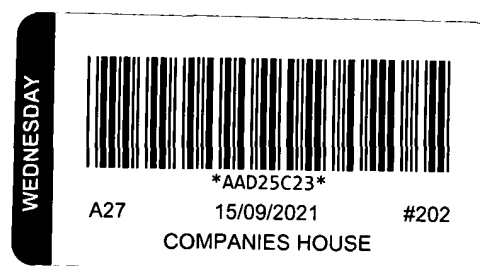


Company No: 08538477

ALOPUC LIMITED

**REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2020**



ALOPUC LIMITED

DIRECTORS

RdWW Harries

JRF Lee

KH Steward

SECRETARY

M Bruce

Bruce Wallace Associates Limited

118 Pall Mall

London SW1Y 5ED

AUDITOR

KPMG LLP

15 Canada Square

London E14 5GL

BANKER

Barclays Bank PLC

Level 11

1 Churchill Place

London E14 5HP

REGISTERED OFFICE

Room 790, Lloyd's

1 Lime Street

London EC3M 7DQ

ALOPUC LIMITED

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2020.

Result

The profit after tax for the year amounted to \$11,500k (2019: profit \$21,000k). Dividends received of \$42,000k (2019: \$21,000k) have been partly offset by an impairment loss booked on the valuation of subsidiary of \$30,500k (2019: Nil).

Principal activities and review of the business

Alopuc Limited (Alopuc or the Company) was incorporated on 21 May 2013 and is ultimately owned by 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. The Atrium group's primary operation is the transaction of insurance and reinsurance business other than life insurance at Lloyd's of London. AUGL is incorporated in England and Wales.

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

The Company does not engage in any other material transactions on its own account.

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. The Company manages this risk by reviewing the performance of its subsidiary company through, inter alia, the regular monitoring of key performance indicators (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 6 to these Financial Statements. The Company entrusts the board of Directors of AUGL with the management of AUGL's key risks.

STRATEGIC REPORT *(continued)*

Brexit

Alopuc, through its underwriting activities carried out by subsidiary companies Atrium Underwriters Limited (AUL) and Atrium Insurance Agency Limited (AIAL), and leasing activities carried out by Atrium 5 Limited (Atrium 5), 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 will continue to be 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.

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. It is capitalised according to the Solvency II standard formula and benefits from the same financial ratings as the Lloyd's market, which are provided by A.M.Best (A "excellent"); Standard & Poor's (A+"strong"); and Fitch Ratings (AA- "very strong"). LIC has 18 branches across the EEA and a branch in the United Kingdom (UK).

LIC writes all classes of non-life insurance business and non-life reinsurance business from EEA countries. The establishment of LIC ensures that Lloyd's European intermediaries and policyholders still have access to the combined scale, expertise, capacity and claims service of the Lloyd's market through a single insurance company based at the heart of Europe. Whilst it is only a small proportion of its overall business, Syndicate 609 (the Syndicate) has incorporated the essential changes required by Lloyd's throughout the organisation, enabling us to uphold the Syndicate's reputation by providing the best possible service to brokers, coverholders and ultimately policyholders.

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.

COVID-19

As part of the Atrium Group through its investment in AUGL, 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 Atrium Corporate Capital Limited (ACCL) for the 2021 underwriting year and profit commission receipts from the Syndicate in AUL.

COVID-19 and the subsequent societal, Government and market response to the global pandemic had a substantial impact on the world in 2020. The impact on the Syndicate affected multiple risk categories.

STRATEGIC REPORT *(continued)*

The Syndicate has established reserves of \$74.5m in relation to COVID-19. \$70.9m was recognised as earned reserves as at 31 December 2020. There were contributions from several classes of business, but the largest impact relates to event cancellation exposures. As with any event, particularly with one that is unprecedented, there is uncertainty around what the ultimate loss will be. The uncertainties that exist include impending or existing litigation. The Syndicate does not have material anticipated reinsurance recoveries for our COVID-19 claims so are spared that uncertainty. The Board of AUL believe that the Syndicate is robustly reserved for extended business interruption (BI) claims in the UK, Australia and New Zealand. On 15 January 2021, the UK Supreme Court delivered its judgement on the FCA's business interruption test case. The aim of the test case was to obtain clarity on insurance contract wording and determine whether certain Business Interruption clauses were triggered by the COVID-19 pandemic. For the insurance industry, this means that in certain instances, policyholders will now have their COVID-19 related business interruption claims paid where previously these claims may have been denied. It may also impact the reinsurance industry as insurers will seek to recover from the reinsurance protection they have in place. In light of the UK Supreme Court ruling, the Syndicate has performed a detailed review of the business interruption clauses in its insurance and reinsurance contracts and concluded that there is no material impact on the COVID-19 best estimate loss booked for the year ended 31 December 2020.

In addition, the lockdowns and recessionary impacts have led to some reduction in premiums over 2020 across multiple classes.

The operational impact caused by Governmental responses to COVID-19 presented significant challenges to all of society. Atrium transitioned smoothly to remote working and was able to continue servicing its clients and continued to pay claims in an expeditious manner over this period. Atrium has paid particular attention to the wellbeing of its staff and has made significant investment in trying to support its staff. It has undertaken regular surveys over the period to proactively identify any concerns. The Risk Management and Internal Audit Functions carried out an assessment of the impact of COVID-19, and remote working conditions, on the Syndicate, and wider Atrium Group, risks and internal controls. These reviews did not raise any issues or material concerns to the Board.

The Syndicate's investment portfolio is a conservative portfolio primarily comprising cash and high credit quality fixed income investments. As a result, the Syndicate's portfolio performed well during 2020. Whilst the investment strategy remains unchanged, we would expect future returns to be lower due to the global decline in yield curves.

The Directors have reviewed the impact of COVID-19 on the Syndicate and have concluded that the Syndicate will be able to operate as a going concern under multiple future scenarios relating to the ongoing impacts of COVID-19. The Syndicate continues to closely monitor the impact on its operations, employees, customers, underwriting, investments and capital requirements. The Syndicate's growth plans are not materially impacted by COVID-19. 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.

By order of the board



JRF Lee
Director

10 September 2021

ALOPUC LIMITED

DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 2020.

Dividends

The Directors do not recommend a final dividend, making the total of dividends paid in the year \$42,000k (2019: \$20,990k).

Directors and officers of the Company

The current Directors of the Company are disclosed on page 1. BRA Merriman resigned as a Director on 12 March 2021. None of the Directors have any financial interest in the Company.

Future developments

The Company has no plans for any significant changes to its activities and current operations for the foreseeable future.

Events since the balance sheet date

The ultimate holding company as at the balance sheet date was Enstar. On 14 August 2020, Enstar announced an exchange transaction with Stone Point Capital LLC, involving Atrium. The transaction was completed on 1 January 2021 which transferred ultimate ownership to Northshore.

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. This capital reduction has the effect of removing the negative retained earnings that exist at the balance sheet date and creates a retained earnings surplus of \$9,517k.

Going concern

Following consideration, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least a twelve month period from the date of issue of these financial statements. For this reason they continue to adopt the going concern basis in preparing the financial statements.

As part of the Atrium Group through its investment in AUGL, 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.

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DIRECTORS' REPORT *(continued)*

For the insurance industry, this means that in certain instances, policyholders will now have their COVID-19 related business interruption claims paid where previously these claims may have been denied. It may also impact the reinsurance industry as insurers will seek to recover from the reinsurance protection they have in place. In light of the UK Supreme Court ruling, the Syndicate has performed a detailed review of the business interruption clauses in its insurance and reinsurance contracts and concluded that there is no material impact on the COVID-19 best estimate loss booked for the year ended 31 December 2020.

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ALOPUC LIMITED

DIRECTORS' REPORT *(continued)*

Financial risk management

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


Disclosure of information to the auditor

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

A handwritten signature in black ink, appearing to be 'JRF Lee', written over a horizontal line.

JRF Lee
Director

10 September 2021

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

ALOPUC LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALOPUC LIMITED

Opinion

We have audited the financial statements of Alopuc Limited ("the Company") for the year ended 31 December 2020 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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.

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 and inspection of policy documentation as to the Atrium Group's policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the Directors have knowledge of any actual, suspected or alleged fraud.

ALOPUC LIMITED

As required by auditing standards, 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 Company has simple revenue income from dividends from subsidiary with no complexity. We did not identify any additional fraud risks.

We performed procedures including agreeing all accounting entries in the period to supporting documentation.

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 and through discussion with the Directors (as required by auditing standards), and discussed with the Directors the policies and procedures regarding compliance with laws and regulations.

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.

This Company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

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 year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

ALOPUC LIMITED

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.

Directors' responsibilities

As explained more fully in their statement set out on page 8, 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

10 September 2021

ALOPUC LIMITED

INCOME STATEMENT

For the year ended 31 December 2020

	Notes	2020 \$'000	2019 \$'000
Income from shares in subsidiary		42,000	21,000
Impairment loss on investment in subsidiary		(30,500)	—
Profit Before Taxation		11,500	21,000
Tax on profit	5	—	—
Profit After Taxation		11,500	21,000

All results are derived from continuing activities.

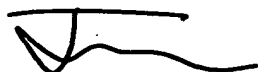
The attached notes form an integral part of these financial statements.

ALOPUC LIMITED**BALANCE SHEET****As at 31 December 2020**

	Notes	2020 \$'000	2019 \$'000
Fixed assets			
Investment in subsidiary	6	127,500	158,000
Current assets			
Cash at bank and in hand		17	17
Current liabilities			
Creditors	7	(6)	(6)
Net assets		<u>127,511</u>	<u>158,011</u>
Capital and reserves			
Called up share capital	8	158,008	158,008
Retained earnings		<u>(30,497)</u>	<u>3</u>
Total shareholder's funds		<u>127,511</u>	<u>158,011</u>

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

The financial statements were approved by the Board of Directors on 10 September 2021 and were signed on its behalf by:



JRF Lee
Director

Company No: 08538477

ALOPUC LIMITED**STATEMENT OF CHANGES IN EQUITY**
For the year ended 31 December 2020

	Share capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 January 2019	158,008	(7)	158,001
Profit for the year	—	21,000	21,000
Dividends	—	(20,990)	(20,990)
Balance as at 31 December 2019	158,008	3	158,011
Profit for the year	—	11,500	11,500
Dividends	—	(42,000)	(42,000)
Balance as at 31 December 2020	158,008	(30,497)	127,511

ALOPUC LIMITED

NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2020

1. GENERAL INFORMATION

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

The Company is limited by shares and is incorporated in the United Kingdom. The address of its registered office is Room 790, Lloyd's, 1 Lime Street, London, EC3M 7DQ.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and section 396 of, and schedule 4 to, the Companies Act 2006.

The financial statements are prepared on a going concern basis under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2(f).

Management has taken advantage of the exemption available in Section 401 of Companies Act 2006 allowing Alopuc to prepare and submit company only accounts on the basis that the Company and its subsidiaries were included within the consolidated accounts of Enstar Group Limited, the ultimate parent company as at the balance sheet date.

(b) Change in accounting policy/prior period adjustment

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

(c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. Alopuc Limited is a qualifying entity as its results are consolidated into the financial statements of Enstar Group Limited which are publicly available.

As a qualifying entity, the Company has taken exemption from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102.

ALOPUC LIMITED

NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2020

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

(d) Going concern

Following consideration, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least a twelve month period from the date of issue of these financial statements. The Directors therefore continue to adopt the going concern basis in preparing the financial statements.

As part of the Atrium Group through its investment in AUGL, 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Directors have reviewed the impact of COVID-19 on the Syndicate and have concluded that the Syndicate will be able to operate as a going concern under multiple future scenarios relating to the ongoing impacts of COVID-19. The Syndicate continues to closely monitor the impact on its operations, employees, customers, underwriting, investments and capital requirements. The Syndicate's growth plans are not materially impacted by COVID-19. 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.

(e) Investment income and expenses

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.

(f) Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. There were no significant accounting judgements made during the year.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(g) 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.

(h) Taxation

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

Current tax: the current tax charge or credit is based on the taxable profit or loss for the year. Taxable profit or loss differs from profit or loss as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

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

Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

ALOPUC LIMITED

NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2020

3. AUDIT FEES AND EMPLOYEES

For the year ended 31 December 2020, the Company's audit fee was \$4,646 (2019: \$4,643). This was borne by a fellow group company. No other services were performed by the Company's auditor for which fees were charged.

The Company has no employees and all services were provided by a related party.

4. DIRECTORS' REMUNERATION

The Directors are employees of the Enstar group of companies and are remunerated by member companies within the group for their services. They receive no remuneration as Directors of the Company. Disclosures regarding Directors' emoluments and staff costs are contained in the financial statements of Atrium Group Services Limited for all Directors of the Company except B Merriman. The financial statements of Enstar (EU) Ltd contain the same for B Merriman.

5. TAXATION

	2020	2019
	\$'000	\$'000
The tax is made up as follows:		
Profit before tax	11,500	21,000
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	2,185	3,990
Effects of:		
Inter group dividend exemption	(7,980)	(3,990)
Impairment loss on investment in subsidiary exemption	5,795	—
Tax on profit	—	—

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. The deferred tax asset at 31 December 2020 has been calculated at 19% (2019: 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. This will have a consequential effect on the Company's future tax charge.

6. INVESTMENT IN SUBSIDIARY

	2020	2019
	\$'000	\$'000
As at beginning of period	158,000	158,000
Impairment loss	(30,500)	—
As at end of period	127,500	158,000

ALOPUC LIMITED**NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2020****6. INVESTMENT IN SUBSIDIARY (continued)**

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 Atrium Nominees Limited, 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 Underwriting Holdings Limited (incorporated in England & Wales)	Room 790, Lloyd's 1 Lime Street London EC3M 7DQ	Ordinary shares	Dormant holding company	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%
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 1 September 2020, ACCL was registered to participate on Syndicate 609 from the 2021 year of account onwards.

ALOPUC LIMITED

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

7. CREDITORS

	2020	2019
	\$'000	\$'000
Due within one year:		
Amounts owed to group undertakings	<u>6</u>	<u>6</u>
	6	6

8. SHARE CAPITAL

		<i>Allotted, called up</i>	
	2020	2019	
	\$'000	\$'000	
98,324,829 (2019: 98,324,829) ordinary shares of \$1.607 each	Fully paid	158,008	158,008
		<u>158,008</u>	<u>158,008</u>

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 general meetings of the Company and to one vote at such meetings.

9. RELATED PARTIES

The Company and its subsidiaries are included within the consolidated accounts of Enstar Group Limited, the ultimate parent company as at the balance sheet date. The financial statements of Enstar Group Limited are publicly available. Accordingly, the Company has taken advantage of the exemption in Section 33.1A of FRS 102 'Related party disclosures'.

10. EVENTS SINCE THE BALANCE SHEET DATE

The ultimate holding company as at the balance sheet date was Enstar. On 14 August 2020, Enstar announced an exchange transaction with Stone Point Capital LLC, involving Atrium. The transaction was completed on 1 January 2021 which transferred ultimate ownership to Northshore.

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. This capital reduction has the effect of removing the negative retained earnings that exist at the balance sheet date and creates a retained earnings surplus of \$9,517k.

11. CONTINGENCIES, COMMITMENTS AND CHARGES

In connection with a loan facility agreement between Arden Reinsurance Company Limited (Arden Re) and Barclays, which also includes Northshore as both Arden Re's Parent company and Guarantor of the loan (the "Facility Agreement"), security is required to be provided under the Facility Agreement. A fixed charge as security has been taken over the shares that Northshore holds in the Company in favour of Barclays. The Company amended its articles of association to allow security to be taken over its shares. This is required as a condition to the Facility Agreement being made available and Northshore has entered into a English law share charge agreement providing security over the shares it holds in the Company.

ALOPUC LIMITED

NOTES TO FINANCIAL STATEMENTS 31 DECEMBER 2020

12. ULTIMATE HOLDING COMPANY

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

The Company's ultimate parent undertaking as at the balance sheet date is Enstar. Enstar includes the Company in its consolidated financial statements. The consolidated financial statements of Enstar are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), are available to the public and may be obtained from the US Securities and Exchange Commission (www.sec.gov). Refer to notes 2(c) for exemptions claimed in relation to the preparation of the financial statements under FRS 102. The registered office address of Enstar is Windsor Place, 3rd Floor, 22 Queen Street, Hamilton HM JX, Bermuda.