

Company No: 6022662

ATRIUM GROUP SERVICES LIMITED

**REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2017**

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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

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

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 2017.

Results

The loss for the year, after taxation, amounted to \$253,611 (2016: loss \$108,906).

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.

	2017 \$	2016 \$	change %
Net assets	750,131	1,003,742	25.3
Profit before tax	285,030	28,049	916.2
Loss after tax	(253,611)	(108,906)	132.9

Net assets have decreased as a result of 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 gain of \$83,941 (2016: loss \$112,001) in the current year and an irrecoverable VAT charge of \$4,886 (2016: \$67,039).

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.

By order of the board



JRF Lee
Director
25 May 2018

ATRIUM GROUP SERVICES 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 dividend paid in the year \$nil (2016: \$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 (2016: \$nil).

Financial risk management

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

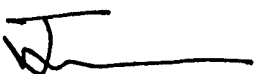
Disclosure of information to the auditor

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.

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



JRF Lee

Director

25 May 2018

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 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 GROUP SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATRIUM GROUP SERVICES LIMITED

Opinion

We have audited the financial statements of Atrium Group Services 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 loss 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 GROUP SERVICES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATRIUM GROUP SERVICES LIMITED

(Continued)

Directors' responsibilities

As explained more fully in their statement set out on page 4, 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
25 May 2018

ATRIUM GROUP SERVICES LIMITED

INCOME STATEMENT

For the year ended 31 December 2017

	Notes	2017 \$	2016 \$
Turnover	4	49,873,915	48,015,976
Administrative expenses	5,6,7,8	(49,628,948)	(48,003,112)
Operating profit		<u>244,967</u>	<u>12,864</u>
Interest income		40,063	15,185
Profit on ordinary activities before tax		<u>285,030</u>	<u>28,049</u>
Tax on profit on ordinary activities	9	(538,641)	(136,955)
Loss on ordinary activities after tax		<u>(253,611)</u>	<u>(108,906)</u>

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 2017

	Notes	2017 \$	2016 \$
Intangible assets	10	-	75,000
Fixed assets	11	795,478	1,059,710
Investment in subsidiary	3p	2	2
Current assets			
Debtors: due within one year	12	6,106,026	4,543,852
Cash and cash equivalents		16,490,629	10,785,273
		<u>22,596,655</u>	<u>15,329,125</u>
Non-current assets			
Debtors: due after more than one year	12	1,781,818	2,051,244
Current liabilities			
Creditors: due within one year	13	(22,331,242)	(12,961,041)
Non-current liabilities			
Creditors: due after more than one year	3q, 13	(2,092,580)	(4,550,298)
Net assets		<u>750,131</u>	<u>1,003,742</u>
Capital and reserves			
Called up share capital	14	1	1
Profit and loss account		750,130	1,003,741
Shareholders' funds		<u>750,131</u>	<u>1,003,742</u>

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

The financial statements were approved by the Board of Directors on 25 May 2018 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 2017**

	Share capital \$	Retained earnings \$	Total equity \$
Balance as at 1 January 2016	1	1,112,647	1,112,648
Loss for the year	-	(108,906)	(108,906)
Capital contribution for share based compensation	-	5,227,692	5,227,692
Recharge for share based compensation	-	(5,227,692)	(5,227,692)
Balance as at 31 December 2016	1	1,003,741	1,003,742
Loss for the year	-	(253,611)	(253,611)
Capital contribution for share based compensation	-	5,161,433	5,161,433
Recharge for share based compensation	-	(5,161,433)	(5,161,433)
Balance as at 31 December 2017	1	750,130	750,131

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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.

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).

(b) Change in accounting policy/prior period adjustment

There have been no changes in accounting policies or 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 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 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 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 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 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 staff costs.

ATRIUM GROUP SERVICES 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 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 2017

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 2017

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 2017

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 the 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 estimate and assumption that has a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year is the estimation of the useful life of fixed assets which is discussed in more detail in note 3(j).

(p) Investment in subsidiary

Atrium Group Services Limited has a \$2 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.

(q) Non-current liabilities

The non-current liabilities is the amount owed to a parent undertaking after more than one year. The liability of \$2,092,580 (2016: \$4,550,298) is for unvested share schemes costs that will not become due until the vesting date.

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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) Pte. Limited, Atrium Risk Management Services (Washington) Limited and Atrium Risk Management Services (British Columbia) Limited. 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:

	2017	2016
	\$	\$
Fee income	145,626	164,794
Charge for use of assets	278,313	309,633
Expenses recharged	49,449,976	47,541,549
	<u>49,873,915</u>	<u>48,015,976</u>

5. ADMINISTRATIVE EXPENSES

	2017	2016
	\$	\$
These include:		
Lease payments - rent	751,792	744,377
Auditor's remuneration – statutory audit	12,515	11,141
Depreciation/impairment of fixed assets	214,516	240,401
Amortisation/impairment of intangible assets	63,797	69,232
Foreign exchange and currency transactions (gains)/losses	(107,133)	55,339

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

	2017	2016
	\$	\$
Staff costs including directors' emoluments		
Wages and salaries	20,184,155	19,206,435
Share based payments recharge	5,161,433	4,958,966
Social security costs	2,482,988	1,513,028
Defined contribution pension costs	3,203,705	3,214,844
	<u>31,032,281</u>	<u>28,893,273</u>
Recharged to group companies	<u>(31,032,281)</u>	<u>(28,893,273)</u>
	<u>-</u>	<u>-</u>

As at the balance sheet date, there were no pension contributions outstanding (2016: \$nil). The average monthly number of persons including executive directors employed by the Company during the year was 175 (2016: 174).

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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.

	2017	2016
	\$	\$
Directors' remuneration		
Executive services	7,642,678	10,087,075
Pension contributions	146,749	262,146
	7,789,427	10,349,221
Recharged to group companies	(7,789,427)	(10,349,221)
	-	-

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

During 2017 eleven (2016 eleven) group directors benefitted from the vesting of long term incentive plan awards.

During 2017 and 2016 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.

	2017	2016
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	10
Number of group directors to whom retirement benefits are accruing under a defined contribution pension scheme	6	7
	2017	2016
	\$	\$
In respect of the highest paid group director, the following was paid:		
Executive services	1,545,890	2,081,235
	1,545,890	2,081,235
Recharged to group companies	(1,545,890)	(2,081,235)
	-	-

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 2017

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 and 2016 additional awards were made, again linked to performance conditions. The awards vest after three years.

In 2017, awards were split, Restricted Stock Units (RSUs), 25% and Performance Stock Units (PSUs), 75%. RSUs are not subject to performance conditions and will vest in full. PSUs will vest in accordance with performance conditions, as defined.

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 \$5,161,433 during 2017 (2016: \$4,958,966) 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 2017

8. SHARE BASED INCENTIVE SCHEMES *(continued)*

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

	Year ended 31 December 2017 Number	Weighted average fair value US\$	Year ended 31 December 2016 Number	Weighted average fair value US\$
Outstanding at 1 January	18,216	1,032.03	16,358	1,056.27
Granted	5,184	964.43	6,124	918.86
Vested	(5,288)	928.70	(4,266)	899.97
Outstanding at 31 December	18,112	1,058.26	18,216	1,032.03

9. TAXATION

(a) Tax on income statement

	2017 \$	2016 \$
The tax charge is made up as follows:		
Current tax:		
Group relief payment	242,718	140,385
Tax under provided in previous years	26,497	154,049
Total current tax	269,215	294,434
Deferred tax:		
Origination and reversal of timing differences	253,548	(241,844)
Deferred tax under provided in previous years	-	28,835
Effect of decreased tax rate	15,878	55,530
Total deferred tax (note 9(d))	269,426	(157,479)
Tax charge on ordinary activities (note 9 (b))	538,641	136,955

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS **31 December 2017**

9. TAXATION *(continued)*

(b) Reconciliation of tax charge

	2017	2016
	\$	\$
Profit on ordinary activities before tax	285,030	28,049
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 – 20%)	54,868	5,610
Effects of:		
Expenses not deductible for tax purposes and permanent differences	125,125	130,000
Share scheme permanent difference	316,273	(237,069)
Amounts under provided in previous years	26,497	182,884
Rate change in respect of deferred tax	15,878	55,530
Total tax charge for the year (note 9(a))	<u>538,641</u>	<u>136,955</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.

(d) Deferred taxation

	2017	2016
	\$	\$
The deferred tax included in the balance sheet is as follows:		
Employment provisions	1,699,008	1,980,657
Capital allowances	82,810	70,587
	<u>1,781,818</u>	<u>2,051,244</u>
At 1 January 2017	2,051,244	1,893,765
Deferred tax (charge)/credit in profit and loss account	(269,426)	157,479
At 31 December 2017	<u>1,781,818</u>	<u>2,051,244</u>

The impact of changes in corporation tax rates on deferred tax is a charge of \$15,878 (2016: \$55,530).

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 December 2017

10. INTANGIBLE ASSETS

	Computer Software	Total
COST	\$	\$
At 1 January 2017	388,180	388,180
Additions	-	-
Disposals	-	-
At 31 December 2017	388,180	388,180
AMORTISATION		
At 1 January 2017	313,180	313,180
Amortisation	75,000	75,000
Disposals	-	-
At 31 December 2017	388,180	388,180
NET BOOK VALUE		
At 31 December 2017	-	-
At 31 December 2016	75,000	75,000

11. FIXED ASSETS

	Computer Equipment	Fixtures, Fittings & Equipment	Total
COST	\$	\$	\$
At 1 January 2017	1,194,407	1,321,161	2,515,568
Acquisitions	-	-	-
Disposals	-	-	-
At 31 December 2017	1,194,407	1,321,161	2,515,568
DEPRECIATION			
At 1 January 2017	1,194,407	261,451	1,455,858
Depreciation	-	264,232	264,232
Disposals	-	-	-
At 31 December 2017	1,194,407	525,683	1,720,090
NET BOOK VALUE			
At 31 December 2017	-	795,478	795,478
At 31 December 2016	-	1,059,710	1,059,710

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS **31 December 2017**

12. DEBTORS

	2017	2016
Due within one year:	\$	\$
Amounts owed by parent undertakings	3,589,060	300,691
Amounts owed by group undertakings	1,302,363	2,728,007
Trade debtors	121,163	520,187
Prepayments and accrued income	1,093,170	994,720
Other debtors	270	247
	6,106,026	4,543,852
Due after more than one year:		
Deferred tax	1,781,818	2,051,244
	1,781,818	2,051,244

13. CREDITORS

	2017	2016
Due within one year:	\$	\$
Amounts owed to parent undertaking	255,967	4,720,172
Amounts owed to group undertakings	13,472,166	102,899
Other taxes and social security	2,962,281	2,464,489
Accruals and deferred income	5,430,081	5,403,378
Other creditors	210,747	270,103
	22,331,242	12,961,041
Due after more than one year:		
Amounts owed to parent undertaking	2,092,580	4,550,298
	2,092,580	4,550,298

14. AUTHORISED AND ISSUED SHARE CAPITAL

	2017	2016	<i>Allotted, issued and fully paid</i>	
	No.	No.	2017	2016
			\$	\$
Ordinary share of £1 each	1	1	1	1
	1	1	1	1

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

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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14. 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.

15. 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.

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

	2017	2016
	\$	\$
Northshore – share based incentive schemes	5,506,990	5,227,692
	<u>5,506,990</u>	<u>5,227,692</u>

Within the \$5,506,990, a sum of \$345,558 (2016: \$268,726) relates directly to Atrium Insurance Agency (Asia) Pte. Limited, Atrium Risk Management Services (Washington) Limited and Atrium Risk Management Services (British Columbia) Limited employees.

16. LEASING COMMITMENTS

	Land and buildings	
	2017	2016
	\$	\$
At 31 December 2017, the Company had the following non-cancellable operating leases with payables as follows:		
- less than one year	1,133,984	924,677
- between one and five years	2,251,202	3,055,328
- more than five years	-	-
	<u>3,385,186</u>	<u>3,980,055</u>

Of the commitments due under operating leases for the period to 31 December 2018, as at 31 December 2017, \$997,906 (2016: \$813,716) will be reimbursed by Syndicate 609 and \$136,078 (2016: \$110,961) will be reimbursed by other group companies.

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

17. 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.