

Company no 06447250

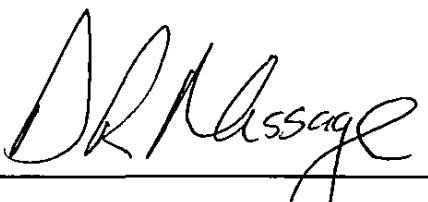
SPECIAL RESOLUTIONS
of
STARSTONE INSURANCE PLC
(THE "COMPANY")

(passed on 8 July 2016)

At a general meeting of the Company duly called and held on 8 July 2016, the following resolutions were passed, in both cases as a special resolution

SPECIAL RESOLUTIONS

- 1 That the draft terms of merger signed by the directors of the Company submitted to this meeting and for the purposes of identification initialled by the Chairman thereof be and they are hereby approved
- 2 That the Statutes contained in the printed document submitted to this meeting and for the purposes of identification initialled by the Chairman thereof be and they are hereby adopted as the Statutes of the Company in substitution for and to the exclusion of the existing Articles of Association of the Company with effect from such date as the Company is re-registered by the Registrar of Companies as a European Company


Chairman of the meeting

THURSDAY



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COMPANIES HOUSE

23 MAY 2016

STARSTONE INSURANCE PLC

- and -

KENTMERE AG

STARSTONE INSURANCE PLC

- und -

KENTMERE AG

JOINT TERMS OF MERGER

RELATING TO

THE FORMATION OF
STARSTONE INSURANCE SE
BY WAY OF MERGER BY ACQUISITION

GEMEINSAME FUSIONSBEDINGUNGEN

ZUR

ERRICHTUNG DER
STARSTONE INSURANCE SE
AUF DEM WEGE DER FUSION DURCH
ÜBERNAHME



14660 000018
Ref C4/NC/TJG

Hogan Lovells International LLP
Atlantic House Holborn Viaduct London EC1A 2FG

A handwritten signature in black ink, appearing to be "PRM".

THESE JOINT TERMS OF MERGER are
adopted
on 23 May 2016

BY THE BOARD OF DIRECTORS OF

- (1) **STARSTONE INSURANCE PLC**, a public limited liability company incorporated in England under number 06447250 whose registered office is at 5th Floor, 88 Leadenhall Street, London, EC3A 3BP, United Kingdom, as acquiring entity ("**SI PLC**"), and
- (2) **KENTMERE AG**, a public company with limited liability incorporated in Liechtenstein under number FL-0002 517 461-1, having its seat at Triesen, Liechtenstein, as disappearing entity ("**Kentmere**")

RECITALS:

- (A) Kentmere is a company limited by shares. SI PLC is the registered holder of all the shares in the issued share capital of Kentmere (which comprises 50,000 shares)
- (B) SI PLC is a company limited by shares. Its authorised share capital comprises US\$149,900,000 divided into 99,900,000 ordinary shares of US\$1 each and 50,000,000 preference shares of US\$1 each, plus EUR 88,560 divided into 100,000 euro shares of

DIESE GEMEINSAMEN
FUSIONSBEDINGUNGEN werden
beschlossen am 25 Mai 2016

DURCH DEN VERWALTUNGSRAT DER

- (1) **STARSTONE INSURANCE PLC**, eine Aktiengesellschaft, eingetragen in England mit der Nummer 06447250, deren Firmensitz sich in 5th Floor, 88 Leadenhall Street, London, EC3A 3BP, Grossbritannien, befindet, als übernehmende Gesellschaft ("**SI PLC**"), und
- (2) **KENTMERE AG**, eine Aktiengesellschaft, eingetragen in Liechtenstein unter der Registernummer FL-0002 517 461-1 und mit Firmensitz in Triesen, Liechtenstein, als übertragende Gesellschaft ("**Kentmere**")

PRAAMBEL

- (A) Kentmere ist eine Aktiengesellschaft. Die SI PLC ist registrierter Aktionär des gesamten Aktienkapitals der Kentmere (das 50 000 Aktien umfasst)
- (B) SI PLC ist eine Aktiengesellschaft. Ihr genehmigtes Gesellschaftskapital umfasst US\$149 900 000, aufgeteilt in 99 900 000 Stammaktien zu je US\$1 und 50 000 000 Vorzugsaktien zu je

EUR 0.8856 each. The registered owner of the ordinary shares and the euro shares is StarStone Insurance Bermuda Limited. The registered owner of the preference shares is StarStone Finance Limited.

- (C) SI PLC is an insurance undertaking duly authorised in the United Kingdom to carry on non-life insurance business.
- (E) SI PLC and Kentmere intend to merge to form a European Company pursuant to articles 2(1) and 17(2)(a) of the SE Regulation, to be achieved by
- (i) the merger of SI PLC, as acquiring entity, and Kentmere, as disappearing entity, whereby SI PLC shall acquire the assets and the liabilities of Kentmere, and Kentmere shall cease to exist,
 - (ii) re-registration of SI PLC as a European Company with the Registrar of Companies in the United Kingdom, and
 - (iii) deregistration of Kentmere with the commercial registry in Liechtenstein.

US\$1, nebst EUR 88.560, aufgeteilt in 100.000 Aktien in Euro zu je EUR 0,8856. Eingetragener Aktionär der Stammaktien und der Aktien in Euro ist die StarStone Insurance Bermuda Limited. Eingetragener Aktionär der Vorzugsaktien ist die StarStone Finance Limited.

- (C) SI PLC ist ein Versicherungsunternehmen, das in Grossbritannien eine ordnungsgemässe Zulassung für das Sachversicherungsgeschäft (Nicht-Lebensversicherungsgeschäft) besitzt.
- (E) SI PLC und Kentmere beabsichtigen, zwecks Bildung einer Europäischen Gesellschaft gemäss Art. 2(1) und Art. 17(2)(a) SE-VO zu fusionieren, dies soll erreicht werden durch
- (i) die Fusion der SI PLC als übernehmende Gesellschaft mit Kentmere als übertragende Gesellschaft, wodurch die SI PLC die Aktiva und Passiva von Kentmere erwerben und Kentmere erloschen wird.
 - (ii) Neueintragung der SI

PLC als Europäische
Gesellschaft beim
Firmenregister in
Grossbritannien, und

- (iii) Löschung der Eintragung
von Kentmere aus dem
Handelsregister in
Liechtenstein

IT IS AGREED:

1 INTERPRETATION

- 1.1 In these Terms of Merger, unless
the context requires otherwise, the
following expressions have the
meanings set out below

"Assets" means all the assets of
Kentmere at the Effective Date,

"Court" means the High Court of
Justice in England,

"Directive" means Council
Directive 2001/86/EC of 8 October
2001 supplementing the SE
Regulation with regard to the
involvement of employees,

"Liabilities" means all the
liabilities of Kentmere at the
Effective Date,

"SE Regulation" means Council
Regulation (EC) No 2157/2001 of
8 October 2001 on the Statute for a
European Company (SE),

"SI SE" means StarStone

ES WIRD VEREINBART.

1 AUSLEGUNG

- 1.1 In diesen Fusionsbedingungen
kommt – sofern der Kontext
nichts Anderweitiges erfordert –
den folgenden Begriffen die
nachfolgende Bedeutung zu

Mit „**Aktiva**“ sind sämtliche
Vermögenswerte von Kentmere
zum Wirksamkeitsdatum
gemeint,

Mit „**Gericht**“ ist der „High Court
of Justice“ in England gemeint,

Mit „**Richtlinie**“ ist die Richtlinie
Nr 2001/86/EG des
Europäischen Rates vom
8 Oktober 2001 zur Ergänzung
der SE-VO hinsichtlich der
Beteiligung der Arbeitnehmer
gemeint,

Mit „**Passiva**“ sind sämtliche
Verbindlichkeiten von Kentmere
zum Wirksamkeitsdatum
gemeint,

Insurance SE, the company which will survive the merger,

"UK Employee Involvement Regulations" means the UK's European Public Limited-Liability Company Regulations (Employee Involvement) (Great Britain) Regulations 2009, and

"UK Regulations" means the UK's European Public Limited-Liability Company Regulations 2004

- 1 2 The recitals to these Terms of Merger form part of them

2 **MERGER OF KENTMERE INTO SI PLC**

- 2 1 The merger will become effective from the date on which SI SE is registered by the Registrar of Companies in accordance with article 27(1) of the SE Regulation and regulations 5 and 12 of the UK

Mit **„SE-VO“** ist die Verordnung (EG) Nr 2157/2001 des Rates vom 8 Oktober 2001 über das Statut der Europäischen Gesellschaft (SE) gemeint,

Mit **„SI SE“** ist die StarStone Insurance SE gemeint, d.h die Gesellschaft, welche nach der Verschmelzung weiterbestehen wird,

Mit **„Vorschriften zur Beteiligung der Arbeitnehmer in GB“** sind die britischen Vorschriften zur Europäischen Aktiengesellschaft (Beteiligung der Arbeitnehmer) (Grossbritannien) von 2009 gemeint, und

Mit **„UK-Vorschriften“** sind die britischen Vorschriften zur Europäischen Aktiengesellschaft von 2004 gemeint

- 1 2 Die Praambel zu diesen Fusionsbedingungen bildet einen wesentlichen Bestandteil selbiger Bedingungen

2 **FUSION VON KENTMERE IN DIE SI PLC**

- 2 1 Die Fusion wird ab dem Datum rechtswirksam, an dem die SI SE gemäss Artikel 27(1) SE-VO und den Bestimmungen Nr 5 und 12 der UK-Vorschriften im

- Regulations (the "Effective Date") which is expected to be on or around 00 00 01am (UK time) on 15 August 2016
- 2 2 On the Effective Date SI PLC will (on the merger becoming effective) acquire the Assets and the Liabilities, and Kentmere will cease to exist
- 2 3 From 00 00 01am (UK time) on 1 January 2016 all actions and transactions of Kentmere are to be treated for accounting purposes as being those of SI SE
- 3 **SI SE**
- 3 1 From the Effective Date, SI PLC will adopt the legal form of a European Company pursuant to articles 17(2)(a) and 29(1)(d) of the SE Regulation
- 3 2 The name of the European Company will be "StarStone Insurance SE"
- 3 3 The registered and head offices of SI SE will be at 5th Floor, 88 Leadenhall Street, London, EC3A 3BP, United Kingdom
- 3 4 SI SE will adopt the Statutes which are attached to these Terms of
- Firmenregister eingetragen wird (das „Wirksamkeitsdatum“), was voraussichtlich am 15 August 2016 um ca 00 00 01 (Zeitzone GB) der Fall sein wird
- 2 2 Zum Wirksamkeitsdatum wird die SI PLC (mit Eintritt der Rechtswirksamkeit der Fusion) die Aktiva und Passiva erwerben, und Kentmere wird erloschen
- 2 3 Ab 1 Januar 2016 ab 00 00 01Uhr (Zeitzone GB) werden sämtliche Massnahmen und Geschäfte von Kentmere für Zwecke der Rechnungslegung so behandelt, als seien es solche der SI SE
- 3 **SI SE**
- 3 1 Ab dem Wirksamkeitsdatum wird die SI PLC die Rechtsform einer Europäischen Gesellschaft gemäss Art 17(2)(a) und Art 29(1)(d) SE-VO annehmen
- 3 2 Die Europäische Gesellschaft wird unter dem Namen "StarStone Insurance SE" firmieren
- 3 3 Der Firmensitz und die Unternehmenszentrale der SI SE werden sich in 5th Floor, 88 Leadenhall Street, London, EC3A 3BP, United Kingdom befinden
- 3 4 Die SI SE wird die Statuten

Merger as Annex 1		annehmen, welche diesen Fusionsbedingungen als Anhang 1 beigelegt sind	
3 5	Following the merger the members of the administrative organ of SI SE will be the same persons who are directors of SI PLC immediately before the merger taking effect	3 5	Infolge der Fusion werden die Mitglieder des Verwaltungsorgans der SI SE dieselben Personen sein, die unmittelbar vor der Rechtswirksamkeit der Fusion Direktoren der SI PLC waren
4	MERGER BY ACQUISITION OF WHOLLY OWNED SUBSIDIARY The merger shall take effect as a merger by acquisition of a wholly owned subsidiary Pursuant to Article 31(1) of the SE Regulation, Articles 20(1)(b), (c) and (d) shall not apply to these terms of merger	4	FUSION DURCH ÜBERNAHME EINER HUNDERTPROZENTIGEN TOCHTERGESELLSCHAFT Die Fusion soll als eine Fusion durch Übernahme einer hundertprozentigen Tochtergesellschaft wirksam werden Gemäss Art 31(1) SE-VO finden Art 20(1)(b), (c) und (d) auf diese Fusionsbedingungen keine Anwendung finden
5	SECURITIES TO WHICH SPECIAL RIGHTS ATTACH	5	MIT SONDERRECHTEN VERBUNDENE WERTPAPIERE
5 1	SI PLC has issued 50,000,000 preference shares of US\$1 each, having the rights attached to them as are set out in the articles of association of SI PLC On the merger taking effect, the holders of such shares will have the rights attached to such shares under the statutes of SI SE	5 1	Die SI PLC hat 50 000 000 Vorzugsaktien zu je US\$1 ausgegeben, die hiermit verbundenen Rechte sind im Gesellschaftsvertrag der SI PLC festgelegt Mit Rechtswirksamkeit der Fusion erhalten die Halter dieser Aktien die gemäss den Statuten der SI SE mit selbigen

5 2 Except as mentioned in paragraph 5 1 above, there are no other persons who hold any securities other than shares in either of SI PLC or Kentmere and neither company has issued any shares or other securities to which special rights (being rights which differ from the rights attaching to any other shares in that company) are attached For this reason, no measures are proposed pursuant to article 20(1)(f) of the SE Regulation in respect of the holders of any such shares or other securities and no rights will be conferred by SI SE in respect of such holders except as contained in the statutes of SI SE

5 3 No director of SI PLC or Kentmere or any third party involved in the contemplated merger will be granted any special advantage in connection with the merger

6 FINANCIAL INFORMATION

6 1 Attached to these Joint Terms of Merger as Annex 2 are annual

Aktien verbundenen Rechte

5 2 Abgesehen von den Bestimmungen im obigen Paragraphen 5 1 gibt es keine weiteren Personen, die andere Wertpapiere als Aktien von SI PLC oder Kentmere halten und keine dieser Gesellschaften hat Aktien oder sonstige Wertpapiere ausgegeben, mit denen Sonderrechte (d h Rechte, die von den mit allen sonstigen Aktien dieser Gesellschaft verbundenen Rechten abweichen wurden) verbunden sind Deshalb sind keine Massnahmen gemäss Art 20(1)(f) SE-VO in Bezug auf die Halter derartiger Aktien oder sonstiger Wertpapiere vorgesehen oder erforderlich und seitens der SI SE werden in Bezug auf solche Halter keine anderen Rechte, als die in den Statuten der SI SE enthaltenen, übertragen

5 3 Keinem Direktor der SI PLC oder Kentmere oder einer an der beabsichtigten Fusion beteiligten Drittpartei wird in Verbindung mit der Fusion ein besonderer Vorteil gewährt

6 FINANZINFORMATIONEN

6 1 Diesen Gemeinsamen Fusionsbedingungen sind als

	reports and accounts in respect of SI PLC for the years ended 31 December 2013, 31 December 2014 and 31 December 2015		Anhang 2 Geschäftsberichte und Finanzübersichten zur SI PLC für die Bilanzstichtage 31 Dezember 2013, 31 Dezember 2014 und 31 Dezember 2015 beigelegt
6.2	Attached to these Joint Terms of Merger as Annex 3 is a supplementary accounting statement in respect of Kentmere as at 2 May 2016	6.2	Diesen Gemeinsamen Fusionsbedingungen ist als Anhang 3 eine zusätzliche Zwischenbilanz von Kentmere zum 2. Mai 2016 beigelegt
7	ARRANGEMENTS FOR EMPLOYEE INVOLVEMENT	7	REGELUNGEN ZUR BETEILIGUNG DER ARBEITNEHMER
7.1	SI PLC has no employees and so the procedures and arrangements for employee involvement pursuant to the Directive and the UK Employee Involvement Regulations do not apply to it	7.1	Die SI PLC hat keine Arbeitnehmer, daher gelten die Verfahren und Regelungen zur Beteiligung der Arbeitnehmer gemäss der Richtlinie und den britischen Vorschriften zur Beteiligung der Arbeitnehmer für sie nicht
7.2	Kentmere has no employees and so the procedures and arrangements for employee involvement pursuant to the Directive and Liechtenstein law do not apply to it	7.2	Kentmere hat keine Arbeitnehmer, daher gelten die Verfahren und Regelungen zur Beteiligung der Arbeitnehmer gemäss der Richtlinie und liechtensteinischem Recht zur Beteiligung der Arbeitnehmer für sie nicht
8	DE-REGISTRATION OF KENTMERE	8	LOSCHUNG DER EINTRAGUNG VON KENTMERE
	Kentmere will be de-registered with the Liechtenstein commercial registry as soon as possible after the Effective Date		Kentmere wird baldmöglichst nach dem Wirksamkeitsdatum aus dem Handelsregister von

Liechtenstein gelöscht

9 MEMBER APPROVAL OF TERMS OF MERGER

Before they can take effect, these Terms of Merger will first have to be approved by the shareholders of Kentmere and SI PLC

These Joint Terms of Merger may be executed in any number of counterparts and by the parties to them in separate counterparts, each which when executed and delivered shall be an original but all the counterparts together constitute one instrument

9 ZUSTIMMUNG DER AKTIONARE ZU DEN FUSIONSBEDINGUNGEN

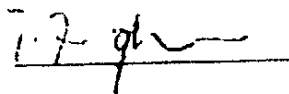
Vor ihrem Inkrafttreten müssen diese Fusionsbedingungen zuerst von den Aktionären von Kentmere und SI PLC genehmigt werden

Diese Gemeinsamen Fusionsbedingungen können in einer beliebigen Anzahl von Ausfertigungen und von den beteiligten Partnern in getrennten Ausfertigungen, von denen jedes unterfertigte und übergebene Exemplar als Original gilt, errichtet werden, sämtliche Ausfertigungen zusammen bilden hingegen eine Urkunde

Signed on behalf of the board of directors
of **StarStone Insurance PLC** by

Unterzeichnet für den Verwaltungsrat der
StarStone Insurance PLC von

Tim Fillingham
Director



David Roy Message
Director

Ian Michael Poynton
Director

Demian Grosset Smith
Director

Mark William Reid Smith
Director

Patrick Colm Tiernan
Director

John Mitchell Wardrop
Director

Theo James Rickus Wilkes
Director

Signed on behalf of the board of directors
of **Kentmere AG** by

Unterzeichnet für den Verwaltungsrat der
Kentmere AG von

Helene Rebholz
Director

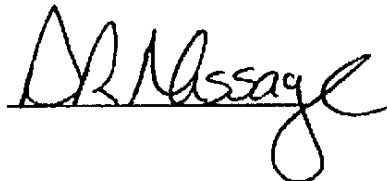
Richard Neal Etridge
Director

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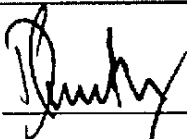
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of **Kentmere AG** by

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Hogan Lovells

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Director

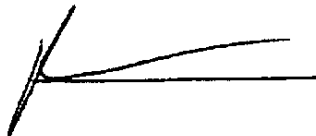
David Roy Message
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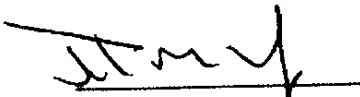
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Kentmere AG von

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Richard Neal Etridge
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Director

_____ *Tom*

Signed on behalf of the board of directors
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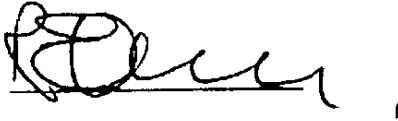
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Unterzeichnet für den Verwaltungsrat der
Kentmere AG von

Helene Rebholz
Director



Richard Neal Etridge
Director



Company Number SE []

STATUTES
OF
STARSTONE INSURANCE SE

as adopted on [] 2016



Matter ref 146660 000018

Hogan Lovells International LLP
Atlantic House Holborn Viaduct, London EC1A 2FG

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Hogan Lovells

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(ii)

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COMPANY NUMBER SE []

STATUTES

OF

STARSTONE INSURANCE SE

(adopted on 2016)

INTERPRETATION

1 In these statutes

"the Act" means the Companies Act 2006 including any statutory modification or re-enactment thereof for the time being in force,

"administrative organ" means the body responsible for the management of the company and in these statutes such term is used interchangeably with and should be construed synonymously with the term "the directors" References in the Act or these statutes to the "board" are references to the administrative organ,

"Arrears" means, in relation to any share in the company, all accruals, deficiencies and arrears of any dividend payable in respect of such share whether or not earned or declared and irrespective of whether or not the company has had at any time sufficient distributable profits to pay such dividend,

"clear days" in relation to the period of a notice means that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect,

"the company" means StarStone Insurance SE,

"Conversion Date" means any date on which there are fully paid-up Preference Shares in issue and on which the company proposes to convert such fully paid-up Preference Shares to Ordinary Shares,

"Conversion Notice" means not less than 28 business days' prior written notice by the company to holders of Preference Shares of a Conversion Date,

"director" means a person appointed to the administrative organ of the company,

"Dividend Date" means ten business days after a dividend declaration date,

"Dividend Declaration Date" means a date to be notified by the holder of the Preference Shares to the company, such date to recur annually,

"electronic form" has the meaning given to it in section 1168 of the Act,

"Euro Shares" means the shares of EUR 0 8856 each in the capital of the company from time to time in issue,

"the holder" in relation to shares means the member whose name is entered in the register of members as the holder of the shares

"Maximum Allotment Amount" means shares up to an aggregate nominal value of

- (a) USD 50,000,000 plus GBP 50,000,000 in Preference Shares,
- (b) USD 250,000,000 plus GBP 200,000,000 in Ordinary Shares, and
- (c) EUR 250,000,000 in Euro Shares

"member" means a person whose name is entered in the register of members of the company,

"minimum capital requirement" means the company's minimum capital requirement as determined from time to time for the purposes of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II),

"office" means the registered office of the company,

"Ordinary Shares" means the ordinary shares of GBP 1 or USD 1 (as the case may be) each in the capital of the company from time to time in issue,

"Preference Dividend" means a dividend declared in relation to Preference Shares on a Dividend Declaration Date,

"Preference Dividend Rate" means 7 per cent or such other rate relating to an issue of Preference Shares as may be agreed by the company by ordinary resolution, prior to the issue of such Preference Shares,

"Preference Shares" means the convertible, cumulative, redeemable non-voting preference shares of GBP 1 or USD 1 (as the case may be) each in the capital of the company from time to time in issue, the rights and restrictions in respect of which are set out in these statutes,

"Redemption Date" means any date on which there are fully paid-up Preference Shares in issue and which the company proposes to redeem,

"Redemption Notice" means not less than 28 business days' prior written notice by the company to holders of Preference Shares of a Redemption Date,

"the Regulations" means the SE Regulation and the UK Regulations,

"the Regulator" means the Financial Conduct Authority and/or the Prudential Regulation Authority as appropriate or any statutory successor body or bodies which has regulatory jurisdiction over the company or the conduct of its affairs,

"SE Regulation" means Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company (SE) including any statutory modification or re-enactment thereof for the time being in force,

"seal" means the common seal of the company and any official seal permitted to be used by the Act,

"secretary" means the secretary of the company or any other person appointed to perform the duties of the secretary of the company, including a joint, assistant or deputy secretary,

"solvency capital requirement" means the company's solvency capital requirement as determined from time to time for the purposes of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)

"the statutes" means the statutes of the company,

"the United Kingdom" means Great Britain and Northern Ireland, and

"UK Regulations" means The European Public Limited-Liability Company Regulations 2004 including any statutory modification or re-enactment thereof for the time being in force

No regulations set out in any schedule to any statute or statutory instrument concerning companies (including the Companies (Model Articles) Regulations 2008 or the Companies (Table A to F) Regulations 1985 (as amended)) shall apply to the company

Unless the context otherwise requires, words or expressions contained in these statutes bear the same meaning as in the Act and the SE Regulation but excluding any statutory modification thereof not in force when these statutes become binding on the company

SOCIETAS EUROPAEA

- 2 The company is a Societas Europaea as defined in the SE Regulation and is registered in the United Kingdom, with its registered office situated in England and Wales. The liability of the members is limited to the amount, if any, unpaid by the members on the shares held by them

AMENDMENT OF STATUTES

- 3 The company may amend its statutes by special resolution
- 4 These statutes may be amended in any other manner permitted or required by law

SHARE CAPITAL

- 5 Subject to the provisions of the Act and paragraph 6 of these statutes the directors are hereby authorised to exercise the powers of the company to offer, allot, agree to allot, grant any right to subscribe for, or to convert any security into shares to such persons (including any directors) at such times and generally on such terms and conditions as they think proper (including redeemable shares) but subject to any direction to the contrary given by the company in general meeting provided that no shares shall be issued at a discount or otherwise contrary to the Act or the Regulations
- 6 The directors may not in the exercise of the authority conferred on them by paragraph 5 allot relevant securities if
 - (a) the amount of such allotment, added to the amount of relevant securities previously allotted pursuant to such authority, would exceed the Maximum Allotment Amount, or
 - (b) a period of five years has elapsed from the date of the shareholder resolution adopting these statutes and the allotment is not made pursuant to an offer or agreement made by the company during such period
- 7 The authority of the directors conferred on them by paragraph 5 to allot shares may be varied, revoked or renewed by ordinary resolution of the company in accordance with the provisions of the Act and the Regulations
- 8 In accordance with section 568 of the Act, section 561 of the Act is excluded
- 9 Subject to the provisions of the Act and the Regulations and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the company may by ordinary resolution determine

- 10 Subject to the provisions of the Act and the Regulations, shares may be issued which are to be redeemed or are to be liable to be redeemed at the option of the company or the holder on such terms and in such manner as may be provided by the statutes
- 11 The company may exercise the powers of paying commissions conferred by the Act Subject to the provisions of the Act and the Regulations, any such commission may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one way and partly in the other
- 12 Except as required by law, no person shall be recognised by the company as holding any share upon any trust and (except as otherwise provided by the statutes or by law) the company shall not be bound by or recognise any interest in any share except an absolute right to the entirety thereof in the holder
- 13 The authorised share capital of the company shall not be subject to any limit The issued share capital of the company at the date of the adoption of these statutes is USD 149,900,000 and EUR 88,560 divided into 99,900,000 Ordinary Shares of USD 1 each, 50,000,000 Preference Shares of USD 1 each and 100,000 Euro Shares of EUR 0.8856 each

RIGHTS ATTACHING TO SHARES

- 14 The Preference Shares, the Ordinary Shares and the Euro Shares shall constitute separate classes of shares
- 15 The Preference Shares, the Ordinary Shares and the Euro Shares shall entitle the holders of those shares to the respective rights and privileges and subject them to the respective restrictions and provisions contained in these statutes
- 16 The holders of the Preference Shares shall not have the right to receive notice of or vote at a general meeting of the company, other than in relation to a resolution relating to the alteration of the rights attaching to the Preference Shares

REDEMPTION OF PREFERENCE SHARES

- 17 The company may on a Redemption Date subject to compliance with relevant applicable requirements of the Act and the Regulations and to prior approval of the Regulator if necessary, having given to the holders of the Preference Shares at that date a Redemption Notice, redeem any or all of the fully paid-up Preference Shares then in issue for the nominal amount paid up thereon, provided that if the board of directors determine that the proceeds of the issue of the Preference Shares are to be included in the calculation of the company's capital for the purposes of the requirements made by the Regulator from time to time, no Redemption Notice may be given before the fifth anniversary of the issue of the Preference Shares that are to be redeemed
- 18 Paragraph 17 shall not apply unless the company is in compliance with its solvency capital requirement and the redemption referred to in paragraph 17 shall not cause the company's capital resources to be lower than the company's solvency capital requirement
- 19 A Redemption Notice shall specify the Redemption Date, the number of Preference Shares to be redeemed and the place at which the certificates for such shares are to be presented for redemption
- 20 On the Redemption Date, the holders of the Preference Shares shall deliver to the company at such specified place the certificates for the shares concerned in order that the same may be redeemed Within 28 days after the Redemption Date, the company shall

pay to such holder (or to his order) the nominal amount paid up on such share together with a sum equal to all Arrears in respect of such Preference Share to be calculated down to and including the Redemption Date. If any certificate so delivered to the company includes any Preference Shares not redeemable on that Redemption Date, the company shall deliver to the relevant shareholder a fresh certificate in respect of any such shares

- 21 Following the Redemption Date, the Preference Shares shall be treated as having been redeemed, whether or not the certificates therefor shall have been delivered and the redemption monies paid. The redemption monies, if remaining unpaid, shall constitute a debt of the company, subject to all the provisions of these statutes relating to monies payable on or in respect of a share

CONVERSION OF PREFERENCE SHARES

- 22 The company may on any Conversion Date subject to compliance with relevant applicable requirements of the Act and the Regulations and having given to the holders of the Preference Shares at that date a Conversion Notice, convert any or all of the fully paid-up Preference Shares then in issue into the same number of fully paid-up Ordinary Shares
- 23 A Conversion Notice shall specify the Conversion Date, the number of Preference Shares to be converted and the place at which the certificates for such shares are to be presented to the company
- 24 On the Conversion Date, each of the holders of the Preference Shares concerned shall deliver to the company at such specified place the certificates for the shares concerned. Within 28 business days after the Conversion Date, the company shall send to each holder of the relevant Preference Shares a definitive certificate representing the replacement Ordinary Shares and shall pay to each holder of Preference Shares concerned a sum equal to all Arrears in respect of such Preference Shares to be calculated up to and including the Conversion Date. If any certificate so delivered to the company includes any Preference Shares not converted on that Conversion Date, the company shall deliver to the relevant shareholder a fresh certificate in respect of any such shares
- 25 Following a Conversion Date, no further Preference Dividend shall be declared in relation to any converted Preference Share. The Ordinary Shares resulting from the conversion shall carry the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares by reference to a record date falling on or after the applicable Conversion Date and shall otherwise rank *pari passu* in all respects with the fully paid-up Ordinary Shares then in issue

SET-OFF

- 26 The holders of the Preference Shares waive any entitlement to set off amounts they owe to the company against amounts owed to them by the company

OTHER PROVISIONS RELATING TO PREFERENCE SHARES

- 27 So long as any Preference Shares remain in issue then, save with such consent or sanction on the part of the holders of the Preference Shares as is required for a variation of the rights attached to such shares
- (a) the company shall not issue any further shares which are not in all material respects uniform with the Ordinary Shares or the Euro Shares in issue on the date of the adoption of this paragraph 27,

- (b) the company shall not pass any resolution providing for the rights attaching to the Ordinary Shares or the Euro Shares to be modified, varied or abrogated, and
- (c) the company shall not pass any resolution providing for the purchase or redemption of any Ordinary Shares or any Euro Shares or otherwise for the reduction of its share capital

RETURN OF CAPITAL

- 28 On a return of capital to holders of Ordinary Shares, Euro Shares or Preference Shares on a winding up or otherwise (other than on conversion, redemption or purchase by the company of its own shares in accordance with these statutes) the assets of the company available for distribution to its members shall be applied
- (a) first in paying to the holders of Preference Shares an amount equal to any Arrears calculated up to and including the date of commencement of the winding up (in the case of winding up) or of the return of capital (in any other case),
 - (b) second in paying to the holders of Preference Shares a sum equal to the nominal amount of the fully paid-up Preference Shares then in issue,
 - (c) third to the holders of Ordinary Shares a sum equal to the nominal amount of the fully paid-up Ordinary Shares then in issue,
 - (d) fourth to the holders of Euro Shares a sum equal to the nominal amount of the fully paid-up Euro Shares then in issue, and
 - (e) fifth rateably amongst the holders of the Ordinary Shares according to the amounts paid up on their respective holdings of such shares in the company

VARIATION OF RIGHTS

- 29 Subject to paragraph 27, the rights attached to any existing shares shall not (unless otherwise expressly provided by the terms of issue of such shares) be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith or subsequent thereto

SHARE CERTIFICATES

- 30 Every member, upon becoming the holder of any shares, shall be entitled without payment to one certificate for all the shares of each class held by him (and, upon transferring a part of his holding of shares of any class, to a certificate for the balance of such holding) or several certificates each for one or more of his shares upon payment for every certificate after the first of such reasonable sum as the directors may determine. Every certificate shall be sealed with the seal of the company if the company has a seal, or otherwise executed in such manner as may be permitted by the Act and shall specify the number, class and distinguishing numbers (if any) of the shares to which it relates and the amount or respective amounts paid up thereon. The company shall not be bound to issue more than one certificate for shares held jointly by several persons and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them
- 31 If a share certificate is defaced, worn-out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses reasonably incurred by the company in investigating evidence as the directors may determine but otherwise free of charge, and (in the case of defacement or wearing-out) on delivery up of the old certificate

LIEN

- 32 The company shall have a first and paramount lien on all the shares registered in the name of any member for all moneys due to the company from him or his estate, whether solely or jointly with any other person (whether a member or not) in respect of those shares (whether such moneys are presently payable or not) The company's lien on a share shall extend to all dividends or other moneys payable thereon or in respect thereof The directors may at any time resolve that any share shall be exempt, wholly or partly, from the provisions of this paragraph
- 33 The company may sell in such manner as the directors determine any shares on which the company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within fourteen clear days after notice has been given to the holder of the shares or to the person entitled to the shares in consequence of the death or bankruptcy of the holder, demanding payment and stating that if the notice is not complied with the shares may be sold
- 34 To give effect to a sale the directors may authorise some person to execute an instrument of transfer of the shares sold to, or in accordance with the directions of, the purchaser The title of the transferee to the shares shall not be affected by any irregularity in or invalidity of the proceedings in reference to the sale
- 35 The net proceeds of the sale, after payment of the costs, shall be applied in payment of so much of the sum for which the lien exists as is presently payable, and any residue shall (upon surrender to the company for cancellation of the certificate for the shares sold and subject to a like lien for any moneys not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale

CALLS ON SHARES AND FORFEITURE

- 36 The directors may accept from any member the whole or any part of the amount remaining unpaid on any share held by him notwithstanding that no part of that amount has been called up
- 37 Subject to the terms of allotment, the directors may make calls upon the members in respect of any moneys unpaid on their shares (whether in respect of nominal value or premium) and each member shall (subject to receiving at least fourteen clear days' notice specifying when and where payment is to be made) pay to the company as required by the notice the amount called on his shares A call may be required to be paid by instalments A call may, before receipt by the company of any sum due thereunder, be revoked in whole or part and payment of a call may be postponed in whole or part A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect of which the call was made
- 38 A call shall be deemed to have been made at the time when the resolution of the directors authorising the call was passed
- 39 The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof
- 40 An amount payable in respect of a share on allotment or at any fixed date, whether in respect of nominal value or premium or as an instalment of a call, shall be deemed to be a call and if it is not paid the provisions of the statutes shall apply as if that amount had become due and payable by virtue of a call

- 41 Subject to the terms of allotment, the directors may make arrangements on the issue of shares for a difference between the holders in the amounts and times of payment of calls on their shares
- 42 If a call remains unpaid after it has become due and payable the directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited
- 43 If the notice is not complied with any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the directors and the forfeiture shall include all dividends or other moneys payable in respect of the forfeited shares and not paid before the forfeiture
- 44 Subject to the provisions of the Act and the Regulations, a forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the directors determine either to the person who was before the forfeiture the holder or to any other person and at any time before sale, re-allotment or other disposition, the forfeiture may be cancelled on such terms as the directors think fit. Where for the purposes of its disposal a forfeited share is to be transferred to any person the directors may authorise some person to execute an instrument of transfer of the share to that person
- 45 A person any of whose shares have been forfeited shall cease to be a member in respect of them and shall surrender to the company for cancellation the certificate for the shares forfeited but shall remain liable to the company for all moneys which at the date of forfeiture were presently payable by him to the company in respect of those shares at the appropriate rate (as defined in the Act) from the date of forfeiture until payment but the directors may waive payment wholly or in part or enforce payment without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal
- 46 A statutory declaration by a director or the secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share and the declaration shall (subject to the execution of an instrument of transfer if necessary) constitute a good title to the share and the person to whom the share is disposed of shall not be bound to see to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture or disposal of the share

TRANSFER OF SHARES

- 47 No transfer of any share may be registered without the approval of a member or members holding a majority in nominal value of the issued Ordinary Shares for the time being conferring the right to vote at general meetings of the company, and the directors shall be bound to approve a transfer which has such approval
- 48 The instrument of transfer of a share may be in any usual form or in any other form which the directors may approve and shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee
- 49 If the directors refuse to register a transfer of a share, they shall within two months after the date on which the transfer was lodged with the company send to the transferee notice of the refusal
- 50 No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share

- 51 The company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the directors refuse to register shall be returned to the person lodging it when notice of the refusal is given
- 52 The registration of transfers of shares or of transfers of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the directors may determine

TRANSMISSION OF SHARES

- 53 If a member dies the survivor or survivors where he was a joint holder, and his personal representatives where he was a sole holder or the only survivor of joint holders, shall be the only persons recognised by the company as having any title to his interest, but nothing herein contained shall release the estate of a deceased member from any liability in respect of any share which had been jointly held by him
- 54 A person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon such evidence being produced as the directors may properly require, elect either to become the holder of the share or to have some person nominated by him registered as the transferee. If he elects to become the holder he shall give notice to the company to that effect. If he elects to have another person registered he shall execute an instrument of transfer of the share to that person. All the provisions of the statutes relating to the transfer of shares shall apply to the notice or instrument of transfer as if it were an instrument of transfer executed by the member and the death or bankruptcy of the member had not occurred
- 55 A person becoming entitled to a share in consequence of the death or bankruptcy of a member shall have the rights to which he would be entitled if he were the holder of the share, except that he shall not, before being registered as the holder of the share, be entitled in respect of it to attend or vote at any meeting of the company or at any separate meeting of the holders of any class of shares in the company provided always that the directors may at any time give notice requiring any such person to elect either to become or to have another person registered as the holder of the share and if the requirements of the notice are not complied with within 90 days the directors may thereafter withhold of all dividends, bonuses or other moneys payable in respect of the share until the requirements of the notice have been complied with

PURCHASE AND REDEMPTION OF OWN SHARES

- 56 Subject to the Act, the Regulations and these statutes, the company may purchase its own shares by any method (including, without limitation, any redeemable shares) at any price (whether above, at or below par)

FINANCIAL ASSISTANCE FOR THE ACQUISITION OF THE COMPANY'S SHARES

- 57 Except to the extent prohibited by the Act or by law, the company may, in accordance with the Act, give financial assistance directly or indirectly for the purpose of
- (a) the acquisition or proposed acquisition of any shares in the company or a body corporate of which it is a subsidiary, or
 - (b) reducing or discharging a liability incurred by a person for the purpose of acquiring any shares in the company or a body corporate of which it is subsidiary

ALTERATION OF SHARE CAPITAL

- 58 The company may by ordinary resolution

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares, or
 - (b) subject to the provisions of the Act, sub-divide its shares, or any of them, into shares of smaller amount and the resolution may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage as compared with the others
- 59 Subject to the provisions of the Act and the Regulations, the company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way

PROCEDURE FOR DISPOSING OF FRACTIONS OF SHARES

- 60 (a) This paragraph applies where -
- (i) there has been a consolidation or division of shares, and
 - (ii) as a result, members are entitled to fractions of shares
- (b) The directors may
- (i) sell the shares representing the fractions to any person including the company for the best price reasonably obtainable,
 - (ii) in the case of a certificated share, authorise any person to execute an instrument of transfer of the shares to the purchaser or a person nominated by the purchaser, and
 - (iii) distribute the net proceeds of sale in due proportion among the holders of the shares
- (c) Where any holder's entitlement to a portion of the proceeds of sale amounts to less than a minimum figure determined by the directors, that member's portion may be distributed to an organisation which is a charity for the purposes of the law of the jurisdiction in which the company is incorporated
- (d) The person to whom the shares are transferred is not obliged to ensure that any purchase money is received by the person entitled to the relevant fractions
- (e) The transferee's title to the shares is not affected by any irregularity in or invalidity of the process leading to their sale

NOTICE OF GENERAL MEETINGS

- 61 General meetings shall be called by at least fourteen clear days' notice. The notice shall specify the time and place of the meeting and the general nature of the business to be transacted
- 62 A general meeting which is held as an annual general meeting must be called by at least 21 clear days' notice. The notice shall specify the time and place of the meeting and the general nature of the business to be transacted
- 63 One or more members holding at least 5% of the company's subscribed capital may require the directors to call a general meeting pursuant to section 303 of the Act. Any such request shall state the items to be put on the agenda
- 64 One or more members holding at least 5% of the company's subscribed capital may require that one or more additional resolutions be moved or additional items put on the

agenda of any general meeting by giving notice to the company no later than the date of circulation of the notice of the general meeting

- 65 Subject to the provisions of the statutes and to any restrictions imposed on any shares, the notice shall be given to all the members, to all persons entitled to a share in consequence of the death or bankruptcy of a member and to the directors and auditors
- 66 The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting

ANNUAL GENERAL MEETING

- 67 The company must once each calendar year, within six months beginning with the day following its accounting reference date, hold a general meeting as its annual general meeting (in addition to any other meetings held in that year) The board must decide the time and place for each annual general meeting

SHORT NOTICE

- 68 A general meeting is, notwithstanding that it is called by shorter notice than that specified in paragraph 61 or 62, deemed to have been duly called if it is so agreed
- (a) in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting, and
 - (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right

QUORUM

- 69 No business may be transacted at a general meeting unless a quorum of members is present when the meeting proceeds to business One person present who is a member or a proxy for a member or a representative, appointed in accordance with the statutes, of a corporation which is a member, is a quorum for all purposes

CORPORATE MEMBER MAY APPOINT A REPRESENTATIVE

- 70 A corporation which is a member may, under its seal or under the hand of a duly authorised officer, authorise a person to act as its representative at a meeting of the company That person may exercise the same powers on the corporation's behalf which he represents as that corporation could exercise if it were an individual member personally present at the meeting The secretary, a director or the board may require evidence of the authority of the representative to act

PROCEEDINGS AT GENERAL MEETINGS

- 71 The chairman, if any, of the board of directors or in his absence some other director nominated by the directors shall preside as chairman of the meeting, but if neither the chairman nor such other director (if any) be present within fifteen minutes after the time appointed for holding the meeting and willing to act, the directors present shall elect one of their number to be chairman and, if there is only one director present and willing to act, he shall be chairman
- 72 If no director is willing to act as chairman, or if no director is present within fifteen minutes after the time appointed for holding the meeting, the members present and entitled to vote shall choose one of their number to be chairman

- 73 No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum
- 74 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the meeting shall stand adjourned to the same day in the next week at the same time and place or to such time and place as the directors may determine and if at the adjourned meeting such a quorum is not present within half an hour from the time appointed for the meeting, one member present in person or by proxy or (being a corporation) by its duly authorised representative shall be a quorum
- 75 A director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares in the company
- 76 The chairman may, with the consent of a meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at an adjourned meeting other than business which might properly have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for fourteen days or more, at least seven clear days' notice shall be given specifying the time and place of the adjourned meeting and the general nature of the business to be transacted. Otherwise it shall not be necessary to give any such notice
- 77 If there are two or more classes of shares, each resolution shall be subject to a separate vote by each class of shareholders whose class rights are affected by that resolution
- 78 A resolution put to the vote of a meeting shall be decided on a show of hands unless before, or on the declaration of the result of, the show of hands a poll is duly demanded. Subject to the provisions of the Act, a poll may be demanded
- (a) by the chairman, or
 - (b) by any member present in person or by proxy or (being a corporation) by its duly authorised representative,
- and a demand by a person as proxy for a member shall be the same as a demand by the member
- 79 Unless a poll is duly demanded a declaration by the chairman that a resolution has been carried or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution
- 80 The demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the chairman and a demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made
- 81 A poll shall be taken as the chairman directs and he may appoint scrutineers (who need not be members) and fix a time and place for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded
- 82 A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either forthwith or at such time and place as the chairman directs not being more than thirty days after the

poll is demanded. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll was demanded. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.

- 83 No notice need be given of a poll not taken forthwith if the time and place at which it is to be taken are announced at the meeting at which it is demanded. In any other case at least seven clear days' notice shall be given specifying the time and place at which the poll is to be taken.

VOTES OF MEMBERS

- 84 Subject to any rights or restrictions as to voting attached to any shares by the terms on which they were issued or by or in accordance with the statutes or otherwise

(a) on a vote on a resolution on a show of hands at a meeting

(i) each member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative has one vote, and

(ii) every proxy present who has been duly appointed by a member who is entitled to vote on the resolution has one vote,

provided that no individual who is present at a meeting in more than one capacity shall have more than one vote on a show of hands, and

(b) on a vote on a resolution on a poll taken at a meeting each member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative or by proxy has one vote for each share held by him

- 85 A proxy need not be a member of the company. Subject to the Act and the Regulations, a member may appoint more than one proxy to attend on the same occasion.

- 86 The appointment of a proxy must be in writing (a "Proxy Notice") in any usual or common form. The directors are entitled to require that a Proxy Notice must be in a particular form and are entitled to require different forms for different purposes.

- 87 A Proxy Notice in hard copy form must be signed by the appointing member or his agent duly authorised in writing, or, if the appointing member is a corporation, under its common seal or by a duly authorised agent or officer. A Proxy Notice in electronic form must be authenticated in the manner that is specified from time to time by the directors for documents of that type which are sent or supplied in electronic form or (if the directors have not specified their requirements for the authentication of that type of document) in the manner indicated by the Act for documents or information sent or supplied in electronic form.

- 88 The company may require evidence of the authority of any agent or officer that signs or authenticates a Proxy Notice on behalf of a member to be submitted with the Proxy Notice. If a Proxy Notice is signed or authenticated under a power of attorney or other written authority, the company or any person acting on its behalf may require any written authority under which the appointment has been made, or a copy of that authority certified notarially or in some other way approved by the directors to be submitted with the Proxy Notice.

- 89 If more than one proxy is appointed, the Proxy Notice must specify the shares held by the member in respect of which each proxy is entitled to act on behalf of the appointing member. If the company receives more than one appointment of a proxy in respect of the same share or shares, the appointment received last revokes each earlier appointment and the company's decision as to which appointment was received last is final. If more than one proxy is appointed by a member, a proxy appointed by that member need not, if he votes, use his votes in the same way as another proxy appointed by that member.
- 90 A Proxy Notice and any evidence required by the directors to be supplied with it in accordance with paragraph 88 may be delivered
- (a) in hard copy form, or
 - (b) if the company agrees (or is deemed by the Act to have agreed), in electronic form, but then only in the type of electronic form that the company has agreed to (or is deemed by the Act to have agreed to)
- 91 A proxy appointment relating to a meeting is only valid if the Proxy Notice and any evidence required to be supplied with it in accordance with paragraph 88 is received
- (a) in the case of documents in hard copy form, into the hand of the chairman of the meeting or at the office or at such other place within the United Kingdom as is specified for the receipt of Proxy Notices in the notice of meeting or in any form of Proxy Notice issued by the company in relation to the meeting, or
 - (b) in the case of documents in electronic form
 - (i) at any address to which the appointment of a proxy may be sent by electronic means pursuant to the Act or the Regulations, or
 - (ii) to any address specified by or on behalf of the company for the purpose of receiving the appointment of a proxy in electronic form in
 - (1) the notice convening the meeting,
 - (2) any form of Proxy Notice issued by the company in relation to the meeting, or
 - (3) the invitation to appoint a proxy issued by the company in relation to the meeting, and
 - (c) in each case specified in paragraph 91(a) and (b)
 - (i) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the Proxy Notice proposes to vote, or
 - (ii) in the case of a poll taken more than 48 hours after it was demanded, not less than 24 hours before the time appointed for the taking of the poll,except in the case of documents in hard copy form handed to the chairman pursuant to paragraph 91(a), in which case it is sufficient if they are handed to the chairman of the meeting or adjourned meeting before the commencement of the meeting or adjourned meeting to which they relate
- 92 In calculating the time periods mentioned in paragraph 91(c), no account will be taken of any part of a day that is not a working day

- 93 In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members
- 94 A member in respect of whom an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder may vote, whether on a show of hands or on a poll, by his receiver, curator bonis or other person authorised in that behalf appointed by that court, and any such receiver, curator bonis or other person may vote by proxy Evidence to the satisfaction of the directors of the authority of the person claiming to exercise the right to vote shall be deposited at the office, or at such other place as is specified in accordance with the statutes for the deposit of Proxy Notices, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised and in default the right to vote shall not be exercisable
- 95 No member shall vote on any resolution of the members or on any separate resolution of the holders of any class of shares in the company, either in person or by proxy, in respect of any share held by him unless all moneys presently payable by him in respect of that share have been paid
- 96 No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting shall be valid Any objection made in due time shall be referred to the chairman whose decision shall be final and conclusive
- 97 A vote given or poll demanded by proxy or by the duly authorised representative of a corporation shall be valid notwithstanding the previous determination of the authority of the person voting or demanding a poll unless notice of the determination was received by the company at the office or at such other place at which the instrument of proxy was duly deposited or, where the appointment of the proxy was contained in an electronic communication, at the address at which such appointment was duly received before the commencement of the meeting or adjourned meeting at which the vote is given or the poll demanded or (in the case of a poll taken otherwise than on the same day as the meeting or adjourned meeting) the time appointed for taking the poll
- 98 The company is under no obligation to check that a proxy exercises the votes of a member at all or in accordance with their instructions

ADMINISTRATIVE ORGAN

- 99 The company shall be managed by a one-tier system of management, the administrative organ (also referred to in these statutes as the "board"), to which the directors are appointed

NUMBER OF DIRECTORS

- 100 The number of directors shall be not less than two Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall not be subject to any maximum

ALTERNATE DIRECTORS

- 101 A director may by written notice signed by him and deposited or received at the office or received by the secretary or in such other manner as the directors may approve appoint another director or any other person to be and act as his alternate director

- 102 Every alternate director shall (subject to his giving to the company an address within the United Kingdom at which notices may be given to him) be entitled to notice of meetings of the directors or of committees of directors, and to attend and vote as a director at any such meeting at which the director appointing him is entitled to attend and vote but is not personally present and generally at such meeting to exercise all the powers, rights, duties and authorities of the director appointing him. Every alternate director shall also be entitled to sign on behalf of the director appointing him, a resolution in writing of the directors pursuant to paragraph 135
- 103 An alternate director shall neither be an officer of the company as a result of his appointment as an alternate director nor entitled to any remuneration from the company for acting as an alternate director
- 104 A director may by written notice signed by him and deposited or received at the office or received by the secretary or in such other manner as the directors may approve at any time revoke the appointment of an alternate director appointed by him
- 105 If a director shall cease to hold the office of director for any reason, the appointment of his alternate director shall thereupon automatically cease

POWERS OF DIRECTORS

- 106 Subject to the provisions of the Act, the Regulations and the statutes and to any directions given by special resolution, the business of the company shall be managed by the directors who may exercise all the powers of the company. The following transactions shall require an express decision of the board
- (a) the disposal of the whole of the company's undertaking or property or a substantial part thereof, and
 - (b) the acquisition of the whole or any substantial part of the undertaking, assets or business of any other company or any firm or person, where such operation would reasonably be expected to have a significant impact on the company's undertaking or property or a substantial part thereof
- 107 No alteration of the statutes and no direction given by special resolution shall invalidate any prior act of the directors which would have been valid if that alteration had not been made or that direction had not been given. The powers given by paragraph 106 shall not be limited by any special power given to the directors by the statutes and a meeting of directors at which a quorum is present may exercise all powers exercisable by the directors
- 108 The directors may, by power of attorney or otherwise, appoint any person to be the agent of the company for such purposes and on such conditions as they determine, including authority for the agent to delegate all or any of his powers

DUTY NOT TO DISCLOSE INFORMATION

- 109 A director shall be under a duty not to divulge any information concerning the company the disclosure of which might be prejudicial to the company's interests, except where such disclosure is required or permitted by law. This duty shall continue to apply after the director has ceased to hold office

DELEGATION OF DIRECTORS' POWERS

- 110 The directors may delegate any of their powers to any committee consisting of one or more directors and may also appoint to any such committee persons who are not directors. In particular, without limitation, the board may grant the power to sub-delegate

The board may also delegate to any managing director or any director holding any other executive office such of their powers as they consider desirable to be exercised by him. Any such delegation may be made subject to any conditions the directors may impose, and either collaterally with or to the exclusion of their own powers and may be revoked or altered. Subject to any such conditions, the proceedings of a committee shall be governed by the statutes regulating the proceedings of directors so far as they are capable of applying.

APPOINTMENT AND RETIREMENT OF DIRECTORS

- 111 The directors appointed to the first board are Tim Fillingham, David Roy Message, Ian Michael Poynton, Demian Grosset Smith, Mark William Reid Smith, Patrick Colm Tiernan, John Mitchell Wardrop and Theo James Rickus Wilkes and such directors are appointed for a term of six years with effect from the date of adoption of these statutes.
- 112 The company may by ordinary resolution appoint a person to be a director either to fill a vacancy or as an additional director. Each director so appointed shall be appointed for a term not exceeding six years from the date of their appointment and may be removed at any time prior to the expiration of that term by ordinary resolution of the company or by notice given in accordance with paragraph 115.
- 113 A body corporate may be appointed as a director provided that at all times at least one natural person is a director. Any such body corporate shall designate a natural person to exercise of the corporate director's functions as a member of the board.
- 114 A director whose term of appointment expires, may, once or more than once, be reappointed to the board for a further term, provided that each such reappointment is made in accordance with paragraph 112.
- 115 A member or members holding a majority in nominal value of the issued shares for the time being conferring the right to vote at general meetings of the company have the power from time to time and at any time to remove from office any director howsoever appointed. Any such removal shall be by notice in writing, duly executed by the relevant member or members or their duly authorised attorneys. The notice may be contained in several documents in the same form each executed by one or more of the members (or their duly authorised attorneys). The removal shall take effect upon such notice or notices being received at the company's registered office or being handed or otherwise communicated to the chairman of a meeting of the directors at which a quorum is present.

DISQUALIFICATION AND REMOVAL OF DIRECTORS

- 116 The office of a director shall be vacated if
- (a) he ceases to be a director by virtue of any provision of the Act or the Regulations, he becomes prohibited by law or judicial or administrative decision from being a director or he is disqualified from being a director under the law of any other EEA state,
 - (b) he becomes bankrupt or makes any arrangement or composition with his creditors generally,
 - (c) a registered medical practitioner who is treating that person gives a written opinion to the company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months,
 - (d) he resigns his office by notice to the company (on delivery to the company's registered office) provided that such action shall be without prejudice to the terms

of and to any rights of the company under any contract between the director and the company, or

- (e) he ceases to be approved by a relevant Regulator to carry on a function where, in order for such person to continue to act as director, the company is subject to a requirement that such person must be approved by the Regulator to carry on such function,

and a resolution of the board declaring a director to have vacated office under the terms of this paragraph is conclusive as to the fact and grounds of vacation stated in the resolution

REMUNERATION OF DIRECTORS

- 117 The directors shall be entitled to such remuneration as the directors determine (subject to any directions, guidelines or requirements made by ordinary resolution of the members) and, unless the directors determine otherwise, the remuneration shall be deemed to accrue from day to day. Any director who serves on any committee, or who devotes special attention to the business of the company, or who otherwise performs services which in the opinion of the directors are in addition to or outside the scope of the ordinary duties of a director (which services shall include, without limitation, visiting or residing abroad in connection with the company's affairs), may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the directors may determine

DIRECTORS' EXPENSES

- 118 The directors may be paid all travelling, hotel, and other expenses properly incurred by them in connection with their attendance at meetings of directors or committees of directors or general meetings or separate meetings of the holders of any class of shares or of debentures of the company or otherwise in connection with the discharge of their duties

EXECUTIVE DIRECTORS

- 119 Subject to the provisions of the Act and the Regulations, the directors may appoint one or more of their number to the office of chief executive officer or to any other executive office under the company and may enter into an agreement or arrangement with any director for his employment by the company or for the provision by him of any services outside the scope of the ordinary duties of a director. Any such appointment, agreement or arrangement may be made upon such terms as the directors determine and they may remunerate any such director for his services as they think fit. Any appointment of a director to an executive office shall terminate if he ceases to be a director but without prejudice to any claim to damages for breach of the contract of service between the director and the company. A chief executive officer and a director holding any other executive office shall be subject to the same provisions as to resignation and removal as the other directors of the company

DIRECTORS' APPOINTMENTS AND INTERESTS

- 120 Subject to the provisions of the Act, and provided that he has disclosed to the directors the nature and extent of any material interest of his, a director notwithstanding his office
 - (a) may be a party to, or otherwise interested in, any transaction or arrangement with the company or in which the company is otherwise interested,

- (b) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the company or in which the company is otherwise interested, and
- (c) shall not, by reason of his office, be accountable to the company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit

121 For the purposes of paragraph 120

- (a) a general notice given to the directors that a director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the director has an interest in any such transaction of the nature and extent so specified, and
- (b) an interest of which a director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his

122 Any direct or indirect interest of a director which conflicts or may conflict with the interests of the company (other than where such conflict arises or would arise in relation to a transaction or arrangement with the company) the nature and extent of which has been disclosed by that director to the other directors may, subject to the provisions of the Act, be authorised by the company by resolution of the other non-interested directors. Where such a matter is so authorised, the director who has the interest may absent himself from any meeting of the directors at which the relevant matter is to be discussed and need not pass on to the company any confidential information in connection with the matter which he receives while acting other than in his capacity as a director

DIRECTORS' GRATUITIES AND PENSIONS

123 The directors may

- (a) establish and maintain, or procure the establishment and maintenance of, any share option or share incentive or profit-sharing schemes or trusts or any non-contributory or contributory pension or superannuation schemes or funds for the benefit of, and may make or give or procure the making or giving of loans, donations, gratuities, pensions, allowances or emoluments (whether in money or money's-worth) to, or to trustees on behalf of, any persons who are or were at any time in the employment or service of the company, or of any company which is a subsidiary of the company, or is allied to or associated with the company or with any such subsidiary, or who are or were at any time directors or officers of the company or of any such other company as aforesaid, and to the wives, husbands, widows, widowers, families and dependants of any such persons,
- (b) establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of, or to advance the interests and well-being of the company, or of any such other company as aforesaid, or of any such persons as aforesaid,
- (c) make payments for or towards policies of assurance on the lives of any such persons and policies of insurance for the benefit of or in respect of any such persons (including insurance against their negligence or breach of duty to the company) as aforesaid,

- (d) pay, subscribe or guarantee money to or for any charitable or benevolent objects, or for any exhibition, or for any political, public, general or useful object, and
- (e) do any of the above things either alone or in conjunction with any such other company as aforesaid

Subject always, if so required by law, to particulars with respect to the proposed payment being disclosed to the members of the company and to the payment being approved by the company, any director shall be entitled to participate in and retain for his own benefit any such loan, donation, gratuity, pension, allowance or emolument

POWER TO MAKE PROVISION FOR EMPLOYEES

- 124 The directors are authorised to sanction (by a resolution of the directors) the making of provision for the benefit of persons employed or formerly employed by the company, or any of its subsidiaries, in connection with the cessation or the transfer to any person of the whole or part of the undertaking of the company or that subsidiary

PROCEEDINGS OF DIRECTORS

- 125 The directors shall meet at least once every three months to discuss the progress and foreseeable development of the company's business. Subject to the provisions of the statutes, the directors may regulate their proceedings as they think fit. A director may, and the secretary at the request of a director shall, call a meeting of the directors. Every director shall be given not less than 48 hours' notice of every meeting of the directors, such notice to be sent to such address as is notified by him to the company for this purpose or otherwise communicated to him personally. The notice need not be given in writing and, if the director agrees, may be given by means of an electronic communication. Any director may by notice to the company either before or after the meeting waive his right to receive notice of the meeting and any director who either

- (a) is present at the commencement of a meeting whether personally or by his alternate director, or
- (b) does not, within seven days following its coming to his attention that a meeting has taken place without proper notice of such meeting having been given to him pursuant to this paragraph, notify the company that he desires the proceedings at such meeting to be regarded as a nullity,

shall be deemed hereafter to have waived his right to receive notice of such meeting pursuant to this paragraph. Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote. A director who is also an alternate director shall be entitled in the absence of his appointor to a separate vote on behalf of his appointor in addition to his own vote.

- 126 The quorum for the transaction of the business of the directors may be fixed by the directors and unless so fixed at any other number shall be two. A person attending a meeting of the board of directors, who is acting as an alternate director for one or more directors shall be counted as one for each of the directors for whom he is so acting and, if he is a director, shall also be counted as a director, but not less than two individuals constitute a quorum.
- 127 The directors shall appoint one of their number to be the chairman of the board of directors and may at any time replace the director holding that office with another director. Unless he is unwilling to do so, the director so appointed shall preside at every meeting of directors at which he is present. But if the director holding that office is unwilling to preside or is not present within five minutes after the time appointed for the meeting, the

directors present shall appoint one of their number to be chairman of the meeting. The directors may also appoint other directors as deputy or assistant chairman to chair meetings in the chairman's absence

- 128 All acts done by a meeting of directors, or of a committee of directors, or by a person acting as a director shall, notwithstanding that it be afterwards discovered that there was a defect in the appointment of any director or that any of them were disqualified from holding office, or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a director and had been entitled to vote
- 129 Provided that a director discloses to the board the nature and extent of any conflict or potential conflict between the interests of the company and the duties or interests of the director or a person connected with the director
- (a) the director shall be deemed to have complied with his duties (including the general duties under the Act) to avoid conflicts of interests and to declare his interest in proposed transactions or arrangements with the company, and
 - (b) a director having made such a disclosure shall count in the quorum and be entitled to vote on any matter to which such disclosure relates

A disclosure may be made in writing, at a meeting or in any other manner but must include in reasonable detail the nature and extent of the director's interest. A director shall be deemed to have disclosed to the board any matter of which the other directors are aware or ought reasonably to be aware

- 130 A director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote
- 131 The company may by ordinary resolution suspend or relax to any extent, either generally or in respect of any particular matter, any provision of the statutes prohibiting a director from voting at a meeting of directors or of a committee of directors
- 132 Where proposals are under consideration concerning the appointment or the terms of appointment of two or more directors to offices or employments with the company or any body corporate in which the company is interested the proposals may be divided and considered in relation to each director separately and (provided he is not for another reason precluded from voting) each of the directors concerned shall be entitled to vote in respect of each resolution except that concerning his own appointment and shall be counted in the quorum in respect of each resolution including that concerning his own appointment
- 133 If a question arises at a meeting of directors or of a committee of directors as to the right of a director to vote, the question may, before the conclusion of the meeting, be referred to the chairman of the meeting and his ruling in relation to any director other than himself shall be final and conclusive
- 134 A meeting of the board of directors may consist of a conference between directors some or all of whom are in different places if each director who participates is able
- (a) to hear each of the other participating directors addressing the meeting, and
 - (b) if the director so wishes, to address all of the other participating directors simultaneously,

whether directly, by conference telephone or any other form of communications equipment (whether in use when these statutes are adopted or developed subsequently)

or by a combination of these methods. Each director so participating in a meeting is deemed to be "present" at that meeting for the purpose of these statutes. A quorum is deemed to be present if those conditions are satisfied in respect of at least the number of directors required to form a quorum. A meeting held in this way is deemed to take place at the place where the largest group of participating directors is assembled or, if no such group is readily identifiable, at the place from where the chairman of the meeting participates.

135 Any director may, and the secretary at the request of a director must, propose a written resolution to the directors. If

- (a) each director (or each member of a committee) for the time being entitled to receive notice of a meeting of the board of directors (or committee) and together not being less than a quorum agrees to the passing of a resolution, and
- (b) the agreement of the director (or committee member) is contained in
 - (i) a document sent in electronic form of a type that the directors decide may be used in relation to this paragraph and which complies with each requirement (including, without limitation, those as to authentication) that the directors have specified for documents of that type that are sent in electronic form, or
 - (ii) a copy of the proposed written resolution in hard copy form, signed by the director (or committee member),

that resolution is as effective as a resolution passed at a meeting of the board of directors (or, as the case may be, committee) duly convened and held.

136 For the purposes of paragraph 135(b)(ii), the agreement of the directors (or, as the case may be, committee members) may be contained in several documents in the same form each signed by one or more of the directors (or, as the case may be, committee members).

137 A written resolution of the directors (or, as the case may be, committee members) will be valid at the time the last director (or, as the case may be, committee member) who is required to agree in order for it to become effective signs or otherwise agrees to it in accordance with paragraph 135.

138 Each director shall be entitled to examine all information submitted to the board.

SECRETARY

139 A secretary may be appointed by the directors for such term, at such remuneration and upon such conditions as they may think fit, and any secretary so appointed may be removed by them.

MINUTES

140 The directors shall cause minutes to be made in books kept for the purpose

- (a) of all appointments of officers and alternate directors made by the directors, and
- (b) of all proceedings at meetings of the company, of the holders of any class of shares in the company, of the directors, and of committees of directors, including the names of the persons present at each such meeting.

THE SEAL

- 141 The company need not have a seal but if the company does have a seal, the seal shall only be used by the authority of the directors or of a committee of directors authorised by the directors. The directors may determine who shall sign any instrument to which the seal is affixed and unless otherwise so determined it shall be signed by an authorised person in the presence of a witness.
- 142 The company is authorised pursuant to section 49 of the Act to have an official seal for use in any territory, district, or place elsewhere than in the United Kingdom.

DIVIDENDS

- 143 Subject to the provisions of the Act and to paragraph 144, on each Dividend Declaration Date the Company shall, in priority to any declaration of dividend in relation to the Ordinary Shares or the Euro Shares, by ordinary resolution declare a fixed dividend in an aggregate amount computed by multiplying the Preference Dividend Rate by the aggregate nominal value of fully paid-up Preference Shares then in issue.
- 144 Paragraphs 143 and 148 shall not apply unless
- (a) the dividend referred to therein is equal to or less than the profits that the company has available for the purpose of making a dividend, and
 - (b) the directors have recommended the amount of the dividend referred to therein.
- 145 The company shall on each Dividend Date pay any Preference Dividend to the holders of the Preference Shares.
- 146 Any Preference Dividend payment shall be deferred (unless otherwise provided by the directors) if, and for so long as
- (a) there is non-compliance with the company's solvency capital requirement, or
 - (b) the distribution would lead to non-compliance with the company's solvency capital requirement.
- 147 Subject to paragraph 144, if the company does not by ordinary resolution declare a Preference Dividend on a Dividend Declaration Date, then at the next following Dividend Declaration Date, the company shall, in priority to any declaration of dividend or any payment of an interim dividend in relation to the Ordinary Shares or the Euro Shares, by ordinary resolution declare a fixed dividend first in respect of the amount that the company would have declared on each preceding Dividend Declaration Date in respect of which no Preference Dividend has been declared (whether on that Dividend Date or subsequently) if the conditions set out in paragraph 144 had been met at that date, and second, in an aggregate amount computed by multiplying the Preference Dividend Rate by the aggregate nominal value of fully paid-up Preference Shares then in issue at that Dividend Declaration Date.
- 148 The holders of the Preference Shares shall not be entitled to any further right of participation in the profits or income of the company beyond Preference Dividends.
- 149 The company may by ordinary resolution declare dividends, and the directors may decide to pay interim dividends to the holders of the Ordinary Shares or the Euro Shares.
- 150 Any dividend declared on the Ordinary Shares or the Euro Shares shall be deemed cancelled (unless otherwise provided by the directors) if

- (a) there is non-compliance with the company's solvency capital requirement, or
 - (b) the distribution would lead to non-compliance with the company's solvency capital requirement
- 151 No distribution relating to the Ordinary Shares, the Euro Shares or the Preference Shares shall be made when the company is not in compliance with its solvency capital requirement or if such distribution would lead to non-compliance with company's solvency capital requirement
- 152 No dividend or interim dividend shall be paid in relation to an Ordinary Share or a Euro Share otherwise than in accordance with the provisions of Part 23 of the Act
- 153 A resolution of the members declaring a dividend may, upon the recommendation of the directors, direct that it shall be satisfied wholly or partly by the distribution of assets and, where any difficulty arises in regard to the distribution, the directors may settle the same and in particular may issue fractional certificates and fix the value for distribution of any assets and may determine that cash shall be paid to any member upon the footing of the value so fixed in order to adjust the rights of members and may vest any assets in trustees
- 154 Any dividend or other moneys payable in respect of a share may be paid by cheque sent by post to the registered address of the person entitled or, if two or more persons are the holders of the share or are jointly entitled to it by reason of the death or bankruptcy of the holder, to the registered address of that one of those persons who is first named in the register of members or to such person and to such address as the person or persons entitled may in writing direct. Every cheque shall be made payable to the order of the person or persons entitled or to such other person as the person or persons entitled may in writing direct and payment of the cheque shall be a good discharge to the company. Any joint holder or other person jointly entitled to a share as aforesaid may give receipts for any dividend or other moneys payable in respect of the share
- 155 No dividend or other moneys payable in respect of a share shall bear interest against the company unless otherwise provided by the rights attached to the share
- 156 Any dividend which has remained unclaimed for twelve years from the date when it became due for payment shall, if the directors so resolve, be forfeited and cease to remain owing by the company

DEPLETION OF ASSETS

- 157 If at any time the net assets of the company (as defined in the Act) are half or less of the amount of the company's called-up share capital, the board of directors must, not later than 28 days from the earliest day on which that fact is known to any director, duly convene an extraordinary general meeting for a date not later than 56 days from that day for the purpose of considering whether any, and if so what, measures should be taken to deal with the situation

ACCOUNTS AND AUDIT

- 158 The board of directors must ensure that proper accounts and accounting records are kept in accordance with the Act and the Regulations

CAPITALISATION OF PROFITS

- 159 The directors may with the authority of an ordinary resolution of the company
- (a) subject as hereinafter provided, resolve to capitalise any profits of the company (whether or not they are available for distribution) which are not required for paying any preferential dividend or any sum standing to the credit of the company's share premium account or capital redemption reserve,
 - (b) appropriate the sum resolved to be capitalised to the members who would have been entitled to it if it were distributed by way of dividend and in the same proportions and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by them respectively, or in paying up in full unissued shares or debentures of the company of a nominal amount equal to that sum, and allot the shares or debentures credited as fully paid to those members, or as they may direct, in those proportions, or partly in one way and partly in the other but the share premium account, the capital redemption reserve, and any profits which are not available for distribution may, for the purposes of this paragraph 160, only be applied in paying up unissued shares to be allotted to members credited as fully paid,
 - (c) make such provision by the issue of fractional certificates or by payment in cash or otherwise as they determine in the case of shares or debentures becoming distributable under this paragraph 160 in fractions, and
 - (d) authorise any person to enter on behalf of all the members concerned into an agreement with the company providing for the allotment to them respectively, credited as fully paid, of any shares or debentures to which they are entitled upon such capitalisation, any agreement made under such authority being binding on all such members

NOTICES

- 160 In these statutes a reference to
- (a) a notice, document or information which is to be sent or supplied to the company being signed or executed, is a reference, where that notice, document or information is in electronic form, to its being authenticated in the manner that is specified from time to time by the board of directors for documents of that type which are sent or supplied in electronic form or (if the board of directors has not specified its requirements for the authentication of that type of document) in the manner indicated by the Act for documents or information sent or supplied in electronic form,
 - (b) an "instrument" means a document in hard copy form, and
 - (c) "writing" includes references to any method of representing or reproducing words, symbols or other information in a visible form by any method or combination of methods whether sent or supplied in electronic form or otherwise and "written" has a corresponding meaning
- 161 Subject to the statutes, any document, information or notice to be sent or supplied by the company under the statutes may (subject to the terms and conditions set out in the Act) be sent or supplied in any way and to any address as the Act provides for documents or information which are authorised or required by any provision of the Act to be sent or supplied by the company or to which the recipient has generally or specifically agreed. Subject to compliance with the conditions set out in the Act, a document, information or

notice may be sent or supplied by the company to a member or other person by being made available on a website

- 162 Subject to the statutes, any document, information or notice to be sent or supplied to the company under the statutes may (subject to the terms and conditions set out in the Act) be sent or supplied in any way and to any address as the Act provides for documents or information which are authorised or required by any provision of the Act to be sent or supplied to the company or to which the company has generally or specifically agreed. Nothing in these statutes is to be interpreted as constituting a general or specific agreement by the company to the use of a particular form (other than hard copy form) for a particular type of document, information or notice sent to it
- 163 Subject to the statutes, any document, information or notice to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such documents, information or notices for the time being. A director may agree with the company that notices, information or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours
- 164 A document, information or notice (whether in hard copy form or electronic form) which is sent by the company to a member by post is deemed to have been received at the expiration of 24 hours if pre-paid as first class post, and 48 hours if pre-paid as second class post, after it has been posted. In proving service it is sufficient to prove that the envelope containing the notice or document was properly addressed, pre-paid and posted
- 165 A document, information or notice (whether in hard copy form or electronic form) which is not sent by post or electronic means but is delivered by hand by the company to a member in accordance with these statutes is deemed to have been received on the day it is delivered
- 166 A document, information or notice sent or supplied by electronic means by the company to a member is deemed to have been received on the same day as it is sent. In proving service it is sufficient to prove that the document or information sent or supplied by electronic means was properly addressed and shown as given in a report or log retained by or on behalf of the company
- 167 Where a document, information or notice is sent or supplied by the company to a member by means of a website, it is deemed to have been received
- (a) when the material was first made available on the website, or
 - (b) if later when the intended recipient received (or, in accordance with these statutes, is deemed to have received) notice of the fact that the document or information is available on the website
- 168 In the case of joint holders of a share, a document, information or notice is validly sent or supplied to all joint holders of a share if it is sent or supplied to the person who is named first in the register of members in respect of the joint holding. Where anything is required by the Act or the Regulations or these statutes to be agreed or specified in relation to a document, information or notice to be sent or supplied to the holder of a share that is held by joint holders, the company is only required to obtain the agreement or specification of the person who is named first in the register of members in respect of the joint holding, and is entitled to rely on that agreement or specification being binding on all joint holders

- 169 A member present, either in person or by proxy, at any meeting of the company or of the holders of any class of shares in the company shall be deemed to have received notice of the meeting and, where requisite, of the purposes for which it was called
- 170 Every person who becomes entitled to a share shall be bound by any notice in respect of that share which, before his name is entered in the register of members, has been duly given to a person from whom he derives his title
- 171 A notice may be given by the company to the persons entitled to a share in consequence of the death or bankruptcy of a member by sending or delivering it, in any manner authorised by the statutes for the giving of notice to a member, addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt or by any like description at the address, if any, within the United Kingdom supplied for that purpose by the persons claiming to be so entitled. Until such an address has been supplied, a notice may be given in any manner in which it might have been given if the death or bankruptcy had not occurred

WINDING UP

- 172 If the company is wound up, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Act or the Regulations, divide among the members in specie the whole or any part of the assets of the company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members, subject always to the order of priorities in paragraph 28. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the like sanction determines, but no member shall be compelled to accept any assets upon which there is a liability

173 INDEMNITY

- 174 To the extent permitted by the Act, the company is entitled to indemnify each director, other officer or person acting as an alternate director of the company or of an associated company of the company against each loss, cost and liability incurred by him in relation to or in connection with his duties, powers or office, including (if he is a director of a company which is a trustee of an occupational pension scheme) in connection with that company's activities as trustee of an occupational pension scheme. This paragraph 175 is deemed not to provide for, or entitle any person to, indemnification to the extent that it would cause this paragraph 175 or any element of it to be treated as void under the Act

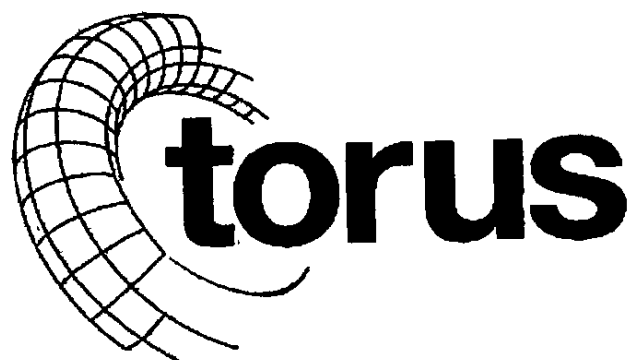
INSURANCE

- 175 Without prejudice to paragraph 175 and to the extent permitted by the Act and the Regulations, the directors may purchase and maintain insurance for the benefit of a person who is or was at any time
- (a) a director, officer or employee of the company or a company (a "Specified Company") which is a subsidiary or in any way allied to or associated with the company or a subsidiary of the company,
 - (b) a director, officer or employee of a predecessor of the business of the company or a Specified Company, or
 - (c) a trustee of a pension fund in which an employee of the company or a Specified Company is interested

- 176 In paragraph 176, "Insurance" includes, without limitation, insurance against any liability incurred by a person referred to in paragraph 176 in respect of an act or omission in the actual or purported execution or discharge of his duties, or in the exercise or purported exercise of his powers, or otherwise in relation to his duties, powers or offices, in relation to the company, a Specified Company or a pension fund referred to in paragraph 176

OBJECTS OF THE COMPANY

- 177 The objects of the company are unrestricted



Torus Insurance (UK) Limited

Annual Report & Accounts

For the year ended 31 December 2013

Company Number 06447250



**TORUS INSURANCE (UK) LIMITED
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TORUS INSURANCE (UK) LIMITED
DIRECTORS AND OFFICERS
For the year ended 31 December 2013

Directors

Rupert Lowe (Chairman)

Dermot O'Donohoe

Stephen Clarke

Tim Fillingham (Chief Executive Officer)

Clive Tobin (Resigned 31 March 2013)

Tim Harris

Barnabas Hurst-Bannister

David Message (appointed 6 November 2013)

Zahir Petiwalla

Company Secretary

Robert Mankiewicz

Company Number

06447250

Registered Office

5th Floor

88 Leadenhall Street

London EC3A 3BP

Auditors

KPMG Audit Plc

15 Canada Square, Canary Wharf

London

E14 5GL



TORUS INSURANCE (UK) LIMITED
STRATEGIC REPORT
For the year ended 31 December 2013

Principal activity

The principal activity of the Company is the transaction of specialty insurance and reinsurance business in the London Insurance Market, writing a global portfolio principally in the energy (offshore and onshore), power & utilities, property, excess casualty, specialty and construction classes

Results and performance

The result of the Company for the period, as set out on pages 11 and 12, shows a loss on ordinary activities before tax of USD 8.1m (2012: loss of USD 2.0m)

The key performance indicators for the period

	Year ended 31 December 2013	Year ended 31 December 2012
	USDm	USDm
Gross Written Premium	186.7	383.1
Shareholders' Funds	161.2	169.3
Net Investment (Expense)/ Income	(0.1)	9.8

Key developments in the year

On 9 July 2013, it was announced that Enstar Group Limited ("Enstar") and Stone Point Capital LLC ("Stone Point") are to acquire the entire share capital of the Company's ultimate parent, Torus Insurance Holdings Limited ("TIHL"). Under the terms of the purchase agreement, Enstar will own 60% and Stone Point will own 40% of TIHL. The transaction is not yet completed.

It was decided by senior management in 2012 to discontinue the Company's internal reinsurance of the US companies given that the associated lines of business were not profitable. As such, the Company has ceased to write US Quota Share business effective from 1 January 2013. This amounts to a cancellation of the US assumed business, where the contract was on an accident year basis such that the future unearned premium will not attract any liability on the Company's part. This has given rise to a return premium and as such results in negative written premium and acquisition costs in respect of the US business. Although this is not visible in the primary financial statements as the Company's total written premium is positive, the impact of the commutation can be seen at note 1 (segment information), where the negative written premium can be seen under "Reinsurance acceptances".

Following a review of existing lines of business, the Company discontinued its relationship with Nexus Underwriting, and withdrew underwriting capacity from Torus Executive Risk Limited. In 2014 all management professional lines will be underwritten through the Company's branch network in the UK and Europe.

In addition, the Company moved some of its Marine business off its books to be taken up instead by Torus Syndicate 1301 ("the Syndicate") in order to build up the business portfolio of the Syndicate, thereby making the Torus group more capital-efficient. As such, certain Marine policies that were up for renewal with the Company during the year were instead renewed by the Syndicate and written on Syndicate paper.



TORUS INSURANCE (UK) LIMITED
STRATEGIC REPORT - continued
For the year ended 31 December 2013

Strategy and future outlook

The Company offers a diverse range of commercial insurance products across *Property, Specialty, and Excess Casualty* lines, through its offices in London and Continental Europe. The underwriting practice heads are recognised market leaders valued for their technical knowledge and extensive industry expertise. This specialist sector experience *supports continued innovation and bespoke product development* for Torus' more established lines, with newer, lower volatility. Specialty lines gaining increased market traction. In 2014 the Company will further develop its proprietary on-line portal to enhance distribution through the European hubs. The continued discipline by our underwriters will assist in establishing a well-adjusted and sustainable portfolio, that will allow the business to mature with reduced volatility.

The Company continues to strengthen its relationships with the key brokers in the London market, to ensure an *increased flow of new business opportunities*. Torus has established a strong regional management team, including a product and branch reporting management structure in pursuit of a diversified portfolio across risk class, market segment and geography.

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. Policies are subject to Board approval and ongoing review by management, risk management and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Company and the compliance team and the finance department take on an important oversight role in this regard. The Company's Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively. The *main risks* the Company is exposed to are:

Insurance Risk

The risk that policy terms, premiums, reinsurance protection, and claim handling will not be sufficient to cover ultimate loss and expense costs and achieve rate of returns expected by shareholders. Key components and *associated controls include -*

- *Catastrophe/Clash Risk* - risk arising from a loss event or occurrence involving more than one insured and/or line of business. Key controls include defined risk appetite/tolerance levels, models used to calculate exposure levels, catastrophe control reports overseen by the Executive Committee and Board.
- *Underwriting Selection Risk* - risk of underwriting loss due to poor underwriting selection or errors in terms and conditions on individual accounts. Key controls include *defined risk appetite/tolerance* levels, formal written and signed underwriting authorities/underwriting guidelines, maximum gross and net line sizes and business plans, peer review and Underwriting Committee oversight.
- *Underwriting Pricing Risk* - risk of underwriting loss due to poor pricing decisions on individual accounts. Key controls include underwriting pricing guidelines, technical pricing tools/management information, peer review process and Underwriting Committee oversight.
- *Reserving Risk* - risk of potential for deterioration in prior accident year reserves. Key controls include case reserve guidelines, IBNR reserving guidelines, peer review process, Independent Opinion Report and Executive Committee oversight.



TORUS INSURANCE (UK) LIMITED
STRATEGIC REPORT - continued
For the year ended 31 December 2013

Principal risks and uncertainties (continued)

- **Outward Reinsurance Risk** - risks associated with unexpected loss arising from inadequate or inappropriate reinsurance. Key controls include guidelines and procedures for purchasing treaty and facultative reinsurance, approved reinsurance security, quarterly reports, and group Underwriting Committee oversight.
- **Market Cycle Risk** - risk arising from adverse financial loss due to cyclical trends in the industry. Key controls include cycle management tools/monitoring/reports, market intelligence/forecast reports, and Underwriting Committee oversight.

The Company establishes provisions for unpaid claims, defence costs and related expenses to cover its ultimate liability in respect of both reported claims and incurred but not reported (IBNR) claims. There can be no absolute guarantee that the ultimate losses will not differ materially from the provisions the Company has established. It is particularly difficult to estimate IBNR claims and those arising from large catastrophes. Reserve estimates which are ultimately approved by the Company's Board are subject to regular quarterly reviews by the Torus in-house actuarial team and annual reviews conducted by external actuaries.

Financial Risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts), reinsurance assets and policyholder liabilities. In particular, the key financial risk is that proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk and currency risk), credit risk and liquidity risk. These risks arise from interest rate and currency products, all of which are exposed to general and specific market movements.

The Company's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Torus' financial performance. The Company produces regular reports that are summarised for the Company's board. The key financial risks the Company is exposed to are:

- **Market risk** is the risk that future changes in market prices may make a financial instrument less valuable. The primary risk is the interest rate risk and its impact on values as the majority of the investments of the Company are bonds, asset and mortgage backed securities and deposits.
- **Credit risk** is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:
 - reinsurers' share of insurance liabilities,
 - amounts due from reinsurers in respect of claims already paid,
 - amounts due from insurance contract holders,
 - amounts due from insurance intermediaries, and
 - amounts due from corporate bond issuers and issuers of collateralised mortgage obligations.

The Company manages the levels of investment credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such guidelines are subject to regular review.



TORUS INSURANCE (UK) LIMITED
STRATEGIC REPORT - continued
For the year ended 31 December 2013

Principal risks and uncertainties (continued)

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder.

The creditworthiness of reinsurers is considered on a regular basis by reviewing their financial strength. In addition, management assesses the creditworthiness of all reinsurers by reviewing credit grades provided by rating agencies and other publicly available financial information. Exposures to individual policyholders and groups of policyholders are collected within the on-going monitoring of the controls associated with regulatory solvency.

- Liquidity risk is the risk that the Company may be unable to meet payment of obligations when due at a reasonable cost. The primary liquidity risk is the obligation to pay claims to policy holders as they fall due. The projected value of these liabilities is modelled, on a regular basis, using actuarial techniques. The Board sets the appetite for the minimum proportion of maturing funds available to meet such calls that should be in place to cover anticipated liabilities and unexpected levels of demand.
- Investment risk is the risk that the investments the Company makes perform below expectations. The Company manages its investments taking into account market risk, currency risk, liquidity risk and credit risk.

The Company's approach is that investment activities are complementary to the primary underwriting activities of the business and should not, therefore, divert or utilise financial resources otherwise available for insurance operations.

The maintenance of sufficient capital and liquidity to support the business is at the heart of the Company's Financial Market Risk Policy, together with the aim for long-run enhancement of investment returns through the efficient diversification of investments across a range of high quality fixed income sectors managed by experienced investment professional.

Subject to liquidity requirements, the Company invests the remainder of funds in fixed income securities managed by professional portfolio managers.

The manager operates within a defined set of investment guidelines, which comprise details of the investment universe from which the manager may select securities and any exposure limits applied to asset classes and counterparties within that universe.

The Company measures the performance of the manager against an appropriate benchmark for the asset class under management.

Operational Risk

Risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The Company maintains a control environment which is subject to risk assessment to determine control effectiveness and a programme of internal audits. Day-to-day risk and control issues are subject to review through the Torus International Operations Committee, chaired by the UK Chief Executive Officer, and attended by key representatives for all sources of operational risk, and risk management.



TORUS INSURANCE (UK) LIMITED
STRATEGIC REPORT - continued
For the year ended 31 December 2013

Principal risks and uncertainties (continued)

Strategic Risk

Risk of loss associated with inadequate or flawed business planning or strategy setting, including product mix, mergers or acquisitions and market positioning, and unexpected changes within the market or regulatory environment in which Torus operates. Strategic planning by line of business drives the Company's specific financial plan.

Group Risk

Risks from other group entities which may impact on the operation of the Company's risk in regard to parental influence is managed through the Company's Board and Audit Committee and its representation at Group committees. The Company's regulatory requirements are maintained by local compliance functions and its capital requirements are subject to trust fund controls.

Eurozone exposure

Risks in regard to Eurozone have been assessed and reported to the Company's Audit Committee and Board. The assessment has considered investment portfolio devaluation, reinsurer default, professional lines exposure, coverholder default, and currency reinstatement exposures from both a contractual and systems perspective. At this time these exposures are not shown to be material, although the assessment includes mitigation factors such as contract clauses and the currency transaction capability of the policy admin system. The risk management function continues to monitor exposure, including the quarterly running of European Sovereign Debt Crisis scenario on the Company's investment portfolio and collation of reinsurer downgrade data for review at the Reinsurance and Broker Security Committee.

Regulatory Risk - Solvency II

In November 2013, a plenary vote was held in the European Parliament to amend and finalise the dates for implementation and transposition of the Solvency II Directive. The Parliament approved transposition being set for 31 March 2015 and implementation for 1 January 2016. The European Parliament final approval to Omnibus II passed on 11 March 2014. For the Company this transitional process will be overseen by the Prudential Regulation Authority (PRA) applying European Insurance and Occupational Pension Authority's (EIOPA) preparatory guidelines to PRA-authorised firms' for all firms within the scope of the Solvency II Directive. In January 2014 EIOPA set up the timeline for the delivery of the Solvency II Implementing Technical Standards and Guidelines over 2014 and 2015. Torus continues to actively manage its Solvency II implementation programme, participating in developments through the key industry working groups and Lloyd's of London, to determine an implementation of the regulatory requirements appropriate to its business model.

By order of the Board

Robert Mankiewicz
Company Secretary
27 March 2014



TORUS INSURANCE (UK) LIMITED
DIRECTORS' REPORT
For the year ended 31 December 2013

The Directors present their report and the audited financial statements for the year ended 31 December 2013

Share capital

The share capital of the company as at 31 December 2013 consists of 150m Ordinary shares of USD 1.00 each (2012: USD 150m) and 50m Preference shares of USD 1.00 each (2012: USD 50m)

Dividends

The Directors have not declared nor proposed any dividends to date

Directors

The names of the Directors in place during the period and the current Directors are listed on page 1

Going concern

The Directors consider that it remains appropriate to prepare the financial statements on a going concern basis. The rationale for this decision is provided in the Accounting Policies – Basis of preparation – on page 15

Statement of disclosure of information to auditors

Each of the persons who is a Director at the date of this report confirms that

- 1) So far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2013, of which the auditors are 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 him aware of any relevant audit information and to establish that the Company's auditors are aware of that information

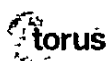
Auditors

The Company's auditors, KPMG Audit Plc, has instigated an orderly wind down of their audit entity. The Board has decided to put KPMG LLP forward to be appointed as auditors and a resolution concerning their appointment will be proposed to the shareholders of the Company

By order of the Board

A handwritten signature in black ink, appearing to read "R. W. Mankiewicz", with a horizontal line underneath.

Robert Mankiewicz
Company Secretary
27 March 2014



TORUS INSURANCE (UK) LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
For the year ended 31 December 2013

Statement of Directors' Responsibilities in respect of the Directors' report, Strategic report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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 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

By order of the Board

A handwritten signature in black ink, appearing to read "R. W. Mankiewicz", with a large, stylized circular flourish at the end.

Robert Mankiewicz

Company Secretary

27 March 2014



TORUS INSURANCE (UK) LIMITED
INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2013

Independent auditor's report to the Members of Torus Insurance (UK) Limited

We have audited the financial statements of Torus Insurance (UK) Limited for the year ended 31 December 2013 set out on pages 11 to 30. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), having regard to the statutory requirement for insurance companies to maintain equalisation provisions. The nature of the equalisation provision and the amount set aside at 31 December 2013 is disclosed in note 14. In addition, the effect of the movement in those provisions during the year on shareholders' funds as well as the impact on the general business technical account and profit before tax, are disclosed in note 14.

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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the Directors are responsible for the preparation of the 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 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 financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



TORUS INSURANCE (UK) LIMITED
INDEPENDENT AUDITOR'S REPORT - continued
For the year ended 31 December 2013

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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

A handwritten signature in black ink, appearing to read 'Ben Priestley'.

Ben Priestley (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

27 March 2014



TORUS INSURANCE (UK) LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2013

Company Number

06447250

Technical account – general business

	Notes	Year ended 31 December 2013 USDm	Year ended 31 December 2012 USDm
Earned premiums, net of reinsurance			
Gross premiums written			
Continuing operations	2	223 0	287 6
Discontinued operations	2	(36 3)	95 5
	1	186 7	383 1
Outward reinsurance premiums		(156 2)	(286 7)
Net premiums written		30 5	96 4
Change in the gross provision for unearned premiums	12	69 9	9 9
Change in the gross provision for unearned premiums, reinsurers' share		(41 3)	(8 7)
		28 6	1 2
Earned premiums, net of reinsurance		59 1	97 6
Allocated investment return transferred from the non-technical account	8	(0 1)	9 8
Total technical income		59 0	107 4
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		174 7	138 0
Reinsurers' share		(119 8)	(100 5)
		54 9	37 5
Change in the provision for claims	13		
Gross amount		2 7	109 4
Reinsurers' share		(12 9)	(81 7)
		(10 2)	27 7
Claims incurred, net of reinsurance		44 7	65 2
Net operating expenses	3	21 3	42 0
Change in equalisation provision	14	1 1	2 2
Total technical charges		67 1	109 4
Balance on the technical account for general business			
Continuing operations	2	12 5	22 0
Discontinued operations	2	(20 6)	(24 0)
	4	(8 1)	(2 0)

The accounting policies and accompanying notes on pages 15 to 30 form part of these financial statements



TORUS INSURANCE (UK) LIMITED
PROFIT AND LOSS ACCOUNT - continued
For the year ended 31 December 2013

Company Number

06447250

Non-technical account

	Notes	Year ended 31 December 2013 USDm	Year ended 31 December 2012 USDm
Balance on the general business technical account		(8 1)	(2 0)
Investment income	8	5 3	8 0
Unrealised (losses) / gains on investments	8	(5 0)	2 2
Investment expenses and charges	8	(0 4)	(0 4)
Allocated investment return transferred to the general business technical account	8	0 1	(9 8)
Total operating loss		(8 1)	(2 0)
 Loss on ordinary activities before tax		 (8 1)	 (2 0)
Tax on loss on ordinary activities	9	+	-
Loss on ordinary activities after tax	19	(8 1)	(2 0)

There are no other recognised gains or losses to be reported

The accounting policies and accompanying notes on pages 15 to 30 form part of these financial statements



TORUS INSURANCE (UK) LIMITED
BALANCE SHEET
As at 31 December 2013

Company Number

06447250

Assets

	Notes	31 December 2013 USDm	31 December 2012 USDm
Investments			
Debt securities and other fixed-income securities	10	257.5	346.4
Total financial assets		257.5	346.4
Reinsurers' share of technical provisions			
Provision for unearned premiums	12	129.9	171.2
Claims outstanding	13	351.9	339.0
		481.8	510.2
Debtors			
Debtors arising out of direct insurance operations			
- intermediaries		102.0	98.4
Debtors arising out of reinsurance operations		31.2	34.6
Other debtors	15	6.7	4.4
		139.9	137.4
Other assets			
Cash at bank and in hand		72.3	62.9
		72.3	62.9
Fixed assets			
Tangible assets		-	0.1
		-	0.1
Prepayments and accrued income			
Accrued interest		1.3	1.8
Deferred acquisition costs	11	33.9	56.4
		35.2	58.2
Total assets		986.7	1,115.2

The accounting policies and accompanying notes on pages 15 to 30 form part of these financial statements



TORUS INSURANCE (UK) LIMITED
BALANCE SHEET - continued
As at 31 December 2013

Company Number

06447250

Liabilities

	Notes	31 December 2013 USDm	31 December 2012 USDm
Technical provisions			
Provision for unearned premiums	12	174.9	244.8
Claims outstanding	13	445.3	442.6
Equalisation provision	14	7.3	6.2
		<u>627.5</u>	<u>693.6</u>
Creditors			
Creditors arising out of direct insurance operations		3.3	-
Creditors arising out of reinsurance operations		152.0	219.0
Other creditors including taxation and social security	16	9.7	6.5
		<u>165.0</u>	<u>225.5</u>
Accruals and deferred income	17	33.0	26.8
Total liabilities		<u>825.5</u>	<u>945.9</u>
Capital and reserves			
Called up share capital	18	150.0	150.0
Preference Shares	18	50.0	50.0
Capital contribution	20	55.3	55.3
Profit and loss account	19	(94.1)	(86.0)
Total shareholders' funds	20	<u>161.2</u>	<u>169.3</u>
Total shareholders' funds and liabilities		<u>986.7</u>	<u>1,115.2</u>

These financial statements were approved by the Board of Directors on 26 March 2014 and signed on their behalf by


Zani Petiwala

Director

27 March 2014

The accounting policies and accompanying notes on pages 15 to 30 form part of these financial statements



TORUS INSURANCE (UK) LIMITED
ACCOUNTING POLICIES
For the year ended 31 December 2013

Basis of Preparation

The accounting policies of the Company have been established in conformity with United Kingdom Generally Accepted Accounting Principles. The Company's financial statements have been prepared in accordance with the provision of Section 396 of the Companies Act 2006 and Schedule 3 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008. The financial statements have been prepared in accordance with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers ("the ABI SORP") in December 2005 (amended December 2006) and with applicable accounting standards. A summary of the principal accounting policies are set out below.

Going Concern

The Directors consider the going concern basis to be appropriate, as the Directors have reviewed relevant budget and capital forecasts for a period of not less than 12 months from the date of approving these financial statements and are satisfied that the Company will have sufficient resources available to meet liabilities as they fall due.

The Directors therefore consider that it remains appropriate to prepare the financial statements on a going concern basis.

Cash flow and related party transactions

The Company is a wholly-owned subsidiary of Torus Insurance (Bermuda) Limited ("TIBL") and is included in its consolidated financial statements. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1. The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities which are part of the Torus group.

Principal Accounting Policies

1 Insurance Operations

Written Premiums – Premiums are recognised as written upon inception of the policy. Any subsequent adjustments to written premiums are recognised in the period in which they are determined.

Even where the Company has written policies which are greater than one year in duration and the premium is payable in annual instalments, the total premium under the policy is recognised as written premium at the policy inception date and earned as noted below.

Where there is a long term agreement in place and policies are subject to annual re-signing, these policies will be recognised as written premium when the policy is re-signed.



TORUS INSURANCE (UK) LIMITED
ACCOUNTING POLICIES - continued
For the year ended 31 December 2013

Earned Premiums – Premiums are earned as revenue over the period of the contract in proportion to the level of protection provided. Generally this is on a pro-rata basis over the term of the policies to which they relate or according to a determined set of earnings patterns. Where the amount of insurance protection varies according to a predetermined schedule, the premium is earned over the period of cover in line with the underwriter's assessment of the level of protection provided.

Reinsurance – Ceded reinsurance premiums are recognised in the same accounting period as the related insurance. Reinsurance premiums ceded are expensed over the period under which the coverage is provided. For contracts written on a 'losses occurring during basis', the reinsurance premiums are earned on a pro-rata basis over the term of the contract. For contracts written on a 'risk attaching basis', the reinsurance premiums are earned based on the terms of the underlying contracts.

Reinsurance reinstatement premiums – Where a mandatory reinstatement premium is payable under the contract terms after a loss event has occurred, the reinstatement premiums are recorded as written and fully earned at the date of the loss.

Risk transfer – With respect to ceded business, reinsurance accounting is only applied on reinsurance contracts where the risk transfer requirements have been met including the following key conditions:

- (a) The reinsurer assumes significant insurance risk under the reinsured portions of the underlying insurance contracts, and
- (b) It is reasonably possible that the reinsurer may realise a significant loss from the transaction.

Acquisition Costs – Acquisition costs comprise those costs that are incurred, directly and indirectly, in the acquisition of new and renewed insurance contracts. These consist of commissions, premium taxes, underwriting costs and other costs, which vary with and are primarily related to, the acquisition of premiums.

Deferred acquisition costs – Acquisition costs are deferred and amortised over the same period and on the same basis as that under which the related premiums are earned. For this purpose, a proportion of underwriters', pricing actuaries' and engineers' salaries and travel costs are allocated to acquisition costs and deferred in line with the overall proportion of the deferral of acquisition costs.

Unexpired risk provision – Provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risk provision. The expected claims are calculated based on information available at the balance sheet date. Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.



TORUS INSURANCE (UK) LIMITED
ACCOUNTING POLICIES - continued
For the year ended 31 December 2013

Unpaid losses – A liability for unpaid losses is established where the insured event has occurred on or before the balance sheet date. The reserve for the unpaid losses is established by management based on the estimated ultimate cost of settling the claim and includes provisions for both reported claims (case reserves) and estimates relating to incurred but not reported claims ("IBNR")

IBNR is generally subject to a greater degree of uncertainty than reported claims. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques. In the initial years, the estimation of the claims will be based on pricing assumptions and comparison to industry benchmarks. Once adequate data is available, the estimation is generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with statistics from previous periods,
- changes in the legal environment,
- the effects of inflation,
- changes in the mix of business,
- the impact of large losses, and
- any movements in industry benchmarks

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Company has regard to the claim circumstance as reported, any information available from loss adjusters and any available information on the cost of settling claims with similar characteristics.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distorting effect of the development and incidence of these large claims.

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated net of any estimated amounts of salvage and subrogation recoveries, but gross of any reinsurance recoveries. No benefit has been taken for discounting the reserves.



TORUS INSURANCE (UK) LIMITED
ACCOUNTING POLICIES - continued
For the year ended 31 December 2013

Loss adjustment expenses – A liability is established for all costs expected to be incurred in connection with the settlement of unpaid claims. These include the direct cost relating to the investigation of the claims and other costs which cannot be associated with specific claims but are related to claims paid or in the process of settlement such as internal costs of the claims functions.

Reinsurance recoverable on unpaid losses – Reinsurance recoverables are balances due from reinsurance companies for paid and unpaid losses and loss expenses that are expected to be recoverable from reinsurers under the terms of the reinsurance agreements.

Reinsurance recoverable will be stated net of a reserve for uncollectable reinsurance. This reserve will be calculated based on management's estimate of any amounts that the Company would be unable to recover from the reinsurer due to insolvency or known liquidity issues, contractual dispute or any other reason which in management's judgement is likely to warrant a reserve against a particular reinsurer.

In the determination of the reserve for uncollectable reinsurance, the Company will consider the recoverable balance by reinsurer net of any collateral held. The definition of collateral for this purpose is generally limited to assets held in trust, letters of credit and liabilities held by the Company with the same legal entity for which the Company believes there is a legal right of offset.

2 Investments

All investments are stated at market value. The market values of listed investments are based on current bid prices as at the balance sheet date. Unlisted investments for which a market exists are also stated at the current bid price as at the balance sheet date or the last trading day before that date. The market value of other unlisted investments, for which no active market exists, are established by the Directors using valuation techniques.

Financial assets and liabilities are stated at market value. Net gains or losses arising from changes in the market value are presented in the profit and loss account within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the period in which they arise.

Short-term investments – Short term investments are categorised as trading investments and comprise of securities which are due to mature within one year of the date of issue.

Cash includes cash in hand and fixed interest deposits with an original maturity date of three months or less as at the balance sheet date.

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



TORUS INSURANCE (UK) LIMITED
ACCOUNTING POLICIES - continued
For the year ended 31 December 2013

3 Equalisation provision

An equalisation provision has been established in accordance with the requirements of INSPRU 1.4 of the PRA Prudential Sourcebook for Insurers to mitigate exceptionally high loss ratios for classes of business displaying a high degree of claims volatility. The amounts provided are not liabilities because they are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date. Notwithstanding this, they are required by Schedule 3 of the Large and Medium sized companies and Groups (Accounts and Reports) Regulations 2008 to be included within technical provisions.

4 Preference Shares

The Company has issued Preference shares which are cumulative and mandatorily redeemable at the option of the issuer.

5 Foreign Currencies

The functional and the reporting currency of the Company is the United States dollar.

Monetary assets and liabilities that are denominated in currencies other than the functional currency are revalued at the period end rates of exchange. The gains and losses arising from the revaluation are included in the profit and loss account. For this purpose, among others, the unearned premium reserve and deferred acquisition costs are treated as non-monetary assets and liabilities.

Revenues and expenses that are denominated in foreign currencies are translated at the average rates of exchange for the period.

Realised gains and losses from non-functional currencies that arise from the settlement of transactions at rates of exchange that differ from those prevailing when the transaction was originally recorded are recorded in the profit and loss account.

6 Operating Leases

The rental cost associated with operating leases is charged to the profit and loss account on a straight line basis over the life of the lease.

7 Taxation

The charge for taxation is based on the profits or losses for the year and takes into account deferred taxation. Provision is made for deferred tax liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the profit and loss account. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the profit and loss account for the period to the extent to which it is expected to be recoverable or is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses. Deferred tax balances are not discounted.



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2013

1. Segment Information

The Company monitors premium income by both class of business and geographical segment, and underwriting results by class of business. This analysis is presented below

a) The summary below presents revenues and pre-tax income from operations by class of business:

<u>2013</u>	Gross premiums written USDm	Gross premiums earned USDm	Gross claims incurred USDm	Net operating expenses USDm	Reinsurance balance USDm	Total USDm
Direct insurance						
Energy, Construction and Marine	174.0	179.8	(87.9)	(29.3)	(72.6)	(10.0)
Fire and other damage to property	12.2	18.0	(5.5)	(2.0)	(9.8)	0.6
Third party liability	59.3	63.7	(62.4)	(14.8)	(4.5)	(18.0)
Total	245.5	261.5	(155.8)	(46.0)	(86.9)	(27.4)
Reinsurance acceptances						
Energy, Construction and Marine	(40.9)	1.4	(22.3)	17.2	13.8	10.1
Fire and other damage to property	0.3	(5.0)	(7.6)	0.2	13.0	0.6
Third party liability	(18.2)	(1.3)	8.3	7.4	(4.6)	9.8
Total	(58.8)	(4.9)	(21.6)	24.8	22.2	20.5
TOTAL	186.7	256.6	(177.4)	(21.2)	(64.8)	(6.9)
Equalisation provision						(1.1)
Investment Return						(0.1)
						(8.1)

<u>2012</u>	Gross premiums written USDm	Gross premiums earned USDm	Gross claims incurred USDm	Net operating expenses USDm	Reinsurance balance USDm	Total USDm
Direct insurance						
Energy, Construction and Marine	142.1	149.2	(47.3)	(15.9)	(74.3)	11.7
Fire and other damage to property	56.1	59.6	(31.2)	(6.4)	(21.0)	1.0
Third party liability	62.7	58.2	(48.2)	(6.2)	(10.1)	(6.3)
Total	260.9	267.0	(126.7)	(28.5)	(105.4)	6.4
Reinsurance acceptances						
Energy, Construction and Marine	18.7	23.4	(35.9)	(2.5)	6.0	(9.0)
Fire and other damage to property	36.6	42.8	(37.9)	(4.6)	(2.5)	(2.2)
Third party liability	66.9	59.8	(46.9)	(6.4)	(11.3)	(4.8)
Total	122.2	126.0	(120.7)	(13.5)	(7.8)	(16.0)
TOTAL	383.1	393.0	(247.4)	(42.0)	(113.2)	(9.6)
Equalisation provision						(2.2)
Investment Return						9.8
						(2.0)



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2013

The Company's business is concluded in the London office in the United Kingdom, and also in the Company's branch offices in *Paris, Rotterdam and Milan*

- b) A breakdown of gross written premium by geographical region, based on domicile of insured, is shown below

	Year ended 31 December 2013	Year ended 31 December 2012
	USDm	USDm
Direct Insurance		
United Kingdom	29.7	56.1
Europe	79.5	73.5
United States & Canada	72.3	60.5
Australia/Asia	17.6	22.3
Rest of the World	46.4	48.5
	<u>245.5</u>	<u>260.9</u>
Reinsurance		
United States & Canada	(59.1)	120.8
Worldwide	0.3	1.4
	<u>(58.8)</u>	<u>122.2</u>
Total	<u><u>186.7</u></u>	<u><u>383.1</u></u>

Net assets are maintained to meet solvency requirements of the Company as a whole and as a consequence segmental analysis of net assets has not been provided. The Company's investment portfolio is managed in such a manner that a meaningful analysis of investment income by segment is not available. Therefore no segmental analysis of profit before taxation has been provided.



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2013

2 Analysis of continuing and discontinued operations

2013	Gross premiums written USDm	Gross premiums earned USDm	Gross claims incurred USDm	Net operating expenses USDm	Reinsurance balance USDm	Total USDm
Continuing operations	223.0	230.1	(100.5)	(18.4)	(97.5)	13.7
Discontinued operations	(36.3)	26.5	(76.9)	(2.9)	32.7	(20.6)
Total	186.7	256.6	(177.4)	(21.3)	(64.8)	(6.9)
Equalisation provision						(1.1)
Investment Return						(0.1)
						(8.1)

2012	Gross premiums written USDm	Gross premiums earned USDm	Gross claims incurred USDm	Net operating expenses USDm	Reinsurance balance USDm	Total USDm
Continuing operations	287.6	300.5	(147.9)	(29.5)	(106.1)	17.0
Discontinued operations	95.5	92.5	(99.5)	(12.5)	(7.1)	(26.6)
Total	383.1	393.0	(247.4)	(42.0)	(113.2)	(9.6)
Equalisation provision						(2.2)
Investment Return						9.8
						(2.0)

The discontinued lines of business primarily relate to the Torus Executive Risk business and the inward reinsurance accepted from the US business. The equalisation provision is wholly attributable to continuing operations in 2013 and 2012. The investment return of \$0.1m 2013 is wholly attributable to continuing operations, while investment return of \$9.8m in 2012 is split \$7.3m to continuing operations and \$2.5m to discontinued operations.

3 Net Operating Expenses

	Year ended 31 December 2013 USDm	Year ended 31 December 2012 USDm
Commission and acquisition costs	48.6	81.0
Reinsurers' share of expenses	(67.0)	(87.0)
Administrative expenses	39.7	48.0
	21.3	42.0

The majority of administrative expenses are incurred by the UK services company, Torus Insurance Marketing Limited ("TIML") and are recharged to Torus group companies in line with group policy. Torus Business Solutions Private Limited ("TBSPL"), a company incorporated in India, is an affiliate entity which provides back office support services to the group. It recharges expenses to the Company in line with group policy.



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2013

4 Operating profit

	<u>Year ended</u> <u>31 December 2013</u>	<u>Year ended</u> <u>31 December 2012</u>
	USDm	USDm
Operating profit is stated after charging		
Staff salaries and Social Security (see note 6)	-	0.3
Auditor's remuneration	0.2	0.2

The audit fee cost for the Company is USD 200,000 (2012 USD 200,000). Note 3 quantifies administrative expenses, most of which are expenses incurred by TIML and recharged to the Company.

5 Operating lease rentals

Annual commitments under non-cancellable operating leases are as follows

	<u>Year ended</u> <u>31 December 2013</u>	<u>Year ended</u> <u>31 December 2012</u>
	USDm	USDm
Operating leases which expire		
Within one year	-	-
In the second to fifth years inclusive	0.2	0.4
Over five years	<u>2.2</u>	<u>2.2</u>
	<u>2.4</u>	<u>2.6</u>

Whilst the Company retains the legal obligation under these leases, in practice the majority of costs are met by the UK services company, TIML, and are recharged to Torus group companies in line with group policy.

6 Staff costs

The Company employed four staff in its Paris branch as at 31 December 2011, however these staff were moved over to TIML during 2012. The company employed no staff throughout 2013.

	<u>31 December</u> <u>2013</u>	<u>31 December</u> <u>2012</u>
	USDm	USDm
Wages & salaries	-	0.1
Social security costs	-	0.1
Other pension costs	-	0.1
	<u>-</u>	<u>0.3</u>



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2013

7 Directors' emoluments

The Company does not employ any of the Directors. As noted above in note 3, TIML is the service company for the Torus group and recharges the expenses incurred in relation to costs it incurs on behalf of the Company.

8 Investment Return

	<u>Year ended</u> <u>31 December 2013</u> USDm	<u>Year ended</u> <u>31 December 2012</u> USDm
Investment Income	7.3	8.1
Investment Income	(2.0)	(0.1)
Losses on realisation of investments	<u>5.3</u>	<u>8.0</u>
Unrealised (losses)/ gains on investments	(5.0)	2.2
Investment management expenses	(0.4)	(0.4)
Net Investment Income	<u>(0.1)</u>	<u>9.8</u>



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2013

9 Income Tax

	Year ended 31 December 2013 USDm	Year ended 31 December 2012 USDm
a) Tax credit on loss on ordinary activities		
Deferred tax		
Origination of timing differences	-	-
Total deferred tax	-	-
Current tax for the period	-	-
Adjustment in respect of prior period	-	-
Total tax credit on loss on ordinary activities	-	-
b) Tax reconciliation		
	Year ended 31 December 2013 USDm	Year ended 31 December 2012 USDm
Loss on ordinary activities before tax	(8.1)	(2.0)
Tax credit at 23.25% (2012: 24.5%)	1.9	0.5
Effect of		
Expenses not deductible for tax purposes	-	(0.1)
Group relief surrendered for nil payment	(1.9)	-
Losses available to carry forward	-	(0.4)
Current tax credit	-	-
c) Provision for deferred tax		
Tax losses carried forward	-	-
Deferred Tax Asset	-	-
Provision at start of period	-	-
Deferred tax charge/(credit) in profit and loss account for period	-	-
Provision at end of period	-	-

The company has not recognised a deferred tax asset of USD 10.4m as at 31 December 2013 (2012 USD 12.4m) in respect of tax losses and USD 0.2m (2012: Nil) in respect of other timing differences. This asset has not been recognised as there is insufficient evidence of suitable tax profits arising in the immediate future which the asset can be utilised against. The tax losses remain available to the Company and a deferred tax asset in respect of these may be recognised in the future if it is more likely than not that the Company will generate sufficient taxable profits against which it can utilise the benefits of the asset.



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2013

The UK corporation tax rate at 31 December 2013 was 23% (effective from 1 April 2013). Until 1 April 2013 the UK corporation tax rate of 24% applied. On 17 July 2013 reductions to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015 were enacted. These rates have been reflected in calculation of the unrecognised deferred tax asset.

10 Debt securities and other fixed income securities

	<u>2013</u>	<u>2013</u>	<u>2012</u>	<u>2012</u>
As at 31 December	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
	USDm	USDm	USDm	USDm
Financial assets				
Debt securities and other fixed-income securities	257.5	257.4	346.4	340.4
Total financial assets	<u>257.5</u>	<u>257.4</u>	<u>346.4</u>	<u>340.4</u>

The \$88.9m reduction in the Company's investments from 2012 to 2013 is as a result of the return premium arising from the cancellation of the US assumed business, and the settlement of large claims in relation to Superstorm Sandy.

The Company has USD 14.4m (2012: USD 11.4m) of assets held in a segregated account. These segregated assets are a requirement of the National Association of Insurance Commissioners ("NAIC") regulations in order to write business on an excess and surplus lines basis with clients domiciled in certain states in the United States of America.

In addition, the Company has USD 165.5m (2012: USD 177.0m) of assets in a separate account to collateralise the internal quota share between Torus US Specialty Insurance Company ("TSIC") and the Company. TSIC is a related company under common control by TIHL (the ultimate parent of the Company).

11 Deferred acquisition Costs

	<u>Year ended</u>	<u>Year ended</u>
	<u>31 December 2013</u>	<u>31 December 2012</u>
	USDm	USDm
On insurance contracts	33.9	56.4
	<u>33.9</u>	<u>56.4</u>



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2013

12. Provision for unearned premiums

	<u>Gross</u>	<u>Reinsurer's share</u>	<u>Net</u>
	USDm	USDm	USDm
2013			
Balance at the beginning of the period	244.8	171.2	73.6
Movement in the year	(69.9)	(41.3)	(28.6)
Balance at the end of the period	<u>174.9</u>	<u>129.9</u>	<u>45.0</u>
2012			
Balance at the beginning of the period	254.7	179.9	74.8
Movement in the year	(9.9)	(8.7)	(1.2)
Balance at the end of the period	<u>244.8</u>	<u>171.2</u>	<u>73.6</u>

The reduction in the unearned premium provision since 2012 is as a result of the return premium arising from the cancellation of the US assumed business

13. Claims provisions

	<u>Gross</u>	<u>Reinsurer's share</u>	<u>Net</u>
	USDm	USDm	USDm
2013			
Balance at the beginning of the period	442.6	339.0	103.6
Movement in the year	2.7	12.9	(10.2)
Balance at the end of the period	<u>445.3</u>	<u>351.9</u>	<u>93.4</u>
2012			
Balance at the beginning of the period	333.2	257.3	75.9
Movement in the year	109.4	81.7	27.7
Balance at the end of the period	<u>442.6</u>	<u>339.0</u>	<u>103.6</u>

No allowance is made for discounting of the technical provisions



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2013

14 Equalisation provision

	31 December 2013	31 December 2012
	USDm	USDm
Balance at the beginning of the period	6.2	4.0
Movement in the year	<u>1.1</u>	<u>2.2</u>
Balance at the end of the period	<u>7.3</u>	<u>6.2</u>

As set out in the Company's accounting policy 3, an equalisation provision has been established in the financial statements. The effect of this provision is to reduce shareholders' funds by USD 7.3m (2012: USD 6.2m). The increase in provision during the year had the effect of reducing the balance on the technical account for general business by USD 1.1m (2012: USD 2.2m), increasing the loss before taxation on ordinary activities from USD 7.0m to USD 8.1m.

15. Other debtors

	31 December 2013	31 December 2012
	USDm	USDm
VAT Recoverable	-	0.1
Net IPT receivable	-	0.2
Investments pending trade	0.9	-
Amounts owed by related companies	<u>5.8</u>	<u>4.1</u>
Total other debtors	<u>6.7</u>	<u>4.4</u>

16. Other creditors including taxation and social security

	31 December 2013	31 December 2012
	USDm	USDm
Amounts owed to associated companies	7.6	5.3
Net IPT payable	2.0	-
Unsettled tax liabilities	0.1	0.1
Investment creditor	-	1.1
Total other creditors	<u>9.7</u>	<u>6.5</u>



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2013

17 Accruals and deferred income

	31 December	31 December
	2013	2012
	USDm	USDm
Reinsurers' share of deferred acquisition costs	30.6	25.3
Accruals	2.4	1.5
Total accruals and deferred income	33.0	26.8

18 Share Capital

	31 December	31 December
	2013	2012
	USDm	USDm
Allotted, issued & paid		
150,000,000 Ordinary shares of USD 1.00 each	150.0	150.0
50,000,000 Preference shares of USD 1.00 each	50.0	50.0
	200.0	200.0

The USD preference shares were issued to a fellow group company, Torus Finance Limited. The preference shares may be redeemed, at the issuer's option at any time after the fifth anniversary of the date of issue and will be redeemed at par. The shares are non-voting and have a preferential right to return of capital on a winding up. The declaration and payment of any dividend on the shares is at the absolute discretion of the Directors of the Company. As a result all of the issued preference shares have been classified under equity.

19 Profit and loss account

	Year ended	Year ended
	31 December 2013	31 December 2012
	USDm	USDm
Balance at the beginning of the period	(86.0)	(84.0)
Loss for the financial year	(8.1)	(2.0)
Balance at the end of the period	(94.1)	(86.0)



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2013

20 Reconciliation of movements in shareholders' funds

	Year ended 31 December 2013	Year ended 31 December 2012
	USDm	USDm
Opening shareholders' funds	169.3	131.3
Loss for the financial year	(8.1)	(2.0)
Capital Contribution	-	40.0
Closing shareholders' funds	<u>161.2</u>	<u>169.3</u>

Capital Contribution represents injections of capital to support the Company's solvency, and are approved by the Company's ultimate parent at its Board meetings

21. Related party transactions

Barnabas Hurst-Bannister is a non-executive director of Price Forbes & Partners Ltd ("Price Forbes"). During the year the Company wrote \$4.7m of premiums placed by Price Forbes and paid commissions of \$0.3m on this business. It also ceded \$0.5m of premium placed by Price Forbes. Barnabas Hurst-Bannister is also a non-executive director of Talbot Underwriting Limited, to which the Company ceded \$15.1m of premium during the year. These contracts were entered into on an arm's length basis. He is also a non-executive director of a number of Xchanging subsidiary companies which provide insurance processing services to the Company. All provisions of services are entered into on an arm's length basis.

22 Ultimate parent company

The Directors regard Torus Insurance (Bermuda) Limited, a company incorporated in Bermuda, as the immediate parent company. The Directors regard Torus Insurance Holdings Limited, a company incorporated in Bermuda, as the ultimate parent company and ultimate controlling party. Copies of the consolidated financial statements of Torus Insurance Holdings Limited can be obtained from The Secretary, Torus Insurance Holdings Limited, Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.



Torus Insurance (UK) Limited

Annual Report & Accounts

For the year ended 31 December 2014

Company Number 06447250



**TORUS INSURANCE (UK) LIMITED
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TORUS INSURANCE (UK) LIMITED
DIRECTORS AND OFFICERS
For the year ended 31 December 2014

Directors

Nigel Barton (Chairman – appointed 10 December 2014)

Stephen Clarke – resigned 25 June 2014

Dermot O'Donohoe – resigned 15 May 2014

Tim Fillingham (Chief Executive Officer)

Richard Harris – Appointed 15 May 2014

Timothy Walter Harris – resigned 16 May 2014

Barnabas Hurst-Bannister – resigned 14 January 2015

Rupert Lowe (Chairman – resigned 10 December 2014)

David Message

Zahir Petiwalla – resigned 15 July 2014

Ian Poynton – Appointed 16 January 2015

Demian Smith – appointed 11 August 2014

Patrick Tiernan – appointed 11 August 2014

John Wardrop – Appointed 15 January 2015

Theo Wilkes – appointed 19 August 2014

Company Secretary

Siobhan Hextall – Appointed 15 May 2014

Robert Mankiewitz – Resigned 1 April 2014

Clare Traxler – Appointed 1 April 2014

Company Number

06447250

Registered Office

5th Floor

88 Leadenhall Street

London EC3A 3BP

Auditor

KPMG Audit Plc

15 Canada Square, Canary Wharf

London E14 5GL



TORUS INSURANCE (UK) LIMITED
STRATEGIC REPORT
For the year ended 31 December 2014

Principal activity

The Company is authorised by the Prudential Regulation Authority ("PRA") to conduct general insurance business. The principal activity of the Company is the transaction of specialty insurance business in the London Insurance Market, writing a global portfolio principally in the Energy (Offshore and Onshore), Construction, Power & Utilities, Marine and Excess Casualty and Professional Liability classes.

Results and performance management

The result of the Company for the period, as set out on pages 12 and 13, shows a profit on ordinary activities before tax of USD 5.2m (2013: loss of USD 8.1m).

The Companies Act encourages companies to provide both financial information and also to comment on key performance indicators ("KPIs"). The Company operates within a performance management framework that encompasses business planning and ongoing monitoring, as appropriate to an insurance company operating in the London Market.

KPIs are used primarily to compare actual performance to the business plan. For the year ended 31 December 2014 KPIs include:

Financial KPIs

	Year ended 31 December 2014	Year ended 31 December 2013
	USDm	USDm
Gross Written Premium	151.5	186.7
Shareholders' Funds	166.4	161.2
Net Investment Income/(Expense)	3.7	(0.1)

Non-financial KPIs

Risk identification and control assessment process is documented and managed via its Risk Management System that is reviewed and updated at least quarterly.

Formal risk management reporting to Board is undertaken as business as usual.

Forward-looking assessment of own risks (a Solvency II requirement) has been drafted and is under discussion by the Board.

Key developments in the year

On 1 April 2014 Enstar Group Limited ("Enstar") and Stone Point Capital LLC ("Stone Point") acquired the entire share capital of the Company's ultimate parent, Torus Insurance Holdings Limited ("TIHL"). Under the terms of the purchase agreement, Enstar acquired 60% and Stone Point acquired 40% of TIHL.



TORUS INSURANCE (UK) LIMITED
STRATEGIC REPORT - continued
For the year ended 31 December 2014

As part of a general review of its risk and capital profile, a number of significant changes were made to the Company's reinsurance arrangements with other Torus group companies. In order to manage the exposure to legacy business, the Company extended its cover under the quota share arrangements with Torus Insurance (Bermuda) Limited to 100% for its Discontinued lines of business, which included the Torus Executive Risks (TER) business written in partnership with Nexus Underwriting. The endorsement, which took effect from 1 January 2014, was executed at book value of net reserves and net unearned premium. Further, in 2013 the Company ceased to underwrite US quota share business. This was executed prospectively for 2013 onwards, leaving the claims reserves associated with the prior year quota share reinsurance arrangements in place. The terms of the reinsurance associated with the earlier years allowed for the commutation of the agreement at the current carried value of balances associated with the covered business. The contracts were commuted effective 1 January 2014, and the book value of the reserves at this date was settled to the reinsuring companies. At the same time the Excess of Loss contract between the Company and Torus Insurance (Bermuda) Ltd covering the 2013 and prior years was also commuted at book value.

Strategy and future outlook

The Company will continue to offer a diverse range of specialty business lines through its offices in London and Continental Europe, but during 2015 it will give particular emphasis to growth in its Offshore Energy, Construction and Management and Professional Liability underwriting. The Company has developed a robust business plan that it anticipates will enable it to remain flexible and negotiate the challenges presented by the insurance underwriting cycle, with a strong focus on capturing profitable business within its core lines of business.

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. Policies are subject to Board approval and ongoing review by management, risk management and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Company and the compliance team and the finance department take on an important oversight role in this regard. The Company's Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively. The main risks the Company is exposed to are:

Insurance Risk

The risk that policy terms, premiums, reinsurance protection, and claim handling will not be sufficient to cover ultimate loss and expense costs and achieve the rate of return expected by shareholders. Key components and associated controls include -

- **Catastrophe/Clash Risk** - risk arising from a loss event or occurrence involving one or more insured and/or line of business. Key controls include defined risk appetite and tolerance levels, models used to calculate exposure levels, catastrophe control reports overseen by the Executive Committee and Board.
- **Underwriting Selection Risk** - risk of underwriting loss due to poor underwriting selection or errors in terms and conditions on individual accounts. Key controls include defined risk appetite/tolerance levels, formal written and signed underwriting authorities, rules and guidelines, maximum gross and net line sizes and business plans, peer review and Underwriting Committee oversight.



TORUS INSURANCE (UK) LIMITED
STRATEGIC REPORT - continued
For the year ended 31 December 2014

Principal risks and uncertainties (continued)

- *Underwriting Pricing Risk* - risk of underwriting loss due to poor pricing decisions on individual accounts. Key controls include underwriting pricing guidelines, technical pricing tools, peer review process and Underwriting Committee oversight. *Reserving Risk* - risk of potential for deterioration in prior accident year reserves. Key controls include case reserve guidelines, quarterly 'actual versus expected' reviews, peer review process and Executive Committee oversight.
- *Outward Reinsurance Risk* - risks associated with unexpected loss arising from inadequate or inappropriate reinsurance. Key controls include guidelines and procedures for purchasing treaty and facultative reinsurance, approved reinsurance security, quarterly reports, and Reinsurance and Broker Security Committee oversight.
- *Market Cycle Risk* - risk arising from adverse financial loss due to cyclical trends in the industry. Key controls include rate monitoring tools, marketing function, broker and client relationship management, market intelligence reports, and Underwriting Committee oversight.

The Company establishes provisions for unpaid claims, defence costs and related expenses to cover its ultimate liability in respect of both reported claims and incurred but not reported (IBNR) claims. There can be no absolute guarantee that the ultimate losses will not differ materially from the provisions the Company has established. It is particularly difficult to estimate IBNR claims and those arising from large catastrophes.

Reserve estimates are primarily based on recommendations from an annual study performed by Torus's external actuarial consultants, Ernst & Young LLP. The external study is subject to review and robust challenge by Torus's reserving actuarial function and is ultimately approved by the Company's Board. In the interim quarters between the annual external reviews, a detailed 'actual versus expected' analysis is performed by the reserving actuarial function to ensure that the established reserves are still appropriate.

Financial Risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts), reinsurance assets and policyholder liabilities. In particular, the key financial risk is that proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk and currency risk), credit risk and liquidity risk. These risks arise from interest rate and currency products, all of which are exposed to general and specific market movements.

The Company's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Torus' financial performance. The Company produces regular reports that are summarised for the Company's board. The key financial risks the Company is exposed to are

- *Market risk* is the risk that future changes in market prices may make a financial instrument less valuable. The primary risk is the interest rate risk and its impact on values as the majority of the investments of the Company are bonds, asset and mortgage backed securities and deposits.



TORUS INSURANCE (UK) LIMITED
STRATEGIC REPORT - continued
For the year ended 31 December 2014

Principal risks and uncertainties (continued)

- Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are
 - reinsurers' share of insurance liabilities,
 - amounts due from reinsurers in respect of claims already paid,
 - amounts due from insurance contract holders,
 - amounts due from insurance intermediaries, and
 - amounts due from corporate bond issuers and issuers of collateralised mortgage obligations

The Company manages the levels of investment credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such guidelines are subject to regular review.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder.

The creditworthiness of reinsurers is considered on a regular basis by reviewing their financial strength. In addition, management assesses the creditworthiness of all reinsurers by reviewing credit grades provided by rating agencies and other publicly available financial information. If reinsurer ratings fall below the requirements set by the Reinsurance and Broker Security Committee, a reinsurer will no longer be used.

- Liquidity risk is the risk that the Company may be unable to meet payment of obligations when due at a reasonable cost. The primary liquidity risk is the obligation to pay claims to policyholders as they fall due. The projected value of these liabilities is modelled, on a regular basis, using actuarial techniques. The Board sets the appetite for the minimum proportion of maturing funds available to meet such calls that should be in place to cover anticipated liabilities and unexpected levels of demand.
- Investment risk is the risk that the investments the Company makes perform below expectations. The Company manages its investments taking into account market risk, currency risk, liquidity risk and credit risk.

The Company's approach is that investment activities are complementary to the primary underwriting activities of the business and should not, therefore, divert or utilise financial resources otherwise available for insurance operations.

The maintenance of sufficient capital and liquidity to support the business is at the heart of the Company's Financial Market Risk Policy, together with the aim for long-run enhancement of investment returns through the efficient diversification of investments across a range of high quality fixed income sectors managed by experienced investment professional.

Subject to liquidity requirements, the Company invests the remainder of funds in fixed income securities managed by professional portfolio managers.

The manager operates within a defined set of investment guidelines, which comprise details of the investment universe from which the manager may select securities and any exposure limits applied to asset classes and counterparties within that universe.



TORUS INSURANCE (UK) LIMITED
STRATEGIC REPORT - continued
For the year ended 31 December 2014

Principal risks and uncertainties (continued)

The Company measures the performance of the manager against an appropriate benchmark for the asset class under management

Operational Risk

This reflects the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The Company maintains a control environment which is subject to risk assessment to determine control effectiveness and a programme of internal audits.

Strategic Risk

Risk of loss associated with inadequate or flawed business planning or strategy setting, including product mix, mergers or acquisitions and market positioning, and unexpected changes within the market or regulatory environment in which Torus operates. Strategic planning by line of business drives the Company's specific financial plan.

Group Risk

Relates to risks from other group entities which may impact on the operation of the Company's risk in regard to parental influence are managed through the Company's Board and Audit Committee and its representation at Group committees. The Company's regulatory requirements are maintained by local compliance functions and its capital requirements are subject to trust fund controls.

Eurozone exposure

Risks in regard to Eurozone have been assessed and reported to the Company's Audit Committee and Board. The assessment has considered investment portfolio devaluation, reinsurer default, professional lines exposure, coverholder default, and currency reinstatement exposures from both a contractual and systems perspective. At this time these exposures are not shown to be material, although the assessment includes mitigation factors such as contract clauses and the currency transaction capability of the policy administration system. The risk management function continues to monitor exposure, including a quarterly run of the European Sovereign Debt Crisis scenario on the Company's investment portfolio and collation of reinsurer downgrade data for review at the Reinsurance and Broker Security Committee.



TORUS INSURANCE (UK) LIMITED
STRATEGIC REPORT - continued
For the year ended 31 December 2014

Regulatory Risk - Solvency II

On 31 March 2015 Solvency II will be formally transposed into the PRA rulebook, subject to the European Insurance and Occupational Pension Authority (EIOPA) issuing the final Technical Specifications in line with the published milestones. In order to manage the risk of failing to comply with these requirements by 1 January 2016, the Company has a dedicated Solvency II Programme, dedicated programme management and embedded technical expertise, overseen by a Steering Group to ensure it meets its obligations, implementing all of the requirements by 31 December 2015. The Company is not part of the IMAF process, the Board having deemed the Standard Formula as being appropriate to the limited complexity and risk profile of the company business model. The Company benefits from operating within a wider Enstar and Torus Europe and Lloyd's Solvency II compliance environment, where a Solvency II compliant operating model has already been developed and implemented.

By order of the Board

A handwritten signature in black ink, appearing to read "Clare Traxler".

Clare Traxler
Company Secretary
2 March 2015



TORUS INSURANCE (UK) LIMITED
DIRECTORS' REPORT
For the year ended 31 December 2014

The Directors present their report and the audited financial statements for the year ended 31 December 2014

Share capital

The share capital of the company as at 31 December 2014 consists of 150m Ordinary shares of USD 1.00 each (2013: USD 150m) and 50m Preference shares of USD 1.00 each (2013: USD 50m)

Dividends

The Directors have not declared nor proposed any dividends to date

Directors

The names of the Directors in place during the period and the current Directors 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 2014 and at the date of this report

Going concern

The Directors consider that it remains appropriate to prepare the financial statements on a going concern basis. The rationale for this decision is provided in the Accounting Policies – Basis of preparation – on page 16

Statement of disclosure of information to auditors

Each of the persons who is a Director at the date of this report confirms that

- 1) So far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2014, of which the auditors are 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 him aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Our auditor, KPMG Audit Plc, has instigated an orderly wind down of business. The board has decided to put KPMG LLP forward to be appointed as auditors and the resolution concerning their appointment will be put forward for approval at the forthcoming board meeting

By order of the Board

A handwritten signature in cursive script, appearing to read "Clare Traxler".

Clare Traxler
Company Secretary
88 Leadenhall Street
London, EC3A 3BP
2 March 2015



TORUS INSURANCE (UK) LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
For the year ended 31 December 2014

Statement of Directors' Responsibilities in respect of the Directors' report, Strategic report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Principles)

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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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 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.

By order of the Board

A handwritten signature in cursive script, appearing to read "Clare Traxler".

Clare Traxler
Company Secretary
2 March 2015



INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the Members of Torus Insurance (UK) Limited

We have audited the financial statements of Torus Insurance (UK) Limited for the year ended 31 December 2014 set out on pages 12 to 31. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), having regard to the statutory requirement for insurance companies to maintain equalisation provisions. The nature of equalisation provisions and the amounts set aside at 31 December 2014 are disclosed in note 14. In addition, the effect of the movement in those provisions during the year on shareholders' funds as well as the impact on the general business technical account and profit before tax, are disclosed in note 14.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities 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. Our responsibility is to audit, and express an opinion on, the 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 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 state of the company's affairs as at 31 December 2014 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 Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for 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 Companies Act 2006 requires us to report to you if, in our opinion:



INDEPENDENT AUDITOR'S REPORT - continued

- 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, or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report

A handwritten signature in black ink, appearing to read "Ben Priestley".

Ben Priestley (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

2 March 2015



TORUS INSURANCE (UK) LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2014

Company Number

06447250

Technical account – general business

	Notes	Year ended 31 December 2014 USDm	Year ended 31 December 2013 USDm
Earned premiums, net of reinsurance			
Gross premiums written			
Continuing operations	2	149 8	223 0
Discontinued operations	2	1 7	(36 3)
	1	151 5	186 7
Outward reinsurance premiums		(158 4)	(156 2)
Net premiums written		(6.9)	30 5
Change in the gross provision for unearned premiums	12	47 4	69 9
Change in the provision for unearned premiums, reinsurers' share		(35 6)	(41 3)
		11 8	28 6
Earned premiums, net of reinsurance		4 9	59 1
Allocated investment return transferred from the non-technical account	8	3 7	(0 1)
Total technical income		8 6	59 0
Claims Incurred, net of reinsurance			
Claims paid			
Gross amount		207 5	174 7
Reinsurers' share		(183 4)	(119 8)
		24 1	54 9
Change in the provision for claims	13		
Gross amount		(67 8)	2 7
Reinsurers' share		35 9	(12 9)
		(31 9)	(10 2)
Claims incurred net of reinsurance		(7 8)	44 7
Net operating expenses	3	10 3	21 3
Change in equalisation provision	14	0 9	1 1
Total technical charges		3 4	67 1
Balance on the technical account for general business			
Continuing operations	2	4 5	12 5
Discontinued operations	2	0 7	(20 6)
	4	5 2	(8 1)

The accounting policies and accompanying notes on pages 16 to 31 form part of these financial statements



TORUS INSURANCE (UK) LIMITED
PROFIT AND LOSS ACCOUNT - continued
For the year ended 31 December 2014

Company Number

06447250

Non-technical account

		Year ended 31 December 2014	Year ended 31 December 2013
	Notes	USDm	USDm
Balance on the general business technical account		5 2	(8 1)
Investment income	8	4 3	5 3
Unrealised losses on investments	8	(0 5)	(5 0)
Investment expenses and charges	8	(0 1)	(0 4)
Allocated investment return transferred to the general business technical account	8	(3 7)	0 1
Total operating profit/(loss)		<u>5 2</u>	<u>(8 1)</u>
Profit/(loss) on ordinary activities before tax		5 2	(8 1)
Tax on loss on ordinary activities	9	-	-
Profit/(loss) on ordinary activities after tax	19	<u>5 2</u>	<u>(8 1)</u>

There are no other recognised gains or losses to be reported

The accounting policies and accompanying notes on pages 16 to 31 form part of these financial statements



TORUS INSURANCE (UK) LIMITED
BALANCE SHEET
As at 31 December 2014

Company Number

06447250

Assets

	Notes	31 December 2014 USDm	31 December 2013 USDm
Investments			
Debt securities and other fixed-income securities	10	152 7	257 5
Total financial assets		152 7	257 5
Reinsurers' share of technical provisions			
Provision for unearned premiums	12	98 0	129 9
Claims outstanding	13	316 0	351 9
		414 0	481 8
Debtors			
Debtors arising out of direct insurance operations			
-intermediaries		70 6	102 0
Debtors arising out of reinsurance operations		16 7	31 2
Other debtors	15	20 5	6 7
		107 8	139 9
Other assets			
Cash at bank and in hand		44 5	72 3
		44 5	72 3
Prepayments and accrued income			
Accrued interest		0 8	1 3
Deferred acquisition costs	11	24 5	33 9
		25 3	35 2
Total assets		744 3	986 7

The accounting policies and accompanying notes on pages 16 to 31 form part of these financial statements



TORUS INSURANCE (UK) LIMITED
BALANCE SHEET - continued
As at 31 December 2014

Company Number

06447250

Liabilities

	Notes	31 December 2014 USDm	31 December 2013 USDm
Technical provisions			
Provision for unearned premiums	12	127 5	174 9
Claims outstanding	13	368 1	445 3
Equalisation provision	14	8 2	7 3
		<u>503 8</u>	<u>627 6</u>
Creditors			
Creditors arising out of direct insurance operations		3 3	3 3
Creditors arising out of reinsurance operations		31 4	152 0
Other creditors including taxation and social security	16	4 9	9 7
		<u>39 6</u>	<u>165 0</u>
Accruals and deferred income	17	34 5	33 0
Total liabilities		<u>577 9</u>	<u>825 5</u>
Capital and reserves			
Called up share capital	18	150 0	150 0
Preference Shares	18	50 0	50 0
Capital contribution		55 3	55 3
Profit and loss account	19	(88 9)	(94 1)
Total shareholders' funds	20	166 4	161 2
Total shareholders' funds and liabilities		<u>744 3</u>	<u>986 7</u>

The accounting policies and accompanying notes on pages 16 to 31 form part of these financial statements

These financial statements were approved by the Board of Directors on 2 March 2015 and signed on their behalf by

Theo Wilkes

Director

2 March 2015



TORUS INSURANCE (UK) LIMITED
ACCOUNTING POLICIES
For the year ended 31 December 2014

Basis of Preparation

The accounting policies of the Company have been established in conformity with United Kingdom Generally Accepted Accounting Principles. The Company's financial statements have been prepared in accordance with the provision of Section 396 of the Companies Act 2006 and Schedule 3 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008. The financial statements have been prepared in accordance with the *Statement of Recommended Practice on Accounting for Insurance Business* issued by the Association of British Insurers ("the ABI SORP") in December 2005 (amended December 2006) and with applicable accounting standards. A summary of the principal accounting policies are set out below.

Going Concern

The Directors consider the going concern basis to be appropriate, as the Directors have reviewed relevant budget and capital forecasts for a period of not less than 12 months from the date of approving these financial statements and are satisfied that the Company will have sufficient resources available to meet liabilities as they fall due.

The Directors therefore consider that it remains appropriate to prepare the financial statements on a going concern basis.

Cash flow and related party transactions

The Company is a wholly-owned subsidiary of Torus Insurance (Bermuda) Limited ("TIBL") and is included in its consolidated financial statements. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1. The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities which are part of the Torus group.

Principal Accounting Policies

1 Insurance Operations

Written Premiums – Premiums are recognised as written upon inception of the policy. Any subsequent adjustments to written premiums are recognised in the period in which they are determined.

Even where the Company has written policies which are greater than one year in duration and the premium is payable in annual instalments, the total premium under the policy is recognised as written premium at the policy inception date and earned as noted below.

Where there is a long term agreement in place and policies are subject to annual re-signing, these policies will be recognised as written premium when the policy is re-signed.



TORUS INSURANCE (UK) LIMITED
ACCOUNTING POLICIES - continued
For the year ended 31 December 2014

Earned Premiums – Premiums are earned as revenue over the period of the contract in proportion to the level of protection provided. Generally this is on a pro-rata basis over the term of the policies to which they relate or according to a determined set of earnings patterns. Where the amount of insurance protection varies according to a predetermined schedule, the premium is earned over the period of cover in line with the underwriter's assessment of the level of protection provided.

Due to early financial reporting requirements of the Company's ultimate holding company, there are no net earned premiums, acquisition costs and related losses recorded for premiums written in the month of December 2014.

Reinsurance – Ceded reinsurance premiums are recognised in the same accounting period as the related insurance. Reinsurance premiums ceded are expensed over the period under which the coverage is provided. For contracts written on a 'losses occurring during basis', the reinsurance premiums are earned on a pro-rata basis over the term of the contract. For contracts written on a 'risk attaching basis', the reinsurance premiums are earned based on the terms of the underlying contracts.

Reinsurance reinstatement premiums – Where a mandatory reinstatement premium is payable under the contract terms after a loss event has occurred, the reinstatement premiums are recorded as written and fully earned at the date of the loss.

Risk transfer – With respect to ceded business, reinsurance accounting is only applied on reinsurance contracts where the risk transfer requirements have been met including the following key conditions:

- (a) The reinsurer assumes significant insurance risk under the reinsured portions of the underlying insurance contracts, and
- (b) It is reasonably possible that the reinsurer may realise a significant loss from the transaction.

Acquisition Costs – Acquisition costs comprise those costs that are incurred, directly and indirectly, in the acquisition of new and renewed insurance contracts. These consist of commissions, premium taxes, underwriting costs and other costs, which vary with and are primarily related to, the acquisition of premiums.

Deferred acquisition costs – Acquisition costs are deferred and amortised over the same period and on the same basis as that under which the related premiums are earned. For this purpose, a proportion of underwriters', pricing actuaries' and engineers' salaries and travel costs are allocated to acquisition costs and deferred in line with the overall proportion of the deferral of acquisition costs.

Unexpired risk provision – Provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risk provision. The expected claims are calculated based on information available at the balance sheet date. Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

Unpaid losses – A liability for unpaid losses is established where the insured event has occurred on or before the balance sheet date. The reserve for the unpaid losses is recommended by Ernst & Young LLP ('EY') and reviewed by the Company. EY's recommendation is based on the estimated ultimate cost of settling claims and includes provisions for both reported claims (case reserves) and estimates relating to incurred but not reported claims ('IBNR').



TORUS INSURANCE (UK) LIMITED
ACCOUNTING POLICIES - continued
For the year ended 31 December 2014

Due to the early financial reporting requirements of the Company's ultimate holding company, there are no reported claims and related reinsurance recoveries recorded for the month of December 2014. Net claims incurred is based upon estimates of the ultimate cost of settling claims through to 31 December 2014 and include IBNR reserves. Therefore there is no impact on net claims incurred as a result of this change. Claims paid not accrued of USD 6.9 million are included as an asset in the Balance Sheet within Debtors arising out of direct insurance operations - intermediaries.

IBNR is generally subject to a greater degree of uncertainty than reported claims. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques. In the initial years, the estimation of the claims will be based on pricing assumptions and comparison to industry benchmarks. Once adequate data is available, the estimation is generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with statistics from previous periods,
- changes in the legal environment,
- the effects of inflation,
- changes in the mix of business,
- the impact of large losses, and
- any movements in industry benchmarks

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Company has regard to the claim circumstance as reported, any information available from loss adjusters and any available information on the cost of settling claims with similar characteristics.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distorting effect of the development and incidence of these large claims.

Where possible EY adopts multiple techniques to estimate their recommended level of provisions. This assists the Company in gaining greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated net of any estimated amounts of salvage and subrogation recoveries, but gross of any reinsurance recoveries. No benefit has been taken for discounting the reserves.



TORUS INSURANCE (UK) LIMITED
ACCOUNTING POLICIES - continued
For the year ended 31 December 2014

Loss adjustment expenses – A liability is established for all costs expected to be incurred in connection with the settlement of unpaid claims. These include the direct cost relating to the investigation of the claims and other costs which cannot be associated with specific claims but are related to claims paid or in the process of settlement such as internal costs of the claims functions.

Reinsurance recoverable on unpaid losses – Reinsurance recoverables are balances due from reinsurance companies for paid and unpaid losses and loss expenses that are expected to be recoverable from reinsurers under the terms of the reinsurance agreements.

Reinsurance recoverable will be stated net of a reserve for uncollectable reinsurance. This reserve will be calculated based on management's estimate of any amounts that the Company would be unable to recover from the reinsurer due to insolvency or known liquidity issues, contractual dispute or any other reason which in management's judgement is likely to warrant a reserve against a particular reinsurer.

In the determination of the reserve for uncollectable reinsurance, the Company will consider the recoverable balance by reinsurer net of any collateral held. The definition of collateral for this purpose is generally limited to assets held in trust, letters of credit and liabilities held by the Company with the same legal entity for which the Company believes there is a legal right of offset.

2. Investments

All investments are stated at market value. The market values of listed investments are based on current bid prices as at the balance sheet date. Unlisted investments for which a market exists are also stated at the current bid price as at the balance sheet date or the last trading day before that date. The market value of other unlisted investments, for which no active market exists, are established by the Directors using valuation techniques.

Financial assets and liabilities are stated at market value. Net gains or losses arising from changes in the market value are presented in the profit and loss account within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the period in which they arise.

Short-term investments – Short term investments are categorised as trading investments and comprise of securities which are due to mature within one year of the date of issue.

Cash includes cash in hand and fixed interest deposits with an original maturity date of three months or less as at the balance sheet date.

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



TORUS INSURANCE (UK) LIMITED
ACCOUNTING POLICIES - continued
For the year ended 31 December 2014

3. Equalisation provision

An equalisation provision has been established in accordance with the requirements of INSPRU 1.4 of the PRA Prudential Sourcebook for Insurers to mitigate exceptionally high loss ratios for classes of business displaying a high degree of claims volatility. The amounts provided are not liabilities because they are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date. Notwithstanding this, they are required by Schedule 3 of the Large and Medium sized companies and Groups (Accounts and Reports) Regulations 2008 to be included within technical provisions.

4. Preference Shares

The Company has issued Preference shares which are cumulative and mandatorily redeemable at the option of the issuer.

5. Foreign Currencies

The functional and the reporting currency of the Company is the United States dollar.

Monetary assets and liabilities that are denominated in currencies other than the functional currency are revalued at the period end rates of exchange. The gains and losses arising from the revaluation are included in the profit and loss account. For this purpose, among others, the unearned premium reserve and deferred acquisition costs are treated as non-monetary assets and liabilities.

Revenues and expenses that are denominated in foreign currencies are translated at the average rates of exchange for the period they transacted.

Realised gains and losses from non-functional currencies that arise from the settlement of transactions at rates of exchange that differ from those prevailing when the transaction was originally recorded are recorded in the profit and loss account.

6. Operating Leases

The rental cost associated with operating leases is charged to the profit and loss account on a straight line basis over the life of the lease.

7. Taxation

The charge for taxation is based on the profits or losses for the year and takes into account deferred taxation. Provision is made for deferred tax liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the profit and loss account. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the profit and loss account for the period to the extent to which it is expected to be recoverable or is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses. Deferred tax balances are not discounted.



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

1 Segment Information

The Company monitors premium income by both class of business and geographical segment, and underwriting results by class of business. This analysis is presented below.

a) The summary below presents revenues and pre-tax income from operations by class of business.

2014	Gross premiums written USDm	Gross premiums earned USDm	Gross claims incurred USDm	Net operating expenses USDm	Reinsurance balance USDm	Total USDm
Direct Insurance						
Energy, Construction and Marine	129.2	156.8	(92.7)	(8.5)	(58.1)	(2.3)
Fire and other damage to property	0.7	2.4	3.4	(0.1)	(5.8)	(0.1)
Third party liability	21.6	39.7	(50.4)	(1.7)	17.4	5.0
Total	151.5	198.9	(139.7)	(10.3)	(46.5)	2.4
Reinsurance acceptances						
Energy, Construction and Marine	-	-	-	-	-	-
Fire and other damage to property	-	-	-	-	-	-
Third party liability	-	-	-	-	-	-
Total	-	-	-	-	-	-
TOTAL	151.5	198.9	(139.7)	(10.3)	(46.5)	2.4
Equalisation provision						(0.9)
Investment Return						3.7
						5.2

2013	Gross premiums written USDm	Gross premiums earned USDm	Gross claims incurred USDm	Net operating expenses USDm	Reinsurance balance USDm	Total USDm
Direct Insurance						
Energy, Construction and Marine	174.0	179.8	(87.9)	(29.3)	(72.7)	(10.1)
Fire and other damage to property	12.2	18.0	(5.5)	(2.0)	(9.8)	0.7
Third party liability	59.3	63.7	(62.4)	(14.8)	(4.5)	(18.0)
Total	245.5	261.5	(155.8)	(46.1)	(87.0)	(27.4)
Reinsurance acceptances						
Energy, Construction and Marine	(40.9)	1.4	(22.3)	17.2	13.8	10.1
Fire and other damage to property	0.3	(5.0)	(7.6)	0.2	13.0	0.6
Third party liability	(18.2)	(1.3)	8.3	7.4	(4.6)	9.8
Total	(58.8)	(4.9)	(21.6)	24.8	22.2	20.5
TOTAL	186.7	256.6	(177.4)	(21.3)	(64.8)	(6.9)
Equalisation provision						(1.1)
Investment Return						(0.1)
						(8.1)

There were no reinsurance acceptances during the year following the commutation of the US business.



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2014

The Company's business is concluded in the London office in the United Kingdom, and also in the Company's branch offices in Paris, Rotterdam and Milan

- b) A breakdown of gross written premium by geographical region, based on domicile of insured, is shown below

	Year ended 31 December 2014	Year ended 31 December 2013
	USDm	USDm
Direct Insurance		
United Kingdom	15 4	29 7
Europe	46 1	79 5
United States & Canada	47 9	72 3
Australia/Asia	12 5	17 6
Rest of the World	29 6	46 4
	<u>151 5</u>	<u>245 5</u>
Reinsurance		
United States & Canada	-	(59 1)
Worldwide	-	0 3
	<u>-</u>	<u>(58 8)</u>
Total	<u>151 5</u>	<u>186 7</u>

Net assets are maintained to meet solvency requirements of the Company as a whole and as a consequence segmental analysis of net assets has not been provided. The Company's investment portfolio is managed in such a manner that a meaningful analysis of investment income by segment is not available. Therefore no segmental analysis of profit before taxation has been provided.



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2014

2 Analysis of continuing and discontinued operations

2014	Gross premiums written	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	USDm	USDm	USDm	USDm	USDm	USDm
Continuing operations	149.8	189.3	(100.0)	(10.4)	(77.0)	1.9
Discontinued operations	1.7	9.6	(39.7)	0.1	30.5	0.5
Total	151.5	198.9	(139.7)	(10.3)	(46.5)	2.4
Equalisation provision						(0.9)
Investment Return						3.7
						5.2

2013	Gross premiums written	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	USDm	USDm	USDm	USDm	USDm	USDm
Continuing operations	223.0	230.1	(100.5)	(18.4)	(97.5)	13.7
Discontinued operations	(36.3)	26.5	(76.9)	(2.9)	32.7	(20.6)
Total	186.7	256.6	(177.4)	(21.3)	(64.8)	(6.9)
Equalisation provision						(1.1)
Investment Return						(0.1)
						(8.1)

The discontinued lines of business in 2014 primarily relate to the Torus Executive Risk business and for 2013 the inward reinsurance accepted from the US business. The equalisation provision is wholly attributable to continuing operations in 2014 and 2013. The investment return of \$3.7m in 2014 (2013: \$(0.1)m) is wholly attributable to continuing operations.

3 Net Operating Expenses

	Year ended 31 December 2014	Year ended 31 December 2013
	USDm	USDm
Commission and acquisition costs	46.1	48.6
Reinsurers' share of expenses	(60.8)	(67.0)
Administrative expenses	25.0	39.7
	10.3	21.3

The majority of administrative expenses are incurred by the UK services company, Torus Insurance Marketing Limited ("TIML") and are recharged to Torus group companies in line with group policy. Torus Business Solutions Private Limited ("TBSPL"), a company incorporated in India, is an affiliate entity which provides back office support services to the group. It recharges expenses to the Company in line with group policy.



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2014

4 Operating profit

	<u>Year ended</u> <u>31 December 2014</u>	<u>Year ended</u> <u>31 December 2013</u>
	USDm	USDm
Operating profit is stated after charging		
Staff salaries and Social Security (see note 6)	-	-
Auditor's remuneration	0.2	0.2

The 2014 audit fee cost accrued for the Company is USD 267,770 (2013 USD 246,468). Note 3 quantifies administrative expenses, most of which are expenses incurred by TIML and recharged to the Company.

5. Operating lease rentals

Annual commitments under non-cancellable operating leases are as follows

	<u>Year ended</u> <u>31 December 2014</u>	<u>Year ended</u> <u>31 December 2013</u>
	USDm	USDm
Operating leases which expire		
Within one year	-	-
In the second to fifth years inclusive	-	0.2
Over five years	1.1	2.2
	<u>1.1</u>	<u>2.4</u>

Whilst the Company retains the legal obligation under these leases, in practice the majority of costs are met by the UK services company, TIML, and are recharged to Torus group companies in line with group policy.

6. Staff costs

The company employed no staff throughout 2014 and 2013.



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2014

7. Directors' emoluments

The Company does not employ any of the Directors. As noted above in note 3, TIML is the service company for the Torus group and recharges the expenses incurred in relation to costs it incurs on behalf of the Company. The figures shown below represent the amounts recharged during the year.

	<u>Year ended</u> <u>31 December 2014</u> USDm	<u>Year ended</u> <u>31 December 2013</u> USDm
Directors' emoluments	3.1	0.6
Contributions to pension	0.1	-

Highest paid Directors' emoluments for the Company are as follows,

	<u>Year ended</u> <u>31 December 2014</u> USDm	<u>Year ended</u> <u>31 December 2013</u> USDm
Directors' emoluments	0.8	0.3
Contributions to pension	-	-

8. Investment Return

	<u>Year ended</u> <u>31 December 2014</u> USDm	<u>Year ended</u> <u>31 December 2013</u> USDm
Investment Income		
Investment Income	3.1	7.3
Losses on realisation of investments	<u>1.2</u>	<u>(2.0)</u>
	4.3	5.3
Unrealised losses on investments	(0.5)	(5.0)
Investment management expenses	(0.1)	(0.4)
Net Investment Income	<u>3.7</u>	<u>(0.1)</u>



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2014

9 Income Tax

	Year ended 31 December 2014	Year ended 31 December 2013
	USDm	USDm
a) Tax charge/(credit) on profit/(loss) on ordinary activities		
Deferred tax	-	-
Origination of timing differences	-	-
Total deferred tax	-	-
Current tax for the period	-	-
Adjustment in respect of prior period	-	-
Total tax charge/(credit) on profit/(loss) on ordinary activities	-	-
b) Tax reconciliation		
	Year ended 31 December 2014	Year ended 31 December 2013
	USDm	USDm
Profit/(Loss) on ordinary activities before tax	5 2	(8 1)
Tax (charge)/credit at 21 5% (2013 23 25%)	(1 1)	1 9
Effect of		
Expenses not deductible for tax purposes	-	-
Group relief surrendered for nil payment	-	(1 9)
Utilised tax losses	1 1	-
Current tax credit	-	-
c) Provision for deferred tax		
Tax losses carried forward	-	-
Deferred Tax Asset	-	-
Provision at start of period	-	-
Deferred tax charge/(credit) in profit and loss account for period	-	-
Provision at end of period	-	-

The company has not recognised a deferred tax asset of USD 9 5m as at 31 December 2014 (2013 USD 10 4m) in respect of tax losses and NIL (2013 USD 0 2) in respect of other timing differences. This asset has not been recognised as there is insufficient evidence of suitable tax profits arising in the immediate future which the asset can be utilised against. The tax losses remain available to the Company and a deferred tax asset in respect of these may be recognised in the future if it is more likely than not that the Company will generate sufficient taxable profits against which it can utilise the benefits of the asset.



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2014

The rate of corporation tax was reduced from 23% to 21% effective 1 April 2014, and as a result a composite rate of 21.5% has been used in respect of the year ended 31 December 2014. A composite rate of 23.25% was used in respect of the year ended 31 December 2013 following the reduction in the corporation tax rate from 24% to 23% effective 1 April 2013.

10 Debt securities and other fixed income securities

As at 31 December	<u>2014</u> <u>Fair Value</u> USDm	<u>2014</u> <u>Cost</u> USDm	<u>2013</u> <u>Fair Value</u> USDm	<u>2013</u> <u>Cost</u> USDm
Financial assets				
Debt securities and other fixed-income securities	152.7	152.1	257.5	257.4
Total financial assets	152.7	152.1	257.5	257.4

The \$104.8m reduction in the Company's investments from 2013 to 2014 is mainly due to the commutation of the US quota share reinsurance and subsequent settlement of the reserves at book value to the Torus US affiliate reinsurers. The Company has USD 76.4m (2013: USD 165.5m) of assets in a separate account to collateralise both the remaining internal reinsurance arrangements between Torus US Specialty Insurance Company ("TSIC") and the Company, as well as the direct reinsurance of other US domiciled assureds. TSIC is a related company under common control by TIHL (the ultimate parent of the Company).

The Company has USD 17.8m (2013: USD 14.4m) of assets held in a segregated account. These segregated assets are a requirement of the National Association of Insurance Commissioners ("NAIC") regulations in order to write business on an excess and surplus lines basis with clients domiciled in certain states in the United States of America.

11. Deferred acquisition Costs

	<u>Year ended</u> <u>31 December 2014</u> USDm	<u>Year ended</u> <u>31 December 2013</u> USDm
On insurance contracts	24.5	33.9
	24.5	33.9



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2014

12 Provision for unearned premiums

Provision for unearned premiums

2014	Gross	Reinsurer's share	Net
	USDm	USDm	USDm
Balance at the beginning of the period	174.9	129.9	45.0
Movement in the year	(47.4)	(35.6)	(11.8)
Reclassification of intragroup balance	-	3.7	(3.7)
Balance at the end of the period	127.5	98.0	29.5
2013	Gross	Reinsurer's share	Net
	USDm	USDm	USDm
Balance at the beginning of the period	244.8	171.2	73.6
Movement in the year	(69.9)	(41.3)	(28.7)
Balance at the end of the period	174.9	129.9	45.0

13. Claims provisions

2014	Gross	Reinsurer's share	Net
	USDm	USDm	USDm
Balance at the beginning of the period	445.3	351.9	93.4
Movement in the year	(67.8)	(35.9)	(31.9)
Foreign currency revaluation	(9.4)	-	(9.4)
Balance at the end of the period	368.1	316.0	52.1
2013	Gross	Reinsurer's share	Net
	USDm	USDm	USDm
Balance at the beginning of the period	442.6	339.0	103.6
Movement in the year	2.7	12.9	(10.2)
Balance at the end of the period	445.3	351.9	93.4

No allowance is made for discounting of the technical provisions



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2014

14 Equalisation provision

	31 December	31 December
	2014	2013
	USDm	USDm
Balance at the beginning of the period	7.3	6.2
Movement in the year	0.9	1.1
Balance at the end of the period	8.2	7.3

As set out in the Company's accounting policy 3, an equalisation provision has been established in the financial statements. The effect of this provision is to reduce shareholders' funds by USD 8.2m (2013: USD 7.3m). The increase in provision during the year had the effect of reducing the balance on the technical account for general business by USD 0.9m (2013: USD 1.1m), decreasing the profit before taxation on ordinary activities from USD 6.1m to USD 5.2m.

15 Other debtors

	31 December	31 December
	2014	2013
	USDm	USDm
Investments pending trade	-	0.9
Amounts owed by related companies	20.5	5.8
Total other debtors	20.5	6.7

16 Other creditors including taxation and social security

	31 December	31 December
	2014	2013
	USDm	USDm
Amounts owed to associated companies	2.5	7.6
Net IPT payable	2.4	2.0
Unsettled tax liabilities	-	0.1
Total other creditors	4.9	9.7



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2014

17 Accruals and deferred income

	31 December 2014	31 December 2013
	USDm	USDm
Reinsurers' share of deferred acquisition costs	33.6	30.6
Accruals	0.9	2.4
Total accruals and deferred income	34.5	33.0

18 Share Capital

	31 December 2014	31 December 2013
	USDm	USDm
Allotted, issued & paid		
150,000,000 Ordinary shares of USD 1.00 each	150.0	150.0
50,000,000 Preference shares of USD 1.00 each	50.0	50.0
	200.0	200.0

The USD preference shares were issued to a fellow group company, Torus Finance Limited. The preference shares may be redeemed, at the issuer's option at any time after the fifth anniversary of the date of issue and will be redeemed at par. The shares are non-voting and have a preferential right to return of capital on a winding up. The declaration and payment of any dividend on the shares is at the absolute discretion of the Directors of the Company. As a result all of the issued preference shares have been classified under equity.

19 Profit and loss account

	Year ended 31 December 2014	Year ended 31 December 2013
	USDm	USDm
Balance at the beginning of the period	(94.1)	(86.0)
Profit/(loss) for the financial year	5.2	(8.1)
Balance at the end of the period	(88.9)	(94.1)



TORUS INSURANCE (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS - continued
For the year ended 31 December 2014

20 Reconciliation of movements in shareholders' funds

	Year ended 31 December 2014	Year ended 31 December 2013
	USDm	USDm
Opening shareholders' funds	161.2	169.3
Profit/(loss) for the financial year	5.2	(8.1)
Closing shareholders' funds	166.4	161.2

Capital Contribution represents injections of capital to support the Company's solvency, and are approved by the Company's ultimate parent at its Board meetings

21 Related party transactions

Barnabas Hurst-Bannister is a non-executive director of Price Forbes & Partners Ltd ("Price Forbes"). During the year the Company wrote \$4.8m of premiums placed by Price Forbes and paid commissions of \$0.5m on this business. It also ceded \$0.6m of premium placed by Price Forbes. Barnabas Hurst-Bannister is also a non-executive director of Talbot Underwriting Limited, to which the Company ceded \$2.5m of premium during the year. These contracts were entered into on an arm's length basis. He is also a non-executive director of a number of Xchanging subsidiary companies which provide insurance processing services to the Company. All provisions of services are entered into on an arm's length basis.

As noted in the Strategic Report, in April 2014 Enstar acquired a majority shareholding in Torus Insurance Holdings Limited such that management now consider Enstar to be the controlling party of the Torus group. The Company had no material balances with Enstar group companies as at 31 December 2014 and there had been no material transactions between the Company and Enstar group companies during the year.

22 Ultimate parent company

The Directors regard Torus 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 can be obtained from The Secretary, Enstar Group Limited, Windsor Place, 22 Queen Street, Hamilton HM11, Bermuda.



STARSTONE

Part of the Enstar Group

StarStone Insurance Limited

Annual Report & Accounts

For the year ended 31 December 2015

Company Number 06447250



STARSTONE INSURANCE LIMITED
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STARSTONE INSURANCE LIMITED
OFFICERS AND PROFESSIONAL ADVISORS
For the year ended 31 December 2015

Directors

Nigel Barton (Chairman)
Tim Fillingham (Chief Executive Officer)
Barnabas Hurst-Bannister – resigned 14 January 2015
Richard Harris – resigned 9 November 2015
David Message
Ian Poynton – appointed 16 January 2015

Demian Smith
Mark Smith – appointed 19 January 2016
Patrick Tiernan
John Wardrop – appointed 15 January 2015
Theo Wilkes

Company Secretary

Siobhan Hextall
Clare Traxler

Company Number

06447250

Registered Office

5th Floor
88 Leadenhall Street
London EC3A 3BP

Auditor

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL



STARSTONE INSURANCE LIMITED
STRATEGIC REPORT
For the year ended 31 December 2015

Principal activity

StarStone Insurance Limited ('the Company') is authorised by the Prudential Regulation Authority ("PRA") to conduct general insurance business. The principal activity of the Company is the transaction of specialty insurance business in the London Insurance Market, writing a global portfolio principally in the Construction, Energy (Offshore and Onshore), Power & Utilities, Marine and Excess Casualty and Professional Liability classes.

Results and performance management

The result of the Company for the period, as set out on pages 13 and 14, shows a profit on ordinary activities before tax of USD 8.9m (2014: USD 7.2m).

The Companies Act requires companies to provide both financial information and also to comment on key performance indicators ("KPIs"). The Company operates within a performance management framework that encompasses business planning and ongoing monitoring, as appropriate to an insurance company operating in the London Market.

KPIs are used primarily to compare actual performance to the business plan and include:

Financial KPIs

	<u>Year ended</u> <u>31 December 2015</u>	<u>Year ended</u> <u>31 December 2014</u>
	USDm	USDm
Gross Written Premium	147.1	151.5
Shareholders' Funds	177.3	168.4
Net Investment Income/(Expense)	2.0	3.7

Non-financial KPIs

The identification and assessment of risks that the Company is exposed to and the assessment of the operation of the controls established to mitigate these risks is documented and managed via a Risk Management System that is reviewed and updated at least quarterly.

Risk management reporting is provided to the Board on a quarterly basis or as required should there be a breach of any of the established thresholds for monitoring risk exposure against established risk appetites.

The Company has established a policy and framework for the production of a forward looking assessment of its own risks (known as the Own Risk and Solvency Assessment or ORSA process). A full ORSA process is performed annually and the resulting document provided to the Directors for approval. In addition, an ad-hoc ORSA process is performed in the event of a defined trigger point occurring – in this instance the ORSA processes are performed to assess the impact of the event on the risk profile and capital and solvency position. The ORSA processes performed will be proportionate to the significance of the trigger event and may result in an ad hoc ORSA report.



STARSTONE INSURANCE LIMITED
STRATEGIC REPORT
For the year ended 31 December 2015

Key developments in the year

On 27 November 2015, the Company changed its name from Torus Insurance (UK) Limited to StarStone Insurance Limited to reflect a wider StarStone Group rebranding exercise

During 2015 particular focus was given to growing the Construction line of business, and gross written premium in this line increased from USD 21.6m in 2014 to USD 57.9m in 2015

In February 2015 the Company engaged Goldman Sachs Asset Management International to act as the Investment Manager on its investment portfolio, in accordance with approved investment management guidelines

On 26 February 2015, and with an effective date of 1 January 2015, the Company entered into a quota share agreement to reinsure 100% of the unexpired insurance risk relating to Lloyd's Syndicate 2243 (a syndicate that has been reinsured to close into Lloyd's Syndicate 2008, which itself is managed by StarStone Underwriting Limited, a fellow subsidiary company). The premium paid equated to the net unearned premium net of all deferred acquisition costs carried on the balance sheet as at 1 January 2015. Simultaneously, the existing intragroup reinsurance arrangements with the Company's parent, StarStone Insurance Bermuda Limited ('SIBL'), were endorsed to provide 100% reinsurance for the Company in respect of this unexpired risk. Therefore no additional net insurance risk has been accepted by the Company in respect of these arrangements.

On 17 June 2015 the Company completed a reduction in its Ordinary Share capital from 150,000,000 Ordinary shares of USD 1.00 each to 100,000,000 Ordinary shares of USD 1.00 each. This reduction was effected by way of a special resolution passed by its shareholders and supported by a solvency statement provided by the Company's Directors, in accordance with procedures permitted under the Companies Act 2006 sections 642-644. Ordinary Share capital was reduced by USD 50m, and this amount was transferred to the Company's retained earnings reserve. This is illustrated in the Statement of Changes in Equity on page 17.

During the year, the existing intragroup reinsurance arrangements with the Company's parent, SIBL, were maintained at the same levels, with 100% of technical transactions relating to Discontinued lines of business and 65% of technical transactions relating to Continuing lines of business being ceded.

Strategy and future outlook

The Company will continue to offer a diverse range of specialty business lines through its offices in London and Continental Europe and will continue to give particular emphasis to growth in its Offshore Energy, Construction and Management and Professional Liability underwriting. The Company has developed a robust business plan that it anticipates will enable it to remain flexible and negotiate the challenges presented by the insurance underwriting cycle, with a strong focus on capturing profitable business within its core lines of business.



STARSTONE INSURANCE LIMITED

STRATEGIC REPORT For the year ended 31 December 2015

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. Policies are subject to Board approval and ongoing review by management, risk management and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Company and the compliance team and the finance department take on an important oversight role in this regard. The Company's Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively. The main risks the Company is exposed to are

The risk that policy terms, premiums, reinsurance protection, and claim handling procedures will not be sufficient to cover ultimate loss and expense costs and achieve the rate of return expected by shareholders. Key components and associated controls include -

- Catastrophe/Clash Risk - risk arising from a loss event or occurrence involving one or more insured and/or lines of business. Key controls include defined risk appetite and tolerance levels, models used to calculate exposure levels and catastrophe control reports overseen by the Underwriting Committee.
- Underwriting Selection Risk - risk of underwriting loss due to poor underwriting selection or errors in terms and conditions on individual accounts. Key controls include defined risk appetite and tolerance levels, formal written and signed underwriting authorities, rules and guidelines, maximum gross and net line sizes and business plans, peer review and Underwriting Committee oversight.
- Underwriting Pricing Risk - risk of underwriting loss due to poor pricing decisions on individual accounts. Key controls include underwriting pricing guidelines, technical pricing tools, peer review process and Underwriting Committee oversight.
- Reserving Risk - risk of potential for deterioration in prior accident year reserves. Key controls include case reserve guidelines, quarterly 'actual versus expected' reviews, peer review process and Reserving Committee oversight.
- Outward Reinsurance Risk - risks associated with unexpected loss arising from inadequate or inappropriate reinsurance and an outside concentration of risk with any one counterparty. Key controls include guidelines and procedures for purchasing treaty and facultative reinsurance, approved reinsurance security, quarterly reports, and Reinsurance and Broker Security Committee oversight.
- Market Cycle Risk - risk arising from adverse financial loss due to cyclical trends in the industry. Key controls include rate monitoring tools, marketing function, broker and client relationship management, market intelligence reports, and Underwriting Committee oversight.

The Company establishes provisions for unpaid claims, defence costs and related expenses to cover its ultimate liability in respect of both reported claims and incurred but not reported (IBNR) claims. There can be no absolute guarantee that the ultimate losses will not differ materially from the provisions the Company has established. It is particularly difficult to estimate IBNR claims, particularly those arising from large catastrophes.

Reserve estimates are primarily based on recommendations from an annual study performed by StarStone's external actuarial consultants, Ernst & Young LLP. The external study is subject to review and robust challenge by StarStone's actuarial reserving function, the Reserving Committee and is ultimately approved by the Company's Board. In the interim quarters between the annual external reviews, a detailed 'actual versus expected' analysis is performed by the reserving actuarial function to ensure that the established reserves are still appropriate and this is reviewed by the Reserving Committee.



STARSTONE INSURANCE LIMITED

STRATEGIC REPORT For the year ended 31 December 2015

Principal risks and uncertainties (continued)

Financial Risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts), reinsurance assets and policyholder liabilities. In particular, the key financial risk is that proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk and currency risk), credit risk and liquidity risk. These risks arise from interest rate and currency products, all of which are exposed to general and specific market movements.

The Company's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on StarStone's financial performance. The Company produces regular reports that are summarised for the Company's board. The key financial risks the Company is exposed to are:

- Market risk is the risk that future changes in market prices may make a financial instrument less valuable. The primary risk is the interest rate risk and its impact on values as the majority of the investments of the Company are bonds, asset and mortgage backed securities and deposits.
- Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:
 - reinsurers' share of insurance liabilities,
 - amounts due from reinsurers in respect of claims already paid,
 - amounts due from insurance contract holders,
 - amounts due from insurance intermediaries, and
 - amounts due from corporate bond issuers and issuers of collateralised mortgage obligations.

The Company manages the levels of investment credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparty, and to geographical and industry segments. Such guidelines are subject to regular review and oversight by the Investment Committee and the Reinsurance & Broker Security Committee.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder.

The creditworthiness of reinsurers is considered on a regular basis by reviewing their financial strength. In addition, management assesses the creditworthiness of all reinsurers by reviewing credit grades provided by rating agencies and other publicly available financial information. If reinsurer ratings fall below the requirements set by the Reinsurance and Broker Security Committee, a reinsurer will no longer be used.

Principal risks and uncertainties (continued)

Financial Risk (continued)

- *Liquidity risk is the risk that the Company may be unable to meet payment of obligations when due at a reasonable cost. The primary liquidity risk is the obligation to pay claims to policyholders as they fall due. The projected value of these liabilities is modelled, on a regular basis, using actuarial techniques. The Board sets the appetite for the minimum proportion of maturing funds available to meet such calls that should be in place to cover anticipated liabilities and unexpected levels of demand. Performance against this appetite is monitored quarterly by the Investment Committee.*
- *Investment risk is the risk that the investments the Company makes perform below expectations. The Company manages its investments taking into account market risk, currency risk, liquidity risk and credit risk and performance against established risk appetite is monitored quarterly by the Investment Committee.*

The Company's approach is that *investment activities are complementary to the primary underwriting activities of the business and should not, therefore, divert or utilise financial resources otherwise available for insurance operations.*

The maintenance of *sufficient capital and liquidity to support the business is at the heart of the Company's Asset-Liability Management, Capital Management, Investment Risk and Liquidity Risk policies, together with the aim for long-run enhancement of investment returns through the efficient diversification of investments across a range of high quality fixed income sectors managed by experienced investment professionals.*

Subject to liquidity requirements, the Company invests the remainder of funds in fixed income securities managed by professional portfolio managers.

The manager operates within a defined set of investment guidelines, which comprise details of the investment asset classes from which the manager may select securities and any exposure limits applied to asset classes and counterparties within that universe of asset classes.

The Company measures the performance of the manager against an appropriate benchmark for the asset class under management.

Operational Risk

This reflects the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The Company maintains a control environment which is subject to risk assessment to determine control effectiveness and a programme of internal audits. Emerging Operational Risk is monitored by the Finance & Operations Committee.

Strategic Risk

This reflects the risk of loss associated with inadequate or flawed business planning or strategy setting, including product mix, mergers or acquisitions and market positioning, and unexpected changes within the market or regulatory environment in which StarStone operates. Strategic planning by line of business drives the Company's specific financial plan.



STARSTONE INSURANCE LIMITED

STRATEGIC REPORT

For the year ended 31 December 2015

Principal risks and uncertainties (continued)

Group Risk

Risks from other group entities which may impact on the operation of the Company's risk in regard to parental influence are managed through the Company's Board and Audit Committee and its representation at Group committees. The Company's regulatory requirements are maintained by local compliance functions and its capital requirements are subject to trust fund controls.

Eurozone exposure

Risks in regard to Eurozone have been assessed and reported to the Company's Audit Committee and Board. The assessment has considered investment portfolio devaluation, reinsurer default, professional lines exposure, coverholder default, and currency reinstatement exposures from both a contractual and systems perspective. At this time these exposures are not shown to be material, although the assessment includes mitigation factors such as contract clauses and the currency transaction capability of the policy administration system. The risk management function continues to monitor exposure, including a quarterly run of the European Sovereign Debt Crisis scenario on the Company's investment portfolio and collation of reinsurer downgrade data for review at the Reinsurance and Broker Security Committee.

Regulatory Risk - Solvency II

On 31 March 2015 Solvency II was formally transposed into the PRA rulebook, subject to the European Insurance and Occupational Pension Authority (EIOPA) issuing the final Technical Specifications in line with the published milestones in order to manage the risks of both failing to comply with these requirements by 1 January 2016 and failing to embed an effective Solvency II risk management framework as business as usual, the Company has a Solvency II Programme, with dedicated programme management and embedded technical expertise, overseen by a Steering Group to ensure it meets its obligations to implement all of the ongoing requirements from 1 January 2016.

The Company is not part of the IMA? process, the Board having deemed the Standard Formula as being appropriate to the limited complexity and risk profile of the Company business model. The Company benefits from operating within the wider Enstar, StarStone and Lloyd's Solvency II compliant environment, where a Solvency II compliant operating model has been developed and implemented.

By order of the Board

Clare Traxler
Company Secretary

29 February 2016



STARSTONE INSURANCE LIMITED
DIRECTORS' REPORT
For the year ended 31 December 2015

The Directors present their report and the audited financial statements for the year ended 31 December 2015

Share capital

The share capital of the company as at 31 December 2015 consists of 100m Ordinary shares of USD 1.00 each (2014 USD 150m) and 50m Preference shares of USD 1.00 each (2014 USD 50m)

Dividends

The Directors have not declared nor proposed any dividends

Directors

The names of the Directors in place during the period and the current Directors 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 2015 and at the date of this report

Going concern

The Directors consider that it remains appropriate to prepare the financial statements on a going concern basis. The rationale for this decision is provided in the Basis of Preparation note on page 18

Branches outside the United Kingdom

The Company has underwriting branches in Rotterdam, Paris and Milan

Statement of disclosure of information to auditors

Each of the persons who is a Director at the date of this report confirms that

- 1) So far as each of them is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2015, 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 him aware of any relevant audit information and to establish that the Company's auditor is aware of that information



STARSTONE INSURANCE LIMITED
DIRECTORS' REPORT
For the year ended 31 December 2015

Independent Auditors

The board has decided to put KPMG LLP forward to be re-appointed as auditors and the resolution concerning their appointment will be put forward for approval at the forthcoming board meeting

By order of the Board

Clare Traxler
Company Secretary

29 February 2016



STARSTONE INSURANCE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES For the year ended 31 December 2015

Statement of Directors' Responsibilities in respect of the Directors' report, Strategic report and the financial statements

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that 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 Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 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.

By order of the Board

Clare Traxler
Company Secretary

29 February 2016

STARSTONE INSURANCE LIMITED

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the Members of StarStone Insurance Limited

We have audited the financial statements of StarStone Insurance Limited for the year ended 31 December 2015 set out on pages 13 to 50. 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*, having regard to the statutory requirement for insurance companies to maintain equalization provisions. The nature of equalization provisions, including the amounts set aside at 31 December 2015, the effect of the movement in those provisions during the year on shareholders' funds, as well as the impact on the general business technical account and profit before tax, are disclosed in note 20.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the 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 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 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 state of the company'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 Companies Act 2006.

STARSTONE INSURANCE LIMITED

INDEPENDENT AUDITOR'S REPORT

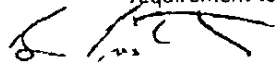
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for 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 Companies Act 2006 requires us 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, or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report



Ben Priestley (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL

29 February 2016



STARSTONE INSURANCE LIMITED

INCOME STATEMENT For the year ended 31 December 2015

Company Number
06447250

Technical account – general business

	Notes	Year ended 31 December 2015 USDm	Year ended 31 December 2014 USDm
Earned premiums, net of reinsurance			
Gross premiums written	7	147.1	151.5
Outward reinsurance premiums		(121.3)	(158.4)
Net premiums written		25.8	(6.9)
Change in the gross provision for unearned premiums	18	(6.6)	47.7
Change in the gross provision for unearned premiums, reinsurers' share	18	5.5	(36.0)
Earned premiums, net of reinsurance		24.7	4.8
Allocated investment return transferred from the non-technical account	13	2.0	3.7
Total technical income		26.7	8.5
Claims incurred, net of reinsurance			
Claims paid		96.2	207.5
Gross amount		(81.1)	(183.4)
Reinsurers' share		15.1	24.1
Change in the provision for claims	19	(16.9)	(67.8)
Gross amount		10.1	35.9
Reinsurers' share		(6.8)	(31.9)
Claims incurred, net of reinsurance		8.3	(7.8)
Net operating expenses	8	13.5	13.1
Change in equalisation provision	20	0.3	0.9
Total technical charges		22.1	6.2
Balance on the technical account – general business		4.6	2.3

The accounting policies and accompanying notes on pages 18 to 50 form part of these financial statements



STARSTONE INSURANCE LIMITED

INCOME STATEMENT For the year ended 31 December 2015

Company Number
06447250

Non-technical account

	Notes	Year ended 31 December 2015 USDm	Year ended 31 December 2014 USDm
Balance on the technical account		4 6	2 3
Investment income	13	2 9	4 3
Unrealised losses on investments	13	(0 7)	(0 5)
Investment expenses and charges	13	(0 2)	(0 1)
Allocated investment return transferred to the general business technical account	13	(2 0)	(3 7)
Net foreign exchange gain		4 2	4 9
Total operating profit		8 9	7 2
Profit on ordinary activities before tax		8 9	7 2
Tax on profit on ordinary activities	14	-	-
Profit for the financial year		8 9	7 2

Statement of Comprehensive Income

	Year ended 31 December 2015 USDm	Year ended 31 December 2014 USDm
Profit for the financial year	8 9	7 2
Other comprehensive income	-	-
Tax on comprehensive income	-	-
Other comprehensive income net of tax	-	-
Total comprehensive income for the year	8 9	7 2

The accounting policies and accompanying notes on pages 18 to 50 form part of these financial statements



STARSTONE INSURANCE LIMITED
BALANCE SHEET
For the year ended 31 December 2015

Company Number
06447250

Assets

	Notes	31 December 2015 USDm	31 December 2014 USDm
Investments			
Debt securities and other fixed-income securities	15	174 8	152 7
		<u>174 8</u>	<u>152 7</u>
Reinsurers' share of technical provisions			
Provision for unearned premiums	18	103 0	97 6
Claims outstanding	19	298 7	316 0
		<u>401 7</u>	<u>413 6</u>
Debtors			
Debtors arising out of direct insurance operations			
-intermediaries		77 3	70 6
Debtors arising out of reinsurance operations		18 9	16 7
Other debtors	16	1 1	20 5
		<u>97 3</u>	<u>107 8</u>
Other assets			
Cash at bank and in hand		16 9	44 5
		<u>16 9</u>	<u>44 5</u>
Prepayments and accrued income			
Accrued interest		1 1	0 8
Deferred acquisition costs	17	23 8	24 0
		<u>24 9</u>	<u>24 8</u>
Total assets		<u>715 6</u>	<u>743 4</u>

The accounting policies and accompanying notes on pages 18 to 50 form part of these financial statements



STARSTONE INSURANCE LIMITED

BALANCE SHEET For the year ended 31 December 2015

Company Number
06447250

Liabilities

	Notes	31 December 2015 USDm	31 December 2014 USDm
Technical provisions			
Provision for unearned premiums	18	128 6	124 6
Claims outstanding	19	334 5	368 1
Equalisation provision	20	8 5	8 2
		<u>471 6</u>	<u>500 9</u>
Creditors			
Creditors arising out of direct insurance operations		1 3	3 3
Creditors arising out of reinsurance operations		29 5	31 4
Other creditors including taxation and social security	21	4 6	4 9
		<u>35 4</u>	<u>39 6</u>
Accruals and deferred income	22	31 3	34 5
Total liabilities		<u>538 3</u>	<u>575 0</u>
Capital and reserves			
Called up share capital	24	100 0	150 0
Preference shares	24	50 0	50 0
Capital contribution		55 3	55 3
Retained earnings		(28 0)	(86 9)
Total shareholders' funds		<u>177 3</u>	<u>168 4</u>
Total shareholders' funds and liabilities		<u>715 6</u>	<u>743 4</u>

The accounting policies and accompanying notes on pages 18 to 50 form part of these financial statements

These financial statements were approved by the Board of Directors on 29 February 2016 and signed on their behalf by

Theo Wilkes
Director

29 February 2016



STARSTONE INSURANCE LIMITED

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2015

Company Number
06447250

	<u>Called-up Share Capital</u> USDm	<u>Capital Contribution</u> USDm	<u>Retained Earnings</u> USDm	<u>TOTAL</u> USDm
At 31 December 2013 as previously stated	200 0	55 3	(94 1)	161 2
Changes on transition to FRS 102 & 103 (Note 1)	-	-	-	-
At 1 January 2014 as restated	200 0	55 3	(94 1)	161 2
Profit for the financial year as previously reported	-	-	5 2	5 2
Changes on transition to FRS102 & 103 (Note 1)	-	-	2 0	2 0
At 31 December 2014 as restated	200 0	55 3	(86 9)	168 4
Profit for the financial year	-	-	8 9	8 9
Capital reduction	(50 0)	-	50 0	-
At 31 December 2015	150 0	55 3	(28 0)	177 3

The accounting policies and accompanying notes on pages 18 to 50 form part of these financial statements



STARSTONE INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2015

1. Basis of preparation

StarStone Insurance Limited ("the Company"), formerly "Torus Insurance (UK) Limited" is a company limited by shares and incorporated and domiciled in the UK. The financial statements are presented for the year ended 31 December 2015.

The financial statements have been prepared in accordance with the provisions of Section 396 of the Companies Act 2006 and Schedule 3 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 Standards 102 & 103 (FRS 102 & 103) as issued by the Financial Reporting Council.

In the transition to FRS 102 from the previous UK GAAP as modified by the revaluation of investments, the only adjustments to measurement and recognition that the Company has made relate to the retranslation of any provisions for unearned premium reserves and deferred acquisition costs that are denominated in currencies other than USD from historic rate to the closing rate ruling at each balance sheet date. In accordance with the transitional requirements of FRS 102, the Company has reflected the retranslation as follows:

- 31 December 2013 net assets – Retained Earnings restated to reflect closing exchange rates. As there was no material difference between historic rates and closing rate at this date, no adjustment to retained earnings was required.
- Year ended 31 December 2014 – Income Statement and associated notes restated to reflect closing rates.
- Year ended 31 December 2015 – Income Statement and associated notes prepared using FRS 102 basis.

In accordance with FRS 103, the Company has applied existing accounting policies for insurance contracts.

The presentation and functional currency of these financial statements is US dollars. All amounts in the financial statements have been rounded to the nearest USD million, to one decimal place.

The Company's immediate parent undertaking, StarStone Insurance Bermuda Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of StarStone Insurance Bermuda Limited are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) and are available to the public. In these financial statements, 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 Cash Flow Statement and related notes and reconciliation of the number of shares outstanding. The Directors have received written confirmation from the Directors of StarStone Insurance Bermuda Limited that the approach of utilising this exemption is acceptable to them.

Going concern

Having reviewed the capital resources and cash available to the Company along with budget and capital forecasts for future periods, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2. Use of judgements and estimates

In preparing these financial statements, the Directors of the Company have 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 measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The provision for unpaid losses comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the Company.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Company's in-house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience, the development of claims over time in view of the likely ultimate claims to be experience and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

The principal risks and uncertainties of the business have been addressed within the Strategic Report on pages 2 to 7. Judgements made by the directors, 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

The significant accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Insurance operations

Written Premiums – Premiums, both direct and assumed are recognised as written upon inception of the policy. Any subsequent adjustments to written premiums are recognised in the period in which they are determined. Even where the Company has written policies which are greater than one year in duration and the premium is payable in annual instalments, the total premium under the policy is recognised as written premium at the policy inception date and earned as noted below. Where there is a long term agreement in place and policies are subject to annual re-signing, these policies will be recognised as written premium when the policy is re-signed.



STARSTONE INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2015

3. Summary of significant accounting policies (continued)

Earned Premiums – Premiums are earned as revenue over the period of the contract in proportion to the level of protection provided. Generally this is on a pro-rata basis over the term of the policies to which they relate or according to a determined set of earnings patterns. Where the amount of insurance protection varies according to a predetermined schedule, the premium is earned over the period of cover in line with the underwriter's assessment of the level of protection provided.

Due to early financial reporting requirements of the Company's ultimate holding company, there are no net earned premiums, acquisition costs and related losses recorded for premiums written in the month of December 2015.

Reinsurance – Ceded reinsurance premiums are recognised in the same accounting period as the related insurance. Reinsurance premiums ceded are expensed over the period under which the coverage is provided. For contracts written on a 'losses occurring during basis', the reinsurance premiums are earned on a pro-rata basis over the term of the contract. For contracts written on a 'risk attaching basis', the reinsurance premiums are earned based on the terms of the underlying contracts.

Reinsurance reinstatement premiums – Where a mandatory reinstatement premium is payable under the contract terms after a loss event has occurred, the reinstatement premiums are recorded as written and fully earned at the date of the loss.

Risk transfer – With respect to ceded business, reinsurance accounting is only applied on reinsurance contracts where the risk transfer requirements have been met including the following key conditions:

- (a) The reinsurer assumes significant insurance risk under the reinsured portions of the underlying insurance contracts, and
- (b) It is reasonably possible that the reinsurer may realise a significant loss from the transaction.

Acquisition Costs – Acquisition costs comprise those costs that are incurred, directly and indirectly, in the acquisition of new and renewed insurance contracts. These consist of commissions, premium taxes, underwriting costs and other costs, which vary with and are primarily related to, the acquisition of premiums.

Deferred acquisition costs – Acquisition costs are deferred and amortised over the same period and on the same basis as that under which the related premiums are earned. For this purpose, a proportion of the salaries and travel costs of underwriters, pricing actuaries and engineers are allocated to acquisition costs and deferred in line with the overall proportion of the deferral of acquisition costs.

Unexpired risk provision – Provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risk provision. The expected claims are calculated based on information available at the balance sheet date. Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

3 Summary of significant accounting policies (continued)

Unpaid losses – A liability for unpaid losses is established where the insured event has occurred on or before the balance sheet date. The reserve for the unpaid losses is recommended by Ernst & Young LLP ("EY") and reviewed by the Company. EY's recommendation is based on the estimated ultimate cost of settling claims and includes provisions for both reported claims (case reserves) and estimates relating to incurred but not reported claims ("IBNR").

Due to the early financial reporting requirements of the Company's ultimate holding company, there are no reported claims and related reinsurance recoveries recorded for the month of December 2015. Net claims incurred is based upon estimates of the ultimate cost of settling claims through to 31 December 2015 and include IBNR reserves.

Therefore there is no impact on net claims incurred as a result of this change. Claims paid not accrued of USD 9.4m (2014: USD 6.9m) are included as an asset in the Balance Sheet within Debtors arising out of direct insurance operations - intermediaries.

IBNR is generally subject to a greater degree of uncertainty than reported claims. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves.

Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques. In the initial years, the estimation of the claims will be based on pricing assumptions and comparison to industry benchmarks. Once adequate data is available, the estimation is generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with statistics from previous periods,
- changes in the legal environment,
- the effects of inflation,
- changes in the mix of business,
- the impact of large losses, and
- any movements in industry benchmarks.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Company has regard to the claim circumstance as reported, any information available from loss adjusters and any available information on the cost of settling claims with similar characteristics.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distorting effect of the development and incidence of these large claims.

3 Summary of significant accounting policies (continued)

Unpaid losses

Where possible multiple techniques are utilised to estimate their recommended level of provisions. This assists the Company in gaining greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in *setting the range of possible outcomes*. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated net of any estimated amounts of *salvage and subrogation recoveries*, but gross of any reinsurance recoveries. No benefit has been taken for discounting the reserves.

Loss adjustment expenses – A liability is established for all costs expected to be incurred in connection with the settlement of unpaid claims. These include the direct cost relating to the investigation of the claims and other costs which cannot be associated with specific claims but are related to claims paid or in the process of settlement such as internal costs of the claims functions.

Reinsurance recoverable on unpaid losses – Reinsurance recoverables are balances due from reinsurance companies for paid and unpaid losses and loss expenses that are expected to be recoverable from reinsurers under the terms of the reinsurance agreements.

Reinsurance recoverable will be stated net of a reserve for uncollectable reinsurance. This reserve will be calculated based on management's estimate of any amounts that the Company would be unable to recover from the reinsurer due to insolvency or known liquidity issues, contractual dispute or any other reason which in management's judgement is likely to warrant a reserve against a particular reinsurer.

In the determination of the reserve for uncollectable reinsurance, the Company will consider the recoverable balance by reinsurer net of any collateral held. The definition of collateral for this purpose is generally limited to assets held in trust, letters of credit and liabilities held by the Company with the same legal entity for which the Company believes there is a legal right of offset.

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 value are presented in the statement of profit and loss and other comprehensive income. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

3. Summary of significant accounting policies (continued)

Financial Assets & Liabilities

Classification (continued)

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 Company's Investment Strategy.

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 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 profit or loss. 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 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)

Identification and measurement of impairment

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Company 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

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

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)

3 Summary of significant accounting policies (continued)

Investment return (continued)

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet 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 of 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.

Equalisation provision

An equalisation provision has been established in accordance with the requirements of INSPRU 14 of the PRA Prudential Sourcebook for Insurers to mitigate exceptionally high loss ratios for classes of business displaying a high degree of claims volatility. The amounts provided are not liabilities because they are in addition to the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date. Notwithstanding this, they are required by Schedule 3 of the Large and Medium sized companies and Groups (Accounts and Reports) Regulations 2008 to be included within technical provisions.

Preference shares

The Company has issued Preference shares which are cumulative and mandatorily redeemable at the option of the issuer (see Note 24).

Foreign currencies

The functional and the reporting currency of the Company is the United States dollar.

Monetary assets and liabilities that are denominated in currencies other than the functional currency are revalued at the period end rates of exchange. The gains and losses arising from the revaluation are included in the profit and loss account. In accordance with FRS 103, the unearned premium reserve and deferred acquisition costs are treated as monetary assets and liabilities.

Revenues and expenses that are denominated in foreign currencies are translated at the average rates of exchange for the period they transacted.

Realised gains and losses from non-functional currencies that arise from the settlement of transactions at rates of exchange that differ from those prevailing when the transaction was originally recorded are recorded in the profit and loss account.

3. Summary of significant accounting policies (continued)

Operating leases

The rental cost associated with operating leases is charged to the profit and loss account on a straight line basis over the life of the lease

Taxation

The charge for taxation is based on the profits or losses for the year and takes into account deferred taxation. Provision is made for deferred tax liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the profit and loss account. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the profit and loss account for the period to the extent to which it is expected to be recoverable or is attributable to a gain or loss that is recognised directly in the statement of total recognised gains and losses. Deferred tax balances are not discounted.

4. Capital management

The Company complies with all regulatory and rating agency solvency requirements. The Company adopts conventional actuarial and other methods to assess the risks to its solvency on a forward looking basis. The Company's capital management strategy is to deploy capital efficiently and to maintain adequate loss reserves to protect against future adverse developments and other risks. The capital structure of the Company consists of equity attributable to the equity holders of the parent, comprising issued capital, and retained earnings as disclosed in the Statement of Changes in Equity. Reinsurance is also used as part of risk mitigation and capital management.

The Company was in compliance with capital requirements imposed by regulators throughout the financial year.

The capital requirement of the Company is determined by its exposure to risk and the solvency criteria established by management and statutory regulations. The table below sets out the statutory minimum capital requirement and the Company's available capital (prior to Solvency II full implementation which is effective 1 January 2016)

	Unaudited 2015	2014
	USDm	USDm
Statutory minimum capital requirement	18.6	26.9
Total available capital resources	172.2	139.6
Excess	153.6	112.7



STARSTONE INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2015

5. Financial risk management

The focus of financial risk management is ensuring that the proceeds from the Company's financial assets and the timing of the resulting cash flows are sufficient to fund the obligations arising from its insurance liabilities. The Company monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks.

i. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The key areas of exposure to credit risk for the Company are in relation to its investment portfolio, reinsurance programme and to a lesser extent amounts due from policyholders and intermediaries.

The objective of the Company in managing its credit risk is to ensure risk is managed in line with the Company's risk appetite. The Company has established policies and procedures in order to manage exposure to credit risk and methods to quantify exposure.

There were no material changes in the Company's credit risk exposure in the financial year nor to the objectives, policies and processes for managing credit risk.

Credit risk management

The Company'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 Company has a policy of investing in mainly investment grade assets (i.e. those rated BBB and above).

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

Exposure to credit risk

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure. The Company does not hold any collateral as security or purchase any credit enhancements.

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 and other debtors and accrued interest.

STARSTONE INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

5 Financial risk management (continued)

Exposure to credit risk (continued)

Year 2015	AAA USDm	AA USDm	A USDm	BBB USDm	Not rated USDm	Total USDm
Financial investments						
- Debt securities and other fixed income securities	8 3	81 3	66 0	16 7	2 5	174 8
Reinsurer's share of technical provisions	-	60 8	39 9	1 8	299 2	401 7
Debtors arising out of direct insurance operations	-	-	-	-	77 3	77 3
Debtors arising out of reinsurance operations	-	-	-	-	20 0	20 0
Cash	-	-	16 9	-	-	16 9
Prepayments and accrued income	-	-	-	-	24 9	24 9
Total	8 3	142 1	122 8	18 5	423 9	715 6
Year 2014	AAA USDm	AA USDm	A USDm	BBB USDm	Not rated USDm	Total USDm
Financial investments						
- Debt securities and other fixed income securities	33 7	68 0	38 3	7 7	10 0	152 7
Reinsurer's share of technical provisions	-	62 7	41 1	1 9	307 9	413 6
Debtors arising out of direct insurance operations	-	-	-	-	70 6	70 6
Debtors arising out of reinsurance operations	-	-	-	-	37 2	37 2
Cash	-	-	44 5	-	-	44 5
Prepayments and accrued income	-	-	-	-	24 8	24 8
Total	33 7	130 7	123 9	4 6	450 5	734 4



STARSTONE INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2015

5. Financial risk management (continued)

Exposure to credit risk (continued)

The Company has debtors arising from direct insurance and reinsurance operations and may make a provision for non-recovery after undertaking an assessment of the counterparty's financial position and likelihood of recoverability. Details of the Company's debtors arising from direct insurance and reinsurance operations both before and after provision for non-recoverability is shown below.

	2015	2014
	USDm	USDm
Debtors arising out of direct and reinsurance operations		
Before provision for non-recoverability	112.6	102.2
After provision for non-recoverability	97.7	87.3

ii. Liquidity risk

Liquidity risk is the risk that the Company cannot dispose of its investments and other assets in order to meet its obligations associated with insurance contracts and financial liabilities as they fall due. The Company has adopted an appropriate liquidity risk appetite and monitoring process for the management of the Company's liquidity requirements. The Company manages liquidity risk by maintaining banking facilities and continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities such that it will always have sufficient liquidity to meet its liabilities when they fall due. In practice, most of the Company's assets are marketable securities which could be converted into cash when required.

There were no material changes in the Company's liquidity risk exposure in the financial year nor to the objectives, policies and processes for managing liquidity risk.

The maturity analysis presented in the table below shows the remaining contractual maturities for the Company's insurance contracts and financial instruments. For insurance contracts, the contractual maturity is the estimated by the actuarial assessment of future cash flows.

STARSTONE INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

5. Financial risk management (continued)

ii Liquidity risk (continued)

Exposure to Liquidity Risk

Year 2015	Carrying Amount	Total cash flows	< 1 year	1 – 2 years	2 – 5 years	5 years +
	USDm	USDm	USDm	USDm	USDm	USDm
Financial investments						
- Debt securities and other fixed income securities	174.8	191.2	23.6	38.1	114.0	15.5
Reinsurer's share of technical provisions	401.7	401.7	220.9	120.5	40.2	20.1
Debtors – direct business	77.3	77.3	61.8	15.5	-	-
Debtors – reinsurance and other	20.0	20.0	20.0	-	-	-
Other assets	16.9	16.9	16.9	-	-	-
Prepayments and accrued income	24.9	24.9	24.9	-	-	-
Total assets	715.6	732.0	368.1	174.1	154.2	35.6
Technical provisions	471.6	471.6	258.1	142.3	47.4	23.8
Creditors	35.4	35.4	35.4	-	-	-
Accrued and deferred income	31.3	31.3	31.3	-	-	-
Total liabilities	538.3	538.3	324.8	142.3	47.4	23.8
Net Assets	177.3	193.7	43.3	31.8	106.8	11.8

5. Financial risk management (continued)

Exposure to Liquidity Risk

Year 2014	Carrying Amount USDm	Total cash flows USDm	< 1 year USDm	1 – 2 years USDm	2 – 5 years USDm	5 years + USDm
Financial investments						
- Debt securities and other fixed income securities	152.7	167.0	20.6	33.3	99.6	13.5
Reinsurer's share of technical provisions	413.6	413.6	227.3	124.2	41.4	20.7
Debtors – direct business	70.6	70.6	56.5	14.1	-	-
Debtors – reinsurance and other	37.2	37.2	37.2	-	-	-
Other assets	44.5	44.5	44.5	-	-	-
Prepayments and accrued income	24.8	24.8	24.8	-	-	-
Total assets	743.4	757.8	410.9	171.6	141.0	34.3
Technical provisions	500.9	500.9	274.2	151.1	50.4	25.2
Creditors	39.6	39.6	39.6	-	-	-
Accrued and deferred income	34.5	34.5	34.5	-	-	-
Total liabilities	575.0	575.0	348.3	151.1	50.4	25.2
Net Assets	168.4	182.8	62.6	20.5	90.6	9.1

iii 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 interest rate risk, currency risk and other price risk.

The objective of the Company in managing its market risk is to ensure risk is managed in line with the Company's risk profile and risk appetite.

The Company manages market risk using a Value at Risk ('VaR') approach that reflects interdependencies between market risk types across the entire investment portfolio. The basis of VaR calculation is the Blackrock risk modelling platform and the Company interprets the Bank of England guidance to consider 'normal' VaR and 'stressed' VaR ('sVaR') market conditions to provide a total VaR for market risk.

The Company's policies and procedures for managing market risk have been developed within the Solvency II regulatory framework which requires sensitivities to risk to be measured.

STARSTONE INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

5. Financial risk management (continued)

iv Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates

The Company is exposed to interest rate risk primarily from financial investments, cash and deposits. The risk of changes in the fair value of these assets is managed by investing in a diversified portfolio of securities

The Company does not invest in derivative instruments

v Currency risk

The Company writes business primarily in US dollars, Sterling and Euros and is therefore exposed to currency risk arising from fluctuations in the exchange rates of US dollars against these currencies

The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled in order to match the currency risk

The table below summarises the carrying value of the assets and liabilities at the reporting date

Year 2015	US Dollar USDm	Sterling USDm	Euro USDm	Other USDm	Total USDm
Financial Investments					
- Debt securities and other fixed income securities	137.1	37.7	-	-	174.8
Reinsurer's share of technical provisions	390.8	5.6	5.3	-	401.7
Debtors – Direct business	41.2	14.1	17.3	4.7	77.3
Debtors – Reinsurance and other	19.5	0.4	0.0	0.1	20.0
Cash	10.8	3.5	1.4	1.2	16.9
Prepayments and accrued income	18.8	3.0	0.9	2.2	24.9
Total assets	618.2	64.3	24.9	8.2	715.6
- Technical provisions	346.7	83.3	28.5	13.1	471.6
- Creditors	33.5	0.5	1.3	0.1	35.4
- Accrued and deferred income	31.6	(0.2)	(0.0)	-	31.3
Total liabilities	411.8	83.6	29.7	13.2	538.3
Net Assets	206.4	(19.3)	(4.8)	(5.0)	177.3



STARSTONE INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

5 Financial risk management (continued)

v Currency risk (continued)

Year 2014	US Dollar USDm	Sterling USDm	Euro USDm	Other USDm	Total USDm
Financial investments					
- Debt securities and other fixed income securities	152.7	-	-	-	152.7
Reinsurer's share of technical provisions	413.6	-	-	-	413.6
Debtors - Direct business	52.8	3.1	8.6	6.1	70.6
Debtors - Reinsurance and other	37.2	-	-	-	37.2
Cash	16.6	5.8	11.2	10.9	44.5
Prepayments and accrued income	17.5	1.7	1.5	4.1	24.8
Total assets	690.4	10.5	21.4	21.1	743.4
Technical provisions	350.3	69.9	48.1	32.6	500.9
- Creditors	39.6	0.0	0.0	-	39.6
- Accrued and deferred income	34.2	0.3	0.0	0.0	34.5
Total liabilities	424.1	70.3	48.1	32.6	575.0
Net Assets	266.3	(59.8)	(26.7)	(11.5)	168.4

vi. Other price risk (Equity and Spread Risk)

The Company is exposed to price risk arising from fluctuations in the value of financial instruments as a result of changes in the market prices and the risks inherent in all investments. The Company has no significant concentration of price risk. The risk is managed by the Company by maintaining an appropriate mix of investment instruments.

Sensitivity analysis to market risks for financial instruments

An analysis of the Company'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 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.



STARSTONE INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

5 Financial risk management (continued)

Sensitivity analysis to market risks for financial instruments (continued)

	2015 <i>Profit or (Loss) for the year</i> USDm	2014 <i>Profit or (Loss) for the year</i> USDm
Interest rate risk		
0.5% increase in (US\$) interest rates	(2.6)	(7.2)
0.5% decrease in (US\$) interest rates	2.6	2.2
Currency risk		
5% increase in GBP/US dollar exchange rates	(1.0)	(3.1)
5% decrease in GBP/US dollar exchange rates	1.0	3.1
5% increase in Euro/US dollar exchange rates	(0.2)	(1.4)
5% decrease in Euro/US dollar exchange rates	0.2	1.4
Market price risk		
5% increase in fair value	8.9	7.6
5% decrease in fair value	(8.9)	(7.6)

The impact of the reasonably possible changes in the risk variables on Shareholders' Equity would be the same, since the Company recognises all changes in recognised assets and liabilities in the profit or loss.

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 Company's investments are actively managed. Additionally, the sensitivity analysis is based on the Company'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 Company's position.

Fair value

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Company applies valuation techniques to measure such instruments.

The table below shows financial assets carried at fair value through profit or loss grouped into the level of fair value hierarchy into which each fair value measurement is categorised.

STARSTONE INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

5. Financial risk management (continued)

Fair value (continued)

- Level A Quoted prices for an identical asset in an active market (usually at bid price)
- Level B When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant lapse of time since the transaction took place
- Level C If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique

	Level A 2015 USDm	Level B 2015 USDm	Level C 2015 USDm	Total 2015 USDm
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Measured at fair value through profit or loss

Debt securities and other fixed income securities	61 1	113 7	-	174 8
Financial Assets as at 31 December 2015	61 1	113 7	-	174 8

	Level A 2014 USDm	Level B 2014 USDm	Level C 2014 USDm	Total 2014 USDm
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Measured at fair value through profit or loss

Debt securities and other fixed income securities	37 2	115 5	-	152 7
Financial Assets as at 31 December 2014	37 2	115 5	-	152 7

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



STARSTONE INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2015

5. Financial risk management (continued)

Fixed maturity investments

Fair values for all securities in the fixed maturity investments portfolio are independently provided by the investment custodians, investment accounting service providers and investment managers, each of which utilise internationally recognised independent pricing services. The unadjusted price provided by the investment custodians, investment accounting service providers or the investment managers is recorded and the price is validated through a process that includes, but is not limited to: (i) comparison of prices against alternative pricing sources, (ii) quantitative analysis (eg comparing the quarterly return for each managed portfolio to its target benchmark), (iii) evaluation of methodologies used by external parties to estimate fair value, including a review of the inputs used for pricing, and (iv) comparing the price to the Company's knowledge of the current investment market.

The independent pricing services used by the investment custodians, investment accounting service providers and investment managers obtain actual transaction prices for securities that have quoted prices in active markets. For determining the fair value of securities that are not actively traded, in general, pricing services use "matrix pricing" in which the independent pricing service uses observable market inputs including, but not limited to, reported trades, benchmark yields, broker-dealer quotes, interest rates, prepayment speeds, default rates and such other inputs as are available from market sources to determine a reasonable fair value.

In addition, pricing services use valuation models, using observable data, such as an Option Adjusted Spread model, to develop prepayment and interest rate scenarios. The Option Adjusted Spread model is commonly used to estimate fair value for securities such as mortgage-backed and asset-backed securities.

6. Insurance risk management

i. Management of insurance risk

Risk management framework

The assumption of risk is inherent in the Company's business plan and establishing an appropriate risk appetite and executing business strategies in accordance therewith is key to measuring performance. Effective risk oversight is an important priority for the Company's Directors and strong emphasis is placed on ensuring the operation of a robust risk management framework to identify, measure, manage, report and monitor risks that affect the achievement of strategic, operational and financial objectives.

The overall objective of the Enterprise Risk Management ("ERM") framework is to support effective risk governance, support the achievement of business objectives and provide overall benefits to the Company by adding value to the control environment. In turn, a strong ERM framework contributes to an effective business strategy, efficiency in operations and processes, increases the potential for strong financial performance, reliable financial reporting, regulatory compliance, a good reputation with key stakeholders, business continuity planning, and capital planning.

StarStone uses its risk management capabilities in a strategic context to support the following three activities related to its operations:

6. Insurance risk management (continued)

Risk management framework (continued)

- 1 Identify, assess and measure risks to understand value creating versus value destroying risks and the associated risk levels for the purpose of capital allocation and business planning,
- 2 Establish a risk appetite with associated underlying risk tolerances for key risks undertaken for the purpose of maintaining and controlling risk levels so as to better align these with the Company's business strategy,
- 3 Monitor and report risk levels and returns relative to those risk levels as a key means to evaluate the Company's performance and business strategy

Risk governance and risk management organisation

The Directors are ultimately responsible for establishing and maintaining a sound risk management framework. This framework includes the establishment of significant policies and procedures and assigning ownership and responsibility over the effectiveness of these controls to operational management (deemed to be the first line of defence), the establishment of various risk control and compliance oversight functions (the second line of defence) and an effective independent audit function (the third line of defence).

The Audit Committee of the Company oversees the operation of the ERM and receives regular risk management reports to support risk governance. At an operational level, the Risk and Capital Committee closely reviews and monitors risk management across the StarStone Group and provides reports to each entity Board.

The Company follows best practice through the establishment of an appropriately designed management committee structure with primary responsibility for managing (both monitoring and mitigating) the material risks to which the Company is exposed. The membership of the respective management committees and the risks for which they are responsible are detailed within the respective Committee Terms of Reference. The management committees report to the Group Executive Committee which in turn reports to the Board of Directors of the Company.

Insurance risk, including catastrophe risk

The Company strives to mitigate underwriting risk through the operation of effective controls and strategies, including appropriate underwriting risk selection, diversification of underwriting portfolios by class and geography, purchasing of reinsurance, establishing a business plan, underwriting peer review, adherence to authority limits, the use of underwriting guidelines that provide detailed underwriting criteria and a framework for pricing, along with the use of specialised underwriting teams supported by actuarial, catastrophe modelling, claims, risk management, legal, finance, and other technical personnel.

The Company uses internally developed pricing models to evaluate individual underwriting decisions within the context of business plans and risk appetites.

6. Insurance risk management (continued)

Insurance risk, including catastrophe risk (continued)

In some business lines the Company is exposed to multiple insured losses arising out of a single peril, such as a natural catastrophe event (for example, a hurricane, windstorm, tornado, flood or earthquake) or a man-made event (for example, war, terrorism, airplane crashes and other transportation-related accidents, or building fires). The Company models and manages its individual and aggregate exposures to these events and other material correlated exposures in accordance with its risk appetite. The modelling process utilises a major commercial vendor model to measure certain of these exposures. The incidence, timing and severity of catastrophes and other event types are inherently unpredictable and it is difficult to estimate the amount of loss any given occurrence will generate. Accordingly, there is material uncertainty around the Company's ability to measure exposures, which can cause actual exposures and losses to deviate from initial estimates.

To monitor catastrophe risk, the Company reviews exceedance probability curves together with aggregated realistic disaster scenarios. The Company considers occurrence exceedance probability and aggregate exceedance probability which reflect losses resulting from single or multiple events, from individual perils and in the aggregate. Underwriting exposure is also managed through monitoring realistic disaster scenarios for man-made events and certain natural catastrophe risks, and applying absolute maximum limits by line of business.

ii Concentration of insurance risk

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

Year ended 31 December 2015	Energy	Construction	Marine	Fire and Other Damage to Property	Third Party Liability	Total
	USDm	USDm	USDm	USDm	USDm	USDm
US & Canada	6.2	23.2	16.4	(0.1)	1.8	47.5
UK	6.0	18.8	0.9	-	0.1	25.8
Europe	14.8	7.5	1.3	-	15.3	38.9
Australia / Asia	4.1	6.3	0.3	-	-	10.7
Rest of the World	8.7	14.6	0.7	-	0.2	24.2
Total	39.8	70.4	19.6	(0.1)	17.4	147.1

6. Insurance risk management (continued)

ii. Concentration of insurance risk (continued)

Year ended 31 December 2014	Energy	Construction	Marine	Fire and Other Damage to Property	Third Party Liability	Total
	USDm	USDm	USDm	USDm	USDm	USDm
US & Canada	29.2	8.2	13.1	0.1	0.5	51.1
UK	10.8	1.0	3.0	-	0.6	15.4
Europe	20.1	1.4	0.9	2.1	18.3	42.8
Australia / Asia	9.2	2.7	0.7	-	-	12.6
Rest of the World	19.6	8.2	1.0	-	0.8	29.6
Total	88.9	21.5	18.7	2.2	20.2	151.5

iii. 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 per cent increase or decrease in total claims liabilities would have the following effect on profit or loss and equity:

	2015		2014	
	5 per cent increase USDm	5 per cent decrease USDm	5 per cent increase USDm	5 per cent decrease USDm
Energy	(15.5)	15.5	(14.9)	14.9
Construction	(3.6)	3.6	(3.1)	3.1
Marine	(2.1)	2.1	(2.1)	2.1
Fire and Other Damage to Property	(4.7)	4.7	(4.7)	4.7
Third Party Liability	(9.8)	9.8	(9.6)	9.6
	(35.7)	35.7	(34.4)	34.4

STARSTONE INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

6 Insurance risk management (continued)

iv Claims development table

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

Gross – Underwriting Year	2011	2012	2013	2014	2015	TOTAL
	USDm	USDm	USDm	USDm	USDm	USDm
Estimate of ultimate net claims at end of current underwriting year	99.2	44.9	50.8	21.1	21.5	
One year later	159.7	122.2	97.4	88.8	-	
Two years later	178.3	121.9	102.3	-	-	
Three years later	216.3	145.4	-	-	-	
Four years later	210.3	-	-	-	-	
Less gross claims paid	140.5	73.9	36.4	9.8	0.3	
Gross claims reserve	69.8	71.5	65.9	79.0	21.3	307.5
Gross claims reserve 2010 and prior						27.0
Gross claims reserves						334.5
Net – Underwriting Year	2011	2012	2013	2014	2015	TOTAL
	USDm	USDm	USDm	USDm	USDm	USDm
Estimate of ultimate net claims at end of current underwriting year	20.5	12.8	9.8	4.3	4.4	
One year later	32.9	34.5	19.3	13.2	-	
Two years later	34.4	36.1	17.3	-	-	
Three years later	42.4	31.9	-	-	-	
Four years later	39.2	-	-	-	-	
Less net claims paid	36.0	22.8	14.4	3.7	0.1	
Net claims reserve	3.2	9.1	3.0	9.5	4.3	29.1
Net claims reserve 2010 and prior						6.7
Net claims reserves						35.8

STARSTONE INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

7. Class of business

The Company monitors premium income by both class of business and geographical area, and underwriting results by class of business. This analysis is presented below

2015	Gross premiums written	Gross premiums earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	USDm	USDm	USDm	USDm	USDm	USDm
Direct insurance						
Energy, Construction and Marine	117.2	113.9	(47.6)	(9.5)	(50.7)	6.1
Fire and other damage to property	0.1	0.2	(1.1)	0.0	0.9	0.0
Third party liability	17.3	20.9	(20.2)	(4.0)	0.2	(3.1)
Total	134.6	135.0	(68.9)	(13.5)	(49.6)	3.0
Reinsurance acceptances						
Energy, Construction and Marine	12.5	5.5	(11.0)	-	5.5	-
Fire and other damage to property	-	-	(0.6)	(0.0)	(0.6)	(0.0)
Third party liability	-	-	-	-	-	-
Total	12.5	5.5	(10.4)	(0.0)	4.9	(0.0)
TOTAL	147.1	140.5	(79.3)	(13.5)	(44.7)	3.0
Equalisation provision						(0.3)
Investment Return						2.0
Net foreign exchange gain						4.2
						8.9
2014						
	USDm	USDm	USDm	USDm	USDm	USDm
Direct insurance						
Energy, Construction and Marine	129.2	157.1	(92.7)	(11.3)	(58.5)	(5.4)
Fire and other damage to property	0.7	2.4	3.4	(0.1)	(5.8)	(0.1)
Third party liability	21.6	39.7	(50.4)	(1.7)	17.4	5.0
Total	151.5	199.2	(139.7)	(13.1)	(46.9)	(0.5)
Reinsurance acceptances						
Energy, Construction and Marine	-	-	-	-	-	-
Fire and other damage to property	-	-	-	-	-	-
Third party liability	-	-	-	-	-	-
Total	-	-	-	-	-	-
TOTAL	151.5	199.2	(139.7)	(13.1)	(46.9)	(0.5)
Equalisation provision						(0.9)
Investment Return						3.7
Net foreign exchange gain						4.9
						7.2



STARSTONE INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

8 Net operating expenses

	Year ended 31 December 2015	Year ended 31 December 2014
	USDm	USDm
Commission and acquisition costs	23.2	37.6
Change in deferred acquisition costs	0.2	9.3
Reinsurers' share of expenses	(32.3)	(60.8)
Administrative expenses	22.4	27.0
	<u>13.5</u>	<u>13.1</u>

The majority of administrative expenses are incurred by the UK services company, StarStone Insurance Service Limited ("SISL") and are recharged to StarStone group companies in line with group policy. Torus Business Solutions Private Limited ("TBSPL"), a company incorporated in India, is an affiliate entity which provides back office support services to the group. It recharges expenses to the Company in line with group policy.

9. Operating profit

	Year ended 31 December 2015	Year ended 31 December 2014
	USDm	USDm
Operating profit is stated after charging:		
Staff salaries and Social Security (see Note 11)	-	-
Auditor's remuneration	0.2	0.2

The 2015 audit fee cost accrued for the Company is USD 179,850 (2014: USD 267,770). Note 8 quantifies administrative expenses, most of which are expenses incurred by SISL and recharged to the Company.

10 Operating lease rentals

Annual commitments under non cancellable operating leases are as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
	USDm	USDm
Operating leases which expire:		
Within one year	-	-
In the second to fifth years inclusive	1.1	-
Over five years	-	1.1
	<u>1.1</u>	<u>1.1</u>

Whilst the Company retains the legal obligation under these leases, in practice the majority of costs are met by the UK services company, SISL, and are recharged to StarStone group companies in line with group policy.



STARSTONE INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

11. Staff costs

The company employed no staff throughout 2015 and 2014

12. Directors' emoluments

The Company does not employ any of the Directors. As stated above in note 8, SISL is the service company for the European operations of the StarStone group and recharges the expenses incurred in relation to costs it incurs on behalf of the Company. The figures shown below represent the amounts recharged by SISL to the Company during the year in respect of Directors of the Company.

	<u>Year ended</u> <u>31 December 2015</u>	<u>Year ended</u> <u>31 December 2014</u>
	USDm	USDm
Directors' emoluments	1.1	3.1
Contributions to pension	-	0.1

Highest paid Directors' emoluments for the Company are as follows

	<u>Year ended</u> <u>31 December 2015</u>	<u>Year ended</u> <u>31 December 2014</u>
	USDm	USDm
Directors' emoluments	0.2	0.8
Contributions to pension	-	-

13. Investment return

	<u>Year ended</u> <u>31 December 2015</u>	<u>Year ended</u> <u>31 December 2014</u>
	USDm	USDm
Investment Income		
Investment Income	2.2	3.1
Realised gains on investments	0.7	1.2
	<u>2.9</u>	<u>4.3</u>
Unrealised losses on investments	(0.7)	(0.5)
Investment management expenses	(0.2)	(0.1)
	<u>2.0</u>	<u>3.7</u>
Net investment return transferred to the technical account		



STARSTONE INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2015

14 Income tax

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

	Year ended 31 December 2015 USDm	Year ended 31 December 2014 USDm
Current tax charge		
UK corporation tax on profit for the year	-	-
Adjustments in respect of prior periods	-	-
Foreign / overseas tax	-	-
Total current tax	-	-
Deferred taxation origination and reversal of timing differences	-	-
Deferred taxation changes in accounting policy	-	0.4
Brought forward tax losses utilised	-	(0.4)
Tax on results on ordinary activities	-	-

(b) Factors affecting the tax charge for the year

	Year ended 31 December 2015 USDm	Year ended 31 December 2014 USDm
Profit on ordinary activities before taxation	8.9	7.2
Profit on ordinary activities before taxation multiplied by the standard rate of corporation taxation of 20.25% (2014: 21.5%)	(1.8)	(1.5)
<i>Factors affecting the charge for the period</i>		
Adjustment in respect of prior periods	-	(0.4)
Utilised tax losses	1.8	1.9
Tax charge for the period	-	-

The rate of corporation tax was reduced from 21% to 20% effective 1 April 2015 and as a result a composite rate of 20.25% has been used in respect of the year ended 31 December 2015. A composite rate of corporation tax of 21.5% was used in respect of the year ended 31 December 2014 following the reduction in the corporation tax rate from 23% to 21% on 1 April 2014.



STARSTONE INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2015

14. Income tax (continued)

(c) Factors that may affect future tax charges

Following summer Budget 2015 announcements, the government announced legislation setting the Corporation Tax rate at 19% for the years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. These reductions in the corporation tax rate have now been enacted.

The Company has not recognised a deferred tax asset of USD 7.2m as at 31 December 2015 (2014: USD 9.4m) in respect of tax losses. This asset has not been recognised as there is insufficient evidence of suitable tax profit arising in the immediate future which the asset can be utilised against. The tax losses remain available to the Company and a deferred tax asset in respect of these may be recognised in the future if it is more likely than not that the Company will generate sufficient taxable profits against which it can utilise the benefits of the asset.

15. Debt securities and other fixed income securities

	Carrying Value		Cost	
	2015	2014	2015	2014
	USDm	USDm	USDm	USDm
Government and supranational securities	61.1	37.2	61.6	37.0
Asset back securities	1.0	13.2	1.0	13.2
Mortgage back instruments	34.6	51.3	34.9	51.1
Corporate Bonds	78.1	51.0	79.6	50.8
Total	174.8	152.7	177.1	152.1

All investments are listed on a recognisable stock exchange.

All financial instruments are measured at fair value through profit and loss.

The Company has USD 77.5m (2014: USD 76.4m) of assets in a separate account to collateralise both the remaining internal reinsurance arrangements between StarStone Specialty Insurance Company ("SSIC") and the Company, as well as the direct reinsurance of other US domiciled assureds. SSIC is a related company under common control by SIBL, the immediate parent of the Company.

The Company has USD 18.0 (2014: USD 17.8m) of assets held in a segregated account. These segregated assets are a requirement of the National Association of Insurance Commissioners ("NAIC") regulations in order to write business on an excess and surplus lines basis with clients domiciled in certain states in the United States of America.



STARSTONE INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2015

16. Other debtors

	31 December 2015	31 December 2014
	USDm	USDm
VAT Recoverable	0.2	-
Amounts owed by related companies	0.9	20.5
Total other debtors	1.1	20.5

17. Deferred acquisition Costs

	Year ended 31 December 2015	Year ended 31 December 2014
	USDm	USDm
Balance at the beginning of the period	24.0	33.8
Acquisition costs deferred	23.7	23.5
Amortisation	(23.5)	(32.8)
Foreign currency revaluation	(0.4)	(0.5)
Balance at the end of the period	23.8	24.0

18. Provision for unearned premiums

	Gross	Reinsurer's share	Net
	USDm	USDm	USDm
2015			
Balance at the beginning of the period	124.6	97.6	27.0
Movement in the year	6.6	5.5	1.1
Foreign currency revaluation	(2.6)	-	(2.6)
Balance at the end of the period	128.6	103.0	25.6
2014			
Balance at the beginning of the period	175.0	129.9	45.1
Movement in the year	(47.7)	(36.0)	(11.7)
Reclassification of intragroup balance	-	3.7	(3.7)
Foreign currency revaluation	(2.7)	-	(2.7)
Balance at the end of the period	124.6	97.6	27.0

STARSTONE INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

19. Claims provisions

2015	Gross	Reinsurer's share	Net
	USDm	USDm	USDm
Balance at the beginning of the period	368.1	316.0	52.1
Reclassification of fronted recoveries	(6.9)	(6.9)	=
Movement in the year	(16.9)	(10.1)	(6.8)
Foreign currency revaluation	(9.8)	(0.3)	(9.5)
Balance at the end of the period	334.5	298.7	35.8

2014	Gross	Reinsurer's share	Net
	USDm	USDm	USDm
Balance at the beginning of the period	445.3	351.9	93.4
Movement in the year	(67.8)	(69.6)	1.8
Foreign currency revaluation	(9.4)	-	(9.4)
Intragroup reinsurance endorsement	-	33.7	(33.7)
Balance at the end of the period	368.1	316.0	52.1

No allowance is made for discounting of the technical provisions.

20 Equalisation provision

	31 December 2015	31 December 2014
	USDm	USDm
Balance at the beginning of the period	8.2	7.3
Movement in the year	0.3	0.9
Balance at the end of the period	8.5	8.2

As set out in the Company's accounting policy on page 25, an equalisation provision has been established in the financial statements. The effect of this provision is to reduce shareholders' funds by USD 8.5m (2014: USD 8.2m). The increase in provision during the year had the effect of reducing the balance on the technical account for general business by USD 0.3m (2014: USD 0.9m), decreasing the profit before taxation on ordinary activities from USD 9.2m to USD 8.9m.



STARSTONE INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2015

21 Other creditors including taxation and social security

	31 December 2015	31 December 2014
	USDm	USDm
Amounts owed to group undertakings	2.6	2.5
Net insurance premium taxes payable	1.8	2.4
Unsettled tax liabilities	0.2	-
Total other creditors	4.6	4.9

22. Accruals and deferred income

	31 December 2015	31 December 2014
	USDm	USDm
Reinsurers' share of deferred acquisition costs	30.1	33.6
Accruals	1.2	0.9
Total accruals and deferred income	31.3	34.5

23. Financial instruments

The carrying values of the Company's financial assets and liabilities are summarised by category below

	Year ended 31 December 2015	Year ended 31 December 2014
	USDm	USDm
Financial assets that are debt instruments at fair market value through profit and loss		
Debt securities and other fixed income securities	174.8	152.7
Financial assets that are measured at cost		
Cash at bank and in hand	16.9	16.9
Other debtors	1.1	20.5
Financial assets that are measured at amortised cost		
Debtors arising out of direct insurance operations – intermediaries	77.3	70.6
Debtors arising out of reinsurance operations	20.4	16.7
Other debtors	1.1	20.5
Financial liabilities that are measured at amortised cost		
Creditors arising out of direct insurance operations	1.3	3.3
Creditors arising out of reinsurance operations	29.5	31.4
Other creditors including taxation and social security	4.6	4.9



STARSTONE INSURANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2015

24 Share capital

	31 December 2015	31 December 2014
	USDm	USDm
Allotted, issued and paid		
100,000,000 (2014: 150,000,000) Ordinary shares of USD 1.00 each	100.0	150.0
50,000,000 Preference shares of USD 1.00 each	50.0	50.0
	150.0	200.0

The USD preference shares were issued to a fellow group company, StarStone Finance Limited. The preference shares may be redeemed, at the issuer's option at any time after the fifth anniversary of the date of issue and will be redeemed at par. The shares are non-voting and have a preferential right to return of capital on a winding up. The declaration and payment of any dividend on the shares is at the absolute discretion of the Directors of the Company. As a result all of the issued preference shares have been classified under equity.

On 17 June 2015 the Company completed a reduction in its Ordinary Share capital from 150,000,000 Ordinary shares of USD 1.00 each to 100,000,000 Ordinary shares of USD 1.00 each. This reduction was effected by way of a special resolution passed by its shareholders and supported by a solvency statement provided by the Company's Directors, in accordance with procedures permitted under the Companies Act 2006 sections 642-644. Ordinary Share capital was reduced by USD 50m, and this amount was transferred to the Company's retained earnings reserve.

25 Related party transactions

Barnabas Hurst Bannister is a non-executive director of Price Forbes & Partners Ltd ("Price Forbes"). During the period to his resignation in January 2015 the Company wrote USD 0.1m of premiums placed by Price Forbes and paid commissions of 20% on this business. The contracts were entered into on an arm's length basis. He is also a non-executive director of a number of Xchanging subsidiary companies which provide insurance processing services to the Company. All provisions of services are entered into on an arm's length basis.

The Company had no material balances with Enstar group companies as at 31 December 2015 and there had been no material transactions between the Company and Enstar group companies during the year.

Transactions and end year balance with Enstar and StarStone group undertakings are shown below.

STARSTONE INSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

25 Related party transactions (continued)

	Year ending 31 Dec 2015 Income / Expense USDm	Balance at 31 Dec 2015 Asset / (Liability) USDm	Year ending 31 Dec 2014 Income / (Expense) USDm	Balance at 31 Dec 2014 Asset / (Liability) USDm
Expenses charged by group undertakings				
Cranmore (UK) Limited	(0.2)	-	-	-
StarStone Insurance Services Limited	(18.1)	(1.3)	(24.8)	(0.2)
StarStone Insurance Bermuda Limited	(0.1)	(0.0)	(0.0)	19.2
StarStone Insurance Holdings Limited	(0.1)	-	-	(0.9)
StarStone Insurance Europe Limited AG	(1.6)	(0.9)	(0.6)	(0.4)
StarStone US Services Inc	(0.4)	(0.1)	0.8	0.9
Torus Business Solutions Private Limited	(1.0)	(0.2)	(1.4)	(0.4)
Intra-group reinsurance – assumed from				
Syndicate 2008				
Written premium	12.4	7.2	-	-
Written acquisition costs	(4.0)	-	-	-
Paid claims	(1.2)	-	-	-
OSLR	(2.3)	(2.3)	-	-
IBNR	(7.4)	(7.4)	-	-
Intra-group reinsurance – ceded to				
StarStone Insurance Bermuda Limited				
Ceded written premium	(64.9)	8.6	(68.3)	17.2
Ceded written acquisition costs	10.0	-	23.5	-
Ceded commission	10.1	-	11.4	-
Ceded paid claims	53.4	-	125.5	-
Ceded OSLR	(4.8)	105.0	(1.6)	109.8
Ceded IBNR	(21.8)	86.6	(33.9)	108.5

26. Ultimate parent company

The Directors regard 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 can be obtained from The Secretary, Enstar Group Limited, Windsor Place, 22 Queen Street, Hamilton HM11, Bermuda.



Kentmere AG

**Report of the Independent Auditor
on the Interim Balance Sheet
to the Board of Directors
Interim Balance Sheet 2 May 2016**

KPMG (Liechtenstein) AG
Schaan, 2 May 2016
Ref: hv



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Report of the Independent Auditor on the Interim Balance Sheet to the Board of Directors of
Kentmere AG, Triesen

As independent auditor, we have been engaged to audit the accompanying Interim Balance Sheet of Kentmere AG as at 2 May 2016

This Interim Balance Sheet is the responsibility of the board of directors. Our responsibility is to express an opinion on this Interim Balance Sheet based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Liechtenstein profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the Interim Balance Sheet is free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the Interim Balance Sheet. We have also assessed the accounting principles used, significant estimates made and the overall presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Interim Balance Sheet has been prepared in accordance with the valuation and presentation principles of the Liechtenstein law.

KPMG (Liechtenstein) AG

Hans Vils
Chartered Accountant

Denise Hammerle
Chartered Accountant

Schaan, 2 May 2016

Enclosure
- Interim Balance Sheet as at 2 May 2016)

Interim balance sheet

2 May 2016

CHF

ASSETS

B Current Assets

IV Cash at bank

50,000

Total Assets

50,000

LIABILITIES AND EQUITY

A Equity

I Subscribed capital (fully paid-in)

50,000

Total Liabilities and equity

50,000

All formation cost and other expenses incurred to date are covered by a related party

Company Number SE []

STATUTES

OF

STARSTONE INSURANCE SE

as adopted on [] 2016



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Matter ref 146660 000018

Hogan Lovells International LLP
Atlantic House, Holborn Viaduct, London EC1A 2FG

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Hogan Lovells

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COMPANY NUMBER SE []

STATUTES

OF

STARSTONE INSURANCE SE

(adopted on 2016)

INTERPRETATION

1. In these statutes

"the Act" means the Companies Act 2006 including any statutory modification or re-enactment thereof for the time being in force,

"administrative organ" means the body responsible for the management of the company and in these statutes such term is used interchangeably with and should be construed synonymously with the term "the directors" References in the Act or these statutes to the "board" are references to the administrative organ,

"Arrears" means, in relation to any share in the company, all accruals, deficiencies and arrears of any dividend payable in respect of such share whether or not earned or declared and irrespective of whether or not the company has had at any time sufficient distributable profits to pay such dividend,

"clear days" in relation to the period of a notice means that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect,

"the company" means StarStone Insurance SE,

"Conversion Date" means any date on which there are fully paid-up Preference Shares in issue and on which the company proposes to convert such fully paid-up Preference Shares to Ordinary Shares,

"Conversion Notice" means not less than 28 business days' prior written notice by the company to holders of Preference Shares of a Conversion Date,

"director" means a person appointed to the administrative organ of the company,

"Dividend Date" means ten business days after a dividend declaration date,

"Dividend Declaration Date" means a date to be notified by the holder of the Preference Shares to the company, such date to recur annually,

"electronic form" has the meaning given to it in section 1168 of the Act,

"Euro Shares" means the shares of EUR 0 8856 each in the capital of the company from time to time in issue,

"the holder" in relation to shares means the member whose name is entered in the register of members as the holder of the shares,

"Maximum Allotment Amount" means shares up to an aggregate nominal value of

- (a) USD 50,000,000 plus GBP 50,000,000 in Preference Shares,
- (b) USD 250,000,000 plus GBP 200,000,000 in Ordinary Shares, and
- (c) EUR 250,000,000 in Euro Shares

"member" means a person whose name is entered in the register of members of the company,

"minimum capital requirement" means the company's minimum capital requirement as determined from time to time for the purposes of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II),

"office" means the registered office of the company,

"Ordinary Shares" means the ordinary shares of GBP 1 or USD 1 (as the case may be) each in the capital of the company from time to time in issue,

"Preference Dividend" means a dividend declared in relation to Preference Shares on a Dividend Declaration Date,

"Preference Dividend Rate" means 7 per cent or such other rate relating to an issue of Preference Shares as may be agreed by the company by ordinary resolution, prior to the issue of such Preference Shares,

"Preference Shares" means the convertible, cumulative, redeemable non-voting preference shares of GBP 1 or USD 1 (as the case may be) each in the capital of the company from time to time in issue, the rights and restrictions in respect of which are set out in these statutes,

"Redemption Date" means any date on which there are fully paid-up Preference Shares in issue and which the company proposes to redeem,

"Redemption Notice" means not less than 28 business days' prior written notice by the company to holders of Preference Shares of a Redemption Date,

"the Regulations" means the SE Regulation and the UK Regulations,

"the Regulator" means the Financial Conduct Authority and/or the Prudential Regulation Authority as appropriate or any statutory successor body or bodies which has regulatory jurisdiction over the company or the conduct of its affairs,

"SE Regulation" means Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company (SE) including any statutory modification or re-enactment thereof for the time being in force,

"seal" means the common seal of the company and any official seal permitted to be used by the Act,

"secretary" means the secretary of the company or any other person appointed to perform the duties of the secretary of the company, including a joint, assistant or deputy secretary,

"solvency capital requirement" means the company's solvency capital requirement as determined from time to time for the purposes of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II),

"the statutes" means the statutes of the company,

"the United Kingdom" means Great Britain and Northern Ireland, and

"UK Regulations" means The European Public Limited-Liability Company Regulations 2004 including any statutory modification or re-enactment thereof for the time being in force

No regulations set out in any schedule to any statute or statutory instrument concerning companies (including the Companies (Model Articles) Regulations 2008 or the Companies (Table A to F) Regulations 1985 (as amended)) shall apply to the company

Unless the context otherwise requires, words or expressions contained in these statutes bear the same meaning as in the Act and the SE Regulation but excluding any statutory modification thereof not in force when these statutes become binding on the company

SOCIETAS EUROPAEA

- 2 The company is a Societas Europaea as defined in the SE Regulation and is registered in the United Kingdom, with its registered office situated in England and Wales. The liability of the members is limited to the amount, if any, unpaid by the members on the shares held by them

AMENDMENT OF STATUTES

- 3 The company may amend its statutes by special resolution
- 4 These statutes may be amended in any other manner permitted or required by law

SHARE CAPITAL

- 5 Subject to the provisions of the Act and paragraph 6 of these statutes the directors are hereby authorised to exercise the powers of the company to offer, allot, agree to allot, grant any right to subscribe for, or to convert any security into shares to such persons (including any directors) at such times and generally on such terms and conditions as they think proper (including redeemable shares) but subject to any direction to the contrary given by the company in general meeting provided that no shares shall be issued at a discount or otherwise contrary to the Act or the Regulations
- 6 The directors may not in the exercise of the authority conferred on them by paragraph 5 allot relevant securities if
 - (a) the amount of such allotment, added to the amount of relevant securities previously allotted pursuant to such authority, would exceed the Maximum Allotment Amount, or
 - (b) a period of five years has elapsed from the date of the shareholder resolution adopting these statutes and the allotment is not made pursuant to an offer or agreement made by the company during such period
- 7 The authority of the directors conferred on them by paragraph 5 to allot shares may be varied, revoked or renewed by ordinary resolution of the company in accordance with the provisions of the Act and the Regulations
- 8 In accordance with section 568 of the Act, section 561 of the Act is excluded
- 9 Subject to the provisions of the Act and the Regulations and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the company may by ordinary resolution determine

- 10 Subject to the provisions of the Act and the Regulations, shares may be issued which are to be redeemed or are to be liable to be redeemed at the option of the company or the holder on such terms and in such manner as may be provided by the statutes
- 11 The company may exercise the powers of paying commissions conferred by the Act Subject to the provisions of the Act and the Regulations, any such commission may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one way and partly in the other
- 12 Except as required by law, no person shall be recognised by the company as holding any share upon any trust and (except as otherwise provided by the statutes or by law) the company shall not be bound by or recognise any interest in any share except an absolute right to the entirety thereof in the holder
- 13 The authorised share capital of the company shall not be subject to any limit The issued share capital of the company at the date of the adoption of these statutes is USD 149,900,000 and EUR 88,560 divided into 99,900,000 Ordinary Shares of USD 1 each, 50,000,000 Preference Shares of USD 1 each and 100,000 Euro Shares of EUR 0.8856 each

RIGHTS ATTACHING TO SHARES

- 14 The Preference Shares, the Ordinary Shares and the Euro Shares shall constitute separate classes of shares
- 15 *The Preference Shares, the Ordinary Shares and the Euro Shares shall entitle the holders of those shares to the respective rights and privileges and subject them to the respective restrictions and provisions contained in these statutes*
- 16 The holders of the Preference Shares shall not have the right to receive notice of or vote at a general meeting of the company, other than in relation to a resolution relating to the alteration of the rights attaching to the Preference Shares

REDEMPTION OF PREFERENCE SHARES

- 17 The company may on a Redemption Date subject to compliance with relevant applicable requirements of the Act and the Regulations and to prior approval of the Regulator if necessary, having given to the holders of the Preference Shares at that date a Redemption Notice, redeem any or all of the fully paid-up Preference Shares then in issue for the nominal amount paid up thereon, provided that if the board of directors determine that the proceeds of the issue of the Preference Shares are to be included in the calculation of the company's capital for the purposes of the requirements made by the Regulator from time to time, no Redemption Notice may be given before the fifth anniversary of the issue of the Preference Shares that are to be redeemed
- 18 Paragraph 17 shall not apply unless the company is in compliance with its solvency capital requirement and the redemption referred to in paragraph 17 shall not cause the company's capital resources to be lower than the company's solvency capital requirement
- 19 A Redemption Notice shall specify the Redemption Date, the number of Preference Shares to be redeemed and the place at which the certificates for such shares are to be presented for redemption
- 20 On the Redemption Date, the holders of the Preference Shares shall deliver to the company at such specified place the certificates for the shares concerned in order that the same may be redeemed Within 28 days after the Redemption Date, the company shall

pay to such holder (or to his order) the nominal amount paid up on such share together with a sum equal to all Arrears in respect of such Preference Share to be calculated down to and including the Redemption Date. If any certificate so delivered to the company includes any Preference Shares not redeemable on that Redemption Date, the company shall deliver to the relevant shareholder a fresh certificate in respect of any such shares

- 21 Following the Redemption Date, the Preference Shares shall be treated as having been redeemed, whether or not the certificates therefor shall have been delivered and the redemption monies paid. The redemption monies, if remaining unpaid, shall constitute a debt of the company, subject to all the provisions of these statutes relating to monies payable on or in respect of a share

CONVERSION OF PREFERENCE SHARES

- 22 The company may on any Conversion Date subject to compliance with relevant applicable requirements of the Act and the Regulations and having given to the holders of the Preference Shares at that date a Conversion Notice, convert any or all of the fully paid-up Preference Shares then in issue into the same number of fully paid-up Ordinary Shares
- 23 A Conversion Notice shall specify the Conversion Date, the number of Preference Shares to be converted and the place at which the certificates for such shares are to be presented to the company
- 24 On the Conversion Date, each of the holders of the Preference Shares concerned shall deliver to the company at such specified place the certificates for the shares concerned. Within 28 business days after the Conversion Date, the company shall send to each holder of the relevant Preference Shares a definitive certificate representing the replacement Ordinary Shares and shall pay to each holder of Preference Shares concerned a sum equal to all Arrears in respect of such Preference Shares to be calculated up to and including the Conversion Date. If any certificate so delivered to the company includes any Preference Shares not converted on that Conversion Date, the company shall deliver to the relevant shareholder a fresh certificate in respect of any such shares
- 25 Following a Conversion Date, no further Preference Dividend shall be declared in relation to any converted Preference Share. The Ordinary Shares resulting from the conversion shall carry the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares by reference to a record date falling on or after the applicable Conversion Date and shall otherwise rank *pari passu* in all respects with the fully paid-up Ordinary Shares then in issue

SET-OFF

- 26 The holders of the Preference Shares waive any entitlement to set off amounts they owe to the company against amounts owed to them by the company

OTHER PROVISIONS RELATING TO PREFERENCE SHARES

- 27 So long as any Preference Shares remain in issue then, save with such consent or sanction on the part of the holders of the Preference Shares as is required for a variation of the rights attached to such shares
- (a) the company shall not issue any further shares which are not in all material respects uniform with the Ordinary Shares or the Euro Shares in issue on the date of the adoption of this paragraph 27,

- (b) the company shall not pass any resolution providing for the rights attaching to the Ordinary Shares or the Euro Shares to be modified, varied or abrogated, and
- (c) the company shall not pass any resolution providing for the purchase or redemption of any Ordinary Shares or any Euro Shares or otherwise for the reduction of its share capital

RETURN OF CAPITAL

- 28 On a return of capital to holders of Ordinary Shares, Euro Shares or Preference Shares on a winding up or otherwise (other than on conversion, redemption or purchase by the company of its own shares in accordance with these statutes) the assets of the company available for distribution to its members shall be applied
- (a) first in paying to the holders of Preference Shares an amount equal to any Arrears calculated up to and including the date of commencement of the winding up (in the case of winding up) or of the return of capital (in any other case),
 - (b) second in paying to the holders of Preference Shares a sum equal to the nominal amount of the fully paid-up Preference Shares then in issue,
 - (c) third to the holders of Ordinary Shares a sum equal to the nominal amount of the fully paid-up Ordinary Shares then in issue,
 - (d) fourth to the holders of Euro Shares a sum equal to the nominal amount of the fully paid-up Euro Shares then in issue, and
 - (e) fifth rateably amongst the holders of the Ordinary Shares according to the amounts paid up on their respective holdings of such shares in the company

VARIATION OF RIGHTS

- 29 Subject to paragraph 27, the rights attached to any existing shares shall not (unless otherwise expressly provided by the terms of issue of such shares) be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith or subsequent thereto

SHARE CERTIFICATES

- 30 Every member, upon becoming the holder of any shares, shall be entitled without payment to one certificate for all the shares of each class held by him (and, upon transferring a part of his holding of shares of any class, to a certificate for the balance of such holding) or several certificates each for one or more of his shares upon payment for every certificate after the first of such reasonable sum as the directors may determine. Every certificate shall be sealed with the seal of the company if the company has a seal, or otherwise executed in such manner as may be permitted by the Act and shall specify the number, class and distinguishing numbers (if any) of the shares to which it relates and the amount or respective amounts paid up thereon. The company shall not be bound to issue more than one certificate for shares held jointly by several persons and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them
- 31 If a share certificate is defaced, worn-out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses reasonably incurred by the company in investigating evidence as the directors may determine but otherwise free of charge, and (in the case of defacement or wearing-out) on delivery up of the old certificate

LIEN

- 32 The company shall have a first and paramount lien on all the shares registered in the name of any member for all moneys due to the company from him or his estate, whether solely or jointly with any other person (whether a member or not) in respect of those shares (whether such moneys are presently payable or not) The company's lien on a share shall extend to all dividends or other moneys payable thereon or in respect thereof The directors may at any time resolve that any share shall be exempt, wholly or partly, from the provisions of this paragraph
- 33 The company may sell in such manner as the directors determine any shares on which the company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within fourteen clear days after notice has been given to the holder of the shares or to the person entitled to the shares in consequence of the death or bankruptcy of the holder, demanding payment and stating that if the notice is not complied with the shares may be sold
- 34 To give effect to a sale the directors may authorise some person to execute an instrument of transfer of the shares sold to, or in accordance with the directions of, the purchaser The title of the transferee to the shares shall not be affected by any irregularity in or invalidity of the proceedings in reference to the sale
- 35 The net proceeds of the sale, after payment of the costs, shall be applied in payment of so much of the sum for which the lien exists as is presently payable, and any residue shall (upon surrender to the company for cancellation of the certificate for the shares sold and subject to a like lien for any moneys not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale

CALLS ON SHARES AND FORFEITURE

- 36 The directors may accept from any member the whole or any part of the amount remaining unpaid on any share held by him notwithstanding that no part of that amount has been called up
- 37 Subject to the terms of allotment, the directors may make calls upon the members in respect of any moneys unpaid on their shares (whether in respect of nominal value or premium) and each member shall (subject to receiving at least fourteen clear days' notice specifying when and where payment is to be made) pay to the company as required by the notice the amount called on his shares A call may be required to be paid by instalments A call may, before receipt by the company of any sum due thereunder, be revoked in whole or part and payment of a call may be postponed in whole or part A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect of which the call was made
- 38 A call shall be deemed to have been made at the time when the resolution of the directors authorising the call was passed
- 39 The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof
- 40 An amount payable in respect of a share on allotment or at any fixed date, whether in respect of nominal value or premium or as an instalment of a call, shall be deemed to be a call and if it is not paid the provisions of the statutes shall apply as if that amount had become due and payable by virtue of a call

- 41 Subject to the terms of allotment, the directors may make arrangements on the issue of shares for a difference between the holders in the amounts and times of payment of calls on their shares
- 42 If a call remains unpaid after it has become due and payable the directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited
- 43 If the notice is not complied with any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the directors and the forfeiture shall include all dividends or other moneys payable in respect of the forfeited shares and not paid before the forfeiture
- 44 Subject to the provisions of the Act and the Regulations, a forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the directors determine either to the person who was before the forfeiture the holder or to any other person and at any time before sale, re-allotment or other disposition, the forfeiture may be cancelled on such terms as the directors think fit. Where for the purposes of its disposal a forfeited share is to be transferred to any person the directors may authorise some person to execute an instrument of transfer of the share to that person
- 45 A person any of whose shares have been forfeited shall cease to be a member in respect of them and shall surrender to the company for cancellation the certificate for the shares forfeited but shall remain liable to the company for all moneys which at the date of forfeiture were presently payable by him to the company in respect of those shares at the appropriate rate (as defined in the Act) from the date of forfeiture until payment but the directors may waive payment wholly or in part or enforce payment without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal
- 46 A statutory declaration by a director or the secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share and the declaration shall (subject to the execution of an instrument of transfer if necessary) constitute a good title to the share and the person to whom the share is disposed of shall not be bound to see to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture or disposal of the share

TRANSFER OF SHARES

- 47 No transfer of any share may be registered without the approval of a member or members holding a majority in nominal value of the issued Ordinary Shares for the time being conferring the right to vote at general meetings of the company, and the directors shall be bound to approve a transfer which has such approval
- 48 The instrument of transfer of a share may be in any usual form or in any other form which the directors may approve and shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee
- 49 If the directors refuse to register a transfer of a share, they shall within two months after the date on which the transfer was lodged with the company send to the transferee notice of the refusal
- 50 No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share

- 51 The company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the directors refuse to register shall be returned to the person lodging it when notice of the refusal is given
- 52 The registration of transfers of shares or of transfers of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the directors may determine

TRANSMISSION OF SHARES

- 53 If a member dies the survivor or survivors where he was a joint holder, and his personal representatives where he was a sole holder or the only survivor of joint holders, shall be the only persons recognised by the company as having any title to his interest, but nothing herein contained shall release the estate of a deceased member from any liability in respect of any share which had been jointly held by him
- 54 A person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon such evidence being produced as the directors may properly require, elect either to become the holder of the share or to have some person nominated by him registered as the transferee. If he elects to become the holder he shall give notice to the company to that effect. If he elects to have another person registered he shall execute an instrument of transfer of the share to that person. All the provisions of the statutes relating to the transfer of shares shall apply to the notice or instrument of transfer as if it were an instrument of transfer executed by the member and the death or bankruptcy of the member had not occurred
- 55 A person becoming entitled to a share in consequence of the death or bankruptcy of a member shall have the rights to which he would be entitled if he were the holder of the share, except that he shall not, before being registered as the holder of the share, be entitled in respect of it to attend or vote at any meeting of the company or at any separate meeting of the holders of any class of shares in the company provided always that the directors may at any time give notice requiring any such person to elect either to become or to have another person registered as the holder of the share and if the requirements of the notice are not complied with within 90 days the directors may thereafter withhold of all dividends, bonuses or other moneys payable in respect of the share until the requirements of the notice have been complied with

PURCHASE AND REDEMPTION OF OWN SHARES

- 56 Subject to the Act, the Regulations and these statutes, the company may purchase its own shares by any method (including, without limitation, any redeemable shares) at any price (whether above, at or below par)

FINANCIAL ASSISTANCE FOR THE ACQUISITION OF THE COMPANY'S SHARES

- 57 Except to the extent prohibited by the Act or by law, the company may, in accordance with the Act, give financial assistance directly or indirectly for the purpose of
- (a) the acquisition or proposed acquisition of any shares in the company or a body corporate of which it is a subsidiary, or
 - (b) reducing or discharging a liability incurred by a person for the purpose of acquiring any shares in the company or a body corporate of which it is subsidiary

ALTERATION OF SHARE CAPITAL

- 58 The company may by ordinary resolution

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares, or
 - (b) subject to the provisions of the Act, sub-divide its shares, or any of them, into shares of smaller amount and the resolution may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage as compared with the others
- 59 Subject to the provisions of the Act and the Regulations, the company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way

PROCEDURE FOR DISPOSING OF FRACTIONS OF SHARES

- 60 (a) This paragraph applies where -
- (i) there has been a consolidation or division of shares, and
 - (ii) as a result, members are entitled to fractions of shares
- (b) The directors may
- (i) sell the shares representing the fractions to any person including the company for the best price reasonably obtainable,
 - (ii) in the case of a certificated share, authorise any person to execute an instrument of transfer of the shares to the purchaser or a person nominated by the purchaser, and
 - (iii) distribute the net proceeds of sale in due proportion among the holders of the shares
- (c) Where any holder's entitlement to a portion of the proceeds of sale amounts to less than a minimum figure determined by the directors, that member's portion may be distributed to an organisation which is a charity for the purposes of the law of the jurisdiction in which the company is incorporated
- (d) The person to whom the shares are transferred is not obliged to ensure that any purchase money is received by the person entitled to the relevant fractions
- (e) The transferee's title to the shares is not affected by any irregularity in or invalidity of the process leading to their sale

NOTICE OF GENERAL MEETINGS

- 61 General meetings shall be called by at least fourteen clear days' notice. The notice shall specify the time and place of the meeting and the general nature of the business to be transacted
- 62 A general meeting which is held as an annual general meeting must be called by at least 21 clear days' notice. The notice shall specify the time and place of the meeting and the general nature of the business to be transacted
- 63 One or more members holding at least 5% of the company's subscribed capital may require the directors to call a general meeting pursuant to section 303 of the Act. Any such request shall state the items to be put on the agenda
- 64 One or more members holding at least 5% of the company's subscribed capital may require that one or more additional resolutions be moved or additional items put on the

agenda of any general meeting by giving notice to the company no later than the date of circulation of the notice of the general meeting

- 65 Subject to the provisions of the statutes and to any restrictions imposed on any shares, the notice shall be given to all the members, to all persons entitled to a share in consequence of the death or bankruptcy of a member and to the directors and auditors
- 66 The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting

ANNUAL GENERAL MEETING

- 67 The company must once each calendar year, within six months beginning with the day following its accounting reference date, hold a general meeting as its annual general meeting (in addition to any other meetings held in that year) The board must decide the time and place for each annual general meeting

SHORT NOTICE

- 68 A general meeting is, notwithstanding that it is called by shorter notice than that specified in paragraph 61 or 62, deemed to have been duly called if it is so agreed
- (a) in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting, and
 - (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right

QUORUM

- 69 No business may be transacted at a general meeting unless a quorum of members is present when the meeting proceeds to business One person present who is a member or a proxy for a member or a representative, appointed in accordance with the statutes, of a corporation which is a member, is a quorum for all purposes

CORPORATE MEMBER MAY APPOINT A REPRESENTATIVE

- 70 A corporation which is a member may, under its seal or under the hand of a duly authorised officer, authorise a person to act as its representative at a meeting of the company That person may exercise the same powers on the corporation's behalf which he represents as that corporation could exercise if it were an individual member personally present at the meeting The secretary, a director or the board may require evidence of the authority of the representative to act

PROCEEDINGS AT GENERAL MEETINGS

- 71 The chairman, if any, of the board of directors or in his absence some other director nominated by the directors shall preside as chairman of the meeting, but if neither the chairman nor such other director (if any) be present within fifteen minutes after the time appointed for holding the meeting and willing to act, the directors present shall elect one of their number to be chairman and, if there is only one director present and willing to act, he shall be chairman
- 72 If no director is willing to act as chairman, or if no director is present within fifteen minutes after the time appointed for holding the meeting, the members present and entitled to vote shall choose one of their number to be chairman

- 73 No business other than the appointment of the chairman of the meeting is to be transacted at a general meeting if the persons attending it do not constitute a quorum
- 74 If the persons attending a general meeting within half an hour of the time at which the meeting was due to start do not constitute a quorum, or if during a meeting a quorum ceases to be present, the meeting shall stand adjourned to the same day in the next week at the same time and place or to such time and place as the directors may determine and if at the adjourned meeting such a quorum is not present within half an hour from the time appointed for the meeting, one member present in person or by proxy or (being a corporation) by its duly authorised representative shall be a quorum
- 75 A director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares in the company
- 76 The chairman may, with the consent of a meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at an adjourned meeting other than business which might properly have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for fourteen days or more, at least seven clear days' notice shall be given specifying the time and place of the adjourned meeting and the general nature of the business to be transacted. Otherwise it shall not be necessary to give any such notice
- 77 If there are two or more classes of shares, each resolution shall be subject to a separate vote by each class of shareholders whose class rights are affected by that resolution
- 78 A resolution put to the vote of a meeting shall be decided on a show of hands unless before, or on the declaration of the result of, the show of hands a poll is duly demanded. Subject to the provisions of the Act, a poll may be demanded
- (a) by the chairman, or
 - (b) by any member present in person or by proxy or (being a corporation) by its duly authorised representative,
- and a demand by a person as proxy for a member shall be the same as a demand by the member
- 79 Unless a poll is duly demanded a declaration by the chairman that a resolution has been carried or carried unanimously, or by a particular majority, or lost or not carried by a particular majority and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution
- 80 The demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the chairman and a demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made
- 81 A poll shall be taken as the chairman directs and he may appoint scrutineers (who need not be members) and fix a time and place for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded
- 82 A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken either forthwith or at such time and place as the chairman directs not being more than thirty days after the

poll is demanded. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll was demanded. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.

- 83 No notice need be given of a poll not taken forthwith if the time and place at which it is to be taken are announced at the meeting at which it is demanded. In any other case at least seven clear days' notice shall be given specifying the time and place at which the poll is to be taken.

VOTES OF MEMBERS

- 84 Subject to any rights or restrictions as to voting attached to any shares by the terms on which they were issued or by or in accordance with the statutes or otherwise

(a) on a vote on a resolution on a show of hands at a meeting

(i) each member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative has one vote, and

(ii) every proxy present who has been duly appointed by a member who is entitled to vote on the resolution has one vote,

provided that no individual who is present at a meeting in more than one capacity shall have more than one vote on a show of hands, and

(b) on a vote on a resolution on a poll taken at a meeting each member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative or by proxy has one vote for each share held by him

- 85 A proxy need not be a member of the company. Subject to the Act and the Regulations, a member may appoint more than one proxy to attend on the same occasion.

- 86 The appointment of a proxy must be in writing (a "Proxy Notice") in any usual or common form. The directors are entitled to require that a Proxy Notice must be in a particular form and are entitled to require different forms for different purposes.

- 87 A Proxy Notice in hard copy form must be signed by the appointing member or his agent duly authorised in writing, or, if the appointing member is a corporation, under its common seal or by a duly authorised agent or officer. A Proxy Notice in electronic form must be authenticated in the manner that is specified from time to time by the directors for documents of that type which are sent or supplied in electronic form or (if the directors have not specified their requirements for the authentication of that type of document) in the manner indicated by the Act for documents or information sent or supplied in electronic form.

- 88 The company may require evidence of the authority of any agent or officer that signs or authenticates a Proxy Notice on behalf of a member to be submitted with the Proxy Notice. If a Proxy Notice is signed or authenticated under a power of attorney or other written authority, the company or any person acting on its behalf may require any written authority under which the appointment has been made, or a copy of that authority certified notarially or in some other way approved by the directors to be submitted with the Proxy Notice.

- 89 If more than one proxy is appointed, the Proxy Notice must specify the shares held by the member in respect of which each proxy is entitled to act on behalf of the appointing member. If the company receives more than one appointment of a proxy in respect of the same share or shares, the appointment received last revokes each earlier appointment and the company's decision as to which appointment was received last is final. If more than one proxy is appointed by a member, a proxy appointed by that member need not, if he votes, use his votes in the same way as another proxy appointed by that member.
- 90 A Proxy Notice and any evidence required by the directors to be supplied with it in accordance with paragraph 88 may be delivered
- (a) in hard copy form, or
 - (b) if the company agrees (or is deemed by the Act to have agreed), in electronic form, but then only in the type of electronic form that the company has agreed to (or is deemed by the Act to have agreed to)
- 91 A proxy appointment relating to a meeting is only valid if the Proxy Notice and any evidence required to be supplied with it in accordance with paragraph 88 is received
- (a) in the case of documents in hard copy form, into the hand of the chairman of the meeting or at the office or at such other place within the United Kingdom as is specified for the receipt of Proxy Notices in the notice of meeting or in any form of Proxy Notice issued by the company in relation to the meeting, or
 - (b) in the case of documents in electronic form
 - (i) at any address to which the appointment of a proxy may be sent by electronic means pursuant to the Act or the Regulations, or
 - (ii) to any address specified by or on behalf of the company for the purpose of receiving the appointment of a proxy in electronic form in
 - (1) *the notice convening the meeting,*
 - (2) *any form of Proxy Notice issued by the company in relation to the meeting, or*
 - (3) *the invitation to appoint a proxy issued by the company in relation to the meeting, and*
 - (c) in each case specified in paragraph 91(a) and (b)
 - (i) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the Proxy Notice proposes to vote, or
 - (ii) in the case of a poll taken more than 48 hours after it was demanded, not less than 24 hours before the time appointed for the taking of the poll,

except in the case of documents in hard copy form handed to the chairman pursuant to paragraph 91(a), in which case it is sufficient if they are handed to the chairman of the meeting or adjourned meeting before the commencement of the meeting or adjourned meeting to which they relate
- 92 In calculating the time periods mentioned in paragraph 91(c), no account will be taken of any part of a day that is not a working day

- 93 In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members
- 94 A member in respect of whom an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder may vote, whether on a show of hands or on a poll, by his receiver, curator bonis or other person authorised in that behalf appointed by that court, and any such receiver, curator bonis or other person may vote by proxy Evidence to the satisfaction of the directors of the authority of the person claiming to exercise the right to vote shall be deposited at the office, or at such other place as is specified in accordance with the statutes for the deposit of Proxy Notices, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised and in default the right to vote shall not be exercisable
- 95 No member shall vote on any resolution of the members or on any separate resolution of the holders of any class of shares in the company, either in person or by proxy, in respect of any share held by him unless all moneys presently payable by him in respect of that share have been paid
- 96 No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting shall be valid Any objection made in due time shall be referred to the chairman whose decision shall be final and conclusive
- 97 A vote given or poll demanded by proxy or by the duly authorised representative of a corporation shall be valid notwithstanding the previous determination of the authority of the person voting or demanding a poll unless notice of the determination was received by the company at the office or at such other place at which the instrument of proxy was duly deposited or, where the appointment of the proxy was contained in an electronic communication, at the address at which such appointment was duly received before the commencement of the meeting or adjourned meeting at which the vote is given or the poll demanded or (in the case of a poll taken otherwise than on the same day as the meeting or adjourned meeting) the time appointed for taking the poll
- 98 The company is under no obligation to check that a proxy exercises the votes of a member at all or in accordance with their instructions

ADMINISTRATIVE ORGAN

- 99 The company shall be managed by a one-tier system of management, the administrative organ (also referred to in these statutes as the "board"), to which the directors are appointed

NUMBER OF DIRECTORS

- 100 The number of directors shall be not less than two Unless otherwise determined by ordinary resolution, the number of directors (other than alternate directors) shall not be subject to any maximum

ALTERNATE DIRECTORS

- 101 A director may by written notice signed by him and deposited or received at the office or received by the secretary or in such other manner as the directors may approve appoint another director or any other person to be and act as his alternate director

- 102 Every alternate director shall (subject to his giving to the company an address within the United Kingdom at which notices may be given to him) be entitled to notice of meetings of the directors or of committees of directors, and to attend and vote as a director at any such meeting at which the director appointing him is entitled to attend and vote but is not personally present and generally at such meeting to exercise all the powers, rights, duties and authorities of the director appointing him. Every alternate director shall also be entitled to sign on behalf of the director appointing him, a resolution in writing of the directors pursuant to paragraph 135
- 103 An alternate director shall neither be an officer of the company as a result of his appointment as an alternate director nor entitled to any remuneration from the company for acting as an alternate director
- 104 A director may by written notice signed by him and deposited or received at the office or received by the secretary or in such other manner as the directors may approve at any time revoke the appointment of an alternate director appointed by him
- 105 If a director shall cease to hold the office of director for any reason, the appointment of his alternate director shall thereupon automatically cease

POWERS OF DIRECTORS

- 106 Subject to the provisions of the Act, the Regulations and the statutes and to any directions given by special resolution, the business of the company shall be managed by the directors who may exercise all the powers of the company. The following transactions shall require an express decision of the board
- (a) the disposal of the whole of the company's undertaking or property or a substantial part thereof, and
 - (b) the acquisition of the whole or any substantial part of the undertaking, assets or business of any other company or any firm or person, where such operation would reasonably be expected to have a significant impact on the company's undertaking or property or a substantial part thereof
- 107 No alteration of the statutes and no direction given by special resolution shall invalidate any prior act of the directors which would have been valid if that alteration had not been made or that direction had not been given. The powers given by paragraph 106 shall not be limited by any special power given to the directors by the statutes and a meeting of directors at which a quorum is present may exercise all powers exercisable by the directors
- 108 The directors may, by power of attorney or otherwise, appoint any person to be the agent of the company for such purposes and on such conditions as they determine, including authority for the agent to delegate all or any of his powers

DUTY NOT TO DISCLOSE INFORMATION

- 109 A director shall be under a duty not to divulge any information concerning the company, the disclosure of which might be prejudicial to the company's interests, except where such disclosure is required or permitted by law. This duty shall continue to apply after the director has ceased to hold office

DELEGATION OF DIRECTORS' POWERS

- 110 The directors may delegate any of their powers to any committee consisting of one or more directors and may also appoint to any such committee persons who are not directors. In particular, without limitation, the board may grant the power to sub-delegate

The board may also delegate to any managing director or any director holding any other executive office such of their powers as they consider desirable to be exercised by him. Any such delegation may be made subject to any conditions the directors may impose, and either collaterally with or to the exclusion of their own powers and may be revoked or altered. Subject to any such conditions, the proceedings of a committee shall be governed by the statutes regulating the proceedings of directors so far as they are capable of applying.

APPOINTMENT AND RETIREMENT OF DIRECTORS

- 111 The directors appointed to the first board are Tim Fillingham, David Roy Message, Ian Michael Poynton, Demian Grosset Smith, Mark William Reid Smith, Patrick Colm Tiernan, John Mitchell Wardrop and Theo James Rickus Wilkes and such directors are appointed for a term of six years with effect from the date of adoption of these statutes
- 112 The company may by ordinary resolution appoint a person to be a director either to fill a vacancy or as an additional director. Each director so appointed shall be appointed for a term not exceeding six years from the date of their appointment and may be removed at any time prior to the expiration of that term by ordinary resolution of the company or by notice given in accordance with paragraph 115
- 113 A body corporate may be appointed as a director provided that at all times at least one natural person is a director. Any such body corporate shall designate a natural person to exercise of the corporate director's functions as a member of the board
- 114 A director whose term of appointment expires, may, once or more than once, be reappointed to the board for a further term, provided that each such reappointment is made in accordance with paragraph 112
- 115 A member or members holding a majority in nominal value of the issued shares for the time being conferring the right to vote at general meetings of the company have the power from time to time and at any time to remove from office any director howsoever appointed. Any such removal shall be by notice in writing, duly executed by the relevant member or members or their duly authorised attorneys. The notice may be contained in several documents in the same form each executed by one or more of the members (or their duly authorised attorneys). The removal shall take effect upon such notice or notices being received at the company's registered office or being handed or otherwise communicated to the chairman of a meeting of the directors at which a quorum is present

DISQUALIFICATION AND REMOVAL OF DIRECTORS

- 116 The office of a director shall be vacated if
- (a) he ceases to be a director by virtue of any provision of the Act or the Regulations, he becomes prohibited by law or judicial or administrative decision from being a director or he is disqualified from being a director under the law of any other EEA state,
 - (b) he becomes bankrupt or makes any arrangement or composition with his creditors generally,
 - (c) a registered medical practitioner who is treating that person gives a written opinion to the company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months,
 - (d) he resigns his office by notice to the company (on delivery to the company's registered office) provided that such action shall be without prejudice to the terms

of and to any rights of the company under any contract between the director and the company, or

- (e) he ceases to be approved by a relevant Regulator to carry on a function where, in order for such person to continue to act as director, the company is subject to a requirement that such person must be approved by the Regulator to carry on such function,

and a resolution of the board declaring a director to have vacated office under the terms of this paragraph is conclusive as to the fact and grounds of vacation stated in the resolution

REMUNERATION OF DIRECTORS

- 117 The directors shall be entitled to such remuneration as the directors determine (subject to any directions, guidelines or requirements made by ordinary resolution of the members) and, unless the directors determine otherwise, the remuneration shall be deemed to accrue from day to day. Any director who serves on any committee, or who devotes special attention to the business of the company, or who otherwise performs services which in the opinion of the directors are in addition to or outside the scope of the ordinary duties of a director (which services shall include, without limitation, visiting or residing abroad in connection with the company's affairs), may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the directors may determine

DIRECTORS' EXPENSES

- 118 The directors may be paid all travelling, hotel, and other expenses properly incurred by them in connection with their attendance at meetings of directors or committees of directors or general meetings or separate meetings of the holders of any class of shares or of debentures of the company or otherwise in connection with the discharge of their duties

EXECUTIVE DIRECTORS

- 119 Subject to the provisions of the Act and the Regulations, the directors may appoint one or more of their number to the office of chief executive officer or to any other executive office under the company and may enter into an agreement or arrangement with any director for his employment by the company or for the provision by him of any services outside the scope of the ordinary duties of a director. Any such appointment, agreement or arrangement may be made upon such terms as the directors determine and they may remunerate any such director for his services as they think fit. Any appointment of a director to an executive office shall terminate if he ceases to be a director but without prejudice to any claim to damages for breach of the contract of service between the director and the company. A chief executive officer and a director holding any other executive office shall be subject to the same provisions as to resignation and removal as the other directors of the company

DIRECTORS' APPOINTMENTS AND INTERESTS

- 120 Subject to the provisions of the Act, and provided that he has disclosed to the directors the nature and extent of any material interest of his, a director notwithstanding his office
 - (a) may be a party to, or otherwise interested in, any transaction or arrangement with the company or in which the company is otherwise interested,

- (b) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the company or in which the company is otherwise interested, and
- (c) shall not, by reason of his office, be accountable to the company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit

121 For the purposes of paragraph 120

- (a) a general notice given to the directors that a director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the director has an interest in any such transaction of the nature and extent so specified, and
- (b) an interest of which a director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his

122 Any direct or indirect interest of a director which conflicts or may conflict with the interests of the company (other than where such conflict arises or would arise in relation to a transaction or arrangement with the company) the nature and extent of which has been disclosed by that director to the other directors may, subject to the provisions of the Act, be authorised by the company by resolution of the other non-interested directors. Where such a matter is so authorised, the director who has the interest may absent himself from any meeting of the directors at which the relevant matter is to be discussed and need not pass on to the company any confidential information in connection with the matter which he receives while acting other than in his capacity as a director

DIRECTORS' GRATUITIES AND PENSIONS

123 The directors may

- (a) establish and maintain, or procure the establishment and maintenance of, any share option or share incentive or profit-sharing schemes or trusts or any non-contributory or contributory pension or superannuation schemes or funds for the benefit of, and may make or give or procure the making or giving of loans, donations, gratuities, pensions, allowances or emoluments (whether in money or money's-worth) to, or to trustees on behalf of, any persons who are or were at any time in the employment or service of the company, or of any company which is a subsidiary of the company, or is allied to or associated with the company or with any such subsidiary, or who are or were at any time directors or officers of the company or of any such other company as aforesaid, and to the wives, husbands, widows, widowers, families and dependants of any such persons,
- (b) establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of, or to advance the interests and well-being of the company, or of any such other company as aforesaid, or of any such persons as aforesaid,
- (c) make payments for or towards policies of assurance on the lives of any such persons and policies of insurance for the benefit of or in respect of any such persons (including insurance against their negligence or breach of duty to the company) as aforesaid,

- (d) pay, subscribe or guarantee money to or for any charitable or benevolent objects, or for any exhibition, or for any political, public, general or useful object, and
- (e) do any of the above things either alone or in conjunction with any such other company as aforesaid

Subject always, if so required by law, to particulars with respect to the proposed payment being disclosed to the members of the company and to the payment being approved by the company, any director shall be entitled to participate in and retain for his own benefit any such loan, donation, gratuity, pension, allowance or emolument

POWER TO MAKE PROVISION FOR EMPLOYEES

- 124 The directors are authorised to sanction (by a resolution of the directors) the making of provision for the benefit of persons employed or formerly employed by the company, or any of its subsidiaries, in connection with the cessation or the transfer to any person of the whole or part of the undertaking of the company or that subsidiary

PROCEEDINGS OF DIRECTORS

- 125 The directors shall meet at least once every three months to discuss the progress and foreseeable development of the company's business. Subject to the provisions of the statutes, the directors may regulate their proceedings as they think fit. A director may, and the secretary at the request of a director shall, call a meeting of the directors. Every director shall be given not less than 48 hours' notice of every meeting of the directors, such notice to be sent to such address as is notified by him to the company for this purpose or otherwise communicated to him personally. The notice need not be given in writing and, if the director agrees, may be given by means of an electronic communication. Any director may by notice to the company either before or after the meeting waive his right to receive notice of the meeting and any director who either

- (a) is present at the commencement of a meeting whether personally or by his alternate director, or
- (b) does not, within seven days following its coming to his attention that a meeting has taken place without proper notice of such meeting having been given to him pursuant to this paragraph, notify the company that he desires the proceedings at such meeting to be regarded as a nullity,

shall be deemed hereafter to have waived his right to receive notice of such meeting pursuant to this paragraph. Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman shall have a second or casting vote. A director who is also an alternate director shall be entitled in the absence of his appointor to a separate vote on behalf of his appointor in addition to his own vote.

- 126 The quorum for the transaction of the business of the directors may be fixed by the directors and unless so fixed at any other number shall be two. A person attending a meeting of the board of directors, who is acting as an alternate director for one or more directors shall be counted as one for each of the directors for whom he is so acting and, if he is a director, shall also be counted as a director, but not less than two individuals constitute a quorum.
- 127 The directors shall appoint one of their number to be the chairman of the board of directors and may at any time replace the director holding that office with another director. Unless he is unwilling to do so, the director so appointed shall preside at every meeting of directors at which he is present. But if the director holding that office is unwilling to preside or is not present within five minutes after the time appointed for the meeting, the

directors present shall appoint one of their number to be chairman of the meeting. The directors may also appoint other directors as deputy or assistant chairman to chair meetings in the chairman's absence

128 All acts done by a meeting of directors, or of a committee of directors, or by a person acting as a director shall, notwithstanding that it be afterwards discovered that there was a defect in the appointment of any director or that any of them were disqualified from holding office, or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a director and had been entitled to vote

129 Provided that a director discloses to the board the nature and extent of any conflict or potential conflict between the interests of the company and the duties or interests of the director or a person connected with the director

(a) the director shall be deemed to have complied with his duties (including the general duties under the Act) to avoid conflicts of interests and to declare his interest in proposed transactions or arrangements with the company, and

(b) a director having made such a disclosure shall count in the quorum and be entitled to vote on any matter to which such disclosure relates

A disclosure may be made in writing, at a meeting or in any other manner but must include in reasonable detail the nature and extent of the director's interest. A director shall be deemed to have disclosed to the board any matter of which the other directors are aware or ought reasonably to be aware

130 A director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote

131 The company may by ordinary resolution suspend or relax to any extent, either generally or in respect of any particular matter, any provision of the statutes prohibiting a director from voting at a meeting of directors or of a committee of directors

132 Where proposals are under consideration concerning the appointment or the terms of appointment of two or more directors to offices or employments with the company or any body corporate in which the company is interested the proposals may be divided and considered in relation to each director separately and (provided he is not for another reason precluded from voting) each of the directors concerned shall be entitled to vote in respect of each resolution except that concerning his own appointment and shall be counted in the quorum in respect of each resolution including that concerning his own appointment

133 If a question arises at a meeting of directors or of a committee of directors as to the right of a director to vote, the question may, before the conclusion of the meeting, be referred to the chairman of the meeting and his ruling in relation to any director other than himself shall be final and conclusive

134 A meeting of the board of directors may consist of a conference between directors some or all of whom are in different places if each director who participates is able

(a) to hear each of the other participating directors addressing the meeting, and

(b) if the director so wishes, to address all of the other participating directors simultaneously,

whether directly, by conference telephone or any other form of communications equipment (whether in use when these statutes are adopted or developed subsequently)

or by a combination of these methods. Each director so participating in a meeting is deemed to be "present" at that meeting for the purpose of these statutes. A quorum is deemed to be present if those conditions are satisfied in respect of at least the number of directors required to form a quorum. A meeting held in this way is deemed to take place at the place where the largest group of participating directors is assembled or, if no such group is readily identifiable, at the place from where the chairman of the meeting participates.

135 Any director may, and the secretary at the request of a director must, propose a written resolution to the directors. If

- (a) each director (or each member of a committee) for the time being entitled to receive notice of a meeting of the board of directors (or committee) and together not being less than a quorum agrees to the passing of a resolution, and
- (b) the agreement of the director (or committee member) is contained in
 - (i) a document sent in electronic form of a type that the directors decide may be used in relation to this paragraph and which complies with each requirement (including, without limitation, those as to authentication) that the directors have specified for documents of that type that are sent in electronic form, or
 - (ii) a copy of the proposed written resolution in hard copy form, signed by the director (or committee member),

that resolution is as effective as a resolution passed at a meeting of the board of directors (or, as the case may be, committee) duly convened and held.

136 For the purposes of paragraph 135(b)(ii), the agreement of the directors (or, as the case may be, committee members) may be contained in several documents in the same form each signed by one or more of the directors (or, as the case may be, committee members).

137 A written resolution of the directors (or, as the case may be, committee members) will be valid at the time the last director (or, as the case may be, committee member) who is required to agree in order for it to become effective signs or otherwise agrees to it in accordance with paragraph 135.

138 Each director shall be entitled to examine all information submitted to the board.

SECRETARY

139 A secretary may be appointed by the directors for such term, at such remuneration and upon such conditions as they may think fit, and any secretary so appointed may be removed by them.

MINUTES

140 The directors shall cause minutes to be made in books kept for the purpose

- (a) of all appointments of officers and alternate directors made by the directors, and
- (b) of all proceedings at meetings of the company, of the holders of any class of shares in the company, of the directors, and of committees of directors, including the names of the persons present at each such meeting.

THE SEAL

- 141 The company need not have a seal but if the company does have a seal, the seal shall only be used by the authority of the directors or of a committee of directors authorised by the directors. The directors may determine who shall sign any instrument to which the seal is affixed and unless otherwise so determined it shall be signed by an authorised person in the presence of a witness.
- 142 The company is authorised pursuant to section 49 of the Act to have an official seal for use in any territory, district, or place elsewhere than in the United Kingdom.

DIVIDENDS

- 143 Subject to the provisions of the Act and to paragraph 144, on each Dividend Declaration Date the Company shall, in priority to any declaration of dividend in relation to the Ordinary Shares or the Euro Shares, by ordinary resolution declare a fixed dividend in an aggregate amount computed by multiplying the Preference Dividend Rate by the aggregate nominal value of fully paid-up Preference Shares then in issue.
- 144 Paragraphs 143 and 148 shall not apply unless
- (a) the dividend referred to therein is equal to or less than the profits that the company has available for the purpose of making a dividend, and
 - (b) the directors have recommended the amount of the dividend referred to therein.
- 145 The company shall on each Dividend Date pay any Preference Dividend to the holders of the Preference Shares.
- 146 Any Preference Dividend payment shall be deferred (unless otherwise provided by the directors) if, and for so long as
- (a) there is non-compliance with the company's solvency capital requirement, or
 - (b) the distribution would lead to non-compliance with the company's solvency capital requirement.
- 147 Subject to paragraph 144, if the company does not by ordinary resolution declare a Preference Dividend on a Dividend Declaration Date, then at the next following Dividend Declaration Date, the company shall, in priority to any declaration of dividend or any payment of an interim dividend in relation to the Ordinary Shares or the Euro Shares, by ordinary resolution declare a fixed dividend first in respect of the amount that the company would have declared on each preceding Dividend Declaration Date in respect of which no Preference Dividend has been declared (whether on that Dividend Date or subsequently) if the conditions set out in paragraph 144 had been met at that date, and second, in an aggregate amount computed by multiplying the Preference Dividend Rate by the aggregate nominal value of fully paid-up Preference Shares then in issue at that Dividend Declaration Date.
- 148 The holders of the Preference Shares shall not be entitled to any further right of participation in the profits or income of the company beyond Preference Dividends.
- 149 The company may by ordinary resolution declare dividends, and the directors may decide to pay interim dividends to the holders of the Ordinary Shares or the Euro Shares.
- 150 Any dividend declared on the Ordinary Shares or the Euro Shares shall be deemed cancelled (unless otherwise provided by the directors) if

- (a) there is non-compliance with the company's solvency capital requirement, or
 - (b) the distribution would lead to non-compliance with the company's solvency capital requirement
- 151 No distribution relating to the Ordinary Shares, the Euro Shares or the Preference Shares shall be made when the company is not in compliance with its solvency capital requirement or if such distribution would lead to non-compliance with company's solvency capital requirement
- 152 No dividend or interim dividend shall be paid in relation to an Ordinary Share or a Euro Share otherwise than in accordance with the provisions of Part 23 of the Act
- 153 A resolution of the members declaring a dividend may, upon the recommendation of the directors, direct that it shall be satisfied wholly or partly by the distribution of assets and, where any difficulty arises in regard to the distribution, the directors may settle the same *and in particular may issue fractional certificates* and fix the value for distribution of any assets and may determine that cash shall be paid to any member upon the footing of the value so fixed in order to adjust the rights of members and may vest any assets in trustees
- 154 Any dividend or other moneys payable in respect of a share may be paid by cheque sent by post to the *registered address of the person entitled or, if two or more persons are the holders of the share or are jointly entitled to it by reason of the death or bankruptcy of the holder, to the registered address of that one of those persons who is first named in the register of members or to such person and to such address as the person or persons entitled may in writing direct* Every cheque shall be made payable to the order of the person or persons entitled or to such other person as the person or persons entitled may in writing direct and payment of the cheque shall be a good discharge to the company Any joint holder or other person jointly entitled to a share as aforesaid may give receipts for any dividend or other moneys payable in respect of the share
- 155 No dividend or other moneys payable in respect of a share shall bear interest against the company unless otherwise provided by the rights attached to the share
- 156 Any dividend which has remained unclaimed for twelve years from the date when it became due for payment shall, if the directors so resolve, be forfeited and cease to remain owing by the company

DEPLETION OF ASSETS

- 157 If at any time the net assets of the company (as defined in the Act) are half or less of the amount of the company's called-up share capital, the board of directors must, not later than 28 days from the earliest day on which that fact is known to any director, duly convene an extraordinary general meeting for a date not later than 56 days from that day for the purpose of considering whether any, and if so what, measures should be taken to deal with the situation

ACCOUNTS AND AUDIT

- 158 The board of directors must ensure that proper accounts and accounting records are kept in accordance with the Act and the Regulations

CAPITALISATION OF PROFITS

- 159 The directors may with the authority of an ordinary resolution of the company
- (a) subject as hereinafter provided, resolve to capitalise any profits of the company (whether or not they are available for distribution) which are not required for paying any preferential dividend or any sum standing to the credit of the company's share premium account or capital redemption reserve,
 - (b) appropriate the sum resolved to be capitalised to the members who would have been entitled to it if it were distributed by way of dividend and in the same proportions and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by them respectively, or in paying up in full unissued shares or debentures of the company of a nominal amount equal to that sum, and allot the shares or debentures credited as fully paid to those members, or as they may direct, in those proportions, or partly in one way and partly in the other but the share premium account, the capital redemption reserve, and any profits which are not available for distribution may, for the purposes of this paragraph 160, only be applied in paying up unissued shares to be allotted to members credited as fully paid,
 - (c) make such provision by the issue of fractional certificates or by payment in cash or otherwise as they determine in the case of shares or debentures becoming distributable under this paragraph 160 in fractions, and
 - (d) authorise any person to enter on behalf of all the members concerned into an agreement with the company providing for the allotment to them respectively, credited as fully paid, of any shares or debentures to which they are entitled upon such capitalisation, any agreement made under such authority being binding on all such members

NOTICES

- 160 In these statutes a reference to
- (a) a notice, document or information which is to be sent or supplied to the company being signed or executed, is a reference, where that notice, document or information is in electronic form, to its being authenticated in the manner that is specified from time to time by the board of directors for documents of that type which are sent or supplied in electronic form or (if the board of directors has not specified its requirements for the authentication of that type of document) in the manner indicated by the Act for documents or information sent or supplied in electronic form,
 - (b) an "instrument" means a document in hard copy form, and
 - (c) "writing" includes references to any method of representing or reproducing words, symbols or other information in a visible form by any method or combination of methods, whether sent or supplied in electronic form or otherwise and "written" has a corresponding meaning
- 161 Subject to the statutes, any document, information or notice to be sent or supplied by the company under the statutes may (subject to the terms and conditions set out in the Act) be sent or supplied in any way and to any address as the Act provides for documents or information which are authorised or required by any provision of the Act to be sent or supplied by the company or to which the recipient has generally or specifically agreed Subject to compliance with the conditions set out in the Act, a document, information or

notice may be sent or supplied by the company to a member or other person by being made available on a website

- 162 Subject to the statutes, any document, information or notice to be sent or supplied to the company under the statutes may (subject to the terms and conditions set out in the Act) be sent or supplied in any way and to any address as the Act provides for documents or information which are authorised or required by any provision of the Act to be sent or supplied to the company or to which the company has generally or specifically agreed. Nothing in these statutes is to be interpreted as constituting a general or specific agreement by the company to the use of a particular form (other than hard copy form) for a particular type of document, information or notice sent to it
- 163 Subject to the statutes, any document, information or notice to be sent or supplied to a director in connection with the taking of decisions by directors may also be sent or supplied by the means by which that director has asked to be sent or supplied with such documents, information or notices for the time being. A director may agree with the company that notices, information or documents sent to that director in a particular way are to be deemed to have been received within a specified time of their being sent, and for the specified time to be less than 48 hours
- 164 A document, information or notice (whether in hard copy form or electronic form) which is sent by the company to a member by post is deemed to have been received at the expiration of 24 hours if pre-paid as first class post, and 48 hours if pre-paid as second class post, after it has been posted. In proving service it is sufficient to prove that the envelope containing the notice or document was properly addressed, pre-paid and posted
- 165 A document, information or notice (whether in hard copy form or electronic form) which is not sent by post or electronic means but is delivered by hand by the company to a member in accordance with these statutes is deemed to have been received on the day it is delivered
- 166 A document, information or notice sent or supplied by electronic means by the company to a member is deemed to have been received on the same day as it is sent. In proving service it is sufficient to prove that the document or information sent or supplied by electronic means was properly addressed and shown as given in a report or log retained by or on behalf of the company
- 167 Where a document, information or notice is sent or supplied by the company to a member by means of a website, it is deemed to have been received
- (a) when the material was first made available on the website, or
 - (b) if later when the intended recipient received (or, in accordance with these statutes, is deemed to have received) notice of the fact that the document or information is available on the website
- 168 In the case of joint holders of a share, a document, information or notice is validly sent or supplied to all joint holders of a share if it is sent or supplied to the person who is named first in the register of members in respect of the joint holding. Where anything is required by the Act or the Regulations or these statutes to be agreed or specified in relation to a document, information or notice to be sent or supplied to the holder of a share that is held by joint holders, the company is only required to obtain the agreement or specification of the person who is named first in the register of members in respect of the joint holding, and is entitled to rely on that agreement or specification being binding on all joint holders

- 169 A member present, either in person or by proxy, at any meeting of the company or of the holders of any class of shares in the company shall be deemed to have received notice of the meeting and, where requisite, of the purposes for which it was called
- 170 Every person who becomes entitled to a share shall be bound by any notice in respect of that share which, before his name is entered in the register of members, has been duly given to a person from whom he derives his title
- 171 A notice may be given by the company to the persons entitled to a share in consequence of the death or bankruptcy of a member by sending or delivering it, in any manner authorised by the statutes for the giving of notice to a member, addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt or by any like description at the address, if any, within the United Kingdom supplied for that purpose by the persons claiming to be so entitled. Until such an address has been supplied, a notice may be given in any manner in which it might have been given if the death or bankruptcy had not occurred

WINDING UP

- 172 If the company is wound up, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Act or the Regulations, divide among the members in specie the whole or any part of the assets of the company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members, subject always to the order of priorities in paragraph 28. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the like sanction determines, but no member shall be compelled to accept any assets upon which there is a liability

173 INDEMNITY

- 174 To the extent permitted by the Act, the company is entitled to indemnify each director, other officer, or person acting as an alternate director of the company or of an associated company of the company against each loss, cost and liability incurred by him in relation to or in connection with his duties, powers or office, including (if he is a director of a company which is a trustee of an occupational pension scheme) in connection with that company's activities as trustee of an occupational pension scheme. This paragraph 175 is deemed not to provide for, or entitle any person to, indemnification to the extent that it would cause this paragraph 175 or any element of it to be treated as void under the Act

INSURANCE

- 175 Without prejudice to paragraph 175 and to the extent permitted by the Act and the Regulations, the directors may purchase and maintain insurance for the benefit of a person who is or was at any time
- (a) a director, officer or employee of the company or a company (a "Specified Company") which is a subsidiary or in any way allied to or associated with the company or a subsidiary of the company,
 - (b) a director, officer or employee of a predecessor of the business of the company or a Specified Company, or
 - (c) a trustee of a pension fund in which an employee of the company or a Specified Company is interested

- 176 In paragraph 176, "Insurance" includes, without limitation, insurance against any liability incurred by a person referred to in paragraph 176 in respect of an act or omission in the actual or purported execution or discharge of his duties, or in the exercise or purported exercise of his powers, or otherwise in relation to his duties, powers or offices, in relation to the company, a Specified Company or a pension fund referred to in paragraph 176

OBJECTS OF THE COMPANY

- 177 The objects of the company are unrestricted