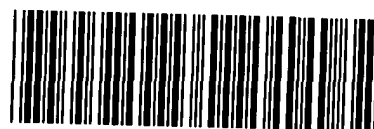


Company No: 5993519

ATRIUM INSURANCE AGENCY LIMITED

**REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2017**

SATURDAY



A14 *A7904S6W*
07/07/2018 #424
COMPANIES HOUSE

ATRIUM INSURANCE AGENCY LIMITED

DIRECTORS

PJ Hargrave
RdWW Harries
JRF Lee
DI Wade

SECRETARY

M Bruce
Bruce Wallace Associates Limited
118 Pall Mall
London SW1Y 5ED

AUDITOR

KPMG LLP
15 Canada Square
London E14 5GL

BANKERS

Barclays Bank PLC
Level 11
1 Churchill Place
London E14 5HP

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 2017.

Results

The profit for the year, after taxation was \$223,955 (2016: loss \$647,473).

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 eleven Lloyd's syndicates with Syndicate 609 being the leading Consortium member. The Consortium benefits from a line of \$42.0m (2016: \$40.0m) for any one satellite or launch with Syndicate 609 taking a \$10.0m line for 2017 (2016: \$12.0m).

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

	2017 \$	2016 \$	Change %
Turnover	2,062,963	871,384	136.7
Profit / (loss) before tax	329,125	(805,395)	140.9
Net assets	325,250	101,295	221.1

AIAL earns fees and profit commissions based on the activities of ASIC. The Company has returned to profitability in 2017 as a result of an increase in fee income for the 2017 underwriting year of account from 7.5% to 10% and recognition of profit commission due to low levels of loss activity in 2016.

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.

Principal risks and 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 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.

ATRIUM INSURANCE AGENCY LIMITED

STRATEGIC REPORT *(continued)*

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.

Brexit

The UK government invoked Article 50 in March 2017 which would mean that without any extensions the UK will formally leave the EU in March 2019. This has implications on Consortium Members' ability to write EU business without any further agreements between the UK and the EU. Whilst this is only a small proportion of the Consortium's overall business, Managing Agents of Consortium Members have worked closely with Lloyd's on a contingency utilising the EU insurer Lloyd's is setting up in Belgium.

By order of the board



JRF Lee
Director
21 May 2018

ATRIUM INSURANCE AGENCY LIMITED

DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 2017.

Dividends

The Directors do not recommend a final dividend, making the total of dividends paid in the year \$nil (2016: \$nil).

Directors and officers of the Company

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

The following Director resigned during the year:
BRA Merriman (resigned effective 1 September 2017)

Future developments

The Directors intend that the Company continues in the mediation of insurance business during 2018.

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 (2016: \$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.

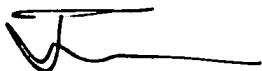
ATRIUM INSURANCE AGENCY LIMITED

DIRECTORS' REPORT *(continued)*

Re-appointment of auditor

The Board of Directors re-appointed KPMG LLP as the Company auditor for the year ending 31 December 2018. KPMG LLP have indicated their willingness to continue in office as the Company auditor.

By order of the board

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

JRF Lee
Director
21 May 2018

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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 judgements 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 INCOME STATEMENT

Opinion

We have audited the financial statements of Atrium Insurance Agency Limited ("the company") for the year ended 31 December 2017 which comprise the income statement, balance sheet and statement of changes in equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

ATRIUM INSURANCE AGENCY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATRIUM INSURANCE AGENCY LIMITED INCOME STATEMENT (Continued)

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

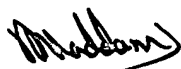
Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



David Maddams (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E145GL
21 May 2018

ATRIUM INSURANCE AGENCY LIMITED

INCOME STATEMENT

For the year ended 31 December 2017

	Notes	2017 \$	2016 \$
Turnover	4	2,062,963	871,384
Administrative expenses	5, 6, 7	(1,733,928)	(1,677,187)
Operating profit/(loss)		329,035	(805,803)
Interest income		90	408
Profit/(loss) on ordinary activities before tax		329,125	(805,395)
Tax on profit/(loss) on ordinary activities	8	(105,170)	157,922
Profit /(loss) on ordinary activities after tax		223,955	(647,473)

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 2017

	Notes	2017 \$	2016 \$
Fixed assets	9	-	-
Current assets			
Debtors: due within one year	10	750,984	171,365
Cash and cash equivalents		1,383,917	694,792
		<u>2,134,901</u>	<u>866,157</u>
Creditors: due within one year	11	(1,409,651)	(764,862)
Net current assets		<u>725,250</u>	<u>101,295</u>
Creditors: due after more than one year	11	(400,000)	-
Net assets		<u>325,250</u>	<u>101,295</u>
Capital and reserves			
Called up share capital	12	144,790	144,790
Profit and loss account		180,460	(43,495)
Shareholders' funds		<u>325,250</u>	<u>101,295</u>

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

The financial statements were approved by the Board of Directors on 21 May 2018 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 2017**

	Share capital \$	Retained earnings \$	Total equity \$
Balance as at 1 January 2016	144,790	603,978	748,768
Loss for the year	-	(647,473)	(647,473)
Balance as at 31 December 2016	144,790	(43,495)	101,295
Profit for the year	-	223,955	223,955
Balance as at 31 December 2017	144,790	180,460	325,250

ATRIUM INSURANCE AGENCY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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, '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.

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).

(b) Change in accounting policy/prior period adjustment

There have been no changes in accounting policies or any prior period adjustments.

(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 2017

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 will 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 retranslation at the period-end, 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 2017	Average rate Quarter 1 2017	Average rate Quarter 2 2017	Average rate Quarter 3 2017	Average rate Quarter 4 2017
Sterling	1.3524	1.2390	1.2796	1.3083	1.3275
Euro	1.2022	1.0652	1.1010	1.1749	1.1777
Canadian dollar	0.7983	0.7553	0.7434	0.7977	0.7867
Singapore dollar	0.7482	0.7063	0.7183	0.7349	0.7386

(f) Turnover

Turnover consists of agency fees and profit commissions. Agency fees are earned in line with the earnings profile of the underlying risk. Profit commissions are earned in line with the profits of the consortium subject to there being reasonable certainty that the profit commission will be received.

ATRIUM INSURANCE AGENCY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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 Limited (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 charge represents the sum of the current tax and deferred tax.

Current tax: the current tax charge is based on the taxable profit for the year. Taxable profit differs from profit as reported in the 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 group relief receipt 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 2017

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 ¹ / ₃ % 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 2017

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 a 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 the liability simultaneously.

ATRIUM INSURANCE AGENCY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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. The recognition of profit commission is the only area where estimates and assumptions may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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:

	2017	2016
	\$	\$
Fee income	1,346,143	1,157,747
Good Experience Return	-	(301,393)
Profit commission	716,820	15,030
	<u>2,062,963</u>	<u>871,384</u>

The impact of the good experience return and no claims bonus led to the reversal of previously recognised fee income.

5. ADMINISTRATIVE EXPENSES

	2017	2016
	\$	\$
These include:		
Auditor's remuneration – statutory audit	12,886	12,535
Foreign exchange (gain) / loss	(19,387)	13,947

No fees were paid to the Company's auditor for services other than for the statutory audit of the Company (2016: \$nil).

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 \$945,415 (2016: \$946,488) by AGSL. Included within this recharge is \$199,179 (2016: \$174,418) relating to share based incentive schemes. The Company also incurred a further \$503,404 of staff costs (2016: \$403,753) for non UK based employees of the Atrium Group, the costs of which are borne directly by AIAL.

ATRIUM INSURANCE AGENCY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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 and \$448,008 was recharged to the Company for the use of these services (2016: \$459,374).

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

8. TAXATION

(a) Tax credit on income statement

	2017	2016
	\$	\$
The tax charge/(credit) is made up as follows:		
Current tax:		
Group relief paid	105,170	(161,079)
Tax (over)/under provided in previous years	-	3,157
Tax charge/(credit) on ordinary activities	<u>105,170</u>	<u>(157,922)</u>

(b) Reconciliation of tax credit

	2017	2016
	\$	\$
Profit/(loss) on ordinary activities before tax	329,125	(805,395)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 – 20%)	63,357	(161,079)
Effects of:		
Expenses not deductible for tax purposes and permanent differences	-	-
Amounts (over)/under provided in previous years	41,813	3,157
Total tax charge/(credit) for the year (note 8(a))	<u>105,170</u>	<u>(157,922)</u>

(c) Factors that may affect future tax charges

UK corporation tax rate for 2017/2018 tax year was 19.25% and with effect from 1 April 2017 the rate reduced to 19% and 17% from 1 April 2020 as enacted as part of the March 2016 Finance Bill. These rates have been reflected in the closing deferred tax position in the balance sheet. These rates reduce the Company's future current tax charge accordingly.

ATRIUM INSURANCE AGENCY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

9. TANGIBLE FIXED ASSETS

	Fixtures, Fittings & Equipment \$	Total \$
COST		
At 1 January and at 31 December 2017	5,787	5,787
DEPRECIATION		
At 1 January and at 31 December 2017	5,787	5,787
NET BOOK VALUE		
At 31 December 2017 and at 31 December 2016	-	-

10. DEBTORS

	2017 \$	2016 \$
Due within one year:		
Amounts owed by group undertakings	19,134	156,335
Profit commission	731,850	15,030
	<u>750,984</u>	<u>171,365</u>

11. CREDITORS

	2017 \$	2016 \$
Due within one year:		
Amounts owed to group undertakings	941,376	222,160
Accruals and deferred income	468,275	512,048
Other creditors	-	30,654
	<u>1,409,651</u>	<u>764,862</u>
Due after more than one year:		
Subordinated loan owed to parent undertaking	400,000	-
	<u>1,809,651</u>	<u>764,862</u>

The subordinated loan is due to be repaid on 1 August 2019. Interest is payable on this loan at a rate of 2.75% above 3 month LIBOR.

ATRIUM INSURANCE AGENCY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

12. AUTHORISED AND ISSUED SHARE CAPITAL

	<i>Allotted, issued and fully paid</i>			
	2017	2016	2017	2016
	No.	No.	\$	\$
Ordinary shares of £1 each	100,000	100,000	144,790	144,790
	100,000	100,000	144,790	144,790

	<i>Allotted, issued and fully paid</i>			
	2017	2016	2017	2016
	No.	No.	£	£
Ordinary shares of £1 each	100,000	100,000	100,000	100,000
	100,000	100,000	100,000	100,000

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.

13. RELATED PARTIES

The Company is a wholly owned subsidiary of Atrium Underwriting Group Limited, 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 Limited.

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). Refer to notes 3(c) and 13 for exemptions claimed in relation to the preparation of the financial statements under FRS 102.