

Company No: 5993519

ATRIUM INSURANCE AGENCY LIMITED

**REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2014**

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COMPANIES HOUSE

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

ATRIUM INSURANCE AGENCY LIMITED

DIRECTORS

S Cook
P Hargrave
R Harries
J Lee
B Merriman
D Wade

SECRETARY

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

AUDITORS

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

BANKERS

Lloyds Banking Group plc
113 Leadenhall Street
London EC3A 4AX

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 2014.

Results

The loss for the year, after taxation was \$954,408 (2013: \$1,222,568 profit).

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 by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA. The Company 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 eleven Lloyd's syndicates with Syndicate 609 being the leading Consortium member. The Consortium benefits from a line of \$38.25m for any one satellite or launch with Syndicate 609 taking a \$12.0m line for 2015 (2014: \$12.0m).

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

	2014 \$	2013 \$	Change %
Turnover	1,251,733	4,005,008	(68.7)
(Loss)/profit before tax	(1,197,247)	1,604,064	(174.6)
Net assets	1,655,015	2,609,423	(36.6)

AIAL earns fees and profit commissions based on the activities of ASIC. The Board has reviewed the results of the Company, particularly the loss for 2014 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 2016 as the full impact of this change takes effect.

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 2015 is to underwrite a profitable book of space risks, returning the Company to profitability from the fee and profit commission so generated.

Future developments

The Directors intend that the Company continues in the mediation of insurance business during 2015.

Principal risks & uncertainties

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

ATRIUM INSURANCE AGENCY LIMITED

STRATEGIC REPORT *(continued)*

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. 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.

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 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 Atrium Group borrowings or overdraft facilities in case of unprojected cash flow deficit is also reviewed regularly.

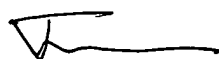
Operational risk

This is the risk that errors caused by people, processes or systems lead to losses to the Company. The 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 the compliance department 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 and the PRA. 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. They also carry out a compliance monitoring programme.

By order of the board



J Lee

Director

31 March 2015

ATRIUM INSURANCE AGENCY LIMITED

DIRECTORS' REPORT

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

Directors of the Company

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

The following director and officer were appointed during the year:

B Merriman (appointed effective 8 July 2014)

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

The following officer resigned during the year:

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

Board and management changes

On 1 July 2014, after 8 years as AUGL Chief Executive, Steve Cook stepped down from this role and became Deputy Chairman and was replaced by Richard Harries, who will remain as Active Underwriter for Syndicate 609.

Dividends

The Directors do not recommend a final dividend, making the total of dividends paid in the year \$nil (2013: \$1,500,000).

Future developments

Likely future developments in the business of the Company are discussed in the strategic report.

Events since the balance sheet date

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

Going concern

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

Disclosure of information to the auditors

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

Change of auditors

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

ATRIUM INSURANCE AGENCY LIMITED

DIRECTORS' REPORT *(continued)*

Re-appointment of auditors

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

By order of the Board



J Lee

Director

31 March 2015

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

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

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

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

ATRIUM 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 2014 set out on pages 8 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its 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.

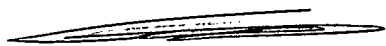
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



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

ATRIUM INSURANCE AGENCY LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2014

		2014	2013
	Notes	\$	\$
Turnover	2,3	1,251,733	4,005,008
Administrative expenses		(2,460,425)	(2,402,465)
Other income		11,057	-
Operating (loss)/profit	4	(1,197,635)	1,602,543
Interest receivable		388	1,521
(Loss)/profit on ordinary activities before tax		(1,197,247)	1,604,064
Tax credit/(charge) on (loss)/profit on ordinary activities	7	242,839	(381,496)
(Loss)/profit on ordinary activities after tax		(954,408)	1,222,568

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
	\$	\$	\$
2014			
At 1 January 2014	723,950	1,885,473	2,609,423
Loss for the year	-	(954,408)	(954,408)
Dividends	-	-	-
At 31 December 2014	723,950	931,065	1,655,015
2013			
At 1 January 2013	723,950	2,162,905	2,886,855
Profit for the year	-	1,222,568	1,222,568
Dividends	-	(1,500,000)	(1,500,000)
At 31 December 2013	723,950	1,885,473	2,609,423

ATRIUM INSURANCE AGENCY LIMITED**BALANCE SHEET****As at 31 December 2014**

	Notes	2014 \$	2013 \$
Tangible fixed assets	8	-	-
Current assets			
Debtors	9	235,810	3,107,379
Cash at bank and in hand		2,087,774	360,949
Creditors	10	<u>(668,569)</u>	<u>(858,905)</u>
Net assets		<u>1,655,015</u>	<u>2,609,423</u>
 Capital and reserves			
Called up share capital	11	723,950	723,950
Profit and loss account		<u>931,065</u>	<u>1,885,473</u>
Total shareholders' funds		<u>1,655,015</u>	<u>2,609,423</u>

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



J Lee
Director

Company No: 5993519

ATRIUM INSURANCE AGENCY LIMITED

CASH FLOW STATEMENT

for the year ended 31 December 2014

Reconciliation of operating (loss)/profit to net cash inflow/(outflow) from operating activities

	2014	2013
	\$	\$
Operating (loss)/profit	(1,197,635)	1,602,543
Decrease/(increase) in debtors	2,871,569	(1,415,610)
Increase/(decrease) in creditors	435,813	(297,920)
Net cash inflow/(outflow) from operating activities	<u>2,109,747</u>	<u>(110,987)</u>

CASH FLOW STATEMENT

Net cash inflow/(outflow) from operating activities	2,109,747	(110,987)
Returns on investments and servicing of finance	388	1,521
Taxation	(383,310)	(444,293)
	<u>1,726,825</u>	<u>(553,759)</u>
Equity dividends paid	-	(1,500,000)
Increase /(decrease) in cash	<u>1,726,825</u>	<u>(2,053,759)</u>

Reconciliation of net cash flow movement

Increase /(decrease) in cash	1,726,825	(2,053,759)
Cash at 1 January	<u>360,949</u>	<u>2,414,708</u>
Cash at 31 December	<u>2,087,774</u>	<u>360,949</u>

ATRIUM INSURANCE AGENCY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

1. ACCOUNTING POLICIES

(a) Basis of preparation and changes in accounting policy

The financial statements 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 Atrium Underwriting Group Ltd, the Company has applied the exemption available in FRS 8 from the requirement to disclose transactions with related parties within that group.

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

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

(b) Turnover

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

(c) Investment income and expenses

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

(d) Pensions

The Company incurs pension costs from a 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 Enstar operated a number of executive and employee share based incentive schemes in the shares of the intermediate holding company, Northshore Holdings Limited (Northshore). These schemes are for the staff and directors of the Atrium Group and companies and have been provided on a similar basis to those operated by the previous owner Arden Holdings Limited. 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 Northshore.

ATRIUM INSURANCE AGENCY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

1. ACCOUNTING POLICIES (continued)

(f) Tax

The tax credit represents the sum of 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 profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

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

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

Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also included in equity.

(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 2014	Average rate Quarter 1 2014	Average rate Quarter 2 2014	Average rate Quarter 3 2014	Average rate Quarter 4 2014
Sterling	1.5577	1.6586	1.6834	1.6699	1.5829
Canadian dollar	0.8605	0.9022	0.9172	0.9186	0.8800
Euro	1.2098	1.3739	1.3716	1.3252	1.2488
Singapore dollar	0.7544	0.7892	0.7983	0.7989	0.7717

ATRIUM INSURANCE AGENCY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

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 25.

3. TURNOVER

	2014 \$	2013 \$
Fee income	1,103,699	2,001,526
Commission income	148,034	2,003,482
	<u>1,251,733</u>	<u>4,005,008</u>

4. OPERATING (LOSS)/PROFIT

	2014 \$	2013 \$
This is stated after charging:		
Auditors' remuneration – statutory audit	14,842	15,549
Operating lease rentals – land and buildings	56,948	62,101
Foreign exchange loss	45,561	118,988

No fees were paid to the Company's auditor for services other than for the statutory audit of the Company (2013: \$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 \$1,165,668 (2013: \$1,085,297) by Atrium Group Services Limited. \$202,791 (2013: \$122,449) relating to share based incentive schemes is included within this recharge. The Company also incurred a further \$709,827 of staff costs (2013: \$749,438) for non UK based employees of the Atrium Group, the costs of which are borne directly by AIAL.

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. \$393,755 has been recharged to the Company for the use of these services (2013: \$348,753).

ATRIUM INSURANCE AGENCY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

7. TAXATION

	2014	2013
	\$	\$

(a) Tax on loss on ordinary activities

The tax (credit)/charge is made up as follows:

Current tax:

UK corporation tax	(246,492)	381,458
Tax underprovided in previous years	3,653	38
Total current tax (credit)/charge (note 7(b))	<u>(242,839)</u>	<u>381,496</u>

(b) Factors affecting the current tax (credit)/charge

The tax assessed on the loss 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 21.50% (2013 – 23.25%). The differences are reconciled below:

(Loss)/profit on ordinary activities before tax	<u>(1,197,247)</u>	<u>1,604,064</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.50% (2013 – 23.25%)	(257,408)	372,945
Amounts underprovided in previous years	3,653	38
Expenses not deductible for tax purposes and other permanent differences	10,916	8,513
Total current tax (credit)/charge (note 7(a))	<u>(242,839)</u>	<u>381,496</u>

(c) Factors that may affect future tax charges

The UK corporation tax rate for the 2014/2015 tax year was 21%. With effect from 1 April 2015 the rate will reduce to 20% as enacted as part of Finance Act 2013.

ATRIUM INSURANCE AGENCY LIMITED

NOTES TO THE FINANCIAL STATEMENTS **At 31 December 2014**

8. TANGIBLE FIXED ASSETS

	2014	2014	2014
	Computer	Fixtures,	
	Equipment	Fittings &	Total
		Equipment	
Cost	\$	\$	\$
At 1 January 2014	12,611	5,787	18,398
Additions	-	-	-
Disposals	(12,611)	-	(12,611)
At 31 December 2014	-	5,787	5,787
Depreciation			
At 1 January 2014	12,611	5,787	18,398
Provided for the year	-	-	-
Eliminated on disposal	(12,611)	-	(12,611)
At 31 December 2014	-	5,787	5,787
Net book value			
At 31 December 2014	-	-	-
At 31 December 2013	-	-	-

9. DEBTORS

	2014	2013
	\$	\$
Amounts falling due within one year:		
Amounts owed by group undertakings	226,910	-
Prepayments and accrued income	1,325	3,107,193
Other debtors	7,575	186
	235,810	3,107,379

10. CREDITORS

	2014	2013
	\$	\$
Amounts falling due within one year:		
Amounts owed to parent undertakings	383,309	33,184
Amounts owed to group undertakings	-	83,176
Corporation tax	-	403,712
Accruals and deferred income	285,260	338,818
Other creditors	-	15
	668,569	858,905

ATRIUM INSURANCE AGENCY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2014

11. AUTHORISED AND ISSUED SHARE CAPITAL

	<i>Authorised, allotted, called up and fully paid</i>	
	2014	2013
	£	£
Ordinary shares of £1 each	500,000	500,000
	500,000	500,000

	<i>Authorised, allotted, called up and fully paid</i>	
	2014	2013
	\$	\$
Ordinary shares of £1 each	723,950	723,950
	723,950	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. 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 Enstar Group Limited in Bermuda, registered number EC30916.

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