

Company No: 6022662

ATRIUM GROUP SERVICES LIMITED

**REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2021**



ATRIUM GROUP SERVICES 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 GROUP SERVICES LIMITED

STRATEGIC REPORT

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

Results

The profit for the year, after taxation, amounted to \$286,847 (2020: profit \$609,489).

Principal activities and review of the business

Atrium Group Services Limited (AGSL or the Company) is a wholly owned subsidiary of Atrium Underwriting Group Limited (AUGL), and acts as a service company on behalf of Northshore Holdings Limited and its subsidiary companies (the Northshore Group) and Lloyd's Syndicate 609 (the Syndicate).

The Board measures performance of the business using a number of Key Performance Indicators (KPIs) as shown in the table below.

	2021 \$	2020 \$	Change %
Net assets	1,238,387	951,540	30.1
Profit before tax	267,043	1,068,686	(75.0)
Profit after tax	286,847	609,489	(52.9)

Net assets have increased as a result of the profit for the year. The profit before tax of \$267,043 is lower than the 2020 profit of \$1,068,686 mainly due to an increase in AGSL's own expenses which are not recharged to group companies. All expenses are recharged to group companies with the exception of foreign exchange losses of \$470,633 (2020: \$92,202 loss) in the current year, an irrecoverable VAT charge of \$63,981 (2020: \$11,845), audit fees of \$82,774 (2020: \$28,915) and other non material direct expenses. The Company receives a fee from other group companies as it acts as a service company.

Principal risks and uncertainty

Governance

The Board recognises the critical importance of having efficient and effective risk management systems in place but also recognises that it can only mitigate risks, and not eliminate them entirely. Within the AUGL group of companies (Atrium Group) there is an established risk management framework encompassing a risk register, a programme of internal control testing and the risk policies which set out the risk appetite, controls and business conduct standards in order to manage the risks to which the Atrium Group is exposed.

The principal risks and uncertainties facing the Company are as follows:

Credit risk

Credit risk is the exposure to loss if another party fails to perform its financial obligations to the Company, including failing to perform them in a timely manner. The key aspect of credit risk to which AGSL is exposed is the risk of default by one or more of the other Northshore Group companies whereby they would not be able to meet their debts to AGSL as they fall due.

Compliance with Section 172 of the Companies Act

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

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

STRATEGIC REPORT *(continued)*

The likely consequences of any decisions in the long-term

The Board of AUGL has set a number of key strategic priorities for the Atrium Group for 2022. These strategic priorities are cascaded to subsidiary entities, including AGSL, to implement. These are summarised as follows:

- We will design and embed an Environmental, Corporate and Social Governance (ESG) framework that is meaningful, proportionate and reflects Atrium's aims and ambition.
- We will continue our focus on overall career and talent development.
- We will continue to develop our internal and external communications strategy, building on the work started in 2021 helping the business articulate its culture, values and strengths to a wider audience in order to increase exposure and to help attract and retain talent.
- We will review and optimise the Northshore Holdings Limited corporate structure.
- We will continue to proactively drive forward technological and digital solutions to optimise our business.

The interests of the Company's employees

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

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

AGSL's customers, the Northshore Group companies including the Syndicate, are key to the long term success of the Company. We seek to ensure that all suppliers we trade with provide appropriate value to the Atrium Group and we agree terms of trade with them. We negotiate and maintain key contracts and agreements on behalf of the Northshore Group of companies including the Syndicate. All entities that we provide services to are provided with detailed disclosure of the expenses that have been settled on their behalf.

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

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

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

AGSL, and the wider Atrium Group, seeks to achieve and maintain a reputation for demonstrating a high standard of business conduct as this has a positive impact on interactions with and reviews required by Regulators. We maintain an open dialogue with regulators and seek to maintain a strong and trusted reputation on behalf of the Northshore Group companies we provide services to.

The need to act fairly between shareholders of the Company

AGSL is a wholly owned subsidiary of AUGL and at the balance Sheet date was ultimately owned by Northshore Holdings Limited (Northshore). We have an on-going dialogue with both AUGL and Northshore. Formal communication of financial results is provided on a quarterly basis. We engage with AUGL to ensure that the strategic direction of the business is aligned with group objectives.

STRATEGIC REPORT *(continued)*

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

During the year the Atrium Group considered its strategic priorities for 2021 which included continuing to grow the gross written premium of the Syndicate and to underwrite a demonstrably more profitable book of business. As managing agent of the Syndicate, the Board of Atrium Underwriters Limited (AUL) approved the business plan for 2022 year of account for the Syndicate which included significant premium income growth and led to increasing the stamp capacity for the Syndicate from £625m for the 2021 year of account to £652m for the 2022 year of account. The impact that this would have on the expenses base of AGSL was considered as part of the detailed financial review that is completed annually.

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

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

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

The Board considered how to promote the Company both internally and externally. Through the formation of a communications working group a wider communications plan was rolled out which internally covered the Company values and externally covered the Atrium story through social media channels. The Board will continue with the promotion of the Company in 2022.

Brexit

The Directors have considered the impact of Brexit on the Company and have concluded that, as the UK service company to the Northshore Group, employing no EU staff, AGSL is not materially impacted.

By order of the board



KH Steward
Director
29 April 2022

DIRECTORS' REPORT

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

Dividends

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

Directors and officers of the Company

The current Directors of the Company are disclosed on page 1. There were no director appointments or resignations during the year. None of the Directors have any financial interest in the Company.

Future developments

The Directors intend that the Company continues to be a service company for the Atrium Group.

Events since the balance sheet date

On 24 February 2022 Russia launched a large scale invasion of Ukraine. At the time of signing the financial statements the event is still ongoing, however we do not expect a material impact to the Company of the invasion or the sanctions imposed. The Board will continue to closely monitor developments over the coming weeks. This will be a 2022 calendar year event and will not impact the 2021 financial statements.

Going concern

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

As a service company to the Atrium Group and principally to the Syndicate, managed by AUL, the Company is reliant upon the existence of the Syndicate as a going concern for its own long term existence.

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

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

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

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

DIRECTORS' REPORT *(continued)*

Based on the going concern assessment performed as at 31 December 2021, the AUL Board consider there to be no material uncertainties that may cast significant doubt over the Syndicate's ability to continue to operate as a going concern. The AUL Board have formed a judgment that there is a reasonable expectation that the Syndicate has adequate resources to continue in operational existence in the foreseeable future, a period of at least 12 months from the date of signing these financial statements.

Political donations

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

Financial risk management

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

Disclosure of information to the auditor

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

Re-appointment of auditor

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

By order of the board



KH Steward
Director
29 April 2022

ATRIUM GROUP SERVICES LIMITED

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

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

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

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

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

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

ATRIUM GROUP SERVICES LIMITED

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

Opinion

We have audited the financial statements of Atrium Group Services Limited ("the Company") for the year ended 31 December 2021 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 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.

ATRIUM GROUP SERVICES LIMITED

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

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

We did not identify any additional fraud risks.

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

We also performed the following procedures including:

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

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

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

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

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

ATRIUM GROUP SERVICES LIMITED

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 have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

ATRIUM GROUP SERVICES LIMITED

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



David Maddams (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
29 April 2022

ATRIUM GROUP SERVICES LIMITED**INCOME STATEMENT****For the year ended 31 December 2021**

	Notes	2021 \$	2020 \$
Turnover	3	72,731,258	63,219,247
Administrative expenses	4,5,6,7	(72,466,605)	(62,243,951)
Operating profit		264,653	975,296
Loss on disposal of fixed assets		—	(5,743)
Interest income		2,390	99,133
Profit on ordinary activities before tax		267,043	1,068,686
Tax credit/(charge) on profit on ordinary activities	8	19,804	(459,197)
Profit on ordinary activities after tax		286,847	609,489

All results are derived from continuing activities.

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

ATRIUM GROUP SERVICES LIMITED**BALANCE SHEET****As at 31 December 2021**

	Notes	2021 \$	2020 \$
Fixed assets	9	—	1,688
Investment in subsidiary	10	3	3
Current assets			
Debtors: due within one year	11	15,176,303	10,994,778
Cash and cash equivalents		19,348,481	20,573,637
		<u>34,524,784</u>	<u>31,568,415</u>
Non-current assets			
Debtors: due after more than one year	11	2,344,088	1,961,306
Current liabilities			
Creditors: due within one year	12	(30,495,774)	(28,659,976)
Non-current liabilities			
Creditors: due after more than one year	12	(5,134,714)	(3,919,896)
Net assets		<u>1,238,387</u>	<u>951,540</u>
Capital and reserves			
Called up share capital	13	1	1
Retained earnings		1,238,386	951,539
Shareholder's funds		<u>1,238,387</u>	<u>951,540</u>

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

The financial statements were approved by the Board of Directors on 29 April 2022 and signed on its behalf by:



KH Steward
Director

Company No: 6022662

ATRIUM GROUP SERVICES LIMITED**STATEMENT OF CHANGES IN EQUITY**
For the year ended 31 December 2021

	Share capital	Retained earnings	Total equity
	\$	\$	\$
Balance as at 1 January 2020	1	342,050	342,051
Profit for the year	—	609,489	609,489
Capital contribution for share based compensation	—	534,956	534,956
Recharge for share based compensation	—	(534,956)	(534,956)
Balance as at 31 December 2020	1	951,539	951,540
Profit for the year	—	286,847	286,847
Balance as at 31 December 2021	1	1,238,386	1,238,387

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

1. GENERAL INFORMATION

The principal activity of the Company during the year continued to be to act as a service company on behalf of the Northshore 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

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

(b) Change in accounting policy/prior period adjustment

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

(c) Exemptions for qualifying entities under FRS 102

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

(d) Going concern

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

As a service company to the Atrium Group and principally to the Syndicate, managed by AUL, the Company is reliant upon the existence of the Syndicate as a going concern for its own long term existence.

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

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

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

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

Based on the going concern assessment performed as at 31 December 2021, the AUL Board consider there to be no material uncertainties that may cast significant doubt over the Syndicate's ability to continue to operate as a going concern. The AUL Board have formed a judgment that there is a reasonable expectation that the Syndicate has adequate resources to continue in operational existence in the foreseeable future, a period of at least 12 months from the date of signing these financial statements.

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

(e) 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. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the retranslation at the period-end, are recognised in the income statement.

Foreign currency rates of exchange to the functional currency (US dollars) are shown in the table below.

	Closing rate at	Average rate	Average rate	Average rate	Average rate
	31 December	Quarter 1	Quarter 2	Quarter 3	Quarter 4
	2021	2021	2021	2021	2021
Sterling	1.3536	1.3773	1.3913	1.3731	1.3485
Canadian dollar	0.7902	0.7868	0.8108	0.7971	0.7918
Euro	1.1377	1.2045	1.1965	1.1774	1.1451

(f) Turnover

Turnover represents amounts derived from the Company's activity as a group service company and consists of fee income, charge for use of assets and expenses recharged to other group companies. The Company applies an 8% markup on staff costs recharged to fellow companies in the Atrium Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

(g) Employee benefits

i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ii) Pensions

The Company incurs pension costs from a defined contribution scheme. Certain directors and staff have personal pension arrangements to which the Company contributes. Contributions are charged to the income statement as they become payable in accordance with rules of the schemes.

iii) Share based incentive scheme

Northshore operate an employee share based incentive scheme in the shares of the Northshore company. The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instrument at the date at which it was granted. The expense is recognised in the income statement over the performance period of the share based incentive scheme.

The fair value of the equity-settled transactions granted was set by the Board of Directors of Northshore. The Company has taken advantage of the transition exemption under paragraph 35.10(b) of FRS 102 in respect of share-based payment transactions, from retrospectively re-measuring share-based payments based on the requirements of FRS 102 for those share options granted before the transition date.

iv) Cash incentive schemes

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

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

The Atrium Group also has a Super Long Term Incentive Cash Plan. The participants in this plan have been granted a cash award over total awards performance stock units (PSUs) and they will receive cash on the vesting of those awards, the value of which will be determined by the Northshore Book Value per share at the award vesting date.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

(h) Taxation

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

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

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

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

(i) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated to write off the cost of all fixed assets, in equal annual instalments, over their estimated useful lives at the following rates:

Fixtures, fittings and equipment	20% per annum
Computer equipment	33 ¹ / ₃ % per annum

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

(j) Operating leased assets

Leases that do not transfer all of the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

(I) Financial instruments

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

i) Financial assets

Basic financial assets, including debtors and cash and cash equivalents, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. All such financial assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income immediately.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income immediately.

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

ii) Financial liabilities

Basic financial liabilities, including trade creditors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost.

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

iii) Offsetting

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

(m) Critical accounting judgements and estimation uncertainty

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

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

(n) Investment in subsidiary

The investment in subsidiary is stated at cost less provision for any impairment. If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is immediately recognised in the income statement.

(o) Non-current liabilities

Non-current liabilities represent other creditors, taxes and social security liabilities in relation to the unvested cash plans that the Company operates. The liabilities become payable on the vesting date of the cash plan.

3. TURNOVER

The fee income within turnover relates to service fees paid by the following group companies, AUL, AUGL, Atrium Insurance Agency Limited and Atrium Risk Management Services (Washington) Limited. The fee income is paid to the Company for its services provided as a service company to the group companies to which it recharges expenses.

Analysis of turnover by category:

	2021	2020
	\$	\$
Fee income	886,087	543,466
Charge for use of assets	1,591	207,640
Expenses recharged	71,843,580	62,468,141
	<u>72,731,258</u>	<u>63,219,247</u>

4. ADMINISTRATIVE EXPENSES

	2021	2020
	\$	\$
These include:		
Lease charge - rent	706,451	622,780
Auditor's remuneration – audit of the financial statements	82,774	28,915
Depreciation of fixed assets	1,591	207,640
Foreign exchange and currency transactions losses/(gains)	470,633	(203,267)

No fees were paid to the Company's auditor for services other than for the statutory audit of the Company (2020: \$nil).

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

5. EMPLOYEE BENEFITS

	2021	2020
	\$	\$
Staff costs including directors' emoluments		
Wages and salaries	26,822,308	22,111,374
Share based payments recharge	906,006	1,991,836
Cash incentive scheme recharge	8,262,559	6,378,041
Social security costs	5,074,304	4,220,523
Defined contribution pension costs	4,137,227	3,474,256
	<u>45,202,404</u>	<u>38,176,030</u>
Recharged to group companies	<u>(45,202,404)</u>	<u>(38,176,030)</u>
	—	—

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

6. DIRECTORS' REMUNERATION

The Company is the employing company within the Atrium Group for all UK employees. The disclosure below relates to Directors within the UK Atrium Group all of whom are deemed to be key management personnel. Directors' remuneration is recharged to other group companies for the use of their services.

	2021	2020
	\$	\$
Directors' remuneration		
Executive services	9,515,818	8,334,297
Pension contributions	27,742	40,122
	<u>9,543,560</u>	<u>8,374,419</u>
Recharged to group companies	<u>(9,543,560)</u>	<u>(8,374,419)</u>
	—	—

Executive services of key management personnel includes share and cash based payments under FRS 102.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

6. DIRECTORS' REMUNERATION (continued)

During 2021 eight (2020: eight) group directors benefitted from the vesting of long term incentive plan awards.

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

	2021	2020
Number of group directors who received cash awards under the Northshore Long Term Incentive Plan	8	8
Number of group directors who received matching cash awards	7	7
Number of group directors to whom retirement benefits are accruing under a defined contribution pension scheme	4	4
	2021	2020
	\$	\$
In respect of the highest paid group director, the following was paid:		
Executive services	2,099,701	1,919,258
	2,099,701	1,919,258
Recharged to group companies	(2,099,701)	(1,919,258)
	—	—

Refer to note 7 for further details of the share incentive schemes.

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

7. SHARE BASED INCENTIVE SCHEMES

Section 26 of FRS 102 requires share-based payments to be expensed based on their fair value at the date of grant. The expense is recognised in the income statement over the vesting period of the share-based payment.

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

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

Share Based Incentive Schemes	Year ended 31 December 2021 Number	Weighted average fair value US\$	Year ended 31 December 2020 Number	Weighted average fair value US\$
Outstanding at 1 January	989	1,014.53	6,183	1,122.67
Granted	78	836.44	—	—
Vested	(715)	836.44	(5,098)	759.57
Cash Settled	—	—	(83)	758.73
Lapsed	—	—	(13)	908.03
Outstanding at 31 December	352	960.68	989	1,014.53

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

8. TAXATION

(a) Tax on income statement	2021	2020
	\$	\$

The tax charge is made up as follows:

Current tax:

UK corporation tax on profit for the year	409,607	—
Group relief payment	—	282,080
Tax (over)/under provided in previous years	(46,629)	114,288
Total current tax	<u>362,978</u>	<u>396,368</u>

Deferred tax:

Origination and reversal of timing differences	(59,615)	220,965
Deferred tax under provided in previous years	12,056	—
Effect of decreased tax rate	(335,223)	(158,136)
Total deferred tax (note 8(d))	<u>(382,782)</u>	<u>62,829</u>

Tax (credit)/charge on ordinary activities (note 8 (b))	<u>(19,804)</u>	<u>459,197</u>
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b) Reconciliation of tax (credit)/charge

	2021	2020
	\$	\$
Profit on ordinary activities before tax	267,043	1,068,686
Effects of:		
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	50,738	203,050
Effects of:		
Origination and reversal of timing differences	(59,615)	—
Expenses not deductible for tax purposes and permanent differences	95,000	85,500
Share scheme permanent differences	263,869	214,495
Amounts (over)/under provided in previous years	(34,573)	114,288
Rate change in respect of deferred tax	(335,223)	(158,136)
Total tax (credit)/charge for the year (note 8 (a))	<u>(19,804)</u>	<u>459,197</u>

(c) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related (temporary/timing) differences (2020: 19%).

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

8. TAXATION (continued)

(d) Deferred taxation

	2021	2020
	\$	\$
The deferred tax included in the balance sheet is as follows:		
Employment provisions	2,228,255	1,808,312
Capital allowances	115,833	152,994
	<u>2,344,088</u>	<u>1,961,306</u>
At 1 January 2021	1,961,306	2,024,135
Deferred tax credit/(charge) in income statement	382,782	(62,829)
At 31 December 2021	<u>2,344,088</u>	<u>1,961,306</u>

The impact of changes in corporation tax rates on deferred tax is a credit of \$335,223 (2020: \$158,136 credit).

9. FIXED ASSETS

	Fixtures, Fittings & Equipment	Total
	\$	\$
COST		
At 1 January 2021	1,180,450	1,180,450
At 31 December 2021	<u>1,180,450</u>	<u>1,180,450</u>
DEPRECIATION		
At 1 January 2021	1,178,762	1,178,762
Depreciation	1,688	1,688
At 31 December 2021	<u>1,180,450</u>	<u>1,180,450</u>
NET BOOK VALUE		
At 31 December 2021	—	—
At 31 December 2020	<u>1,688</u>	<u>1,688</u>

10. INVESTMENT IN SUBSIDIARY

The Company has a \$3 investment in Atrium Nominees Limited, a wholly owned subsidiary. The purpose of this company is to hold the shares of Northshore Holdings Limited which Atrium employees have a beneficial interest in, through their participation in the share based incentive schemes. There were no additions or disposals of subsidiaries during the current and prior year.

Name of subsidiary	Address	Description of shares held	Business	Share interest	Economic/ voting rights in shares
Atrium Nominees Limited (incorporated in England & Wales)	Room 790, Lloyd's 1 Lime Street London EC3M 7DQ	Ordinary shares	Nominee shareholder for Atrium group staff	100%	100%/100%

ATRIUM GROUP SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

11. DEBTORS

	2021	2020
	\$	\$
Due within one year:		
Amounts owed by parent undertakings	2,668,002	1,821,209
Amounts owed by group undertakings	7,445,613	7,430,188
Trade debtors	2,409,114	306,993
Prepayments and accrued income	986,634	627,737
Other debtors	1,666,940	808,651
	15,176,303	10,994,778
Due after more than one year:		
Deferred tax	2,344,088	1,961,306
	2,344,088	1,961,306

12. CREDITORS

	2021	2020
	\$	\$
Due within one year:		
Amounts owed to parent undertaking	—	1,817,715
Other taxes and social security	3,206,960	2,641,277
Accruals and deferred income	19,898,668	17,156,664
Other creditors	655,077	219,397
Amounts due to participants in cash schemes	6,735,069	6,824,923
	30,495,774	28,659,976
Due after more than one year:		
Amounts due to participants in cash schemes	5,134,714	3,919,896
	5,134,714	3,919,896

13. AUTHORISED AND ISSUED SHARE CAPITAL

	<i>Allotted, issued and fully paid</i>			
	2021	2020	2021	2020
	No.	No.	\$	\$
Ordinary share of £1 each	1	1	1	1
	1	1	1	1

	<i>Allotted, issued and fully paid</i>			
	2021	2020	2021	2020
	No.	No.	£	£
Ordinary share of £1 each	1	1	1	1
	1	1	1	1

The ordinary share confers upon the holder the right to receive a dividend from the profits made by the Company which are available for distribution, the right to receive notice of and to attend general meetings of the Company and to one vote at such meetings.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

14. RELATED PARTIES

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

15. LEASING COMMITMENTS

	Land and buildings	
	2021	2020
	\$	\$
At 31 December 2021 the Company had the following non-cancellable operating leases with payables as follows:		
- less than one year	1,046,758	934,879
- between one and five years	261,689	244,255
	1,308,447	1,179,134

Of the commitments due under operating leases for the period to 31 December 2022, as at 31 December 2021, \$930,568 (2020: \$822,694) will be reimbursed by the Syndicate and \$116,190 (2020: \$112,185) will be reimbursed by other group companies.

16. EVENTS SINCE THE BALANCE SHEET DATE

On 24 February 2022 Russia launched a large scale invasion of Ukraine. At the time of signing the financial statements the event is still ongoing, however we do not expect a material impact to the Company of the invasion or the sanctions imposed. The Board will continue to closely monitor developments over the coming weeks. This will be a 2022 calendar year event and will not impact the 2021 financial statements.

17. ULTIMATE HOLDING COMPANY

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

As the ultimate UK parent undertaking, Alopuc Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Alopuc Limited are prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ("FRS 102") and section 396 of, and schedule 4 to, the Companies Act 2006. The registered office address of Alopuc Limited is Room 790, Lloyd's, 1 Lime Street, London, EC3M 7DQ.