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STARSTONE

Part of the Enstar Group

SYNDICATE 2008

Annual Report and Financial Statements

Year ended 31 December 2015

Syndicate 2008
Annual report and accounts
31 December 2015

Contents

Directors and administration

The Syndicate "Syndicate 2008" was novated from Shelbourne Syndicate Services Limited to StarStone Underwriting Limited (SUL) "the Managing Agent" as of the 3rd July 2015.

Managing Agent:

StarStone Underwriting Ltd.

Directors

E Gilmour	Chairman	Appointed 19/02/2015
D Smith	CEO	Appointed 30/06/2015
A Alecock	Director	
N Barton	Non-Executive Director	
D Message	Director	Appointed 14/07/2015
P O'Shea	Director	
R Phinn	Director	Appointed 04/11/2015
P Tiernan	Director	Appointed 15/06/2015
D Truman	Director	Appointed 14/07/2015
J Wardrop	Non-Executive Director	Appointed 15/01/2015
T Wilkes	Non-Executive Director	Appointed 10/06/2015
N Attwood	Director	Resigned 31/03/2015
B Hurst-Bannister	Director	Resigned 24/03/2015
D Kirby	Director	Resigned 31/03/2015

Company secretary

S Hextall

C Traxler

Managing agent's registered office

88 Leadenhall Street

London, EC3A 3BP

United Kingdom

Managing agent's registered number

08039754

Syndicate:

Active underwriter

A Elliot

Bankers

CitiBank, Barclays

Investment managers

Amundi Asset Management, Ltd

Registered auditor

KPMG LLP

Consulting Actuary

Ernst & Young LLP

Report of the directors of the managing agent

The directors of the managing agent present their managing agent's report for the year ended 31 December 2015.

Basis of Preparation

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. The corporate member on the 2012 year of account, SGL 1, has exercised its right to waive the requirement to prepare separate accounts for this closed underwriting year of account.

Results

The result for year ended 31 December 2015 is a profit of £1.9 million (2014: £11.7 million).

Year of Account	2013	2014	2015	All Years
	£'000	£'000	£'000	£'000
Net premiums earned	(441)	256	59,304	59,119
Total technical charges	13,927	983	(59,278)	(44,368)
Technical profit	13,486	1,239	26	14,751
Investment income	206	(20)	344	530
(Loss)/Profit on exchange	(3,551)	(559)	1,093	(3,017)
Net expenses	(7,225)	(346)	(2,831)	(10,402)
Net profit	**2,916**	**314**	**(1,368)**	**1,862**

Principal activities

The principal activity of the business of syndicate 2008 ("the syndicate") is to provide finality solutions for Lloyd's run off business through either reinsurance to close or quota share agreements.

Business review

At 1 January 2008, the syndicate was successful in providing reinsurance to close in respect of Lloyd's syndicates 205, 588, 861 and 1236. The following syndicates were subsequently reinsured to close:

As at 1 January 2009: syndicate 1121.

As at 1 January 2010: syndicates 53 and 991, and as at 1 July 2010: syndicate 529.

As at 1 January 2011: syndicates 5500, 1243, 6101 and 6102.

Effective 31 December 2012, the syndicate entered into a 100% quota share reinsurance agreement with syndicate 1200 in respect of the majority of the reserves of the 2009 and prior underwriting years of account. The quota share has been novated and replaced with a traditional RITC arrangement with effect from 1 January 2014.

As at 1 January 2013: syndicate 1231's 2009 and prior years of account were reinsured, and there was a 100% quota share reinsurance agreement with syndicate 5820 in respect of the 2010 underwriting year.

As at 1 January 2014: syndicate 1110's 2011 and prior years of account were reinsured.

As at 1 January 2015: syndicate 1965's 2011 and prior years of account and syndicate 2243's 2012 and prior years of account have been reinsured.

The syndicate recorded a £1.9m profit for the 2015 financial year across all years of account. Technical profit of £14.8m plus investment income of £0.5m was offset by expenses and foreign exchange losses of £3.4m.

The 2015 year of account (YOA) includes the results of RITC syndicates 1965 and 2243. Total net reserves taken on equate to the RITC premiums paid to the syndicate and amounted to £65.8m. The 2015 YOA generated a loss of £1.3m which was offset by profits on the 2014 and 2013 YOA's of £0.3m and £2.9m respectively.

The syndicate continues to maintain a conservative approach to the valuation of its reinsurance asset.

Syndicates 861 and 588 are fully reinsured and, as a result, any gross or net technical movements do not impact the syndicate's result.

Report of the directors of the managing agent (continued)

Future developments

The intention of the board is to continue to pursue reinsurance to close opportunities and other Lloyd's closure solutions as they arise, and to manage the ongoing liabilities of the syndicate as economically and efficiently as possible.

Directors

The current directors of the managing agent are set out on page 2.

Directors Participation

None of the directors participate directly on the syndicate.

Disclosure of information to auditors

The directors of the managing agent who held office at the date of approval of this managing agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Underwriter

A D Elliot was appointed as Underwriter from inception.

Auditors

Pursuant to Section 14(2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Syndicate Meeting

The managing agent confirms that it does not propose to hold an annual general meeting of the members of the syndicate.

For and on behalf of the board

D G Smith
Chief Executive Officer
15 March 2016

Statement of managing agent's responsibilities

The managing agent is responsible for preparing the syndicate annual report and accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate financial statements at 31 December each year in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice). The syndicate financial statements 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 financial statements, the managing agent is required to:

- select suitable accounting policies and then apply them consistently, subject to changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the syndicate financial statements; and
- prepare the syndicate financial statements 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 that disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the syndicate financial statements comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the 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 UK governing the preparation and dissemination of syndicate financial statements may differ from legislation in other jurisdictions.

for and on behalf of the board

D G Smith
Chief Executive Officer
15 March 2016

Independent auditor's report to the members of Syndicate 2008

We have audited the financial statements of Syndicate 2008 for the year ended 31 December 2015, as set out on pages 7 to 36. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the members of the syndicate, 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 syndicate'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 syndicate's 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 5, the Managing Agent is responsible for the preparation of the syndicate's financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the syndicate's financial statements 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 SYNDICATE'S FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the syndicate's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK 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) REGULATIONS 2008

In our opinion the information given in the Report of the Directors of the Managing Agent for the financial year in which the financial statements are prepared is consistent with the financial statements.

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:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Jonathan Bell (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
15 March 2016

Income Statement Technical Account

For the year ended 31 December 2015

	Note	2015 £000	2015 £000	2014 £000	2014 £000
Earned premiums, net of reinsurance					
Gross premiums written	6	**68,388**		17,776	
Outwards reinsurance premiums		**(9,341)**		232	
			59,047		18,008
Change in the provision for unearned premiums					
Gross amount		**(6,484)**		-	
Reinsurers' share		**6,556**		-	
			72		-
			59,119		18,008
Allocated investment return transferred from the non-technical account	11		**530**		2,783
Claims incurred, net of reinsurance	6				
Claims paid					
Gross amount		**(63,993)**		(59,824)	
Reinsurers' share		**20,228**		14,373	
			(43,765)		(45,451)
Change in the provision for claims					
Gross amount		**(13,192)**		43,714	
Reinsurers' share		**12,589**		3,021	
			(603)		46,735
Net operating expenses	8		**(10,402)**		(10,345)
Balance on the technical account			**4,879**		11,730

All operations relate to continuing activities.

The notes on pages 13 to 36 form an integral part of these financial statements

Income Statement
Non-technical Account

for the year ended 31 December 2015

	Note	2015 £000	2014 £000
Balance on the technical account		**4,879**	11,730
Investment income	*11*	**1,850**	6,144
Unrealised gains on investments	*11*	**614**	289
Investment expenses and charges	*11*	**(231)**	(2,118)
Unrealised losses on investments	*11*	**(1,703)**	(1,532)
Allocated investment return transferred to technical account	*11*	**(530)**	(2,783)
Loss on foreign exchange		**(3,017)**	(77)
Profit for the financial year		**1,862**	11,653

All operations relate to continuing activities.

Statement of Financial Position - Assets

at 31 December 2015

	Note	2015 £000	2015 £000	2014 £000	2014 £000
Investments					
Other financial investments	*12*		**210,302**		232,523
Reinsurers' share of technical provisions	*15*				
Provision for unearned premiums		**6,654**		-	
Claims outstanding		**98,307**		81,579	
			104,961		81,579
Debtors					
Debtors arising out of direct insurance operations	*13*	**7,725**		1,017	
Debtors arising out of reinsurance operations	*14*	**6,899**		7,105	
Other debtors		**9,776**		3,897	
			24,400		12,019
Other assets					
Cash at bank and in hand		**20,943**		8,657	
Oversea Deposits		**16,657**		17,615	
			37,600		26,272
Total assets			**377,263**		352,393

The notes on pages 13 to 36 form an integral part of these financial statements

Statement of Financial Position - Liabilities

at 31 December 2015

	Note	2015 £000	2015 £000	2014 £000	2014 £000
Capital and reserves					
Members' balances			**2,001**		12,263
Technical provisions	15				
Provision for unearned premiums		**6,654**		-	
Claims outstanding		**327,927**		308,138	
			334,581		308,138
Deposits received from reinsurers			**28,887**		28,232
Creditors					
Creditors arising out of direct insurance operations		**4,768**		1,547	
Creditors arising out of reinsurance operations		**4,196**		1,578	
Other creditors		**2,764**		635	
	17		**11,728**		3,760
Accruals and deferred income			**66**		-
Total liabilities and equity			**377,263**		352,393

The Syndicate financial statements on pages 7 to 35 were approved by the board of StarStone Underwriting Limited on 15 March 2016 and were signed on its behalf by

A Alecock
Director

D G Smith
Chief Executive Officer

The notes on pages 13 to 36 form an integral part of these financial statements

Statement of Changes in Members' Balances

	2015 £000	2014 £000
Members' balances brought forward at 1 January	**12,263**	10,356
Profit for the year	**1,862**	11,653
Members' agents fees	**-**	-
Payments of profit to members' personal reserve fund	**(12,124)**	(9,746)
Members' balances carried forward at 31 December	**2,001**	12,263

Members participate on Syndicates by reference to years of account (YOA) 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.

Statement of Cash Flows

for the year ended 31 December 2015

	Note	2015 £000	2015 £000	2014 £000	2014 £000
Cash flows from operating activities					
Profit for the year		**1,862**		11,653	
Adjustments:					
Increase/(decrease) in technical provisions		**26,443**		(40,189)	
(Increase)/decrease in reinsurers share of technical provisions		**(23,382)**		(4,806)	
(Increase)/decrease in debtors		**(12,381)**		83,049	
Increase/(decrease) in creditors		**8,033**		(70)	
Investment return		**(530)**		(2,784)	
Other movements		**(1,287)**		(328)	
Net cash inflow from operating activities			**(1,242)**		46,525
Net cash flow from financing activities:					
Transfer to members in respect of underwriting participations		**(13,898)**		(10,007)	
Other		**(57)**		(1)	
Net cash outflow from financing activities			**(13,955)**		(10,008)
Cash Flow from Investing activities					
Purchase of equity and debt instruments		**(86,623)**		(175,050)	
Sale of equity and debt instruments		**91,280**		148,018	
Investment income received		**1,619**		2,696	
Other		**20,249**		-	
Net cash outflow from investing activities			**26,525**		(24,336)
Net decrease/(increase) in cash and cash equivalents			**11,328**		12,181
Cash and cash equivalents at 1 January			**26,272**		14,091
Cash at bank in hand			**37,600**		26,272

The notes on pages 13 to 36 form an integral part of these financial statements

Notes

(forming part of the financial statements)

1. Basis of preparation

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014, and Financial Reporting Standard 103 *Insurance Contracts* ("FRS 103") as issued in March 2014.

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

The financial statements are presented in Pound Sterling ("GBP"), which is the syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The managing agent has prepared the financial statements on the expectation that continued capital support will be in place such that the syndicate will continue to write new RITC business in future underwriting years of account.

2. Change to accounting policies

These are the first set of financial statements prepared by the Syndicate in accordance with FRS 102. An explanation of how the transition to FRS 102 has affected the financial position and performance of the syndicate is provided in note 21.

3. Use of judgements and estimates

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

4. Accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate's financial statements.

Premiums written

Premiums written comprise the reinsurance to close premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods by the reinsured syndicates. Premiums exclude taxes and duties levied on them.

Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the statement of financial position date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Notes

(continued)

4. Accounting policies (continued)

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

Claims incurred are comprised of claims and settlement expenses (both internal and external) paid in the year and the movement in provisions for outstanding claims and settlement expenses. Claims outstandings are reduced by anticipated salvage and other recoveries.

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 statement of financial position 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 statement of financial position 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. 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 calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programmes 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.

The overall movement in net claims provisions is stated after taking into account the impact of incoming RITC and quota share portfolios.

Acquisition costs

Acquisition costs include direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. Where a deferred acquisition cost asset exists, it represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the statement of financial position date.

Net operating expenses

All expenses that are directly attributable to the syndicate have been specifically charged. Expenses which are jointly incurred for the agency and the managed syndicates are apportioned according to the time spent on the syndicate matters and resources used.

Notes

(continued)

4. Accounting policies (continued)

Foreign currencies

The syndicate has adopted Pounds Sterling as both its presentational and functional currency. As such, no differences arise on conversion between the two.

Transactions in foreign currencies are translated to the functional currency using the average rates of exchange for the period. The Syndicate's monetary and non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the statement of financial position date. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Differences arising on translation of foreign currency amounts relating to the insurance operations of the Syndicate are included in the non-technical account.

Financial assets and liabilities

In applying FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of IAS 39 *Financial Instruments: Recognition and Measurement* (as adopted for use in the EU).

Classification

The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the income statement. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

Financial assets and financial liabilities at fair value through profit and loss comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition. Investments in shares and other variable yield securities, units in unit trusts, and debt and other fixed income securities are designated as at fair value through profit or loss on initial recognition, as they are managed on a fair value basis in accordance with the Syndicate's investment strategy.

Deposits with credit institutions, debtors, and accrued interest are classified as loans and receivables.

Recognition

Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Syndicate's contractual rights to the cash flows from the financial assets expire or if the Syndicate transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire.

Regular way purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Syndicate commits itself to purchase or sell the asset.

Measurement

A financial asset or financial liability is measured initially at fair value plus, for a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in the income statement. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income.

Loans and receivables and non-derivative financial liabilities are measured at amortised cost using the effective interest method.

Identification and measurement of impairment

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

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Syndicate about any significant financial difficulty of the issuer, or significant changes in the technological, market, economic or legal environment in which the issuer operates.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Notes

(continued)

4. Accounting policies (continued)

Financial assets and liabilities (continued)

Identification and measurement of impairment (continued)

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the income statement.

Off-setting

Financial assets and financial liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Syndicate currently has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Investment return

Investment income comprises interest income, dividends receivable and realised investment gains. Investment return comprises investment income and movements in unrealised gains and losses on financial instruments at fair value through profit or loss, less investment management expenses, interest payable, realised losses and impairment losses.

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Interest income on financial assets measured at amortised cost is recognised using the effective interest method. For the purpose of separately presenting investment income and unrealised gains and losses for financial assets at fair value through profit or loss, interest income is recognised as it accrues on the next coupon payment.

For investments at fair value through profit or loss, realised gains and losses represent the difference between the net proceeds on disposal and the purchase price. For investments measured at amortised cost, realised gains and losses represents the difference between the net proceeds on disposal and the latest carrying value (or if acquired after the last reporting date, the purchase price).

Unrealised gains and losses on investments represent the difference between the fair value at the statement of financial position date and their purchase price. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals in the current period, or the valuation at the beginning of the year; as well as the reversal of previously recognised unrealised gains and losses in respect of investment disposed of in the current period.

Investment return is initially recorded in the non-technical account. The return is transferred in full to the general business technical account to reflect the investment return on funds supporting underwriting business.

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 (currently at 20%) 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 have been included in the statement of financial position under the heading 'other debtors'.

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

Pension costs

Enstar (EU) Limited, which employs the staff utilised by SUL, operates a defined contribution pension scheme. Pension costs relating to staff performing syndicate duties are charged to the syndicate and included within "net operating expenses".

Managing Agent's Fee

In 2015, a fixed fee of £62,500 was charged to the syndicate by the previous managing agent Shelbourne Syndicate Services Ltd. On the 3rd July the Syndicate was novated into SUL and a managing agent fee based upon syndicate FAL was agreed upon by the directors. The amount charged for the 6 months under SUL was £338,350. This amount is included in "net operating expenses".

Notes

(continued)

5. Risk and capital management

Introduction and overview

This note presents information about the nature and extent of insurance and financial risks to which the Syndicate is exposed, the Managing Agent's objectives, policies and processes for measuring and managing insurance and financial risks, and for managing the Syndicate's capital.

Risk management framework

The Board of SUL sets the risk appetite annually as part of the syndicate's business planning and Individual Capital Assessment process. The Board of the managing agent has established procedures to review and update the risk register regularly and to monitor performance against the risk appetite using a series of key risk indicators. The principal risks and uncertainties facing the syndicate are as follows:

Insurance Risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). Given that the business of the syndicate is reinsuring syndicates in run-off, the remaining insurance risk is primarily claims and reserving risk. Reserve adequacy is monitored through quarterly review.

Sensitivity to insurance risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for large losses and catastrophes, or from changes in estimates of claims incurred but not reported (IBNR). A five per cent increase or decrease in the ultimate cost of settling claims arising is considered to be reasonably possible at the reporting date.

A five percent increase or decrease in total claims liabilities would have the following effect on profit or loss and equity:

Year 2015	2015		2014	
	5 per cent increase	5 per cent decrease	5 per cent increase	5 per cent decrease
Accident and health	**(1,088)**	**1,088**	(1,081)	1,081
Marine, aviation and transport	**(3,268)**	**3,268**	(2,668)	2,668
Fire and other damage to property	**(2,751)**	**2,751**	(1,664)	1,664
Third party liability	**(4,374)**	**4,374**	(5,935)	5,935
Total	**(11,481)**	**11,481**	(11,328)	11,328

Notes

(continued)

5. Risk and capital management (continued)

Concentration of insurance risk

The Syndicate's exposure to insurance risk is well diversified. The following table provides an analysis of the geographical breakdown of its written premiums by class of business.

Gross 2015	Accident and health £000	Marine, aviation and transport £000	Property £000	Third party liability £000	Reinsurance £000	Total £000
United States	25,638	29,598	37,797	33,569	30,084	156,686
United Kingdom	807	8,060	6,227	23,537	4,665	43,296
Other EEA	882	7,691	6,127	48,206	4,364	67,270
Other Non-EEA	105	10,250	7,166	7,266	6,977	31,764
Australia & New Zealand	6	178	211	9,441	4,632	14,468
Canada	6	164	1,332	12,848	93	14,443
Total	27,444	55,941	58,860	134,867	50,815	327,927

Gross 2014	Accident and health £000	Marine, aviation and transport £000	Property £000	Third party liability £000	Reinsurance £000	Total £000
United States	28,972	26,041	20,856	67,628	37,337	180,834
United Kingdom	111	7,120	3,231	10,827	787	22,076
Other EEA	686	5,292	4,595	55,055	3,867	69,495
Other Non-EEA	192	513	5,354	3,234	1,357	10,650
Australia & New Zealand	5	40	378	10,098	246	10,767
Canada	8	195	1,942	11,996	175	14,316
Total	29,974	39,201	36,356	158,838	43,769	308,318

Net 2015	Accident and health £000	Marine, aviation and transport £000	Property £000	Third party liability £000	Reinsurance £000	Total £000
United States	14,589	3,235	27,477	27,279	19,729	92,309
United Kingdom	(557)	5,254	494	19,708	(170)	24,729
Other EEA	864	5,300	5,089	43,061	3,404	57,718
Other Non-EEA	105	9,554	7,162	3,630	6,834	27,285
Australia & New Zealand	5	128	161	8,828	4,472	13,594
Canada	3	109	1,148	12,643	82	13,985
Total	15,009	23,580	41,531	115,149	34,351	229,620

Net 2014	Accident and health £000	Marine, aviation and transport £000	Property £000	Third party liability £000	Reinsurance £000	Total £000
United States	12,859	15,135	15,437	43,973	23,532	110,936
United Kingdom	9	7,016	2,394	10,106	760	20,285
Other EEA	645	4,761	3,872	47,361	3,275	59,914
Other Non-EEA	192	511	5,348	3,200	1,301	10,552
Australia & New Zealand	5	35	378	10,098	246	10,762
Canada	3	86	1,921	11,967	133	14,110
Total	13,713	27,544	29,350	126,705	29,247	226,559

Notes

(continued)

5. Risk and capital management (continued)

Financial risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to optimise the risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

Credit risk

Credit risk is the risk of financial loss to the Syndicate if a counterparty fails to discharge a contractual obligation. The Syndicate is exposed to credit risk in respect of the following:

- debt securities;
- reinsurers' share of insurance liabilities;
- amounts due from intermediaries;
- amounts due from reinsurers in respect of settled claims;
- cash and cash equivalents; and
- other debtors and accrued interest.

The nature of the Syndicate's exposures to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior year.

Management of credit risk

The Syndicate's credit risk in respect of debt securities is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by rating agencies such as Standard and Poor's.

The Syndicate limits the amount of cash and cash equivalents that can be deposited with a single counterparty, and maintains an authorised list of acceptable cash counterparties.

The Syndicate's exposure to intermediaries and reinsurance counterparties is monitored by the individual business units as part of their credit control processes. The impact of reinsurer default is regularly assessed and managed accordingly.

All intermediaries must meet minimum requirements established by the Syndicate. The credit ratings and payment histories of intermediaries are monitored on a regular basis.

The Syndicate assesses the creditworthiness of all reinsurers by reviewing public rating information and by internal investigations.

Exposure to credit risk

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure. The Syndicate does not hold any collateral as security or purchase any credit enhancements (such as guarantees, credit derivatives and netting arrangements that do not qualify for offset).

The syndicate has inherited the reinsurance programs of the reinsured syndicates, so the risk is largely the exposure to reinsurers on past reinsurance rather than new purchases of reinsurance. Intra-group reinsurance arrangements are in place in relation to one portfolio (syndicates 588/861) and are collateralised 100% on a funds withheld basis. Any new purchase of reinsurance may only be carried out with the Board's prior approval of the related security.

Notes

(continued)

5. Risk and capital management (continued)

Credit risk (continued)

The following table analyses the credit rating by investment grade of financial investments, reinsurers' share of technical provisions, debtors arising out of direct insurance and reinsurance operations, cash at bank and in hand, and other debtors and accrued interest that are neither past due, nor impaired.

Year 2015	AAA £000	AA £000	A £000	BBB £000	Not rated £000	Total £000
Financial investments						
Shares and other variable yield securities and units in unit trusts	-	4,216	1,622	-	20,507	26,345
Debt securities and other fixed income securities	64,390	44,725	45,206	21,618	746	176,685
Deposits with credit institutions	-	-	7,272	-	-	7,272
Overseas deposits as investments	-	-	16,657	-	-	16,657
Reinsurers' share of technical provisions	-	13,482	80,302	3,356	1,167	98,307
Cash at bank and in hand	-	-	20,943	-	-	20,943
Total	**64,390**	**62,423**	**172,002**	**24,974**	**22,420**	**346,209**

Year 2014	AAA £000	AA £000	A £000	BBB £000	Not rated £000	Total £000
Financial investments						
Shares and other variable yield securities and units in unit trusts	-	1,755	543	1,284	6,731	10,313
Debt securities and other fixed income securities	74,754	55,364	51,698	13,459	-	195,275
Deposits with credit institutions	-	-	26,935	-	-	26,935
Overseas deposits as investments	-	-	17,616	-	-	17,616
Reinsurers' share of technical provisions	-	14,914	60,954	5,449	261	81,578
Cash at bank and in hand	-	-	8,657	-	-	8,657
Total	74,754	72,033	166,403	20,192	6,992	340,374

Notes

(continued)

5. Risk and capital management (continued)

Credit risk (continued)

Financial assets that are past due or impaired

The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. The Syndicate does not consider these debtors to be impaired on the basis of stage of collection of amounts owed to the Syndicate.

These debtors have been individually assessed for impairment by considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties.

An analysis of the carrying amounts of past due or impaired debtors is presented in the table below.

Year 2015	Debtors arising from direct insurance operations £000	Debtors arising from reinsurance operations £000
Past due but not impaired financial assets:		
Past due by:		
Up to 3 months	-	4,510
Three to Six Months	-	-
Six Months to one year	-	100
Greater than one year	-	2,289
Past due but not impaired financial assets	-	6,899
Impaired financial assets	-	-
Gross value of past due and impaired financial assets	-	6,899
Less: individually assessed impairment allowances	-	-
Net carrying value of past due and impaired financial assets	-	6,899
Neither past due nor impaired financial assets	7,725	-
Net carrying value	7,725	6,899

Year 2014	Debtors arising from direct insurance operations £000	Debtors arising from reinsurance operations £000
Past due but not impaired financial assets:		
Past due by:		
Up to 3 months	-	(1,575)
Three to Six Months	-	(1)
Six Months to one year	-	343
Greater than one year	-	8,338
Past due but not impaired financial assets	-	7,105
Impaired financial assets	-	-
Gross value of past due and impaired financial assets	-	7,105
Less: individually assessed impairment allowances	-	-
Net carrying value of past due and impaired financial assets	-	7,105
Neither past due nor impaired financial assets	1,017	-
Net carrying value	1,017	7,105

Notes

(continued)

5. Risk and capital management (continued)

Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations arising from its insurance contracts and financial liabilities. The Syndicate is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts.

The nature of the Syndicate's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

Management of liquidity risk

The Syndicate's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Syndicate's reputation. The Investment Committee review cash flow forecasts quarterly. The only source of additional funds currently available to the syndicate is cash call though other options may be investigated in due course.

The maturity analysis presented in the table below shows the remaining contractual maturities for the Syndicate's insurance contracts and financial instruments. For insurance contracts, the contractual maturity is the estimated date when the gross undiscounted contractually required cash flows will occur. For financial assets and liabilities it is the earliest date on which the gross undiscounted cash flows (including contractual interest payments) could be paid assuming conditions are consistent with those at the reporting date.

			Undiscounted net cash flows			
Year 2015	Carrying amount £000	Total cash flows £000	Less than 1 year £000	I-2 years £000	2-5 years £000	More than 5 years £000
Financial investments:						
Shares and other variable yield securities and units in unit trusts	26,344	26,344	26,344	-	-	-
Debt securities	176,685	176,685	45,332	68,708	46,866	15,779
Deposits with credit institutions	7,272	7,272	7,272	-	-	-
Reinsurers share of technical provisions	98,307	98,307	30,619	15,962	25,807	25,919
Debtors and accrued interest	41,057	41,057	41,057	-	-	-
Cash at bank and in hand	20,943	20,943	20,943	-	-	-
Total assets	370,608	370,608	171,567	84,670	72,673	41,698
Technical provisions	327,927	327,927	102,134	53,247	86,087	86,459
Creditors	11,727	11,727	11,727	-	-	-
Total liabilities	339,654	339,654	113,861	53,247	86,087	86,459

Notes

(continued)

5. Risk and capital management (continued)

Liquidity risk (continued)

Year 2014	Carrying amount £000	Total cash flows £000	Undiscounted net cash flows Less than 1 year £000	1-2 years £000	2-5 years £000	More than 5 years £000
Financial investments:						
Shares and other variable yield securities and units in unit trusts	10,313	10,313	10,313	-	-	-
Debt securities	195,275	195,275	71,835	71,101	39,096	13,243
Deposits with credit institutions	26,935	26,935	26,935	-	-	-
Reinsurers share of technical provisions	81,579	81,579	26,590	17,993	19,667	17,329
Debtors and accrued interest	29,634	29,634	29,634	-	-	-
Cash at bank and in hand	8,657	8,657	8,657	-	-	-
Total assets	352,393	352,393	173,964	89,094	58,762	30,572
Technical provisions	308,138	308,138	100,438	67,963	74,282	65,455
Creditors	3,760	3,760	3,760	-	-	-
Total liabilities	311,898	311,898	104,198	67,963	74,282	65,455

In the above tables, equity investments, which have no contractually required cash flows, but which are actively traded, are included in the 'less than one year' column. In practice cash could be realised through the sale of these equity investments, and through the sale the syndicate's investments in debt securities, the majority of which are actively traded. The disclosure does not take account of premiums received from new business written which can be used to pay claims arising.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Syndicate exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

Management of market risks

The agency's Investment Committee meets quarterly to review the performance of the investments held and the return achieved on the syndicate's cash deposits. Amundi (UK) Limited were appointed in 2009 and is an investment manager acting on behalf of the syndicate. The other key aspect of market risk is that the syndicate could incur losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. This has been mitigated by the currency matching of assets and liabilities as far as can be achieved allowing for regulatory funding restrictions.

In line with group policy, as at 31 December 2015, the syndicate had no currency forward contracts.

Notes

(continued)

5. Risk and capital management (continued)

Market risk (continued)

The table below summarises the carrying value of the syndicate's assets and liabilities, at the reporting date:

Year 2015	GBP £000	EUR £000	USD £000	CAD £000	Total £000
Financial investments	**42,222**	**38,283**	**111,299**	**18,498**	**210,302**
Reinsurers' share of technical provisions	**26,201**	**7,793**	**68,970**	**1,997**	**104,961**
Insurance and Reinsurance receivables	**3,651**	**1,086**	**9,609**	**278**	**14,624**
Cash and Cash Equivalents	**17,457**	**4,737**	**12,012**	**3,394**	**37,600**
Other assets	**2,080**	**578**	**4,537**	**2,581**	**9,776**
Total assets	**91,611**	**52,477**	**206,427**	**26,748**	**377,263**
Technical provisions	**77,274**	**45,699**	**196,743**	**14,865**	**334,581**
Insurance and reinsurance payables	**2,070**	**1,224**	**5,271**	**398**	**8,963**
Other Creditors	**6,494**	**7,433**	**11,810**	**5,981**	**31,718**
Total liabilities	**85,838**	**54,356**	**213,824**	**21,244**	**375,262**
Net assets	**5,773**	**(1,879)**	**(7,397)**	**5,504**	**2,001**

Year 2014	GBP £000	EUR £000	USD £000	CAD £000	Total £000
Financial investments	43,802	43,842	105,671	39,208	232,523
Reinsurers' share of technical provisions	27,324	6,983	45,185	2,086	81,578
Insurance and reinsurance receivables	2,720	695	4,499	208	8,122
Cash and cash equivalents	14,280	3,226	4,718	4,048	26,272
Other assets	1,377	289	1,714	518	3,898
Total assets	89,503	55,035	161,787	46,068	352,393
Technical provisions	83,365	47,500	160,629	16,644	308,138
Insurance and reinsurance payables	845	482	1,629	169	3,125
Other Creditors	5,626	6,845	9,091	7,305	28,867
Total liabilities	89,836	54,827	171,349	24,118	340,130
Net assets	(333)	208	(9,562)	21,950	12,263

Notes

(continued)

5. Risk and capital management (continued)

Market risk (continued)

Sensitivity analysis to market risks

An analysis of the syndicate's sensitivity to interest rate, currency and other price risk is presented in the table below. The table shows the effect on profit or loss of reasonably possible changes in the relevant risk variable, assuming that all other variables remain constant, if that change had occurred at the end of the reporting period and had been applied to the risk exposures at that date.

	2015 Profit or loss for the year £000	2014 Profit or loss for the year £000
Interest rate risk		
+ 50 basis points shift in yield curves	**(1,075)**	(852)
- 50 basis points shift in yield curves	**1,075**	852
Currency risk		
10 percent increase in GBP/EUR exchange rate	**89**	(10)
10 percent decrease in GBP/EUR exchange rate	**(89)**	10
10 percent increase in GBP/USD exchange rate	**352**	455
10 percent decrease in GBP/USD exchange rate	**(352)**	(455)
Equity price risk		
5 percent increase in equity prices	**187**	247
5 percent decrease in equity prices	**(187)**	(247)

The impact of the reasonably possible changes in the risk variables on Members' balances would be the same, since the Syndicate recognises all changes in recognised assets and liabilities in the income statement.

A 10% increase/decrease in exchange rates, 5% increase/decrease in equity prices and a 50 basis point increase/decrease in yield curves have been selected on the basis that these are considered to be reasonably possible changes in these risk variables over the following year.

The sensitivity analysis demonstrates the effect of a change in a key variable while other assumptions remain unchanged. However, the occurrence of a change in a single market factor may lead to changes in other market factors as a result of correlations.

The sensitivity analyses do not take into consideration that the Syndicate's financial investments are actively managed. Additionally, the sensitivity analysis is based on the Syndicate's financial position at the reporting date and may vary at the time that any actual market movement occurs. As investment markets move past pre-determined trigger points, action would be taken which would alter the Syndicate's position.

Notes

(continued)

5. Risk and capital management (continued)

Operational Risk

This is the risk that errors caused by people, processes or systems lead to losses to the syndicate. The agency seeks to manage this risk through the use of detailed procedure manuals and a structured programme of compliance testing of processes and systems, including those of sub-contractors used.

Group risk

This is the risk that changes in group strategy or the fortunes of other group companies will lead to losses to the syndicate. This risk is reviewed quarterly as part of the regular review processes.

Regulatory Risk

The managing agent is required to comply with the requirements of the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's. Lloyd's requirements include minimum standards and those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to a regulatory change. The agency monitors regulatory developments and assesses their impact on agency policy and procedures. In addition, the agency carries out a compliance monitoring programme

Capital management

Capital framework at Lloyd's

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

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level, Accordingly, the capital requirement in respect of Syndicate 2008 is not disclosed in these financial statements.

Lloyd's capital setting process

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicates on which it is participating but not other members' shares. Accordingly, the capital requirements that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2016 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), assets held and managed within a syndicate (funds in syndicate), or as the member's share of the members' balances on each syndicate on which it participates. Accordingly all of the assets less liabilities of the syndicate, as represented in the members' balances reported on the statement of financial position on pages 9 and 10, represent resources available to meet members' and Lloyd's capital requirements.

Notes

(continued)

6. Analysis of underwriting result

An analysis of the underwriting result before investment return is presented in the table below:

Year 2015	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Net Technical Result £000
Accident and health	**(78)**	**(232)**	**762**	**(1,154)**	**882**	**258**
Motor (third party liability)	**(6)**	**(17)**	**95**	**(145)**	**101**	**34**
Motor (other classes)	**3**	**10**	**180**	**(273)**	**155**	**72**
Marine, aviation and transport	**1,971**	**5,862**	**1,719**	**(2,603)**	**(3,367)**	**1,611**
Fire and other damage to property	**424**	**1,261**	**963**	**(1,457)**	**(190)**	**577**
Third party liability	**143**	**426**	**3,064**	**(4,638)**	**2,407**	**1,259**
Other	**65,830**	**54,295**	**(85,227)**	**1,773**	**29,161**	**2**
Total Direct	**68,287**	**61,605**	**(78,444)**	**(8,497)**	**29,149**	**3,813**
Reinsurance	**101**	**299**	**1,259**	**(1,905)**	**883**	**536**
Total	**68,388**	**61,904**	**(77,185)**	**(10,402)**	**30,033**	**4,349**

Year 2014	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Net Technical Result £000
Accident and health	140	140	(52)	(987)	1,820	921
Motor (third party liability)	2	2	(11)	(199)	360	152
Motor (other classes)	14	14	(22)	(413)	750	329
Marine, aviation and transport	39	39	(51)	(971)	1,766	783
Fire and other damage to property	(148)	(148)	(64)	(1,208)	2,146	726
Third party liability	(233)	(233)	(269)	(5,100)	9,161	3,559
Miscellaneous	16,874	16,874	(15,564)	-	(1,310)	-
Total Direct	16,688	16,688	(16,033)	(8,878)	14,693	6,470
Reinsurance	1,088	1,088	(77)	(1,467)	2,933	2,477
Total	17,776	17,776	(16,110)	(10,345)	17,626	8,947

Notes

(continued)

7. Claims

Favourable movements of £16.0 million, (2014: £18.6 million), in the past year's provision for claims outstanding, net of expected reinsurance recoveries, are included in claims incurred, net of reinsurance. These arose in respect of the following classes of business:

	2015 £000	2014 £000
Accident and health	**1,802**	2,060
Motor (third party liability)	**226**	436
Motor (other classes)	**426**	872
Marine, aviation and transport	**4,064**	2,020
Fire and other damage to property	**2,276**	2,535
Third party liability	**7,243**	10,657
	16,037	18,580

8. Net operating expenses

	2015 £000	2014 £000
Acquisition costs:		
Brokerage and commissions	**(932)**	-
Administrative expenses	**11,334**	10,345
Net operating expenses	**10,402**	10,345

Administrative expenses include:

	2015 £000	2014 £000
Auditors' remuneration:		
- fees payable to the Syndicate's auditor for the audit of these financial statements	**183**	213
- fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	**93**	24
Fee Paid to Managing Agent	**401**	100
Management Fee	**8,147**	6,989
Other administrative expenses	**1,578**	3,009
	10,402	10,345

Notes

(continued)

9. Key management personnel compensation

The directors of StarStone Underwriting Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2015 £000	2014 £000
Directors' emoluments	**457**	1,744
Contribution to pension schemes	**11**	85
	468	1,829

The active underwriter, during the year, received the following aggregate remuneration charged to the syndicate:

	2015 £000	2014 £000
Emoluments	**331**	333
Contribution to pension schemes	**6**	17
	337	350

No other compensation was payable to key management personnel.

10. Staff numbers and costs

During 2015, all staff continued to be employed on behalf of StarStone Underwriting Limited ("SUL") by Enstar EU Limited ("EEUL"). EEUL charged a management fee that covered all salary, pension, accommodation, computer and other costs as a single amount. SUL recharges to the syndicate all of the management fee. The total amount of EEUL management fees recharged to the syndicate amounts to £8,146,467 (2014 - £6,988,595).

	2015	2014
Administration and finance	**12**	9
Underwriting	**1**	1
Claims	**14**	16
	27	26

11. Investment return

The investment return transferred to the technical account from the non-technical account comprises the following:

	2015 £000	2014 £000
Investment income:		
Interest and dividend income	**4,330**	5,801
Realised losses	**(2,480)**	(1,604)
Unrealised losses on investments	**(1,089)**	(1,243)
Investment management expenses, including interest	**(231)**	(171)
Investment return transferred to the technical account from the non-technical account	**(530)**	(2,783)
Total investment return	-	-

Notes

(continued)

11. Investment return (continued)

The total income, expenses, net gains or losses, including changes in fair value, recognised on all financial assets and financial liabilities comprises the following:

	2015 £000	2014 £000
Financial assets at fair value through profit or loss	**761**	2,954
Financial assets at amortised cost:		
Interest income	-	-
Impairment losses on debtors	-	-
Financial liabilities at amortised cost:		
Interest expense	-	-
Investment management expenses, excluding interest	**(231)**	(171)
Total investment return	**530**	2,783

The table below presents the average amounts of funds in the year per currency and analyses by major currency the average investment yields in the year.

	2015 £000	2014 £000
Average amount of syndicate funds available for investment during the year		
Sterling	**58,881**	59,331
Euro	**45,044**	49,855
US dollar	**116,850**	102,981
Canadian Dollar	**32,574**	30,687
Total funds available for investment, in sterling	**253,349**	242,854
Total investment return	**530**	2,783
Annual investment yield		
Sterling	**-1.22%**	1.17%
Euro	**0.24%**	1.19%
US dollar	**0.49%**	0.82%
Canadian Dollar	**1.77%**	2.13%
Total annual investment yield, in sterling	**0.21%**	1.15%

12. Financial investments

	Carrying value		Cost	
	2015 £000	2014 £000	2015 £000	2014 £000
Shares and other variable yield securities and units in unit trusts	**26,344**	10,313	**26,344**	10,313
Debt securities and other fixed income securities	**176,686**	195,275	**177,107**	195,471
Deposits with credit institutions	**7,272**	26,935	**7,272**	26,935
Total financial investments	**210,302**	232,523	**210,723**	232,719

Notes

(continued)

12. Financial investments (continued)

The table below presents an analysis of financial investments by their measurement classification.

	2015 £000	2014 £000
Financial assets measured at fair value through profit or loss	**210,302**	232,523
Financial assets measured at amortised cost	-	-
Total financial investments	**210,302**	232,523

The Syndicate classifies its financial instruments held at fair value in its statement of financial position using a fair value hierarchy, as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Prices based on recent transactions in identical assets (either unadjusted or adjusted)
- Level 3 – Prices determined using a valuation technique

The table below analyses financial instruments held at fair value in the Syndicate's statement of financial position at the reporting date by its level in the fair value hierarchy.

2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities and units in unit trusts	**26,344**	-	-	**26,344**
Debt securities and other fixed income securities	**55,963**	**120,722**	-	**176,685**
Total	**82,307**	**120,722**	-	**203,030**

2014	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities and units in unit trusts	10,313	-	-	10,313
Debt securities and other fixed income securities	70,680	124,596	-	195,276
Total	80,993	124,596	-	205,589

Information on the methods and assumptions used to determine fair values for each major category of financial instrument measured at fair value is provided below.

Equity instruments listed on a recognised exchange are valued using prices sourced from the primary exchange on which they are listed. Units in unit trusts are valued using the latest unit price or share price provided by the unit trust. Shares and other variable securities and units in unit trusts are generally categorised as level 1 in the fair value hierarchy except where they are not actively traded, in which case they are generally measured on prices of recent transactions in the same instrument. The syndicate has no exposure to hedge funds.

Debt securities are generally valued using prices provided by external pricing vendors. Pricing vendors will often determine prices by consolidating prices of recent trades for identical or similar securities obtained from a panel of market makers into a composite price. The pricing service may make adjustments for the elapsed time from a trade date to the valuation date to take into account available market information. Lacking recently reported trades, pricing vendors will use modelling techniques to determine a security price.

Notes

(continued)

12. Financial investments (continued)

Some government and supranational securities are listed on recognised exchanges and are generally classified as level 1 in the fair value hierarchy. Those that are not listed on a recognised exchange are generally based on composite prices of recent trades in the same instrument and are generally classified as level 2 in the fair value hierarchy.

Corporate bonds, including asset backed securities, that are not listed on a recognised exchange or are traded in an established over-the-counter market are also mainly valued using composite prices. Where prices are based on multiple quotes and those quotes are based on actual recent transactions in the same instrument the securities are classified as level 2, otherwise they are classified as level 3 in the fair value hierarchy.

At the reporting date all debt instruments were valued using valuation techniques based on observable market data.

13. Debtors arising out of direct insurance operations

	2015 £000	2014 £000
Amounts due from intermediaries:		
Due within one year	**7,725**	1,017
Due after one year	**-**	-
	7,725	1,017

14. Debtors arising out of reinsurance operations

	2015 £000	2014 £000
Amounts due within one year	**6,899**	7,105
Amounts due after one year	**-**	-
	6,899	7,105

Notes

(continued)

15. Claims development

Claims development is shown in the tables below, both gross and net of reinsurance ceded, on an underwriting year basis. Balances have been translated at exchange rates prevailing at 31 December 2015 in all cases.

Pure underwriting year Gross	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	Total £000
Estimate of ultimate gross claims						
at end of underwriting year	-	-	-	-	-	
one year later	-	-	-	-		
two years later	-	-	-			
three years later	31,912	59,992				
four years later	162,319					
Less gross claims paid	(131,667)	(41,194)	-	-	-	
Gross ultimate claims reserve	30,652	18,798	-	-	-	49,450
Gross ultimate claims reserve for 2010 and prior years						278,477
Gross claims reserves						**327,927**

Pure underwriting year Net	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	Total £000
Estimate of ultimate net claims						
at end of underwriting year	-	-	-	-	-	
one year later	-	-	-	-		
two years later	-	-	-			
three years later	22,345	42,008				
four years later	113,659					
Less net claims paid	(92,196)	(28,845)	-	-	-	
Net ultimate claims reserve	21,463	13,163	-	-	-	34,626
Net ultimate claims reserve for 2010 and prior years						194,994
Net claims reserves						**229,620**

The tables above show the claims development subsequent to the reinsurance to close of syndicates to syndicate 2008. The majority of outstanding claims reserves are in respect of the 2010 and prior underwriting years and on syndicates which have RITC'd up to and including 2013. The 2011 and 2012 pure underwriting years are in respect of syndicates which RITC'd in 2014 and 2015. The large increase in ultimate claims between three and four years later for the 2011 pure underwriting year is predominantly due to the RITC's of syndicates 1965 and 2243 in 2015.

Notes

(continued)

16. Technical provisions

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

	2015			2014		
	Gross provisions £000	Reinsurance assets £000	Net £000	Gross provisions £000	Reinsurance assets £000	Net £000
Incurred claims outstanding:						
Claims notified	**255,793**	**(76,579)**	**179,214**	286,062	(68,502)	217,560
Claims incurred but not reported	**52,345**	**(5,000)**	**47,345**	62,266	(8,271)	53,996
Balance at 1 January	**308,138**	**(81,579)**	**226,560**	348,328	(76,772)	271,555
RITC take on reserves	**85,227**	**(25,564)**	**59,663**	15,631	1,295	16,926
Change in prior year provisions	**(8,228)**	**(7,808)**	**(16,036)**	(1,008)	(17,572)	(18,580)
Claims paid during the year	**(63,993)**	**20,228**	**(43,765)**	(59,824)	14,373	(45,451)
Effect of movements in exchange rates	**6,783**	**(3,586)**	**3,198**	5,012	(2,902)	2,110
Balance at 31 December	**327,927**	**(98,307)**	**229,620**	308,138	(81,579)	226,560
Claims notified	**265,097**	**(90,699)**	**174,398**	255,793	(76,579)	179,214
Claims incurred but not reported	**62,830**	**(7,608)**	**55,222**	52,345	(5,000)	47,345)
Balance at 31 December	**327,927**	**(98,307)**	**229,620**	308,138	(81,579)	226,560
Unearned premiums						
Balance at 1 January	-	-	-	-	-	-
RITC take on reserves	**11,461**	**(11,461)**	-	-	-	-
Premiums earned during the year	**(5,033)**	**5,033**	-	-	-	-
Effect of movements in exchange rate	**226**	**(226)**	-	-	-	-
Balance at 31 December	**6,654**	**(6,654)**	-	-	-	-

17. Financial liabilities at amortised cost

	2015 £000	2014 £000
Creditors arising out of direct insurance operations	**4,768**	1,547
Creditors arising out of reinsurance operations	**4,196**	1,578
Other creditors	**2,764**	635
Total financial liabilities at amortised cost	**11,728**	3,760

Notes

(continued)

18. Related parties

The ultimate parent company of SUL is Enstar Group Limited (59%) in conjunction with Stone Point Capital (39.3%) and Dowling Capital Partners (1.7%). Enstar Group Limited is a company registered in Bermuda under number 30916. Copies of the ultimate parent company's consolidated financial statements may be obtained from The Secretary, Enstar Group Limited, Windsor Place, 18 Queen Street, Hamilton, Bermuda HM JX.

The main component of operating expenses was the Enstar EU limited management fees of £8.1m (2014 - £7.0m) as shown in note 8.

At 31 December 2015 syndicate 2008 owed SUL £nil in respect of expenses (2014 – £0.1m, owed the previous managing agent Shelbourne Syndicate Services Limited). This is included in "other creditors" in the statement of financial position. No amount of profit commission (2014 - £Nil) is due to SUL at 31 December 2015.

A Turner, P Thomas and R Phinn are directors of SGL No.1 Limited which provides 100% (£10.0m) of the nominal stamp capacity of the syndicate.

In 2008 the syndicate ceded to Fitzwilliam (SAC) Insurance Limited ("FW") a 100% quota share in respect of the reinsurance to close of syndicates 588 and 861. No reinsurance premiums were ceded during 2015 (2014 - £nil) and the amount owing from FW at 31 December 2015 is £4.7m (2014 - £2.4m). This amount is collateralised on a "funds withheld" basis.

19. Post balance sheet events

The following amounts will be transferred to members' personal reserve funds:

2013 year of account - £1.7m
2014 year of account - £nil
2015 year of account - £nil

20. Foreign exchange rates

The following currency exchange rates have been used for principal foreign currency transactions:

	2015		2014	
	Year-end rate	Average rate	Year-end rate	Average rate
Euro	**1.3560**	**1.3769**	1.2876	1.2401
US dollar	**1.4734**	**1.5283**	1.5577	1.6476
Canadian dollar	**2.0374**	**1.9550**	1.8102	1.8199

Notes

(continued)

21. Explanation of transition to FRS 102 from old UK GAAP

As stated in note 2, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 4 have been applied consistently in preparing the financial statements for the year ended 31 December 2015 and the comparative information presented in these financial statements for the year ended 31 December 2014.

In preparing its FRS 102 balance sheet, the Syndicate has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (old UK GAAP). An explanation of how the transition from old UK GAAP to FRS 102 has affected the Syndicate's financial position and financial performance is set out in the table below.

Reconciliation of profit and equity from old UK GAAP to FRS 102	Profit for the year ended 31 December 2014 £000	Equity as at 31 December 2014 £000	Equity as at 1 January 2014 £000
Amount under old UK GAAP	11,730	12,263	10,653
Currency translation differences	(77)	-	-
Amount under FRS 102	**11,653**	**12,263**	**10,653**

On adoption of FRS102 the disclosure of foreign exchange differences has changed, with all differences now disclosed in the non-technical account, rather than the statement of recognised gains and losses.