

ATRIUM



**ATRIUM UNDERWRITERS
LIMITED**

SYNDICATES 570 & 609
ANNUAL ACCOUNTS 2012



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DIRECTORS

- Richard Lutenski** Chairman
- Steve Cook** Managing Director
- James Cox** Compliance Director
- Toby Drysdale** Executive Director
- Ann Godbehere** Non-Executive Director
- Richard Harries** Executive Director
- James Lee** Executive Director
- Nick Marsh** Executive Director
- Scott Moser** Non-Executive Director
- Samit Shah** Executive Director
- Kirsty Steward** Executive Director
- Andrew Winyard** Executive Director

ADVISORS

- Auditor**
Ernst & Young LLP
- Solicitors**
Clyde & Co LLP
Linklaters
- Bankers**
Lloyds TSB Bank plc
- Investment Managers**
GR-New England Asset Management
- Company Secretary**
Marla Bilicao
Equiniti David Venus Limited

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of the Managing Agent present their report for the year ended 31 December 2012.

This Annual Report is prepared using the annual basis of accounting as required by Statutory Instrument No. 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('Lloyd's Regulations 2008').

Separate underwriting year accounts for the closed 2010 year of account will be made available to the syndicate members.

RESULTS

The Syndicate 570 result for calendar year 2012 is a profit of £20.6m (2011 – profit of £0.2m). The result included £11.4m of profit from favourable development on back years. The Syndicate 609 result for calendar year 2012 is a profit of £57.2m (2011 – profit of £28.0m). Similarly, Syndicate 609 benefitted from favourable development on the back years that contributed £20.8m to the result. Profits will be distributed by reference to the results of individual underwriting years.

PRINCIPLE ACTIVITY AND REVIEW OF THE BUSINESS

The syndicates' principal activity during the year continued to be the transaction of general insurance and reinsurance business at Lloyd's.

RISK STRATEGY

Understanding its Risk Universe, the range of risks to which it is exposed, quantification and management of those risks enable the syndicate to determine the capital required to provide suitable security to its policyholders and a targeted return that meets capital providers requirements. Management of risk, return and capital is the core discipline of Atrium's business, against which all significant strategic and operational decisions are evaluated.

The Directors are responsible for setting the Risk Strategy for each syndicate and for oversight of its implementation. The syndicates' Risk Strategies are to assume underwriting risks in a number of classes of business where management believe that the risks and expected margins can be evaluated, and that the underwriting teams, supported by other Agency functions can operate with competitive advantages.

As part of the annual business planning process, the Board determines a Risk Policy Statement, which sets out the levels of planned risk taking, sometimes referred to as Risk Appetite, the basis on which these risk levels will be monitored, and the actions to be taken in the event of deviations from the planned levels. The Agency has a comprehensive governance framework within which the syndicates' exposures to these risks are managed. The Governance framework is discussed further below.

BUSINESS AND PERFORMANCE EVALUATION

On 19 July 2011 the Council of Lloyd's granted consent to the Company to implement the merger of Syndicate 570 and Syndicate 609 with effect from the 2012 year of account. In accordance with usual market practice, the 2010 year of account of Syndicate 570 will

be reinsured to close into the 2011 year of account of Syndicate 570. The current intention is that the 2011 year of account will be reinsured to close into the 2012 year of account of Syndicate 609.

Syndicate 570 primarily underwrote a book of US Professional Liability, Property and Casualty insurance and reinsurance, and Accident & Health business. Syndicate 609 previously specialised in Marine and Aviation insurance and reinsurance, Non-marine Property, Energy, War and Terrorism insurance. Syndicate 609's business plan for the 2012 year of account reflected the expectation that all existing lines of business written by Syndicate 570 and Syndicate 609 will continue to be written in Syndicate 609.

In underwriting these diversified classes, using their skill, knowledge and historic claims data to evaluate the potential claims costs and to determine the appropriate premium, and also by taking a limited amount of market and credit risk in investing the cash-flows generated by this activity, each syndicate aims to reward its capital providers with results that are considered attractive relative to the risks assumed.

The key performance measure for each syndicate is Return on Capital, determined by comparing the Total Recognised Gains and Losses to the Syndicate's Economic Capital Assessment ('ECA') set by the Corporation of Lloyd's on agreement of the Syndicate's Individual Capital Assessment ('ICA'). Return on Capital and the following Key Performance Indicators for each syndicate are monitored regularly by the Directors.

SYNDICATE 570	2012 £m	2011 £m
Gross premiums written	31.9	144.3
Net earned premiums	75.7	135.2
Total Recognised Gains and Losses	20.6	0.2
Loss ratio	33%	61%
Combined ratio	78%	103%
Investment return	3.9	3.6
ECA	43.6	71.9
Return on ECA	47%	0%

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The loss ratio of 33% includes 2% relating to the latest estimate of the likely cost, net of reinsurance, that is expected to be sustained from Superstorm Sandy. The loss ratio for the year compares very favourably to the previous period which suffered from the impact of the number of large loss events such as the earthquakes in New Zealand and Japan and the floods in Thailand. The Syndicate has continued to benefit from favourable development on the back years, contributing a saving of 15% on the loss ratio (2011 – 7%). The reduced ECA reflects the Syndicate being in run-off.

SYNDICATE 609	2012 £m	2011 £m
Gross premiums written	353.3	238.4
Net earned premiums	253.9	199.4
Total Recognised Gains and Losses	57.2	28.0
Loss ratio	40%	53%
Combined ratio	80%	89%
Investment return	7.5	5.6
ECA	181.9	127.3
Return on ECA	31%	22%

The 2012 numbers reflect the merged syndicate position. The loss ratio of 40% includes 7% relating to the latest estimate of the likely cost, net of reinsurance, that is expected to be sustained from Superstorm Sandy. The loss ratio for the year compares very favourably to the previous period which suffered from the impact of a number of large loss events such as the earthquakes in New Zealand and Japan, a satellite loss, Maersk Gryphon, and the floods in Thailand. The syndicate has continued to benefit from favourable development on the back years, contributing a saving of 8% on the loss ratio (2011 – 7%). The overall performance for the year was good with the combined ratio of 80% driven by strong underwriting performance leading to the excellent return on the syndicate's ECA for the year.

INVESTMENT PERFORMANCE

In a challenging investment environment, both syndicates have adopted a defensive investment strategy investing in short-dated instruments taking exposure only to highly rated debt. These portfolios have performed adequately during 2012 compared to the benchmark but, particularly in the case of the US Dollar denominated portfolio which comprises the major part of the portfolios, due to the current low interest rate environment have generated poor absolute returns.

Investment Return	Benchmark	570	609
US Dollar	1.5%	2.2%	2.1%
Canadian Dollar	0.9%	1.1%	1.1%
Euro	1.4%	4.4%	4.5%

The benchmarks for 2012 were based on the performance of 1-3 year government and high quality corporate credit in US Dollar, Canadian Dollar and Euro markets. The Board has been monitoring exposures to the Eurozone crisis and believes that it has taken appropriate measures to mitigate the risks that arise from uncertainty over the values of certain EU sovereign debt. The Syndicates have Euro denominated investments but under the terms of the investment guidelines the territories are restricted to Austria, Finland, France, Germany and the Netherlands. The Euro denominated investments amount to less than 20% of the total investment portfolio. Towards the end of 2012 the Board established a GBP portfolio within Syndicate 609 to reflect the higher value of the aggregated GBP denominated business now written in Syndicate 609. These funds are being invested in 1-3 year government and high credit quality corporate debt with a similar benchmark.

FOREIGN EXCHANGE

The effects of exchange rate movements are recorded in two elements. Transactions during the year, translated at the average rate for the year, gave rise to exchange losses which are identified within the analysis of Operating Expenses, note 3. Revaluation of all balances at the closing rate of exchange on 31 December 2012 resulted in a foreign exchange loss for both Syndicate 570 and Syndicate 609 and is included within the Statement of Total Recognised Gains and Losses.

The rates of exchange used in preparing the financial statements were as follows:

	2012		2011	
	Average	Closing	Average	Closing
US Dollar: £ Sterling	1.59	1.63	1.60	1.55
Euro: £ Sterling	1.23	1.23	1.16	1.20
Canadian Dollar: £ Sterling	1.58	1.62	1.59	1.58

PRINCIPLE RISKS AND UNCERTAINTIES

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. In preparation for the proposed Solvency II regime, the Board has developed its Own Risk and Solvency Assessment ('ORSA'), comprising the entirety of the processes that it uses to identify, assess, monitor and report the risks faced by its managed syndicates and to determine the capital necessary to mitigate retained risks. Critical to the efficacy of the ORSA are the effective operation of the Risk Management Framework ('RMF') and the Governance Structure. The RMF comprises the so-called "Three lines of Defence" approach to risk management and reporting.

The RMF is the mechanism through which Atrium ensures it is implementing effective and enterprise wide risk management practices across its business. Key to Atrium's business is the management of risk, return and capital, against which all significant strategic and operational business decisions are evaluated. Over many years Atrium has established systems of governance and risk management that enable it to manage its business prudently. The RMF is the articulation of these systems of risk management and governance and how the various elements interact.

The RMF encompasses the broad range of activities undertaken across the organisational hierarchy to ensure that risks are managed appropriately, spanning from the high level strategy set by the Board to the day to day underwriting decisions being made by syndicate staff and the controls in place to govern these. The RMF comprises the following categories:

Strategy: This describes the Atrium strategy setting process and explains how this filters down through the organisation; incorporating the Syndicate's Business Strategy, Risk Strategy, Business Plan, Risk Policy Statement and Risk Policies.

Business Activities: The individual syndicate and agency business units are responsible for implementing the strategy and business plans in accordance with the framework set out in the risk policies. The people, controls, management information, processes and senior management oversight in place across the business units serve as the "First Line of Defence" in the RMF.

Risk Governance Structure: The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the RMF is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the Executive Risk Committee, which fulfils the role of Atrium's Risk Management Function, and its three Risk Sub-Committees, discussed further below.

Independent Assurance: Atrium has in place a Compliance Function and an Actuarial Function in addition to the Risk Management Function (fulfilled by the Executive Risk Committee as referenced in the previous paragraph). Each of these functions has specific responsibilities documented in its terms of reference and is fulfilled by fit and proper individuals with suitable qualifications, expertise and experience. The activities of these functions seek to provide the Board with assurance as to the appropriateness and effectiveness of the various elements of the RMF, the internal control environment, and the calculation of capital. There are a number of risk management tools (such as the Risk Register) which support independent assessment and reporting of risk. Taken together this Independent Assurance comprises the "Second line of Defence".

Independent Oversight: The RMF provides for independent oversight and challenge via the operation of the Internal Audit Function, as well as the Audit Committee and Risk Committee, both of which are Committees of the Board with membership comprised of Non Executive Directors. Together these three groups provide the "Third line of Defence". The Risk Committee is charged with providing independent oversight and review of Atrium's RMF and its constituent parts whilst the Audit Committee, along with its broader responsibilities for the financial statements and financial reporting process, has oversight of internal controls and the Internal Audit Function.

Risk governance is comprised of the Executive Risk Committee and its three risk sub-committees.

The Executive Risk Committee fulfils the Risk Management Function, and coordinates the risk management activities conducted for the Agency's managed syndicates. It is responsible for ensuring that the RMF operates effectively, and for maintaining an aggregated and holistic view of risks to the syndicates and reporting on them to the Board, Committees and management as appropriate.

To support delivery of the Executive Risk Committee's responsibilities, there are three Sub-Committees, each being responsible for oversight, review and challenge of the activities of the syndicates and in particular ensuring that activities are within risk policies, that risks are suitably identified, monitored and reported, and that appropriate contingency plans are in place.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The principal risks to which the syndicates are exposed are discussed below together with the mitigation techniques adopted. For clarity, the risks are analysed by reference to the Sub-Committees that have responsibility for the relevant risk area.

Insurance Risks Sub-Committee (IRSC)

The IRSC is responsible for oversight of insurance risk which includes underwriting, claims, reserving, and reinsurance. Insurance risk includes the risk that a policy might be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events might be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk).

Underwriting risk is mitigated through numerous controls including underwriter peer review, authority limits, independent review of risks written, and purchase of an appropriate reinsurance programme. The Syndicate Business Forecast is completed annually and stipulates those classes of business and concentration by class that will be written during the forthcoming year. It is reviewed by the IRSC and approved by the Board prior to being submitted to the Lloyd's Franchise Board for approval. Actual performance during the year is monitored by reference to the Syndicate Business Forecast.

Claims risk is mitigated by the Syndicates having a defined risk appetite which determines the net loss that it intends to retain for major catastrophe events and where deemed appropriate reinsurance is purchased to limit the impact of losses. Although the likelihood of occurrence is considered to be remote, there may be circumstances where the loss from a particular catastrophe event exceeds the net risk appetite perhaps due to the occurrence of a loss that has not been considered or where the reinsurance purchased proves to be insufficient.

Reserving risk is mitigated by the robust reserve adequacy exercise that is performed on a quarterly basis by the Head Actuary. The quarterly exercise involves a review of the paid and outstanding claims and an assessment of the appropriate provision for incurred but not reported (IBNR) claims. The reserves are considered by the IRSC and approved by the Board. The reserving is carried out based on historical development data, the claims environment and information provided by lawyers and third party claims adjusters. Although a thorough review is carried out the reserves carried may be more or less than adequate to meet the final cost of claims.

The IRSC also reviews the proposed reinsurance programmes that are used to protect capital from frequency and severity of losses that may be sustained through underwriting the varied lines of business written. The review includes analysis of the reinsurance cover being purchased and assessment of the proposed counterparties.

Financial Risks Sub-Committee (FRSC)

The FRSC is responsible for the oversight of the financial risks and the steps taken to mitigate them as they arise from investments, asset/liability management, credit, liquidity and concentration risks. These risks are discussed further below.

Investment risk is the risk that the syndicates' earnings are affected by changes in the value of the investment portfolio; such changes in value may be driven by changes in the economic and political environment and by movements in interest and foreign exchange rates. The Agency manages the syndicates' investments in accordance with investment guidelines established by the Board that are reviewed on a regular basis. The FRSC monitors the performance of the external investment manager and the custodians responsible for the safekeeping of the investments, and reports regularly to the Board.

Asset/liability mis-match is the risk that the syndicate could incur a loss though inadequate matching of its investments with its liabilities. Due to the short-tail nature of the majority of the liabilities, the syndicates do not seek to achieve a precise matching with the investment portfolio, instead developing an investment duration guideline that is broadly in line with the average payment profile of the liabilities. However, the syndicates substantially mitigate exposure to currency mis-match by investing premiums in the currency in which subsequent claims are most likely to be incurred. The majority of the syndicates' business is denominated in US dollars and accordingly the substantial part of the investment portfolio is in US dollar denominated investments.

The key aspect of credit risk is the risk of default by one or more of the syndicates' reinsurers, their investment counterparties, or insurance intermediaries. Reinsurance is placed with those reinsurers that comply with the Atrium reinsurance policy. The exposure to credit risk in the investment portfolio is mitigated through adherence to the investment guidelines which require the syndicates' investment portfolios to be held in government and corporate debt with a high credit quality rating and with a relatively short duration, thus substantially mitigating the risk of sustaining losses from default. Exposure to intermediaries is mitigated by rigorous review of new intermediaries, contractual terms of business, regulated or segregated client accounts, monitoring of balances and credit control procedures.

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

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

Operational Risks Sub-Committee (ORSC)

The ORSC is responsible for oversight of the syndicates' exposures to operational, group and regulatory risks.

Operational risk includes exposure to loss from errors caused by people, processes or systems, group risk and emerging risks. The agency seeks to manage these risks by operating a controls-based environment which consists of documented procedures, segregation of duties and appropriate levels of review. Regular reviews are performed by the internal audit department to ensure that any deviations from the agency's policies are identified and reported to the appropriate level of management and audit committee when considered necessary.

The Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The agency has a Compliance Officer and team who monitor regulatory developments and assess the impact on agency policy. They also carry out a compliance monitoring programme.

Solvency II

During the last year further progress has been made by the Agency on its Solvency II project. Specifically, Atrium has met all the requirements of the 2012 Dry Run and submitted to Lloyd's a Final Application Pack, ORSA Report and Validation Report as required. The Agency will continue to work closely with the Corporation of Lloyd's to ensure that Atrium remains on track to meet the demands of the Solvency II regime.

GROUP DEVELOPMENTS

On 29 February 2012, Ariel Holdings Limited (AHL), the Managing Agent's ultimate holding company announced a transaction by which an affiliate of Goldman Sachs would acquire the Bermuda operations of Ariel Reinsurance Company Ltd (Ariel Re) another subsidiary in the Ariel group. On 2 March 2012, it was announced that Arch Capital Group Ltd intended to acquire Ariel Re's Switzerland-based reinsurance operations.

On 5 April 2012, the Goldman Sachs transaction completed. Goldman Sachs acquired the name and brand Ariel and, therefore, shortly after completion, AHL was renamed Arden Holdings Limited and Ariel Re was renamed Arden Reinsurance Company Limited.

On 9 April 2012, the Arch Capital Group Ltd transaction completed.

The Atrium Group is not part of these transactions and continues to be owned by AHL. On 5 April 2012 George Rivaz stepped down as Chairman of the Board of the managing agency, with Richard Lutenski taking up this position.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

DIRECTORS & OFFICERS

The Directors & Officers of the managing agent who served during the year ended 31 December 2012 were as follows:

Andrew Baddeley (resigned effective 6 February 2013)
Martha Bruce, Equiniti David Venus Limited (Company Secretary) (resigned effective 29 June 2012)
Marla Balicao, Equiniti David Venus Limited (Company Secretary) (appointed effective 29 June 2012)
Steve Cook
Simon Cooper (resigned effective 31 May 2012)
Toby Drysdale
Ann Godbehere
Richard Harries (Active Underwriter 570 & 609)
James Lee
Richard Lutenski
Nick Marsh
Scott Moser
George Rivaz (resigned effective 5 April 2012)
Samit Shah (appointed effective 4 January 2012)
Kevin Wilkins (resigned effective 13 March 2012)
Andrew Winyard

The following Directors were appointed after the end of the year but before the date of this report:

James Cox (appointed effective 4 January 2013)
Kirsty Steward (appointed effective 23 January 2013)

DIRECTORS' INTERESTS

Details of Directors' interests may be found in note 14 to the accounts.

RE-APPOINTMENT OF AUDITORS

The Board of Directors have re-appointed Ernst & Young LLP as the syndicates' auditors for the year ending 31 December 2013. Ernst & Young LLP have indicated their willingness to continue in office as the syndicates' auditors.

SYNDICATE ANNUAL GENERAL MEETING

As permitted under the Syndicate Meetings (Amendment No.1) Byelaw (No.18 of 2000) Atrium Underwriters Limited does not propose to hold a Syndicate Annual General Meeting of the members of either Syndicate 570 or 609. Members may object to this proposal or the intention to reappoint auditors within 21 days of the issue of these financial statements. Any such objection should be addressed to James Cox, Compliance Director, at the registered office.

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a Director of the managing agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow Directors of the agency and the syndicates' 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.

By order of the Board



Steve Cook
Managing Director
4 March 2013

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the syndicates' annual report and annual accounts in accordance with applicable laws and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The annual accounts are required by law to give a true and fair view of the state of affairs of the syndicate as at that date and of its profit or loss for that year.

In preparing the syndicate annual accounts, the managing agent is required to:

1. select suitable accounting policies and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the notes to the annual accounts; and
4. prepare the annual accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the business website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SYNDICATES 570 AND 609

We have audited the Syndicates' annual accounts for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Statement of Cash Flows and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the syndicates' members, as a body, in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicates' members those matters we are required to state to them in an auditors' 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 syndicates' members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE MANAGING AGENT AND THE AUDITOR

As explained more fully in the Statement of managing agent's responsibilities set out on page 7, the managing agent is responsible for the preparation of the syndicates' annual accounts which give a true and fair view. Our responsibility is to audit and express an opinion on the syndicates' annual accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE SYNDICATES' ANNUAL ACCOUNTS

An audit involves obtaining evidence about the amounts and disclosures in the annual accounts sufficient to give reasonable assurance that the annual accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the syndicates' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the managing agent; and the overall presentation of the annual accounts. In addition we read all the financial and non-financial information in the Syndicate Annual Report and Accounts to identify material inconsistencies with the audited syndicates' annual accounts. If we become aware of any apparent material mis-statements or inconsistencies we consider the implications for our report.

OPINION ON SYNDICATES' ANNUAL ACCOUNTS

In our opinion the annual accounts:

- give a true and fair view of the syndicates' affairs as at 31 December 2012 and of their respective profits for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

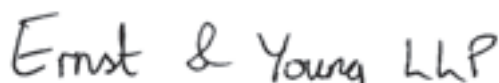
OPINION ON OTHER MATTERS PRESCRIBED BY THE INSURANCE ACCOUNTS DIRECTIVE (LLOYD'S SYNDICATE AND AGGREGATE ACCOUNTS) REGULATION 2008

In our opinion the information given in the Managing Agents' Report for the financial year in which the annual accounts are prepared is consistent with the annual accounts.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicates' annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.



Angus Millar (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP (Statutory Auditor)
London
8 March 2013

PRINCIPLE ACCOUNTING POLICIES

SYNDICATES 570 AND 609 – 31 DECEMBER 2012

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable Accounting Standards in the United Kingdom. The recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued in December 2005 (as amended in December 2006) by the Association of British Insurers have been adopted, except that exchange differences are dealt with in the technical account and statement of total recognised gains and losses.

2. ACCOUNTING POLICIES

Premiums Written

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

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

Unearned Premiums

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

Reinsurance Premium Ceded

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

Claims Provisions and Related Recoveries

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

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

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the

underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

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

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

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

Acquisition Costs

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

Unexpired Risks Provision

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

Investment Return

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

PRINCIPLE ACCOUNTING POLICIES

SYNDICATES 570 AND 609 – 31 DECEMBER 2012

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

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

Investments

Investments are stated at current value at the balance sheet date. For this purpose listed investments are stated at market value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year are included in the balance sheet under the heading 'other debtors'.

No provision has been made for any overseas tax payable by members on underwriting results.

Foreign Currencies

Transactions in US dollars, Canadian dollars and Euros are translated at the average rates of exchange for the period. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

Exchange differences arising from the retranslation of opening balances in US dollars, Canadian dollars and Euros are recorded in the statement of total recognised gains and losses. The difference between the profit and loss account translated at the average rate and at the rate of exchange at the balance sheet date is recorded in the statement of total recognised gains and losses.

All other exchange differences are included in the technical account.

Pension Costs

The Atrium Group operates a defined contribution pension scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit Commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to the operation of a deficit clause. Where profit commission is charged it is included within members' standard personal expenses within administrative expenses.

PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	£'000	2012 £'000	£'000	2011 £'000
Earned premiums, net of reinsurance					
Gross premiums written	1		31,916		144,296
Outward reinsurance premiums			(3,566)		(7,884)
Net premiums written			28,350		136,412
Change in the provision for unearned premiums:					
Gross amount		50,130		(2,210)	
Reinsurers' share		(2,738)		984	
Change in the net provision for unearned premiums			47,392		(1,226)
Earned premiums, net of reinsurance			75,742		135,186
Allocated investment return transferred from the non-technical account			3,920		3,612
Claims incurred, net of reinsurance					
Claims paid:					
Gross amount		65,853		69,076	
Reinsurers' share		(17)		(3,779)	
Net claims paid			65,836		65,297
Change in the provision for claims:					
Gross amount		(43,032)		12,265	
Reinsurers' share		1,890		4,700	
Change in the net provision for claims			(41,142)		16,965
Claims incurred, net of reinsurance			24,694		82,262
Net operating expenses	3		33,826		57,382
Balance on the technical account for general business			21,142		(846)

All operations are continuing.

PROFIT AND LOSS ACCOUNT: NON-TECHNICAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Balance on the technical account for general business		21,142	(846)
Investment income	6	4,095	4,750
Unrealised gains on investments		592	116
Investment expenses and charges	6	(767)	(1,254)
Allocated investment return transferred to general business technical account		(3,920)	(3,612)
Profit/(loss) for the financial year		21,142	(846)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2012 £'000	2011 £'000
Profit/(loss) for the financial year	21,142	(846)
Currency translation differences	(556)	1,000
Total recognised gains and losses since last annual report	20,586	154

BALANCE SHEET: ASSETS

AT 31 DECEMBER 2012

	Notes	£'000	2012 £'000	£'000	2011 £'000
Investments					
Financial investments	7		156,090		184,312
Deposits with ceding undertakings					
			151		158
Reinsurers' share of technical provisions					
Provision for unearned premiums		220		2,998	
Claims outstanding	2	9,693		11,957	
			9,913		14,955
Debtors					
Debtors arising out of direct insurance operations	8	13,162		44,277	
Debtors arising out of reinsurance operations		976		10,369	
Other debtors		1,447		1,482	
			15,585		56,128
Other assets					
Cash at bank and in hand			1,172		10,216
Overseas deposits			35,464		41,316
Prepayments and accrued income					
Accrued interest		141		290	
Deferred acquisition costs		2,273		21,085	
			2,414		21,375
Total assets			220,789		328,460

BALANCE SHEET: LIABILITIES

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AT 31 DECEMBER 2012

	Notes	£'000	2012 £'000	£'000	2011 £'000
Capital and reserves					
Members' balances	9,15		2,344		(8,088)
Technical provisions					
Provision for unearned premiums		6,030		57,068	
Claims outstanding	2	197,057		248,944	
			203,087		306,012
Creditors					
Creditors arising out of direct insurance operations	10	8,936		20,232	
Creditors arising out of reinsurance operations		1,237		5,036	
Other creditors		4,376		3,658	
			14,549		28,926
Accruals and deferred income			809		1,610
Total liabilities			220,789		328,460

The Annual Report and Accounts were approved at a meeting of the Board of Directors of Atrium Underwriters Limited, and by the Active Underwriter, on 4 March 2013 and were signed on its behalf by:



Kirsty Steward
Director
4 March 2013



Richard Harries
Active Underwriter
4 March 2013

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Net cash (outflow)/inflow from operating activities	11	(23,452)	5,258
Transfer to members in respect of underwriting participations		(11,215)	(23,841)
Financing:			
Members' agents' fees		-	(909)
Other		1,018	485
	12	(33,649)	(19,007)
Cash flows were invested as follows:			
(Decrease)/increase in cash holdings	12	(8,843)	4,666
Decrease in Overseas Deposits	12	(4,143)	(1,258)
Net portfolio investment	12,13	(20,663)	(22,415)
Net investment of cash flows		(33,649)	(19,007)

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2012

1. Segmental Analysis

An analysis of the underwriting result before investment return is set out below:

	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
2012							
Direct insurance:							
Accident and health	12,891	21,559	6,643	9,507	1,174	6,583	16,152
Motor (third party liability)	46	103	(124)	13	118	332	23
Motor (other classes)	303	1,276	1,309	654	692	5	2,681
Marine, aviation and transport	935	7,983	(1,945)	3,500	(2,956)	3,472	7,372
Fire and other damage to property	4,222	17,778	7,668	8,551	(876)	683	17,616
Third party liability	10,578	24,966	11,767	10,128	(1,991)	1,080	114,098
Credit and suretyship	623	1,134	(361)	422	(276)	797	3,240
Legal Expenses	296	1,161	779	534	(2)	(154)	1,671
	29,894	75,960	25,736	33,309	(4,117)	12,798	162,853
Reinsurance	2,022	6,086	(2,915)	1,745	(2,832)	4,424	30,321
Total	31,916	82,046	22,821	35,054	(6,949)	17,222	193,174
	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
2011							
Direct insurance:							
Accident and health	28,273	27,873	9,086	13,217	(2,944)	2,626	29,359
Motor (third party liability)	336	309	40	68	(42)	159	122
Motor (other classes)	3,517	3,646	3,045	1,289	23	(665)	5,456
Marine, aviation and transport	16,914	16,186	2,927	6,607	734	7,386	19,545
Fire and other damage to property	33,629	31,583	20,190	14,340	(775)	(3,722)	36,396
Third party liability	38,258	39,049	23,267	17,109	(1,699)	(3,026)	124,150
Credit and suretyship	1,393	1,563	1,349	507	(58)	(351)	5,637
Legal expenses	2,002	1,364	543	640	6	187	2,281
	124,322	121,573	60,447	53,777	(4,755)	2,594	222,946
Reinsurance	19,974	20,513	20,894	5,855	(816)	(7,052)	68,111
Total	144,296	142,086	81,341	59,632	(5,571)	(4,458)	291,057

Commission on direct insurance gross premiums earned during 2012 were £24,728,000 (2011 - £39,809,000).

All premiums were concluded in the UK.

The geographical analysis of premiums by destination is as follows:

	2012 %	2011 %
UK	7.7	9.8
Other EU countries	7.6	6.8
US	57.9	65.3
Other	26.8	18.1
Total	100.0	100.0

2. Claims Outstanding

Reassessment of claims outstanding on underwriting years 2009 & prior (2011 - 2008 & prior) resulted in an improvement of £7.8m (2011 - £9.3m).

3. Net Operating Expenses

	2012 £'000	2011 £'000
Acquisition costs	10,282	50,282
Change in deferred acquisition costs	18,497	(1,827)
Administrative expenses	6,058	10,616
Loss on exchange	217	561
	35,054	59,632
Reinsurance commissions receivable	(1,228)	(2,250)
	33,826	57,382

Administrative expenses include:

	2012 £'000	2011 £'000
Auditors' remuneration:		
Audit services	122	110
Other services	4	3
	126	113

Members' standard personal expenses (Lloyd's subscriptions, New Central Fund Contributions, managing agent's fees and profit commission) are included within administrative expenses and amount to £3,612,000 (2011 – £4,769,000).

4. Staff Numbers and Costs

All staff are employed by Atrium Group Services Limited. The following amounts were recharged to the syndicate in respect of staff costs:

	2012 £'000	2011 £'000
Wages and salaries	1,163	4,897
Social security costs	151	553
Other pension costs	94	603
	1,408	6,053

The average number of employees employed by Atrium Group Services Limited, but working for the syndicate during the year, was as follows:

	2012 Number	2011 Number
Management	2	3
Underwriting	12	21
Claims	3	5
Administration	9	17
	26	46

5. Emoluments of the Directors of Atrium Underwriters Limited

The fourteen Directors of Atrium Underwriters Limited received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	2012 £'000	2011 £'000
Salary	142	692
Pension	27	122
	169	814

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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AT 31 DECEMBER 2012

5. Emoluments of the Directors of Atrium Underwriters Limited continued

The Active Underwriter received the following remuneration charged as a syndicate expense:

	2012 £'000	2011 £'000
Salary	-	184
Pension	-	37
	-	221

6. Investment Return

	2012 £'000	2011 £'000
Investment income:		
Income from investments	3,998	4,714
Gains on the realisation of investments	97	36
	4,095	4,750
Investment expenses and charges:		
Investment management expenses, including interest	(193)	(222)
Losses on the realisation of investments	(574)	(1,032)
	(767)	(1,254)

Calendar Year Investment Return

	2012 £'000	2011 £'000
Average syndicate funds available for investment during the year		
Sterling	-	-
US dollars	123,554	132,187
Canadian dollars	23,248	21,126
Euro	12,972	13,461
Combined	159,774	166,774
Aggregate gross investment return for the year	3,516	3,075
Gross calendar year investment return:	%	%
Sterling	-	-
US dollars	2.2	1.6
Canadian dollars	1.1	2.8
Euro	4.4	2.9
Combined	2.2	1.9

The average amount of syndicate funds available for investment has been calculated as the monthly average balance of investments. The syndicate's portfolio consists of high quality investments which are held on a short duration basis.

7. Financial Investments

	Market value		Cost	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Shares and other variable yield securities and units in unit trusts	8,127	12,457	8,127	12,457
Debt securities and other fixed income securities	143,433	166,851	142,016	166,458
Loans secured by mortgage	4,478	4,952	4,426	4,988
Deposits with credit institutions	52	52	52	52
	156,090	184,312	154,621	183,955

Shares and other variable yield securities and units in unit trusts represents the syndicate's holdings in collective investment schemes.

Debt securities and other fixed income securities and loans secured by mortgage are all listed on recognised stock exchanges.

Using Standard & Poor's and Moody's as rating sources, the credit ratings of the debt and other fixed income securities are set out below:

	2012 £'000	2012 %	2011 £'000	2011 %
Government/Government Agency	91,339	63.7	119,712	71.7
AAA/Aaa	21,061	14.7	21,535	12.9
AA/Aa	7,252	5.0	15,141	9.1
A	18,790	13.1	9,510	5.7
BBB	4,991	3.5	953	0.6
	143,433	100.0	166,851	100.0

The syndicate's fund manager throughout 2012 was GR-New England Asset Management (GR-NEAM). The US dollar and Canadian dollar investments are managed by GR-NEAM Inc, based in Farmington, USA and the Euro portfolio is managed by GR-NEAM Limited, a sister company based in Dublin, Ireland.

8. Debtors Arising out of Direct Insurance Operations

	2012 £'000	2011 £'000
Due from Intermediaries	13,162	44,277

9. Reconciliation of Members' Balances

	2012 £'000	2011 £'000
Members' balances brought forward at 1 January	(8,088)	16,042
Profit/(loss) for the financial year	21,142	(846)
Currency translation differences	(556)	1,000
Payments of profit to members' personal reserve funds	(10,154)	(24,284)
Members' balances carried forward at 31 December	2,344	(8,088)

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

10. Creditors Arising out of Direct Insurance Operations

	2012 £'000	2011 £'000
Due to Intermediaries	8,936	20,232

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2012

11. Reconciliation of Operating Profit/(Loss) to Net Cash (outflow)/inflow from Operating Activities

	2012 £'000	2011 £'000
Operating profit/(loss) on ordinary activities	21,142	(846)
Realised and unrealised investment losses	9,476	253
(Decrease)/increase in net technical provisions	(97,883)	20,013
Decrease/(increase) in debtors	59,504	(1,208)
Decrease in creditors	(15,178)	(13,935)
Foreign exchange on balance due to members	43	(19)
Currency translation differences	(556)	1,000
Net cash (outflow)/inflow from operating activities	(23,452)	5,258

12. Movement in Opening and Closing Portfolio Investments Net of Financing

	2012 £'000	2011 £'000
Net cash(outflow)/inflow for the year	(8,843)	4,666
Cash flow		
Decrease in deposits	(4,143)	(1,258)
Portfolio investments	(20,663)	(22,415)
Movement arising from cash flows	(33,649)	(19,007)
Changes in market value and exchange rates	(9,476)	(253)
Total movement in portfolio investments	(43,125)	(19,260)
Portfolio at 1 January	236,002	255,262
Portfolio at 31 December	192,877	236,002

Movement in Cash, Portfolio Investments and Financing

	At 1 Jan 2012 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 Dec 2012 £'000
Cash at bank and in hand	10,216	(8,843)	(201)	1,172
Overseas deposits	41,316	(4,143)	(1,709)	35,464
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	12,457	(3,916)	(414)	8,127
Debt securities and other fixed income securities	166,851	(16,375)	(7,043)	143,433
Loans secured by mortgage	4,952	(368)	(106)	4,478
Deposits with credit institutions	52	3	(3)	52
Deposits with ceding undertakings	158	(7)	-	151
Total portfolio investments	184,470	(20,663)	(7,566)	156,241
Total cash, portfolio investments and financing	236,002	(33,649)	(9,476)	192,877

The changes to market values and currencies include £(9.5)m relating to currency revaluation of non-Sterling denominated investments and deposits.

13. Net cash inflow on portfolio investments

	2012 £'000	2011 £'000
Sale of shares and other variable yield securities	3,916	12,647
Purchase of debt securities and other fixed income securities	(75,696)	(97,872)
Sale of loans secured by mortgage	368	345
(Purchase)/sale of deposits with credit institutions	(3)	1
Deposits with ceding undertakings	7	33
Sale of debt securities and other fixed income securities	92,071	107,261
Net cash inflow on net portfolio investments	20,663	22,415

14. Disclosures of Interest

Arden Holdings Limited (AHL), a company incorporated under the laws of Bermuda, is the ultimate holding company of Atrium Underwriting Group Limited (AUGL). AHL changed its name from Ariel Holdings Limited to Arden Holdings Limited on 5 April 2012, following the completion of the Goldman Sachs acquisition of the Ariel Re operations, name and brand.

AUGL is the holding company of the following wholly owned subsidiaries; Atrium Underwriting Holdings Limited (AUHL), Atrium Insurance Agency Limited (AIAL), Atrium Group Services Limited (AGSL), Atrium Insurance Agency (Asia) Pte.Ltd (ASIA), Atrium Risk Management Services (Washington) Ltd (ARMS) and Atrium Risk Management Services (British Columbia) Ltd (ARMSBC). AUL is authorised and regulated by the Financial Services Authority and is the managing agent of Syndicates 570 and 609 (the 'managed syndicates'). AUHL is the holding company of Atrium 5 Limited and ten non-continuing members of Lloyd's.

AUGL participates on the managed syndicates through its corporate member subsidiary, Atrium 5 Limited whose participation on each year of account is as follows:

	2010 Capacity £m	2011 Capacity £m	2012 Capacity £m	2013 Capacity £m
Syndicate 570	35.9	35.9	-	-
Syndicate 609	70.9	70.9	106.8	106.8

Atrium 5 Limited's participation on the managed syndicates as % of syndicate capacity:

	Year of account			
	2010 %	2011 %	2012 %	2013 %
Syndicate 570	24.8	24.8	-	-
Syndicate 609	25.8	25.8	25.4	25.4

On 28 April 2011, Atrium wrote to the Council of Lloyd's with a notice of the intention to merge Syndicate 570 and Syndicate 609 with effect from the commencement of the 2012 year of account. Consent to the merger was granted on 19 July 2011. Richard Harries was appointed Underwriter of Syndicate 570 with effect from 1 January 2012. In order to manage the run-off of Syndicate 570's business, certain Syndicate 609 underwriters have authorities that enable them to service business on behalf of both managed syndicates.

AHL is the ultimate holding company of Arden Reinsurance Company Ltd (Arden Re). On 1 March AHL announced a transaction by which an affiliate of Goldman Sachs would acquire the Bermuda operations of Ariel Reinsurance Company Ltd (Ariel Re), another subsidiary in the Ariel Group. On March 2012 it was announced that Arch Capital Group Ltd intended to acquire Ariel Re's Switzerland-based reinsurance operations. On 5 April 2012 the Goldman Sachs transaction was completed and Ariel Re was renamed Arden Re. On 9 April 2012 the Arch Capital Group Ltd transaction completed.

AIAL is a registered Lloyd's UK coverholder and is authorised and regulated by the Financial Services Authority. Syndicate 609 leads on a binding authority granted to AIAL to underwrite Space business. The binding authority is led by Syndicate 609. Syndicate 570 participated on this binding authority up until 31 December 2011. Under the terms of the binding authority, fees and profit commission are payable to AIAL. Fee income of \$21,000 (2011 - \$52,000) is payable by the syndicate to AIAL in relation to premium earned in calendar year 2012. Profit commission of \$32,000 has been incurred by the syndicate (2011 - \$41,000) during the calendar year 2012.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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AT 31 DECEMBER 2010

14. Disclosures of Interest continued

AGSL is a group service company. All UK employee contracts and, where possible, all material service provider contracts are held by AGSL. A service agreement is in place whereby AGSL provides all management services to all Atrium Group companies. Under the service agreement AGSL will charge the costs to each Atrium group company, including AUL, for the respective services provided.

ASIA carries on for its own account the business of insurance intermediation in Singapore, operating on the Lloyd's Asia platform. In this capacity it has been granted authority by Syndicate 609 to bind certain risks (including marine hull, energy, aviation and non-marine property risks) and has been approved by Lloyd's and the Monetary Authority of Singapore to act as a Lloyd's Singapore Service Company. Under the terms of the arrangement with Syndicate 609 ASIA charges fees to the syndicate equal to its operating costs plus a small margin for tax reasons. Fees of S\$2,435,000 were paid by Syndicate 609 in calendar year 2012 (2011 - S\$2,076,000).

ARMS is incorporated in Washington State, USA and was established to support the Syndicate strategy to maintain and grow its North American direct portfolio and distribution network. ARMS charges fees to the Syndicates equal to its operating costs plus a small margin for tax reasons. Fees of US\$177,000 were paid by Syndicate 570 in the calendar year 2012 (2011 - US\$698,000) and fees of US\$1,015,000 were paid by Syndicate 609 in the calendar year 2012 (2011 - US\$nil).

ARMSBC is incorporated in British Columbia, Canada, and was established to support the Syndicate strategy to maintain and grow its North American direct portfolio and distribution network. ARMSBC charges fees to the Syndicates equal to its operating costs plus a small margin for tax reasons. Fees of C\$123,000 were paid by Syndicate 570 in the calendar year 2012 (2011 - C\$886,000) and fees of C\$850,000 were paid by Syndicate 609 in the calendar year 2012 (2011 - C\$nil).

AUL manages four underwriting consortia. The Atrium Aviation Consortium is an internal consortium arrangement between Syndicate 570 & 609 on a 40%/60% split basis. Lloyd's approval was given on 21st July 2003 for this arrangement. An overrider is charged by Syndicate 609 to Syndicate 570. This consortium arrangement ceased for the 2012 year of account.

The Atrium Airline Hull War and Allied Perils Consortium and the two Atrium Aviation Reinsurance Consortia are led by Syndicate 609 and supported by various other Lloyd's syndicates, including Syndicate 570. Lloyd's approval is not required under the Multiple Syndicates Byelaw for these consortia. Fees and profit commission are payable by all consortium members including Syndicate 570. AUL processes the fees and profit commission on behalf of Syndicate 609 but currently retains no remuneration in its role as manager of these consortia. Two Aviation Reinsurance Quota share treaties are in place that replicate the Atrium Reinsurance Consortia. Profit commissions and overrides are payable by Syndicate 570 to Syndicate 609 under this arrangement. Syndicate 570's participation on all of these Consortia and Quota Share arrangements ceased for the 2012 year of account.

Syndicate 609 has entered into a quota share contract of their Space account for the 2009, 2010, 2011 and 2012 years of account with Ariel Re. Permission for this arrangement was granted by Lloyd's on 30 December 2008. Earned income ceded under this arrangement in 2012 was US\$1.3m (2011 - US\$2.7m). Earned income expected to be ceded in 2013 is US\$1.0m. Syndicate 609 agreed to transfer the quota share to the Goldman Sachs subsidiary during 2012 following its acquisition of the Bermuda operations of Ariel Re.

A quota share of Syndicate 609 by Syndicate 570 was entered into in relation to Aviation business underwritten on behalf of Syndicate 609 by ASIA. Under the terms of the quota share an overriding commission is payable by Syndicate 570 to Syndicate 609. The terms were set and agreed by the respective Active Underwriters. Lloyd's gave consent of a waiver under the Multiple Syndicates Byelaw on 9 November 2009. No overriding commission has been paid by Syndicate 570 in calendar year 2011. This arrangement ceased for the 2012 year of account.

The implementation of the syndicate merger from 1 January 2012 has resulted in the related party transactions between the two managed syndicates ceasing with effect from 2012.

It is possible that further transactions may be entered into between the managed syndicates and Arden Re.

With effect from 2012 certain reinsurances purchased will be for the benefit of both Syndicates 570 and 609. The Board determined that this was the most efficient process to protect both the ongoing and run-off business. There is the possibility that one or other syndicate exhausting the available coverage, in which case we would examine the need to purchase back-up coverage. Costs will be charged on an equitable basis determined by the Board. Several of these shared reinsurance arrangements have renewed into 2013.

14. Disclosures of Interest continued

The Directors' participations on Syndicates 570 & 609 via Nomina No. 207 LLP are as follows:

	Syndicate 570				Syndicate 609			
	2010 yoa £	2011 yoa £	2012 yoa £	2013 yoa £	2010 yoa £	2011 yoa £	2012 yoa £	2013 yoa £
Andrew Baddeley	7,534	7,534	-	-	14,289	14,289	28,793	-
Steve Cook	11,213	11,213	-	-	21,266	21,266	37,438	35,500
Simon Cooper	40,788	40,788	-	-	77,357	77,357	135,145	-
Toby Drysdale	9,212	9,212	-	-	17,472	17,472	29,173	29,707
Richard Harries	52,242	52,242	-	-	99,079	99,079	199,973	250,000
Nick Marsh	37,671	37,671	-	-	71,444	71,444	109,115	109,069
Samit Shah	10,197	10,197	-	-	19,339	19,339	36,500	38,945

AUL has made no loans to directors of the company during 2012.

No managing agency fees (2011 - £1,014,000) were paid by the syndicate to AUL. Profit commission of £3,137,000 (2011 - £2,738,000) is payable by the syndicate to AUL in relation to the 2012 calendar year result. The managing agents agreement was amended in 2007 to enable managing agents to make payments on account of profit commission, prior to the closure of a year of account. Payments on account can be made when the syndicate transfers open year surpluses from the syndicate level premium trust funds to the members' personal reserve fund. No payment (2011 - £1,505,000) was made in 2012. Included within creditors is £3,137,000 (2011 - £2,738,000) in respect of profit commission payable to AUL on the 2010 year of account. No amounts (2011 - £nil) are included in accruals and payable after 12 months.

15. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on FSA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	£'000	2012 £'000	£'000	2011 £'000
Earned premiums, net of reinsurance					
Gross premiums written	1		353,320		238,394
Outward reinsurance premiums			(45,119)		(35,974)
Net premiums written			308,201		202,420
Change in the provision for unearned premiums:					
Gross amount		(55,973)		(517)	
Reinsurers' share		1,679		(2,466)	
Change in the net provision for unearned premiums			(54,294)		(2,983)
Earned premiums, net of reinsurance			253,907		199,437
Allocated investment return transferred from the non-technical account			7,547		5,587
Claims incurred, net of reinsurance					
Claims paid:					
Gross amount		95,494		79,904	
Reinsurers' share		(19,582)		(12,724)	
Net claims paid			75,912		67,180
Change in the provision for claims:					
Gross amount		12,598		29,933	
Reinsurers' share		13,098		8,821	
Change in the net provision for claims			25,696		38,754
Claims incurred, net of reinsurance			101,608		105,934
Net operating expenses	3		99,758		72,872
Balance on the technical account for general business			60,088		26,218

All operations are continuing.

PROFIT AND LOSS ACCOUNT: NON-TECHNICAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Balance on the technical account for general business		60,088	26,218
Investment income	6	7,092	7,646
Unrealised gains on investments		1,649	233
Investment expenses and charges	6	(1,194)	(2,292)
Allocated investment return transferred to general business technical account		(7,547)	(5,587)
Profit for the financial year		60,088	26,218

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2012 £'000	2011 £'000
Profit for the financial year	60,088	26,218
Currency translation differences	(2,904)	1,819
Total recognised gains and losses since last annual report	57,184	28,037

BALANCE SHEET: ASSETS

AT 31 DECEMBER 2012

	Notes	£'000	2012 £'000	£'000	2011 £'000
Investments					
Financial investments	7		393,413		336,865
Deposits with ceding undertakings			702		860
Reinsurers' share of technical provisions					
Provision for unearned premiums		8,332		7,042	
Claims outstanding	2	59,790		75,896	
			68,122		82,938
Debtors					
Debtors arising out of direct insurance operations	8	119,118		85,762	
Debtors arising out of reinsurance operations		19,310		16,029	
Other debtors		463		323	
			138,891		102,114
Other assets					
Cash at bank and in hand			21,323		28,112
Overseas deposits			14,165		9,942
Prepayments and accrued income					
Accrued interest		52		54	
Deferred acquisition costs		41,567		21,458	
Other prepayments and accrued income		37		1	
			41,656		21,513
Total assets			678,272		582,344

BALANCE SHEET: LIABILITIES

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AT 31 DECEMBER 2012

	Notes	£'000	2012 £'000	£'000	2011 £'000
Capital and reserves					
Members' balances	9,15		53,206		24,930
Technical provisions					
Provision for unearned premiums		145,211		94,790	
Claims outstanding	2	389,440		392,748	
			534,651		487,538
Deposits received from reinsurers					
			393		390
Creditors					
Creditors arising out of direct insurance operations	10	47,302		41,887	
Creditors arising out of reinsurance operations		18,934		13,100	
Other creditors		16,077		7,958	
			82,313		62,945
Accruals and deferred income					
			7,709		6,541
Total liabilities					
			678,272		582,344

The Annual Report and Accounts were approved at a meeting of the Board of Directors of Atrium Underwriters Limited, and by the Active Underwriter, on 4 March 2013 and were signed on its behalf by:



Kirsty Steward
Director
4 March 2013



Richard Harries
Active Underwriter
4 March 2013

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	2012 £'000	2011 £'000
Net cash inflow from operating activities	11	98,654	62,434
Transfer to members in respect of underwriting participations		(26,164)	(54,368)
Financing:			
Members' agents' fees		(2,618)	(1,705)
Other		(139)	403
	12	69,733	6,764
Cash flows were invested as follows:			
(Decrease)/Increase in cash holdings	12	(5,956)	20,099
Increase/(decrease) in overseas deposits	12	4,463	(1,710)
Net portfolio investment	12,13	71,226	(11,625)
Net investment of cash flows		69,733	6,764

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2012

1. Segmental Analysis

An analysis of the underwriting result before investment return is set out below:

2012	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Direct insurance:							
Accident and health	23,061	12,662	7,714	5,673	(128)	(853)	13,498
Motor (third party liability)	59	18	7	5	-	6	47
Motor (other classes)	4,378	3,520	2,045	1,515	(21)	(61)	2,375
Marine, aviation and transport	143,278	137,349	28,250	51,542	(76)	57,481	165,788
Fire and other damage to property	86,412	69,172	26,890	25,203	(23,010)	(5,931)	120,620
Third party liability	58,903	42,646	21,848	16,218	(4,740)	(160)	106,587
Credit and suretyship	2,216	1,222	427	308	2,028	2,515	3,545
Legal expenses	2,433	1,318	851	606	(8)	(147)	1,841
	320,740	267,907	88,032	101,070	(25,955)	52,850	414,351
Reinsurance	32,580	29,440	20,060	6,188	(3,501)	(309)	52,228
Total	353,320	297,347	108,092	107,258	(29,456)	52,541	466,529

2011	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Direct insurance:							
Accident and health	51	41	(122)	133	8	38	519
Motor (third party liability)	-	-	-	-	-	-	120
Motor (other classes)	(33)	(33)	(43)	(8)	2	20	104
Marine, aviation and transport	143,863	141,539	54,363	52,745	(6,653)	27,778	165,187
Fire and other damage to property	52,296	53,511	20,370	16,745	(12,551)	3,845	101,139
Third party liability	24,041	24,764	6,654	8,561	(6,276)	3,273	91,121
Credit and suretyship	595	598	(17)	123	95	587	7,887
Legal Expenses	-	-	-	-	-	-	-
	220,813	220,420	81,205	78,299	(25,375)	35,541	366,077
Reinsurance	17,581	17,457	28,632	3,687	(48)	(14,910)	38,523
Total	238,394	237,877	109,837	81,986	(25,423)	20,631	404,600

Commission on direct insurance gross premiums earned during 2012 were £57,502,000 (2011 - £46,599,000).

All premiums were concluded in the UK.

The geographical analysis of premiums by destination is as follows:

	2012 %	2011 %
UK	6.1	4.4
Other EU countries	12.1	14.7
US	48.5	46.3
Other	33.3	34.6
Total	100.0	100.0

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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AT 31 DECEMBER 2012

2. Claims Outstanding

Reassessment of claims outstanding on underwriting years 2009 & prior (2011 - 2008 & prior) resulted in an improvement of £23.5m (2011 - £13.7m).

3. Net Operating Expenses

	2012 £'000	2011 £'000
Acquisition costs	97,794	55,882
Change in deferred acquisition costs	(21,429)	(1,071)
Administrative expenses	30,760	23,820
Loss on exchange	133	3,355
	107,258	81,986
Reinsurance commissions receivable	(7,500)	(9,114)
	99,758	72,872

Administrative expenses include:

	2012 £'000	2011 £'000
Auditors' remuneration:		
Audit services	185	110
Other services	4	3
	189	113

Members' standard personal expenses (Lloyd's subscriptions, New Central Fund Contributions, managing agent's fees and profit commission) are included within administrative expenses and amount to £17,853,000 (2011 - £13,451,000).

4. Staff Numbers and Costs

All staff are employed by Atrium Group Services Limited. The following amounts were recharged to the syndicate in respect of salary costs:

	2012 £'000	2011 £'000
Wages and salaries	13,186	6,642
Social security costs	1,535	824
Other pension costs	1,477	846
	16,198	8,312

The average number of employees employed by Atrium Group Services Limited, but working for the syndicate during the year, was as follows:

	2012 Number	2011 Number
Management	5	4
Underwriting	43	35
Claims	5	3
Administration	32	24
	85	66

5. Emoluments of the Directors of Atrium Underwriters Limited

The fourteen Directors of Atrium Underwriters Limited received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	2012 £'000	2011 £'000
Salary	1,728	872
Pension	305	158
	2,033	1,030

5. Emoluments of the Directors of Atrium Underwriters Limited continued

The Active Underwriter received the following remuneration charged as a syndicate expense:

	2012 £'000	2011 £'000
Salary	240	203
Pension	48	41
	288	244

6. Investment Return

	2012 £'000	2011 £'000
Investment income:		
Income from investments	6,928	7,562
Gains on the realisation of investments	164	84
	7,092	7,646
Investment expenses and charges:		
Investment management expenses, including interest	(392)	(372)
Losses on the realisation of investments	(802)	(1,920)
	(1,194)	(2,292)

Calendar Year Investment Return

	2012 £'000	2011 £'000
Average syndicate funds available for investment during the year		
Sterling	3,591	-
US dollars	236,661	210,973
Canadian dollars	16,711	12,456
Euro	56,025	58,526
Combined	312,988	281,955
Aggregate gross investment return for the year	7,592	5,388
Gross calendar year investment return:	%	%
Sterling	0.2	-
US dollars	2.1	1.7
Canadian dollars	1.1	2.2
Euro	4.5	2.7
Combined	2.4	1.9

The average amount of syndicate funds available for investment has been calculated as the monthly average balance of investments.

The syndicate's portfolio consists of high quality investments which are held on a short duration basis.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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AT 31 DECEMBER 2012

7. Financial Investments

	Market value		Cost	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Shares and other variable yield securities and units in unit trusts	26,737	41,510	26,737	41,510
Debt securities and other fixed income securities	345,815	270,978	343,355	270,096
Loans secured by mortgage	20,861	24,377	20,647	24,533
	393,413	336,865	390,739	336,139

Shares and other variable yield securities and units in unit trusts represents the syndicate's holdings in collective investment schemes.

Debt securities and other fixed income securities and loans secured by mortgage are all listed on recognised stock exchanges.

Using Standard & Poor's and Moody's as rating sources, the credit ratings of the debt and other fixed income securities are set out below:

	2012 £'000	2012 %	2011 £'000	2011 %
Government/Government Agency	224,497	65.0	185,866	68.7
AAA/Aaa	39,160	11.3	36,695	13.5
AA/Aa	22,607	6.5	27,435	10.1
A	46,654	13.5	18,812	6.9
BBB	12,897	3.7	2,170	0.8
	345,815	100.0	270,978	100.0

The syndicate's fund manager throughout 2012 was GR-New England Asset Management (GR-NEAM). The US dollar and Canadian dollar investments are managed by GR-NEAM Inc, based in Farmington, USA and the Euro portfolio are managed by GR-NEAM Limited, a sister company based in Dublin, Ireland.

8. Debtors Arising out of Direct Insurance Operations

	2012 £'000	2011 £'000
Due from Intermediaries	119,118	85,762

9. Reconciliation of Members' Balances

	2012 £'000	2011 £'000
Members' balances brought forward at 1 January	24,930	52,569
Profit for the financial year	60,088	26,218
Currency translation differences	(2,904)	1,819
Payments of profit to members' personal reserve funds	(28,908)	(55,676)
Members' balances carried forward at 31 December	53,206	24,930

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

10. Creditors Arising out of Direct Insurance Operations

	2012 £'000	2011 £'000
Due to Intermediaries	47,302	41,887

11. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2012 £'000	2011 £'000
Operating profit on ordinary activities	60,088	26,218
Realised and unrealised investment losses	15,912	1,571
Increase in net technical provisions	61,929	45,222
(Increase)/decrease in debtors	(56,920)	2,213
Increase/(decrease) in creditors	20,536	(14,603)
Foreign exchange on balance due to members	13	(6)
Currency translation differences	(2,904)	1,819
Net cash inflow from operating activities	98,654	62,434

12. Movement in Opening and Closing Portfolio Investments Net of Financing

	2012 £'000	2011 £'000
Net cash outflow for the year	(5,956)	20,099
Cash flow		
Increase/(decrease) in deposits	4,463	(1,710)
Portfolio investments	71,226	(11,625)
Movement arising from cash flows	69,733	6,764
Changes in market value and exchange rates	(15,912)	(1,571)
Total movement in portfolio investments	53,821	5,193
Portfolio at 1 January	375,389	370,196
Portfolio at 31 December	429,210	375,389

Movement in Cash, Portfolio Investments and Financing

	At 1 Jan 2012 £'000	Cash flow £'000	Changes to market value and currencies £'000	At 31 Dec 2012 £'000
Cash at bank and in hand	28,112	(5,956)	(833)	21,323
Overseas deposits	9,942	4,463	(240)	14,165
Portfolio investments:				
Shares and other variable yield securities and units in unit trusts	41,510	(13,280)	(1,493)	26,737
Debt securities and other fixed income securities	270,978	87,535	(12,698)	345,815
Loans secured by mortgage	24,377	(2,878)	(638)	20,861
Deposits with ceding undertakings	860	(135)	(23)	702
Deposits received from reinsurers	(390)	(16)	13	(393)
Total portfolio investments	337,335	71,226	(14,839)	393,722
Total cash, portfolio investments and financing	375,389	69,733	(15,912)	429,210

The changes to market values and currencies include £(16.3)m relating to currency revaluation of non-Sterling denominated investments and deposits.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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AT 31 DECEMBER 2012

13. Net Cash (Outflow)/Inflow on Portfolio Investments

	2012 £'000	2011 £'000
Sale of shares and other variable yield securities and units in unit trusts	13,280	18,556
Purchase of debt securities and other fixed income securities	(225,893)	(170,428)
Sale of loans secured by mortgage	2,878	184
Deposits with ceding undertakings	135	(62)
Sale of debt securities and other fixed income securities	138,358	163,386
Net cash (outflow)/inflow on portfolio investments	(71,242)	11,636
Deposits received from Reinsurers	16	(11)
Net cash (outflow)/inflow on net portfolio investments	(71,226)	11,625

14. Disclosures of Interest

Arden Holdings Limited (AHL), a company incorporated under the laws of Bermuda, is the ultimate holding company of Atrium Underwriting Group Limited (AUGL). AHL changed its name from Ariel Holdings Limited to Arden Holdings Limited on 5 April 2012, following the completion of the Goldman Sachs acquisition of the Ariel Re operations, name and brand.

AUGL is the holding company of the following wholly owned subsidiaries; Atrium Underwriting Holdings Limited (AUHL), Atrium Insurance Agency Limited (AIAL), Atrium Group Services Limited (AGSL), Atrium Insurance Agency (Asia) Pte.Ltd (ASIA), Atrium Risk Management Services (Washington) Ltd (ARMS) and Atrium Risk Management Services (British Columbia) Ltd (ARMSBC). AUL is authorised and regulated by the Financial Services Authority and is the managing agent of Syndicates 570 and 609 (the 'managed syndicates'). AUHL is the holding company of Atrium 5 Limited and ten non-continuing members of Lloyd's.

AUGL participates on the managed syndicates through its corporate member subsidiary, Atrium 5 Limited whose participation on each year of account is as follows:

	2010 Capacity £m	2011 Capacity £m	2012 Capacity £m	2013 Capacity £m
Syndicate 570	35.9	35.9	-	-
Syndicate 609	70.9	70.9	106.8	106.8

Atrium 5 Limited's participation on the managed syndicates as % of syndicate capacity:

	2010 %	Year of account		2013 %
		2011 %	2012 %	
Syndicate 570	24.8	24.8	-	-
Syndicate 609	25.8	25.8	25.4	25.4

On 28 April 2011, Atrium wrote to the Council of Lloyd's with a notice of the intention to merge Syndicate 570 and Syndicate 609 with effect from the commencement of the 2012 year of account. Consent to the merger was granted on 19 July 2011. Richard Harries was appointed Underwriter of Syndicate 570 with effect from 1 January 2012. In order to manage the run-off of Syndicate 570's business, certain Syndicate 609 underwriters have authorities that enable them to service business on behalf of both managed syndicates.

AHL is the ultimate holding company of Arden Reinsurance Company Ltd (Arden Re). On 1 March AHL announced a transaction by which an affiliate of Goldman Sachs would acquire the Bermuda operations of Ariel Reinsurance Company Ltd (Ariel Re), another subsidiary in the Ariel Group. On March 2012 it was announced that Arch Capital Group Ltd intended to acquire Ariel Re's Switzerland-based reinsurance operations. On 5 April 2012 the Goldman Sachs transaction was completed and Ariel Re was renamed Arden Re. On 9 April 2012 the Arch Capital Group Ltd transaction completed.

14. Disclosures of Interest continued

AIAL is a registered Lloyd's UK coverholder and is authorised and regulated by the Financial Services Authority. Syndicate 609 leads on a binding authority granted to AIAL to underwrite Space business. The binding authority is led by Syndicate 609. Syndicate 570 participated on this binding authority up until 31 December 2011. Under the terms of the binding authority, fees and profit commission are payable to AIAL. Fee income of \$505,000 (2011 – \$811,000) is payable by the syndicate to AIAL in relation to premium earned in calendar year 2012. Profit commission of \$899,000 has been incurred by the syndicate (2011 – \$700,000) during the calendar year 2012.

AGSL is a group service company. All UK employee contracts and, where possible, all material service provider contracts are held by AGSL. A service agreement is in place whereby AGSL provides all management services to all Atrium Group companies. Under the service agreement AGSL will charge the costs to each Atrium group company, including AUL, for the respective services provided.

ASIA carries on for its own account the business of insurance intermediation in Singapore, operating on the Lloyd's Asia platform. In this capacity it has been granted authority by Syndicate 609 to bind certain risks (including marine hull, energy, aviation and non-marine property risks) and has been approved by Lloyd's and the Monetary Authority of Singapore to act as a Lloyd's Singapore Service Company. Under the terms of the arrangement with Syndicate 609 ASIA charges fees to the syndicate equal to its operating costs plus a small margin for tax reasons. Fees of S\$2,435,000 were paid by Syndicate 609 in calendar year 2012 (2011 – S\$2,076,000).

ARMS is incorporated in Washington State, USA and was established to support the Syndicate strategy to maintain and grow its North American direct portfolio and distribution network. ARMS charges fees to the Syndicates equal to its operating costs plus a small margin for tax reasons. Fees of US\$177,000 were paid by Syndicate 570 in the calendar year 2012 (2011 – US\$698,000) and fees of US\$1,015,000 were paid by Syndicate 609 in the calendar year 2012 (2011 – US\$nil).

ARMSBC is incorporated in British Columbia, Canada, and was established to support the Syndicate strategy to maintain and grow its North American direct portfolio and distribution network. ARMSBC charges fees to the Syndicates equal to its operating costs plus a small margin for tax reasons. Fees of C\$123,000 were paid by Syndicate 570 in the calendar year 2012 (2011 – C\$886,000) and fees of C\$850,000 were paid by Syndicate 609 in the calendar year 2012 (2011 – C\$nil).

AUL manages four underwriting consortia. The Atrium Aviation Consortium is an internal consortium arrangement between Syndicate 570 & 609 on a 40%/60% split basis. Lloyd's approval was given on 21st July 2003 for this arrangement. An overrider is charged by Syndicate 609 to Syndicate 570. This consortium arrangement ceased for the 2012 year of account.

The Atrium Airline Hull War and Allied Perils Consortium and the two Atrium Aviation Reinsurance Consortia are led by Syndicate 609 and supported by various other Lloyd's syndicates, including Syndicate 570. Lloyd's approval is not required under the Multiple Syndicates Byelaw for these consortia. Fees and profit commission are payable by all consortium members including Syndicate 570. AUL processes the fees and profit commission on behalf of Syndicate 609 but currently retains no remuneration in its role as manager of these consortia. Two Aviation Reinsurance Quota share treaties are in place that replicate the Atrium Reinsurance Consortia. Profit commissions and overrides are payable by Syndicate 570 to Syndicate 609 under this arrangement. Syndicate 570's participation on all of these Consortia and Quota Share arrangements ceased for the 2012 year of account.

Syndicate 609 has entered into a quota share contract of their Space account for the 2009, 2010, 2011 and 2012 years of account with Ariel Re. Permission for this arrangement was granted by Lloyd's on 30 December 2008. Earned income ceded under this arrangement in 2012 was US\$1.3m (2011 – US\$2.7m). Earned income expected to be ceded in 2013 is US\$1.0m. Syndicate 609 agreed to transfer the quota share to the Goldman Sachs subsidiary during 2012 following its acquisition of the Bermuda operations of Ariel Re.

A quota share of Syndicate 609 by Syndicate 570 was entered into in relation to Aviation business underwritten on behalf of Syndicate 609 by ASIA. Under the terms of the quota share an overriding commission is payable by Syndicate 570 to Syndicate 609. The terms were set and agreed by the respective Active Underwriters. Lloyd's gave consent of a waiver under the Multiple Syndicates Byelaw on 9 November 2009. No overriding commission has been paid by Syndicate 570 in calendar year 2011. This arrangement ceased for the 2012 year of account..

The implementation of the syndicate merger from 1 January 2012 has resulted in the related party transactions between the two managed syndicates ceasing with effect from 2012.

It is possible that further transactions may be entered into between the managed syndicates and Arden Re.

With effect from 2012 certain reinsurances purchased will be for the benefit of both Syndicates 570 and 609. The Board determined that this was the most efficient process to protect both the ongoing and run-off business. There is the possibility that one or other syndicate exhausting the available coverage, in which case we would examine the need to purchase back-up coverage. Costs will be charged on an equitable basis determined by the Board. Several of these shared reinsurance arrangements have renewed into 2013.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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AT 31 DECEMBER 2012

14. Disclosures of Interest continued

The Directors' participations on Syndicates 570 & 609 via Nomina No. 207 LLP are as follows:

	Syndicate 570				Syndicate 609			
	2010 yoa £	2011 yoa £	2012 yoa £	2013 yoa £	2010 yoa £	2011 yoa £	2012 yoa £	2013 yoa £
Andrew Baddeley	7,534	7,534	-	-	14,289	14,289	28,793	-
Steve Cook	11,213	11,213	-	-	21,266	21,266	37,438	35,500
Simon Cooper	40,788	40,788	-	-	77,357	77,357	135,145	-
Toby Drysdale	9,212	9,212	-	-	17,472	17,472	29,173	27,707
Richard Harries	52,242	52,242	-	-	99,079	99,079	199,973	250,000
Nick Marsh	37,671	37,671	-	-	71,444	71,444	109,115	109,069
Samit Shah	10,197	10,197	-	-	19,339	19,339	36,500	38,945

AUL has made no loans to directors of the company during 2012.

Managing agency fees of £2,929,000 (2011 – £1,926,000) were paid by the syndicate to AUL. Profit commission of £15,769,000 (2011 – £9,527,080) is payable by the syndicate to AUL in relation to the 2012 calendar year result. The managing agents agreement was amended in 2007 to enable managing agents to make payments on account of profit commission, prior to the closure of a year of account. Payments on account can be made when the syndicate transfers open year surpluses from the syndicate level premium trust funds to the members' personal reserve fund. No payment (2011 – £8,185,000) was made in 2012. Included within creditors is £11,411,000 (2011 – £6,186,000) in respect of profit commission payable to AUL on the 2010 year of account. £4,358,000 (2011 – £3,396,000) is included in accruals and payable after 12 months.

15. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on FSA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.



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