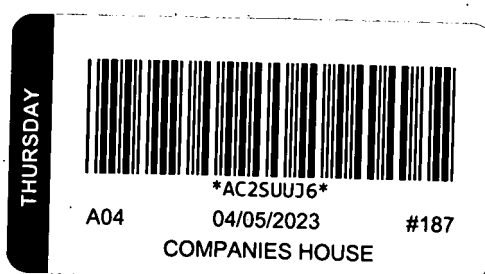


Company No: 2861145

ATRIUM 5 LIMITED

**REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2022**



ATRIUM 5 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

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BANKER

Barclays Bank PLC

Level 11

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London E14 5HP

REGISTERED OFFICE

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London EC3M 7DQ

ATRIUM 5 LIMITED

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2022.

Results

The loss for the year, after taxation, amounted to \$4,622k (2021: \$6,670k profit).

Principal activity and review of the business

Atrium 5 Limited (the Company) is a wholly owned subsidiary of Atrium Underwriting Group Limited (AUGL), which also owns Atrium Underwriters Limited (AUL), the Lloyd's Managing Agency that manages Syndicate 609 (the Syndicate). The Syndicate's principal activity during the year continued to be the transaction of general insurance and reinsurance business at Lloyd's.

The principal activity of the Company is that of a lessor of underwriting capacity on the Syndicate. The Company 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, the Company leased its underwriting capacity to SGL No.1 Limited (SGL1). 2020 is the final year of account which the Company participated, either directly or through the lease arrangement with SGL1, on the Syndicate. A fellow group company, Atrium Corporate Capital Limited (ACCL) participates on the Syndicate from the 2021 year of account onwards.

SGL1 will pay the Company a lease premium equal to its share of the year of account result of the Syndicate for the relevant year of account that capacity has been leased less the balance from a quota share reinsurance contract between SGL1 and Arden Reinsurance Company Ltd (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 each year of account. The lease premium for 2022 is a reduction of \$5,297k representing losses on the 2020 year of account in the calendar year at the Syndicate (2021: premium of \$8,640k).

Underwriting performance during calendar year 2022 for the 2020 & prior years of account was impacted by additional reserves relating to Florida construction defects on the general liability account. The Syndicate experience unrealised investment losses in the year, which were driven by changes in market expectations of the speed of potential US interest rates rises and general market volatility, as central banks sought to control high levels of inflation. Although the underwriting performance resulted in a loss in the calendar year, the 2020 year of account closed on 31 December 2022 with a profit.

The following table shows the Company's participation on the Syndicate for the 2020 year of account.

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

The Company leased its capacity to SGL1, who entered into a quota share arrangement with Arden Re. The agreed terms for each year of account are set out in the table below.

ATRIUM 5 LIMITED

STRATEGIC REPORT *(continued)*

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

*For the 2020 year 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.

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

	2022 \$'000	2021 \$'000	Change \$'000
Lease premium	(5,297)	8,640	(13,937)
(Loss) / Profit before tax	(5,706)	8,664	(14,370)
Net assets	2,108	6,730	(4,622)

The Board has reviewed the results and KPIs of the Company and despite the loss for the year, is satisfied with overall profitability of the lease arrangement.

Strategy

The Company's strategy is to remain as a corporate member at Lloyd's until the closure of the 2020 year of account, supporting the Syndicate by leasing capacity to SGL1. Following closure of the 2020 year of account in 2023, the Directors do not expect the Company to write any new business.

Principal risks & uncertainties

Through its participation on the Syndicate, the performance of the Company is inherently linked to the performance of the Syndicate. The risk management framework discussed below is therefore predominately from the perspective of the Syndicate. The Board of AUL is responsible for the management of the systems and controls of the Syndicate, as detailed below. Reference to "the Board" in the section below relates to the Board of AUL.

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 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.

ATRIUM 5 LIMITED

STRATEGIC REPORT *(continued)*

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 financial statements and financial reporting process, has oversight of internal controls and the Internal Audit Function.

Risk Committee (RC)

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

ATRIUM 5 LIMITED

STRATEGIC REPORT (*continued*)

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.

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 the impact climate change has on events in the tail of distributions which increases uncertainty in this area.

Reserving risk is the risk that we have 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.

ATRIUM 5 LIMITED

STRATEGIC REPORT (*continued*)

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.

ATRIUM 5 LIMITED

STRATEGIC REPORT (*continued*)

Operational risk is the risk of loss due to inadequate or failed processes and procedures, people and systems, or external events. The Company 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.

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:

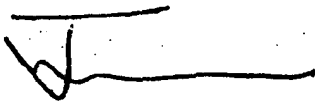
Regular reviews are performed by the Internal Audit department to ensure that deviations from the agency's policies, and control weaknesses, are identified and reported to the appropriate level of management and the Audit Committee when considered necessary.

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.

By order of the Board



JRF Lee
Director
23 March 2023

ATRIUM 5 LIMITED

DIRECTORS' REPORT (*continued*)

The Directors present their report for the year ended 31 December 2022.

Dividends

The Directors do not recommend a final dividend, making the total dividends paid in the year nil (2021: \$5,839k).

Directors and officers of the Company

The current directors of the Company are disclosed on page 1. None of the Directors have any financial interest in the Company.

Events since the balance sheet

There have been no significant events since the balance sheet date.

Going concern

Following the closure of the 2020 year of account as at 31 December 2022, together with the final settlement of the profit distribution in May 2023, the Directors do not anticipate any further income or expenses to be incurred. Subsequent to the settlement of the 2020 YOA distribution, it is the intention of the Directors that the Company will be made dormant.

In adherence with the Lloyd's Byelaws, the liquidation of a Lloyd's corporate member is not permitted and the Company is expected to become a permanent dormant corporate member. As such, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least a twelve month period from the date of issue of these financial statements. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Political donations

The Company made no political donations during the year (2021: \$nil).

Financial risk management

The risk management of the Company has been detailed within the Strategic Report on pages 2 to 9.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director, in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

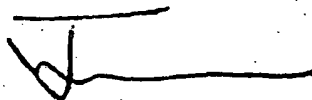
Re-appointment of auditor

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.

ATRIUM 5 LIMITED

DIRECTOR'S REPORT (*continued*)

By order of the board

A handwritten signature in black ink, consisting of a stylized 'J' followed by a horizontal line and a small flourish.

JRF Lee
Director
23 March 2023

ATRIUM 5 LIMITED

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

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

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

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

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

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

ATRIUM 5 LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATRIUM 5 LIMITED

Opinion

We have audited the financial statements of Atrium 5 Limited ("the Company") for the year ended 31 December 2022 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity, and related notes, including the accounting policies in note 4.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its Loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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:

ATRIUM 5 LIMITED

- Enquiring of directors, the audit committee, internal audit, and inspection of policy documentation as to the Atrium Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and Atrium's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected, or alleged fraud.
- Reading Board meeting minutes.
- 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 taking into account possible pressures to meet profit targets 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 income earned.

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 performed 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 by senior finance management; those posted with descriptions containing keywords or phrases, those posted to unusual accounts including those related to cash and revenue and post-close journals meeting certain criteria.

Identifying and responding to risks of material misstatement related to 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 information from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), 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.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

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.

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

ATRIUM 5 LIMITED

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.

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 information, 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 information, 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 fraud 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.

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 10, 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.

ATRIUM 5 LIMITED

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.

Kushan Tikkoo

Kushan Tikkoo (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
24 March 2023

ATRIUM 5 LIMITED**INCOME STATEMENT****For the year ended 31 December 2022**

	Note	2022 \$'000	2021 \$'000
Lease premium	5	(5,297)	8,640
Investment income	8	-	(94)
Investment expenses and charges	8	-	(8)
Foreign exchange (losses) / gains		(389)	150
Other charges, including amortisation	9	(20)	(24)
(Loss) / profit before taxation		(5,706)	8,664
Tax credit / (charge) on (loss)/ profit	10	1,084	(1,994)
(Loss) / profit for the financial year		(4,622)	6,670

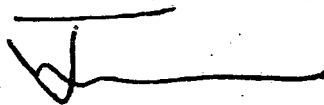
The attached notes form an integral part of these financial statements.

ATRIUM 5 LIMITED**BALANCE SHEET**
At 31 December 2022

	Note	2022 \$'000	2021 \$'000
Assets			
Debtors			
Amounts owed by SGL1 Limited		2,191	8,640
Other debtors		-	91
	12	<u>2,191</u>	<u>8,731</u>
Other assets			
Cash at bank and in hand		421	163
Total assets		<u>2,612</u>	<u>8,894</u>
Liabilities and shareholder's equity			
Capital and reserves			
Called up share capital	13	-	-
Retained earnings		2,108	6,730
Shareholder's equity		<u>2,108</u>	<u>6,730</u>
Creditors			
Amounts owed to group undertakings		504	2,164
	14	<u>504</u>	<u>2,164</u>
Total liabilities and shareholder's equity		<u>2,612</u>	<u>8,894</u>

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

The financial statements were approved by the Board of Directors on 23 March 2023 and signed on its behalf by:



JRF Lee
Director

Company No: 2861145

ATRIUM 5 LIMITED**STATEMENT OF CHANGES IN EQUITY****As at 31 December 2022**

	Share capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance as at 1 January 2021	-	5,899	5,899
Profit for the year	-	6,670	6,670
Dividends	-	(5,839)	(5,839)
Balance as at 31 December 2021	-	6,730	6,730
Loss for the year	-	(4,622)	(4,622)
Balance as at 31 December 2022	-	2,108	2,108

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

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

1. GENERAL INFORMATION

The principal activity of the Company is that of a lessor of underwriting capacity on the Syndicate. The Company is itself a Corporate Underwriting Member at Lloyd's, but was only active on the 2016 and prior years of account. With respect to the 2017 to 2020 years of account, the Company leased its underwriting capacity to SGL1.

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

2. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis with the exception of financial assets which are measured at fair value through profit or loss.

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).

The financial statements have been prepared using the annual basis of accounting. Under the annual basis of accounting a result is determined at the end of each accounting period reflecting the profit or loss from providing insurance coverage during that period and any adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

The Syndicate in which the Company participates is managed and controlled by its managing agent. The accounting information in respect of this participation has been provided by the managing agent and has been audited by the Syndicate's auditors. Information in respect of the Company's participations on the managed Syndicate is available directly from the Syndicate accounting records.

The result of the leased underwriting from SGL1, net of the quota share contract with Arden Re, is presented on a single line in the income statement as a lease premium and in the balance sheet under amounts due to SGL1 and is further explained in note 5.

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. The Company is a qualifying entity as its results are consolidated into the financial statements of Alopuc 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.

All amounts in the financial statements are presented in US dollars and have been rounded to the nearest \$1,000.

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

2. BASIS OF PREPARATION (*continued*)

Going Concern

Following the closure of the 2020 year of account as at 31 December 2022, together with the final settlement of the profit distribution in May 2023, the Directors do not anticipate any further income or expenses to be incurred. Subsequent to the settlement of the 2020 YOA distribution, it is the intention of the Directors that the Company will be made dormant.

In adherence with the Lloyd's Byelaws, the liquidation of a Lloyd's corporate member is not permitted and the Company is expected to become a permanent dormant corporate member. As such, 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.

3. USE OF JUDGEMENTS AND ESTIMATES

In preparing these 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 Company participates. 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 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the 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 financial statements are disclosed in note 3.

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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

(a) 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.

(b) Foreign currencies

The Company's functional and presentation 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.

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 2022	Average rate Quarter 1 2022	Average rate Quarter 2 2022	Average rate Quarter 3 2022	Average rate Quarter 4 2022
Sterling	1.2102	1.3385	1.2627	1.1779	1.1676

(c) 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.

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

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.

(d) 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.

(e) Underwriting lease

The profit from underwriting leases is recognised in the income statement as the net underwriting lease income incurred in the calendar year. A corresponding receivable is recognised on the balance sheet. Additional disclosures are made in order to allow the user of the accounts to analyse the key insurance technical and non-technical components.

5. UNDERWRITING LEASE PREMIUM

The reduction in lease premium of \$5,297k (2021: premium of \$8,640k) on leased underwriting relates to the lease of the Syndicate capacity to SGL1. SGL1 will pay the Company a lease premium equal to its share of the result of the Syndicate less the balance due through the reinsurance contract with Arden Re, when settlement is received from the Syndicate. However, should the lease ultimately result in a loss, the lease premium will be nil and Arden Re will reimburse SGL1 with the amount of the loss.

Analysis of the income on leased underwriting

	2022 \$'000	2021 \$'000
Gross premiums written	7,620	52,174
Net earned premium	9,435	58,258
Net claims incurred	(9,603)	(23,315)
Net operating expenses	(838)	(26,120)
Net investment return	(4,291)	(183)
Lease income	<u>(5,297)</u>	<u>8,640</u>

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

5. UNDERWRITING LEASE PREMIUM *(continued)*

Analysis of the balance sheet on leased underwriting

	2022 \$'000	2021 \$'000
Financial investments	188,760	218,249
RI Share: Provisions for unearned premium	120	6,769
RI Share: Claims outstanding	34,763	61,441
Debtors : arising out of direct insurance operations	-	315
Debtors : arising out of reinsurance operations	1,277	3,739
Other debtors	-	13,296
Cash at bank	31,792	40,784
Deferred acquisition costs	-	4,226
Other prepayments and accrued income	2,536	3,025
Total assets	259,248	351,844
Profit & loss account reserve	10,475	12,634
Provisions for unearned premiums	-	12,001
Claims outstanding	173,409	214,558
Creditors: arising out of direct insurance operations	6,148	70,164
Creditors: arising out of reinsurance operations	605	2,443
Other creditors including taxation and social security	65,977	33,253
Accruals and deferred income	2,634	6,791
Total liabilities & equity	259,248	351,844

6. STAFF COSTS

The Company does not directly employ any staff however it uses the services of employees of the Atrium Group. No amounts are charged to the Company (2021: \$nil) for the use of these services.

7. DIRECTORS REMUNERATION

The Directors of the Company are remunerated by Atrium Group Services Limited (AGSL), the employing company within the Atrium Group. Their remuneration is disclosed in the financial statements of AGSL. No amounts are charged to the Company for the use of these services (2021: \$nil).

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS **31 December 2022**

8. INVESTMENT RETURN

	2022 \$'000	2021 \$'000
Investment income		
Income from investments	-	(94)
	-	(94)
Investment expenses and charges		
Investment management expenses, including interest	-	(8)
	-	(8)
Investment return	-	(102)

9. OTHER CHARGES

Other charges include: auditors' remuneration in respect of audit services of \$17,365 (2021: \$16,432).

10. TAX

(a) Tax on (loss) / profit

	2022 \$'000	2021 \$'000
The tax (credit) / charge is made up as follows:		
Current tax:		
UK corporation tax on the (loss) / profit for the year	(1,084)	2,155
Tax over provided in previous years	-	(76)
Total current tax	(1,084)	2,079
Deferred tax:		
Origination and reversal of timing differences	-	(85)
Total deferred tax (note 10 (d))	-	(85)
Tax (credit) / charge on (loss) / profit (note 10 (b))	(1,084)	1,994

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

10. TAX (continued)

(b) Reconciliation of tax charge

	2022 \$'000	2021 \$'000
(Loss) / profit before tax	<u>(5,706)</u>	<u>8,664</u>
(Loss) / profit multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(1,084)	1,647
Effects of:		
Amounts over provided in previous years	-	(76)
Deferred tax on the Syndicate capacity amortisation transfer to ACCL	-	423
Total tax (credit) / charge for the year (note 10 (a))	<u>(1,084)</u>	<u>1,994</u>

(c) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly.

(d) Deferred taxation

	2022 \$'000	2021 \$'000
At 1 January 2022		(85)
Deferred tax credit in profit and loss account (note 12(a))	-	85
At 31 December 2022	<u>-</u>	<u>-</u>

11. DIVIDENDS

	2022 \$'000	2021 \$'000
Declared and paid during the year on ordinary shares		
Equity dividends paid:		
Interim dividend	-	5,839

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

12. DEBTORS

	2022 \$'000	2021 \$'000
Amounts falling due within one year		
Amounts due from SGL1 Limited	2,191	1,168
Other debtors	-	91
	<u>2,191</u>	<u>1,259</u>
Amounts falling due after one year		
Amounts due from SGL1 Limited	-	7,472
	-	<u>7,472</u>
	<u>2,191</u>	<u>8,731</u>

Amounts due from SGL1 Limited represent the profit on the 2020 year of account lease transaction which will be paid to the Company in line with the timelines of the Lloyd's annual distribution process.

13. AUTHORISED AND ISSUED SHARE CAPITAL

	2022 £	2021 £
Authorised:		
75 (2021: 75) ordinary shares of £1 each	75	75
100 (2021: 100) 'A' of £1 each	<u>100</u>	<u>100</u>
Allotted, issued and fully paid:		
1 (2021: 1) ordinary share of £1	<u>1</u>	<u>1</u>

Following the change of functional currency in 2009, the brought forward balances for the issued share capital have been translated into USD for the purposes of financial reporting at the exchange rate at the date of the change being £1:\$1.4479.

	2022 \$	2021 \$
Allotted, issued and fully paid:		
1 (2021: 1) ordinary share	<u>1</u>	<u>1</u>

The rights of the shares can be summarised as follows:

Ordinary shares confer upon the holders the right to receive notice, attend and vote at General Meetings of the Company, and the right to receive a dividend. The holders of the 'A' ordinary shares do not have the right to receive notice, attend and vote at General Meetings of the Company.

The holders of 'A' ordinary shares shall, on payment of a dividend, or other distribution, be entitled to receive 1p on each 'A' ordinary share for every £10,000 paid per ordinary share, either by dividend or other distribution.

Upon wind-up of the Company and a return of assets, the 'A' ordinary shareholders will be paid the amounts paid up on each 'A' ordinary share, after repayment of the amount paid up on the ordinary shares plus the payment of £1m per ordinary share.

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

14. CREDITORS

	2022 \$'000	2021 \$'000
Amounts falling due within one year		
Amounts owed to group undertakings	504	2,164
	<u>504</u>	<u>2,164</u>

15. CONTINGENT LIABILITIES

Charge over assets

On 24 September 2020, AUGL entered into a deed of indemnity with the Company. The Company 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 the Company underwrote insurance business. AUGL has agreed to pay to Lloyd's an amount equivalent to any tax liability of the Company arising in respect of, by reference to or in consequence of the insurance business underwritten by the Company together with any reasonable costs and expenses incurred.

16. RELATED PARTIES

The Company is included within the consolidated accounts of Alopuc Limited, an intermediate parent company as at the balance sheet date. The financial statements of Alopuc Limited are publicly available. Accordingly, the Company has taken advantage of the exemption in Section 33.1A of FRS 102 'Related party disclosures'.

17. ULTIMATE PARENT COMPANY

The Company's immediate parent undertaking and controlling party is Atrium Underwriting Group Limited, incorporated in the UK. The Company's ultimate controlling party is Northshore Holdings Limited, incorporated in Bermuda.

As the ultimate UK parent undertaking, Alopuc Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Alopuc Limited are prepared in accordance with accounting principles generally accepted in the United Kingdom and the Republic of Ireland (UK GAAP) and are available to the public and may be obtained from Companies House. Refer to note 2 for exemptions claimed in relation to the preparation of the financial statements under FRS 102. The registered office address of Alopuc Limited is Room 790, Lloyd's Building, 1 Lime Street, London EC3M 7DQ.