

Company No: 6022662

ATRIUM GROUP SERVICES LIMITED

**REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2015**

THURSDAY



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COMPANIES HOUSE

ATRIUM GROUP SERVICES LIMITED

DIRECTORS

JRF Lee
RdWW Harries
BRA Merriman

SECRETARY

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

AUDITOR

KPMG LLP
15 Canada Square
London E14 5GL

BANKER

Lloyds Banking Group plc
113 Leadenhall Street
London EC3A 4AX

REGISTERED OFFICE

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

ATRIUM GROUP SERVICES LIMITED

STRATEGIC REPORT

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

Results

The loss for the year, after taxation, amounted to \$145,644 (2014: \$1,954,775 profit).

Principal activities and review of the business

Atrium Group Services Limited (AGSL) is a wholly owned subsidiary of Atrium Underwriting Group Limited (AUGL), and acts as a service company on behalf of the Atrium Group.

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

	2015 \$	2014 \$	Change %
Net assets	1,112,648	2,258,292	(50.73)
(Loss)/profit before tax	(1,824)	19,924	(109.15)
(Loss)/profit after tax	(145,644)	1,954,775	(107.45)

Net assets have decreased as a result of the \$1.0m dividend paid to AUGL during 2015 and the loss for the year. The Company receives a fee from other group companies as it acts as a service company. All expenses are recharged to these entities with the exception of foreign exchange revaluation of monetary assets and liabilities, amounting to a loss of \$99,750 (2014: \$105,884 loss) in the current year and an irrecoverable VAT charge of \$11,958 (2014: \$21,797 credit). As the employing company within the Atrium Group the Company has received a tax credit in relation to relief for some of the expenses incurred in respect of the group share schemes.

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.

Principal risk and uncertainty

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 risk and uncertainty facing the Company is as follows:

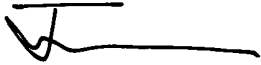
Credit risk

Credit risk is the exposure to loss if another party fails to perform its financial obligations to the Company, including failing to perform them in a timely manner. The key aspect of credit risk to which AGSL is exposed is the risk of default by one or more of the other Atrium Group companies whereby they would not be able to meet their debts as they fall due.

ATRIUM GROUP SERVICES LIMITED

STRATEGIC REPORT *(continued)*

By order of the board

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JRF Lee
Director
12 April 2016

ATRIUM GROUP SERVICES 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 dividend paid in the year \$1.0m (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.

Future developments

The Directors intend that the Company continues to be a service company for the Atrium Group.

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.

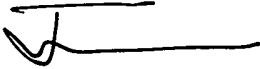
Re-appointment of auditor

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 GROUP SERVICES 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
12 April 2016

ATRIUM GROUP SERVICES 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 GROUP SERVICES LIMITED

We have audited the financial statements of Atrium Group Services Limited for the year ended 31 December 2015 set out on pages 8 to 25. 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 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 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
13 April 2016

ATRIUM GROUP SERVICES LIMITED

INCOME STATEMENT

For the year ended 31 December 2015

	Notes	2015 \$	2014 \$
Turnover	4	55,653,612	54,542,101
Administrative expenses	5,6,7,8	(55,668,981)	(54,527,698)
Operating (loss)/profit		(15,369)	14,403
Interest income		13,545	5,521
(Loss)/profit on ordinary activities before tax		(1,824)	19,924
Tax on (loss)/profit on ordinary activities	9	(143,820)	1,934,851
(Loss)/profit on ordinary activities after tax		(145,644)	1,954,775

All results are derived from continuing activities.

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

ATRIUM GROUP SERVICES LIMITED

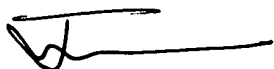
BALANCE SHEET

As at 31 December 2015

	Notes	2015 \$	2014 \$
Intangible assets	11	152,374	11,960
Fixed assets	12	1,241,465	419,152
Investment in subsidiary	3q	3	-
Current assets			
Debtors: due within one year	13	5,853,967	6,379,269
Cash and cash equivalents		8,045,617	7,948,870
		13,899,584	14,328,139
Non-current assets			
Debtors: due after more than one year	13	1,893,765	1,410,438
Current liabilities			
Creditors: due within one year	14	(12,406,559)	(11,816,165)
Non-current liabilities			
Creditors: due after more than one year	3r, 14	(3,667,984)	(2,095,232)
Net assets		1,112,648	2,258,292
Capital and reserves			
Called up share capital	15	1	1
Profit and loss account		1,112,647	2,258,291
Shareholders' funds		1,112,648	2,258,292

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

The financial statements were approved by the Board of Directors on 12 April 2016 and signed on its behalf by:



JRF Lee
Director

Company No: 6022662

ATRIUM GROUP SERVICES 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	1	303,516	303,517
Profit for the year	-	1,954,775	1,954,775
Capital contribution for share based compensation	-	8,725,566	8,725,566
Recharge for share based compensation	-	(8,725,566)	(8,725,566)
Balance as at 31 December 2014	1	2,258,291	2,258,292
Loss for the year	-	(145,644)	(145,644)
Dividend (note 10)	-	(1,000,000)	(1,000,000)
Capital contribution for share based compensation		6,836,810	6,836,810
Recharge for share based compensation		(6,836,810)	(6,836,810)
Balance as at 31 December 2015	1	1,112,647	1,112,648

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

1. GENERAL INFORMATION

The principal activity of the Company during the year continued to be, to act as a service company on behalf of the Atrium Group.

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.

The Company has also early adopted the amendments to FRS 102 which were issued in July 2015.

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(o). 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 19.

(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 Group Services 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 GROUP SERVICES 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 represents amounts derived from the Company's activity as a group service company and consists of fee income, charge for use of assets and expenses recharged to other group companies. In line with the transfer pricing policy document, which is in line with benchmarking perimeters, an uplift of 0.5% is applied on non-staff costs.

ATRIUM GROUP SERVICES 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 operates a defined contribution scheme. 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 the 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.

The Company has taken advantage of the transition exemption under paragraph 35.10(b) of FRS 102 in respect of share-based payment transactions, from retrospectively re-measuring share-based payments based on the requirements of FRS 102 for those share options granted before the transition date.

(h) Taxation

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

Current tax: the current tax credit or charge is based on the taxable profit or loss for the year. Taxable profit or loss differs from profit or 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 GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

(i) Intangible assets

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

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised on a straight line basis over the expected useful life of the software which is 3 years. Intangible assets are reviewed for an indication of impairment at each reporting date. Amortisation is included in administrative expenses within the income statement.

All other costs associated with developing or maintaining computer software programmes are recognised as an expense in the income statement as incurred.

(j) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated 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) Operating leased assets

Leases that do not transfer all of the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(l) 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.

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

(m) 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.

(n) 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 the transaction price and subsequently are measured at amortised cost.

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

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

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

(n) Financial instruments *(continued)*

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.

(o) 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 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 are the estimation of the useful lives of intangible and fixed assets which are discussed in more detail in notes 3(i) and 3(j).

(p) 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.

(q) Investment in subsidiary

Atrium Group Services Limited has a \$3 investment in Atrium Nominees Limited, a wholly owned subsidiary. The purpose of this company is to hold the shares of Northshore Holdings Limited in which Atrium employees have a beneficial interest in, through their participation in the share based incentive schemes.

(r) Consistency of presentation of non-current liabilities

The 2014 comparatives for non-current liabilities have been adjusted to separate the amount owed to a parent undertaking after more than one year of \$2,095,232, from the amounts owed within one year. The liability is for unvested share schemes costs that will not become due until the vesting date. The change in presentation is due to a higher proportion of the amount owed to the parent undertaking being unvested at the end of 2015.

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

4. TURNOVER

The fee income within turnover relates to service fees paid by the following group companies, Atrium Underwriters Limited, Atrium Underwriting Group Limited, Atrium Insurance Agency Limited, Atrium Insurance Agency (Asia), Atrium Risk Management Services (Washington) Ltd and Atrium Risk Management Services (British Columbia) Ltd. The fee income is paid to the Company for its services provided as a service company to the relevant group companies to which it recharges expenses.

Analysis of turnover by category:

	2015	2014
	\$	\$
Fee income	121,136	121,522
Charge for use of assets	490,961	410,650
Expenses recharged	55,041,515	54,009,929
	<u>55,653,612</u>	<u>54,542,101</u>

5. ADMINISTRATIVE EXPENSES

	2015	2014
	\$	\$
These include:		
Lease payments - rent	607,832	711,352
Auditor's remuneration – statutory audit	12,358	13,190
Depreciation/impairment of fixed assets	410,238	405,407
Amortisation/impairment of intangible assets	84,586	5,245
Foreign exchange and currency transactions losses	107,747	111,434

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

6. EMPLOYEE BENEFITS

	2015	2014
	\$	\$
Staff costs including directors' emoluments		
Wages and salaries	20,479,179	20,164,629
Share based payments recharge	6,836,810	8,725,566
Social security costs	3,436,062	3,699,839
Defined contribution pension costs	3,327,583	3,371,132
	<u>34,079,634</u>	<u>35,961,166</u>
Recharged to group companies	<u>(34,079,634)</u>	<u>(35,961,166)</u>
	<u>-</u>	<u>-</u>

As at the balance sheet date, there were no pension contributions outstanding (2014: \$nil). The average monthly number of persons including executive directors employed by the Company during the year was 166 (2014: 160).

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

7. DIRECTORS' REMUNERATION

The Company is the employing company within the Atrium Group for all UK employees. The disclosure below relates to Directors within the UK Atrium Group all of whom are deemed to be key management personnel. Directors' remuneration is recharged to other group companies for the use of their services.

	2015	2014
	\$	\$
Directors' remuneration		
Executive services	10,896,250	12,327,599
Pension contributions	433,133	477,437
	11,329,383	12,805,036
Recharged to group companies	(11,329,383)	(12,805,036)
	-	-

Executive services of key management personnel include share-based payments under FRS 102.

During 2015 twelve (2014 twelve) group directors benefitted from the vesting of long term incentive plan awards.

During 2015 and 2014 group directors were awarded shares under the Northshore Long Term Incentive Plan and received matching shares under the Northshore Matching Share Plan. See the table below for details.

	2015	2014
Number of group directors who received share awards under the Northshore Long Term Incentive Plan	11	11
Number of group directors who received matching shares under the Northshore Matching Share Plan	10	9
Number of group directors to whom retirement benefits are accruing under a defined contribution pension scheme	7	9
	2015	2014
	\$	\$
In respect of the highest paid group director, the following was paid:		
Executive services	1,892,147	2,283,304
Pension contribution	-	-
	1,892,147	2,283,304
Recharged to group companies	(1,892,147)	(2,283,304)
	-	-

Refer to note 8 for further details of the share incentive schemes.

The highest paid group director received an award of restricted stock under the Northshore Long Term Incentive Plan and an award of shares under the Northshore Matching Share Plan, during the period.

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

8. SHARE BASED INCENTIVE SCHEMES

Section 26 of FRS 102 requires share-based payments to be expensed based on their fair value at the date of grant. The expense is recognised in the income statement over the vesting period of the share-based payment.

Following the acquisition of the Atrium Group by Enstar in 2013 a number of long term incentive plans were introduced. These schemes award shares in the Atrium Group's immediate parent company, Northshore Holdings Limited (Northshore). Fair value was initially established with reference to the fair value of the Atrium Group at the date of acquisition, based on fully diluted book value. Subsequently Northshore determined that fair value would be based on fully diluted book value per Northshore share as of the quarter-end date prior to each scheme award.

Long Term Incentive Plan (LTIP)

On 17 April 2014 a Northshore LTIP scheme was established. For 2014 two sets of awards were made. The first set of share awards were made conditional on the employees remaining in place at the vesting dates. On the same date a second set of 2014 share awards were made, with performance conditions based on the Atrium Group's return on capital and therefore ensure that any rewards received are commensurate with the Atrium Group's performance over the performance period. In 2015 additional awards were made, again linked to performance conditions. The awards vest after three years.

Matching Share Plan (MSP)

On 17 April 2014 a Northshore MSP scheme was established. Employees were initially granted share awards in Northshore by reference to their unvested MSP awards with the previous owner and were conditional on the employees remaining in place at the vesting dates.

In addition the MSP allowed permanent employees to purchase annually the US\$ equivalent value of up to £8,000 shares in Northshore. For each share purchased participating employees were granted a matching award of further Northshore shares. Participating employees are only entitled to receive the matching award shares three years after grant date if they remain an Atrium Group employee for the three year period.

The Atrium Group has been recharged \$6,836,810 during 2015 (2014: \$8,725,566) in respect of both LTIP and MSP and this is included within employee benefits (see note 6).

ATRIUM GROUP SERVICES LIMITED

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

8. SHARE BASED INCENTIVE SCHEMES *(continued)*

Movements in the number of share awards in the Northshore schemes held by employees:

	Year ended 31 December 2015 Number	Weighted average fair value US\$	Year ended 31 December 2014 Number	Weighted average fair value US\$
Outstanding at 1 January	12,960	1,029.11	-	-
Granted	7,432	1,011.63	16,930	963.93
Vested	(4,034)	1,024.69	(3,970)	963.93
Forfeited	-	-	-	-
Lapsed	-	-	-	-
Outstanding at 31 December	<u>16,358</u>	<u>1,056.27</u>	<u>12,960</u>	<u>1,029.11</u>

9. TAXATION

(a) Tax on income statement

	2015 \$	2014 \$
The tax charge/(credit) is made up as follows:		
Current tax:		
UK corporation tax on the (loss)/profit for the year	663,435	1,085,414
Tax over provided in previous years	(36,290)	(2,133,660)
Group relief	-	246,492
Total current tax	<u>627,145</u>	<u>(801,754)</u>
Deferred tax:		
Origination and reversal of timing differences	(474,928)	(1,198,163)
Deferred tax over provided in previous years	(61,898)	(14,427)
Effect of decreased tax rate	53,501	79,493
Total deferred tax (note 9(d))	<u>(483,325)</u>	<u>(1,133,097)</u>
Tax charge/(credit) on ordinary activities (note 9 (b))	<u>143,820</u>	<u>(1,934,851)</u>

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

9. TAXATION *(continued)*

(b) Reconciliation of tax charge/(credit)

	2015	2014
	\$	\$
(Loss)/profit on ordinary activities before tax	(1,824)	19,923
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 – 21.5%)	(369)	4,283
Effects of:		
Expenses not deductible for tax purposes and permanent differences	72,045	27,015
Share scheme permanent difference	116,831	102,445
Amounts over provided in previous years	(98,188)	(2,148,087)
Rate change in respect of deferred tax	53,501	79,493
Total tax charge/(credit) for the year (note 9(a))	143,820	(1,934,851)

(c) Factors that may affect future tax charges

The UK corporation tax rate for the 2015/2016 tax year was 20%. With effect from 1 April 2017 the rate will reduce to 19% as enacted as part of the Finance Act 2015. These rates have been reflected in the closing deferred tax position in the balance sheet.

(d) Deferred taxation

	2015	2014
	\$	\$
The deferred tax included in the balance sheet is as follows:		
Employment provisions	1,769,925	1,208,728
Capital allowances	123,840	201,710
	1,893,765	1,410,438
At 1 January 2015	1,410,438	277,341
Deferred tax credit in profit and loss account	483,327	1,133,097
At 31 December 2015	1,893,765	1,410,438

10. DIVIDEND

	2015	2014
	\$	\$
Declared and paid during the year		
Dividend on ordinary share:		
Dividend paid	1,000,000	-
	1,000,000	-

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

11. INTANGIBLE ASSETS

	Computer Software	Total
COST	\$	\$
At 1 January 2015	4,708,855	4,708,855
Additions	225,000	225,000
Disposals	(4,516,128)	(4,516,128)
At 31 December 2015	417,727	417,727
AMORTISATION		
At 1 January 2015	4,696,895	4,696,895
Amortisation	80,026	80,026
Impairment charge	4,560	4,560
Disposals	(4,516,128)	(4,516,128)
At 31 December 2015	265,353	265,353
NET BOOK VALUE		
At 31 December 2015	152,374	152,374
At 31 December 2014	11,960	11,960

12. FIXED ASSETS

	Computer Equipment	Fixtures, Fittings & Equipment	Total
COST	\$	\$	\$
At 1 January 2015	4,024,929	569,454	4,594,383
Acquisitions	-	1,232,551	1,232,551
Disposals	(2,564,223)	(569,454)	(3,133,677)
At 31 December 2015	1,460,706	1,232,551	2,693,257
DEPRECIATION			
At 1 January 2015	3,618,952	556,279	4,175,231
Depreciation	363,001	5,050	368,051
Impairment charge	34,062	8,125	42,187
Disposals	(2,564,223)	(569,454)	(3,133,677)
At 31 December 2015	1,451,792	-	1,451,792
NET BOOK VALUE			
At 31 December 2015	8,914	1,232,551	1,241,465
At 31 December 2014	405,977	13,175	419,152

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

13. DEBTORS

	2015	2014
	\$	\$
Due within one year:		
Amounts owed by parent undertakings	1,062,172	2,215,115
Amounts owed by group undertakings	2,844,849	1,946,059
Trade debtors	716,763	905,141
Prepayments and accrued income	1,229,309	1,224,542
Other debtors	874	88,412
	<u>5,853,967</u>	<u>6,379,269</u>
Due after more than one year:		
Deferred tax	<u>1,893,765</u>	<u>1,410,438</u>
	<u>1,893,765</u>	<u>1,410,438</u>

14. CREDITORS

	2015	2014
	\$	\$
Due within one year:		
Amounts owed to parent undertaking	4,127,523	7,124,980
Amounts owed to group undertakings	-	226,909
Other taxes and social security	2,161,189	1,596,023
Accruals and deferred income	5,431,528	1,799,908
Corporation tax	644,526	1,068,150
Other creditors	41,793	195
	<u>12,406,559</u>	<u>11,816,165</u>
Due after more than one year:		
Amounts owed to parent undertaking	<u>3,667,984</u>	<u>2,095,232</u>
	<u>3,667,984</u>	<u>2,095,232</u>

15. AUTHORISED AND ISSUED SHARE CAPITAL

	2015	2014	<i>Allotted, issued and fully paid</i>	
	No.	No.	2015	2014
			\$	\$
Ordinary share of £1 each	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

	2015	2014	<i>Allotted, issued and fully paid</i>	
	No.	No.	2015	2014
			£	£
Ordinary share of £1 each	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

15. AUTHORISED AND ISSUED SHARE CAPITAL *(continued)*

The ordinary share confers upon the holder the right to receive a dividend 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 at such meetings.

16. 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.

Other than disclosed elsewhere in the financial statements, significant transactions between the Company and its related parties is as follows:

	2015	2014
	\$	\$
Northshore – share based incentive schemes	6,836,810	8,725,566
	<u>6,836,810</u>	<u>8,725,566</u>

17. LEASING COMMITMENTS

	Land and buildings	
	2015	2014
	\$	\$
At 31 December 2015, the Company had the following non-cancellable operating leases with payables as follows:		
- less than one year	763,961	1,076,456
- between one and five years	-	807,342
- more than five years	-	-
	<u>763,961</u>	<u>1,883,798</u>

Of the commitments due under operating leases for the period to 31 December 2016, as at 31 December 2015, \$672,286 (2014: \$947,281) will be reimbursed by Syndicate 609 and \$91,675 (2014: \$129,175) will be reimbursed by other group companies.

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

18. 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 16 for exemptions claimed in relation to the preparation of the financial statements under FRS 102.

19. 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 profit or equity and hence no restatement is required.

Transition exemption:

The Company has taken advantage of the transition exemption under paragraph 35.10(b) of FRS 102 in respect of share-based payment transactions from retrospectively re-measuring share-based payments based on the requirements of FRS 102 for those share options granted before the transition date. On transition to FRS 102, the Company is not required to apply Section 26 Share-based payments to equity instruments that were granted before the date of transition to FRS 102, or to liabilities arising from share-based payments transactions that were settled before the date of transition to FRS 102.