

**Company No: 5993519**

**ATRIUM INSURANCE AGENCY LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2012**

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

WEDNESDAY



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COMPANIES HOUSE

# **ATRIUM INSURANCE AGENCY LIMITED**

## **DIRECTORS**

S Cook  
R Harries  
P Hargrave  
J Lee  
D Wade

## **SECRETARY**

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

## **AUDITORS**

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

## **BANKERS**

Lloyds TSB Bank plc  
113 Leadenhall Street  
London EC3A 4AX

Royal Bank of Canada  
Main Branch, Toronto  
200 Bay Street, Main Floor  
Toronto  
Ontario  
Canada M5J 2J5

## **REGISTERED OFFICE**

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

# ATRIUM INSURANCE AGENCY LIMITED

## DIRECTORS' REPORT

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

### Results and dividends

The profit after taxation amounted to \$1,356,592 (2011 \$1,259,960) The Directors do not recommend a final dividend, making the total of dividends paid in the year \$1,500,000 (2011 \$1,000,000)

### Principal activities and review of the business

Atrium Insurance Agency Limited (AIAL) is a wholly owned subsidiary of Atrium Underwriting Group Limited (AUGL) and is authorised and regulated by the Financial Services Authority to carry out insurance mediation business It is also an approved Lloyd's UK Coverholder, and manages the Atrium Space Insurance Consortium (ASIC) All Consortium members delegate authority to AIAL to write space risks on their behalf

The Consortium comprises eight Lloyd's syndicates with Syndicate 609 being the leading Consortium member The Consortium benefits from a line of US\$30m for any one satellite or launch with Syndicate 609 taking a \$12.75m line

The Company measures the following Key Performance Indicators

	2012 \$	2011 \$	Change %
Turnover	4,210,936	3,758,866	12
Profit before tax	1,735,461	1,279,406	36
Total assets less current liabilities	2,886,855	3,030,263	(5)

AIAL earns fees and profit commissions based on the activities of ASIC The increase in turnover for the year is firstly as a result of increased fee income, due to higher net earned premiums, and secondly increased profit commission, due to lower earned loss ratios

### Principal risks & uncertainties

AIAL is a separately regulated and authorised firm and subject to regulation by the FSA The Board of AUGL is responsible for the Group's systems and internal controls and for reviewing their effectiveness

### Governance

The Board recognises the critical importance of having efficient and effective risk management systems in place but also recognises that it can only mitigate risks, and not remove them completely The Atrium Group has established a risk management framework encompassing a risk register, a programme of internal control testing and the risk policies which set out the risk appetite, controls and business conduct standards in order to manage the risks to which the Atrium Group is exposed The Audit Committee, on behalf of the AUGL Board, has approved this framework and meets regularly to discuss risk management and approve any amendments to the framework

# **ATRIUM INSURANCE AGENCY LIMITED**

## **DIRECTORS' REPORT**

The principal risks and uncertainties facing the Company are as follows

### *Income Risk*

The Company is exposed to income risk through loss of profit commissions if the underwriting results of the consortium are worse than expected due to higher frequency or severity of insured events (referred to as insurance claims risk). The Company is also exposed to loss of fee income following suspension of launches following a loss. The group monitors exposures relating to Lloyd's prescribed Realistic Disaster Scenarios which include satellite risks.

### *Credit Risk*

The key aspect of credit risk is the risk of default by one or more of the consortium members. Each consortium member signs a consortium agreement annually which sets out, amongst other aspects, the requirements that are expected of each consortium member.

### *Market Risk*

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

### *Liquidity Risk*

This is the risk that the Company will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. To mitigate this risk, cashflow projections are reviewed on a regular basis. The need for group borrowings or overdraft facilities in case of unprojected cash flow deficit is also reviewed regularly.

### *Operational Risk*

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

### *Regulatory Risk*

The Company is required to comply with the requirements of the Financial Services Authority. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The group has a compliance officer and a team who monitor regulatory developments and assess the impact on group policy. They also carry out a compliance monitoring programme.

## **Future and group developments**

It is intended that the Company continues in the mediation of insurance business during 2013.

### *Ariel Holdings Limited Transactions*

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

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

# **ATRIUM INSURANCE AGENCY LIMITED**

## **DIRECTORS' REPORT**

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

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

### **Events since the balance sheet date**

There have been no significant events since the balance sheet date

### **Going concern**

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

### **Directors of the Company**

The current Directors of the Company are disclosed on page 1

The following Directors were appointed during the year

P Hargrave (appointed 20 July 2012)

D Wade (appointed 30 July 2012)

The following Directors resigned during the year

S Cooper (resigned 31 May 2012)

In addition the company secretary changed during the year

M Bruce, Equiniti David Venus Limited (resigned effective 29 June 2012)

M Balicao, Equiniti David Venus Limited (appointed effective 29 June 2012)

The following Director resigned after the end of the year but before the date of this report

A Baddeley (resigned effective 6 February 2013)

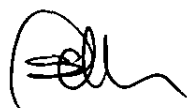
### **Disclosure of information to the auditors**

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

### **Re-appointment of auditors**

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

By order of the board



S Cook

Director

15 April 2013

## **ATRIUM INSURANCE AGENCY 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 INSURANCE AGENCY LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATRIUM INSURANCE AGENCY LIMITED**

We have audited the financial statements of Atrium Insurance Agency Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet and the related notes 1 to 12. 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 Statement of Directors' Responsibilities set out on page 5, 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 Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- Give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the 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.

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

*Ernst & Young LLP*

# **ATRIUM INSURANCE AGENCY LIMITED**

## **PROFIT AND LOSS ACCOUNT** for the year ended 31 December 2012

	Notes	2012 \$	2011 \$
<b>Turnover</b>	2,3	<b>4,210,936</b>	3,758,866
Administrative expenses		(2,478,298)	(2,488,376)
<b>Operating Profit</b>	4	<b>1,732,638</b>	1,270,490
Interest receivable		2,823	8,916
<b>Profit On Ordinary Activities Before Tax</b>		<b>1,735,461</b>	1,279,406
Tax on profit on ordinary activities	7	(378,869)	(19,446)
<b>Profit On Ordinary Activities After Tax</b>		<b>1,356,592</b>	1,259,960

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

## **RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	Share capital \$	Profit and loss account \$	Total shareholders' funds \$
<b>2012</b>			
At 1 January 2012	723,950	2,306,313	3,030,263
Profit for the year	-	1,356,592	1,356,592
Dividends	-	(1,500,000)	(1,500,000)
At 31 December 2012	723,950	2,162,905	2,886,855
<b>2011</b>			
At 1 January 2011	723,950	2,046,353	2,770,303
Profit for the year	-	1,259,960	1,259,960
Dividends	-	(1,000,000)	(1,000,000)
At 31 December 2011	723,950	2,306,313	3,030,263



# ATRIUM INSURANCE AGENCY LIMITED

## BALANCE SHEET

As at 31 December 2012

	Notes	2012 \$	2011 \$
<b>Current Assets</b>			
Debtors	8	1,691,769	2,865,001
Cash at bank and in hand		2,414,708	160,772
Financial investments	9	-	647,500
<b>Creditors: due within one year</b>	10	<u>(1,219,622)</u>	<u>(643,010)</u>
<b>Net Assets</b>		<u>2,886,855</u>	<u>3,030,263</u>
 <b>Capital and Reserves</b>			
Called up share capital	11	723,950	723,950
Profit and loss account		<u>2,162,905</u>	<u>2,306,313</u>
<b>Total shareholders' Funds</b>		<u>2,886,855</u>	<u>3,030,263</u>

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



S Cook  
Director

Company No 5993519

# **ATRIUM INSURANCE AGENCY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**At 31 December 2012**

### **1. ACCOUNTING POLICIES**

#### **(a) Basis of preparation and changes in accounting policy**

The financial statements have been prepared in accordance with applicable UK accounting standards and law, section 396 of, and schedule 4 to, the Companies Act 2006, under the historical cost convention rules, modified for financial assets as below

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

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

The Company's functional and presentation currency is US Dollars

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

#### **(b) Turnover**

Turnover consists of net retained fees receivable and profit commissions Profit commissions are earned in line with the profits of the consortium

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term

#### **(c) Investment income and expenses**

Interest income and investment expenses are recognised on an accruals basis.

#### **(d) Pensions**

The Company incurs pension costs from one defined contribution scheme, operated by Atrium Group Services Limited Certain Directors and staff have personal pension arrangements to which the Company contributes Contributions are charged to the profit and loss account as they become payable in accordance with rules of the schemes

#### **(e) Share based incentive schemes**

During the financial year, AHL operated a number of executive and employee share based incentive schemes for the staff and Directors of the Company The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instrument at the date at which it was granted The expense is recognised in the profit and loss account over the performance period of the share based incentive scheme

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

# ATRIUM INSURANCE AGENCY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### (f) 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.

### (g) Financial investments

Financial investments in money market deposits are stated at their current values at the end of the year.

### (h) Foreign currencies

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

	Balance sheet rate at 31 December 2012	Average rate for Quarter 1 2012	Average rate for Quarter 2 2012	Average rate for Quarter 3 2012	Average rate for Quarter 4 2012
Sterling	1.6168	1.5710	1.5836	1.5799	1.6060
Canadian Dollar	1.0034	0.9982	0.9906	1.0045	1.0090
Euro	1.3218	1.3110	1.2851	1.2514	1.2971
Singapore Dollar	0.8173	0.7911	0.7916	0.8019	0.8179

## 2. SEGMENTAL INFORMATION

The turnover of fee income and profit commission arising from the business as a cover holder in the United Kingdom in the Lloyd's Insurance Market, has been treated as one geographical segment for the purposes of Statement of Standard Accounting Practice No 25.

# **ATRIUM INSURANCE AGENCY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**At 31 December 2012**

### **3. TURNOVER**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Fee income	<b>2,062,495</b>	2,012,256
Commission income	<b>2,148,441</b>	1,746,610
	<b><u>4,210,936</u></b>	<b><u>3,758,866</u></b>

### **4. OPERATING PROFIT**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
This is stated after charging		
Auditors' remuneration – statutory audit	<b>14,276</b>	12,960
Operating lease rentals – land and buildings	<b>59,206</b>	53,705
Depreciation	-	1,158
Foreign exchange (gain)/loss	<b>(24,890)</b>	96,916

No fees were paid to the Company's auditor for services other than the statutory audit of the Company (2011 \$nil)

### **5. STAFF COSTS**

The Company does not have any employees, however it uses the services of employees of the Atrium Group for which it is recharged \$1,185,049 (2011 \$1,000,068) \$163,338 (2011 \$86,512) relating to share based incentive schemes is included within this recharge. The Company also directly incurred a further \$880,449 of staff costs (2011 \$858,097)

### **6. DIRECTORS EMOLUMENTS**

The Directors of the Company are remunerated by Atrium Group Services Limited (AGSL), the employing company within the Atrium Group. Their remuneration is disclosed in the financial statements of AGSL. \$285,654 is recharged to the Company for the use of these services (2011 \$24,411)

### **7. TAXATION**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Tax on profit on ordinary activities</b>		
The tax charge is made up as follows		
Current tax		
UK Corporation tax	-	217,296
Tax (over)/underprovided in previous years	<b>(46,319)</b>	(328,778)
Group relief	<b>425,188</b>	130,928
Total current tax (note 7(b))	<b><u>378,869</u></b>	<b><u>19,446</u></b>

# **ATRIUM INSURANCE AGENCY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **At 31 December 2012**

### **7. TAXATION** *(continued)*

#### **(b) Factors affecting the current tax charge**

The tax assessed on the profit on ordinary activities for the year differs from the theoretical amount that would arise from using the standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%). The differences are reconciled below

Profit on ordinary activities before tax	<u>1,735,461</u>	<u>1,279,406</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%)	425,188	339,043
Permanent differences	-	9,181
Amounts (over)/underprovided in previous years	(46,319)	(328,778)
Group relief not paid for at the standard rate	-	-
Total current tax (note 7(a))	<u>378,869</u>	<u>19,446</u>

#### **(c) Factors that may affect future tax charges**

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

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

Furthermore, the Government announced in the Autumn Statement on 5 December 2012 that it intends to reduce the rate of corporation tax by a further 2% to 21% to apply from 1 April 2014. A further reduction of 1% to apply from 1 April 2015 was announced in the budget on 20 March 2013. The rate change has not been reflected in the 2012 accounts as there is no deferred tax balance.

### **8. DEBTORS**

	2012	2011
	\$	\$
Due within one year		
Amounts due from group companies	-	1,086,960
Tax recoverable	-	630
Prepayments and accrued income	<u>1,691,769</u>	<u>1,777,411</u>
	<u>1,691,769</u>	<u>2,865,001</u>

### **9. FINANCIAL INVESTMENTS**

	2012	2011
	\$	\$
Money market balances	<u>-</u>	<u>647,500</u>

# **ATRIUM INSURANCE AGENCY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** **At 31 December 2012**

### **10. CREDITORS**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Due within one year		
Amounts owed to parent undertakings	<b>645,702</b>	-
Amounts owed to group undertakings	<b>173,354</b>	-
Corporation tax	-	253,090
Accruals and deferred income	<b>400,566</b>	<b>389,920</b>
	<u><b>1,219,622</b></u>	<u><b>643,010</b></u>

### **11. AUTHORISED AND ISSUED SHARE CAPITAL**

	<i>Authorised, allotted, called up and fully paid</i>	
	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Ordinary shares of £1 each	<b>500,000</b>	500,000
	<u><b>500,000</b></u>	<u><b>500,000</b></u>

	<i>Authorised, allotted, called up and fully paid</i>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Ordinary shares of £1 each	<b>723,950</b>	723,950
	<u><b>723,950</b></u>	<u><b>723,950</b></u>

The ordinary shares confer upon the holders the right to receive dividends from the profits made by the Company which are available for distribution, the right to receive notice of and to attend general meetings of the Company and to one vote per share at such meetings

### **12. ULTIMATE HOLDING COMPANY**

The Company's immediate parent and controlling party is Atrium Underwriting Group Limited, incorporated in Great Britain

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

The consolidated financial statements of Arden Holdings Limited, within which this Company is included, can be obtained from that company's offices at Purvis House, 29 Victoria Street, Hamilton HM10, Bermuda