STARSTONE

Part of the Enstar Group

STARSTONE INSURANCE SERVICES LIMITED

Annual Report & Accounts

For the year ended 31 December 2020

Company Number 06414328

STARSTONE

Part of the Enstar Group

STARSTONE INSURANCE SERVICES LIMITED

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STARSTONE

Part of the Enstar Group

STARSTONE INSURANCE SERVICES LIMITED

DIRECTORS AND OFFICERS
For the year ended 31 December 2020

Directors

Udo Pickartz	
Gordon Walters	(appointed 16th December 2020)
Samantha Gabbidon	(resigned 31st January 2020)

Company Secretary
Clare Traxler
Siobhan Hextall

Company Number
06414328

Registered Office
3 Guildford Business Park
Guildford
Surrey
GU2 8XG

Auditor
KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

STARSTONE

Part of the Enstar Group

STARSTONE INSURANCE SERVICES LIMITED

STRATEGIC REPORT
For the year ended 31 December 2020

Principal activity and review of the business

The principal activities of StarStone Insurance Services Limited ("the Company") are the provision of services and expense processing administrator on behalf of the StarStone group of companies ("StarStone Group"). The Company is a wholly owned subsidiary of StarStone Insurance Limited (Bermuda) ("SIBL"). All services and expenses are paid for by the Company and then recharged to the group companies.

The Company is authorised by the Financial Conduct Authority ("FCA") as an intermediary and as such receives premiums and pays claims as a coverholder. It recharges costs relating to the introduction of business to StarStone Insurance SE ("SISE") and StarStone Underwriting Limited ("SUL") as managing agent for Lloyd's Syndicate 1301.

Results and performance

The results of the Company for the year, as set out on page 14, show a profit before tax of USD 5,298,895 (2019: loss USD 418,000).

SISE and Syndicate 1301 ceased to write new and renewal business on 11 June 2020. SISE continues to operate and existing policies continue to remain in force. SISE and Syndicate 1301 continue to write endorsements to existing policies particularly within construction business and some business written under binding authorities.
The Company's operations have remained in place to serve the needs of policyholders of Syndicate 1301, SISE and SIBL and to ensure that the companies and the Syndicate continue to meet all regulatory requirements. The operations of the Syndicate for 2020 and prior underwriting years are expected to be reinsured to close to another related party after 31 December 2022. The expected completion date and the impact this will have on the Company is uncertain.

Key performance indicators

Key performance indicators, which are monitored by the director during the production of quarterly management accounts, are as follows:

	Year ended 31 December 2020 USD 000	Year ended 31 December 2019 USD 000
Turnover	73,024	63,336
Operating (Loss)/Profit	(2,466)	882
Intercompany debtors	14,721	11,307
Operating cash	4,205	12,067

Turnover constitutes staff salary costs recharged to affiliated entities and fees charged for payment processing services. The increase in Turnover is due to higher costs, primarily attributable to higher staff costs and general administrative expenses, please refer to note 19 for more details on staff costs.

Key developments in the year

On 14 October 2020 the Company completed the sale of Vander Haeghen & Co. SA ("VdH"), a Belgium-based insurance agency, for consideration of USD 4,467,000. The resulting gain on disposal of USD 3,375,102 was recognized in the statement of comprehensive income.

Future Developments

On 17 November 2020 SIBL entered into an agreement for the sale of SUL which completed in Q1 2021. SISL will continue to act as the service company for the run off business from Syndicate 1301 held in the new managing agent EMAL.

On 11 February 2021 the Company entered into an agreement to sell its 99.98% shareholding in Arena Assurances SA, a Belgium-based specialist accident and health managing general agent with a carrying value of $710,255.

Covid-19

The World Health Organisation (WHO), on 11 March 2020, declared the coronavirus (COVID-19) outbreak as a global pandemic. In response to the ongoing Coronavirus pandemic (COVID-19), the Company has successfully continued with its Business Continuity Plan with all staff working from home with minimal disruption to its day-to-day operations. The COVID-19 is a pandemic event that is not clearly timebound nor limited to direct consequences that are easily quantifiable due to the unprecedented nature.

The directors have considered the impact on the Company being a service company which relies on recharges from other group companies. The recharge agreements in placed have not been affected, therefore there is no risk to the recoverability of costs incurred. In addition, an assessment of scenarios and potential range of outcomes has been undertaken by management across StarStone Group, including exposure to the broader economic environment and increased volatility in financial markets. The Company continues to closely monitor the impact on their operations and capital. The impact on the Company's financial position to date has been limited and is expected to continue to be limited.

From an employee wellbeing and business continuity perspective the directors are proactively monitoring this outbreak by maintaining continuous dialogue regarding its status and issuing periodic updates and guidance to all staff on measures to maintaining good health.

Increased cyber risk is, in part, mitigated through regular phishing tests and additional training. Any staff member failing the test are enrolled onto mandatory cyber-awareness training with follow up training to increase awareness and mitigate a real cyber-attack resulting in fraud.

Brexit

The United Kingdom withdrew from the European Union ("Brexit") following a transition period that ended on 31 December 2020.

In 2020, the Company acted as internal service company and employing entity for employees located in its branches in Continental Europe. This should be unaffected by Brexit.

With effect from 1 January 2019, the Company has not entered into a contract or contracts of insurance to be underwritten by StarStone Group in Continental Europe.

Principal risks and uncertainties

The principal risk categories and uncertainties facing the Company arise from two sources:

1. The Company is dependent on other members of the group, principally Syndicate 1301, SISE and StarStone Insurance Bermuda Limited ("SIBL"), for its turnover in terms of expense administration service fees received. As such, risks that are inherent to the operation of other group members also impact the Company. These are outlined in the financial statements of each entity, copies of which can be obtained from the registered office of this Company.

2. Risks resulting from its own activities. The activities of the Company itself give rise to certain risks which are outlined below:

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full, when due. The risk is mitigated by strong credit control procedures resulting in a low residual risk, as indicated by the Company's bad debt history.

Group risk

Group risk is the risk of loss to the Company arising from its membership of StarStone Group and Enstar Group. Group risk is mitigated through the monitoring of StarStone Group and Enstar Group financial strength and business strategy developments.

Liquidity risk

Liquidity risk is the risk of loss to the Company arising from the Company having insufficient liquid assets to meet all cashflow commitments as and when they fall due. Currently all funds are held in cash, which is immediately accessible.

Operational risk

This is the risk that error caused by people, processes or systems lead to losses to the entities. This risk is mitigated through a system of documented, monitored and tested controls.

Currency risk

Although the Company's income is mainly invoiced and received in US dollars, expenses are incurred in a mixture of US dollars, Sterling and Euro. The Company has a currency risk where these non-US dollar expenses are affected by foreign exchange movements.

Health and safety

The Company takes its responsibilities seriously with regards to the health and safety of its employees. All employees are made aware of the Company's Employment Manual which contains reference to work station training, company contributions to eye tests, details of qualified first aiders, emergency procedures and other general health and safety matters.

Promoting the success of the Company

The Director has complied with their responsibility under Section 172 of the Companies Act 2006 to act in good faith and promote the success of the Company for the benefit of shareholders as a whole.

The Company is firmly committed to high standards of corporate governance and maintaining a sound framework for the control and management of the business. The Board recognises that effective governance is key to the implementation of strategy for our shareholder and wider stakeholders. Section 172 considerations are embedded in decision making at Board level and throughout StarStone Group. In so doing, the Director has considered the broader matters as set out below.

The likely consequences of any decision in the long term

The Company has a strategy to conduct the run-off of business in a disciplined and orderly manner to efficiently discharge the liabilities associated with the business while preserving and maximising its assets for the benefit of the shareholder.

The Company has an appropriate system of Governance in place along with an established risk management framework and internal control system to ensure the long-term success of the Company for the benefit of all stakeholders. A business plan is prepared annually, and progress is monitored throughout the year against objectives. A forward-looking assessment of the Company is maintained and strategic decisions, including capital needs, are assessed in accordance with the risk management framework.

The interests of the Company's employees

The Company employs staff in Continental Europe. The Company aims to be a supportive and inclusive employer.

The success of the Company depends on the collective talent, skills and values of its employees. The Company is committed to employee engagement at all levels, examples of employee engagement initiatives during 2019 include:

- Providing employees with information on matters than concern them through corporate communications and Town Hall meetings.
- Encouraging the involvement of employees int eh Company's performance.
- Achieving common awareness of the financial and economic factors impacting the performance of StarStone Group thought the quarterly all staff updates.

Oversight of performance and development is managed on an ongoing basis and formalised at least annually. The strategic priorities are cascaded down to individual within the business through objective setting and monitoring.

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

The Company works closely with its suppliers and customers as the Company relies on its supply chain to ensure it operates successfully. StarStone aims to build strong relationships with suppliers and customers so it can maximise costs efficiencies and alignment with its strategies. The Company strives to maintain the highest standards of conduct in treating its suppliers and customers in a fair and honest manner. StarStone's procurement function continues to focus on supplier engagement and liaison with suppliers, ensuring prompt payments made to our suppliers.

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

The Company has a strong culture of supporting its staff in both individual and group volunteering and fundraising initiatives. We believe that our success as a business is based on the need to make a positive investment in both staff and the community. Fundamentally the Company believe that embracing sustainable practices leads to better corporate culture.

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

As a regulated entity by the Financial Conduct Authority (FCA), the Company complies with the mandated regulatory requirements and best practice recommendation. The Company seeks to achieve and maintain a reputation for demonstrating a high standard of business conduct. The Company also maintains an open dialogue with key executives actively engaging in regular update meetings.

The need to act fairly between members of the Company

The Company provides regular reporting to and communication to its ultimate parent, Enstar Group Limited. The strategic direction of the Company is aligned with group objectives.

By order of the board

Udo Pickartz

Udo Pickartz
Director

22 April 2021

DIRECTOR'S REPORT
For the year ended 31 December 2020

The Director present his report and the audited financial statements for the year ended 31 December 2020.

Share capital

All of the ordinary shares of the Company are owned by StarStone Insurance Bermuda Limited ("SIBL"), a company incorporated under the laws of Bermuda.

Dividends

The Director recommended the payment of a dividend USD 13,000,000. (2019: USD nil)

Directors

Names of directors who served during the period are listed on page 1.

Indemnity insurance

A policy of indemnity insurance cover to the benefit of the directors of the company has been in force during the year ended 31 December 2020 and at the date of this report.

Going concern

The Director consider that it remains appropriate to prepare the financial statements on a going concern basis, please refer to Note 1 Accounting Policies – Basis of preparation on page 17.

No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the director.

Statement of disclosure of information to auditor

The Director at the date of this report confirms that:

1) So far as the Director is aware, there is no information relevant to the audit of the Company's financial statements of which the auditor is unaware; and

2) The Director has taken all steps that he ought to have taken in his duty as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Udo Pickartz
Director

3 Guildford Business Park
Guildford
Surrey
GU2 8XG

22 April 2021

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STARSTONE INSURANCE SERVICES LIMITED
For the year ended 31 December 2020

Opinion

We have audited the financial statements of StarStone Insurance Services Limited ("the company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Balance Sheet and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

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

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.

- Reading Board minutes.
- Using analytical procedures to identify any usual or unexpected relationships.

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

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements. did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management, journals posted without a user identity, journals posted to accounts linked to an unusual or seldom used accounts etc; and
- Assessing significant accounting estimates for bias.

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

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

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

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

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and conduct recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

David Maddams (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London E14 5GL

22 April 2021

STARSTONE

Part of the Enstar Group

STARSTONE INSURANCE SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	Year ended 31 December 2020 USD 000	Year ended 31 December 2019 USD 000
Turnover	4	73,024	63,336
Administrative expenses	5	(75,490)	(62,454)
Operating (loss)/Profit	6	(2,466)	882
Interest receivable and similar income		-	183
Dividends receivable	7	3,634	
Gain on disposal of subsidiary	8	3,375	
Other income		65	(19)
Impairment of investments		-	(910)
Net foreign exchange gain/(loss)		691	(554)
Profit/(Loss) before tax		5,299	(418)
Tax charge on loss	10	(2,820)	(20)
Profit/ (Loss) for the year after tax		2,479	(438)
Profit/ (Loss) for the year		**2,479**	**(438)**
Other comprehensive income		-	-
Total comprehensive income /(loss) for the year		**2,479**	**(438)**

The result above is derived from continuing activities.

The accounting policies and accompanying notes on pages 17 to 30 form part of these financial statements.

STARSTONE

STARSTONE INSURANCE SERVICES LIMITED

BALANCE SHEET
For the year ended 31 December 2020

Company Number
06414328

	Notes		31 December 2020 USD 000		31 December 2019 USD 000
Fixed assets					
Tangible assets	11	-		9,719	
Investments in group undertaking	12	1,986		3,059	
			1,986		12,779
Current assets					
Debtors	13	16,002		14,192	
Cash at bank and in hand	14	13,935		18,118	
Prepayments and accrued income		1,275		1,759	
		31,212		34,069	
Current Liabilities					
Creditors: amounts falling due within one year	15	(18,908)		(19,906)	
Provisions for liabilities and charges	16	(1,180)		-	
Accruals	17	(5,708)		(9,020)	
		(25,796)		(28,926)	
Net current assets			5,416		5,143
Net assets			**7,401**		**17,922**
Capital & reserves					
Called up share capital	18		40		40
Retained earnings			3,131		652
Other reserves			4,230		17,230
Shareholders' funds			**7,401**		**17,922**

The accounting policies and accompanying notes on pages 17 to 30 form part of these financial statements.

These financial statements were approved by the Board of Directors on 9 April 2021 and signed on their behalf by

Udo Pickartz
Director
22 April 2021

STARSTONE INSURANCE SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Called-up share capital	Other reserves	Retained earnings	TOTAL
	USD 000	USD 000	USD 000	USD 000
At 1 January 2019	**40**	**17,230**	**1,090**	**18,360**
Total comprehensive loss for the year	-	-	(438)	(438)
At 1 January 2020	**40**	**17,230**	**652**	**17,922**
Total comprehensive income for the year	-	-	2,479	2,479
Dividends Paid		(13,000)		(13,000)
At 31 December 2020	**40**	**4,230**	**3,131**	**7,401**

The accounting policies and accompanying notes on pages 17 to 30 form part of these financial statements.

1. Basis of Preparation

StarStone Insurance Services Limited ("the Company") is a company limited by shares and incorporated and domiciled in the UK. The financial statements are presented for the year ended 31 December 2020.

The financial statements have been prepared in accordance with the provisions of Section 396 of the Companies Act 2006 and Schedule 1 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) as issued by the Financial Reporting Council.

The financial statements are presented in United States Dollars ("USD") which is the presentation and functional currency of the Company. All amounts in the financial statements have been rounded to the nearest USD thousand.

The Company's ultimate parent undertaking , Enstar Group Limited includes the Company in its consolidated financial statements. Therefore, the Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirements to prepare consolidated financial statement.

The consolidated financial statements of Enstar Group Limited are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and are available to the public.

The Company is considered to be a qualifying entity (for the purposes of FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- FRS 102 Section 3 Financial Statement [3.17(d) and Section 7 Statement of Cash Flows: Cash Flow Statement and related notes
- FRS 102 Section 26 [18(b)] and [23] share based payment related disclosures
- FRS 102 Section 33 Related Party Disclosures [33.7]: Disclosure of key management personnel compensation in total.

The Company has taken advantage of the exemption under FRS 102 Section 33 Related party Disclosures (33.1 A] to not disclose related party transactions with wholly owned subsidiaries of StarStone and Enstar Group).

<u>Going concern</u>

In preparing these financial statements, the director has considered the uncertainty created by COVID 19. The evolving COVID-19 pandemic has caused significant disruption to the economy and financial markets globally, and the full extent of the potential impacts of COVID-19 are not yet known.

Whilst there are many unknowns and the future impact of the pandemic is difficult to predict, the Company is taking proactive action in line with the wider Group and successfully implemented its Business Continuity Plan with all staff working from home with minimal disruption to its day-to-day operations.

In addition, the director considered the impact of the announcement made by Enstar Group to place Syndicate 1301, SISE and SIBL into immediate and orderly run-off. Appropriate operations will remain in place to serve the needs of policyholders of Syndicate 1301, SISE and SIBL and ensure that the companies continue to meet all regulatory

1. Basis of Preparation (continued)

requirements. As a result, the expected completion date of the run-off is uncertain.

The directors have considered the impact on the Company being a service company which relies on recharges from other group companies. The recharge agreements in placed have not been affected, therefore there is no risk to the recoverability of costs incurred. In addition, an assessment of scenarios and potential range of outcomes has been undertaken by management across StarStone Group, including exposure to the broader economic environment and increased volatility in financial markets. The Company continue to closely monitor the impact on their operations and capital. The impact on the Company's financial position to date has been limited and is expected to continue to be limited.

The director is confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2. Use of judgements and estimates

In preparing these financial statements, the Director of the Company has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amount 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.

The principal risks and uncertainties of the business have been discussed within the Strategic Report on page 4. Judgements made by the director, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 3.

3. Summary of significant accounting policies

Investments

Investments in group undertakings and jointly controlled entities are stated at cost less impairment. The Company makes an assessment at each reporting date as to whether there is any indication that investments in group undertakings may be impaired. Gains and losses on disposal are recognised through the income statement in the period of the transaction.

Turnover

Turnover represents expenses that have been recharged to group companies on an accrual basis and coverholder commission for intermediary activities performed on behalf of StarStone Underwriting Limited Syndicate 1301. Expense recharges are recognised when the services concerned have been performed. Mark up on salary and benefits expenses is charged at 8%. Coverholder commission is deferred and recognised as turnover over the same period and on the same basis as the related premiums in Syndicate 1301 are earned. Mark up on gross written premiums relating to the coverholder commission is charged at 5%.

3. Summary of significant accounting policies (continued)

Administrative expenses

All expenses are charged on an accrual basis.

Financial assets & liabilities

In applying FRS 102, the Company 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 statement of comprehensive income. 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 the statement of comprehensive income comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition. The Company has no financial assets or financial liabilities designated as at fair value through profit or loss.

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

Recognition

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

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 the statement of comprehensive income, transaction costs that are directly attributable to its acquisition or issue.

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 Company 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.

3. Summary of significant accounting policies (continued)

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Company about any significant financial difficult 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.

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

Off-setting

Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Company 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.

Interest income

Interest receivable and similar income comprise of interest income from cash at bank and interest received from Her Majesties Revenue & Customs.

Interest income is recognised on an accrual basis.

Cash at bank

Cash at bank includes cash at bank and short-term deposits with credit institutions. Cash at bank is measured at nominal values.

Tangible assets

Tangible assets are stated cost less accumulated depreciation and accumulated impairment losses. The Company assesses at each reporting date whether tangible fixed assets are impaired. Depreciation is charged to the statement of comprehensive income based on the estimate of the period over which the asset will provide useful economic benefit to the Company. All assets are depreciated using the straight-line method. The useful economic life to be used for each asset category is as below:

Software and IT equipment	3 years
Operational Data Store	2 years

3. Summary of significant accounting policies (continued)

Operating leases

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Employee benefits

Wages, salaries, bonuses, social contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by the employees of the Company.

Pension

The Company operates a defined contribution scheme for its employees. The cost of providing pension contributions for all staff is charged to the statement of comprehensive income in the period to which it relates.

Foreign currencies

Transactions in foreign currencies are translated to functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at the year-end. Non-monetary assets and liabilities that are translated to functional currency at foreign exchange rate ruling at the date of the transaction. Exchange differences relating to the transactions and costs are dealt with in the statement of comprehensive income.

Share based payments

The Company's ultimate parent grants rights to its equity instruments to the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the ultimate parent. As the Company has no obligation to settle the transaction, the Company accounts for these share-based payment transactions as equity-settled.

The cost of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted and the price at which they may be exercised by the employee and is recognised as an expense on a straight-line basis over the vesting period. This cost is recognised as an expense with a corresponding credit to equity. None of Enstar Group Limited's equity-settled transactions have any market-based performance conditions.

The amounts recharged by the ultimate parent undertaking are recognised as a recharge liability with a corresponding adjustment (debit) in equity for the capital contribution recognised in respect of the share-based payment.

Dividend income

Dividend income from investments is recognised when the shareholders' right to receive the payment is established.

Taxation

The charge for taxation is based on the profit for the year at rates enacted or substantively enacted by the balance sheet date, taking into account deferred tax.

3. Summary of significant accounting policies (continued)

Deferred tax is provided on timing differences at the reporting date that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are only recognised to the extent that the director considers that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. Deferred tax assets and liabilities are not discounted.

4. Turnover

Turnover represents amounts charged to fellow group companies and can be analysed as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
	USD 000	USD 000
Coverholder commission	-	563
Expenses recharged	69,561	59,882
Mark-up on recharges	3,463	2,891
	73,024	63,336

5. Administrative expenses

	Year ended 31 December 2020	Year ended 31 December 2019
	USD 000	USD 000
Staff costs (see note 19)	42,999	39,102
Depreciation (see note 11)	9,672	817
Rent and rates	5,130	1,976
Information systems	3,256	4,411
Professional fees and outsourcing	1,981	3,489
Travel and entertainment	248	1,074
Management expense	9,707	9,393
Other administrative expenses	2,497	2,192
	75,490	62,454

6. Operating profit

	Year ended 31 December 2020	Year ended 31 December 2019
	USD 000	USD 000
Operating profit is stated after charging:		
Rent and rates	5,130	1,976
Auditor's remuneration - audit of the financial statements	50	47
Depreciation of tangible fixed assets	9,672	816

These expenses have been recharged to StarStone group companies.

7. Dividends receivable

	Year ended 31 December 2020	Year ended 31 December 2019
	USD 000	USD 000
Dividend income	3,634	-
	3,634	-

On 5 October 2020 the Company received a dividend from its subsidiary Vander Haeghen & Co. SA ("VdH"), a Belgium-based insurance agency.

8. Gain on disposal of subsidiary

	Year ended 31 December 2020	Year ended 31 December 2019
	USD 000	USD 000
Sale proceeds	4,467	-
Book value	1,092	-
	3,375	-

On 14 October 2020 the Company completed the on sale of VdH, for consideration of USD 4,467,000. The resulting gain on disposal of USD 3,375,102 was recognized in the statement of comprehensive income.

9. Operating lease rentals

The minimum lease payments before recharges to other group companies to which the Company is committed under non-cancellable operating leases for the year are:

	Year ended 31 December 2020	Year ended 31 December 2019
	USD 000	USD 000
Land and buildings:		
Within one year	1,726	1,339
Between two and five years	5,629	5,676
After five years	3,120	4,377
	10,475	11,392

10. Taxation

(a) The tax (credit)/charge is based on the profit for the year and represents:

	Year ended 31 December 2020	Year ended 31 December 2019
	USD 000	USD 000
Current tax charge		
Overseas corporation tax on profit for the year	812	(526)
Adjustments in respect of prior periods	454	37
Total current tax	**1,266**	**(489)**
Deferred taxation: current year	1,554	551
Deferred taxation: prior year adjustment		(42)
	1,554	**509**
Tax on results	**2,820**	**20**

10. Taxation (continued)

(b) Factors affecting the tax charge for the year

The tax charged for the period is different from the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	Year ended 31 December 2020 USD 000	Year ended 31 December 2019 USD 000
Profit / (Loss) on ordinary activities before taxation	5,299	(418)
Profit / (Loss) on ordinary activities multiplied by the standard rate of corporation tax in the United Kingdom of 19% (2019: 19%)	1,007	(79)
Factors affecting the charge for the period:		
Group relief	(859)	-
Expenses not deductible for tax purposes	1,222	157
Transfer pricing adjustments	(66)	(90)
Prior year adjustment corporation tax	454	37
Overseas taxes	114	
Prior year deferred tax	-	(42)
Losses not recognised for deferred tax	948	
Effect of change in tax rates		37
Total tax	**2,820**	**20**

(c) Provision for deferred tax

	Year ended 31 December 2020 USD 000	Year ended 31 December 2019 USD 000
Capital allowances for period in excess of depreciation	-	1,256
Share Based Payments	32	137
Losses	-	193
Deferred tax asset	**32**	**1,586**
Deferred tax asset at start of period	1,586	2,096
Deferred (credit) / tax in statement of comprehensive income for period	(1,554)	(510)
Deferred tax asset at end of period	**32**	**1,586**

10. Taxation (continued)

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would rise to 25%. As the rate change proposal has not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. The overall effect of the change, had it been substantively enacted by the balance sheet date, would be negligible.

The deferred tax asset in respect of capital allowances in excess of depreciation has been written off given the uncertainty over future profits as a result of the decision to place StarStone International into run off.

11. Tangible assets

	Computer Equipment & Software
	USD 000
Cost	
At beginning of year	38,337
Additions	-
Write-offs	(38,337)
At end of year	-
Depreciation	
At beginning of year	(28,618)
Charge for the year	(9,672)
Write-offs	38,290
At end of year	-
Net Book Value	
As at 31 December 2019	9,719
As at 31 December 2020	-
	-

12. Investments in group undertakings

Investments in group undertakings	31 December 2020	31 December 2019
	USD 000	USD 000
Investments brought forward	3,059	4,471
Impairments in the year	-	(910)
Dividends received	-	(162)
Disposals in the year	(1,074)	(340)
	1,986	3,059

12. Investments in group undertakings (Continued)

The Company holds 99.99% of the ordinary shares of Torus Business Solutions Private Limited ("TBSPL"), registered office S-369 Greater Kailash – II New Delhi, South Delhi, Delhi. TBSPL is following an orderly winding up, having ceased to provide outsource services early in 2015.

As noted in note 7, on 14 October 2020 the Company completed the on sale of Vander Haeghen & Co. SA ("VdH"), a company in which it held a 99.98% shareholding.

The Company held 99.98% of the ordinary shares of Arena Assurances SA ("Arena") as at 31 December 2020. The registered office is Avenue des Nerviens, 85 Bte 2, 1040 Brussels, Belgium. The principal activity of Arena is to provide underwriting services to SISE and other third party insurance companies. The shares were acquired on 13 November 2015. On 11 February 2021 the Company entered into an agreement to sell its 99.98% shareholding in Arena Assurances SA and is shown as Investment Held for Sale.

13. Debtors

	Year ended 31 December 2020	Year ended 31 December 2019
	USD 000	USD 000
Amounts owed by related companies	14,721	11,307
Corporation tax	537	91
Deferred tax asset	(155)	1,586
Other	898	1,208
	16,002	14,192

14. Cash at bank and in hand

	Year ended 31 December 2020	Year ended 31 December 2019
	USD 000	USD 000
Cash at bank – operating	4,204	12,067
Cash at bank – restricted	9,731	6,051
	13,935	18,118

Restricted cash is held in segregated accounts on behalf of Lloyd's Syndicate 1301 and Lloyd's Syndicate 2008 together known as "the Syndicates".

15. Creditors: amounts falling due within one year

	Year ended 31 December 2020	Year ended 31 December 2019
	USD 000	USD 000
Amounts due to related companies	6,648	12,751
Other taxes and social security	1,259	616
Other creditors	861	205
Trade creditors	10,140	6,334
	18,908	19,906

Trade creditors are made up of amounts owed to the Syndicates and consist primarily of premiums received. Cash is held in segregated accounts which is periodically transferred to the Syndicates.

16. Provisions for liabilities and charges

	Year ended 31 December 2020	Year ended 31 December 2019
	USD 000	USD 000
Group restructuring provision	1,180	-
	1,180	-

17. Accruals

	Year ended 31 December 2020	Year ended 31 December 2019
	USD 000	USD 000
Bonus Accruals	3,292	4,898
Other accruals	2,416	4,122
	5,708	9,020

18. Called up share capital

	Year ended 31 December 2020	Year ended 31 December 2019
	USD 000	USD 000
Allotted, issued and paid		
40,000 Ordinary shares of USD 1.00 each	40	40

The issued share capital is wholly owned by the Company's immediate parent, StarStone Insurance Bermuda Limited.

19. Staff costs and numbers

	Year ended 31 December 2020	Year ended 31 December 2019
	USD 000	USD 000
Wages and salaries	32,538	32,072
Social security costs	4,026	3,241
Other pension costs	2,129	2,429
Share based payment expense	515	1,360
Group restructuring costs	2,952	-
Other staff costs	839	-
	42,999	**39,102**

	Year ended 31 December 2020	Year ended 31 December 2019
	No.	**No.**
Executive	0	0
Underwriting	15	17
Support and administration	19	20
	34	**37**

One of the Directors of the Company that served during the year received pension benefits in the year totalling USD 3,325 (2019: USD 12,000). Staff numbers relates only staffs employed in the Continental Europe, whereas the staff costs include UK staffs which are employed by another group company.

20. Share based payments

The Company participated in three types of share-based payment arrangements administered through its ultimate parent company, Enstar Group Limited: (i) Employee Share Purchase Plan ("ESPP"), (ii) cash-settled stock appreciation rights ("SARs") and (iii) restricted share units ("RSUs") and performance shares ("PSUs") issued as part of StarStone incentive plan awards.

The Company has taken advantage of the of exemptions under FRS 102 Section 1.12(d)(i) in relation to the disclosures required by FRS 102.26.18(b) and 102.18.23 in relation to share based payments.

Details of the individual schemes are summarised below. For additional information about the scheme including valuation assumptions, please refer to Enstar Group accounts which are publicly available.

(a) ESPP

The Company participated in the Enstar Group Limited Employee Share Purchase Plan ("ESPP") in 2019. Under the rules of the ESPP employees are entitled to purchase shares in the ultimate parent company, via payroll deductions, at a 15% discount to their quoted value. A share-based payment of USD 30,012 (2019: USD 30,227) has been charged recognised for the year to reflect the discounted value of shares purchased in the year.

20. Share based payments (continued)

(b) SARs and StarStone Incentive Plan

SARs and StarStone incentive plan awards are classified as cash-settled liability awards. The full cost attributable to StarStone employees is recharged to the Company and is recognised in the Statement of Comprehensive Income:

- **SARs** – The company has recognised a share-based payment charge of USD 28,244
- **RSUs** - The company has recognised a share-based payment charge of USD 461,799
- **PSUs** - The company has recognised a share-based payment charge of USD 51,437

21. Directors' remuneration

Aggregate emoluments for the Company Directors that served during the year are as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
	USD 000	USD 000
Directors emoluments	187	160
Contributions to pension plans	5	13

Emoluments for the highest paid Director of the Company are as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
	USD 000s	USD 000s
Directors emoluments	109	135
Contributions to pension plans	3	12

22. Events after the Reporting Date

On 11 February 2021 the Company entered into an agreement to sell its 99.98% shareholding in Arena Assurances SA, a Belgium-based specialist accident and health managing general agent.

23. Ultimate Parent Undertaking

The Director regards StarStone Insurance Bermuda Limited, a company incorporated in Bermuda, as the immediate parent company. Enstar Group Limited is the ultimate parent company and the ultimate controlling party. A copy of the consolidated financial statements of Enstar Group Limited, as prepared under US GAAP and as registered with the SEC, can be obtained from The Secretary, Enstar Group Limited, Windsor Place, 22 Queen Street, Hamilton HM11, Bermuda.