

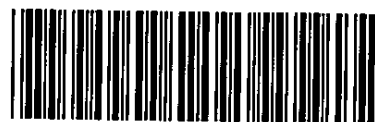
**Company No: 5993519**

**ATRIUM INSURANCE AGENCY LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2010**

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

SATURDAY



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21/05/2011  
COMPANIES HOUSE

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**DIRECTORS**

A Baddeley  
S Cook  
S Cooper  
R Harries  
J Lee

**SECRETARY**

M B W Bruce  
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

## DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 2010

### The profit for the year

The profit after taxation amounted to \$2,122,291 (2009 \$538,570) The directors recommend a final dividend of \$nil, making a total of dividends paid \$1,000,000 (2009 \$nil)

### Principal activity 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, which manages the Atrium Space Insurance Consortium (ASIC)

ASIC is led by Atrium's syndicate 609 with a further 8 Lloyd's syndicates delegating authority for ASIC to underwrite on their behalf The consortium benefits from a line of US\$30m for any one satellite or launch with Syndicate 609 taking a \$12 0m line and syndicate 570 a \$0 75m line

Key Performance Indicators	Year to 31 December 2010 \$	Year to 31 December 2009 \$	Change
Turnover	5,298,119	3,614,620	46 6%
Profit before tax	3,115,519	736,362	323 1%
Total assets less total liabilities	2,770,303	1,648,012	74 9%

### Commentary on KPIs

The significant increase in turnover for the year is a result of increased profit commission earnings during the year on both the 2009 and 2010 years of account The increase levels of profit commissions arose from the very good performance on the 2009 year of account where there was particular low loss experience in the period

Expenses incurred in 2010 are less than the amounts incurred in 2009 due to the impact of foreign exchange losses in 2009

## **DIRECTORS' REPORT *(continued)***

### **Future Developments**

It is intended that the company continues in the mediation of insurance business during 2011. For the 2011 year of account ASIC continues to be led by Syndicate 609 with a further 8 Lloyd's syndicates delegating underwriting authority for ASIC to underwrite on their behalf. The consortium benefits from a line of US\$30m for any one satellite or launch with Syndicate 609 taking a \$12.0m line and Syndicate 570 a \$0.75m line.

Kevin Wilkins has given notice that he wishes to retire as Active Underwriter of Syndicate 570 and intends to resign from the Board. The Agency has indicated to providers of capital to each of its managed syndicates that it is proposing to merge their activities with effect from 1 January 2012, subject to completion of the requisite formalities including a ballot of all capital providers.

### **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.

The Board of AUGL 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 and Risk 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.

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. Insurance claims risk is mitigated by the group using catastrophe modelling software to model maximum probable losses from catastrophe-exposed business. 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 from 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 overdraft facilities in case of unprojected cash flow deficit is also reviewed regularly.

## **DIRECTORS' REPORT *(continued)***

### *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.

## **Directors**

The Directors who served during the year ended 31 December 2010 are disclosed on page 2.

## **Creditor payment policy**

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with. The average time between receipt of a supplier's invoice and a remittance being dispatched is approximately nil days in the current year (2009: 27 days). There has been a change in group policy where invoices are now paid and invoiced to the group service company, Atrium Group Services Limited, and the company is recharged its share of any relevant expenses.

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

The directors who were members of the board at the time of approving the directors' report are listed on page 2.

Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

## **Re-appointment of auditors**

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

On behalf of the board



Andrew Baddeley  
Director  
20 April 2011

## **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.

## **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 2010 which comprise the Profit and Loss Account, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet and the related notes 1 to 13. 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 set out on page 6, 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 2010 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,  
21 April 2011

*Ernst & Young LLP*

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2010

	Notes	2010 \$	2009 \$
Turnover	2,3	5,298,119	3,614,620
Administrative Expenses		(2,183,937)	(2,881,546)
<b>OPERATING PROFIT</b>	4	<u>3,114,182</u>	<u>733,074</u>
Interest receivable		1,337	3,288
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>3,115,519</u>	<u>736,362</u>
Tax on profit on ordinary activities	6	<u>(993,228)</u>	<u>(197,792)</u>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<u>2,122,291</u>	<u>538,570</u>

There are no recognised gains and losses other than the profit or loss for the period

**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

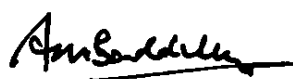
	Share capital \$	Profit and loss account \$	Total shareholders' funds \$
<b>2010</b>			
At 1 January 2010	723,950	924,062	1,648,012
Profit for the year		2,122,291	2,122,291
Dividends	-	(1,000,000)	(1,000,000)
At 31 December 2010	<u>723,950</u>	<u>2,046,353</u>	<u>2,770,303</u>
<b>2009</b>			
At 1 January 2009	723,950	385,492	1,109,442
Profit for the year	-	538,570	538,570
At 31 December 2009	<u>723,950</u>	<u>924,062</u>	<u>1,648,012</u>



**BALANCE SHEET**  
at 31 December 2010

	Notes	2010 \$	2009 \$
<b>TANGIBLE ASSETS</b>	7	<b>1,158</b>	2,315
<b>CURRENT ASSETS</b>			
Debtors	8	<b>3,823,376</b>	1,288,233
Cash at bank and in hand		<b>2,009,666</b>	2,725,948
Financial investments	9	<b>1,662,739</b>	-
Creditors due within one year	10	<b>(4,726,636)</b>	(2,368,484)
<b>NET CURRENT ASSETS</b>		<b>2,769,145</b>	1,645,697
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		<b>2,770,303</b>	1,648,012
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	<b>723,950</b>	723,950
Profit and loss account		<b>2,046,353</b>	924,062
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<b>2,770,303</b>	1,648,012

The financial statements were approved by the Board of Directors on 20 April 2011 and signed on its behalf by



Andrew Baddeley  
Director

## **NOTES TO THE FINANCIAL STATEMENTS**

at 31 December 2010

### **1. ACCOUNTING POLICIES**

#### **(a) Basis of preparation**

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention rules

As a wholly owned subsidiary of Ariel Holdings Limited, the company has applied the exemption available in FRS 1 from the requirement to prepare a cash flow statement and the exemption available in Section 401 of the Companies Act 2006 from the requirement to prepare group financial statements

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

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

#### **(c) Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses

Depreciation is calculated to write off the cost of all tangible fixed assets, in equal annual instalments over their estimated useful lives at the following rates

Fixtures, fittings and equipment	20% per annum
Computer equipment	33 1/3% per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

#### **(d) Leases**

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

#### **(e) Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2010

### (f) Foreign currencies

Transactions in Sterling, Canadian dollars and Euros are translated at the average rates of exchange for the period

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date

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 2010	Average rate for Quarter 1 2010	Average rate for Quarter 2 2010	Average rate for Quarter 3 2010	Average rate for Quarter 4 2010
Sterling	1 5471	1 5614	1 4919	1 5498	1 5819
Canadian Dollar	1 0001	0 9610	0 9735	0 9622	0 9872
Euro	1 3253	1 3856	1 2761	1.2902	1 3603

### (g) Pension costs

Atrium Underwriters Limited operates a defined contribution pension scheme. Pension contributions relating to all Company staff are recharged to the Company and included within administrative expenses.

### (h) Financial investments

Financial investments are accounted for at the lower of cost or net realisable value.

### (i) Changes in Accounting Policy

There have been no changes in accounting policy during the year.

## 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.

## 3. TURNOVER

	2010 \$	2009 \$
Fee income	2,232,169	2,092,928
Commission income	3,065,950	1,521,692
	<u>5,298,119</u>	<u>3,614,620</u>

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2010

### 4. OPERATING PROFIT

	2010	2009
	\$	\$
This is stated after charging		
Auditors' remuneration – statutory audit	13,165	17,249
Operating lease rentals – land and buildings	61,484	54,976
Depreciation	1,157	5,361

No fees were paid to the company's auditor for services other than the statutory audit of the company  
(2009 \$nil)

### 5. DIRECTORS EMOLUMENTS

The directors of the company are all employed by Atrium Group Services Limited. They are remunerated by the Atrium group and their remuneration is disclosed in the financial statements of Atrium Group Services Limited.

The company does not have any employees, however it uses the services of employees of the Atrium group, for which it was recharged \$28,000 during the year.

**NOTES TO THE FINANCIAL STATEMENTS**  
**at 31 December 2010**

**6. TAXATION**

	<b>2010</b>	<b>2009</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	<b>271,999</b>	206,181
Tax under/(over) provided in previous years	<b>690</b>	(8,389)
Group relief	<b>720,539</b>	-
Total current tax	<b>993,228</b>	<b>197,792</b>

**(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 28% (2009 – 28%) The differences are reconciled below

Profit on ordinary activities before tax	<b>3,115,519</b>	<b>736,362</b>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 – 28%)	<b>872,345</b>	206,181
Permanent differences	<b>8,886</b>	-
Amounts under/(over) provided in previous years	<b>690</b>	(385,518)
Group relief not paid for at the standard rate	<b>111,307</b>	-
Adjustment to group relief payments in prior years	<b>-</b>	377,129
Total current tax (see (a) above)	<b>993,228</b>	<b>197,792</b>

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

A gradual reduction in the UK corporation tax rate from 28% to 24% over the next four years was announced in the Emergency Budget of 22 June 2010 with a further 1% reduction being announced in the Budget of 23 March 2011 The Finance (No 2) Act 2010 included the first of the 1% reductions with effect from April 2011, with further reductions to be dealt with by future legislation The effect of the rate change is insignificant to the 2010 accounts

**NOTES TO THE FINANCIAL STATEMENTS**  
**at 31 December 2010**

**7. TANGIBLE ASSETS**

**2010**

	Fixtures, Fittings & Equipment	Computer Equipment	Total
COST	\$	\$	\$
At 1 January 2010	5,788	12,610	18,398
At 31 December 2010	5,788	12,610	18,398
DEPRECIATION			
At 1 January 2010	3,473	12,610	16,083
Provided for the year	1,157	-	1,157
At 31 December 2010	4,630	12,610	17,240
NET BOOK VALUE			
At 31 December 2010	1,158	-	1,158
At 31 December 2009	2,315	-	2,315

**8. DEBTORS**

	2010 \$	2009 \$
Due within one year		
Amounts due from group companies	267,164	-
Other debtors	-	1,907
Tax recoverable	642	13,450
Prepayments and accrued income	3,018,819	599,388
	<u>3,286,625</u>	<u>614,745</u>
Due after one year		
Profit commission	536,751	673,488
	<u>536,751</u>	<u>673,488</u>
	<u>3,823,376</u>	<u>1,288,233</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**at 31 December 2010**

**9. FINANCIAL INVESTMENTS**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Cost		
At 1 January	-	-
Additions	<u>1,662,739</u>	<u>-</u>
At 31 December	<u>1,662,739</u>	<u>-</u>
Value adjustment		
At 1 January	-	-
Movement	<u>-</u>	<u>-</u>
At 31 December	<u>-</u>	<u>-</u>
Net book value at 31 December	<u><u>1,662,739</u></u>	<u><u>-</u></u>

Financial investments represent money market funds held with Northern Trust Global Investments Limited

**10. CREDITORS**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Due within one year		
Amounts owed to group undertakings	4,092,594	1,669,223
Corporation tax	271,998	210,851
Accruals and deferred income	<u>362,044</u>	<u>488,410</u>
	<u><u>4,726,636</u></u>	<u><u>2,368,484</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**at 31 December 2010**

**11. AUTHORISED AND ISSUED SHARE CAPITAL**

	<i>Authorised, allotted, called up and fully paid</i>	
	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Ordinary shares of £1 each	<b>500,000</b>	500,000
	<b>500,000</b>	500,000

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 change being 1.4479

	<i>Authorised, allotted, called up and fully paid</i>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Ordinary shares of £1 each	<b>723,950</b>	723,950
	<b>723,950</b>	723,950

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. RELATED PARTIES**

As a wholly owned subsidiary of Ariel Holdings Limited, the company has applied the exemption available in FRS 8 from the requirement to disclose transactions with related parties

**13. UNDERTAKING AND CONTROLLING PARTY**

The controlling party is Atrium Underwriting Group Limited, incorporated in Great Britain

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

The consolidated financial statements of Ariel Holdings Limited, within which this company is included, can be obtained from that company's offices at 5th Floor, Victoria Place, 31 Victoria Street, Hamilton HM10, Bermuda