Company No: 08538477

ALOPUC LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2021 (AUDITED) AND 31 DECEMBER 2020 (UNAUDITED)

ALOPUC LIMITED

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ALOPUC LIMITED

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2021.

Results

The profit for the year, after tax, amounted to $16,222k (2020: $12,683k). The year ended 31 December 2021 is the first period of consolidated financial statements to be prepared; however, the company-only financial statements of Alopuc Limited ("Alopuc" or "the Company") have been previously prepared and audited.

Principal activity

Alopuc was incorporated on 21 May 2013 and its immediate controlling party is Northshore Holdings Limited ("Northshore"), a company domiciled in Bermuda.

On 25 November 2013 the Company acquired its shareholding in Atrium Underwriting Group Limited ("AUGL"), which is the Company's sole subsidiary undertaking, the principal activity of which is as a holding company to the Atrium Group of Companies ("Atrium" or "the Atrium Group"). AUGL is incorporated in England and Wales.

The principal activity of the Atrium Group is the transaction of insurance and reinsurance business other than life insurance at Lloyd's of London ("Lloyd's" or "the Society of Lloyd's"). The Company does not engage in any other material transactions on its own account.

The ultimate holding company as at 31 December 2020 was Enstar Group Limited ("Enstar"). On 14 August 2020, Enstar announced an exchange transaction with Stone Point Capital LLC, involving Atrium ("the Stone Point transaction"). The transaction was completed on 1 January 2021 which transferred ultimate ownership of the Company to Northshore.

Following the Stone Point transaction, the Company is no longer able to claim exemption under Section 401 of the Companies Act 2006 from producing a set of consolidated financial statements. These consolidated financial statements are therefore the first set produced on a consolidated basis. Unaudited prior-year consolidated numbers have been included.

Business review

The consolidated financial statements incorporate the annual results of Atrium Underwriters Limited ("AUL"), a wholly owned subsidiary of AUGL and the Lloyd's Managing Agency that manages Syndicate 609 ("the Syndicate"), as well as the Atrium Group's participation in the Syndicate.

For the 2017 to 2020 years of account, Atrium 5 Limited ("Atrium 5"), a wholly owned subsidiary of AUGL and lessor of underwriting capacity in Syndicate 609, leased its underwriting capacity to SGL No.1 Limited ("SGL1"). 2020 is the final year of account in which Atrium participated on the Syndicate through the lease arrangement with SGL1. Atrium Corporate Capital Limited ("ACCL"), a wholly owned subsidiary of AUGL and a Lloyd's Corporate Member, participated on the Syndicate from the 2021 year of account onwards.

The following table presents ACCL's participation on the Syndicate for the current and upcoming year of account (YOA).

	2021 YOA Capacity £'000	2022 YOA Capacity £'000
Syndicate 609	158,731	165,004

ACCL entered into a YOA quota share arrangement with Arden Reinsurance Company Limited ("Arden Re"). The quota share contract is reviewed and renegotiated annually. The agreed terms are set out in the table below. In addition to the quota share there is also a stop loss arrangement between ACCL and Arden Re which would reduce the result of ACCL's participation to nil in the event of a loss on each year of account.

	2021 YOA	2022 YOA
Quota share	65.00%	65.00%
Ceding commission	2.5%	2.5%
Reinsurer's expenses	5.00%	5.00%
Profit commission	25.00%	25.00%

For both the 2021 and 2022 YOA, US business classified as Illinois, Kentucky and Other Binders in the Lloyd's US SIS return, has been excluded from the quota share allocation.

The Company measures the following Key Performance Indicators ("KPIs"):

	31 December 2021 $'000	31 December 2020 $'000
Gross written premium	195,847	-
Net premiums earned	39,750	-
Balance on technical account	150	-
Other income	31,497	23,148
Net assets	51,606	35,384
Loss ratio	61.3%	N/A
Combined ratio	99.6%	N/A

At the 12-month stage of development of the 2021 YOA, the total earned underlying syndicate result is loss making, which is as expected. This is primarily due to the majority of expenses being recognised in the first year without the benefit of the full earning of premium. As a result the stop loss arrangement takes effect for this year of account and effectively reduces the loss to a break-even position.

The ultimate result for the 2021 year of account is currently forecast to be profitable. The Board of Atrium Underwriters Limited ("AUL"), the Lloyd's Managing Agency that manages Syndicate 609, have considered the implications of underwriting losses and volatility in the capital markets impacting investment returns on the Syndicate. Based on the information produced by the Syndicate to date, there is no significant impact on the forecast returns that are to be achieved for the 2021 year of account.

Other income, comprising predominantly profit commission earnings from AUL, is higher in 2021 than what was recognised during 2020. In 2021 AUL benefited from the profitable results of the 2019 and 2020 years of account of Syndicate 609. Currently the 2020 year of account is heading towards an excellent profit. Whilst there is exposure to COVID-19 claims on this year of account, this has been more than offset by the benign loss environment created by the pandemic in many lines of business. This results in greater profit commission earnings for the Company when compared to the prior year.

Strategy

The Company's strategy is to build book value through profitable management of underwriting operations.

Capital and funds at Lloyd's

The Atrium Group has capital requirements to meet solvency rules that apply to its regulated subsidiaries and to maintain sufficient shareholder's funds to meet these requirements. It must also ensure that sufficient funds are available to support its level of underwriting capacity at Lloyd's.

On 15 November 2016 Atrium 5, a Lloyd's corporate member, entered into an interavailable Lloyd's Security and Trust Deed enabling some of Atrium 5's Funds at Lloyd's to be made interavailable to SGL1, a subsidiary within the Enstar Group, to support its underwriting on the 2017 and subsequent years of account.

The Stone Point transaction has led to a capital reorganisation across the group. Arden Reinsurance Company Limited ("Arden Re"), a fellow subsidiary of Northshore, has been approved as a third-party depositor of Funds at Lloyd's and provides capital supporting the underwriting of the 2019 and 2020 years of account through SGL1 and the 2021 year of account onwards through ACCL.

On 24 September 2020, AUGL entered into a deed of indemnity with Lloyd's in respect of Atrium 5. Atrium 5 underwrote insurance business at Lloyd's through its participation on Syndicate 609 and such insurance business may give rise to, *inter alia*, US Federal Income and Federal Excise tax liabilities as well as other tax liabilities in those jurisdictions where Atrium 5 underwrote insurance business. Therefore, in order for Lloyd's to release all remaining funds at Lloyd's in respect of Atrium 5, it required an undertaking from AUGL that it would meet all such potential tax liabilities. AUGL has agreed to pay to Lloyd's an amount equivalent to any tax liability of Atrium 5 arising in respect of, by reference to or in consequence of the insurance business underwritten by Atrium 5 at Lloyd's together with any reasonable costs and expenses incurred.

On 27 October 2020, as part of the capitalisation restructure connected with the Stone Point transaction, the Trust Deed relating to Atrium 5 was extinguished and the funds at Lloyd's was released. Similarly, on 27 October 2020, the Letter of Credit supporting the funds at Lloyd's requirement was cancelled.

Atrium increased its underwriting capacity, through a pre-emption of capacity, for the 2021 year of account to £158.7m (2020: £133.5m) equating to $214.9m (2020: $182.3m) at year end exchange rates.

Atrium's space venture

Atrium Insurance Agency Limited ("AIAL"), a wholly owned subsidiary of AUGL and a UK coverholder business authorised by the Financial Conduct Authority ("FCA"), manages the Atrium Space Insurance Consortium ("ASIC" or "the Consortium"). The Consortium comprises nine Lloyd's syndicates with Syndicate 609 being the lead Consortium member. The Consortium benefits from a line of up to $45.0m (2021: $45.0m) for any one satellite or launch with Syndicate 609 taking a $12.8m line for 2022 (2021: $11.8m).

Atrium's overseas operations

The Atrium Group has a service company in Washington State, USA, to support the marketing and client service activities of the Syndicate.

Identification and management of principal risks and uncertainties

The Company's main risk exposure is to financial risk through its investment in its sole subsidiary company, AUGL. The Company manages this risk by reviewing the performance of its subsidiary company through, *inter alia*, the regular monitoring of KPIs. KPIs are used primarily to compare actual performance to the business plan. The impact of the investment in the direct subsidiary company, if any, is set out in note 21 to these consolidated financial statements. The Company entrusts the board of Directors of AUGL with the management of AUGL's key risks.

Governance

The Board recognises the critical importance of having efficient and effective risk management systems in place but also recognises that it can only mitigate risks, and not eliminate them entirely. The Board of AUL has developed its Own Risk and Solvency Assessment ("ORSA"), comprising the entirety of the processes that it uses to identify, assess, monitor and report the risks faced by the Syndicate and to evaluate the amount of funds necessary to cover these risks taking into consideration the business profile and risk appetite of the Syndicate. Critical to the efficacy of the ORSA is the effective operation of the Risk Management Framework ("RMF"), the Governance Structure and Atrium's Internal Model. The RMF incorporates the so-called "Three Lines of Defence" approach to risk management and reporting.

The RMF is the mechanism through which Atrium ensures it is implementing effective and enterprise wide risk management practices across its business. Key to Atrium's business is the management of risk, return and capital, against which all significant strategic and operational business decisions are evaluated. Atrium has established systems of governance and risk management that enable it to manage its business prudently.

The RMF is the articulation of these systems of risk management and governance and how the various elements interact.

The RMF encompasses the broad range of activities undertaken across the organisational hierarchy to ensure that risks are managed appropriately, spanning from the high level strategy set by the Board to the day to day underwriting decisions being made by syndicate staff and the controls in place to govern these. The RMF can be illustrated as follows:

Strategy: This describes Atrium's strategy setting process and explains how this filters down through the organisation; incorporating the Syndicate's Business Strategy, Risk Strategy, Business Plan, Risk Policy Statement and Risk Policies.

Business Activities: The individual Syndicate and agency business units are responsible for implementing the strategy and business plans in accordance with the framework set out in the risk policies.

The people, controls, management information, processes and senior management oversight in place across the business units serve as the "First Line of Defence" in the RMF.

Risk Governance Structure: The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the RMF is effectively designed, implemented and governed.

The Risk Governance Structure is comprised of the Risk Committee ("RC"), which fulfils the role of Atrium's Risk Management Function, the Executive Risk Committee ("ERC") and its three Risk Sub-Committees, discussed further below.

Independent Assurance: Atrium has in place a Compliance Function and an Actuarial Function in addition to the Risk Management Function (fulfilled by the RC, the ERC and the Risk Management Team). These functions have specific responsibilities documented in their terms of reference and are staffed by fit and proper individuals with suitable qualifications, expertise and experience. The activities of these functions seek to provide the Board with assurance as to the appropriateness and effectiveness of the various elements of the RMF, the internal control environment, and the calculation of capital.

There are a number of risk management tools which support independent assessment and reporting of risk. Taken together this Independent Assurance comprises the "Second Line of Defence".

Independent Oversight: The RMF provides for independent oversight and challenge via the operation of the Internal Audit Function as well as the Audit Committee, which is a Committee of the Board with membership comprised of Non-Executive Directors. Together these three groups provide the "Third Line of Defence". The Audit Committee, along with its broader responsibilities for the consolidated financial statements and financial reporting process, has oversight of internal controls and the Internal Audit Function.

Risk Committee

Atrium's risk governance structure is comprised of the RC, ERC and its three Risk Sub-Committees.

The RC fulfils the Risk Management Function, in conjunction with the ERC and the Risk Management Team, and coordinates the risk management activities conducted for the Syndicate. The RC has its membership comprised of Non-Executive Directors though is attended by various Executives to ensure that the RC is provided with the information it requires to perform its role. It is responsible for ensuring that the RMF and Internal Model operates effectively, and for maintaining an aggregated and holistic view of risks to the Syndicate and reporting on them to the Board, Committees and management as appropriate. It also ensures that there is robust and effective management, governance and oversight of Atrium's Internal Model which is used to set capital and is also widely used within the business.

Due to overarching considerations of climate change and Environmental, Corporate and Social Governance ("ESG") in strategy setting and risk profile changes, this Committee is also responsible for oversight of the climate change and ESG frameworks.

To support delivery of the RC's responsibilities, there is the ERC and its three Risk Sub-Committees, each being responsible for oversight, review and challenge of the activities of the Syndicate and in particular, ensuring activities are within risk policies, that risks are suitably identified monitored and reported, and that appropriate contingency plans are in place.

The principal risks to which the Syndicate is exposed are discussed below together with the mitigation techniques adopted. For clarity, the risks are analysed by reference to the Risk Sub-Committees that have responsibility for the relevant risk area.

The ERC exists to support the RC and ensure that it can focus on key issues and also to ensure that there is the scope for executive discussion on risk issues and aggregation across the Risk Sub-Committees prior to the RC.

STRATEGIC REPORT *(continued)*

Insurance Risk Sub-Committee ("IRSC")

The IRSC is responsible for oversight of insurance risk which includes underwriting, claims, reserving, and reinsurance.

Underwriting risk is the risk that future losses are greater than allowed for within premiums. This could be due to natural fluctuations in claims frequencies and severities, changes in economic and judicial environments, anti-selection, inappropriate premium estimation or catastrophic loss activity.

Underwriting risk is mitigated through numerous controls including underwriter peer review, authority limits, independent review of risks written, and purchase of an appropriate reinsurance programme. The Syndicate Business Forecast is completed annually and stipulates those classes of business and concentration by class that will be written during the forthcoming year. It is reviewed by the IRSC and approved by the Board prior to being submitted to Lloyd's for approval. Actual performance during the year is monitored by reference to the Syndicate Business Forecast.

The risk of catastrophic claims is mitigated by the Syndicate having a defined risk appetite which determines the net loss that it intends to retain for major catastrophe events and where deemed appropriate reinsurance is purchased to limit the impact of losses. Although the likelihood of occurrence is considered to be remote, there may be circumstances where the loss from a particular catastrophe event exceeds the net risk appetite perhaps due to the occurrence of a loss that has not been considered or where the reinsurance purchased proves to be insufficient. In addition climate change can affect the occurrence and severity of weather related events. Whilst we do research the impact of these there is significant uncertainty to the impact climate change has on events in the tail of distributions which increases uncertainty in this area.

Reserving risk is that there is insufficient provision for losses that have already occurred.

Reserving risk is mitigated by the robust reserve adequacy exercise that is performed on a quarterly basis by the Actuarial Function and approved by the Board. The quarterly exercise involves a review of the paid and outstanding claims and an assessment of the appropriate provision for incurred but not reported (IBNR) claims. The reserves are considered by the IRSC and approved by the Board. The reserving is carried out based on historical development data, the claims environment and information provided by lawyers and third party claims adjusters.

Although a thorough review is carried out the reserves carried may be more or less than adequate to meet the final cost of claims.

The IRSC also reviews the proposed reinsurance programme that is used to protect capital from frequency and severity of losses that may be sustained through underwriting the varied lines of business written. The review includes analysis of the reinsurance cover being purchased and assessment of the proposed counterparties.

Financial Risk Sub-Committee ("FRSC")

The FRSC is responsible for oversight of financial risks and the steps taken to mitigate them as they arise from investments, asset/liability management, credit, liquidity and concentration risks. These risks are discussed further below.

Investment risk is the risk that the Syndicate's earnings are affected by changes in the value of the investment portfolio; such changes in value may be driven by changes in the economic and political environment and by movements in interest and foreign exchange rates. Atrium manages the Syndicate's investments in accordance with investment guidelines established by the Board that are reviewed on a regular basis. The FRSC monitors the performance of the external investment managers and the custodians responsible for the safekeeping of the investments, and reports regularly to the Board.

Asset/liability mismatch is the risk that the Syndicate could incur a loss through inadequate matching of its investments with its insurance liabilities. Due to the short tail nature of the majority of these liabilities, the Syndicate does not seek to achieve a precise matching with the investment portfolio, instead developing an investment duration guideline that is broadly in line with the average payment profile of the liabilities. However, the Syndicate substantially mitigates exposures to currency mismatch by investing premiums in the currency in which subsequent claims are most likely to be incurred and periodic rebalancing to ensure that these remain appropriate for the liabilities. The majority of the Syndicate's business is denominated in USD and accordingly the substantial part of the investment portfolio is in US dollar denominated investments.

The key aspect of credit risk is the risk of default by one or more of the Syndicate's reinsurers, their investment counterparties, or insurance intermediaries. Reinsurance is placed with security that adheres to the Atrium reinsurance policy. The exposure to credit risk in the investment portfolio is mitigated through adherence to the investment guidelines which require the Syndicate's core investment portfolios to be held in government and corporate debt with a high credit quality rating and with a relatively short duration, thus substantially mitigating the risk of sustaining losses from default.

Exposure to intermediaries is mitigated by rigorous review of new intermediaries, contractual terms of business, regulated or segregated client accounts, monitoring of balances and credit control procedures.

Liquidity risk is the risk that the Syndicate will not be able to meet its short term liabilities as they fall due, owing to a shortfall in cash. This risk is mitigated through holding invested funds in high credit quality and short duration investments, and cash flow projections are also reviewed on a regular basis. The need for overdraft facilities in case of unprojected cash flow deficit is also reviewed regularly.

Concentration risk is the exposure to loss that could arise if the bulk of the amounts recoverable by the Syndicate were dependent on a limited number of reinsurers, or if investments were restricted to limited numbers of counterparties or sectors. The risk is mitigated by restricting the permitted cessions to individual reinsurers for any one underwriting year and through the investment guidelines which limit exposure to individual investment counterparties and sectors.

Operational Risk Sub-Committee ("ORSC")

The ORSC is responsible for oversight of the Syndicate's exposures to operational, group, conduct and regulatory risks, of the Syndicate in which the company participates.

Operational risk is the risk of loss due to inadequate or failed processes and procedures, people and systems, or external events. The agency seeks to manage these risks by operating a control based environment which consists of documented procedures, segregation of duties and appropriate levels of review.

Conduct risk is the risk that as part of writing and servicing insurance policies the Syndicate fails to pay due regard to the interests of its customers. This is mitigated through the application of Atrium's conduct risk policy and procedures and through staff's adherence to Atrium's Code of Business Principles and Ethics. Atrium is committed to conducting its activities and stakeholder relationships in a fair and honest manner and the highest standard of conduct, professionalism and integrity is expected from all of its employees, with due regard paid at all levels of the organisation to ensuring fair outcomes for customers. Key controls include training of staff, embedding of the consideration of conduct risk as part of the business planning process and through the product life-cycle and Board and governance oversight and reporting. The ORSC fulfils the role of a "product oversight group" providing customer challenge and perspective to Atrium's products.

STRATEGIC REPORT *(continued)*

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Managing Agency has a Compliance Officer and team who monitor regulatory developments and assess the impact on agency policy and maintain an ongoing open dialogue with both regulators and Lloyd's. They also carry out a compliance monitoring programme.

Regular reviews are performed by the Internal Audit department to ensure that deviations from the agency's policies, and control weaknesses, are identified and reported to the appropriate level of management and the Audit Committee when considered necessary.

Culture Committee

The Culture Committee is a formal committee of the Board which has been set up to review all areas relating to Atrium's people, longer term organisational development and culture.

It met for the first time in March 2021 in response to the increase in strategic emphasis in culture and also to help co-ordinate across the various employee led groups working on areas such as working practices, ESG, Corporate Social Responsibility, Diversity & Inclusion.

Compliance with Section 172 of the Companies Act

A Director of the Company must act in accordance with a set of general duties. These duties are detailed in Section 172 of the Companies Act 2006, summarised as follows:

"A director of a Company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so have regard (amongst other matters) to the following:

The likely consequences of any decisions in the long-term

The overall strategy for 2022 is set by the Board at an Atrium group level and is as follows:

- Deliver high quality, timely and focused services to its managed Syndicate;
- Be a highly effective, agile and efficient organisation, seeking to deliver scalable services;
- Create a culture of learning and continuous improvement, optimising processes and systems; and
- Operate a highly motivated workforce.

The Atrium Group also has a number of strategic priorities for 2022 which can be summarised as follows:

- We will aim to deliver our ambitious 2022 Syndicate Business Plan in an increasingly challenging market.
- We will design and embed an ESG framework that is meaningful, proportionate and reflects Atrium's aims and ambition.
- We will continue our focus on overall career and talent development.
- We will continue to develop our internal and external communications strategy, building on the work started in 2021 helping the business articulate its culture, values and strengths to a wider audience in order to increase exposure and to help attract and retain talent.
- We will continue to proactively drive forward technological and digital solutions to optimise our business.

These priorities reflect the need to consider the interests of our staff and the need to keep pace with market initiatives and technological changes so the business is appropriately positioned to take best advantage of market conditions. The strategic priorities are cascaded down to individuals within the business through the Performance and Development Review process.

STRATEGIC REPORT *(continued)*

The interests of the Company's employees

Engaged, enabled, empowered employees who contribute to the best of their potential are fundamental to the long-term success of the business. We employ and develop high calibre staff. We maintain oversight of their performance through an annual performance and development review process. We seek to offer appropriate levels of remuneration which we benchmark using market surveys. We value our employees' thoughts and ideas and two-way communication is actively sought and encouraged. Our expected standards of behaviour are set out in our Code of Business Principles and Ethics which all staff are expected to adhere to.

The need to foster the Company's business relationships with customers, supplier and others

Atrium's customers, our (re-)insureds, are key to the long-term success of our business. We seek to grow and maintain our customer base. Our reputation needs to be preserved to protect our position as the specialist insurance and reinsurance business of choice and achieve our growth ambitions. Business is sourced through Lloyd's Brokers and Coverholders. They are key business partners and we set out our relationship in terms of business or service level agreements. We maintain oversight of these arrangements as well as making sure our customers receive appropriate level of disclosure.

The impact of the Company's operations on the community and environment

Atrium is a responsible member of its community as it reflects our culture and matters to our staff and local community. Atrium has a strong culture of supporting staff in both individual and group volunteering and fundraising initiatives. Atrium has set up a Culture Committee in 2021 in response to the increase in strategic emphasis in culture and also to help co-ordinate across the various employee led groups working on areas such as working practices, ESG, Corporate Social Responsibility and Diversity and Inclusion. The role of the Corporate Social Responsibility ("CSR") Committee is to coordinate CSR activities within Atrium, these encompassed working with an educational charity partner and partnerships with a CSR presence in the London Market; encouraging staff to volunteer at local community projects and participate in local events; and providing corporate sponsorship of charitable activities.

The desirability of the Company maintaining a reputation for high standards of business conduct

As a registered Lloyd's corporate member, authorised and regulated by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA"), ACCL must comply with regulatory rules and minimum standards in order to maintain its licence to operate. Over and above this Atrium seeks to achieve and maintain a reputation for demonstrating a high standard of business conduct as this has a positive impact on interactions with and reviews required by Regulators. We maintain an open dialogue with all regulators and seek to maintain a strong and trusted reputation.

We get the majority of our capital to support the Syndicate from third party members of Lloyd's whose affairs are managed by Members Agents. We therefore have a duty to ensure all capital providers are treated fairly and equitably. We maintain an open and regular dialogue with those agents to ensure that the members can make an informed decision about continued support of our business.

The need to act fairly as between shareholders of the Company

The Company at the balance sheet date was ultimately owned by Northshore. We have an on-going dialogue with both AUGL and Northshore. Formal communication of financial results is provided on a quarterly basis. We engage with AUGL to ensure that the strategic direction of the business is aligned with group objectives.

Material decisions impacting stakeholders which took place in the year ended 31 December 2021

During the year the Board considered its strategic priorities for 2021 which included continuing to grow the gross written premium of the Syndicate and to underwrite a demonstrably more profitable book of business. The Board approved the business plan for the 2022 year of account for the Syndicate which included significant premium income growth and led to the Board increasing the stamp capacity for the Syndicate from £625m for the 2021 year of account to £652m for the 2022 year of account. This received full support from our capital providers. The business plan, and actual financial results for the Syndicate for 2021, both show increased profitability compared to the prior year with underlying lines of business forecasting premium growth due to improving market conditions, as well as taking advantage of new opportunities, at lower loss ratios than the prior year.

The Board gave active consideration as to how we maintain the highest standards of conduct and ensure that the Atrium culture is strong, inclusive and trusted by all. These matters are important as they affect all stakeholders and have been particularly important during the prolonged period of remote working during 2020 and 2021. The Board believes that employees should consider Atrium to be an employer who treats them fairly, listens to them and makes them feel valued. During the year the Board engaged with staff on numerous initiatives covering working practices, the working environment culture and behaviours. The Board considered feedback that had been received from staff and has made adjustments to the working environment to ensure that employees are able to effectively collaborate when in person. The Board reviewed the flexible working charter and reissued this post the relaxation of government restrictions.

A key strategic objective for 2021 was to ensure that our culture and behaviours best reflect the needs and wishes of our employees, shareholders and society. Feedback from our staff informed a number of workstreams during the year which covered ESG considerations, the implementation of work experience and intern programmes through a partnership with SEO, agreement of a diversity and inclusion strategy, analysis of the results of the Lloyd's culture survey and sharing our gender pay gap information to all staff which all help to shape the overarching objective of ensuring that our culture reflects the wishes of all our stakeholders.

The Board considered how to promote the Company both internally and externally. Through the formation of a communications working group a wider communications plan was rolled out which internally covered the Company values and externally covered the Atrium story through social media channels. The Board will continue with the promotion of the Company in 2022 as it rebuilds its reputation internally and externally following the Notice of Censure, which is discussed in the directors' report on page 13.

The Board carries out a detailed financial review each year which includes revenue streams in the form of fees and profit commission, and a detailed expenses review where requirements of all stakeholders are considered. The output of this exercise determines how much dividend the Company is able to pay to its shareholder.

Brexit

The Company, through its underwriting participation on the Syndicate, is exposed to risks arising out of Brexit.

The UK left the European Union ("EU") on 31 January 2020 and the associated transitional arrangements ended on 31 December 2020, with Lloyd's Underwriters officially ceasing to have trading rights in the European Economic Area ("EEA") for Direct Insurance and cross border German Reinsurance business. Lloyd's members are able to provide reinsurance to cedants in the EEA (with the exception of Germany) on a cross-border basis, provided relevant local requirements are complied with.

STRATEGIC REPORT *(continued)*

In order to provide this continued access to Lloyd's for policyholders within the EEA, Lloyd's established a subsidiary insurance and reinsurance company incorporated in Belgium, Lloyd's Insurance Company S.A. ("LIC"). Atrium worked closely with Lloyd's on this contingency arrangement. LIC is authorised in Belgium by the National Bank of Belgium ("NBB") and regulated by the NBB and the Financial Services and Markets Authority ("FSMA") of Belgium. LIC has 18 branches across the EEA and a branch in the United Kingdom ("UK").

From 1 January 2019 onwards, with a few minor exceptions, all new EEA non-life direct insurance policies have been written by Atrium on behalf of LIC (under the terms of an Outsourcing Agreement) and 100% reinsured back to the Syndicate. All renewing EEA non-life direct insurance policies have transferred to LIC on their renewal under the same structure. It continues to be Lloyd's policy that all non-life EEA insurance risks are written by LIC and not Lloyd's syndicates.

To achieve contract continuity, Lloyd's have transferred all affected policies (comprising all relevant non-life direct EEA insurance and inwards German reinsurance business that has been written by the Lloyd's market between 1993 and 2020) to LIC via a Part VII transfer, with a scheme effective date of 30 December 2020.

Part VII

On 30 December 2020, the Members and former Members of the Syndicate, as comprised for each of the relevant years of account between 1993 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to LIC, in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the Syndicate entered into a 100% Quota Share Reinsurance Agreement whereby LIC reinsured all risks on the same policies back to the relevant open years of account of the Syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account.

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Members and former Members of the Syndicate transferred the impacted EEA policies and related liabilities to LIC, together with cash of $32.0m. On the same date, under the Reinsurance Agreement, LIC reinsured the same risks back, together with an equal amount of cash of $32.0m.

The combined effect of the two transactions had no economic impact for the Syndicate, and accordingly there was no net impact on the Syndicate's statement of comprehensive income or balance sheet.

By order of the Board

JRF Lee
Director
18 May 2022

ALOPUC LIMITED

DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 2021.

Dividends

The Directors do not recommend a final dividend, making the total dividends paid in the year $nil (2020: $42.0m).

Directors and officers of the Company

The current directors of the Company are disclosed on page 1. Changes in board structure during the year and up to the date of this report are shown below. None of the Directors have any financial interest in the Company.

BRA Merriman resigned as a director on 12 March 2021.
AGK Hamilton was appointed as a director on 20 September 2021.

Future developments

The Directors intend that the Company, through its subsidiaries, will continue to participate in underwriting at Lloyd's on its managed Syndicate.

Events since the balance sheet date

On 24 February 2022 Russia launched a large scale invasion of Ukraine. At the time of signing the consolidated financial statements the event is still ongoing and it is too early to quantify the financial impact to the Company. The Board will continue to closely monitor developments over the coming weeks, including the impact of sanctions imposed. This will be a 2022 calendar year event and will not impact the 2021 consolidated financial statements.

On 16 March 2022 the Lloyd's Enforcement Board issued a Notice of Censure in respect of AUL (Market Bulletin Y5369). AUL accepted three charges relating to non-financial misconduct by Atrium employees and the way in which AUL responded to allegations of misconduct. AUL agreed to the public censure, a fine of £1,050,000 and payment of Lloyd's costs amounting to £562,713.50. The fine and payment of Lloyd's costs are included in the 2021 financial results of AUL and were settled in March 2022.

Going concern

The Directors do not expect to change or cease operations in the foreseeable future and based on the assessment of the Company's operational resilience and financial resources, the Directors have reasonable expectation that the Company will be able to meet its liabilities as they fall due and will continue in operational existence for at least a twelve-month period from the date of the issue of these consolidated financial statements. For this reason they continue to adopt the going concern basis in preparing the consolidated financial statements.

The Board have reviewed the impact of COVID-19 and the invasion of Ukraine on the Syndicate and have concluded that the Syndicate will be able to operate as a going concern. The Board continues to closely monitor the impact on its operations, customers and underwriting, investments and capital. An assessment of plausible severe scenarios and potential range of outcomes has been undertaken across these areas, including exposure to the broader economic environment and increased volatility in financial markets. Risk appetite for the most impacted lines of business is being reviewed on a regular basis and updated, as required.

DIRECTORS' REPORT *(continued)*

Whilst the Syndicate has suffered significant losses relating to COVID-19 the profitability of the Syndicate has not been adversely affected. The ultimate claim has not moved materially during 2021 which is indicative of the stability of the initial reserve estimates.

The Board's long term strategy is to grow the Syndicate into a hardening market, increasing stamp capacity in order to take advantage of rising rates and new business opportunities. The Syndicate continues to take advantage of the improved rating environment by writing increased level of business at higher pricing levels in 2021. The Syndicate was able to open the 2022 year of account with increased stamp capacity of £651.7m.

The Syndicate has more than adequate liquidity to pay its obligations as they fall due. The Syndicate held cash and cash equivalent of £27.7m and fixed maturity investments with maturity dates of less than one year of £177.0m.

Based on the going concern assessment performed as at 31 December 2021, the Directors consider there to be no material uncertainties that may cast significant doubt over the Syndicate's ability to continue to operate as a going concern. The Directors have concluded that the profit flows from the Syndicate which generate the Company's income are sufficient to meet its liabilities as they fall due over the going concern period.

Political donations

The Company made no political donations during the year (2020: $nil).

Financial risk management

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

Streamlined Energy and Carbon Reporting

The Company is required to report certain energy and greenhouse gas disclosures under the Streamlined Energy and Carbon Reporting regulations. The table below presents the required disclosures:

Table 1: Energy and greenhouse gas disclosures	**2021**	**2020**
Scope 1 (natural gas, other fuels, refrigerants) tCO_2e:	**54.8**	44.3
Scope 2 (purchased electricity - location-based) tCO_2e:	**104.6**	118.9
Scope 3 (business travel, commute, paper, data centres, T&D) tCO_2e:	**172.7**	247.3
Total tCO_2e:	**332.1**	410.5
Carbon intensity – Total tCO_2e/FTE	**2.09**	2.75
Energy consumption used to calculate emissions (kWh)[1]	**799,962**	777,724

2021 Performance
In 2021 total emissions reduced to 332 tCO2e down from 411 tCO2e in 2020. This was driven by reduced business travel associated with COVID-19.

Methodology
The methodology used to quantify and report our greenhouse gas emissions is in accordance with the WRI GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition) and the UK Government's

[1] Energy reporting includes kWh from UK Energy use including gas, electricity, and fuel for transport only, as required by SECR regulations.

'Environmental Reporting Guidelines: including streamlined energy and carbon reporting guidance' (March 2019).

Energy data was collated from a mix of landlord data, supplier invoices and business travel reports. Greenhouse gas emissions were calculated using the UK Government GHG Conversion Factors for Company Reporting. Streamlined Energy and Carbon Reporting rules require large unquoted companies to disclose UK emissions from the consumption of fuel for the purposes of transport. We had no scope 1 emissions from the combustion of fuel for transport purposes, whilst data for scope 3 emissions from business travel where the company is responsible for purchasing fuel was unavailable in 2021. This omission is estimated to be immaterial at less than 5% of overall emissions and we will endeavour to calculate and report these emissions moving forward.

Data is presented for 2021 and 2020. In accordance with guidelines, the energy use and associated greenhouse gas emissions reported are for those within UK only that come under the operational control boundary.

Intensity measurement
The chosen intensity measurement ratio is total tCO_2e per full time employee as this is a common business metric for the insurance sector. Our ratio reduced in 2021 due to reduced scope 2 and 3 emissions and a small increase in headcount.

Energy efficiency action
In 2021 an employee led ESG committee was established to advise and challenge management on ESG considerations. Future initiatives include energy efficiency action and emission reductions. As a tenant, we also benefit from actions taken by Lloyd's of London to increase energy efficiency as reported in their 'Energy & Carbon report'. In 2020 we offset 617 tonnes of CO_2 through Gold Standard Verified Emissions Reductions. This figure based on Air travel emissions which we offset in 2019 and chose to offset again in 2020 and 2021 despite the significant drop in air travel due to COVID-19. No other principal measures were taken.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/she ought to have taken as a Director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Re-appointment of auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

JRF Lee
Director
18 May 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for preparing the Strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare consolidated financial statements for each financial year. Under that law they have elected to prepare the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALOPUC LIMITED

Opinion

We have audited the financial statements of Alopuc Limited ("the Company") for the Period ended 31 December 2021 which comprise the Consolidated Balance Sheet, the Company Balance sheet, the Consolidated Income Statement (Technical Account-General Business), the Consolidated Income Statement (Non-Technical Account), the Consolidated Statement of Changes in Equity, Company statement of changes in Equity, the Consolidated Cash Flow Statement and related notes, including the accounting policies in note 5.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the period 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALOPUC LIMITED *(continued)*

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets for directors and management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue is composed of relatively simple income streams and has limited complexity in the nature of income earned by the Company from the Syndicate it participates in.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the fraud risk management controls.

We also performed the following procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted with descriptions containing key words or phrase and those related to cash that were posted to seldom used accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALOPUC LIMITED *(continued)*

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

For the Lloyd's enforcement matter discussed in the directors' report on page 13 we discussed with the audit committee and those charged with governance matters related to the actual breaches of laws or regulations and considered any implications for our audit, including the requirement for any additional audit procedures. Moreover, we assessed disclosures against our understanding from legal correspondence and consultations with internal risk management to help us assess whether the disclosures are appropriate as part of our procedures on the related financial statement items.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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 Period 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALOPUC LIMITED *(continued)*

Directors' responsibilities

As explained more fully in their statement set out on page 16, 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
E14 5GL
19 May 2022

ALOPUC LIMITED

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2021

TECHNICAL ACCOUNT – GENERAL BUSINESS

	Note	2021 $'000	Unaudited 2020 $'000
Gross premiums written	7	195,847	-
Outward reinsurance premiums		(116,089)	-
Net premiums written		79,758	-
Change in the gross provision for unearned premiums		(93,714)	-
Change in the provision for unearned premiums, reinsurers' share		53,706	-
Change in the net provision for unearned premiums		(40,008)	-
Earned premiums, net of reinsurance		39,750	-
Allocated investment return transferred from the non-technical account		(11)	-
Claims paid			
Gross amount		(4,859)	-
Reinsurers' share		1,802	4,084
Net claims paid		(3,057)	4,084
Change in the provision for claims			
Gross amount		(57,669)	-
Reinsurers' share		36,366	(4,084)
Change in the net change in provision for claims		(21,303)	-
Claims incurred, net of reinsurance		(24,360)	-
Net operating expenses	11	(15,229)	-
Balance on the technical account for general business		150	-

The accompanying notes form part of these financial statements.

ALOPUC LIMITED

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2021

NON-TECHNICAL ACCOUNT

	Note	2021 $'000	Unaudited 2020 $'000
Balance on the general business technical account		**150**	-
Lease premium	8	**8,640**	6,203
Other income	9	**31,497**	23,148
Investment (loss)/income	14	**(55)**	179
Net unrealised (losses)/gains on investments	14	**(40)**	1,459
Investment expenses and charges	14	**(14)**	(3)
Allocated investment return transferred to general business technical account		**11**	-
Other charges, including amortisation	15	**(19,885)**	(15,337)
Profit on ordinary activities before tax		**20,304**	15,649
Tax on profit	17	**(4,082)**	(2,966)
Profit on ordinary activities after tax		**16,222**	12,683

All results are derived from continuing activities.

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET
At 31 December 2021

	Note	2021 $'000	Unaudited 2020 $'000
Assets			
Intangible assets			
Goodwill		**16,605**	16,605
Purchased syndicate capacity		**1,737**	2,039
	19	**18,342**	18,644
Tangible assets	20	**-**	2
Financial investments	22	**4,265**	-
Deposits with ceding undertakings		**2,810**	-
Reinsurers' share of technical provisions			
Provision for unearned premiums	28	**53,284**	-
Claims outstanding	10,28	**36,342**	-
		89,626	-
Debtors			
Arising out of direct insurance operations		**56,919**	-
Arising out of reinsurance operations		**5,590**	-
Other debtors		**47,607**	13,095
	23	**110,116**	13,095
Deferred tax asset	17(d)	**2,079**	948
Prepayments and accrued income			
Other prepayments and accrued income	24	**20,676**	10,213
Deferred acquisition costs	25	**26,873**	-
		47,549	10,213
Cash at bank and in hand		**41,469**	30,243
Total assets		**316,256**	73,145

CONSOLIDATED BALANCE SHEET
At 31 December 2021

	Note	2021 $'000	Unaudited 2020 $'000
Liabilities			
Capital and reserves			
Called up share capital	26	**117,994**	158,008
Accumulated other comprehensive income		**(220)**	(220)
Retained earnings		**(66,168)**	(122,404)
Shareholder's equity		**51,606**	35,384
Technical provisions			
Provision for unearned premiums	28	**93,094**	-
Claims outstanding	10,28	**57,467**	-
		150,561	-
Creditors			
Arising out of direct insurance operations		**1,224**	-
Arising out of reinsurance operations		**20,413**	-
Amounts owed to group undertakings		**53,726**	-
Other creditors	29	**20,856**	19,391
		96,219	19,391
Accruals and deferred income	30	**17,870**	18,370
Total liabilities		**316,256**	73,145

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board of Directors on 18 May 2022 and signed on its behalf by:

JRF Lee
Director

Company No: 08538477

ALOPUC LIMITED

COMPANY BALANCE SHEET
As at 31 December 2021

	Notes	2021 $'000	2020 $'000
Financial investments			
Investment in subsidiary	21	**127,500**	127,500
Current assets			
Cash at bank and in hand		**10**	16
Current liabilities			
Creditors		**-**	(6)
Net current assets		**10**	10
Net assets		**127,510**	127,510
Capital and reserves			
Called up share capital	26	**117,994**	158,008
Retained earnings		**9,516**	(30,498)
Total shareholder's equity		**127,510**	127,510

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board of Directors on 18 May 2022 and signed on its behalf by:

JRF Lee
Director

Company No: 08538477

ALOPUC LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 31 December 2021

	Share capital $'000	Accumulated other comprehensive income $'000	Retained earnings $'000	Total equity $'000
Balance as at 1 January 2020 (unaudited)	158,008	(220)	(93,087)	64,701
Profit for the year	-	-	12,683	12,683
Dividends	-	-	(42,000)	(42,000)
Balance as at 31 December 2020 (unaudited)	**158,008**	**(220)**	**(122,404)**	**35,384**
Share capital reduction	**(40,014)**	**-**	**40,014**	**-**
Profit for the year	-	-	**16,222**	**16,222**
Balance as at 31 December 2021	**117,994**	**(220)**	**(66,168)**	**51,606**

The accompanying notes form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
As at 31 December 2021

	Share capital $'000	Retained earnings $'000	Total equity $'000
Balance as at 1 January 2020	158,008	2	158,010
Profit for the year	-	11,500	11,500
Dividends	-	(42,000)	(42,000)
Balance as at 31 December 2020	**158,008**	**(30,498)**	**127,510**
Profit for the year	-	-	-
Share capital reduction	**(40,014)**	**40,014**	-
Balance as at 31 December 2021	**117,994**	**9,516**	**127,510**

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
As at 31 December 2021

	Notes	2021 $'000	Unaudited 2020 $'000
Cash flows from operating activities			
Profit on ordinary activities after tax		**16,222**	12,683
Adjustments for:			
Depreciation, amortisation and impairment		**304**	511
Increase in gross technical provisions		**150,561**	-
(Increase)/decrease in reinsurers' share of gross technical provisions		**(89,626)**	6,286
Decrease in other prepayments and accrued income		**(10,463)**	(6,407)
(Increase)/decrease in deferred acquisition costs		**(26,873)**	-
Increase in trade and other debtors		**(99,831)**	(14,142)
Increase/(decrease) in trade and other creditors		**81,373**	(6,905)
(Decrease)/increase in accruals and deferred income		**(500)**	3,027
(Increase)/decrease in deferred tax asset		**(1,131)**	2,378
Investment return		**55**	(179)
Tax paid		**(4,545)**	(3,354)
Dividends paid		**-**	(42,000)
Net cash from operating activities		**15,546**	(48,102)
Cash flows from investing activities			
Proceeds from sale of fixed assets		**-**	112
Purchase of financial investments		**(4,354)**	-
Proceeds from sales of investments		**-**	52,515
Interest received		**34**	179
Net cash from investing activities		**(4,320)**	52,806
Net increase in cash and cash equivalents		**11,226**	4,704
Cash and cash equivalents at 1 January		**30,243**	25,539
Cash and cash equivalents at 31 December		**41,469**	30,243

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
31 December 2021

1. GENERAL INFORMATION

The principal activity of the Company during the year remained as a parent company of the Atrium Group.

The Company is a private company limited by shares and is incorporated, domiciled and registered in England and Wales (company number is 08538477). The address of the Company's registered office is Room 790, Lloyd's, 1 Lime Street, London, EC3M 7DQ.

The functional and presentation currency of the Company and Group is US dollars.

2. BASIS OF PREPARATION

The Group and parent company financial statements (the "consolidated 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. FRS 102 requires the application of Financial Reporting Standard 103 ("FRS 103") in relation to insurance contracts.

The consolidated financial statements are prepared on a going concern basis under the historical cost convention. The preparation of consolidated 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 consolidated financial statements are disclosed in note 4.

Due to the change in ownership of the ultimate parent at 1 January 2021, the Company is no longer able to claim exemption under Section 401 of the Companies Act 2006 from producing a set of consolidated financial statements. These consolidated financial statements are therefore the first set produced on a consolidated basis. Prior year numbers have been included but these are unaudited.

All amounts in the consolidated financial statements have been rounded to the nearest $1,000.

Change in accounting policy/prior period adjustments

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

Going Concern

The Directors do not expect to change or cease operations in the foreseeable future and based on the assessment of the Company's operational resilience and financial resources, the Directors have reasonable expectation that the Company will be able to meet its liabilities as they fall due and will continue in operational existence for at least a twelve month period from the date of the issue of these consolidated financial statements. For this reason the Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

As the UK parent company of the Atrium Group, the Company is reliant upon dividend income from its subsidiary companies for its own going concern assessment and long term existence. The income that generates these dividends is driven by profit flows from the Syndicate in the form of the lease capacity agreement in Atrium 5 for 2020 and prior underwriting years, participation in the Syndicate via ACCL for the 2021 underwriting year and profit commission receipts from the Syndicate in AUL.

2. BASIS OF PREPARATION *(continued)*

The Board have reviewed the impact of COVID-19 and the invasion of Ukraine on the Syndicate and have concluded that the Syndicate will be able to operate as a going concern. The Board continues to closely monitor the impact on its operations, customers and underwriting, investments and capital. An assessment of plausible severe scenarios and potential range of outcomes has been undertaken across these areas, including exposure to the broader economic environment and increased volatility in financial markets. Risk appetite for the most impacted lines of business is being reviewed on a regular basis and updated, as required.

Whilst the Syndicate has suffered significant losses relating to COVID-19 the profitability of the Syndicate has not been adversely affected. The ultimate claim has not moved materially during 2021 which is indicative of the stability of the initial reserve estimates. The Board's long term strategy is to grow the Syndicate into a hardening market, increasing stamp capacity in order to take advantage of rising rates and new business opportunities. The Syndicate continues to take advantage of the improved rating environment by writing increased level of business at higher pricing levels in 2021. The Syndicate was able to open the 2022 year of account with increased stamp capacity of £651.7m.

The Syndicate has more than adequate liquidity to pay its obligations as they fall due. The Syndicate held cash and cash equivalent of £27.7m and fixed maturity investments with maturity dates of less than one year of £177.0m.

Based on the going concern assessment performed as at 31 December 2021, the Directors consider there to be no material uncertainties that may cast significant doubt over the Syndicate's ability to continue to operate as a going concern. The Directors have concluded that the profit flows from the Syndicate which generate the Company's income are sufficient to meet its liabilities as they fall due over the going concern period.

3. BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2021. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated income statement from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement. A Company income statement has been included as an Appendix for directors information only and does not form part of these consolidated financial statements.

The notes to these consolidated financial statements are based on Group numbers unless otherwise stated. The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- No separate parent company Cash Flow Statement with related notes is included;
- Separate Key Management Personnel compensation has not been included;
- Certain disclosures required by FRS 102.26 Share Based Payments; and
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these consolidated financial statements, the Directors of the Company have made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses of the Syndicate in which the Atrium Group participates through its Lloyd's Corporate members. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The measurement of the provision for claims outstanding involves judgments and assumptions about the future that have the most significant effect on the amounts recognised in the consolidated financial statements.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported ("IBNR") to the Syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the in house actuaries, of the Syndicate in which the Company participates, and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged. Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 5.

5. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(a) Insurance classification

The Syndicate's contracts are classified at inception, for accounting purposes, as insurance contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to make significant additional benefits in any scenario, excluding scenarios that lack commercial substance. Such contracts may also transfer financial risk.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Gross premiums written

Gross written premiums comprise the total premiums receivable for the whole period of cover under contracts incepting during the financial year, together with adjustments arising in the financial year to premiums receivable in respect of business written in previous financial years.

All gross premiums are shown gross of commission payable to intermediaries and are exclusive of taxes and duties levied thereon.

(c) Unearned premiums

Written premiums are recognised as earned income over the period of the policy on a time apportionment basis, having regard, where appropriate, to the incidence of the risk. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date.

(d) Reinsurance premiums ceded

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

(e) Claims provisions and related recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years.

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of IBNR at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The Directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the consolidated financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

(f) Deferred acquisition costs

Acquisition costs, comprising commission and other costs related to the acquisition of insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

(g) Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated by reference to the classes of business which are managed together, after taking into account relevant investment returns.

(h) Investment income and expenses

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price.

Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account where the investment return relates to investments supporting the underwriting business.

Dividends are included as investment income when the investments to which they relate are declared "ex-dividend". Interest income and expenses are recognised on an accruals basis.

(i) Foreign currencies

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

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.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 non-technical account.

Foreign currency rates of exchange to the functional currency are shown in the table below.

	Balance sheet rate at 31 December 2021	Average rate Quarter 1 2021	Average rate Quarter 2 2021	Average rate Quarter 3 2021	Average rate Quarter 4 2021
Sterling	1.3546	1.3773	1.3913	1.3731	1.3485
Canadian dollar	0.7902	0.7868	0.8108	0.7971	0.7918
Euro	1.1377	1.2045	1.1965	1.1774	1.1451

(j) Taxation

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

Current tax: the current tax charge or credit is based on the taxable profit or loss 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 consolidated 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.

(k) Financial instruments

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

Basic financial assets, including deposits with credit institutions, debtors arising out of direct insurance operations (policyholders), cash and cash equivalents and other debtors, 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. Such assets are subsequently carried at fair value.

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at market value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date. Any surplus or deficit on any revaluation is recognised in the non-technical account.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Basic financial liabilities, including creditors arising from insurance operations that are classified as debt, 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.

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

Financial assets and liabilities are offset and the net amounts presented in the consolidated financial statements when there is a legally 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.

Fair value measurement
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the Syndicate estimates the fair value by using a valuation technique. See note 22 for further information on the valuation techniques of the Syndicate in which the Company participates in.

At each reporting date the Syndicate in which the Company participates in assesses whether there is objective evidence that financial assets not at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(I) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Intangible assets

Syndicate participations
Managed Syndicate capacity purchased at auction is capitalised at cost and amortised on a straight-line basis over its estimated useful life of 20 years less any accumulated impairment losses. Amortisation is charged to the income statement non-technical account from the beginning of the first accounting period following acquisition, when the asset becomes available for use.

Managed Syndicate capacity is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The amount of any impairment is charged to the income statement non-technical account in the year in which the impairment arises.

Goodwill
Goodwill is recorded as a result of business acquisitions. Goodwill represents the difference between the fair value of net assets acquired and the purchase price. Goodwill is established initially upon acquisition and assessed at least annually for impairment. If the goodwill asset is determined to be impaired, it is written down in the period in which the determination is made.

(n) 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	33⅓% per annum

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

(o) Investment in subsidiary

The investment in subsidiary is stated at cost less provision for any impairment. 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 immediately recognised in the income statement.

(p) Other income

Other income consists of management fee income and profit commissions. Profit commissions are earned in line with the annual accounting results of the managed Syndicate, subject to the operation of a deficit clause.

Under annual accounting, underwriting results relating to a particular year of account are recognised during the three years in which that year of account is normally open, in line with the earnings pattern of the insurance business attaching to the year.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Underwriting lease

The profit or loss from underwriting leases is recognised in the income statement non-technical account as the net underwriting lease income or expense incurred in the calendar year. The result is prepared using accounting policies that are consistent with those applied in preparing the income statement technical account. A corresponding receivable or payable is recognised on the balance sheet. Additional disclosures are made in order to allow the user of the accounts to analyse the key technical components.

(r) 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

Atrium incurs pension costs from a defined contribution scheme. Certain directors and staff have personal pension arrangements to which Atrium Group Services Limited ("AGSL"), a wholly owned subsidiary of AUGL, 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, Atrium operated a number of executive and employee share based incentive schemes in the shares of 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.

iv) Cash incentive schemes

In addition to the share based incentive schemes, AUGL introduced a new long term cash based incentive scheme in 2018. The new plan was put in place to replace the share based incentive schemes and operates with the same features as the previous share plans, whereby awards are made to employees, pegged to the net book value of Northshore.

The only difference with the new plan is the award is cash settled by Atrium as opposed to the delivery of actual shares in Northshore. The cost of the cash settled transaction with employees is measured by reference to Northshore's net book value on the date of the award. The expense is recorded in AGSL and subsequently recharged to AUL and other Atrium Group entities and recognised in the income statement over the performance period of the cash based incentive scheme.

5. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

During 2019, Atrium introduced a new Matching Cash Plan ("MCP"). Under the terms of the MCP, staff may invest funds to purchase cash units. Staff are granted a Matching Award to acquire Matching Cash Units on a 1-for-1 basis which will be settled in cash after three years, subject to a number of conditions. The cash units are pegged to the net book value of Northshore. Interest is accrued on these monies over the three year period in line with the prevailing bank interest rate.

Investment funds are paid to AGSL who then pass the funds on to Atrium Nominees Limited ("Nominees") where they are invested in a fixed term deposit. The investment monies are repayable to staff at the end of the three year period, or earlier if there is a change in ownership of either Northshore or Atrium.

6. RISK AND CAPITAL MANAGEMENT

This note presents information about the nature and extent of insurance and financial risks to which the Syndicate in which the Atrium Group participates is exposed.

Risk management framework
The Board of Directors of AUL has overall responsibility for the establishment and oversight of the Syndicate's risk management framework. The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the Risk Management Framework is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the RC and ERC, which fulfils the role of Atrium's Risk Management Function, in conjunction with the Risk Management Team, and its three Risk Sub- Committees. These are the IRSC, the FRSC and the ORSC. The RC reports regularly to the Board of Directors on its activities.

Insurance risk management
The Syndicate accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The Syndicate is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The actual number and value of claims will vary from year to year and from the level estimated, possibly significantly.

The Syndicate manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the Syndicate from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis. Where an individual exposure is deemed surplus to the Syndicate's risk appetite additional facultative reinsurance is also purchased.

The IRSC oversees the management of reserving risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development are all instrumental in mitigating reserving risk.

The Syndicate's in-house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters, claims and reinsurance technicians. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is reviewed by external consulting actuaries.

6. RISK AND CAPITAL MANAGEMENT *(continued)*

The IRSC performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review the IRSC makes recommendations to the managing agent's board of directors of the claims provisions to be established. In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate.

Concentration of insurance risk

A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

The concentration of insurance by the location of the underlying risk is summarised below.

	Gross claims outstanding		Reinsurers' share of claims outstanding		Net claims outstanding	
		Unaudited		Unaudited		Unaudited
	2021	2020	2021	2020	2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000
UK	3,579	-	2,263	-	1,316	-
Other EU Countries	3,876	-	2,451	-	1,425	-
US	37,003	-	23,401	-	13,602	-
Asia	403	-	255	-	148	-
Canada	5,331	-	3,371	-	1,960	-
Australia	2,253	-	1,425	-	828	-
Other	5,022	-	3,176	-	1,846	-
	57,467	-	36,342	-	21,125	-

The concentration of insurance by type of contract is summarised below.

	Gross claims outstanding		Reinsurers' share of claims outstanding		Net claims outstanding	
		Unaudited		Unaudited		Unaudited
	2021	2020	2021	2020	2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000
Accident and health	2,032	-	1,327	-	705	-
Motor (third party liability)	184	-	104	-	80	-
Motor (other classes)	1,055	-	595	-	460	-
Marine, aviation and transport	10,480	-	7,533	-	2,947	-
Fire and other damage to property	24,481	-	14,666	-	9,815	-
Third party liability	13,112	-	8,094	-	5,018	-
Credit and suretyship	530	-	312	-	218	-
Legal expenses	93	-	52	-	41	-
	51,967	-	32,683	-	19,284	-
Reinsurance	5,500	-	3,659	-	1,841	-
Total	57,467	-	36,342	-	21,125	-

6. RISK AND CAPITAL MANAGEMENT *(continued)*

Assumptions and sensitivities
The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Syndicate uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios.

The Syndicate considers that the liability for non-life insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

A 5% increase or decrease in the loss ratios would have the following impact on total comprehensive income. For each sensitivity the impact of a change in a single factor is shown, with other assumptions unchanged.

	Total Income Statement impact	
		Unaudited
	2021	**2020**
	$'000	**$'000**
5% increase in net loss ratio	**(1,218)**	**-**
5% decrease in net loss ratio	**1,218**	**-**

Financial risk management
The Syndicate is exposed to financial risk through its financial assets, reinsurance assets and policyholder liabilities. In particular the key financial risk is that proceeds from, or the valuation of, financial assets are not sufficient to fund the obligations arising from policies as they fall due. The Syndicate monitors and manages the financial risks relating to the operations of the Syndicate through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Market risk
Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the Syndicate in managing its market risk is to ensure risk is managed in line with the Syndicate's risk appetite.

The Syndicate has established policies and procedures in order to manage market risk and methods to measure it.

There were no material changes in the Syndicate's market risk exposure in the financial year nor to the objectives, policies and processes for managing market risk.

Foreign currency risk management
The Syndicate undertakes certain transactions denominated in foreign currencies hence, exposures to exchange rate fluctuations arise.

The Syndicate has minimal exposure to currency risk as the Syndicate's financial assets are primarily matched to the same currencies as its insurance contract liabilities. As a result, foreign exchange risk arises from other recognised assets and liabilities denominated in other currencies.

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31 December 2021

6. RISK AND CAPITAL MANAGEMENT *(continued)*

The table below summarises the carrying value of the Company's consolidated assets and liabilities at 31 December 2021:

	Canadian dollar $'000	Euro $'000	Sterling $'000	US dollar $'000	Total $'000
Intangible assets	-	-	-	18,342	18,342
Financial investments	755	267	-	3,243	4,265
Deposits with ceding undertakings	-	-	25	2,785	2,810
Reinsurers' share of technical provisions	9,311	7,277	15,380	57,658	89,626
Debtors and other debtors	11,560	3,071	19,345	125,768	159,744
Cash at bank and in hand	1,110	103	7,904	32,352	41,469
Total assets	**22,736**	**10,718**	**42,654**	**240,148**	**316,256**
Technical provisions	14,050	10,605	22,747	103,159	150,561
Creditors	8,738	1,953	10,440	75,088	96,219
Accruals and deferred income	-	102	24,055	(6,287)	17,870
Total liabilities	**22,788**	**12,660**	**57,242**	**171,960**	**264,650**
Net assets	**(52)**	**(1,942)**	**(14,588)**	**68,188**	**51,606**

The table below summarises the carrying value of the Company's consolidated assets and liabilities at 31 December 2020 (unaudited):

	Canadian dollar $'000	Euro $'000	Sterling $'000	US dollar $'000	Total $'000
Intangible assets	-	-	-	18,644	18,644
Fixed assets	-	-	2	-	2
Debtors and other debtors	87	308	18,810	5,051	24,256
Cash at bank and in hand	151	96	5,847	24,149	30,243
Total assets	238	404	24,659	47,844	73,145
Creditors	84	23	13,229	6,055	19,391
Accruals and deferred income	-	-	18,076	294	18,370
Total liabilities	84	23	31,305	6,349	37,761
Net assets/(liabilities)	154	381	(6,646)	41,495	35,384

6. RISK AND CAPITAL MANAGEMENT *(continued)*

The following table details the Company's sensitivity to a 10% increase in Sterling, Euro and Canadian Dollar against the US Dollar. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	Total Income Statement impact	
		Unaudited
	2021	2020
	$'000	$'000
10% increase in US Dollar/GBP exchange rate	(1,459)	(665)
10% decrease in US Dollar/GBP exchange rate	1,459	665
10% increase in US Dollar/Euro exchange rate	(194)	38
10% decrease in US Dollar/Euro exchange rate	194	(38)
10% increase in US Dollar/CAD exchange rate	(5)	15
10% decrease in US Dollar/CAD exchange rate	5	(15)

Interest rate risk management

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises primarily from the financial investments, cash and overseas deposits of the Syndicate. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The FRSC monitors the duration of these assets on a regular basis. Interest rate risk also exists in products sold by the Syndicate. The Syndicate has no significant concentration of interest rate risk. The Syndicate manages this risk by adopting close asset/liability matching criteria, to minimise the impact of mismatches between asset and liability values arising from interest rate movements.

The following table details the Company's sensitivity to a 50 basis point increase and decrease in the yield curve. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	Total Income Statement impact	
		Unaudited
	2021	2020
	$'000	$,000
50 basis points increase	(50)	-
50 basis points decrease	46	-

6. RISK AND CAPITAL MANAGEMENT *(continued)*

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Syndicate. The key areas of exposure to credit risk for the Syndicate are in relation to its investment portfolio, reinsurance programme and amounts due from policyholders and intermediaries.

The objective of the Syndicate in managing its credit risk is to ensure risk is managed in line with the Syndicate's risk appetite. The Syndicate has established policies and procedures in order to manage credit risk and methods to measure it.

There were no changes in the Syndicate's credit risk exposure in the financial year nor to the objectives, policies and processes for managing credit risk.

The Syndicate has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Syndicate only transacts with entities that are rated the equivalent to investment grade and above.

This information is supplied by independent rating agencies where available and if not available the Syndicate uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers.

The exposure and the credit ratings of the counterparties of the Syndicate in which the Company participates in are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the FRSC annually. Furthermore, in certain instances, the Syndicate receives deposits from its reinsurers which it holds under the terms of the reinsurance agreements.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Syndicate does not have any significant credit risk exposure to any single counterparty or any group of counterparties. Concentration of credit did not exceed 5% of gross monetary assets at any time during the financial year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets and reinsurance assets recorded in the consolidated financial statements represents the Syndicate's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The Syndicate monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investments and reinsurance assets held by the Syndicate on a quarterly basis.

Reinsurance assets are reinsurers' share of outstanding claims and IBNR and reinsurance receivables. They are allocated below on the basis of ratings for claims paying ability.

Receivables from policyholders, agents and intermediaries generally do not have a credit rating.

6. RISK AND CAPITAL MANAGEMENT *(continued)*

The following table shows aggregated credit risk exposure for assets with external credit ratings. Reinsurance assets are reinsurers' share of outstanding claims and IBNR and reinsurance receivables. They are allocated in the table below on the basis of ratings for claims paying ability.

Deferred tax assets, prepayments and accrued income have been excluded from the below table as these are not rated.

As at 31 December 2021	AAA $'000	AA $'000	A $'000	BBB $'000	BB $'000	Not rated $'000	Total $'000
Financial investments	695	1,244	1,755	296	275	-	4,265
Deposits with ceding undertakings	-	-	2,810	-	-	-	2,810
Reinsurers' share of technical provisions	-	7,699	22,382	148	2	59,395	89,626
Debtors	-	94,103	-	8,640	-	7,373	110,116
Cash at bank and in hand	8,926	200	32,125	-	-	218	41,469
Total	9,621	103,246	59,072	9,084	277	66,986	248,286

As at 31 December 2020 (unaudited)	AAA $'000	AA $'000	A $'000	BBB $'000	BB $'000	Not rated $'000	Total $'000
Debtors	-	5,412	-	7,164	-	519	13,095
Cash at bank and in hand	21,192	208	8,834	-	-	9	30,243
Total	21,192	5,620	8,834	7,164	-	528	43,338

The following table shows the carrying value of debtors that are neither past due nor impaired, the aging of assets that are past due but not impaired and assets that have been impaired. The factors considered in determining that the value of the assets have been impaired were: analysis of impairment, aging of balances, past loss experience, current economic conditions and other relevant circumstances.

As at 31 December 2021	Neither past due nor impaired $'000	Past due less than 30 days $'000	Past due 31 - 60 days $'000	Past due 61 - 90 days $'000	Past due more than 90 days $'000	Carrying value $'000
Arising out of direct insurance operations	56,919	-	-	-	-	56,919
Arising out of reinsurance operations	5,030	292	127	77	64	5,590
Total	61,949	292	127	77	64	62,509

As at 31 December 2020 (unaudited) all of the Company's debtors are neither past due nor impaired.

6. RISK AND CAPITAL MANAGEMENT *(continued)*

Liquidity risk management

Liquidity risk is the risk that the Atrium Group cannot meet its obligations associated with financial liabilities as they fall due. The Atrium Group has adopted an appropriate liquidity risk management framework for the management of its liquidity requirements. The Atrium Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The Syndicate is exposed to liquidity risk arising from clients on its insurance and investment contracts. In respect of catastrophic events there is liquidity risk from a difference in timing between claim payments and recoveries thereon from reinsurers. Liquidity management ensures that the Syndicate has sufficient access to funds necessary to cover insurance claims, surrenders, withdrawals and maturing liabilities. In practice, most of the Syndicate's assets are marketable securities which could be converted into cash when required.

There were no material changes in the Atrium Group's liquidity risk exposure in the financial year nor to the objectives, policies and processes for managing liquidity risk.

In relation to the financial assets, the tables below have been drawn up based on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period. The table also shows the expected maturity profile of the Atrium Group's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance and participating investment contract liabilities. The table includes both interest and principal cash flows.

As at 31 December 2021	**Less than 1 year $'000**	**1 - 3 years $'000**	**3 - 5 years $'000**	**More than 5 years $'000**	**Total $'000**
Financial investments	**1,164**	**1,318**	**980**	**803**	**4,265**
Deposits with ceding undertakings	**-**	**2,810**	**-**	**-**	**2,810**
Reinsurers' share of technical provisions	**67,139**	**14,109**	**5,121**	**3,257**	**89,626**
Debtors and other debtors	**145,387**	**14,357**	**-**	**-**	**159,744**
Cash at bank and in hand	**41,469**	**-**	**-**	**-**	**41,469**
Total	**255,159**	**32,594**	**6,101**	**4,060**	**297,914**
Technical provisions	**115,728**	**22,786**	**7,698**	**4,349**	**150,561**
Creditors	**91,084**	**5,135**	**-**	**-**	**96,219**
Accruals and deferred income	**17,870**	**-**	**-**	**-**	**17,870**
Total	**224,682**	**27,921**	**7,698**	**4,349**	**264,650**

As at 31 December 2020 (unaudited)	**Less than 1 year $'000**	**1 - 3 years $'000**	**3 - 5 years $'000**	**More than 5 years $'000**	**Total $'000**
Debtors and other debtors	21,328	2,928	-	-	24,256
Cash at bank and in hand	30,243	-	-	-	30,243
Total	51,571	2,928	-	-	54,499
Creditors	15,471	3,920	-	-	19,391
Accruals and deferred income	18,370	-	-	-	18,370
Total	33,841	3,920	-	-	37,761

6. RISK AND CAPITAL MANAGEMENT *(continued)*

Capital Management

Capital framework at Lloyd's
The Society of Lloyd's is a regulated undertaking and subject to supervision by the Prudential Regulatory Authority under the Financial Services and Markets Act 2000, and in accordance with the Solvency II Framework.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's would comply with the Solvency II requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level.

Lloyd's capital setting process
In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement ("SCR") for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). Each syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member's SCR is determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment ("ECA"). The purpose of this uplift, which is a Lloyd's, not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2021 was 35% of the member's SCR 'to ultimate' and was applied to the capital that SGL1 was required to put up to support its underwriting on the Syndicate.

Provision of capital by members
Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member ("funds at Lloyd's"), assets held and managed within a syndicate ("funds in syndicate"), or as the member's share of the members' balances on each syndicate on which it participates.

Managing agent capital requirements
A managing agent must have, at all times, minimum qualifying capital of £400,000, however the managing agent must also keep to a minimum net asset requirement. This is based on the volume of business written by the syndicate(s) the managing agent manages, and a multiple of the normal operating expenses. The managing agent will need to show – with the help of appropriate financial forecasts – that it will be able to maintain these requirements at all times.

7. ANALYSIS OF UNDERWRITING RESULT

2021	Gross Premiums Written $'000	Gross Premiums Earned $'000	Gross Claims Incurred $'000	Gross Operating Expenses $'000	Reinsurance Balance $'000	Total $'000	Net Technical Provisions $'000
Direct business							
Accident and health	7,967	4,601	2,597	1,834	(123)	47	2,085
Motor (third party liability)	683	298	102	119	7	84	216
Motor (other classes)	3,637	1,567	886	569	42	154	1,238
Marine, aviation and transport	38,808	19,076	7,447	5,892	(2,207)	3,530	9,616
Fire and other damage to property	82,394	40,217	24,591	13,409	(3,199)	(982)	27,306
Third party liability	45,529	23,383	14,949	8,027	(560)	(153)	14,230
Credit and suretyship	2,190	1,262	471	513	(12)	266	600
Legal expenses	321	142	57	56	4	33	109
Total direct	181,529	90,546	51,100	30,419	(6,048)	2,979	55,400
Reinsurance business							
Reinsurance acceptances	14,318	11,587	11,428	1,997	(980)	(2,818)	5,535
	195,847	102,133	62,528	32,416	(7,028)	161	60,935

Commission on direct insurance gross premiums earned during 2021 was $36,756k (2020: Nil).

All premiums are concluded in the UK.

The geographical analysis of premiums by destination is as follows:

	2021 %
UK	7.1
EU countries	7.8
US	54.1
Asia	2.1
Canada	9.2
Australia	3.7
Other	16.0
Total	100.0

In 2020 (unaudited), the only insurance transactions related to a movement in reinsurers' share of technical provisions which was fully offset by reinsurers' share of paid claims. As such, an Analysis of Underwriting Result and the geographical analysis of premiums by destination are not shown.

8. UNDERWRITING LEASE PREMIUM

The principal activity of Atrium 5 is that of a lessor of underwriting capacity on the Syndicate. Atrium 5 is itself a Corporate Underwriting Member at Lloyd's but was only active on the 2016 and prior years of account. For the 2017 to 2020 years of account, Atrium 5 leased its underwriting capacity to SGL1. 2020 is the final year of account that Atrium 5 participated, either directly or through the lease arrangement with SGL1, on the Syndicate.

SGL1 pays Atrium 5 a lease premium equal to its share of the calendar year result of the Syndicate less the balance from a quota share reinsurance contract between SGL1 and Arden Re. In addition to the quota share there is also a stop loss arrangement between SGL1 and Arden Re which would reduce the lease premium to nil in the event of a loss on the 2017 to 2020 years of account.

The lease premium for 2021 was $8,640k (2020 (unaudited): $6,203k). The 2019 year of account closed on 31 December 2021 with a profit.

The following table shows Atrium 5's participation on the Syndicate for each year of account:

Syndicate 609	2019 Allocated Capacity £'000	2020 Allocated Capacity £'000
Leased to SGL1	114,721	133,497

Atrium 5 leased its capacity to SGL1, who entered into a quota share arrangement with Arden Re. The quota share contract is reviewed and renegotiated annually. The agreed terms are set out in the table below.

	2019	2020
Company	SGL1	SGL1
Quota share	65.00%*	65.00%*
Ceding commission	2.25%	2.25%
Reinsurer's expenses	5.00%	5.00%
Profit commission	25.00%	25.00%

*For the 2019 and 2020 years of account, US business classified as Illinois, Kentucky and Other Binders in the Lloyd's US SIS return, has been excluded from the quota share allocation.

Analysis of the income on leased underwriting

	2021 $'000	Unaudited 2020 $'000
Gross premiums written	**52,174**	206,656
Net earned premium	**58,258**	84,010
Net claims incurred	**(23,315)**	(46,744)
Net operating expenses	**(26,120)**	(33,987)
Net investment return	**(183)**	2,924
Lease income	**8,640**	6,203

8. UNDERWRITING LEASE PREMIUM *(continued)*

Analysis of the balance sheet on leased underwriting

	2021 $'000	Unaudited 2020 $'000
Financial investments	**218,249**	192,309
RI Share: Provisions for unearned premium	**6,769**	54,012
RI Share: Claims outstanding	**61,441**	96,620
Debtors : arising out of direct insurance operations	**315**	48,511
Debtors : arising out of reinsurance operations	**3,739**	777
Other debtors	**13,296**	16,180
Cash at bank	**40,784**	43,395
Deferred acquisition costs	**4,226**	28,386
Other prepayments and accrued income	**3,025**	2,682
Total assets	**351,844**	482,872
Profit & loss account reserve	**12,634**	4,327
Provisions for unearned premiums	**12,001**	91,438
Claims outstanding	**214,558**	254,561
Creditors: arising out of direct insurance operations	**70,164**	114,338
Creditors: arising out of reinsurance operations	**2,443**	8,549
Other creditors including taxation and social security	**33,253**	7,390
Accruals and deferred income	**6,791**	2,269
Total liabilities & equity	**351,844**	482,872

9. OTHER INCOME

Fee income and profit commission relate largely to business conducted as a managing agent and as a cover holder in the United Kingdom in the Lloyd's Insurance Market.

	2021 $'000	Unaudited 2020 $'000
Fee income	**8,641**	7,263
Profit commission	**22,855**	15,754
Other income	**1**	131
Total other income	**31,497**	23,148

10. CLAIMS OUTSTANDING

The 2017 and prior years of account have not been reassessed during the year due to reinsurance to close transaction, effective 1 January 2019 when the claims were reinsured into SGL1.

11. NET OPERATING EXPENSE

	2021 $'000	Unaudited 2020 $'000
Acquisition costs:		
Brokerage and commission	50,458	-
Other acquisition costs	6,407	-
Change in deferred acquisition costs	(28,442)	-
Syndicate administrative expenses	3,993	-
	32,416	-
Reinsurance commissions receivable	(17,187)	-
Total	15,229	-

12. EMPLOYEE BENEFITS

Total staff costs for the Atrium Group are as follows:

	2021 $'000	Unaudited 2020 $'000
Staff costs including directors' emoluments:		
Wages and salaries	26,822	22,111
Share based payments recharge	906	1,992
Cash incentive scheme recharge	8,263	6,378
Social security costs	5,074	4,221
Defined contribution pension costs	4,137	3,474
	45,202	38,176

As at the balance sheet date, there were no pension contributions outstanding (2020 (unaudited): $nil). The average monthly number of persons including executive directors employed by the Company during the year was 189 (2020 (unaudited): 177).

13. DIRECTORS REMUNERATION

The Directors are employees of the Atrium Group and are remunerated by member companies within the group for their services. They receive no remuneration as Directors of the Company. All Directors within the Group are deemed to be key management personnel.

Executive services of key management personnel includes share and cash based payments under FRS 102. Refer to note 16 for further details of the share-based incentive schemes.

The below table shows the total Directors remuneration across the Atrium Group for both the Company's Directors only and all Group Directors.

	2021 $'000 Company	2021 $'000 Group	Unaudited 2020 $'000 Company	Unaudited 2020 $'000 Group
Directors' remuneration:				
Executive services	**3,022**	**9,516**	3,820	8,334
Pension contributions	**1**	**28**	7	40
	3,023	**9,544**	3,827	8,374

During 2021 and 2020 Group Directors received cash awards under the Northshore Long Term Incentive Plan and participated in matching cash awards. See the table below for details.

	2021 Company	2021 Group	Unaudited 2020 Company	Unaudited 2020 Group
Number of Company/Group Directors who received cash awards under the Northshore Long Term Incentive Plan	**3**	**8**	3	8
Number of Company/Group Directors who received matching cash awards	**3**	**7**	3	7
Number of Company/Group Directors to whom retirement benefits are accruing under a defined contribution pension scheme	**1**	**4**	1	4

	2021 $'000 Company	2020 $'000 Group	Unaudited 2021 $'000 Company	Unaudited 2020 $'000 Group
In respect of the highest paid Director for both the Company and the Group, the following was paid:				
Executive services	**2,099**	**2,099**	1,919	1,919
	2,099	**2,099**	1,919	1,919

The highest paid Group Director received cash awards under the Northshore Long Term Incentive Plan, during the period.

14. INVESTMENT RETURN

	2021 $'000	Unaudited 2020 $'000
Investment income		
(Loss)/income from investments	(55)	179
	(55)	179
Net unrealised gains/(losses) on investments		
Unrealised gains on investments	-	5,561
Unrealised losses on investments	(40)	(4,102)
	(40)	1,459
Investment expenses and charges		
Investment management expenses, including interest	(8)	(3)
Losses on the realisation of investments	(6)	-
	(14)	(3)
Non-technical investment return	(109)	1,635

Calendar Year Investment Return

The table below presents the average amount of funds in the period per currency and analyses by currency the average investment yields in the period.

	2021 $'000	Unaudited 2020 $'000
Average funds available for investment during period:		
Sterling	-	-
US Dollars	1,622	26,257
Canadian Dollars	377	-
Euro	134	-
Combined	2,133	26,257
Aggregate gross investment return for the period	(101)	1,638
Gross calendar year investment yield:	%	%
Sterling	-	-
US Dollars	(4.7)	6.3
Canadian Dollars	(0.3)	-
Euro	(0.2)	-
Combined	(4.7)	6.3

15. OTHER CHARGES, INCLUDING AMORTISATION

Other charges include the following:

	2021	Unaudited 2020
	$'000	$'000
Lease charges	**706**	623
Auditor's remuneration – Audit of these financial statements	**84**	5
Auditor's remuneration – Audit of financial statements of subsidiaries	**200**	90
Auditor's remuneration – Audit-related assurance services	**-**	70
Depreciation/impairment of fixed assets	**2**	209
Amortisation/impairment of intangible assets	**302**	302
Foreign exchange losses	**344**	219

For the year ended 31 December 2021, the Company's audit fee was $84k (2020: $5k). This was borne by a fellow group company. No other services were performed by the Company's auditor for which fees were charged.

16. 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.

The Atrium Group historically operated share incentive plans. These schemes awarded shares in the Company's ultimate controlling party, Northshore. As at the balance sheet date there is an immaterial amount of unvested shares in relation to these schemes. The awards are not subject to any performance conditions and are expected to vest in full during 2022.

The table below presents the movements in the number of share awards in the Northshore schemes held by employees:

Share based incentive schemes	**Year ended 31 December 2021 Number**	**Weighted average fair value $**	**Unaudited Year ended 31 December 2020 Number**	**Weighted average fair value $**
Outstanding at 1 January	**989**	**1014.53**	6,183	1,122.67
Granted	**78**	**836.44**	-	-
Vested	**(715)**	**836.44**	(5,098)	759.57
Cash settled	**-**	**-**	(83)	758.73
Lapsed	**-**	**-**	(13)	908.03
Outstanding at 31 December	**352**	**960.68**	989	1,014.53

17. TAX

(a) Tax on profit

	2021 $'000	Unaudited 2020 $'000
The tax charge is made up as follows:		
Current tax:		
UK corporation tax on the profit for the year	5,125	(2,851)
Tax under/(over) provided in previous years	88	(290)
Group relief payment	-	3,354
Withholding tax	-	31
	5,213	244
Foreign tax	-	346
Total current tax	5,213	590
Deferred tax:		
Origination and reversal of timing differences	(559)	(280)
Deferred tax (over)/under provided in previous years	(237)	3,303
Effect of decreased tax rate	(335)	(647)
Total deferred tax (note 17 (d))	(1,131)	2,376
Tax charge (note 17 (b))	4,082	2,966

(b) Reconciliation of tax charge

	2021 $'000	Unaudited 2020 $'000
Profit on ordinary activities before tax	20,304	15,649
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	3,858	2,973
Effects of:		
Amounts (over)/under provided in previous years	(149)	3,013
Expenses not deductible for tax purposes and other permanent differences	444	5,141
Share scheme permanent differences	264	215
Intragroup dividends	-	(8,106)
Withholding tax	-	31
Foreign tax	-	346
Changes in tax rates	(335)	(647)
Total tax charge for the year (note 17 (a))	4,082	2,966

17. TAX *(continued)*

(c) Factors that may affect future tax charges

A UK corporation rate of 19% (effective 1 April 2021) was substantively enacted on 17 March 2021, reversing the previously enacted reduction in the rate from 19% to 17%. The deferred tax liability at 31 December 2021 has been calculated at 19% (2020: 17%) in line with the substantively enacted rate. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. The increase in UK tax rate from the 1 April 2023 has no material impact on the deferred tax liability as at 31 December 2021.

(d) Deferred taxation

	2021 $'000	Unaudited 2020 $'000
The deferred tax included in the balance sheet is as follows:		
Provision of underwriting result / result on leased capacity	**(1)**	(508)
Employment provisions	**2,382**	1,713
Capital allowances	**116**	153
Other	**(418)**	(410)
	2,079	948
At 1 January	**948**	3,324
Deferred tax credit in income statement (note 17(a))	**1,131**	(2,376)
At 31 December	**2,079**	948

18. DIVIDENDS

	2021 $'000	2020 $'000
Declared and paid during the year on ordinary shares		
Equity dividends paid:		
Interim dividend	-	42,000

19. INTANGIBLE ASSETS

	Goodwill	Purchased syndicate capacity	Total
	$'000	$'000	$'000
Cost			
At 1 January 2021	20,756	6,042	26,798
At 31 December 2021	**20,756**	**6,042**	**26,798**
Accumulated amortisation			
At 1 January 2021	4,151	4,003	8,154
Provided during the year	-	302	302
At 31 December 2021	**4,151**	**4,305**	**8,456**
Net book value			
At 31 December 2021	**16,605**	**1,737**	**18,342**
At 31 December 2020 (unaudited)	16,605	2,039	18,644

20. TANGIBLE ASSETS

	Computer equipment	Fixtures, fittings and equipment	Total
	$'000	$'000	$'000
Cost			
At 1 January 2021	21	1,184	1,205
At 31 December 2021	**21**	**1,184**	**1,205**
Accumulated depreciation			
At 1 January 2021	21	1,182	1,203
Depreciation	-	2	2
At 31 December 2021	**21**	**1,184**	**1,205**
Net book value			
At 31 December 2021	-	-	-
At 31 December 2020 (unaudited)	-	2	2

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21. INVESTMENT IN SUBSIDIARY

	2021	2020
	$'000	$'000
As at beginning of period	**127,500**	158,000
Impairment loss	-	(30,500)
As at end of period	**127,500**	127,500

In 2020 there was an impairment loss booked on the valuation of subsidiary of $30.5m as noted above.

Name of subsidiary	Address	Description of shares held	Business	Share interest	Economic/ voting rights in shares
Atrium Underwriting Group Limited (incorporated in England & Wales)	Room 790, Lloyd's 1 Lime Street London EC3M 7DQ	Ordinary shares	Holding company	100%	100%/100%

In addition the Company holds 100% ordinary shares of the following companies via AUGL and, in the case of Nominees, via AGSL:

Name of subsidiary	Address	Description of shares held	Business	Share interest	Economic/ voting rights in shares
Atrium Group Services Limited (incorporated in England & Wales)	Room 790, Lloyd's 1 Lime Street London EC3M 7DQ	Ordinary shares	Service company	100%	100%/100%
Atrium Insurance Agency Limited (incorporated in England & Wales)	Room 790, Lloyd's 1 Lime Street London EC3M 7DQ	Ordinary shares	Lloyd's coverholder	100%	100%/100%
Atrium Underwriters Limited (incorporated in England & Wales)	Room 790, Lloyd's 1 Lime Street London EC3M 7DQ	Ordinary shares	Lloyd's managing agency	100%	100%/100%
Atrium 5 Limited (incorporated in England & Wales)	Room 790, Lloyd's 1 Lime Street London EC3M 7DQ	Ordinary shares	Lloyd's corporate member	100%	100%/100%

21. INVESTMENT IN SUBSIDIARY *(continued)*

Atrium Corporate Capital Limited (incorporated in England & Wales)	Room 790, Lloyd's 1 Lime Street London EC3M 7DQ	Ordinary shares	Lloyd's corporate member	100%	100%/100%
Atrium Risk Management Services (Washington) Limited	Corporation Service Company 300 Deschutes Way SW Suite 304 Tumwater Washington 98501 USA	Ordinary shares	US service company	100%	100%/100%
Atrium Nominees Limited (incorporated in England & Wales)	Room 790, Lloyd's 1 Lime Street London EC3M 7DQ	Ordinary shares	Nominee for Atrium group staff shares	100%	100%/100%

On 26 October 2021 Atrium Underwriting Holdings Limited (incorporated in England & Wales) was dissolved.

The carrying value of Atrium 5, a subsidiary company, was impaired by $2.0m during 2021 following a capital distribution in the form of a dividend, which transferred the Syndicate capacity owned by Atrium 5 to AUGL. AUGL then transferred this asset to ACCL increasing the valuation of this company in the books of AUGL.

ALOPUC LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22. FINANCIAL INVESTMENTS

	2021 Fair Value $'000	Unaudited 2020 Fair Value $'000	2021 Cost $'000	Unaudited 2020 Cost $'000
Shares and other variable yield securities and units in unit trust	336	-	336	-
Debt securities and other fixed income securities	3,929	-	3,968	-
	4,265	-	4,304	-

Using Standard & Poor's and Moody's as rating sources, the credit ratings of debt securities and other fixed income securities are set out below:

	2021 $'000	Unaudited 2020 %	2021 $'000	Unaudited 2020 %
Government/Government Agency	1,207	30.7	-	-
AAA/Aaa	195	5.0	-	-
AA/Aa	738	18.8	-	-
A	1,217	31.0	-	-
BBB	296	7.5	-	-
<BBB	276	7.0	-	-
	3,929	100.0	-	-

Fair Value methodology

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Company applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

To provide an indication about the reliability of the inputs used in determining fair value, the Syndicate in which Atrium participates has classified its financial instruments into the three levels. An explanation of each level is provided below.

22. FINANCIAL INVESTMENTS *(continued)*

Investments carried at fair value have been categorised using a fair value hierarchy as detailed below:

Fair value hierarchy:

Level 1 – Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an on-going basis.

Level 2 – The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3 – Inputs to level 3 fair values are based on unobservable inputs for the assets at the last measurement date. If all significant inputs required to fair value an instrument are observable then the instrument is included in level 2, if not it is included in level 3.

Having reviewed the investments using the above criteria for valuation and pricing the directors are satisfied that there are no level 3 investments.

The table below shows financial instruments carried at a fair value through profit or loss grouped into the level in the fair value hierarchy into which each fair value measurement is categorised. There were no investments carried at fair value as at 31 December 2021.

As at 31 December 2021	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Shares and other variable yield securities and units in unit trusts	-	336	-	336
Debt securities and other fixed income securities	217	3,712	-	3,929
	217	4,048	-	4,265

No financial investments were held during 2020 (unaudited).

23. DEBTORS

	2021 $'000	Unaudited 2020 $'000
Amounts falling due within one year		
Arising out of direct insurance operations:	56,919	-
Arising out of reinsurance operations	5,590	-
Lease premium receivable	1,168	7,164
Amounts due from related parties	3,128	5,412
Other debtors	35,839	519
	102,644	13,095
Amounts falling due after one year		
Lease premium receivable	7,472	-
	7,472	-
	110,116	13,095

Other debtors include inter year balances receivable of $31,594k.

24. PREPAYMENTS AND ACCRUED INCOME

	2021 $'000	Unaudited 2020 $'000
Amounts falling due within one year		
Accrued profit commission and fee income	7,085	7,524
Other prepayments	1,313	709
	8,398	8,233
Amounts falling due after one year		
Accrued profit commission and fee income	12,278	1,980
	12,278	1,980
	20,676	10,213

25. DEFERRED ACQUISITION COSTS

	2021 $'000	Unaudited 2020 $'000
Balance at 1 January	-	-
Incurred costs deferred	41,540	-
Amortisation	(14,667)	-
Balance at 31 December	26,873	-

26. AUTHORISED AND ISSUED SHARE CAPITAL

	2021 $'000	2020 $'000
Allotted, called up and fully paid:		
73,424,829 (2020: 98,324,829) ordinary shares of $1.607 each	117,994	158,008

On 6 July 2021 a capital reduction of 24,900,000 shares at a value of $1.607 per share was approved by the Board.

The ordinary shares confer 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 and vote at General Meetings of the Company.

27. CLAIMS DEVELOPMENT

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. FRS 103 requires that claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payment, but need not go back more than ten years. The top half of the table shows how the estimates of total claims for each underwriting year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

With effect from 1 January 2017 Atrium 5 leased its capacity on the Syndicate to SGL1. The 2016 underwriting year was therefore the final year of underwriting for Atrium 5.

The cumulative claims estimates and payments for each underwriting year are translated into US Dollars at the exchange rates prevailing at 31 December 2018 in all cases, with the reinsurance to close transaction taking place on 1 January 2020.

Analysis of claims development - gross	**2012 $'000**	**2013 $'000**	**2014 $'000**	**2015 $'000**	**2016 $'000**	**Total $'000**
Estimate of ultimate gross claims:						
at end of underwriting year	84,580	85,110	84,224	90,630	93,448	
one year later	70,953	83,180	74,788	86,657	86,073	
two years later	65,306	74,999	69,381	77,976	78,207	
three years later	58,576	70,946	61,342	73,686	-	
four years later	55,188	66,533	69,232	-	-	
five years later	52,893	65,467	-	-	-	
six years later	51,516	-	-	-	-	
seven years later	-	-	-	-	-	
Less gross claims paid	45,995	55,766	45,222	48,985	42,073	
Gross ultimate claims reserve	5,521	9,701	24,010	24,701	36,134	100,067
Gross ultimate claims reserve for 2011 & prior years						29,090
Effect of reinsurance to close to SGL1						(129,157)
Gross claims reserve						-

27. CLAIMS DEVELOPMENT *(continued)*

Analysis of claims development - net	**2012 $'000**	**2013 $'000**	**2014 $'000**	**2015 $'000**	**2016 $'000**	**Total $'000**
Estimate of ultimate net claims:						
at end of underwriting year	72,459	73,335	72,336	77,159	77,695	
one year later	63,402	72,993	67,148	76,449	74,112	
two years later	58,958	66,430	63,532	69,406	68,828	
three years later	52,812	62,892	56,532	66,026	-	
four years later	49,951	59,083	56,391	-	-	
five years later	47,873	57,919	-	-	-	
six years later	46,453	-	-	-	-	
seven years later	-	-	-	-	-	
Less net claims paid	41,399	49,271	41,907	45,004	37,180	
Net ultimate claims reserve	**5,054**	**8,648**	**14,484**	**21,022**	**31,648**	**80,856**
Net ultimate claims reserve for 2011 & prior years						**20,958**
Effect of reinsurance to close to SGL1						**(101,814)**
Net claims reserve						**-**

From 1 January 2021, the Atrium Group participates in underwriting at Lloyd's on the Syndicate through its subsidiary ACCL for the 2021 year of account onwards. The following tables show the development of claims during 2021.

The cumulative claims estimates and payments for each underwriting year are translated into US Dollars at the exchange rates prevailing at 31 December 2021 in all cases.

Analysis of claims development - gross	**2021 $'000**	**Total $'000**
Estimate of ultimate gross claims:		
at end of underwriting year	137,388	
Less gross claims paid	4,851	
Gross ultimate claims reserve	**132,537**	**132,537**
Less unearned portion of gross ultimate claims reserve		**(75,070)**
Gross claims reserve		**57,467**

Analysis of claims development - net	**2021 $'000**	**Total $'000**
Estimate of ultimate net claims:		
at end of underwriting year	92,585	
Less net claims paid	3,054	
Net ultimate claims reserve	**89,531**	**89,531**
Less unearned portion of net ultimate claims reserve		**(68,406)**
Net claims reserve		**21,125**

28. TECHNICAL PROVISIONS

The table below shows changes in the insurance contract liabilities and assets from the beginning of the period to the end of the period.

	2021			Unaudited 2020		
	Gross provisions $'000	Reinsurance assets $'000	Net $'000	Gross provisions $'000	Reinsurance assets $'000	Net $'000
Claims outstanding						
Balance at 1 January	-	-	-	-	4,105	(4,105)
Claims and claims adjustment expenses in the year	62,528	38,168	24,360			
Cash paid for claims settled in the year	(4,859)	(1,802)	(3,057)	-	(4,084)	4,084
Effect of movements in exchange rates	(202)	(24)	(178)	-	(21)	21
Balance at 31 December	57,467	36,342	21,125	-	-	-
Claims reported and claims adjustment expenses	10,739	7,165	3,574	-	-	-
Claims incurred but not reported	46,728	29,177	17,551	-	-	-
Balance at 31 December	57,467	36,342	21,125	-	-	-
Unearned Premiums						
Balance at 1 January	-	-	-	-	-	-
Premiums written during the year	195,847	116,089	79,758	-	-	-
Premiums earned during the year	(102,133)	(62,383)	(39,750)	-	-	-
Effect of movements in exchange rates	(620)	(422)	(198)			
Balance at 31 December	93,094	53,284	39,810	-	-	-

29. OTHER CREDITORS

	2021 $'000	Unaudited 2020 $'000
Amounts falling due within one year		
Amounts owed to related parties	-	1,682
Corporation tax	4,239	4,777
Other creditors	4,746	2,187
Amounts due to participants in cash schemes	6,735	6,825
	15,721	15,471
Amounts falling due after one year		
Amounts due to participants in cash schemes	5,135	3,920
	5,135	3,920
	20,856	19,391

30. ACCRUALS AND DEFERRED INCOME

	2021 $'000	Unaudited 2020 $'000
Amounts falling due within one year		
Other accruals	**17,870**	18,370
	17,870	18,370

There were no amounts falling due after one year (2020: nil).

31. LEASING COMMITMENTS

At 31 December 2020 the Atrium Group had the following non-cancellable operating leases with payables as follows:

	2021 $'000	Unaudited 2020 $'000
Less than one year	**1,078**	943
Between one and five years	**270**	255
	1,348	1,198

Of the commitments due under operating leases for the period to 31 December 2022, as at 31 December 2021, $931k (2020 (unaudited): $823k) will be reimbursed by Syndicate 609.

32. CONTINGENT LIABILITIES

Charge over assets
At 1 January 2021, the Atrium Group's participation in underwriting at Lloyd's is £158.7m (2020 (unaudited): £133.5m), equating to $214.9m (2020 (unaudited): $182.3m) at year end exchange rates, through ownership of its underwriting subsidiary, ACCL. With effect from 1 January 2021, following the Stone Point transaction, ACCL participates on the Syndicate from the 2021 year of account onwards.

The pledged Funds at Lloyd's associated with the 2021 and 2022 years of account is valued at £65.5m at the year end which equates to $88.8m. This is pledged by a third party, Arden Re.

Effective 1 January 2017, Atrium 5 ceased to underwrite new business at Lloyd's, with the Syndicate capacity being reallocated to SGL1 under a capacity lease agreement.

On 15 November 2016, Atrium 5 entered into an interavailable Lloyd's Security and Trust Deed enabling some of the Company's funds at Lloyd's to be made interavailable to SGL1 to support its underwriting on the 2017 and subsequent years of account. Consequently, Atrium 5 will be exposed to potential losses as a result of the risk that the funds at Lloyd's which are made interavailable as funds at Lloyd's of SGL1 may in future be applied in respect of obligations of SGL1 referable to business written after 31 December 2016, including on other syndicates. On 27 October 2020, as part of the capitalisation restructure connected with the Stone Point transaction, the Trust Deed was extinguished and the funds at Lloyd's released. On 27 October 2020, the Letter of Credit supporting the funds at Lloyd's requirement was cancelled.

On 24 September 2020, AUGL entered into a deed of indemnity with Lloyd's in respect of Atrium 5. Atrium 5 underwrote insurance business at Lloyd's through its participation on the Syndicate and such insurance business may give rise to, *inter alia*, US Federal Income and Federal Excise tax liabilities as well as other tax liabilities in those jurisdictions where Atrium 5 underwrote insurance business. Therefore, in order for Lloyd's to release all remaining funds at Lloyd's in respect of Atrium 5, it required an undertaking from AUGL that it would meet all such potential tax liabilities. AUGL has agreed to pay to Lloyd's an amount equivalent to any tax liability of Atrium 5 arising in respect of, by reference to or in consequence of the insurance business underwritten by Atrium 5 together with any reasonable costs and expenses incurred.

33. RELATED PARTIES

Transactions between related parties are made on an arm's length basis at market prices. Outstanding balances are unsecured and do not incur interest.

Syndicate 609
The activities of the Company are based around the provision of services to support the business of Syndicate 609, managed by AUL. Accordingly, most of the expenses incurred by the Company are recharged to Syndicate 609.

Northshore
During the year ended 31 December 2021, $0.8 million (2020 (unaudited): $0.2 million) of expenses incurred by the Company were recharged to Northshore.

33. RELATED PARTIES *(continued)*

Arden Re

Effective 1 January 2021, ACCL entered into a quota share agreement with Arden Re. Under the terms of the agreement, Arden Re will indemnify ACCL for 65% of all insurance and reinsurance risks, liabilities, operating expenses, foreign exchange gains or losses and investment return arising in respect of reinsured business relating to ACCL's participation on the 2021 year of account of Syndicate 609. Arden Re pays ACCL a 2.5% commission on all amounts ceded as well as a 25% profit commission. For the year ended 31 December 2021, ACCL ceded $45.0 million of premiums earned (2020 (unaudited): $nil) and incurred losses of $29.9 million (2020 (unaudited): $nil). At 31 December 2021 there were reinsurance receivables of $55.5 million (2020 (unaudited): $nil), deferred acquisition costs of $14.7 million (2020 (unaudited): $nil), gross unearned premium reserves of $45.8 million (2020 (unaudited): $nil), gross loss and loss adjustment expense provisions of $31.1 million (2020 (unaudited): $nil) and reinsurance balances payable of $1.0 million (2020 (unaudited): $nil) under the quota share agreements.

34. EVENTS SINCE THE BALANCE SHEET DATE

On 24 February 2022 Russia launched a large scale invasion of Ukraine. At the time of signing the consolidated financial statements the event is still ongoing and it is too early to quantify the financial impact to the Company. The Board will continue to closely monitor developments over the coming weeks, including the impact of sanctions imposed which could be more material to the Syndicate. This will be a 2022 calendar year event and will not impact the 2021 consolidated financial statements.

On 16 March 2022 the Lloyd's Enforcement Board issued a Notice of Censure in respect of AUL, a subsidiary of the Company (Market Bulletin Y5369). AUL accepted three charges relating to non-financial misconduct by Atrium employees and the way in which AUL responded to allegations of misconduct. AUL agreed to the public censure, a fine of £1,050,000 and payment of Lloyd's costs amounting to £562,713.50. The fine and payment of Lloyd's costs are included in the 2021 financial results of the Company and were settled in March 2022.

35. ULTIMATE PARENT COMPANY

The Company's ultimate and immediate controlling party is Northshore Holdings Limited, incorporated in Bermuda.

Northshore includes Alopuc and the Atrium Group in its consolidated financial statements. The consolidated financial statements of Northshore are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The registered office address of Northshore is Burnaby Building, 16 Burnaby Street, Hamilton HM11, Bermuda. The consolidated financial statements of Northshore are not available to the public.