Company No: 2861145

ATRIUM 5 LIMITED

REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2020

ATRIUM 5 LIMITED

DIRECTORS
JRF Lee
RdWW Harries
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

ATRIUM 5 LIMITED

STRATEGIC REPORT

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

Results

The profit for the year, after taxation, amounted to $5,703k (2019: $12,424k).

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 Syndicate's combined ratio increased to 94% (2019: 91%) primarily due to a higher incidence of catastrophe losses in 2020 compared to 2019 primarily due to the COVID-19 and Hurricane Laura losses.

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), a fellow subsidiary company within the Enstar Group (Enstar). 2020 is the final year of account which the Company participated, either directly or through the lease arrangement with SGL 1, on the Syndicate.

On 13 August 2020, Enstar announced an exchange transaction with Stone Point Capital LLC, involving Atrium ('Stone Point transaction'). The Stone Point transaction was completed on 1 January 2021 which transferred ultimate ownership to Northshore Holding Limited (Northshore). As part of the transaction, a new Lloyd's corporate member, Atrium Corporate Capital Limited (ACCL), has been formed. ACCL will participate on the Syndicate from the 2021 year of account onwards.

SGL1 will pay the Company a lease premium equal to its share of the calendar year result of the Syndicate less the balance from a quota share reinsurance contract between SGL1 and Arden Reinsurance Company Limited (Arden Re). In addition to the quota share there is also a stop loss arrangement between SGL1 and Arden Re which would reduce the lease premium to nil in the event of a loss on the 2017 and post years of account. The lease premium for 2020 is $6,203k (2019: $12,408k). The 2018 year of account closed on 31 December 2020 with a profit. As noted above, underwriting performance during calendar year 2020 was strong with the Syndicate achieving a 94% combined ratio. Investment returns continued to be positive reflecting the Syndicate's defensive investment strategy of investing in highly rated debt; the downward movement in rates coupled with credit spreads tightening was a positive for investment returns. All of these items contributed to the lease premium in calendar year 2020.

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

Syndicate 609	**2018 Allocated Capacity £'000**	**2019 Allocated Capacity £'000**	**2020 Allocated Capacity £'000**
Leased to SGL1	114,721	114,721	133,497

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

	2018	2019	2020
Company	SGL1	SGL1	SGL1
Quota share	65.00%	65.00%*	65.00%*
Ceding commission	2.25%	2.25%	2.25%
Reinsurer's expenses	5.00%	5.00%	5.00%
Profit commission	25.00%	25.00%	25.00%

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

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

	Year of account	2020 $'000	2019 $'000	Change $'000
Lease premium	2017 - 2020	6,203	12,408	(6,205)
Profit before tax		7,162	16,227	(9,065)
Net assets		5,899	36,446	(30,547)

During the year, the interavailablity arrangement between the Company and SGL1 ceased with Arden Reinsurance Limited being approved as the capital provider for the Company's participation on Syndicate 609. As a result assets held as funds at Lloyd's were released and distributed by way of a dividend to Atrium Underwriting Group Limited.

The Board has reviewed the results and KPIs of the Company and is satisfied with the development and continued profitability of the lease arrangement. All open years of account are currently forecast to be profitable. The Board of AUL have considered the implications of underwriting losses and volatility in the capital markets impacting investment returns arising from COVID-19 on the Syndicate. Based on the information produced by the Syndicate to date, there is no significant impact on the forecast returns that are to be achieved for each open year of account.

In response to the COVID-19 outbreak, the Company continues to closely monitor the impact on its operations. This is discussed in more detail within the COVID-19 section of this Strategic report.

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 another company within the Enstar Group. Subsequent to the closure of the 2020 year of account in 2023, the Directors will consider the future need for the Company.

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.

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 Executive Risk Committee (ERC), which fulfils the role of Atrium's Risk Management Function, 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 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 and Risk Committee, both of which are Committees of the Board with membership comprised of Non Executive Directors. Together these three groups provide the "Third Line of Defence". The Risk Committee is charged with providing independent oversight and review of Atrium's RMF and its constituent parts whilst 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.

Executive Risk Committee (ERC)

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

The ERC fulfils the Risk Management function, in conjunction with the Risk Management Team, and coordinates the risk management activities conducted for the Agency's managed Syndicate. 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 in which the Company participates in and reporting on them to the Board, Committees and management as appropriate. It also ensures that there is robust and effective management, governance and oversight of Atrium's Internal Model which is used to set capital and is also widely used within the business.

To support delivery of the ERC's responsibilities, there are three Risk Sub-Committees, each being responsible for oversight, review and challenge of the activities of the Syndicate and in particular ensuring that 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.

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 the 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.

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 manager and the custodians responsible for the safekeeping of the investments, and reports regularly to the Board.

Asset/liability mis-match 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 mis-match 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 US dollars 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 those reinsurers that comply with the Atrium reinsurance policy. The exposure to credit risk in the investment portfolio is mitigated through adherence to the investment guidelines which require the Syndicate's core investment portfolios to be held in government and corporate debt with a high credit quality rating and with a relatively short duration, thus substantially mitigating the risk of sustaining losses from default. Exposure to intermediaries is mitigated by rigorous review of new intermediaries, contractual terms of business, regulated or segregated client accounts, monitoring of balances and credit control procedures.

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

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

Operational Risk Sub-Committee (ORSC)

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

Operational risk is the risk of loss due to inadequate or failed processes and procedures, people and systems, or external events. The 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. AUL has a Compliance Officer and team who monitor regulatory developments and assess the impact on company 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 Company's policies and control weaknesses, are identified and reported to the appropriate level of management and the Audit Committee when considered necessary.

Brexit

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

The UK left the European Union (EU) on 31 January 2020 and the associated transitional arrangements ended on 31 December 2020, with Lloyd's Underwriters officially ceasing to have trading rights in the European Economic Area (EEA) for Direct Insurance and cross border German Reinsurance business. Lloyd's members 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).

STRATEGIC REPORT *(continued)*

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, 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.

Part VII

To achieve contract continuity, Lloyd's have transferred all affected policies (comprising all relevant nonlife direct EEA insurance and inwards German reinsurance business that has been written by the Lloyd's market between 1993 and 2020) to LIC.

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

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

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

COVID-19

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.

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 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 Financial Conduct Authority's (FCA) 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's 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 of the Managing Agent 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.

By order of the Board

JRF Lee
Director
28 April 2021

ATRIUM 5 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 dividends paid in the year $36,250k (2019: $nil).

Directors and officers of the Company

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

BRA Merriman resigned on 12 March 2021.

Events since the balance sheet date

The ultimate holding company as at the balance sheet date was Enstar. On 13 August 2020, Enstar entered into a Recapitalisation Agreement, whereby Enstar agreed to exchange a portion of its indirect interest in Northshore for all of the Trident V Funds indirect interest in Starstone U.S. The transaction completed on 1 January 2021 when ultimate ownership of the Company transferred to Northshore, with the Trident V Funds becoming the majority shareholder in Northshore.

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.

In light of the COVID-19 outbreak globally during the first quarter of 2020 the Company has undertaken detailed analysis of the potential impacts upon its forecast revenue and general financial stability. The Company is reliant upon the existence of the Syndicate for its income.

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. The Syndicate has established reserves of $74.5m in relation to COVID-19. 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. However, there we are not aware of any particular uncertainties such as reinsurance disputes or legal cases that present enhanced uncertainty.

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 systemic concerns.

DIRECTORS' REPORT *(continued)*

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 Board of AUL 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. The Board continues to closely monitor the impact on its operations, customers and underwriting, investments and capital. An assessment of plausible severe scenarios and potential range of outcomes has been undertaken across these areas, including exposure to the broader economic environment and increased volatility in financial markets. Risk appetite for the most impacted lines of business is being reviewed on a regular basis and updated, as required.

Political donations

The Company made no political donations during the year (2019: $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.

By order of the board

JRF Lee
Director
28 April 2021

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.

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 2020 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 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 as to the Company's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.

- Considering remuneration incentive schemes and performance targets for Directors and management.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

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

We did not identify any additional fraud risks.

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

We also performed the following procedures including:

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

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

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

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

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

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

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 havebeen 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 12, 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
28 April 2021

ATRIUM 5 LIMITED

INCOME STATEMENT
For the year ended 31 December 2020

TECHNICAL ACCOUNT – GENERAL BUSINESS

	Note	2020 $'000	2019 $'000
Gross premiums written		-	-
Outward reinsurance premiums		-	(105,758)
Net premiums written		-	(105,758)
Change in the gross provision for unearned premiums		-	-
Change in the provision for unearned premiums, reinsurers' share		-	-
Change in the net provision for unearned premiums		-	-
Earned premiums, net of reinsurance		-	(105,758)
Claims paid			
Gross amount		-	-
Reinsurers' share		**4,084**	-
Net claims paid		**4,084**	-
Change in the provision for claims			
Gross amount		-	129,157
Reinsurers' share		**(4,084)**	(23,399)
Change in the net change in provision for claims		**(4,084)**	105,758
Claims incurred, net of reinsurance		-	105,758
Net operating expenses		-	-
Balance on the technical account for general business	6	-	-

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

ATRIUM 5 LIMITED

INCOME STATEMENT
For the year ended 31 December 2020

NON-TECHNICAL ACCOUNT

	Note	2020 $'000	2019 $'000
Balance on the general business technical account	6	-	-
Lease premium	7	**6,203**	12,408
Investment income	10	**49**	175
Net unrealised gains on investments	10	**1,459**	4,472
Investment expenses and charges	10	**(3)**	(3)
Foreign exchange losses		**(220)**	(117)
Other charges, including amortisation	11	**(326)**	(708)
Profit on ordinary activities before tax		**7,162**	16,227
Tax on profit on ordinary activities	12	**(1,459)**	(3,803)
Profit on ordinary activities after tax		**5,703**	12,424

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

BALANCE SHEET
At 31 December 2020

	Note	2020 $'000	2019 $'000
Assets			
Intangible assets			
Purchased syndicate capacity	14	**2,039**	2,341
Investments	15	-	52,515
Reinsurers' share of technical provisions			
Provision for unearned premiums	19	-	-
Claims outstanding	19	-	4,105
		-	4,105
Debtors			
Arising out of reinsurance operations		-	9,825
Amounts owed by SGL1 Limited		**7,164**	8,614
Other debtors		**94**	-
	16	**7,258**	18,439
Other assets			
Cash at bank and in hand		**472**	217
Total assets		**9,769**	77,617

ATRIUM 5 LIMITED

BALANCE SHEET
At 31 December 2020

	Note	2020 $'000	2019 $'000
Liabilities			
Capital and reserves			
Called up share capital	17	-	-
Retained earnings		5,899	36,446
Shareholder's equity		5,899	36,446
Technical provisions			
Provision for unearned premiums	19	-	-
Claims outstanding	19	-	-
		-	-
Deferred tax liability	12(d)	85	373
Creditors			
Arising out of reinsurance operations		-	21,387
Amounts owed to group undertakings		2,639	13,979
Other creditors		1,146	1,145
Amounts owed to SGL1 Limited		-	4,287
	20	3,785	40,798
Total liabilities		9,769	77,617

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

The financial statements were approved by the Board of Directors on 28 April 2021 and signed on its behalf by:

JRF Lee
Director

Company No: 2861145

ATRIUM 5 LIMITED

STATEMENT OF CHANGES IN EQUITY
As at 31 December 2020

	Share capital $'000	Retained earnings $'000	Total equity $'000
Balance as at 1 January 2019	-	24,022	24,022
Profit for the year	-	12,424	12.424
Dividends	-	-	-
Balance as at 31 December 2019	-	**36,446**	**36,446**
Profit for the year	-	5,703	5,703
Dividends	-	(36,250)	(36,250)
Balance as at 31 December 2020	-	**5,899**	**5,899**

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

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 is 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, a fellow subsidiary company within the Enstar Group.

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

2. 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 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 for the 2018, 2019 and 2020 years of account, net of the quota share contract with Arden Re, is presented on a single line in the income statement as a lease premium/(expense) and in the balance sheet under amounts due to group undertakings and is further explained in note 7.

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 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.

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.

In light of the COVID-19 outbreak globally during the first quarter of 2020 the Company has undertaken detailed analysis of the potential impacts upon its forecast revenue and general financial stability. The Company is reliant upon the existence of the Syndicate for its income.

The Directors of AUL have reviewed the impact of COVID-19 on the Syndicate and have concluded that the

2. BASIS OF PREPARATION *(continued)*

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

Whilst reserves, and the underlying estimated level of claims arising from COVID-19, are inherently uncertain and may materially change, current estimates would indicate that the Syndicate can continue to meet liquidity requirements. COVID-19 has also caused volatility in the financial markets and to investment returns received by the Syndicate and capital providers. The Directors of AUL monitor the Syndicate's investment portfolios under the guidelines in place. The Syndicate's investment portfolio is designed to be a conservative portfolio primarily comprising cash and high credit quality fixed income investments.

The Directors of AUL regularly assess the impact of solvency capital in line with established risk metrics and in compliance with risk appetite, including volatility in financial markets.

In the unlikely event that the impact of COVID-19 on the Syndicate reduced available capital to the extent that a contraction of underwriting capacity was required this would ultimately reduce the income receivable by the Company.

In response to the COVID-19 outbreak, the Company and its parent, AUGL, implemented remote working in advance of any formal government guidance and restrictions. To date no significant issues have been experienced in the Company's ability to operate as a result of these measures.

Taking into account the Company's current position, the output of additional analysis performed on the Company, the current COVID-19 situation does not change the Directors' view that these financial statements should be prepared on the Going Concern basis as set out above.

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.

3. USE OF JUDGEMENTS AND ESTIMATES *(continued)*

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

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

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.

(a) Insurance classification

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

(b) Gross premiums written

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

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

(c) Unearned premiums

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Reinsurance premiums ceded

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

(e) Claims provisions and related recoveries

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

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

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

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

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

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

(f) Deferred acquisition costs

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Unexpired risks provision

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

(h) Investment income and expenses

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

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

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

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

(i) 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 2020	Average rate Quarter 1 2020	Average rate Quarter 2 2020	Average rate Quarter 3 2020	Average rate Quarter 4 2020
Sterling	1.3654	1.2785	1.2399	1.2912	1.3199

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

j) Taxation

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

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

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

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

(k) Financial Instruments

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

Basic financial assets, including deposits with credit institutions, debtors arising out of direct insurance operations (policyholders), cash and cash equivalents and other debtors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at fair value.

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

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including creditors arising from insurance operations that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Financial Instruments *(continued)*

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Fair value measurement
The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the Syndicate estimates the fair value by using a valuation technique. See note 15 for further information on the valuation techniques of the Syndicate in which the Company participates in.

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

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

(l) 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.

(m) Intangible assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Underwriting lease

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

5. RISK AND CAPITAL MANAGEMENT

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

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

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

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

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

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

5. RISK AND CAPITAL MANAGEMENT *(continued)*

The IRSC performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review the IRSC makes recommendations to the Managing Agent's Board of Directors of the claims provisions to be established. In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

Concentration of insurance risk

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

The concentration of insurance by the location of the underlying risk is summarised below. The Company has no gross claims outstanding in 2019 or 2020.

	Reinsurers' Share of Claims Outstanding	
	2020	2019
	$'000	$'000
UK	-	263
Other EU Countries	-	275
US	-	2,262
Asia	-	123
Canada	-	328
Australia	-	123
Other	-	731
	-	4,105

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

	Reinsurers' Share of Claims Outstanding	
	2020	2019
	$'000	$'000
Accident and health	-	71
Motor (other classes)	-	(3)
Marine, aviation and transport	-	2,001
Fire and other damage to property	-	89
Third party liability	-	1,696
Credit and suretyship	-	5
	-	3,859
Reinsurance	-	246
Total	-	4,105

Assumptions and sensitivities

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

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

ATRIUM 5 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

5. RISK AND CAPITAL MANAGEMENT *(continued)*

Financial risk management

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

Market risk

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

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

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

Foreign currency risk management

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

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

The table below summarises the carrying value of the Company's assets and liabilities at the reporting date.

	As at 31 December 2020			As at 31 December 2019		
	Sterling	US Dollar	Total	Sterling	US Dollar	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Intangible assets	-	2,039	**2,039**	-	2,341	**2,341**
Investments	-	-	-	-	52,515	**52,515**
Reinsurers' share of technical provisions	-	-	-	4,105	-	**4,105**
Debtors	-	-	-	9,825	-	**9,825**
Amounts owed by SGL1 Limited	-	7,164	**7,164**	-	8,614	**8,614**
Other debtors	-	94	**94**	-	-	-
Other assets	140	332	**472**	32	185	**217**
Total assets	**140**	**9,629**	**9,769**	**13,962**	**63,655**	**77,617**
Provisions for liabilities	-	85	**85**	-	373	**373**
Creditors	34	1,112	**1,146**	21,420	1,112	**22,532**
Amounts owed to group undertakings	7,804	(5,165)	**2,639**	-	13,979	**13,979**
Amounts owed to SGL1 Limited	-	-	-		4,287	**4,287**
Total liabilities	**7,838**	**(3,968)**	**3,870**	**21,420**	**19,751**	**41,171**
Net (liabilities)/assets	**(7,698)**	**13,597**	**5,899**	**(7,458)**	**43,904**	**36,446**

5. RISK AND CAPITAL MANAGEMENT *(continued)*

Financial risk management *(continued)*

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

	Profit or loss for the year 2020 $'000	Profit or loss for the year 2019 $'000
10% increase in US Dollar/GBP exchange rate	(770)	(746)
10% decrease in US Dollar/GBP exchange rate	770	746

The method for performing sensitivity analysis for currency rate fluctuations has not changed significantly over the financial year.

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

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

Due to the reinsurance to close transaction at 1 January 2020, the Company no longer holds any Syndicate investments.

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

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

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

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

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

5. RISK AND CAPITAL MANAGEMENT *(continued)*

Financial risk management *(continued)*

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

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

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

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

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

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

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

The following table shows aggregated credit risk exposure for assets with external credit ratings.

	AAA	AA	A	BBB	BB	Not rated	Total
As at 31 December 2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Debtors	-	-	-	7,164	-	-	7,164
Other debtors	-	-	94	-	-	-	94
Other assets	-	-	472	-	-	-	472
Total	-	-	566	7,164	-	-	7,730

	AAA	AA	A	BBB	BB	Not rated	Total
As at 31 December 2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Investments	-	-	-	-	-	52,515	52,515
Reinsurers' share of technical provisions	-	-	-	4,105	-	-	4,105
Debtors	-	-	-	18,439	-	-	18,439
Other assets	-	-	217	-	-	-	217
Total	-	-	217	22,544	-	52,515	75,276

As at 31 December 2020 all of the Company's debtors are neither past due nor impaired (2019: all debtors neither past due nor impaired).

5. RISK AND CAPITAL MANAGEMENT *(continued)*

Financial risk management *(continued)*

Liquidity risk management

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

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

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

As at 31 December 2020	Less than 1 year $'000	1 - 3 years $'000	Total $'000
Debtors	7,258	-	7,258
Other assets	472	-	472
Total	7,730	-	7,730
Creditors	3,785	-	3,785
Total	3,785	-	3,785

As at 31 December 2019	Less than 1 year $'000	1 - 3 years $'000	Total $'000
Investments	52,515	-	52,515
Reinsurers' share of technical provisions	4,105	-	4,105
Debtors	17,253	1,186	18,439
Other assets	217	-	217
Total	74,090	1,186	75,276
Creditors	36,512	4,286	40,798
Total	36,512	4,286	40,798

5. RISK AND CAPITAL MANAGEMENT *(continued)*

Capital Management

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

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

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

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member's SCR is determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's, not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2020 was 35% of the member's SCR 'to ultimate' and was applied to the capital that SGL1 was required to put up to support its underwriting on the Syndicate.

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

6. ANALYSIS OF UNDERWRITING RESULT

The only insurance transactions in 2020 related to a movement in reinsurers' share of technical provisions which was fully offset by reinsurers' share of paid claims. As such, there are no values to display in the Analysis of Underwriting Result table for 2020. The table below is for 2019 only.

2019	Gross Premiums Written $'000	Gross Premiums Earned $'000	Gross Claims Incurred $'000	Gross Operating Expenses $'000	Reinsurance Balance $'000	Total $'000	Net Technical Provisions $'000
Direct business							
Accident and health	-	-	10,803	-	(10,803)	-	-
Motor	-	-	6,332	-	(6,332)	-	-
Marine, aviation and transport	-	-	23,567	-	(23,567)	-	-
Fire and other damage to property	-	-	35,461	-	(35,461)	-	-
Third party liability	-	-	36,284	-	(36,284)	-	-
Other	-	-	3,047	-	(3,047)	-	-
Total direct	-	-	115,494	-	(115,494)	-	-
Reinsurance Business							
Reinsurance acceptances	-	-	13,663	-	(13,663)	-	-
	-	-	129,157	-	(129,157)	-	-

7. UNDERWRITING LEASE PREMIUM

The premium of $6,203k (2019: profit $12,408k) 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 calendar year 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

	2020 $'000	2019 $'000
Gross premiums written	**206,656**	192,373
Net earned premium	**84,010**	67,055
Net claims incurred	**(46,744)**	(36,470)
Net operating expenses	**(33,987)**	(20,774)
Net investment return	**2,924**	2,597
Lease income	**6,203**	12,408

7. UNDERWRITING LEASE PREMIUM *(continued)*

Analysis of the balance sheet on leased underwriting

	2020 $,000	2019 $,000
Financial investments	**192,309**	166,851
RI Share: Provisions for unearned premium	**54,012**	45,891
RI Share: Claims outstanding	**96,620**	87,521
Debtors : arising out of direct insurance operations	**48,511**	40,186
Debtors : arising out of reinsurance operations	**777**	4,116
Other debtors	**16,180**	8,862
Cash at bank	**43,395**	37,167
Deferred acquisition costs	**28,386**	26,133
Other prepayments and accrued income	**2,682**	2,324
Total assets	**482,872**	419,051
Profit & loss account reserve	**4,327**	4,327
Provisions for unearned premiums	**91,438**	80,863
Claims outstanding	**254,561**	232,200
Creditors: arising out of direct insurance operations	**114,338**	89,790
Creditors: arising out of reinsurance operations	**8,549**	5,943
Other creditors including taxation and social security	**7,390**	3,490
Accruals and deferred income	**2,269**	2,438
Total liabilities & equity	**482,872**	419,051

8. 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 (2019: $nil) for the use of these services.

9. DIRECTORS REMUNERATION

The Directors of the Company are either remunerated by Atrium Group Services Limited (AGSL), the employing company within the Atrium Group or by Enstar (EU) Limited. Their remuneration is disclosed in the financial statements of these companies. No amounts are charged to the Company for the use of these services (2019: $nil).

NOTES TO THE FINANCIAL STATEMENTS
31 December 2020

10. INVESTMENT RETURN

	2020 $'000	2019 $'000
Investment income		
Income from investments	49	175
	49	175
Net unrealised gains/(losses) on investments		
Unrealised gains on investments	5,561	4,472
Unrealised losses on investments	(4,102)	-
	1,459	4,472
Investment expenses and charges		
Investment management expenses, including interest	(3)	(3)
	(3)	(3)
Non-technical investment return	1,505	4,644

11. OTHER CHARGES, INCLUDING AMORTISATION

Other charges include: amortisation of syndicate capacity of $302,081 (2019: $302,081) and auditors' remuneration in respect of audit services of $12,812 (2019: $12,327).

12. TAX

(a) Tax on profit on ordinary activities

	2020 $'000	2019 $'000
The tax charge is made up as follows:		
Current tax:		
UK corporation tax on the profit for the year	-	-
Tax (over)/under provided in previous years	(228)	161
Group relief payment	1,862	5,404
	1,634	5,565
Foreign tax	113	678
Total current tax	1,747	6,243
Deferred tax:		
Origination and reversal of timing differences	(501)	(2,321)
Effect of decreased tax rate	213	(119)
Total deferred tax (note 12 (d))	(288)	(2,440)
Tax charge on ordinary activities (note 12 (b))	1,459	3,803

12. TAX *(continued)*

(b) Reconciliation of tax charge

	2020 $'000	2019 $'000
Profit on ordinary activities before tax	**7,162**	16,227
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	**1,361**	3,083
Effects of:		
Amounts (over)/under provided in previous years	**(228)**	161
Foreign tax	**113**	678
Changes in tax rates	**213**	(119)
Total tax charge for the year (note 12 (a))	**1,459**	3,803

(c) Factors that may affect future tax charges

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 liability 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. The increase in UK tax rate from the 1 April 2023 has no material impact on the deferred tax liability as at 31 December 2020.

(d) Deferred taxation

	2020 $'000	2019 $'000
The deferred tax included in the balance sheet is as follows:		
Provision of underwriting results	**(508)**	(923)
Other	**423**	550
	(85)	(373)
At 1 January 2020	**(373)**	(2,813)
Deferred tax credit in profit and loss account (note 12(a))	**288**	2,440
At 31 December 2020	**(85)**	(373)

13. DIVIDENDS

	2020 $'000	2019 $'000
Declared and paid during the year on ordinary shares		
Equity dividends paid:		
Interim dividend	**36,250**	-

14. INTANGIBLE ASSETS

Purchased syndicate capacity	$'000
Cost	
At 1 January 2020	6,042
Additions	-
At 31 December 2020	6,042
Amortisation	
At 1 January 2020	3,701
Provided during the year	302
At 31 December 2020	4,003
Net book value	
At 31 December 2020	2,039
At 31 December 2019	2,341

15. INVESTMENTS

	2020 Fair Value $'000	2019 Fair Value $'000	2020 Cost $'000	2019 Cost $'000
Exchange Traded Fund	-	17,486	-	17,421
Other Investments	-	35,029	-	30,557
	-	52,515	-	47,978

The Company's Funds at Lloyd's requirements was met through an exchange traded fund in addition to Other investments which comprise the Patcham balanced fund.

Fair Value methodology

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

To provide an indication about the reliability of the inputs used in determining fair value, the Syndicate in which the Company participates has classified its financial instruments into the three levels. An explanation of each level follows underneath the table.

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

15. INVESTMENTS *(continued)*

Fair Value methodology *(continued)*

Fair value hierarchy:

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

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

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

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

The table below shows financial instruments carried at a fair value through profit or loss grouped into the level in the fair value hierarchy into which each fair value measurement is categorised. There were no investments carried at fair value as at 31 December 2020.

	Level 1	Level 2	Level 3	Total
As at 31 December 2019	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets				
Exchange Traded Fund	-	17,486	-	**17,486**
Other Investments	-	35,029	-	**35,029**
	-	**52,515**	-	**52,515**

16. DEBTORS

	2020	2019
	$'000	$'000
Amounts falling due within one year		
Arising out of reinsurance operations	-	9,825
Amounts due from SGL1 Limited	**7,164**	7,428
Other debtors	**94**	-
	7,258	17,253
Amounts falling due after one year		
Amounts due from SGL1 Limited	-	1,186
	-	1,186
	7,258	18,439

Amounts due from SGL1 Limited represent the profit on the 2018 year of account lease transaction which will be paid to the Company in line with the timelines of the Lloyd's annual distribution process.

17. AUTHORISED AND ISSUED SHARE CAPITAL

	2020	2019
	£	£
Authorised:		
75 (2019: 75) ordinary shares of £1 each	75	75
100 (2019: 100) 'A' of £1 each	100	100
Allotted, issued and fully paid:		
1 (2019: 1) ordinary share of £1	1	1

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.

	2020	2019
	$	$
Allotted, issued and fully paid:		
1 (2019: 1) ordinary share	1	1

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.

18. CLAIMS DEVELOPMENT

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. FRS 103 requires that claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payment, but need not go back more than ten years. The top half of the table shows how the estimates of total claims for each underwriting year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet. The 2016 underwriting year was the final year of underwriting for the Company.

The cumulative claims estimates and payments for each underwriting year are translated into US Dollars at the exchange rates prevailing at 31 December 2018 in all cases, with the reinsurance to close transaction taking place on 1 January 2019.

18. CLAIMS DEVELOPMENT *(continued)*

Analysis of claims development - gross	**2011 $'000**	**2012 $'000**	**2013 $'000**	**2014 $'000**	**2015 $'000**	**2016 $'000**	**Total $'000**
Estimate of ultimate gross claims:							
at end of underwriting year	95,350	84,580	85,110	84,224	90,630	93,448	
one year later	86,235	70,953	83,180	74,788	86,657	86,073	
two years later	83,320	65,306	74,999	69,381	77,976	78,207	
three years later	82,828	58,576	70,946	61,342	73,686	-	
four years later	79,878	55,188	66,533	69,232	-	-	
five years later	77,796	52,893	65,467	-	-	-	
six years later	77,083	51,516	-	-	-	-	
seven years later	72,698	-	-	-	-	-	
Less gross claims paid	65,017	45,995	55,766	45,222	48,985	42,073	
Gross ultimate claims reserve	**7,681**	**5,521**	**9,701**	**24,010**	**24,701**	**36,134**	**107,748**
Gross ultimate claims reserve for 2010 & prior years							**21,409**
Effect of reinsurance to close to SGL1							**(129,157)**
Gross claims reserve							**-**

Analysis of claims development - net	**2011 $'000**	**2012 $'000**	**2013 $'000**	**2014 $'000**	**2015 $'000**	**2016 $'000**	**Total $'000**
Estimate of ultimate net claims:							
at end of underwriting year	78,861	72,459	73,335	72,336	77,159	77,695	
one year later	74,220	63,402	72,993	67,148	76,449	74,112	
two years later	68,952	58,958	66,430	63,532	69,406	68,828	
three years later	63,860	52,812	62,892	56,532	66,026	-	
four years later	61,071	49,951	59,083	56,391	-	-	
five years later	59,454	47,873	57,919	-	-	-	
six years later	58,882	46,453	-	-	-	-	
seven years later	56,536	-	-	-	-	-	
Less net claims paid	53,166	41,399	49,271	41,907	45,004	37,180	
Net ultimate claims reserve	**3,370**	**5,054**	**8,648**	**14,484**	**21,022**	**31,648**	**84,226**
Net ultimate claims reserve for 2010 & prior years							**17,588**
Effect of reinsurance to close to SGL1							**(101,814)**
Net claims reserve							**-**

19. TECHNICAL PROVISIONS

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

	2020			2019		
	Gross provisions	Reinsurance assets	Net	Gross provisions	Reinsurance assets	Net
Claims outstanding	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January	-	**4,105**	**(4,105)**	129,157	27,343	**101,814**
Cash paid for claims settled in the year	-	(4,084)	**4,084**	-	-	-
Effect of reinsurance to close to SGL1	-	-	-	(129,157)	(23,399)	**(105,758)**
Effect of movements in exchange rates	-	(21)	**21**	-	161	**(161)**
Balance at 31 December	-	-	-	-	**4,105**	**(4,105)**
Claims reported and claims adjustment expenses	-	-	-	-	3,524	**(3,524)**
Claims incurred but not reported	-	-	-	-	581	**(581)**
Balance at 31 December	-	-	-	-	**4,105**	**(4,105)**
Unearned Premiums						
Balance at 1 January	-	-	-	-	-	-
Premiums written during the year	-	-	-	-	105,758	**105,758**
Premiums earned during the year	-	-	-	-	(105,758)	**(105,758)**
Balance at 31 December	-	-	-	-	-	-

20. CREDITORS

	2020	2019
	$'000	$'000
Amounts falling due within one year		
Arising out of reinsurance operations	-	21,387
Amounts owed to group undertakings	**2,639**	9,172
Other creditors	**1,146**	1,145
Loan owed to group undertaking	-	4,807
	3,785	36,511
Amounts falling due after one year		
Amounts owed to SGL1 Limited	-	4,287
	3,785	40,798

21. CONTINGENT LIABILITIES

Charge over assets
At 1 January 2020, the Atrium Group's participation in underwriting at Lloyd's is £133.5m (2019: £114.7m), equating to $182.3m (2019: $152.2m) at year end exchange rates, through ownership of its underwriting subsidiary, Atrium 5. With effect from 1 January 2021, following the Stone Point transaction, ACCL will participate on the Syndicate from the 2021 year of account onwards. The Company ceased participating on the Syndicate after the 2020 year of account.

Effective 1 January 2017 the Company ceased to underwrite new business at Lloyd's, with the Syndicate capacity being reallocated to a fellow Enstar group company, SGL1, under a capacity lease agreement.

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

On 24 September 2020, AUGL entered into a deed of indemnity with 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. Therefore, in order for Lloyd's to release all remaining funds at Lloyd's in respect of the Company, it required an undertaking from AUGL that it would meet all such potential tax liabilities. AUGL has agreed to pay to Lloyd's an amount equivalent to any tax liability of 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.

Following the Stone Point transaction, a new Lloyd's corporate member, ACCL, has been formed. ACCL will participate on the Syndicate from the 2021 year of account onwards.

22. RELATED PARTIES

The Company is 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'.

23. EVENTS SINCE THE BALANCE SHEET DATE

The ultimate holding company as at the balance sheet date was Enstar Group Limited. On 13 August 2020, Enstar entered into a Recapitalisation Agreement, whereby Enstar agreed to exchange a portion of its indirect interest in Northshore Holdings Limited for all of the Trident V Funds indirect interest in Starstone U.S. The transaction completed on 1 January 2021 when ultimate ownership of the Company transferred to Northshore, with the Trident V Funds becoming the majority shareholder in Northshore.

24. ULTIMATE PARENT COMPANY

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

The Company's ultimate parent undertaking as at the balance sheet date is Enstar Group Limited. Enstar Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Enstar Group Limited are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), are available to the public and may be obtained from the US Securities and Exchange Commission (www.sec.gov). Refer to note 2 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.