

Company No: 5993519

ATRIUM INSURANCE AGENCY LIMITED

**REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2019**

ATRIUM INSURANCE AGENCY LIMITED

DIRECTORS

PJ Hargrave
RdWW Harries
JRF Lee
DI Wade
KH Steward (effective 15th March 2020)

SECRETARY

M Bruce
Bruce Wallace Associates Limited
118 Pall Mall
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AUDITOR

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REGISTERED OFFICE

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STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2019.

Results

The loss for the year, after taxation was \$61,151 (2018: loss \$189,157).

Principal activities and review of the business

Atrium Insurance Agency Limited (AIAL or the Company) is a wholly owned subsidiary of Atrium Underwriting Group Limited (AUGL) and is authorised and regulated by the Financial Conduct Authority (FCA). AIAL is also an approved Lloyd's UK Coverholder and manages the Atrium Space Insurance Consortium (ASIC). All consortium members delegate authority to AIAL to write space risks on their behalf.

The Consortium comprises ten Lloyd's syndicates with Syndicate 609 being the leading Consortium member. The Consortium benefits from a line of \$38.8m (2019: \$40.5m) for any one satellite or satellite launches with Syndicate 609 taking a \$10.0m line for 2020 (2019: \$10.0m).

The Board assesses performance using a number of KPIs as shown below.

	2019 \$	2018 \$	Change %
Turnover	1,221,186	1,681,870	(27.4)%
Loss before tax	(75,443)	(336,541)	77.6 %
Net assets	74,942	136,093	(44.9)%

AIAL earns fees and profit commissions based on the activities of ASIC. The Company has made a loss due to a number of launches which were delayed from 2019 to 2020. The impact of this was reduced income. The Directors anticipate that the Company will return to profit in 2020 due to the receipt of profit commission in respect of 2018 YOA.

Strategy

The Company's strategy is to:

- underwrite high quality space risks on behalf of the Consortium members;
- deliver high quality, timely and transparent information and services for the Consortium members;
- maintain operational discipline throughout the market cycle; and
- comply with Atrium group and external reporting requirements.

Principal risks and uncertainties

The Board of AUGL is responsible for the Group's systems and internal controls and for reviewing their effectiveness.

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 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:

STRATEGIC REPORT *(continued)*

Income risk

The Company is exposed to income risk through loss of profit commissions if the underwriting results of the consortium are worse than expected due to higher frequency or severity of insured events (referred to as insurance claims risk). The Company is also exposed to loss of fee income following suspension of launches. The Atrium Group monitors exposures relating to Lloyd's prescribed Realistic Disaster Scenarios, including satellite risks.

Credit risk

The key aspect of credit risk is the risk of default by one or more of the consortium members. Each consortium member signs a consortium agreement annually which sets out, amongst other aspects, the requirements that are expected of each consortium member.

Market risk

The key aspect of market risk is that the Company could incur losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. This risk is mitigated as the majority of the Company's business is denominated in US dollars and the majority of assets are maintained in US dollars.

Liquidity risk

This is the risk that the Company will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. To mitigate this risk, cashflow projections are reviewed on a regular basis. The need for borrowings or overdraft facilities in case of unprojected cash flow deficit is also reviewed regularly.

Operational risk

This is the risk that errors caused by people, processes or systems lead to losses to the Company. The Atrium Group seeks to manage this risk by operating a control based environment which consists of documented procedures, segregation of duties and appropriate levels of review. Regular reviews are performed by internal audit to ensure that deviations from the Atrium Group's policies are identified and reported to the appropriate level of management when considered necessary.

Regulatory risk

The Company is required to comply with the requirements of the FCA. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Atrium Group has a Compliance Officer and a team who monitor regulatory developments and assess the impact on group policy.

Compliance with Section 172 of the Companies Act

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

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

The likely consequences of any decisions in the long-term.

The Board has set a number of key strategic priorities for 2020, as detailed earlier in this report.

These priorities reflect the need to consider the interests of the Consortium members and the need to deliver financial returns commensurate to the level of underwriting risk taken on.

STRATEGIC REPORT *(continued)*

The interests of the company's employees.

Engaged, enabled, empowered employees who contribute to the best of their potential are fundamental to the long-term success of the business. We employ and develop high calibre staff. We maintain oversight of their performance through an annual performance and development review process. We seek to offer appropriate levels of remuneration which we benchmark using market surveys. We value our employees' thoughts and ideas and two-way communication is actively sought and encouraged. An independent Staff Engagement Survey was conducted by the Atrium Group during the year, the results of which were considered in detail by the Atrium Group and helped to inform and guide subsequent strategic decisions that were made. 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.

AIAL's customers, the Consortium members, are key to the long-term success of our business. The Consortium comprises of ten Lloyd's syndicates with Syndicate 609 being the leading Consortium member. With all members delegating authority to AIAL to write space risks on their behalf, our reputation needs to be preserved. We seek to grow our customer base at the appropriate times to ensure that the Consortium receives the appropriate level of support. All Consortium members receive appropriate level of disclosure.

The impact of the company's operations on the community and environment.

AIAL is a responsible member of its community as it reflects our culture and matters to our staff and local community. Through practices established by its parent company, Atrium Underwriting Group Limited (AUGL), AIAL has a strong culture of supporting staff in both individual and group volunteering and fundraising initiatives. To maintain direction and drive momentum we have a CSR Committee to coordinate CSR activities within the Atrium Group. These now encompass working with an educational charity partner and partnerships with a CSR presence in the London Market; encouraging staff to volunteer at local community projects and participate in local events; and providing corporate sponsorship of charitable activities.

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

As a approved Lloyd's UK coverholder, authorised and regulated by the FCA, AIAL must comply with regulatory rules and minimum standards in order to maintain its licence to operate. Over and above this AIAL seeks to achieve and maintain a reputation for demonstrating a high standard of business conduct as this has a positive impact on interactions with and reviews required by Regulators. We maintain an open dialogue with all regulators and seek to maintain a strong and trusted reputation.

The need to act fairly as between shareholders of the company.

AIAL is a wholly owned subsidiary of Atrium Underwriting Group Limited (AUGL) and is ultimately owned by Enstar Group Limited (Enstar). We have a on-going dialogue with both AUGL and Enstar. Formal communication of financial results is provided on a quarterly basis. We engage with AUGL to ensure that the strategic direction of the business is aligned with group objectives.

Material decisions impacting stakeholders which took place in the year ended 31 December 2019

During the year the Board considered its strategic priorities for 2019 which included underwriting high quality space risks on behalf of Consortium members and delivering high quality, timely and transparent information to said members. The Board approved business plan for 2020 which projects a return to profit.

During 2019 there was a lot of work done to ensure a smooth transition of relevant EEA domiciled business to the Lloyd's Brussels platform. This ensured our customers received seamless service, our regulators were satisfied we were taking appropriate actions and the capital providers were not disadvantaged by the loss of income. Further information regarding the impact of Brexit is provided later in this report.

STRATEGIC REPORT *(continued)*

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

Brexit

On 31 January 2020, the UK formally left the EU (commonly known as Brexit) and has entered into a transition period lasting until 31 December 2020. During the transition period the UK and the EU will negotiate their future relationship and EU law will continue to apply in and to the UK. Whilst there is a legal mechanism to facilitate the extension of the transition period by a further two years, a request to do so would need to be made by the UK by 30 June 2020, and this has already been ruled out by the current Government.

Following the end of the transition period, it is anticipated that Lloyd's members, including syndicate members of the Atrium Space Insurance Consortium (ASIC), will no longer benefit from EU passporting provisions and will no longer have permission to underwrite European Economic Area (EEA) (re)insurance business. However, 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 policy holders within the EEA, Lloyd's established a subsidiary insurance and reinsurance company incorporated in Belgium, Lloyd's Insurance Company S.A. (Lloyd's Brussels). Atrium worked closely with Lloyd's on this contingency arrangement. Lloyd's Brussels is authorised in Belgium by the National Bank of Belgium (NBB) and regulated by the NBB and the Financial Services and Markets Authority 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"). Lloyd's Brussels has 18 branches across the EEA and a branch in the UK.

Lloyd's Brussels writes all classes of non-life insurance business and non-life reinsurance (facultative and non-proportional excess of loss treaty only) business from EEA countries. It does not underwrite proportional treaty reinsurance. The establishment of Lloyd's Brussels 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, ASIC has incorporated the essential changes required by Lloyd's throughout the organisation, enabling us to uphold our reputation by providing the best possible service to brokers, coverholders and ultimately policy holders.

The most significant change for ASIC is that whilst the Consortium has historically been constituted under the AIAL Coverholder Agreement with each member of the Consortium committing to the Consortium using their Lloyd's Syndicate stamp, for EEA risks, a parallel Consortium has been constituted under an AIAL Coverholder Appointment Agreement under which each member syndicate commits using their Lloyd's Brussels (LBS) stamps. Each line written by the Consortium member under the Coverholder Appointment Agreement is 100% reinsured back to the Consortium members syndicate.

To achieve contract continuity, Lloyd's will transfer all remaining affected policies (comprising all relevant non-life direct EEA insurance and inwards German reinsurance business that has been written by the Lloyd's market between 1993 and 2020) to Lloyd's Brussels. This will be undertaken via an insurance business transfer under Part VII of the UK's Financial Services and Markets Act 2000 (the Part VII transfer) and is scheduled to take place in October 2020. Passporting rights will continue to apply during the transition period, allowing Lloyd's underwriters and UK intermediaries to continue to service existing EEA policies, including the payment of valid insurance claims.

STRATEGIC REPORT *(continued)*

AIAL's Board remains confident that ASIC's future performance should not be materially impacted by Brexit.

Coronavirus

It is too early to estimate the financial impact to the AIAL from Coronavirus. To date only Arianespace has been affected, having to stop all launches from French Guiana due to the restrictions put in place by France. If other launch sites follow suit or satellite manufacturing facilities are closed for a prolonged period there may be delays to launches and, as a result, delayed premium received. Operationally, all staff are working from home and we are issuing regular updates to our staff with regard to employee well-being and business continuity plans

By order of the board

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

JRF Lee
Director
22 May 2020

DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 2019.

Dividends

The Directors do not recommend a final dividend, making the total of dividends paid in the year \$nil (2018: \$nil).

Directors and officers of the Company

The current directors of the Company are disclosed on page 1.

Future developments

The Directors intend that the Company continues in the mediation of insurance business during 2020.

Events since the balance sheet date

The World Health Organisation (WHO), on 11 March 2020, declared the coronavirus, COVID-19, outbreak as a global pandemic. See note 14 for further details.

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 Coronavirus 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 Directors have specifically considered the impact of potential delays or postponement of satellite launches on the Company's ability to earn fee and commission income.

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

In response to the Coronavirus outbreak, the Company and its parent, Atrium Underwriting Group Limited, 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.

Political donations

The Company made no political donations during the year (2018: \$nil).

Financial risk management

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

DIRECTORS' REPORT *(continued)*

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/she is obliged to take as a director in order to make himself/herself 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
22 May 2020

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 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 judgments 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 INSURANCE AGENCY LIMITED

Opinion

We have audited the financial statements of Atrium Insurance Agency Limited ("the company") for the year ended 31 December 2019 which comprise the income statement, balance sheet and statement of changes in equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. 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. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATRIUM INSURANCE AGENCY LIMITED
(continued)

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 9, 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

22 May 2020

ATRIUM INSURANCE AGENCY LIMITED

INCOME STATEMENT

For the year ended 31 December 2019

	Notes	2019 \$	2018 \$
Turnover	4	1,221,186	1,681,870
Administrative expenses	5, 6, 7	(1,297,153)	(2,019,262)
Operating loss		(75,967)	(337,392)
Interest income		524	851
Loss on ordinary activities before tax		(75,443)	(336,541)
Tax on loss on ordinary activities	8	14,292	147,384
Loss on ordinary activities after tax		(61,151)	(189,157)

All results are derived from continuing activities.

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

ATRIUM INSURANCE AGENCY LIMITED

BALANCE SHEET As at 31 December 2019

	Notes	2019 \$	2018 \$
Fixed assets	9	-	-
Current assets			
Debtors: due within one year	10	211	188,370
Cash and cash equivalents		1,050,656	474,983
		1,050,867	663,353
Creditors: due within one year	11	(575,925)	(127,260)
Net current assets		474,942	536,093
Creditors: due after more than one year	11	(400,000)	(400,000)
Net assets		74,942	136,093
Capital and reserves			
Called up share capital	12	144,790	144,790
Profit and loss account		(69,848)	(8,697)
Shareholders' funds		74,942	136,093

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

The financial statements were approved by the Board of Directors on 22 May 2020 and signed on its behalf by:



JRF Lee
Director

Company No: 5993519

ATRIUM INSURANCE AGENCY LIMITED**STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019**

	Share capital	Retained earnings	Total equity
	\$	\$	\$
Balance as at 1 January 2018	144,790	180,460	325,250
Profit for the year	—	(189,157)	(189,157)
Balance as at 31 December 2018	<u>144,790</u>	<u>(8,697)</u>	<u>136,093</u>
Loss for the year	—	(61,151)	(61,151)
Balance as at 31 December 2019	<u>144,790</u>	<u>(69,848)</u>	<u>74,942</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

1. GENERAL INFORMATION

The principal activity of the Company during the year remained as a registered Lloyd's UK Coverholder, managing the Atrium Space Insurance Consortium.

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. STATEMENT OF COMPLIANCE

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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 3(n).

(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. Atrium Insurance Agency Limited is a qualifying entity as its results are consolidated into the financial statements of Enstar Group Limited which are publicly available.

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

(d) Going concern

The Company produces annual forecasts which take account of possible changes to the revenue streams and expense base of the Company. These forecasts show that the Company will have sufficient financial resources in order to continue trading for the foreseeable future. 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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

In light of the Coronavirus 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 Directors have specifically considered the impact of potential delays or postponement of satellite launches on the Company's ability to earn fee and commission income.

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

In response to the Coronavirus outbreak, the Company and its parent, Atrium Underwriting Group Limited, 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.

(e) Foreign currencies

i) Functional and presentation currency

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

ii) Transactions and balances

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 31 December 2019	Average rate Quarter 1 2019	Average rate Quarter 2 2019	Average rate Quarter 3 2019	Average rate Quarter 4 2019
Sterling	1.3266	1.3019	1.2854	1.2327	1.2877
Canadian dollar	0.7705	0.7522	0.7472	0.7573	0.7577
Euro	1.1228	1.1357	1.1234	1.1117	1.1073
Singapore dollar	0.7437	0.7381	0.7334	0.7272	0.7338

(f) Turnover

Turnover consists of agency fees and profit commissions. Agency fees are earned in line with the earnings profile of the underlying risk. Profit commissions are earned in line with the profits of the consortium subject to there being reasonable certainty that the profit commission will be received.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

3. 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, which is operated by Atrium Group Services Limited (AGSL). 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.

(g) Employee benefits *(continued)*

iii) Share based incentive schemes

Enstar Group Limited operate a number of executive and employee share based incentive schemes in the shares of the intermediate holding company, Northshore Holdings Limited (Northshore). The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instrument at the date at which it was granted. The expense is recognised in the income statement over the performance period of the share based incentive scheme.

The fair value of the equity-settled transactions granted was set by the Board of Directors of Northshore.

iv) Cash based incentive schemes

During the financial year, Atrium Underwriting Group Limited introduced a new long term cash based incentive scheme. The new plan has been 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 (fellow group subsidiary in Enstar Group). The only difference with the new plan is, the award is cash settled by Atrium as opposed to the delivery of actual shares in Northshore.

The cost of the cash settled transaction with employees is measured by reference to Northshore's net book value on the date of the award. The expense is recorded in Atrium Group Services Limited and subsequently recharged to the Company and recognised in the income statement over the performance period of the cash based incentive scheme.

(h) Investment income and expenses

Interest income and expenses are recognised on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

(i) Taxation

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

Current tax: the current tax credit is based on the taxable loss for the year. Taxable loss differs from 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 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.

(j) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and 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.

(k) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

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 recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of the impairment loss is recognised in the income statement.

(l) 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.

(m) Financial instruments

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

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 income statement 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 income statement 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

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

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.

(n) Critical accounting judgments 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. The recognition of profit commission is the only area where estimates and assumptions may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. TURNOVER

The turnover of fee income and profit commission relate to the business as a cover holder in the United Kingdom in the Lloyd's Insurance Market.

Analysis of turnover by category:

	2019	2018
	\$	\$
Fee income	966,540	1,240,053
Profit commission	254,646	441,817
	<u>1,221,186</u>	<u>1,681,870</u>

5. ADMINISTRATIVE EXPENSES

	2019	2018
	\$	\$
These include:		
Auditor's remuneration – statutory audit	8,939	9,373
Foreign exchange (gain) / loss	(3,321)	33,375

No fees were paid to the Company's auditor for services other than for the statutory audit of the Company (2018: \$nil).

6. EMPLOYEE BENEFITS

The Company does not have any employees, however it uses the services of employees of the Atrium Group, for which it is recharged \$875,367 (2018: \$1,012,951) by AGSL. \$260,195 (2018: \$227,718) relating to share and cash based incentive schemes is included within this recharge. The Company also incurred a further \$141,624 of staff costs (2018: \$435,620) for non UK based employees of the Atrium Group, the costs of which are borne directly by AIAL.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

7. DIRECTORS' REMUNERATION

The Directors of the Company are all remunerated by Atrium Group Services Limited (AGSL), the employing company within the Atrium Group. Their remuneration is disclosed in the financial statements of AGSL. \$508,948 was recharged to the Company for the use of these services (2018: \$470,067).

The amount recharged from AGSL for key management personnel includes share-based payments under FRS 102.

8. TAXATION

(a) Tax credit on income statement

	2019	2018
	\$	\$
The tax (credit)/charge is made up as follows:		
Current tax:		
Group relief payment	(14,334)	(63,943)
Tax under / (over) provided in previous years	42	(83,441)
Tax credit on ordinary activities	<u>(14,292)</u>	<u>(147,384)</u>

(b) Reconciliation of tax credit

	2019	2018
	\$	\$
Loss on ordinary activities before tax	(75,443)	(336,541)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(14,334)	(63,943)
Effects of:		
Amounts under / (over) provided in previous years	42	(83,441)
Tax credit for the year (note 8(a))	<u>(14,292)</u>	<u>(147,384)</u>

(c) Factors that may affect future tax charges

The UK corporation tax rate for 2019/2020 tax year was 19%. This rate has been reflected in the closing deferred taxation position in the balance sheet.

9. TANGIBLE FIXED ASSETS

	Fixtures, Fittings & Equipment	Total
	\$	\$
COST		
At 1 January 2019	5,787	5,787
At 31 December 2019	<u>5,787</u>	<u>5,787</u>
DEPRECIATION		
At 1 January 2019	5,787	5,787
At 31 December 2019	<u>5,787</u>	<u>5,787</u>
NET BOOK VALUE		
At 31 December 2019	<u>—</u>	<u>—</u>
At 31 December 2018	—	—

NOTES TO THE FINANCIAL STATEMENTS
31 December 2019

10. DEBTORS

	2019	2018
Due within one year:	\$	\$
Amounts owed by group undertakings	—	179,528
Other Debtors	211	8,842
Profit Commission	—	—
	211	188,370

11. CREDITORS

	2019	2018
Due within one year:	\$	\$
Amounts owed to group undertakings	238,488	23,007
Accruals & Deferred Income	156,793	104,253
Profit Commission	180,644	—
	575,925	127,260
Due after more than one year:		
Subordinated loan owed to parent undertaking	400,000	400,000
	975,925	527,260

The subordinated loan owed to the parent company will be repaid when the company has sufficient resources to do so. Interest is payable on this loan at a rate of 2.75% above 3 month LIBOR.

12. AUTHORISED AND ISSUED SHARE CAPITAL

	<i>Allotted, issued and fully paid</i>			
	2019	2018	2019	2018
	No.	No.	\$	\$
Ordinary shares of £1 each	100,000	100,000	144,790	144,790
	100,000	100,000	144,790	144,790

	<i>Allotted, issued and fully paid</i>			
	2019	2018	2019	2018
	No.	No.	£	£
Ordinary shares of £1 each	100,000	100,000	100,000	100,000
	100,000	100,000	100,000	100,000

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

13. RELATED PARTIES

The Company is a wholly owned subsidiary of Atrium Underwriting Group Limited, the financial statements of which are publicly available. Accordingly, the Company has taken advantage of the exemption in Section 33.1A of FRS 102 'Related party disclosures' from disclosing transactions with wholly owned members of Atrium Underwriting Group Limited.

See note 7 for disclosure of the directors' remuneration. These directors are deemed to be key management personnel of the entity.

14. EVENTS SINCE THE BALANCE SHEET DATE

The World Health Organisation (WHO), on 11 March 2020, declared the coronavirus, COVID-19, outbreak as a global pandemic. The Atrium Group is closely monitoring the outbreak and actively assessing the potential impact to all stakeholders. The Atrium Group has a formal business continuity plan which is being continually reviewed in light of current developments and being actively deployed as events require, which includes office closures where required. From an employee wellbeing and business continuity perspective the Atrium Group is proactively monitoring this outbreak by maintaining continuous dialogue regarding its status and issuing periodic updates and guidance to all staff on preventative measures to maintaining good health. As the situation evolves the Company and the wider Atrium Group is regularly assessing the impact on solvency capital in line with established risk metrics and in compliance with the Company's risk appetite, including the impact following the recent volatility in the financial markets. The asset portfolio remains short duration and of high credit quality. The main areas of underwriting exposure are event cancellation and travel cover. This is a relatively small part of the portfolio and is managed as part of the normal exposure management processes.

15. ULTIMATE HOLDING COMPANY

The Company's immediate parent undertaking and controlling party is Atrium Underwriting Group Limited, incorporated in Great Britain.

The Company's ultimate parent undertaking, 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 notes 3(c) and 13 for exemptions claimed in relation to the preparation of the financial statements under FRS 102.