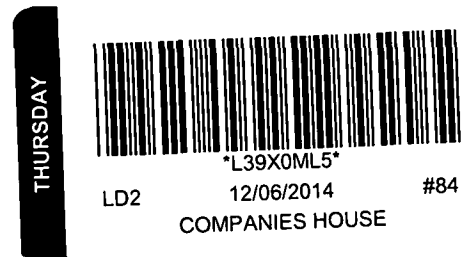


Company No: 2861145

ATRIUM 5 LIMITED

**REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2013**



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

ATRIUM 5 LIMITED

DIRECTORS

S Cook

J Lee

R Harries

SECRETARY

M Balicao

Equiniti David Venus & Company Limited

Thames House

Portsmouth Road

Esher

Surrey KT10 9AD

AUDITORS

Ernst & Young LLP

1 More London Place

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BANKERS

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 2013.

Results and dividends

The profit for the year, after taxation, amounted to \$13,200k (2012:\$17,269k). The directors do not recommend a final dividend, making the total of dividends paid in the year \$14,500k (2012: \$15,000k).

Principal activity and review of the business

The principal activity of the Company is that of a Corporate Underwriting Member at Lloyd's and is a wholly owned subsidiary of Atrium Underwriting Group Limited (AUGL). AUGL also owns a Lloyd's Managing Agency Atrium Underwriters Limited (AUL) which manages syndicates 570 and 609. As reported last year with effect from 1 January 2012 the managed syndicates merged for the 2012 year of account onwards. The 2011 underwriting year of Syndicate 570 has been successfully reinsured to close into the 2012 underwriting year of Syndicate 609 in line with our merger document sent to capital providers on 28 April 2011.

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

Syndicate No.	2011 Allocated Capacity £'000	2012 Allocated Capacity £'000	2013 Allocated Capacity £'000	2014 Allocated Capacity £'000
570	35,871	-	-	-
609	70,898	106,769	106,769	106,769
Total	106,769	106,769	106,769	106,769

The Company has entered into calendar year reinsurance contracts with Arden Reinsurance Company Limited (Arden Re), a subsidiary of Enstar Group Limited (Enstar), for 2011, 2012, 2013 and renewed for 2014 under the terms below. Arden Re was previously a subsidiary of Arden Holdings Limited until 9 September 2013 when it was acquired by Enstar.

	2011	2012	2013	2014
Quota share	65.00%	65.00%	65.00%	65.00%
Ceding commission	2.50%	2.75%	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:

	2013 \$'000	2012 \$'000	Change %
Gross written premium	149,472	155,197	(3.7)
Net premiums earned	76,188	48,690	56.5
Balance on technical account	14,214	16,996	(16.4)
Profit before tax	13,801	16,673	(17.2)

ATRIUM 5 LIMITED

STRATEGIC REPORT

The increase in net premiums earned reflects the impact of the 2010 year of account Reinsurance To Close (RITC) following the company's reduced participation on a non-managed syndicate. If this adjustment was excluded comparative net premiums earned for 2012 would be \$78.7m, in line with 2013. The decreased profitability reflects the lower investment returns in 2013 compared to 2012.

Principal risks & uncertainties

Managed Syndicates

Governance

The Board recognises the critical importance of having efficient and effective risk management systems in place but also recognises that it can only mitigate risks, and not eliminate them entirely. In preparation for the proposed Solvency II regime, the Atrium Group (Atrium) has developed its Own Risk and Solvency Assessment (ORSA), comprising the entirety of the processes that it uses to identify, assess, monitor and report the risks faced by its managed syndicates and to determine the capital necessary to mitigate retained risks. Critical to the efficacy of the ORSA are the effective operation of the Risk Management Framework (RMF) and the Governance Structure. The RMF comprises the so-called "Three lines of Defence" approach to risk management and reporting.

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

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

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

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

Risk Governance Structure: Atrium 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 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 Compliance, Internal Audit and Actuarial Functions 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 Atrium 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.

ATRIUM 5 LIMITED

STRATEGIC REPORT

Independent Oversight: The RMF provides for independent oversight and challenge via the operation of the Audit Committee and Risk Committee, both of which are Committees of the AUL Board with membership comprised of Non Executive Directors. 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

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

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

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

Insurance Risks Sub-Committee (IRSC)

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

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

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

Reserving risk is mitigated by the robust reserve adequacy exercise that is performed on a quarterly basis by the 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 AUL Board. The reserving is carried out based on historical development data, the claims environment and information provided by lawyers and third party claims adjusters. Although a thorough review is carried out the reserves carried may be more or less than adequate to meet the final cost of claims.

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

ATRIUM 5 LIMITED

STRATEGIC REPORT

Financial Risks Sub-Committee (FRSC)

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

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

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

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

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

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

ATRIUM 5 LIMITED

STRATEGIC REPORT

Operational Risks Sub-Committee (ORSC)

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

Operational risk includes exposure to loss from errors caused by people, processes or systems, group risk and emerging risks. AUL seeks to manage these risks by operating a control based environment which consists of documented procedures, segregation of duties and appropriate levels of review. Regular reviews are performed by the internal audit department to ensure that any deviations from AUL's policies are identified and reported to the appropriate level of management and audit committee when considered necessary.

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

By order of the board



S Cook
Director

27 March 2014

ATRIUM 5 LIMITED

DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 2013.

Directors of the Company

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

The following Director was appointed during the year:

J Lee (appointed effective 6 February 2013).

The following Director was appointed after the end of the year but before the date of this report:

R Harries (appointed effective 1 January 2014).

The following Directors resigned during the year:

N Marsh (resigned effective 31 December 2013).

A Baddeley (resigned effective 6 February 2013)

Solvency II

During 2013 further progress was made by Atrium in implementing Solvency II. Specifically, Atrium has met all the regulatory requirements during 2013 and is working towards incorporating Solvency II within business as usual. Atrium will continue to work closely with the Corporation of Lloyd's to ensure that Atrium remains on track to meet the demands of the Solvency II regime which is now scheduled to come into force on 1 January 2016.

Group Developments

On 5 June 2013, Arden Holdings Limited (AHL) entered into a definitive agreement with Enstar Group Limited subsidiaries (Enstar) under which Enstar agreed to acquire the entire issued share capital of Atrium Underwriting Group Limited (Atrium Group). Enstar subsequently announced on 9 July 2013 that affiliates of Stone Point Capital LLC (Stone Point) had committed to provide equity capital towards Enstar's previously announced acquisition of the Atrium Group, meaning that following the closing of the transaction Enstar would own 60% of the Atrium Group and Stone Point would own 40%.

The parties to the definitive purchase agreement for the acquisition entered into a deed of variation on 21 November 2013, which provided, among other things, for the payment of a \$25.0 million pre-completion dividend from Atrium to AHL and a corresponding \$25.0 million reduction in the purchase price (bringing the total purchase price from \$183.0 million to \$158.0 million). The transaction was completed on 25 November 2013. On the 25 November 2013 Richard Lutenski stepped down as Chairman of the AUL Board and Nick Packer was appointed in his place.

In addition, on 5 June 2013, AHL entered into a definitive agreement under which Enstar agreed to acquire the entire issued share capital of Arden Reinsurance Company Limited (Arden Re), which was also a subsidiary of AHL. Arden Re is a Bermuda-based reinsurance company that provides reinsurance to Atrium's corporate name. As with the Atrium Group transaction, Enstar subsequently announced on 9 July that Stone Point would be providing equity capital towards the transaction and would own 40% of Arden Re post closing of the transaction. The two transactions were governed by separate purchase agreements and the acquisition of the Atrium Group was not conditioned on the acquisition of Arden Re. On 9 September 2013, Arden Holdings completed its sale of Arden Re's entire issued share capital to Enstar and Stone Point.

ATRIUM 5 LIMITED

DIRECTORS' REPORT

Board and Management Changes

2013

As mentioned above the Atrium Group was sold during the year with the transaction completing on 25 November at which point various of the non-executive directors stepped down from the Board of AUGL to be replaced by Enstar and Stone Point representatives.

2014

After 14 years as AUL Managing Director Steve Cook informed the Board of his plans to step down from the role during the Summer of 2014 to become Deputy Chairman. The AUL Board is pleased to announce that James Lee, the current Chief Operating Officer will be appointed AUL Managing Director with effect from 1 July 2014. At the same time Steve Cook will also step down from his role as Atrium Group Chief Executive Officer and will be replaced by Richard Harries, who will remain as Active Underwriter for Syndicate 609.

Non-Managed Syndicate

With respect to the participation in the non-managed syndicate, it has been concluded by the Board that it is appropriate to assume that risk management policies should be in place which are similar to those in place at AUL in order for the managing agent of the non-managed syndicate to remain authorised and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. 2013 is the final year where a non-managed syndicate will contribute to the Atrium 5 result.

Future Developments

The Directors intend that the Atrium Group will continue to participate in underwriting at Lloyd's throughout 2014 on its managed syndicate.

Events since the balance sheet date

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

Going concern

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

Disclosure of information to the auditors

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


ATRIUM 5 LIMITED

DIRECTORS' REPORT

Re-appointment of auditors

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

By order of the board

A handwritten signature in black ink, appearing to read 'S Cook', written over a circular stamp or seal.

S Cook

Director

27 March 2014

ATRIUM 5 LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ATRIUM 5 LIMITED

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

We have audited the financial statements of company for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement on page 10, 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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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.

Ernst & Young LLP

Angus Millar (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

28 March 2014

ATRIUM 5 LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2013

TECHNICAL ACCOUNT – GENERAL BUSINESS

	Note	2013 \$'000	2012 \$'000
Gross premiums written	2	149,472	155,197
Outward reinsurance premiums		(73,219)	(104,143)
Net premiums written		76,253	51,054
Change in the gross provision for unearned premiums		(10)	(1,854)
Change in the provision for unearned premiums, reinsurers' share		(55)	(510)
Change in the net provision for unearned premiums		(65)	(2,364)
Earned premiums, net of reinsurance		76,188	48,690
Allocated investment return transferred from the non-technical account	2	(47)	4,968
Claims paid			
Gross amount		(73,782)	(65,852)
Reinsurers' share		50,664	22,004
Net claims paid		(23,118)	(43,848)
Change in the provision for claims			
Gross amount		25,045	13,277
Reinsurers' share		(11,495)	43,090
Net change in provision for claims		13,550	56,367
Claims incurred, net of reinsurance		(9,568)	12,519
Net operating expenses	3	(52,359)	(49,181)
Balance on the technical account for general business	2	14,214	16,996

ATRIUM 5 LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2013

NON-TECHNICAL ACCOUNT

	Note	2013 \$'000	2012 \$'000
Balance on the general business technical account	2	14,214	16,996
Investment income	4	4,319	4,512
Unrealised gain on investments	4	101	2,002
Investment expenses and charges	4	(1,285)	(675)
Unrealised losses on investments	4	(3,182)	(871)
Allocated investment return transferred to the general business technical account		47	(4,968)
Other charges, including amortisation	5	(415)	(323)
Profit on ordinary activities before tax		13,799	16,673
Tax on profit on ordinary activities	8	(599)	596
Profit on ordinary activities after tax		13,200	17,269

The profit and loss account relates entirely to continuing activities.

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

ATRIUM 5 LIMITED

BALANCE SHEET

at 31 December 2013

	Note	2013 \$'000	2012 \$'000
Assets			
Intangible assets			
Purchased syndicate capacity	10	4,015	4,311
Investments			
Financial investments	11	217,904	238,769
Deposits with ceding undertakings		523	353
		218,427	239,122
Reinsurers' share of technical provisions			
Provision for unearned premiums		3,469	3,524
Claims outstanding		72,460	90,238
		75,929	93,762
Debtors			
Arising out of direct insurance operations			
- owed by intermediaries		38,487	54,991
Arising out of reinsurance operations		114,827	70,152
Other debtors		49,434	49,281
	12	202,748	174,424
Other assets			
Cash at bank		29,808	29,743
		29,808	29,743
Prepayments and accrued income			
Deferred acquisition costs		19,107	18,072
Other prepayments and accrued income		35	83
		19,142	18,155
Total assets		550,069	559,517

ATRIUM 5 LIMITED

BALANCE SHEET

at 31 December 2013

	Note	2013 \$'000	2012 \$'000
Liabilities			
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account		19,035	20,335
Total shareholders funds	14	19,035	20,335
Technical provisions			
Provision for unearned premiums		62,552	62,546
Claims outstanding		219,340	250,319
		281,892	312,865
Provisions for other risk and charges	8(c)	21,265	36,302
Deposits received from reinsurers		174	165
Creditors			
Arising out of direct insurance operations		10,817	23,447
Arising out of reinsurance operations		191,432	145,420
Other creditors including taxation and social security		19,923	16,791
	15	222,172	185,658
Accruals and deferred income		5,531	4,192
Total liabilities		550,069	559,517

The financial statements were approved by the Board of Directors on 27 March 2014 and signed on its behalf by:



S Cook
Director

Company No: 2861145

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

1. ACCOUNTING POLICIES

(a) Basis of preparation and changes in accounting policy

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

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

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

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

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

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

(b) Basis of accounting

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

(c) Premiums

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

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

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

(d) Unearned premiums

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

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

(e) Claims

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

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

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

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

(f) Deferred acquisition costs

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

(g) Unexpired risks

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

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

(h) Investment income and expenses

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

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

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

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

(i) Income tax

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

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

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the timing differences can be used. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all of part of the asset to be recovered.

(j) Investments

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

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

(k) Intangible assets

Syndicate participations

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

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

(l) Foreign currencies

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

	Balance sheet rate at 31 December 2013	Average rate for Quarter 1 2013	Average rate for Quarter 2 2013	Average rate for Quarter 3 2013	Average rate for Quarter 4 2013
Sterling	1.6562	1.5537	1.5362	1.5500	1.5649

All other exchange differences are included in the technical account.

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

2. SEGMENTAL ANALYSIS

	Gross Premiums Written \$'000	Gross Premiums Earned \$'000	Gross Claims Incurred \$'000	Gross Operating Expenses \$'000	Reinsurance Balance \$'000	Net Technical Result \$'000	Net Technical Provisions \$'000
2013							
Direct business							
Accident and health	13,635	12,942	(4,850)	(5,607)	(994)	1,492	21,556
Motor	2,808	2,332	(1,441)	(973)	133	51	722
Marine, aviation and transport	47,388	51,780	(17,453)	(18,982)	(8,593)	6,752	97,516
Fire and other damage to property	38,318	37,124	(10,725)	(14,673)	(7,676)	4050	58,490
Third party liability	32,658	30,238	(16,130)	(10,233)	(3,018)	857	12,386
Other	2,724	2,448	443	(940)	(1,907)	44	645
Total direct	137,531	136,864	(50,156)	(51,408)	(22,055)	13,246	191,315
Reinsurance business							
Reinsurance acceptances	11,943	12,598	1,419	(3,160)	(9,842)	1,015	14,648
	149,472	149,462	(48,737)	(54,568)	(31,897)	14,261	205,963
Allocated investment return						(47)	
Balance on technical account						14,214	
2012							
Direct business							
Accident and health	14,412	13,672	(5,762)	(5,958)	914	2,866	9,847
Motor	1,924	1,973	(1,287)	(859)	614	441	1,702
Marine, aviation and transport	58,168	59,050	(10,617)	(20,154)	(5,803)	22,476	57,511
Fire and other damage to property	36,530	35,146	(13,814)	(12,993)	(19,873)	(11,534)	45,911
Third party liability	27,959	27,196	(13,458)	(10,091)	(5,859)	(2,212)	73,295
Other	2,242	1,938	(681)	(621)	1,196	1,832	3,420
Total direct	141,235	138,975	(45,619)	(50,676)	(28,811)	13,869	191,686
Reinsurance Business							
Reinsurance acceptances	13,962	14,368	(6,956)	(2,035)	(7,218)	(1,841)	27,417
	155,197	153,343	(52,575)	(52,711)	(36,029)	12,028	219,103
Allocated investment return						4,968	
Balance on technical account						16,996	

Commission on direct insurance gross premiums earned during 2013 were \$35,380k (2012 \$31,035k). The Company's activities are undertaken solely in the United Kingdom.

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

3. NET OPERATING EXPENSES

	2013	2012
	\$'000	\$'000
Brokerage and other business acquisition expenses	38,737	38,128
Change in deferred acquisition costs	(1,037)	(1,218)
Foreign exchange loss/(gain)	1,329	288
Syndicate operating expenses	6,599	6,222
Direct operating expenses	8,939	9,291
	<u>54,567</u>	<u>52,711</u>
Reinsurance commissions receivable	(2,208)	(3,530)
	<u>52,359</u>	<u>49,181</u>

4. INVESTMENT RETURN

	2013	2012
	\$'000	\$'000
Investment income		
Income from investments	4,318	4,510
Net gains on the realisation of investments	-	-
Other interest	1	2
	<u>4,319</u>	<u>4,512</u>
Investment expenses and charges		
Investment management expenses	(222)	(276)
Net (losses) on the realisation of investments	(1,063)	(399)
	<u>(1,285)</u>	<u>(675)</u>
Net unrealised (losses)/gains on investments		
Unrealised gains on investments	101	2,002
Unrealised (losses) on investments	(3,182)	(871)
	<u>(3,081)</u>	<u>1,131</u>
Total investment return	<u>(47)</u>	<u>4,968</u>

5. OTHER CHARGES, INCLUDING AMORTISATION

Other charges include, amortisation of syndicate capacity of \$296,000 (2012: \$296,000), auditors' remuneration in respect of audit services of \$23,967 (2012: \$20,769) and fees paid to the Company's auditor for tax services are \$nil (2012: \$nil).

6. STAFF COSTS

The Company does not have any direct employees; however it uses the services of employees of the Atrium Group. No amounts are charged to the Company (2012: \$nil) for the use of these services although the Company incurs its share of staff costs borne by the syndicate in which it participates.

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

7. DIRECTORS EMOLUMENTS

The Directors of the Company are all remunerated by Atrium Group Services Limited (AGSL), the employing company within the Atrium Group. Their remuneration is disclosed in the financial statements of AGSL. No amounts are charged to the Company for the use of these services (2012: \$nil), although the Company incurs its share of Directors emoluments borne by the syndicate in which it participates.

8. TAX

	2013	2012
	\$'000	\$'000
(a) Tax on profit on ordinary activities		
The tax charge is made up as follows:		
Current tax:		
UK corporation tax	13,295	8,035
Group relief payment	2,859	615
Tax overprovided in previous years	(626)	(2,139)
	<u>15,528</u>	<u>6,511</u>
Foreign tax	108	430
Total current tax (note 8 (b))	<u>15,636</u>	<u>6,941</u>
Deferred tax:		
Origination and reversal of timing differences	(12,585)	(4,555)
Deferred tax underprovided in previous years	(550)	268
Effect of decreased tax rate	(1,902)	(3,250)
Total deferred tax (note 8 (c))	<u>(15,037)</u>	<u>(7,537)</u>
Tax on profit on ordinary activities	<u>599</u>	<u>(596)</u>
(b) Factors affecting current tax charge		
The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%). The differences are reconciled below:		
Profit on ordinary activities before tax	<u>13,799</u>	<u>16,673</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	3,208	4,085
Effects of:		
Timing of underwriting profits	12,595	4,558
Other timing differences	(9)	(4)
Utilisation of tax losses brought forward	-	-
Tax overprovided in previous years	(626)	(2,139)
Foreign tax	108	430
Expenses not deductible for tax purposes and other permanent differences	360	10
Current tax charge for period (note 8(a))	<u>15,636</u>	<u>6,941</u>

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

8. TAX (continued)

	2013 \$'000	2012 \$'000
(c) Deferred tax		
Balance at 1 January	36,302	43,839
Deferred tax charge in profit and loss account (note 8(a))	(15,037)	(7,537)
At 31 December	<u>21,265</u>	<u>36,302</u>
Analysis of deferred tax liability at 31 December:		
Provision for underwriting results	21,768	36,340
Other	(503)	(38)
	<u>21,265</u>	<u>36,302</u>

The deferred tax liability in respect of underwriting results relates to the underwriting results that have arisen on the 2011, 2012 and 2013 years of account. These results will be assessed to tax in 2014, 2015 and 2016 respectively.

(d) Factors affecting future tax charges

The Company's profits are taxable in the UK under the standard rate of corporation tax being 23.25% for 2013 (2012: 24.5%).

The UK corporation tax rate during 2013 was 24% reducing to 23% effective from 1 April 2013. In July 2013 future reductions to 21% and 20% from 1 April 2014 and 1 April 2015 respectively were substantively enacted and enacted as part of Finance Act 2013. These rates have been reflected in the closing deferred tax position on the balance sheet.

9. DIVIDENDS

	2013 \$'000	2012 \$'000
Declared and paid during the year on ordinary shares		
Equity dividends paid:		
Interim dividend	<u>14,500</u>	<u>15,000</u>

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

10. INTANGIBLE ASSETS

Purchased syndicate capacity	\$'000
Cost	
At 1 January 2013	5,911
Disposals	-
At 31 December 2013	5,911
Amortisation	
At 1 January 2013	1,600
Amortisation on disposals	-
Provided during the year	296
At 31 December 2013	1,896
Net book value	
At 31 December 2013	4,015
At 1 January 2013	4,311

11. FINANCIAL INVESTMENTS

	2013 Historic Cost \$'000	2013 Market Value \$'000	2012 Historic Cost \$'000	2012 Market Value \$'000
Debt securities and other fixed income securities	197,845	196,826	209,053	210,022
Loans and deposits with credit institutions	5,032	5,065	10,600	10,667
Other	-	-	1,959	1,959
Money Market balances	16,013	16,013	16,121	16,121
	218,890	217,904	237,733	238,769

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

11. FINANCIAL INVESTMENTS *(continued)*

Analysis of market value	2013 \$'000	2012 \$'000
Listed investments	196,826	210,022
Unlisted investments	5,065	12,626
Money market balances	16,013	16,121
	<u>217,904</u>	<u>238,769</u>

Disclosure of Fair Values in accordance with the fair value hierarchy

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

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

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

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

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

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

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

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

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

11. FINANCIAL INVESTMENTS *(continued)*

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

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

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

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

	Level 1	Level 2	Level 3	Total fair value
	\$'000	\$'000	\$'000	\$'000
31 December 2013				
Financial assets designated at fair value through profit or loss:				
Government securities	37,490	44,703	-	82,193
Corporate	-	84,553	-	84,553
Asset backed securities	-	30,261	-	30,261
Mortgage backed securities	-	4,883	-	4,883
Deposits with ceding undertakings	-	523	-	523
Money market balances	16,013	-	-	16,013
Group Share of Non managed syndicate investments	-	-	-	-
	<u>55,014</u>	<u>165,568</u>	<u>-</u>	<u>218,427</u>

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

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

12. DEBTORS

	2013 \$'000	2012 \$'000
Amounts falling due within one year		
Arising out of direct insurance operations		
- owed by intermediaries	38,396	54,934
Arising out of reinsurance operations	114,740	70,066
Other debtors	46,593	46,275
	<u>199,729</u>	<u>171,275</u>
Amounts falling due after one year		
Arising out of direct insurance operations		
- owed by intermediaries	91	57
Arising out of reinsurance operations	87	86
Other debtors	2,841	3,006
	<u>3,019</u>	<u>3,149</u>
	<u>202,748</u>	<u>174,424</u>

13. AUTHORISED AND ISSUED SHARE CAPITAL

	2013 £	2012 £
Authorised:		
75 (2012 – 75) ordinary shares of £1 each	75	75
100 (2012 – 100) 'A' of £1 each	100	100
	<u> </u>	<u> </u>
Allotted, called up and fully paid:		
1 (2012 – 1) ordinary share of £1	1	1
	<u> </u>	<u> </u>

Following the change of functional currency in 2009, the brought forward balances for the issued share capital have been translated into USD for the purposes of financial reporting at the exchange rate at the date of the change being £1:\$1.4479.

	2013 \$	2012 \$
Allotted, called up and fully paid:		
1 (2012 – 1) ordinary share	1	1
	<u> </u>	<u> </u>

The rights of the shares can be summarised as follows:

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

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

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

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	\$'000
2013	
Balance at 1 January 2013	20,335
Profit for the financial year	13,200
Dividends	(14,500)
	<hr/>
Balance at 31 December 2013	19,035
	<hr/>
2012	
At 1 January 2012	18,066
Profit for the financial year	17,269
Dividends	(15,000)
	<hr/>
Balance at 31 December 2012	20,335
	<hr/>

15. CREDITORS

	2013 \$'000	2012 \$'000
Amounts falling due within one year		
Arising out of direct insurance operations	10,817	23,447
Arising out of reinsurance operations	191,405	144,851
Other creditors including taxation and social security	19,923	16,585
	<hr/>	<hr/>
	222,145	184,883
Amounts falling due after one year		
Arising out of direct insurance operations	-	-
Arising out of reinsurance operations	27	569
Other creditors including taxation and social security	-	206
	<hr/>	<hr/>
	27	775
	<hr/>	<hr/>
	222,172	185,658
	<hr/>	<hr/>

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2013

16. CONTINGENT LIABILITIES

Charge over assets

On 28 November 2007, the company and its fellow underwriting subsidiaries (the ceasing corporate members) entered into an interavailable Lloyd's Security and Trust Deed securing all monies due and to become due from each company to the Society of Lloyd's and was satisfied on 26 March 2013. On the same day AUGL created a floating charge over all its assets to secure all monies due and to become due from AUGL to Lloyd's under the terms of the Deed of Indemnity provided by AUGL to Lloyd's in connection with the foregoing and was satisfied on 24 May 2013.

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

On 9 March 2010 the Company and its fellow underwriting subsidiaries signed Deeds of Transition and new Trust Deeds to facilitate the implementation by the Society of Lloyd's of a new Trust Deed architecture. The changes made to the documentation related to streamlining and simplifying the administration of Funds at Lloyd's and do not have any financial impact on the Company.

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

17. ULTIMATE PARENT COMPANY

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

The ultimate holding company of Atrium 5 Limited is Enstar Group Limited, registered in Bermuda number 001-33289. Until 25 November 2013, the ultimate parent holding company was Arden Holdings Limited.

The consolidated financial statements of Enstar Group Limited, within which this Company is included, can be obtained from that company's offices at Windsor Place, 22 Queen Street, Hamilton HMJX 11, Bermuda.