STARSTONE

Part of the Enstar Group

STARSTONE CORPORATE CAPITAL 1 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(Registered Number: 03871308)

STARSTONE

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Contents

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Directors and Officers

Directors

Alexandra Cliff
David Message Resigned 30 June 2017
Demian Smith

Company Secretary

Clare Traxler
Siobhan Hextall

Company number

03871308

Registered office

5th Floor
88 Leadenhall Street
London
EC3A 3BP

Auditor

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

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Strategic Report

Principal Activity

The Company is a corporate member of the Society of Lloyd's and has underwritten solely via Lloyd's Syndicate 1301 ("the Syndicate").

Result and Performance

The profit for the year after taxation attributable to shareholders was £7.6m (2016: loss of £6.6m).

The Company's key financial performance indicators during the year were as follows:

	2017 £m	2016 £m
Gross written premiums	9.6	82.8
Profit/(loss) for the financial year	7.6	(6.6)
Combined ratio†	103.7%	132.9%

† The Combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. A lower combined ratio represents better performance.

Review of the Business

For the 2017 year of account the Company leased its capacity on the Syndicate to SGL No.1 Limited (SGL1), a fellow subsidiary of the ultimate parent company, Enstar Group Limited, which has 100% participation in the Syndicate for that year.

The Company underwrote only through the Syndicate for the 2016 year of account and 2015 and prior years of account, providing 39.30% and 39.29% of the capacity respectively.

Syndicate 1301 is a global specialty underwriter focused on London Wholesale Market Business, European Retail Business and US Retail Business through both the Syndicate and StarStone group's wholly owned service companies in Europe and the US. The Syndicate's capacity for the 2017 year of account was £195m (2016: £170m).

For 2017 the main product groupings were as follows:

Casualty
This segment includes StarStone's excess casualty, global healthcare, and accident and health products. The reporting segment includes a book of high excess casualty written in the London wholesale market but focused on high excess layers for Fortune 500 companies. The Healthcare product provides insurance for acute care centres, nursing homes, small hospitals, physician groups, senior living facilities, and others. The Accident and Health product provides protection for a broad range of groups and individuals, including air crew personal accident and loss of licence, accidental death and permanent and temporary disability for individuals including for athletes and high net worth individuals.

Marine
This reporting segment offers a broad range of marine and specialty products including hull and machinery, marine and energy liabilities, cargo, war, transport, specie and fine art, and terrorism.

Property
This reporting segment includes all the property insurance lines. The construction portfolio focuses on large, complex, infrastructure and contractor cover across all risk areas. The segment also includes onshore, power, and upstream and offshore product offerings. Most lines are written on a full value, primary, excess of loss or quota share basis.

Strategic Report

Aerospace
This segment serves a diverse client base within the General Aviation segment and some limited Airline and Products business.

During 2017 pressure on rates across the board was seen, particularly on the London Wholesale business lines.

Principal Risks and Uncertainties

The risks and uncertainties of the Company are aligned with those of the Syndicate, with responsibility for managing those risks delegated to the Board of Directors of the Managing Agent, StarStone Underwriting Limited. The Company directors are satisfied that the Managing Agent risk and control framework monitors and controls risk effectively.

The Board of Directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities.

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 on-going review by management, risk management and internal audit. The Managing Agent's Audit & Risk Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively.

The major risks and uncertainties that the Syndicate faces are presented on pages 4 – 6.

Insurance Risk

Risk that premiums, reinsurance protection and claims 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 catastrophic loss event or an occurrence involving more than one insured and/or lines 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 underwriting year reserves. Key controls include case reserve guidelines, IBNR reserving guidelines, peer review process, Independent Opinion Report and Reserving 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 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 Syndicate 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 Syndicate has established. It is particularly difficult to estimate IBNR claims and those arising from large catastrophes. Reserve estimates, which are ultimately approved by the Board of the Managing Agent, are subject to regular quarterly reviews by our in-house actuarial team and annual reviews conducted by external actuaries.

Financial Risk

The Syndicate is exposed to a range of financial risks through its financial assets, financial liabilities, 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.

The Syndicate's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Syndicate's financial performance. The Investment Committee produces regular risk management and investment reports for the Managing Agent's Audit and Risk Committee and Board.

Investment risk is the risk that the Syndicate's investment portfolio performs below expectations. The Syndicate manages its investments taking into account market risk, currency risk, liquidity risk and credit risk. The Syndicate'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 Syndicate'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 securities managed by experienced investment professionals.

Strategic Report *(continued)*

Financial Risk *(continued)*

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

Market risk is the risk that future changes in market prices and/or currency fluctuations may make a financial instrument less valuable. There is currently limited risk to the Syndicate regarding market prices as the majority of the investments of the Syndicate are held in cash.

The majority of the Syndicate's gross written premium is denominated in currencies other than Sterling. Consequently, movements in the Sterling exchange rate against those currencies may have a material effect on its financial performance and position. The Syndicate's financial assets are denominated in the same currencies as its insurance liabilities, leaving the profit and loss as the main currency exposure. This profit and loss is distributed in accordance with Lloyd's rules using a combination of Sterling and US Dollars and consequently the agency's policy is not to hedge this US Dollar exposure at a Syndicate level.

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Syndicate is exposed to credit risk are:

- investment credit risk;
- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries;

The Syndicate manages the levels of investment credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties 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 Syndicate's liability as primary insurer. If a reinsurer fails to pay a claim, the Syndicate 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.

The Company has a number of its own specific reinsurance arrangements in place. It assesses the credit risk of all reinsurers using a similar framework to that of the Syndicate.

Liquidity risk is the risk that the Syndicate 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. Cash flow is monitored regularly to ensure sufficient funds are available to cover anticipated liabilities and unexpected levels of demand.

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Operational Risk

Risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. The Syndicate 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 Operations Committee, chaired by the Chief Operating Officer and attended by key representatives for all sources of operational risk and risk management.

Regulatory Risk

The Syndicate is required to comply with the requirements of many different regulatory authorities worldwide, and within the UK, the Prudential Regulatory Authority (PRA), The Financial Conduct Authority (FCA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Managing Agency devotes adequate resources to meet its regulatory obligations, including a compliance officer and a risk management officer.

Staff Matters

The Managing Agent considers its staff to be a key resource and seeks to provide a good working environment for its staff that is safe and complies with appropriate employee legislation. During the year there have been no significant injuries to staff in the workplace or any significant actions taken by any regulatory bodies with regard to staff matters.

Environmental Matters

The Managing Agent does not consider that a business such as a Syndicate at Lloyd's has a large adverse impact upon the environment. As a result the agent does not manage its business by reference to any environmental key performance indicators.

By order of the Board

Alexandra Cliff
Director
88 Leadenhall Street
London
EC3A 3BP
14 September 2018

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Directors' Report

The Directors present their annual report, together with the audited financial statements, for the year ended 31 December 2017.

Share Capital

The share capital of the Company as at 31 December 2017 consists of 101 £1 ordinary shares.

Dividends

No dividends were paid or proposed during the year (2016: no dividends).

Directors and their Interests

The directors set out below held office throughout the year ended 31 December 2017, unless otherwise stated.

Alexandra Cliff	
David Message	Resigned 30 June 2017
Demian Smith	

No director had any interest in the voting share capital of the Company at any time during the year.

Future developments

For the 2018 year of account the Company has leased its capacity on the Syndicate to SGL1, which has 100% participation in the Syndicate for that year.

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 17.

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 2017, of which the auditors are unaware; and

2) The Director has taken all steps that he ought to have taken in his duty as 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.

Directors' Report *(continued)*

Auditor

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

By order of the Board

Alexandra Cliff
Director
88 Leadenhall Street
London EC3A 3BP
14 September 2018

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Statement of Directors' Responsibilities

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

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

By order of the Board

Alexandra Cliff
Director
88 Leadenhall Street
London
EC3A 3BP
14 September 2018

Independent Auditor's Report to the Members of StarStone Corporate Capital 1 Limited

Opinion

We have audited the financial statements of Starstone Corporate Capital 1 Limited ("the company") for the year ended 31 December 2017 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Independent Auditor's Report to the Members of StarStone Corporate Capital 1 Limited

Directors' responsibilities

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

Auditor's responsibilities

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

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

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

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

Maddams

David Maddams (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
14 September 2018

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Income Statement:
Technical Account – General Business
For the year ended 31 December 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Earned premiums, net of reinsurance					
Gross premiums written	3		9,592,353		82,792,649
Outward reinsurance premiums			(8,837,742)		(74,185,627)
Net premiums written			754,611		8,607,022
Change in the provision for unearned premiums:					
Gross amount	4	28,393,561		2,169,228	
Reinsurers' share	4	(25,952,241)		(2,440,693)	
Net change in provision for unearned premium			2,441,320		(271,465)
Earned premiums, net of reinsurance			3,195,931		8,335,557
Allocated investment return transferred from the Non-Technical Account	5		418,342		672,316
Claims incurred, net of reinsurance					
Claims paid:					
Gross amount	4	(39,918,199)		(39,489,173)	
Reinsurers' share	4	35,283,226		34,818,296	
Net claims paid		(4,634,973)		(4,670,877)	
Change in the provision for claims:					
Gross amount		7,388,493		(3,329,946)	
Reinsurers' share		(5,780,200)		2,882,184	
Net change in the provision for claims		1,608,293		(447,762)	
Claims incurred, net of reinsurance			(3,026,680)		(5,118,639)
Net operating expenses	3, 6, 9		(286,698)		(5,957,077)
Balance on the technical account - for general business			300,895		(2,067,843)

The accounting policies and accompanying notes on pages 17 – 44 form part of these financial statements.

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Income Statement:
Non-Technical Account – General Business
For the year ended 31 December 2017

	Notes	2017 £	2016 £
Balance on the technical account – for general business		300,895	(2,067,843)
Investment return	5	418,342	672,316
Allocated investment return transferred to the general business technical account		(418,342)	(672,316)
Gain/(loss) on foreign exchange		5,298,741	(6,936,790)
Profit/(loss) before taxation		5,599,636	(9,004,633)
Tax credit on profit/(loss)	10	1,971,213	2,361,454
Profit/(loss) after taxation		7,570,849	(6,643,179)

All operations are continuing.

There were no recognised gains or losses relating to the current or preceding years other than those included in the Income Statement. Therefore, no separate statement of Total Recognised Gains and Losses has been prepared.

The accounting policies and accompanying notes on pages 17 – 44 form part of these financial statements.

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Statement of Financial Position
at 31 December 2017

	Notes	2017 Total £	2016 Total £
ASSETS			
FINANCIAL INVESTMENTS			
Financial investments	11	34,391,753	68,126,070
REINSURERS' SHARE OF TECHNICAL PROVISIONS			
Provision for unearned premiums	4	4,595,761	36,337,754
Claims outstanding	4	62,680,591	99,741,476
		67,276,352	136,079,230
DEBTORS			
Arising out of insurance operations		11,307,811	45,544,255
Arising out of reinsurance operations		3,161,576	12,007,815
Other debtors	12	10,558,444	8,307,422
		25,027,831	65,859,492
OTHER ASSETS			
Cash at bank and in hand	19	8,509,087	7,944,611
PREPAYMENTS AND ACCRUED INCOME			
Accrued interest		87,975	198,212
Deferred acquisition costs	17	302,131	412,078
Other prepayments and accrued income		-	188,424
		390,106	798,714
TOTAL ASSETS		135,595,129	278,808,117

The accounting policies and accompanying notes on pages 17 – 44 form part of these financial statements.

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Statement of Financial Position
at 31 December 2017

	Notes	2017 Total £	2016 Total £
LIABILITIES			
CAPITAL AND RESERVES			
Called up share capital	**16**	101	101
Share premium account	**16**	21,976,373	21,976,373
Profit and loss account		(68,525,464)	(76,096,313)
Equity shareholders' (deficit)/funds		(46,548,990)	(54,119,839)
TECHNICAL PROVISIONS			
Provision for unearned premiums	**4**	5,107,008	39,872,161
Claims outstanding	**4, 18**	67,756,388	105,315,346
		72,863,396	145,187,507
CREDITORS			
Arising out of direct insurance operations		3,800,355	4,893,491
Arising out of reinsurance operations		91,406,622	160,531,018
Other creditors including taxation and social security	**14**	13,909,309	21,911,112
		109,116,286	187,335,621
ACCRUALS AND DEFERRED INCOME		164,437	404,828
Total Liabilities		135,595,129	278,808,117

The accounting policies and accompanying notes on pages 17 – 44 form part of these financial statements.

The financial statements were approved by the Board of Directors on 14 September 2018 and were signed on its behalf by:

Alexandra Cliff
Director
14 September 2018

Registered number: 03871308

Statement of Changes in Equity
For the year ended 31 December 2017

	Called-up Share Capital	Share Premium	Retained Earnings	Total Equity
	£	£	£	£
At 1 January 2016	101	21,976,373	(69,453,134)	(47,476,660)
Loss for the financial year	-	-	(6,643,179)	(6,643,179)
At 31 December 2016	**101**	**21,976,373**	**(76,096,313)**	**(54,119,839)**
Profit for the financial year	-	-	7,570,849	7,570,849
At 31 December 2017	**101**	**21,976,373**	**(68,525,464)**	**(46,548,990)**

The accounting policies and accompanying notes on pages 17 to 44 form part of these financial statements.

Notes to the Financial Statements
For the year ended 31 December 2017

1. Accounting policies

Basis of preparation

The financial statements are prepared in accordance with the Companies Act 2006, and include statements of the transactions, assets and liabilities of the Syndicate on which the Company participates as a corporate member at Lloyd's.

The financial statements have been prepared in accordance with applicable UK Law and Accounting Standards and under the historical cost accounting rules as modified by the revaluation of investments, and in accordance with Financial Reporting Standards 102 & 103 (FRS 102 & 103) as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis, except for financial assets which have been recorded at fair value through the statement of profit or loss.

The financial statements are presented in Pound Sterling ("GBP"), which is the Company's functional currency.

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. 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.

The Company has underwritten insurance business as principal through its participation in a Lloyd's Syndicate.

The accounting information in respect of underwriting income and Syndicate assets and liabilities for Syndicate 1301 has been provided by the Managing Agent, StarStone Underwriting Limited. This information is based on audited Syndicate data for the year ended 31 December 2017.

The technical account represents the Company's accounting transactions in respect of its Syndicate participation. In addition, the Company has an external quota share reinsurance arrangement of 35% of capacity on 2016 underwriting year with a related party, KaylaRe Limited. The Company has internal quota share reinsurance arrangements of 85% and 100% on continuing and discontinued lines of business respectively on all open underwriting years (after the KaylaRe reinsurance in the case of 2016 underwriting year). The Syndicate financial information is prepared on an annual accounting basis.

Investment return (before allocated investment return transferred to the technical account) and foreign currency translation differences are reported in the non-technical account.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report and Responsibilities on pages 7 to 9.

At the Statement of Financial Position date, the Company is showing an equity shareholder deficit of £46.5m. The directors have considered the sufficiency of the Funds at Lloyd's and the extent to which they cover the totality of the net liabilities of the Company. The Company also has a letter of support from its parent confirming that it will provide additional capital as required in order to meet its liabilities and obligations as they may fall due. Having taken these points into consideration the directors have concluded it is appropriate to adopt the going-concern basis in preparing the financial statements.

1. Accounting policies (continued)

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

Unearned premiums

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

Reinsurance premium ceded

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

Claims provisions and related recoveries

A liability for unpaid losses is established where the insured event has occurred on or before the Statement of Financial Position 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 Syndicate 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 assume 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 Syndicate 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

1. Accounting policies (continued)

Claims provisions and related recoveries (continued)

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 Syndicate 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.

Where possible the Syndicate 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 underwriting 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.

Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return.

Deferred acquisition costs

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

Net operating expenses

Net operating expenses are recognised on an accruals basis. These comprise the Syndicate's operating expenses such as remuneration, office and administrative costs, acquisition costs, Managing Agency costs, the costs of membership of Lloyd's and other expenses attributable to the Syndicate's underwriting, stated net of contributions from quota share reinsurers.

1. Accounting policies (continued)

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at period end rates. For the purpose of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items. Any exchange differences arising from the change in rates of exchange are recognised in the non-technical account.

Transactions and non-monetary assets and liabilities denominated in foreign currencies are recorded in sterling at monthly average rates prevailing at the time of the transaction.

The rates of exchange used to translate monetary balances at the period end in foreign currencies into sterling are as follows:

	31 December 2017	31 December 2016
US Dollars	1.35	1.23
Canadian Dollars	1.69	1.66
Euros	1.12	1.17

Investments

Investments are stated at market value (bid price) at the Statement of Financial Position date. For this purpose listed investments are stated at market value and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the Statement of Financial Position date or the last trading day before that 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, charges and interest. Investment income from cash and overseas deposits is accrued to the end of the year.

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

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

Taxation

The tax expense represents the sum of the current tax and the movement in deferred tax recognised in the period (see below).

The current tax is based on the taxable income for the period. Taxable profit differs from profit on ordinary activities as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates applicable at the Statement of Financial Position date.

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events have occurred at that date that will result in an obligation to pay more or to pay less tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Statement of Financial Position date.

2. Risk and capital management

Introduction and overview

As noted in the Strategic Report, the risks and uncertainties of the Company are aligned with those of the Syndicate, with responsibility for managing those risks delegated to the Board of Directors of the Managing Agent. The Company directors are satisfied that the Managing Agent risk and control framework monitors and controls risk effectively. References to the Syndicate in this note apply by extension to the Company.

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

Risk management framework
The Board of Directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk management framework. The Board has established a Risk Committee to oversee the operation of the Syndicate's risk management framework and to review and monitor the management of the risks to which the Syndicate is exposed. The Risk Committee has delegated oversight of the management of aspects of insurance risks to the StarStone Underwriting and Reserving Committees, which are responsible for developing and monitoring insurance risk management policies, and the management of aspects of financial risks to the StarStone Investment Committee, which is responsible for developing and monitoring financial risk management policies.

The Risk Committee reports regularly to the Board of Directors on its activities. The StarStone Underwriting and Reserving Committees and the StarStone Investment Committee report regularly to the Risk Committee on their activities.

The risk management policies are established to identify and analyse the risks faced by the Syndicate, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Insurance Risk

Management of insurance risk

A key component of the management of underwriting risk for the Syndicate is a disciplined underwriting strategy that is focused on writing quality business and not writing for volume. Product pricing is designed to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the Syndicate's total exposure to specific risks together with limits on geographical and industry exposures. The aim is to ensure a well diversified book is maintained with no over exposure in any one geographical region.

2. Risk and capital management (continued)

Contracts can contain a number of features which help to manage the underwriting risk such as the use of deductibles, or capping the maximum permitted loss, or number of claims (subject to local regulatory and legislative requirements).

The Syndicate makes use of reinsurance to mitigate the risk of incurring significant losses linked to one event, including excess of loss, stop loss and catastrophe reinsurance. Where an individual exposure is deemed surplus to the Syndicate's appetite additional facultative reinsurance is also purchased.

The StarStone Underwriting and Reserving Committees oversees the management of reserving risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development are all instrumental in mitigating reserving risk.

The Syndicate Managing Agent's in house actuaries perform a reserving analysis on an annual basis liaising closely with underwriters, claims and reinsurance technicians. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is reviewed by external consulting actuaries.

The StarStone Underwriting and Reserving Committees perform a comprehensive review of the projections, both gross and net of reinsurance. Following this review the StarStone Underwriting and Reserving Committees make recommendations to the Risk Committee and the Managing Agent's Board of Directors of the amount of claims provisions to be established.

Concentration of insurance risk

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

Year 2017	Accident and Health	Marine, aviation and transport	Fire and other damage to property	Third party liability	Miscellaneous	Reinsurance	Total £
France	(39,832)	901	292,665	-	-	84	253,818
Germany	-	10,315	(115)	-	-	-	10,200
UK	(27,530)	(601)	(17,122)	(2,001)	-	(2,966)	(50,220)
Other Europe	18,279	141,522	33,171	-	-	(36,919)	156,053
US	235,422	6,057	365,626	254,713	45,071	254,843	1,161,732
Other	704,844	2,590,554	3,563,066	79,899	215,313	907,094	8,060,770
Total	891,183	2,748,748	4,237,291	332,611	260,384	1,122,136	9,592,353

2. Risk and capital management (continued)

Insurance Risk (continued)

Year 2016	Accident and Health	Marine, aviation and transport	Fire and other damage to property	Third party liability	Miscellaneous	Reinsurance	Total
							£
France	1,268	20,203	760,550	-	-	67,472	849,493
Germany	-	37	(16,715)	-	-	1,179	(15,499)
UK	137,550	37,166	602,625	16,468	1,415	39,912	835,136
Other Europe	454,098	686,491	185,604	-	10,567	2,582,173	3,918,933
US	426,724	1,019,355	6,472,479	1,879,250	49,161	2,113,035	11,960,004
Other	2,616,192	24,354,938	14,219,554	3,084,648	518,704	20,450,546	65,244,582
Total	3,635,832	26,118,190	22,224,097	4,980,366	579,847	25,254,317	82,792,649

Sensitivity to insurance risk

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

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

Year 2017	2017		2016	
	5 per cent increase	5 per cent decrease	5 per cent increase	5 per cent decrease
	£	£	£	£
Accident and health	(8,175)	8,175	(9,127)	9,127
Marine, aviation and transport	(137,600)	137,600	(155,999)	155,999
Fire and other damage to property	(81,122)	81,122	(84,205)	84,205
Third party liability	(27,015)	27,015	(28,108)	28,108
Miscellaneous	122	(122)	(1,254)	1,254
Total	(253,790)	253,790	(278,693)	278,693

Financial risk

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

2. Risk and capital management (continued)

Credit risk

Credit risk is the risk of financial loss to the Syndicate if a counterparty fails to discharge a contractual obligation.

The Syndicate is exposed to credit risk in respect of the following:

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

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

Management of credit risk

The Syndicate's credit risk in respect of debt securities is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by rating agencies such as Standard and Poor's. The Syndicate has a policy of investing mainly in government issued and government backed debts. The Syndicate does not currently invest new monies in speculative grade assets (i.e. those rated below BBB).

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

The Syndicate's exposure to intermediaries and reinsurance counterparties is monitored by the individual business units as part of their credit control processes.

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

The Syndicate assesses the creditworthiness of all reinsurers by reviewing public rating information and by internal investigations. The impact of reinsurer default is regularly assessed and managed accordingly.
Exposure to credit risk.

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

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

Notes to the Financial Statements
For the year ended 31 December 2017

2. Risk and capital management (continued)

Credit risk (continued)

Year 2017	AAA £	AA £	A £	BBB £	Not rated £	Total £
Financial investments						
Shares and other variable yield securities and units in unit trusts	-	-	16,386,714	-	4,784,537	21,171,251
Debt securities and other fixed income securities	72,701	2,658,126	2,268,809	1,914,279	3,212,497	10,126,412
Deposits with credit institutions	-	-	793,257	-	-	793,257
Overseas deposits	824,172	143,118	221,460	272,338	839,745	2,300,833
	896,873	2,801,244	19,670,240	2,186,617	8,836,779	34,391,753
Reinsurers' share of claims outstanding	-	41,445,837	10,299,254	560	10,934,940	62,680,591
Debtors arising out of direct insurance operations	-	-	-	-	7,346,633	7,346,633
Debtors arising out of reinsurance operations	-	131	195,732	-	121,538	317,401
Cash at bank and in hand	-	-	8,509,087	-	-	8,509,087
Other debtors and accrued interest	152	-	-	-	7,216,089	7,216,241
Total	897,025	44,247,212	38,674,313	2,187,177	34,455,979	120,461,706

2. Risk and capital management (continued)

Credit risk (continued)

Year 2016	AAA £	AA £	A £	BBB £	Not rated £	Total £
Financial investments						
Shares and other variable yield securities and units in unit trusts	-	-	24,832,174	-	7,329,319	32,161,493
Debt securities and other fixed income securities	387,610	19,494,973	5,449,919	5,727,029	-	31,059,531
Deposits with credit institutions	-	-	1,355,628	-	-	1,355,628
Overseas deposits	1,599,670	399,532	398,006	595,381	556,829	3,549,418
	1,987,280	19,894,505	32,035,727	6,322,410	7,886,148	68,126,070
Reinsurers' share of claims outstanding	-	72,737,886	17,208,964	13,413	9,781,213	99,741,476
Debtors arising out of direct insurance operations	-	-	-	-	36,201,486	36,201,486
Debtors arising out of reinsurance operations	-	(1,421)	(262,339)	-	(16,431)	(280,191)
Cash at bank and in hand	-	-	7,944,611	-	-	7,944,611
Other debtors and accrued interest	4,312	-	-	-	3,531,343	3,535,655
Total	1,991,592	92,630,970	56,926,963	6,335,823	57,383,759	215,269,107

At 31 December 2016, the largest concentration of credit risk in the Syndicate's debt security portfolio was in governments and government agencies.

The Syndicate has concentrations in its debt securities portfolio through its holdings of structured securities (including mortgage backed securities). The syndicate does not have any investments with exposure to peripheral Eurozone countries.

The not rated balances within shares and other variable yield securities and units in unit trusts represent principally the Canadian regulated Short Term Blended accounts which are not rated by Standard and Poor's. The current year total of £4.6m (2016: £7.3m) on these accounts is split between USD £1.8m (2016: £4.0m) and CAD £2.8m (2016: £3.3m) trust funds.

2. Risk and capital management (continued)

Credit risk (continued)

Financial assets that are past due or impaired

The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date.

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

An analysis of the carrying amounts of past due or impaired debtors for the Company is presented in the table below. The debtors arising from reinsurance operations excludes accepted reinsurance debtors of £1.7 million (2016: £10.7 million).

Year 2017	Debtors arising from direct insurance operations £	Debtors arising from reinsurance operations £
Past due but not impaired financial assets:		
Past due by:		
1 to 90 days	195,502	1,070,585
91 to 180 days	638,690	1,412
181 to 365 days	1,710,125	43,268
More than 365 days	1,416,861	29,730
Past due but not impaired financial assets	3,961,178	1,144,995
Impaired financial assets	-	-
Gross value of past due and impaired financial assets	3,961,178	1,144,995
Less: individually assessed impairment allowances	-	-
Net carrying value of past due and impaired financial assets	3,961,178	1,144,995
Neither past due nor impaired financial assets	7,346,633	317,402
Net carrying value	11,307,811	1,462,397

Notes to the Financial Statements
For the year ended 31 December 2017

2. Risk and capital management (continued)

Credit risk (continued)

Year 2016	Debtors arising from direct insurance operations £	Debtors arising from reinsurance operations £
Past due but not impaired financial assets:		
Past due by:		
1 to 90 days	3,017,078	1,428,041
91 to 180 days	2,315,119	7,679
181 to 365 days	2,211,732	15,921
More than 365 days	1,798,840	93,117
Past due but not impaired financial assets	9,342,769	1,544,758
Impaired financial assets	-	-
Gross value of past due and impaired financial assets	9,342,769	1,544,758
Less: individually assessed impairment allowances	-	-
Net carrying value of past due and impaired financial assets	9,342,769	1,544,758
Neither past due nor impaired financial assets	36,201,486	(280,191)
Net carrying value	45,544,255	1,264,567

Liquidity risk

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

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

Management of liquidity risk

The Syndicate's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Syndicate's reputation.

2. Risk and capital management (continued)

Liquidity risk (continued)

The syndicate's approach to managing its liquidity risk is as follows:

- Forecasts are prepared and revised on a regular basis to predict cash outflows from insurance contracts over the short, medium and long term;
- Assets purchased by the Syndicate are required to satisfy specified marketability requirements;
- The Syndicate maintains cash and liquid assets to meet daily calls on its insurance contracts;
- The Syndicate regularly reviews its contingency funding plans to ensure that adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

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 date when the gross undiscounted contractually required cash flows will occur. For financial assets and liabilities it is the earliest date on which the gross undiscounted cash flows (including contractual interest payments) could be paid assuming conditions are consistent with those at the reporting date. The actual timing of future settlement cash flows may differ materially from the disclosure below.

			Undiscounted net cash flows			
Year 2017	Carrying amount £	Total cash flows £	Less than 1 year £	1-2 years £	2-5 years £	More than 5 years £
Financial investments:						
Shares and other variable yield securities and units in unit trusts	21,171,251	21,171,251	21,171,251	-	-	-
Debt securities and other fixed income securities	10,126,412	10,126,412	962,851	2,153,531	5,964,665	1,045,365
Deposits with credit institutions	793,257	793,257	793,257	-	-	-
Overseas deposits	2,300,833	2,300,833	2,300,833	-	-	-
Reinsurers share of claims outstanding	62,680,591	62,680,591	27,182,121	28,574,638	4,741,962	2,181,870
Debtors and accrued interest	21,685,626	21,685,626	21,484,713	200,913	-	-
Cash at bank and in hand	8,509,087	8,509,087	8,509,087	-	-	-
Total assets	127,267,057	127,267,057	82,404,113	30,929,082	10,706,627	3,227,235
Claims outstanding	67,756,388	67,756,388	10,849,928	18,539,401	26,694,120	11,672,939
Creditors	109,116,286	109,116,286	88,289,637	20,826,649	-	-
Total liabilities	176,872,674	176,872,674	99,139,565	39,366,050	26,694,120	11,672,939

2. Risk and capital management (continued)

Year 2016	Carrying amount £	Total cash flows £	Undiscounted net cash flows Less than 1 year £	1-2 years £	2-5 years £	More than 5 years £
Financial investments:						
Shares and other variable yield securities and units in unit trusts	32,161,493	32,161,493	32,161,493	-	-	-
Debt securities	31,059,531	31,059,531	1,866,391	6,804,883	19,634,834	2,753,423
Deposits with credit institutions	1,355,628	1,355,628	1,355,628	-	-	-
Overseas deposits	3,549,418	3,549,418	3,549,418	-	-	-
Reinsurers share of claims outstanding	99,741,476	99,741,476	42,362,137	23,055,403	30,790,731	3,533,205
Debtors and accrued interest	61,087,725	61,087,725	61,067,833	19,892	-	-
Cash at bank and in hand	7,944,611	7,944,611	7,944,611	-	-	-
Total assets	236,899,882	236,899,882	150,307,511	29,880,178	50,425,565	6,286,628
Claims outstanding	105,315,346	105,315,346	18,184,404	26,823,048	52,871,037	7,436,857
Creditors	187,335,621	187,335,621	123,549,575	25,025,386	38,760,660	-
Total liabilities	292,650,967	292,650,967	141,733,979	51,848,434	91,631,697	7,436,857

In the above tables, the majority of debt securities are included in the '2-5 years' column. In practice cash could be realised through the sale of the syndicate's investments in debt securities. The disclosure does not take account of premiums received from new business written which can be used to pay claims arising.

Market risk

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

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

2. Risk and capital management (continued)

Market risk (continued)

Management of market risks

For each of the major components of market risk the Syndicate has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of major risk and the exposure of the Syndicate at the reporting date to each major risk are addressed below.

Interest rate risk
Interest rate risk arises primarily from the syndicate's financial investments, cash and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The StarStone Investment Committee monitors the duration of these assets on a regular basis.

Currency risk
The Syndicate writes business primarily in Sterling, Euro and US dollar and is therefore exposed to currency risk arising from fluctuations in the exchange rates of Sterling 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.

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

Year 2017	GBP	USD	CAD	EUR	Grand Total
Financial investments	8,603,037	22,320,648	3,468,068	-	34,391,753
Reinsurers' share of technical provisions	1,677,387	62,395,224	731,874	2,471,867	67,276,352
Insurance and reinsurance receivables	(3,012,929)	22,262,951	(295,034)	(4,485,601)	14,469,387
Other assets	4,320,325	4,879,413	107,832	1,250,874	10,558,444
Cash at bank	(1,232,075)	216,111	-	9,525,051	8,509,087
Prepayments & accrued income	75,002	166,813	38,878	109,413	390,106
ASSETS	**10,430,747**	**112,241,160**	**4,051,618**	**8,871,604**	**135,595,129**
Technical provisions	(8,315,803)	(52,077,336)	(2,367,384)	(10,102,873)	(72,863,396)
Creditors	(209,134)	(106,120,894)	(639,936)	(2,146,322)	(109,116,286)
Accruals & deferred income	(114,121)	(50,316)	-	-	(164,437)
LIABILITIES	**(8,639,058)**	**(158,248,546)**	**(3,007,320)**	**(12,249,195)**	**(182,144,119)**
NET ASSETS/(LIABILITIES)	**1,791,689**	**(46,007,386)**	**1,044,298**	**(3,377,591)**	**(46,548,990)**

2. Risk and capital management (continued)

Market risk (continued)

Year 2016	GBP	USD	CAD	EUR	Grand Total
Financial investments	15,231,430	48,327,311	4,567,329	-	68,126,070
Reinsurers' share of technical provisions	6,446,083	124,280,863	1,037,296	4,314,988	136,079,230
Insurance and reinsurance receivables	(4,409,913)	58,357,528	(149,196)	3,753,651	57,552,070
Other assets	5,223,023	2,506,999	381,218	196,182	8,307,422
Cash at bank	3,083,065	(5,678,823)	-	10,540,369	7,944,611
Prepayments & accrued income	849,797	(1,270,397)	213,129	1,006,185	798,714
ASSETS	**26,423,485**	**226,523,481**	**6,049,776**	**19,811,375**	**278,808,117**
Technical provisions	(17,936,342)	(106,294,470)	(4,106,443)	(16,850,252)	(145,187,507)
Creditors	(3,670,285)	(179,007,828)	(781,220)	(3,876,288)	(187,335,621)
Accruals & deferred income	86,441	(491,269)	-	-	(404,828)
LIABILITIES	**(21,520,186)**	**(285,793,567)**	**(4,887,663)**	**(20,726,540)**	**(332,927,956)**
NET ASSETS/(LIABILITIES)	**4,903,299**	**(59,270,086)**	**1,162,113**	**(915,165)**	**(54,119,839)**

2. Risk and capital management (continued)

Sensitivity analysis to market risks

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 that all other variables remain constant, if that change had occurred at the end of the reporting period and had been applied to the risk exposures at that date.

	Total 2017 FY Profit or loss for the year £	Total 2016 FY Profit or loss for the year £
Interest rate risk		
+ 50 basis points shift in yield curves	(140,211)	(456,672)
- 50 basis points shift in yield curves	140,211	456,672
Currency risk		
10 percent increase in GBP/euro exchange rate	307,054	83,197
10 percent decrease in GBP/euro exchange rate	(375,288)	(101,685)
10 percent increase in GBP/US dollar exchange rate	4,182,489	5,388,190
10 percent decrease in GBP/US dollar exchange rate	(5,111,931)	(6,585,565)
Market price risk		
5 percent increase in market prices	506,321	1,553,180
5 percent decrease in market prices	(506,321)	(1,553,180)

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

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

2. Risk and capital management (continued)

Sensitivity analysis to market risks (continued)

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

Capital management

Capital framework at Lloyd's

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

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level.

Lloyd's capital setting process

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

A syndicate may comprise one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicates on which it is participating, but not other members' shares. Accordingly, the capital requirements that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the proportion of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's, not a Solvency II, requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2017 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's, see note 21), assets held and managed within a syndicate (funds in syndicate), or as the member's share of the members' balances on each syndicate on which it participates.

Notes to the Financial Statements
For the year ended 31 December 2017

3. Analysis of underwriting result

An analysis of the underwriting result before investment return and gain/(loss) on foreign exchange is set out below:

Year 2017	Gross premiums written £	Gross premiums earned £	Gross claims incurred £	Gross* operating expenses £	Reinsurance balance £	Total £
Direct Insurance						
Accident and health	891,183	1,744,826	(738,847)	(737,784)	(1,081,989)	(813,794)
Marine, aviation and transport	2,748,748	11,405,268	(10,793,094)	(4,038,686)	(459,893)	(3,886,405)
Fire and other damage to property	4,237,291	13,140,929	(12,819,006)	(3,474,665)	(78,644)	(3,231,386)
Third party liability	332,611	2,649,173	(4,457,424)	(102,185)	1,913,382	2,946
Miscellaneous	260,384	356,862	(416,168)	(32,715)	72,226	(19,795)
Total direct	8,470,217	29,297,058	(29,224,539)	(8,386,035)	365,082	(7,948,434)
Reinsurance	1,122,136	8,688,856	(3,305,167)	(2,478,440)	(5,652,039)	(2,746,790)
Net contribution from quota share reinsurers to gross operating expenses	-	-	-	-	10,577,777	10,577,777
Total	9,592,353	37,985,914	(32,529,706)	(10,864,475)	5,290,820	(117,447)

Year 2016	Gross premiums written £	Gross premiums earned £	Gross claims incurred £	Gross* operating expenses £	Reinsurance balance £	Total £
Direct Insurance						
Accident and health	3,635,832	3,954,072	(1,703,827)	(1,828,866)	(2,092,589)	(1,671,210)
Marine, aviation and transport	26,118,190	25,982,979	(14,773,648)	(10.916.935)	(10,199,060)	(9,906,664)
Fire and other damage to property	22,224,097	24,968,112	(16,225,222)	(7,142.255)	(8,231,995)	(6,631,360)
Third party liability	4,980,366	4,871,814	389,274	(190,177)	(5.101.682)	(30,771)
Miscellaneous	579,847	450,404	(124,660)	(173.284)	(302,455)	(149,995)
Total direct	57,538,332	60,227,381	(32,438,083)	(20,251,517)	(25,927,781)	(18,390,000)
Reinsurance	25,254,317	24,734,496	(10,381,036)	(9,485,422)	(12,998,059)	(8,130,021)
Net contribution from quota share reinsurers to gross operating expenses	-	-	-	-	23,779,862	23,779,862
Total	82,792,649	84,961,877	(42,819,119)	(29,736,939)	(15,145,978)	(2,740,159)

No gains or losses were recognised in profit or loss during the year on buying reinsurance (2016: nil).

* Gross operating expenses differ from net operating expenses as contributions from quota share reinsurers have been set off in arriving at the net operating expenses for 2017 and 2016.

Notes to the Financial Statements
For the year ended 31 December 2017

3. Analysis of underwriting result (continued)

The geographical analysis of premiums for direct insurance by situs is as follows:

	2017 £	2016 £
UK	(47,254)	795,223
Other EU countries	418,620	2,163,108
US	906,889	9,846,970
Other	7,191,962	44,733,031
	8,470,217	57,538,332

4. Technical provisions

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

	2017			2016		
	Gross provisions £	Reinsurance assets £	Net £	Gross provisions £	Reinsurance assets £	Net £
Incurred claims outstanding:						
Balance at 1 January	105,315,346	(99,741,476)	5,573,870	88,523,433	(81,777,593)	6,745,840
RITC	(25,291,449)	25,195,300	(96,149)	(1,277,752)	1,201,684	(76,068)
Change in prior year provisions	(5,263,264)	4,871,710	(391,554)	(22,358,782)	20,036,967	(2,321,815)
Expected cost of current year claims	37,792,970	(34,374,736)	3,418,234	65,177,900	(57,737,448)	7,440,452
Claims paid during the year	(39,918,199)	35,283,226	(4,634,973)	(39,489,173)	34,818,296	(4,670,877)
Effect of movements in exchange rates	(4,879,016)	6,085,385	1,206,369	14,739,720	(16,283,382)	(1,543,662)
Balance at 31 December	**67,756,388**	**(62,680,591)**	**5,075,797**	**105,315,346**	**(99,741,476)**	**5,573,870**
Claims notified	47,465,163	(42,970,966)	4,494,197	60,184,227	(56,653,079)	3,531,148
Claims incurred but not reported	20,291,225	(19,709,625)	581,600	45,131,119	(43,088,397)	2,042,722
Balance at 31 December	**67,756,388**	**(62,680,591)**	**5,075,797**	**105,315,346**	**(99,741,476)**	**5,573,870**
Unearned premiums:						
Balance at 1 January	39,872,161	(36,337,754)	3,534,407	34,447,666	(30,239,827)	4,207,839
RITC	(989,894)	874,337	(115,557)	-	-	-
Premiums written during the year	9,592,353	(8,837,742)	754,611	82,792,649	(74,185,627)	8,607,022
Premiums earned during the year	(37,985,914)	34,789,983	(3,195,931)	(84,961,877)	76,626,320	(8,335,557)
Effect of movements in exchange rates	(5,381,698)	4,915,415	(466,283)	7,593,723	(8,538,620)	(944,897)
Balance at 31 December	**5,107,008**	**(4,595,761)**	511,247	**39,872,161**	**(36,337,754)**	**3,534,407**

Notes to the Financial Statements
For the year ended 31 December 2017

5. Investment return

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

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Investment Income	515,809	578,130
Net realised gains on investments	41,155	177,042
	556,964	755,172
Investment expenses and charges	(9,353)	(29,437)
Realised losses on investments	(177,093)	(64,673)
	(186,446)	(94,110)
Net unrealised gains on investments	47,824	11,254
	(138,622)	(82,856)
Total investment return	418,342	672,316

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

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Financial assets at fair value through profit or loss	(88,114)	123,623
Financial assets at amortised cost:		
Interest income	515,809	578,130
Investment management expenses, excluding interest	(9,353)	(29,437)
Total investment return	418,342	672,316

6. Net operating expenses

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Acquisition costs	3,481,256	18,190,685
Movement in deferred acquisition costs	6,112,356	1,358,544
Syndicate operating expenses	(503,135)	9,570,670
Personal expenses	74,828	534,445
SCC1 direct expenses	1,699,170	82,595
	10,864,475	29,736,939
Net contribution from quota share reinsurers	(10,577,777)	(23,779,862)
	286,698	5,957,077

Total written commissions for direct insurance business for the year amounted to £3,179,415 (2016 : £12,999,629). Audit fees are disclosed in note 9.

7. Employee remuneration

The Company had no employees during the year (2016: nil).

Notes to the Financial Statements
For the year ended 31 December 2017

8. Directors' remuneration

The directors' remuneration in respect of services provided to the Company is included in the recharged expenses from other group entities (2016: nil).

9. Audit fees

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Fees payable to the Company's auditors for the audit of the Company's Annual accounts	19,025	6,000

10. Tax (credit) on profit/(loss)

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Current tax		
UK corporation tax on results of the period	(3,667,489)	(3,582,020)
Prior year corporation tax expense	156,476	-
Total current tax (credit) in the year	(3,511,013)	(3,582,020)
Deferred tax		
Origination and reversal of timing differences	1,509,864	737,633
Tax rate difference	29,936	204,707
Prior year adjustment	-	278,226
Total deferred tax charge/(credit) in the year	1,539,800	1,220,566
Tax (credit) on profit/(loss)	(1,971,213)	(2,361,454)

Factors affecting the current tax charge for the current year
A composite rate of corporation tax of 19.25% was used in respect of the year ended 31 December 2017 following the reduction in the corporation tax rate from 20% to 19% on 1 April 2017.

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Current tax reconciliation		
Profit/(loss) before tax	5,599,636	(9,004,633)
Current tax at 19.25% (2016: 20%)	1,077,930	(1,800,927)
Effects of:		
Permanent difference	(93,279)	242,595
Group relief surrendered for nil payment	-	375,690
Partial recognition of timing differences	(3,142,276)	(1,661,745)
Rate difference	29,936	204,707
Prior year adjustments	156,476	278,226
Total current tax (credit) in the year	(1,971,213)	(2,361,454)

Notes to the Financial Statements
For the year ended 31 December 2017

11. Financial investments

	31 December 2017		31 December 2016	
	Historic Cost £	Market Value £	Historic Cost £	Market Value £
Shares and other variable yield securities and units in unit trusts	21,171,251	21,171,251	32,161,493	32,161,493
Debt securities and other fixed income securities	10,221,033	10,126,412	31,975,678	31,059,531
Deposits with credit institutions	793,257	793,257	1,355,628	1,355,628
Overseas deposits	2,300,833	2,300,833	3,549,418	3,549,418
	34,486,374	34,391,753	69,042,217	68,126,070

	31 December 2017 £	31 December 2016 £
Listed Investments		
Debt securities and other fixed income securities	10,126,412	31,059,531

12. Other debtors – amounts falling due within one year

	31 December 2017 £	31 December 2016 £
Amounts owed by group undertakings	3,564,204	21,775
Deferred tax asset (see note 15)	3,430,179	4,969,979
Lloyd's Central Accounting amounts due	3,563,909	3,201,552
VAT receivable	152	114,116
	10,558,444	8,307,422

13. Overseas deposits

Overseas deposits represent monies kept in overseas funds managed by Lloyd's. The funds are required in order to protect policyholders in overseas markets and enable the Syndicates to operate in those markets. The access to those funds is restricted and the Syndicates cannot influence the investment strategy.

14. Other creditors including taxation and social security

Amounts falling due within one year

	31 December 2017 £	31 December 2016 £
Amounts owed to group undertakings	13,909,309	21,907,032
Other creditors	-	4,080
	13,909,309	21,911,112

15. Deferred tax asset

	31 December 2017 £	31 December 2016 £
Deferred tax (asset) brought forward	(4,969,979)	(6,190,545)
Debited/(credited) to profit and loss in respect of current year	1,539,800	1,220,566
Deferred tax (asset) carried forward	(3,430,179)	(4,969,979)

Factors that may affect future tax charges
The Government has enacted legislation setting the corporation tax rate at 19% for the years starting 1 April 2017, 2018 and 2019 and at 17% for the year starting 1 April 2020. While the further rate reductions may reduce the Company's tax charge in future periods, it has not been possible to quantify the effect at this stage.

These rates have been reflected in the closing deferred tax position on the Statement of Financial Position and in the calculation of the unrecognised deferred tax asset. The recognised deferred tax asset of £3,430,179 is in respect of the underwriting losses relating to the 2015 and 2016 underwriting years and is valued at 19%, which is the tax rate at which these underwriting years are expected to unwind.

The unrecognised deferred tax assets of £1,129,448 (2016: £5,144,903) are in respect of the underwriting losses relating to 2015 and 2016 underwriting years and have been calculated at the tax rates at which each underwriting year is expected to unwind (2016: 19%).

16. Called up share capital

	31 December 2017 £	31 December 2016 £
Allotted and fully paid 101 ordinary shares of £1 each	101	101
Share premium account	21,976,373	21,976,373
	21,976,474	21,976,474

17. Deferred acquisition costs

	31 December 2017 £	31 December 2016 £
Balance at 1 January	412,078	1,523,037
Incurred costs deferred	371,475	(2,126,095)
Amortisation	(118,926)	(327,471)
Effect of movements in exchange rates	(362,496)	1,342,607
Balance at 31 December	302,131	412,078

18. Claims development

Pure Underwriting Year - Gross	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	Total £'000
Estimate of ultimate gross claims							
At end of underwriting year	11,591	10,176	19,606	19,409	24,360	27,431	
one year later	21,885	20,431	32,846	34,064	41,490	55,767	
two years later	24,281	20,863	31,746	33,829	45,459		
three years later	22,945	20,392	31,393	32,571			
four years later	22,906	20,470	31,707				
Five years later	22,945	20,352					
Six years later	23,024						
Less gross claims paid	22,513	19,841	25,656	23,967	27,543	23,069	
Gross ultimate claims reserve	511	511	6,051	8,604	17,916	32,698	66,291
Gross ultimate claims reserve for 2010 and prior years							1,465
Gross claims reserves							67,756

Pure Underwriting Year - Net	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	Total £'000
Estimate of ultimate net claims							
At end of underwriting year	667	678	1,285	1,339	1,460	2,720	
one year later	1,394	1,391	2,096	2,195	2,613	5,588	
two years later	1,522	1,429	1,951	2,197	2,810		
three years later	1,419	1,394	1,891	2,135			
four years later	1,413	1,402	1,905				
Five years later	1,419	1,394					
Six years later	1,424						
Less net claims paid	1,504	1,596	2,203	1,753	708	2,400	
Net ultimate claims reserve	(80)	(202)	(298)	382	2,102	3,188	5,092
Net ultimate claims reserve for 2010 and prior years							(16)
Net claims reserves							5,076

19. Cash and cash equivalents

	31 December 2017 £	31 December 2016 £
Short term deposits with credit institutions	21,171,251	32,161,493
Cash at bank and in hand	8,509,087	7,944,611
Total cash and cash equivalents	29,680,338	40,106,104

Only deposits with credit institutions with maturities of three months or less that are used in the management of short-term commitments are included in cash and cash equivalents.

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries. The funds are required in order to protect policyholders in overseas markets and enable the Syndicate in which the Company participates to operate in those markets. The access to those funds is restricted and the Syndicate cannot influence the investment strategy.

20. Ultimate parent company

StarStone Insurance Bermuda Limited, a company incorporated in Bermuda, is the immediate parent company. Enstar Group Limited, a company incorporated in Bermuda, is the ultimate parent company and ultimate controlling party. Copies of the consolidated financial statements of Enstar Group Limited can be obtained from The Secretary, Enstar Group Limited, Windsor Place, 3rd Floor, 22 Queen Street, Hamilton, HM JX Bermuda.

21. Commitments and contingencies

The Company supports its underwriting activities via cash, investments and letters of credit (LOCs) provided by its immediate parent and quota share reinsurers, in the sum of £47.9m (2016: £49.3m), which is deposited at Lloyd's. A Lloyd's Deposit Trust Deed allows the parent as 'Depositor' to pledge funds on behalf of the Company as 'Member'. The Corporation of Lloyd's is entitled to draw down on these funds in order to satisfy any outstanding underwriting liabilities of the Company.

22. Related parties

The Company has outwards quota share arrangements with its immediate parent, StarStone Insurance Bermuda Limited, and a fellow subsidiary, StarStone Insurance SE. Transactions and year end balances are shown below:

	StarStone Insurance Bermuda Limited		StarStone Insurance SE	
	Income/ (Expense)	Asset/ (Liability)	Income/ (Expense)	Asset/ (Liability)
Year Ended 31 December 2017	£	£	£	£
Ceded written premiums/ceded unearned premiums	(4,274,128)	2,414,369	-	-
Ceded earned premiums	(18,247,878)		(200,414)	
Ceded commissions/ceded deferred acquisition costs	5,615,826	(338,787)	-	-
Ceded paid claims	25,830,426		267,729	
Ceded claims outstanding	(8,996,724)	41,430,601	(12,811)	389,259
Balance on current items		(80,314,475)		(370,390)
	4,201,650	(36,808,292)	54,504	18,869

	StarStone Insurance Bermuda Limited		StarStone Insurance SE	
	Income/ (Expense)	Asset/ (Liability)	Income/ (Expense)	Asset/ (Liability)
Year Ended 31 December 2016	£	£	£	£
Ceded written premiums/ceded unearned premiums	(40,889,907)	19,793,680	(770,060)	206,712
Ceded earned premiums	(51,082,674)		(704,696)	
Ceded commissions/ceded deferred acquisition costs	18,453,954	(4,408,770)		
Ceded paid claims	26,350,214		115,972	
Ceded claims outstanding	(1,211,737)	67,600,062	344,207	486,351
Balance on current items		(129,348,483)		(842,258)
	(7,490,243)	(46,363,511)	(244,517)	(149,195)

On 15 December 2016 the Company also entered into a quota share treaty with KaylaRe Limited (KaylaRe), in which KaylaRe reinsures 35% of business written by the Company on the 2016 underwriting year. 100% of KaylaRe's common shares are owned by Enstar Group Limited. Transactions in the year and year end balances with KaylaRe are shown below:

Notes to the Financial Statements
For the year ended 31 December 2017

22. Related parties (continued)

	KaylaRe Limited	
	Income/ (Expense)	Asset/ (Liability)
Year Ended 31 December 2017	£	£
Ceded written premiums/ceded unearned premiums	(2,770,696)	1,074,920
Ceded earned premiums	(10,680,300)	
Ceded commissions/ceded deferred acquisition costs	4,961,774	(350,883)
Ceded paid claims	7,300,350	
Ceded claims outstanding	2,383,620	10,420,004
Balance on current items		(8,123,857)
	3,965,444	3,020,184

	KaylaRe Limited	
	Income/ (Expense)	Asset/ (Liability)
Year Ended 31 December 2016	£	£
Ceded written premiums/ceded unearned premiums	(21,845,859)	10,245,642
Ceded earned premiums	(13,964,884)	
Ceded commissions/ceded deferred acquisition costs	4,995,183	(3,921,383)
Ceded paid claims	716,140	
Ceded claims outstanding	8,248,836	8,690,467
Balance on current items		(14,900,306)
	4,725	114,420

In addition, the Company has an outstanding loan due to its immediate parent, comprising principal of £12,939,959 (2016: £15,390,847) and interest of £381,237 (2016: £285,144). Interest charged in the year amounted to £126,240 (2016: £119,978). The Company has a letter of support from its parent confirming that it will provide additional capital as required in order to meet its liabilities and obligations as they may fall due.

The Company also incurs expense recharges from other StarStone and Enstar group companies. Transactions and year end balances are shown below:

Expenses charged by group undertakings	Income/ (Expense)	Asset/ (Liability)
Year Ended 31 December 2017	£	£
StarStone Insurance Services Limited	(164,306)	(207,265)
StarStone Underwriting Limited	(46,306)	(336,555)
StarStone Finance Limited	-	(44,294)
Enstar Limited	44,517	44,790
Enstar (EU) Limited	(589,260)	-
Enstar USA, Inc.	(739)	-
SGL No. 1 Limited	-	1,503,109
Cranmore (UK) Limited	(16,231)	-
	(772,325)	959,785

22. Related parties (continued)

Expenses charged by group undertakings Year Ended 31 December 2016	Income/ (Expense) £	Asset/ (Liability) £
StarStone Insurance Services Limited	(8,415,516)	(5,083,777)
StarStone Insurance Bermuda Limited	-	(64,535)
StarStone Underwriting Limited	(16,093)	21,775
StarStone Insurance SE	(459,849)	(44,561)
Enstar (EU) Limited	(950,901)	(1,038,089)
Enstar Limited	-	(79)
Cranmore (UK) Limited	(55,440)	-
Cranmore (US) Inc.	(315)	-
	(9,898,114)	(6,209,266)

The Company also has a debtor arising from group tax relief of £2,016,305 due from Atrium Underwriting Limited (AUL). During the year, group tax relief of £3,667,490 was credited to the income statement in respect of AUL.