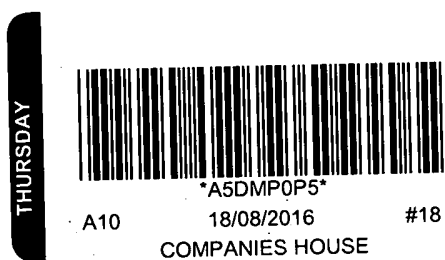


**Company No: 5993519**

**ATRIUM INSURANCE AGENCY LIMITED**

**REPORT AND FINANCIAL STATEMENTS  
31 DECEMBER 2015**



## **ATRIUM INSURANCE AGENCY LIMITED**

### **DIRECTORS**

SJ Cook (resigned 1/1/2016)  
PJ Hargrave  
RdWW Harries  
JRF Lee  
BRA Merriman  
DI Wade

### **SECRETARY**

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

### **AUDITOR**

KPMG LLP  
15 Canada Square  
London E14 5GL

### **BANKERS**

Lloyds Banking Group 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

### STRATEGIC REPORT

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

#### Results

The loss for the year, after taxation was \$906,270 (2014: \$954,408 loss).

#### Principal activities and review of the business

Atrium Insurance Agency Limited (AIAL or the Company) is a wholly owned subsidiary of Atrium Underwriting Group Limited (AUGL) and is authorised and regulated by the Financial Conduct Authority (FCA). AIAL 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 ten Lloyd's syndicates with Syndicate 609 being the leading Consortium member. The Consortium benefits from a line of \$40.0m (2015: \$38.25m) for any one satellite or launch with Syndicate 609 taking a \$12.0m line for 2016 (2015: \$12.0m).

The Board measures a number of Key Performance Indicators (KPIs) as shown in the table below.

	2015 \$	2014 \$	Change %
Turnover	1,203,458	1,251,733	(3.9)
Loss before tax	(1,117,493)	(1,197,247)	6.7
Net assets	748,768	1,655,038	(54.8)

AIAL earns fees and profit commissions based on the activities of ASIC. The Board has reviewed the results of the Company, particularly the losses for 2014 and 2015 caused by the poor market conditions and reduced profit commission income, and decided to increase the fee charged to consortium members for the 2015 underwriting year onwards. It is expected that the Company will return to profitability by 2017 as the full impact of this change takes effect.

The Company carried out a share capital reduction of \$579,160 (£400,000) in the year with the reduction transferred to retained earnings.

The United Kingdom Accounting Standards have been updated by Financial Reporting Standard 102 (FRS 102) which the Company is reporting under for the first time. The Company has considered and early adopted the amendments to FRS 102 which were issued in July 2015 but they have not resulted in any amendments.

#### Strategy

The Company's strategy is to:

- underwrite high quality space risks on behalf of the Consortium members;
- deliver high quality, timely and transparent information and services for the Consortium members;
- maintain operational discipline during the soft market conditions; and
- comply with Atrium group and external reporting requirements.

The Company's priority for 2016 is to underwrite a profitable book of space risks, returning the Company to profitability from the fee and profit commission generated.

## **ATRIUM INSURANCE AGENCY LIMITED**

### **STRATEGIC REPORT** *(continued)*

#### **Principal risks and uncertainties**

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 eliminate them entirely. Within the Atrium Group there is an established 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 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. The Atrium Group monitors exposures relating to Lloyd's prescribed Realistic Disaster Scenarios, including 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 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 Atrium 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 internal audit to ensure that deviations from the Atrium 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 FCA. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Atrium Group has a Compliance Officer and a team who monitor regulatory developments and assess the impact on group policy.

**ATRIUM INSURANCE AGENCY LIMITED**

**STRATEGIC REPORT** *(continued)*

By order of the board

A handwritten signature in black ink, appearing to be 'JRF Lee', with a long horizontal line extending to the right.

JRF Lee  
Director  
1 April 2016

## **ATRIUM INSURANCE AGENCY LIMITED**

### **DIRECTORS' REPORT**

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

#### **Dividends**

The Directors do not recommend a final dividend, making the total of dividends paid in the year \$nil (2014: \$nil).

#### **Directors and officers of the Company**

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

The following Director resigned after the end of the year but before the date of this report:  
SJ Cook (resigned effective 1 January 2016)

#### **Future developments**

The Directors intend that the Company continues in the mediation of insurance business during 2016.

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

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

#### **Going concern**

Following consideration, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least a twelve month period from the date of issue of these financial statements. For this reason they continue to adopt the going concern basis in preparing the financial statements.

#### **Political donations**

The Company made no political donations during the year (2014: \$nil).

#### **Financial risk management**

The risk management of the Company has been detailed within the Strategic Report on page 2.

#### **Disclosure of information to the auditor**

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

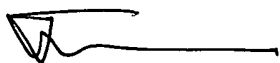
#### **Re-appointment of auditor**

The Board of Directors re-appointed KPMG LLP as the Company auditor for the year ending 31 December 2016. KPMG LLP have indicated their willingness to continue in office as the Company auditor.

**ATRIUM INSURANCE AGENCY LIMITED**

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

By order of the board

A handwritten signature in black ink, consisting of a stylized 'J' followed by a horizontal line and a small flourish.

JRF Lee  
Director  
1 April 2016

## **ATRIUM INSURANCE AGENCY 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102)'.

Under company law the Directors must not approve the financial statements unless they are satisfied that the financial statements give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 updated by FRS 102. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.





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

We have audited the financial statements of Atrium Insurance Agency Limited for the year ended 31 December 2015 set out on pages 9 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

  
**Jonathan Bell (Senior Statutory Auditor)**

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
Canary Wharf  
London E14 5GL  
1 April 2016

# **ATRIUM INSURANCE AGENCY LIMITED**

## **INCOME STATEMENT**

**For the year ended 31 December 2015**

	Notes	2015 \$	2014 \$
Turnover	4	1,203,458	1,251,733
Administrative expenses	5, 6, 7	(2,322,250)	(2,460,425)
Other income		-	11,057
<b>Operating loss</b>		<b>(1,118,792)</b>	<b>(1,197,635)</b>
Interest income		1,299	388
<b>Loss on ordinary activities before tax</b>		<b>(1,117,493)</b>	<b>(1,197,247)</b>
Tax credit on loss on ordinary activities	8	211,223	242,839
<b>Loss on ordinary activities after tax</b>		<b>(906,270)</b>	<b>(954,408)</b>

All results are derived from continuing activities.

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

# **ATRIUM INSURANCE AGENCY LIMITED**

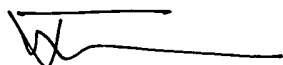
## **BALANCE SHEET**

**As at 31 December 2015**

	Notes	2015 \$	2014 \$
<b>Fixed assets</b>	9	-	-
<b>Current assets</b>			
Debtors: due within one year	10	213,156	235,810
Cash and cash equivalents		1,150,095	2,087,774
		<u>1,363,251</u>	<u>2,323,584</u>
Creditors: due within one year	11	(614,483)	(668,546)
<b>Net assets</b>		<u>748,768</u>	<u>1,655,038</u>
<b>Capital and reserves</b>			
Called up share capital	12	144,790	723,950
Profit and loss account		603,978	931,088
<b>Shareholders' funds</b>		<u>748,768</u>	<u>1,655,038</u>

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

The financial statements were approved by the Board of Directors on 1 April 2016 and signed on its behalf by:



JRF Lee  
Director

Company No: 5993519

# **ATRIUM INSURANCE AGENCY LIMITED**

## **STATEMENT OF CHANGES IN EQUITY** **For the year ended 31 December 2015**

	Share capital \$	Retained earnings \$	Total equity \$
Balance as at 1 January 2014	723,950	1,885,496	2,609,446
Loss for the year	-	(954,408)	(954,408)
<b>Balance as at 31 December 2014</b>	<b>723,950</b>	<b>931,088</b>	<b>1,655,038</b>
Loss for the year	-	(906,270)	(906,270)
Share capital reduction	(579,160)	579,160	-
<b>Balance as at 31 December 2015</b>	<b>144,790</b>	<b>603,978</b>	<b>748,768</b>

## **ATRIUM INSURANCE AGENCY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2015**

#### **1. GENERAL INFORMATION**

The principal activity of the Company during the year remained as a registered Lloyd's UK Coverholder, managing the Atrium Space Insurance Consortium.

The Company is limited by shares and is incorporated in the United Kingdom. The address of its registered office is Room 790, Lloyd's, 1 Lime Street, London, EC3M 7DQ.

#### **2. STATEMENT OF COMPLIANCE**

The financial statements are prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 amended in July 2015, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and section 396 of, and schedule 4 to, the Companies Act 2006.

In the transition to FRS 102 from previous UK GAAP, the Company has made no measurement or recognition adjustments.

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The financial statements are prepared on a going concern basis under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3(n). This is the first year in which the financial statements have been prepared under FRS 102. The date of transition to FRS 102 was 1 January 2014. Details of the transition to FRS 102 are disclosed in note 15.

##### **(b) Change in accounting policy/prior period adjustment**

Changes to existing policies and the impact of new policies or matters within existing standards/policies (through the adoption of FRS 102) have been considered. There is no material impact and therefore no adjustments are required.

##### **(c) Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. Atrium Insurance Agency Limited is a qualifying entity as its results are consolidated into the financial statements of Enstar Group Limited which are publicly available.

As a qualifying entity, the Company has taken exemption from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102.

## ATRIUM INSURANCE AGENCY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### (d) Going concern

The Company produces annual forecasts which take account of possible changes to the revenue streams and expense base of the Company. These forecasts show that the Company should have sufficient financial resources in order to continue trading for the foreseeable future. Following consideration, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least a twelve month period from the date of issue of these financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

##### (e) Foreign currencies

###### i) Functional and presentation currency

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

###### ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the quarterly average rate in effect at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

	Closing rate at 31 December 2015	Average rate Quarter 1 2015	Average rate Quarter 2 2015	Average rate Quarter 3 2015	Average rate Quarter 4 2015
Sterling	1.4734	1.5149	1.5333	1.5490	1.5166
Euro	1.0866	1.1268	1.1069	1.1125	1.0952
Canadian dollar	0.7232	0.8063	0.8134	0.7643	0.7484
Singapore dollar	0.7057	0.7372	0.7447	0.7189	0.7104

##### (f) Turnover

Turnover consists of agency fees and profit commissions. Profit commissions are earned in line with the profits of the consortium.

## **ATRIUM INSURANCE AGENCY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2015**

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***

##### **(g) Employee benefits**

###### **i) Short term benefits**

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

###### **ii) Pensions**

The Company incurs pension costs from a defined contribution scheme, which is operated by Atrium Group Services Ltd (AGSL). Certain directors and staff have personal pension arrangements to which the Company contributes. Contributions are charged to the income statement as they become payable in accordance with rules of the schemes.

###### **iii) Share based incentive schemes**

During the financial year, Enstar Group Limited operated a number of executive and employee share based incentive schemes in the shares of the intermediate holding company, Northshore Holdings Limited (Northshore). 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 income statement 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 Northshore.

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

Interest income and expenses are recognised on an accruals basis.

##### **(i) Taxation**

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

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

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

Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

# ATRIUM INSURANCE AGENCY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (j) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off the cost of all 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 <sup>1</sup> / <sub>3</sub> % per annum

Fixed assets are reviewed for an indication of impairment at each reporting date.

#### (k) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the income statement.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of the impairment loss is recognised in the income statement.

#### (l) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.



## **ATRIUM INSURANCE AGENCY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2015**

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***

##### **(m) Financial instruments**

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

##### **Financial assets**

Basic financial assets, including debtors and cash and cash equivalents, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. All such financial assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement immediately.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the income statement immediately.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

##### **Financial liabilities**

Basic financial liabilities, including trade creditors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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

##### **Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

## ATRIUM INSURANCE AGENCY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

##### (n) Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. There were no significant accounting judgements made during the year.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### (o) Future amendments to FRS 102

Amendments to FRS 102 were issued in July 2015 as a result of changes to the EU-directives and UK Companies Regulations. The amendments are mandatory for periods beginning on or after 1 January 2016, with early adoption permitted for periods beginning on or after 1 January 2015. Entities have to adopt and comply with all amendments if they elect to early adopt the amendments to FRS 102 (issued in July 2015). The amendments to FRS 102 (issued in July 2015) have been early adopted by the Company in these financial statements. None of these amendments have had a material impact on the financial statements of the Company.

#### 4. TURNOVER

The turnover of fee income and profit commission relate to the business as a cover holder in the United Kingdom in the Lloyd's Insurance Market.

Analysis of turnover by category:

	2015	2014
	\$	\$
Fee income	1,244,835	1,103,699
Profit commission	(41,377)	148,034
	<u>1,203,458</u>	<u>1,251,733</u>

An adjustment to the previous profit commission calculation and the final amount settled for the 2012 year of account was made to reflect foreign exchange fluctuations.

#### 5. ADMINISTRATIVE EXPENSES

	2015	2014
	\$	\$
These include:		
Auditor's remuneration – statutory audit	13,903	14,842
Foreign exchange loss	40,868	45,561

No fees were paid to the Company's auditor for services other than for the statutory audit of the Company (2014: \$nil).

# **ATRIUM INSURANCE AGENCY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2015**

### **6. EMPLOYEE BENEFITS**

The Company does not have any employees; however it uses the services of employees of the Atrium Group for which it is recharged \$1,144,760 (2014: \$1,165,668) by AGSL. \$224,535 (2014: \$202,791) relating to share based incentive schemes is included within this recharge. The Company also incurred a further \$655,572 of staff costs (2014: \$709,827) for non UK based employees of the Atrium Group, the costs of which are borne directly by AIAL.

### **7. DIRECTORS' REMUNERATION**

The Directors of the Company are all remunerated by AGSL, the employing company within the Atrium Group. Their remuneration is disclosed in the financial statements of AGSL. \$536,540 was recharged to the Company for the use of these services (2014: \$566,895).

The amount recharged from AGSL for key management personnel includes share-based payments under FRS 102.

### **8. TAXATION**

#### **(a) Tax credit on income statement**

	2015 \$	2014 \$
The tax credit is made up as follows:		
<b>Current tax:</b>		
UK corporation tax credit on the loss for the year	(223,279)	(246,492)
Tax under provided in previous years	12,056	3,653
Tax credit on ordinary activities	<u>(211,223)</u>	<u>(242,839)</u>

#### **(b) Reconciliation of tax credit**

	2015 \$	2014 \$
Loss on ordinary activities before tax	(1,117,493)	(1,197,247)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%)	(226,292)	(257,408)
Effects of:		
Expenses not deductible for tax purposes and permanent differences	3,013	10,916
Amounts under provided in previous years	12,056	3,653
Total tax credit for the year (note 8(a))	<u>(211,223)</u>	<u>(242,839)</u>

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

The UK corporation tax rate for 2015/2016 tax year was 20%. With effect from 1 April 2017 the rate will reduce to 19% as enacted as part of Finance Act 2015.

**ATRIUM INSURANCE AGENCY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 December 2015**

**9. TANGIBLE FIXED ASSETS**

	<b>Computer Equipment</b>	<b>Fixtures, Fittings &amp; Equipment</b>	<b>Total</b>
<b>COST</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
At 1 January 2015	-	5,787	5,787
Acquisitions	-	-	-
Disposals	-	-	-
At 31 December 2015	-	5,787	5,787
<b>DEPRECIATION</b>			
At 1 January 2015	-	5,787	5,787
Depreciation charge for the year	-	-	-
Disposals	-	-	-
At 31 December 2015	-	5,787	5,787
<b>NET BOOK VALUE</b>			
At 31 December 2015	-	-	-
At 31 December 2014	-	-	-

**10. DEBTORS**

	<b>2015</b>	<b>2014</b>
Due within one year:	<b>\$</b>	<b>\$</b>
Amounts owed by group undertakings	211,265	226,910
Prepayments and accrued income	-	1,325
Other debtors	1,891	7,575
	<b>213,156</b>	<b>235,810</b>

**11. CREDITORS**

	<b>2015</b>	<b>2014</b>
Due within one year:	<b>\$</b>	<b>\$</b>
Amounts owed to parent undertakings	-	383,309
Amounts owed to group undertakings	206,234	-
Accruals and deferred income	408,249	285,237
	<b>614,483</b>	<b>668,546</b>

# **ATRIUM INSURANCE AGENCY LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2015**

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

	<i>Allotted, issued and fully paid</i>			
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>No.</b>	<b>No.</b>	<b>\$</b>	<b>\$</b>
Ordinary shares of £1 each	<b>100,000</b>	500,000	<b>144,790</b>	723,950
	<b>100,000</b>	500,000	<b>144,790</b>	723,950

	<i>Allotted, issued and fully paid</i>			
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>No.</b>	<b>No.</b>	<b>£</b>	<b>£</b>
Ordinary shares of £1 each	<b>100,000</b>	500,000	<b>100,000</b>	500,000
	<b>100,000</b>	500,000	<b>100,000</b>	500,000

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.

The Company carried out a share capital reduction of \$579,160 (£400,000) in the year with the reduction transferred to retained earnings.

### **13. RELATED PARTIES**

The Company is a wholly owned subsidiary of Atrium Underwriting Group Ltd, the financial statements of which are publicly available. Accordingly, the Company has taken advantage of the exemption in Section 33.1A of FRS 102 'Related party disclosures' from disclosing transactions with wholly owned members of the Atrium Underwriting Group Ltd.

See note 7 for disclosure of the directors' remuneration. These directors are deemed to be key management personnel of the entity.

### **14. ULTIMATE HOLDING COMPANY**

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

The Company's ultimate parent undertaking, Enstar Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Enstar Group Limited are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), are available to the public and may be obtained from the US Securities and Exchange Commission ([www.sec.gov](http://www.sec.gov)). Refer to notes 3(c) and 13 for exemptions claimed in relation to the preparation of the financial statements under FRS 102.

## **ATRIUM INSURANCE AGENCY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**31 December 2015**

#### **15. TRANSITION TO FRS 102**

This is the first year that the Company has presented its results under FRS 102. FRS 102 has been adopted by the Company for year ended 31 December 2015. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 January 2014. The Company has early adopted the amendments to FRS 102 (issued in July 2015).

On transition to FRS 102 there are no adjustments to the profit and loss account and hence no restatement is required.