employees of the Atrium Group. No amounts are charged to the Company (2014: $nil) for the use of these services although the Company incurs its share of staff costs borne by the syndicate in which it participates.

11. DIRECTORS REMUNERATION

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 (2014: $nil), although the Company incurs its share of directors emoluments borne by the syndicate in which it participates.

12. INVESTMENT RETURN

	2015 $'000	2014 $'000
Investment income		
Income from investments	**4,081**	4,163
Other interest	**-**	4
	4,081	4,167
Net unrealised losses on investments		
Unrealised gains on investments	**97**	474
Unrealised losses on investments	**(2,507)**	(1,865)
	(2,410)	(1,391)
Investment expenses and charges		
Investment management expenses, including interest	**(203)**	(217)
Net gains/(losses) on the realisation of investments	**81**	(153)
	(122)	(370)
Allocated investment return transferred to general business account	**1,549**	2,406

13. OTHER CHARGES, INCLUDING AMORTISATION

Other charges include: amortisation of syndicate capacity of $302,081 (2014: $295,517), auditors' remuneration in respect of audit services of $13,786 (2014: $14,833) and letter of credit fees of $615,760 (2014: $888,370).

14. TAX

(a) Tax on profit on ordinary activities

	2015 $'000	2014 $'000
The tax charge is made up as follows:		
Current tax:		
UK corporation tax on the profit for the year	**6,695**	11,113
Tax (over)/under provided in previous years	**(1,492)**	1,424
Group relief	**1,489**	2,111
	6,692	14,648
Foreign tax	**87**	321
Total current tax	**6,779**	14,969
Deferred tax:		
Origination and reversal of timing differences	**(5,200)**	(10,973)
Deferred tax under provided in previous years	**1**	-
Effect of decreased tax rate	**(36)**	(144)
Total deferred tax (note 14 (d))	**(5,235)**	(11,117)
Tax charge on ordinary activities (note 14 (b))	**1,544**	3,852

(b) Reconciliation of tax charge

	2015 $'000	2014 $'000
Profit on ordinary activities before tax	**14,706**	14,265
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%)	**2,978**	3,067
Effects of:		
Restatement of underwriting result	**116**	(231)
Timing of underwriting profits	**5,208**	10,982
Expenses not deductible for tax purposes and permanent differences	**(110)**	(585)
Amounts (over)/under provided in previous years	**(1,492)**	1,424
Other timing differences	**(8)**	(9)
Foreign tax	**88**	321
Deferred tax credit in the income statement	**(5,236)**	(11,117)
Total tax charge for the year (note 14 (a))	**1,544**	3,852

(c) Factors that may affect 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 the Finance Act 2015. These rates have been reflected in the closing deferred tax position in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2015

14. TAX *(continued)*

(d) Deferred taxation

	2015 $'000	2014 $'000
The deferred tax included in the balance sheet is as follows:		
Provision of underwriting results	**(5,398)**	(10,642)
Other	**486**	494
	(4,912)	(10,148)
At 1 January 2015	**(10,148)**	(21,265)
Deferred tax credit in profit and loss account (note 14(a))	**5,236**	11,117
At 31 December 2015	**(4,912)**	(10,148)

15. DIVIDENDS

	2015	2014
Declared and paid during the year on ordinary shares	$'000	$'000
Equity dividends paid:		
Interim dividend	**17,000**	6,500

16. INTANGIBLE ASSETS

Purchased syndicate capacity	$'000
Cost	
At 1 January 2015	6,042
Additions	-
At 31 December 2015	6,042
Amortisation	
At 1 January 2015	2,191
Provided during the year	302
At 31 December 2015	2,493
Net book value	
At 31 December 2015	3,549
At 31 December 2014	3,851

17. INVESTMENTS

	2015 Fair Value $'000	2014 Fair Value $'000	2015 Cost $'000	2014 Cost $'000
Debt securities and other fixed income securities	183,890	199,861	186,349	201,318
Loans secured by mortgage	100	2,322	102	2,314
Shares and other variable yield securities and units in unit trusts	10,236	14,250	10,236	14,250
	194,226	**216,433**	**196,686**	**217,882**

Shares and other variable yield securities and units in unit trusts represents the syndicate in which the company participates holdings in collective investment schemes.

Using Standard & Poor's and Moody's as rating sources, the credit ratings of the debt and other fixed income securities are set out below:

	2015 $'000	2015 %	2014 $'000	2014 %
Government/Government Agency	**56,847**	**30.9**	63,552	31.8
AAA/Aaa	**15,412**	**8.4**	55,225	27.6
AA/Aa	**17,406**	**9.5**	13,560	6.8
A	**64,186**	**34.9**	44,418	22.2
BBB	**30,039**	**16.3**	23,107	11.6
	183,890	**100**	**199,861**	**100**

Fair Value methodology

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the syndicate applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

To provide an indication about the reliability of the inputs used in determining fair value, the syndicate in which the company participates has classified its financial instruments into the three levels. An explanation of each level follows underneath the table.

Investments carried at fair value have been categorised using a fair value hierarchy as detailed below:

Fair value hierarchy:

Level 1 – Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an on-going basis.

17. INVESTMENTS *(continued)*

Fair Value methodology *(continued)*

Level 2 – The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3 – Inputs to level 3 fair values are based on unobservable inputs for the assets at the last measurement date. If all significant inputs required to fair value an instrument are observable then the instrument is included in level 2, if not it is included in level 3. The syndicate in which the company participates did not have any such instruments.

Having reviewed the investments using the above criteria for valuation and pricing the directors are satisfied that there are no Level 3 investments.

The table below shows financial instruments carried at a fair value through profit or loss grouped into the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 31 December 2015	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Shares and other variable yield securities and units in unit trusts	-	10,236	-	**10,236**
Debt securities and other fixed income securities	25,540	158,350	-	**183,890**
Loans secured by mortgage	-	100	-	**100**
	25,540	**168,686**	-	**194,226**

As at 31 December 2014	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Shares and other variable yield securities and units in unit trusts	-	14,250	-	**14,250**
Debt securities and other fixed income securities	27,639	172,222	-	**199,861**
Loans secured by mortgage	-	2,322	-	**2,322**
	27,639	188,794	-	**216,433**

18. DEBTORS

	2015 $'000	2014 $'000
Amounts falling due within one year		
Arising out of direct insurance operations		
- due from intermediaries	**40,159**	41,837
- due from policyholders	**5,306**	-
Arising out of reinsurance operations	**60,252**	66,425
Amounts due from parent undertakings	**7,747**	24,075
Other debtors	**3,944**	1,783
	117,408	134,120
Amounts falling due after one year		
Arising out of direct insurance operations		
- due from intermediaries	**90**	74
Arising out of reinsurance operations	**-**	13
Other debtors	**-**	2,658
	90	2,745
	117,498	136,865

19. DEFERRED ACQUISITION COSTS

The table below shows changes in deferred acquisition costs from the beginning of the period to the end of the period.

	2015 $'000	2014 $'000
Balance at 1 January	**19,588**	19,541
Incurred costs deferred	**39,406**	40,743
Amortisation	**(38,696)**	(39,854)
Effect of movements in exchange rates	**(538)**	(842)
Balance at 31 December	**19,760**	19,588

20. AUTHORISED AND ISSUED SHARE CAPITAL

	2015 £	2014 £
Authorised:		
75 (2014 – 75) ordinary shares of £1 each	**75**	75
100 (2014 – 100) 'A' of £1 each	**100**	100
Allotted, issued and fully paid:		
1 (2014 – 1) ordinary share of £1	**1**	1

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.

20. AUTHORISED AND ISSUED SHARE CAPITAL *(continued)*

	2015	2014
	$	$
Allotted, issued and fully paid:		
1 (2014 – 1) ordinary share	1	1

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.

21. CLAIMS DEVELOPMENT

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. FRS 103 requires that claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payment, but need not go back more than ten years. The top half of the table shows how the estimates of total claims for each underwriting year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

The cumulative claims estimates and payments for each underwriting year are translated into US Dollars at the exchange rates prevailing at 31 December 2015 in all cases.

	2011	2012	2013	2014	2015	Total
Analysis of claims development - gross	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Estimate of ultimate gross claims:						
at end of underwriting year	97,161	85,499	86,002	85,074	91,572	445,308
one year later	87,771	71,504	83,776	75,554		318,605
two years later	84,643	65,723	75,552			225,918
three years later	84,005	58,948				142,953
four years later	81,009					81,009
Less gross claims paid	61,333	40,387	44,969	23,314	5,715	175,718
Gross ultimate claims reserve	19,676	18,561	30,583	52,240	85,857	206,917
Gross ultimate claims reserve for 2010 & prior years						**46,683**
Gross unearned portion of ultimate claims						**(50,778)**
Gross claims reserve						**202,822**

21. CLAIMS DEVELOPMENT*(continued)*

Analysis of claims development - net	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	Total $'000
Estimate of ultimate net claims:						
at end of underwriting year	63,607	57,981	58,641	57,826	61,691	299,747
one year later	59,798	50,522	59,837	53,633		223,790
two years later	55,505	46,915	52,940			155,359
three years later	51,367	42,026				93,393
four years later	49,124					49,124
Less net claims paid	40,076	28,857	31,610	17,190	4,281	122,013
Net ultimate claims reserve	9,048	13,169	21,330	36,443	57,410	137,400
Net ultimate claims reserve for 2010 & prior years						**30,568**
Net unearned portion of ultimate claims						**(33,625)**
Net claims reserve						**134,343**

The company has taken advantage of the transitional provisions within FRS 103 not to disclose information about claims development that occurred earlier than five years before the end of the first financial year in which FRS 103 is applied.

22. TECHNICAL PROVISIONS

The table below shows changes in the insurance contract liabilities and assets from the beginning of the period to the end of the period.

	2015			2014		
Claims outstanding	**Gross provisions $'000**	**Reinsurance assets $'000**	**Net $'000**	**Gross provisions $'000**	**Reinsurance assets $'000**	**Net $'000**
Balance at 1 January	216,129	75,853	**140,276**	219,340	72,460	**146,880**
Claims and claims adjustment expenses for the year	49,288	33,191	**16,097**	67,490	47,210	**20,280**
Cash paid for claims settled in the year	(58,556)	(35,249)	**(23,307)**	(65,797)	(42,733)	**(23,064)**
Effect of movements in exchange rates	(4,039)	(5,316)	**1,277**	(4,904)	(1,084)	**(3,820)**
Balance at 31 December	**202,822**	**68,479**	**134,343**	**216,129**	**75,853**	**140,276**
Claims reported and claims adjustment expenses	70,929	49,126	**21,803**	75,942	56,790	**19,152**
Claims incurred but not reported	131,893	19,353	**112,540**	140,187	19,063	**121,124**
Balance at 31 December	**202,822**	**68,479**	**134,343**	**216,129**	**75,853**	**140,276**
Unearned Premiums						
Balance at 1 January	62,352	3,523	**58,829**	63,570	3,554	**60,016**
Premiums written during the year	149,082	61,102	**87,980**	155,231	67,228	**88,004**
Premiums earned during the year	(149,310)	(61,235)	**(88,075)**	(154,376)	(67,102)	**(87,275)**
Effect of movements in exchange rates	(1,408)	(78)	**(1,330)**	(2,073)	(157)	**(1,916)**
Balance at 31 December	**60,716**	**3,312**	**57,404**	**62,352**	**3,523**	**58,829**

23. CREDITORS

	2015	2014
	$'000	$'000
Amounts falling due within one year		
Arising out of direct insurance operations	**6,875**	12,066
Arising out of reinsurance operations	**126,525**	135,571
Amounts owed to group undertakings	**287**	1,060
Other creditors	**12,044**	19,309
	145,731	168,006
Amounts falling due after one year		
Arising out of direct insurance operations	**375**	21
	146,106	168,027

24. RELATED PARTIES

The Company is a wholly owned subsidiary of Atrium Underwriting Group Ltd, 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 Atrium Underwriting Group Ltd.

See note 11 for disclosure of the directors' remuneration. These directors are deemed to be key management personnel of the entity.

Atrium 5 Limited has a 65% quota share agreement with Arden Re. The reinsurance premium and balance included in creditors are as shown in the table below. Details of the arrangement are included on page 2.

		2015		2014
		$'000		$'000
Reinsurance premiums		46,599		49,144
Net losses and loss adjustments		(30,183)		(35,707)
Ceding commission		(2,191)		(2,198)
Profit commission		(2,461)		(2,138)
Amount due to Arden Re arising out of reinsurance operations		(14,277)		(17,292)

25. ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking and controlling party is Atrium Underwriting Group 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 and 26 for exemptions claimed in relation to the preparation of the financial statements under FRS 102.

26. TRANSITION TO FRS 102

This is the first year that the Company has presented its results under Financial Reporting Standard 102 and 103 (FRS 102 and FRS 103) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The Company transitioned to accounting policies aligned to FRS 102 and FRS 103 from the previous UK GAAP with effect from 1 January 2014. The Company has early adopted the amendments to FRS 102 (issued in July 2015). The main change is in relation to the treatment of non-monetary items and this is explained in more detail below. Additionally the presentation of foreign exchange gains and losses has changed, as explained below.

Non-monetary items

Under the previous UK GAAP, non-monetary items comprising unearned premiums, reinsurers' share of unearned premiums and deferred acquisition costs, were translated into the functional currency using historic rates of exchange. On transition to FRS 102 these non-monetary items have been translated into the functional currency at the closing rate of exchange for each accounting period. This has resulted in a restatement of the opening retained earnings as at 1 January 2014, the income statement for the year ended 31 December 2014 and the balance sheet as at 31 December 2014.

i. Reconciliation of opening retained earnings

	$'000
Retained earnings as at 1 January 2014 as previously reported under UK GAAP	19,035
Net foreign exchange gains arising on retranslation of non-monetary items	
Gross unearned premium	(1,017)
Reinsurers share of unearned premium	85
Deferred acquisition costs	434
Retained earnings as at 1 January 2014 as reported under FRS 102	18,537

ii. Reconciliation of profit for the year

	31 December 2014 $'000
Profit after tax for the year as previously reported under UK GAAP	9,340
Net foreign exchange losses arising on retranslation of non-monetary items	
Gross unearned premium	2,072
Reinsurers share of unearned premium	(157)
Deferred acquisition costs	(842)
Profit after tax for the year as reported under FRS 102	10,413

Foreign exchange presentation

Under the previous UK GAAP, foreign exchange gains and losses were presented in the technical account. On transition to FRS 102 foreign exchange gains and losses are now presented in the non-technical account. This is a pure presentational change and there has not been any impact on the retained profit of the company as at 1 January 2014 or 31 December 2014 as a result of this change in accounting policy.