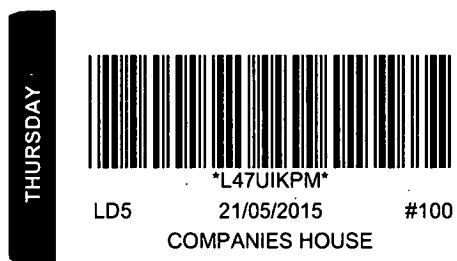


Company No: 2861145

ATRIUM 5 LIMITED

**REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2014**



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

ATRIUM 5 LIMITED

DIRECTORS

J Lee

R Harries

B Merriman

SECRETARY

M Bruce

Bruce Wallace Associates Limited

120 Pall Mall

London SW1Y 5EA

AUDITORS

KPMG LLP

15 Canada Square

Canary Wharf

London E14 5GL

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 2014.

Results

The profit for the year, after taxation, amounted to \$9,340k (2013:\$13,200k).

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 2014 calendar year, despite difficult market conditions. Whilst the result was below that of the prior year, the syndicate's combined ratio of 84% was well ahead of expectations. All classes of business were profitable with the exception of the War & Terrorism class due to losses from Malaysian Airlines and Tripoli.

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

| | 2012 Allocated Capacity £'000 | 2013 Allocated Capacity £'000 | 2014 Allocated Capacity £'000 | 2015 Allocated Capacity £'000 |
|---------------|--|--|--|--|
| Syndicate 609 | 106,769 | 106,769 | 106,769 | 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 2012, 2013, 2014 and renewed for 2015 under the terms below.

| | 2012 | 2013 | 2014 | 2015 |
|----------------------|-------------|-------------|-------------|-------------|
| 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:

| | 2014 \$'000 | 2013 \$'000 | Change % |
|------------------------------|------------------------|------------------------|---------------------|
| Gross written premium | 155,231 | 149,472 | 3.85 |
| Net premiums earned | 87,274 | 76,188 | 14.55 |
| Balance on technical account | 14,420 | 14,214 | 1.45 |
| Profit before tax | 13,192 | 13,799 | (4.41) |

The Board has reviewed the results of the Company and are pleased that the KPIs demonstrate continued profitability. The apparent increase in the net premiums earned is primarily the result of the movement in rates of exchange for non – US dollar denominated premiums and is not therefore reflective of underlying market conditions.

ATRIUM 5 LIMITED

STRATEGIC REPORT *(continued)*

Strategy

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

Future developments

The Directors intend that the Atrium Group will continue to participate in underwriting at Lloyd's throughout 2015 through Syndicate 609.

Principal risks & uncertainties

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

Governance

The Board recognises the critical importance of having efficient and effective risk management systems in place but also recognises that it can only mitigate risks, and not eliminate them entirely. In preparation for the forthcoming Solvency II regime, 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 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 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

STRATEGIC REPORT *(continued)*

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, the external auditors, 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 four 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 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 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 Risks Sub-Committee (IRSC)

The IRSC is responsible for oversight of insurance risk which includes underwriting, claims, reserving and reinsurance. Insurance risk includes the risks that the 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 syndicate having a defined risk appetite which determines the net loss that it intends to retain for major catastrophe events and where it is deemed appropriate, reinsurance is purchased

STRATEGIC REPORT *(continued)*

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 Risks 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'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 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. 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 syndicate's 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 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.

ATRIUM 5 LIMITED

STRATEGIC REPORT (*continued*)

Liquidity risk is the risk that the syndicate 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 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. 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. 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.

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. They also carry out a compliance monitoring programme.

By order of the Board



J Lee
Director
31 March 2015

ATRIUM 5 LIMITED

DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 2014.

Directors and officers of the Company

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

The following director and officer were appointed during the year:

B Merriman (appointed effective 1 July 2014)

M Bruce, Bruce Wallace Associates Limited (Company Secretary, appointed effective 7 April 2014)

The following director and officer resigned during the year:

S Cook (resigned effective 1 July 2014)

M Balicao, Equiniti David Venus Ltd (Company Secretary, resigned effective 7 April 2014)

Dividends

The directors do not recommend a final dividend, making the total of dividends paid in the year \$6,500k (2013: \$14,500k).

Solvency II

During the last year further progress has been made by AUL and the Corporation of Lloyd's on behalf of the Company with the implementation of Solvency II. Specifically, the Company has met all the regulatory requirements during 2014 and continues towards incorporating Solvency II within business as usual. The Company 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 and fully expects to be able to comply with the Solvency II requirements when they become effective on 1 January 2016.

Board and Management Changes

On 1 July 2014, after 14 years as Agency Managing Director, Steve Cook stepped down from this role and became Deputy Chairman of the Managing Agency. James Lee, previously Chief Operating Officer, was appointed Agency Managing Director. At the same time, Steve Cook stepped down from his role as Atrium Group Chief Executive Officer, to become Group Deputy Chairman, and was replaced by Richard Harries who also remains Active Underwriter of Syndicate 609. Brendan Merriman, our Group Chief Financial Officer, joined the Board with effect from 1 July 2014.

Future developments

Likely future developments are discussed in the strategic report.

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.

ATRIUM 5 LIMITED

DIRECTORS' REPORT *(continued)*

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.

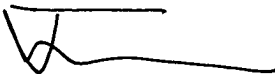
Change of auditors

On 30 June 2014 Ernst & Young LLP resigned as the auditors of the Company. The Board of Directors appointed KPMG LLP as auditors of the Company with effect from 1 July 2014.

Re-appointment of auditors

The Board of Directors re-appointed KPMG LLP as the Company auditors for the year ending 31 December 2015. KPMG LLP indicated their willingness to continue in office as the Company auditor.

By order of the board



J Lee
Director
31 March 2015

ATRIUM 5 LIMITED

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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect 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 Atrium 5 Limited for the year ended 31 December 2014 set out on pages 11 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 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 2014 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 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;



Jonathan Bell
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
31 March 2015

ATRIUM 5 LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2014

TECHNICAL ACCOUNT – GENERAL BUSINESS

| | Note | 2014 \$'000 | 2013 \$'000 |
|--|-------------|------------------------|------------------------|
| Gross premiums written | 2 | 155,231 | 149,472 |
| Outward reinsurance premiums | | (67,228) | (73,219) |
| Net premiums written | | 88,003 | 76,253 |
| Change in the gross provision for unearned premiums | | (855) | (10) |
| Change in the provision for unearned premiums, reinsurers' share | | 126 | (55) |
| Change in the net provision for unearned premiums | | (729) | (65) |
| Earned premiums, net of reinsurance | | 87,274 | 76,188 |
| Allocated investment return transferred from the non-technical account | 2 | 2,406 | (47) |
| Claims paid | | | |
| Gross amount | | (65,797) | (73,782) |
| Reinsurers' share | | 42,734 | 50,664 |
| Net claims paid | | (23,063) | (23,118) |
| Change in the provision for claims | | | |
| Gross amount | | (1,693) | 25,045 |
| Reinsurers' share | | 4,477 | (11,495) |
| Net change in provision for claims | | 2,784 | 13,550 |
| Claims incurred, net of reinsurance | | (20,279) | (9,568) |
| Net operating expenses | 3 | (54,981) | (52,359) |
| Balance on the technical account for general business | 2 | 14,420 | 14,214 |

ATRIUM 5 LIMITED**PROFIT AND LOSS ACCOUNT****for the year ended 31 December 2014****NON-TECHNICAL ACCOUNT**

| | Note | 2014 \$'000 | 2013 \$'000 |
|---|-------------|------------------------|------------------------|
| Balance on the general business technical account | 2 | 14,420 | 14,214 |
| Investment income | 4 | 4,167 | 4,319 |
| Unrealised gains on investments | 4 | 474 | 101 |
| Investment expenses and charges | 4 | (370) | (1,285) |
| Unrealised losses on investments | 4 | (1,865) | (3,182) |
| Allocated investment return transferred to the general business technical account | | (2,406) | 47 |
| Other charges, including amortisation | 5 | (1,228) | (415) |
| Profit on ordinary activities before tax | | 13,192 | 13,799 |
| Tax on profit on ordinary activities | 8 | (3,852) | (599) |
| Profit on ordinary activities after tax | | 9,340 | 13,200 |

The profit and loss account relates entirely to continuing activities.

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

ATRIUM 5 LIMITED

BALANCE SHEET **at 31 December 2014**

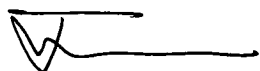
| | Note | 2014 \$'000 | 2013 \$'000 |
|--|-------------|------------------------|------------------------|
| Assets | | | |
| Intangible assets | | | |
| Purchased syndicate capacity | 10 | <u>3,851</u> | <u>4,015</u> |
| Investments | | | |
| Financial investments | 11 | <u>216,433</u> | <u>217,904</u> |
| Deposits with ceding undertakings | | <u>369</u> | <u>523</u> |
| | | <u>216,802</u> | <u>218,427</u> |
| Reinsurers' share of technical provisions | | | |
| Provision for unearned premiums | | <u>3,595</u> | <u>3,469</u> |
| Claims outstanding | | <u>75,853</u> | <u>72,460</u> |
| | | <u>79,448</u> | <u>75,929</u> |
| Debtors | | | |
| Arising out of direct insurance operations | | | |
| - owed by intermediaries | | <u>41,911</u> | <u>38,487</u> |
| Arising out of reinsurance operations | | <u>66,438</u> | <u>114,827</u> |
| Amounts owed by parent undertakings | | <u>24,075</u> | <u>46,935</u> |
| Other debtors | | <u>4,441</u> | <u>4,330</u> |
| | 12 | <u>136,865</u> | <u>204,579</u> |
| Other assets | | | |
| Cash at bank | | <u>26,844</u> | <u>29,808</u> |
| | | <u>26,844</u> | <u>29,808</u> |
| Prepayments and accrued income | | | |
| Deferred acquisition costs | | <u>19,996</u> | <u>19,107</u> |
| Other prepayments and accrued income | | <u>26</u> | <u>35</u> |
| | | <u>20,022</u> | <u>19,142</u> |
| Total assets | | <u>483,832</u> | <u>551,900</u> |

ATRIUM 5 LIMITED

BALANCE SHEET **at 31 December 2014**

| | Note | 2014 \$'000 | 2013 \$'000 |
|--|-------------|------------------------|------------------------|
| Liabilities | | | |
| Capital and reserves | | | |
| Called up share capital | 13 | - | - |
| Profit and loss account | | 21,875 | 19,035 |
| Total shareholders funds | 14 | 21,875 | 19,035 |
| Technical provisions | | | |
| Provision for unearned premiums | | 63,407 | 62,552 |
| Claims outstanding | | 216,129 | 219,340 |
| | | 279,536 | 281,892 |
| Provisions for other risk and charges | 8(c) | 10,148 | 21,265 |
| Deposits received from reinsurers | | 85 | 174 |
| Creditors | | | |
| Arising out of direct insurance operations | | 12,087 | 10,817 |
| Arising out of reinsurance operations | | 135,571 | 191,432 |
| Amounts owed to group undertakings | | 1,060 | 1,831 |
| Other creditors including taxation and social security | | 19,309 | 19,923 |
| | 15 | 168,027 | 224,003 |
| Accruals and deferred income | | 4,161 | 5,531 |
| Total liabilities | | 483,832 | 551,900 |

The financial statements were approved by the Board of Directors on 31 March 2015 and signed on its behalf by:



J Lee
Director

Company No: 2861145

ATRIUM 5 LIMITED**CASH FLOW STATEMENT****for the year ended 31 December 2014****Reconciliation of net profit to net cash inflow from operating activities**

| | 2014 | 2013 |
|---|-----------------|---------------|
| | \$'000 | \$'000 |
| Profit on ordinary activities before tax | 13,192 | 13,799 |
| Amortisation of syndicate capacity | 296 | 296 |
| Decrease in net technical provisions | (5,875) | (13,141) |
| Decrease/(increase) in debtors | 72,518 | (17,322) |
| (Decrease)/increase in creditors | (65,419) | 18,621 |
| Unrealised investment losses | 1,391 | 3,081 |
| Net cash inflow from operating activities | 16,103 | 5,334 |

CASH FLOW STATEMENT

| | | |
|---|-----------------|----------|
| Net cash inflow from operating activities | 16,103 | 5,334 |
| Taxation | (12,670) | (8,384) |
| Purchase of syndicate capacity | (131) | - |
| Equity dividends paid | (6,500) | (14,500) |
| | (3,198) | (17,550) |

Cash flows were liquidated as follows:

| | | |
|--------------------------------------|----------------|----------|
| (Decrease)/increase in cash holdings | (2,964) | 64 |
| Net sale of portfolio investments | (234) | (17,614) |
| Net cash outflow | (3,198) | (17,550) |

Reconciliation of net cash flow movement

| | | |
|-----------------------------|----------------|--------|
| (Decrease)/increase in cash | (2,964) | 64 |
| Cash at 1 January | 29,808 | 29,744 |
| Cash at 31 December | 26,844 | 29,808 |

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

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 syndicate 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 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.

As a wholly owned subsidiary of Atrium Underwriting Group Ltd, the Company has applied the exemption available in FRS 8 from the requirement to disclose transactions with related parties within that group. Transactions with related parties other than those within that group are disclosed in note 17.

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

With effect from 1 January 2015 the Company will be adopting FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

(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 the 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 the syndicate is determined by its managing agency.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

1. ACCOUNTING POLICIES *(continued)*

(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 using information supplied by the managing agent.

(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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

1. ACCOUNTING POLICIES *(continued)*

(h) Investment income and expenses *(continued)*

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) Taxation

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

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

(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 agent of the syndicate. Deposits with credit institutions are included at cost.

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

1. ACCOUNTING POLICIES *(continued)*

(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 2014 | Average rate Quarter 1 2014 | Average rate Quarter 2 2014 | Average rate Quarter 3 2014 | Average rate Quarter 4 2014 |
|----------|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Sterling | 1.5577 | 1.6586 | 1.6834 | 1.6699 | 1.5829 |

All other exchange differences are included in the technical account.

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

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 |
|--------------------------------------|--|---------------------------------------|---------------------------------------|--|----------------------------------|--------------------------------------|--|
| 2014 | | | | | | | |
| Direct business | | | | | | | |
| Accident and health | 13,639 | 14,010 | (5,860) | (5,815) | (1,089) | 1,246 | 8,877 |
| Motor | 3,567 | 3,373 | (3,440) | (1,161) | 835 | (393) | 2,826 |
| Marine, aviation and transport | 42,326 | 45,536 | (18,651) | (16,538) | (6,957) | 3,390 | 46,951 |
| Fire and other damage to property | 46,279 | 44,108 | (13,617) | (17,199) | (8,844) | 4,448 | 40,542 |
| Third party liability | 37,422 | 35,156 | (20,363) | (13,033) | 450 | 2,210 | 73,866 |
| Other | 2,941 | 2,884 | (1,686) | (995) | (110) | 93 | 3,274 |
| Total direct | 146,174 | 145,067 | (63,617) | (54,741) | (15,715) | 10,994 | 176,336 |
| Reinsurance business | | | | | | | |
| Reinsurance acceptances | 9,057 | 9,309 | (3,873) | (2,399) | (2,017) | 1,020 | 23,752 |
| | 155,231 | 154,376 | (67,490) | (57,140) | (17,732) | 12,014 | 200,088 |
| Allocated investment return | | | | | | 2,406 | |
| Balance on technical account | | | | | | 14,420 | |
| 2013 | | | | | | | |
| Direct business | | | | | | | |
| Accident and health | 13,635 | 12,942 | (4,850) | (5,606) | (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) | (51,407) | (22,055) | 13,246 | 191,315 |
| Reinsurance Business | | | | | | | |
| Reinsurance acceptances | 11,941 | 12,598 | 1,419 | (3,160) | (9,842) | 1,015 | 14,648 |
| | 149,472 | 149,462 | (48,737) | (54,567) | (31,897) | 14,261 | 205,963 |
| Allocated investment return | | | | | | (47) | |
| Balance on technical account | | | | | | 14,214 | |

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

2. SEGMENTAL ANALYSIS *(continued)*

Commission on direct insurance gross premiums earned during 2014 was \$37,546k (2013:\$35,380k). The Company's activities are undertaken solely in the United Kingdom.

3. NET OPERATING EXPENSES

| | 2014 \$'000 | 2013 \$'000 |
|---|----------------|----------------|
| Brokerage and other business acquisition expenses | 42,044 | 38,737 |
| Change in deferred acquisition costs | (889) | (1,037) |
| Foreign exchange (gains)/losses | (364) | 1,329 |
| Syndicate operating expenses | 7,712 | 6,599 |
| Direct operating expenses | 8,637 | 8,939 |
| | <u>57,140</u> | <u>54,567</u> |
| Reinsurance commissions receivable | (2,159) | (2,208) |
| | <u>54,981</u> | <u>52,359</u> |

4. INVESTMENT RETURN

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| Investment income | | |
| Income from investments | 4,163 | 4,318 |
| Other interest | 4 | 1 |
| | <u>4,167</u> | <u>4,319</u> |
| Investment expenses and charges | | |
| Investment management expenses | (217) | (222) |
| Net losses on the realisation of investments | (153) | (1,063) |
| | <u>(370)</u> | <u>(1,285)</u> |
| Net unrealised losses on investments | | |
| Unrealised gains on investments | 474 | 101 |
| Unrealised losses on investments | (1,865) | (3,182) |
| | <u>(1,391)</u> | <u>(3,081)</u> |
| Total investment return | <u>2,406</u> | <u>(47)</u> |

5. OTHER CHARGES, INCLUDING AMORTISATION

Other charges include: amortisation of syndicate capacity of \$295,517 (2013: \$295,517), auditors' remuneration in respect of audit services of \$14,833 (2013: \$23,967) and fees paid to the Company's auditor for tax services are \$nil (2013: \$nil).

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

6. 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 (2013: \$nil) for the use of these services although the Company incurs its share of staff costs borne by the syndicate in which it participates.

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 (2013: \$nil), although the Company incurs its share of directors emoluments borne by the syndicate in which it participates.

8. TAX

| | 2014 \$'000 | 2013 \$'000 |
|---|-----------------|-----------------|
| (a) Tax on profit on ordinary activities | | |
| The tax charge is made up as follows: | | |
| Current tax: | | |
| UK corporation tax | 11,113 | 13,295 |
| Group relief payment | 2,111 | 2,859 |
| Tax under/(over) provided in previous years | 1,424 | (626) |
| | <u>14,648</u> | <u>15,528</u> |
| Foreign tax | 321 | 108 |
| Total current tax (note 8 (b)) | <u>14,969</u> | <u>15,636</u> |
| Deferred tax: | | |
| Origination and reversal of timing differences | (10,973) | (12,585) |
| Deferred tax underprovided in previous years | - | (550) |
| Effect of decreased tax rate | (144) | (1,902) |
| Total deferred tax (note 8 (c)) | <u>(11,117)</u> | <u>(15,037)</u> |
| Tax on profit on ordinary activities | <u>3,852</u> | <u>599</u> |

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

8. TAX (continued)

| | 2014 | 2013 |
|--|-----------------|---------------|
| | \$'000 | \$'000 |
| (b) Factors affecting current tax charge | | |
| The tax assessed on the profit on ordinary activities for the year is higher (2013 higher) than the standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%). The differences are reconciled below: | | |
| Profit on ordinary activities before tax | 13,192 | 13,799 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%) | 2,836 | 3,208 |
| Effects of: | | |
| Timing of underwriting profits | 10,982 | 12,595 |
| Other timing differences | (9) | (9) |
| Tax under/(over) provided in previous years | 1,424 | (626) |
| Foreign tax | 321 | 108 |
| Expenses not deductible for tax purposes and other permanent differences | (585) | 360 |
| Current tax charge for period (note 8(a)) | 14,969 | 15,636 |
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| (c) Deferred tax | | |
| Balance at 1 January | 21,265 | 36,302 |
| Deferred tax charge in profit and loss account (note 8(a)) | (11,117) | (15,037) |
| At 31 December | 10,148 | 21,265 |
| Analysis of deferred tax liability at 31 December: | | |
| Provision for underwriting results | 10,642 | 21,768 |
| Other | (494) | (503) |
| | 10,148 | 21,265 |

The deferred tax liability in respect of underwriting results relates to the underwriting results that have arisen on the 2012, 2013 and 2014 years of account. These results will be assessed to tax in 2015, 2016 and 2017 respectively.

(d) Factors that may affect future tax charges

The Company's profits are taxable in the UK under the standard rate of corporation tax being 21.5% for 2014 (2013: 23.25%).

The UK corporation tax rate for the 2014/2015 tax year was 21%. With effect from 1 April 2015 the rate will reduce to 20% as enacted as part of Finance Act 2013. These rates have been reflected in the closing deferred tax position in the balance sheet.

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

9. DIVIDENDS

| | 2014 | 2013 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Declared and paid during the year on ordinary shares | | |
| Equity dividends paid: | | |
| Interim dividend | 6,500 | 14,500 |

10. INTANGIBLE ASSETS

| | |
|-------------------------------------|---------------|
| Purchased syndicate capacity | \$'000 |
| Cost | |
| At 1 January 2014 | 5,911 |
| Additions | 131 |
| At 31 December 2014 | 6,042 |
| Amortisation | |
| At 1 January 2014 | 1,896 |
| Provided during the year | 295 |
| At 31 December 2014 | 2,191 |
| Net book value | |
| At 31 December 2014 | 3,851 |
| At 1 January 2014 | 4,015 |

11. FINANCIAL INVESTMENTS

| | 2014 | 2014 | 2013 | 2013 |
|---|-----------------|----------------|-----------------|---------------|
| | Historic | Market | Historic | Market |
| | Cost | Value | Cost | Value |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Debt securities and other fixed income securities | 201,318 | 199,861 | 197,845 | 196,826 |
| Loans and deposits with credit institutions | 2,314 | 2,322 | 5,032 | 5,065 |
| Money market balances | 14,250 | 14,250 | 16,013 | 16,013 |
| | 217,882 | 216,433 | 218,890 | 217,904 |

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

11. FINANCIAL INVESTMENTS *(continued)*

| Analysis of market value | 2014 \$'000 | 2013 \$'000 |
|--------------------------|----------------|----------------|
| Listed investments | 199,861 | 196,826 |
| Unlisted investments | 2,322 | 5,065 |
| Money market balances | 14,250 | 16,013 |
| | <u>216,433</u> | <u>217,904</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 values of the Company's financial assets are based on prices provided by investment managers who obtain market data from numerous independent pricing services. The pricing services used by the investment manager obtain actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

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

Level 2 of the hierarchy contains the Company's share of US government agencies, corporate securities, asset backed securities, mortgage backed securities over which the Atrium Group has control. The fair values of these assets are based on prices obtained from both investment managers and investment custodians as discussed above.

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

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

11. FINANCIAL INVESTMENTS *(continued)*

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

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

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

| | Level 1 | Level 2 | Total fair |
|---|----------------|----------------|-------------------|
| | \$'000 | \$'000 | value |
| 31 December 2014 | | | \$'000 |
| Financial assets designated at fair value through profit or loss: | | | |
| Government securities | 27,555 | 29,463 | 57,018 |
| Corporate securities | - | 100,857 | 100,857 |
| Asset backed securities | - | 42,115 | 42,115 |
| Mortgage backed securities | - | 2,193 | 2,193 |
| Deposits with ceding undertakings | - | 369 | 369 |
| Money market balances | 14,250 | - | 14,250 |
| | <u>41,805</u> | <u>174,997</u> | <u>216,802</u> |

| | Level 1 | Level 2 | Total fair |
|---|----------------|----------------|-------------------|
| | \$'000 | \$'000 | value |
| 31 December 2013 | | | \$'000 |
| Financial assets designated at fair value through profit or loss: | | | |
| Government securities | 37,490 | 44,703 | 82,193 |
| Corporate securities | - | 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 |
| | <u>53,503</u> | <u>164,923</u> | <u>218,426</u> |

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

12. DEBTORS

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| Amounts falling due within one year | | |
| Arising out of direct insurance operations | | |
| - owed by intermediaries | 41,837 | 38,396 |
| Arising out of reinsurance operations | 66,425 | 114,740 |
| Amounts owed by parent undertakings | 24,075 | 46,935 |
| Other debtors | 1,783 | 1,489 |
| | <u>134,120</u> | <u>201,560</u> |
| Amounts falling due after one year | | |
| Arising out of direct insurance operations | | |
| - owed by intermediaries | 74 | 91 |
| Arising out of reinsurance operations | 13 | 87 |
| Other debtors | 2,658 | 2,841 |
| | <u>2,745</u> | <u>3,019</u> |
| | <u>136,865</u> | <u>204,579</u> |

13. AUTHORISED AND ISSUED SHARE CAPITAL

| | 2014 £ | 2013 £ |
|---|-------------------|-------------------|
| Authorised: | | |
| 75 (2013 – 75) ordinary shares of £1 each | 75 | 75 |
| 100 (2013 – 100) 'A' of £1 each | 100 | 100 |
| | <u> </u> | <u> </u> |
| Allotted, called up and fully paid: | | |
| 1 (2013 – 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.

| | 2014 \$ | 2013 \$ |
|-------------------------------------|-------------------|-------------------|
| Allotted, called up and fully paid: | | |
| 1 (2013 – 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.

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

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

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.

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | \$'000 |
|-------------------------------|----------|
| 2014 | |
| Balance at 1 January 2014 | 19,035 |
| Profit for the financial year | 9,340 |
| Dividends | (6,500) |
| | <hr/> |
| Balance at 31 December 2014 | 21,875 |
| 2013 | |
| At 1 January 2013 | 20,335 |
| Profit for the financial year | 13,200 |
| Dividends | (14,500) |
| | <hr/> |
| Balance at 31 December 2013 | 19,035 |

15. CREDITORS

| | 2014 \$'000 | 2013 \$'000 |
|--|----------------|----------------|
| Amounts falling due within one year | | |
| Arising out of direct insurance operations | 12,066 | 10,817 |
| Arising out of reinsurance operations | 135,571 | 191,405 |
| Amounts owed to group undertakings | 1,060 | 1,831 |
| Other creditors including taxation and social security | 19,309 | 19,923 |
| | <hr/> | <hr/> |
| | 168,006 | 223,976 |
| Amounts falling due after one year | | |
| Arising out of direct insurance operations | 21 | - |
| Arising out of reinsurance operations | - | 27 |
| | <hr/> | <hr/> |
| | 21 | 27 |
| | <hr/> | <hr/> |
| | 168,027 | 224,003 |

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

16. CONTINGENT LIABILITIES

Charge over assets

On 28 November 2007, the Company and its fellow underwriting subsidiaries (the ceasing corporate members) entered into an inter-available 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. This note is included for 2013 comparative purposes only as terms of trust deed were satisfied during that year.

Under the terms of the inter-available 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.

17. RELATED PARTIES

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.

| | 2014 | 2013 |
|--|----------|----------|
| | \$'000 | \$'000 |
| Reinsurance premiums | 49,144 | 47,798 |
| Net losses and loss adjustments | (35,707) | (29,217) |
| Ceding commission | (2,198) | (2,117) |
| Profit commission | (2,138) | (3,080) |
| Amount due to Arden Re arising out of reinsurance operations | (17,292) | (27,024) |

18. 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 EC30916.

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 HM JX, Bermuda