
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K/A

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): December 30, 2008

Enstar Group Limited

(Exact name of registrant as specified in its charter)

<u>Bermuda</u> (State or other jurisdiction of incorporation)	<u>001-33289</u> (Commission File Number)	<u>N/A</u> (IRS Employer Identification No.)
<u>P.O. Box HM 2267, Windsor Place, 3rd Floor 18 Queen Street, Hamilton HM JX Bermuda</u> (Address of principal executive offices)		<u>N/A</u> (Zip Code)

Registrant's telephone number, including area code: (441) 292-3645

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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We are amending the Current Report on Form 8-K that we filed on December 30, 2008 to include the Financial Statements for the businesses acquired in connection with the acquisition of Unionamerica Holdings Limited from St. Paul Fire and Marine Insurance Company, an affiliate of the Travelers Companies, Inc., and to include the Pro Forma Financial Information set forth below under Item 9.01 Financial Statements and Exhibits.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The required financial statements are attached hereto as Exhibits 99.1 through 99.4 and are incorporated in their entirety herein by reference.

(b) Pro Forma Combined Financial Information.

The required pro forma combined financial information is attached hereto as Exhibit 99.5 and is incorporated in its entirety herein by reference.

(d) Exhibits.

23.1 Consent of KPMG Audit Plc for Unionamerica Insurance Company Limited (for the years ended December 31, 2008 and 2007).

23.2 Consent of KPMG Audit Plc for Unionamerica Insurance Company Limited (for the years ended December 31, 2007 and 2006).

23.3 Consent of KPMG Audit Plc for SPRE Limited (for the years ended December 31, 2008 and 2007).

23.4 Consent of KPMG Audit Plc for SPRE Limited (for the years ended December 31, 2007 and 2006).

99.1 Audited financial statements of Unionamerica Insurance Company Limited for the years ended December 31, 2008 and 2007.

99.2 Audited financial statements of Unionamerica Insurance Company Limited for the years ended December 31, 2007 and 2006.

99.3 Audited financial statements of SPRE Limited for the years ended December 31, 2008 and 2007.

99.4 Audited financial statements of SPRE Limited for the years ended December 31, 2007 and 2006.

99.5 Pro Forma Condensed Combined Consolidated Statement of Earnings of Enstar Group Limited as of December 31, 2008 (Unaudited).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENSTAR GROUP LIMITED

Date: March 18, 2009

By: /s/ Richard J. Harris

Richard J. Harris

Chief Financial Officer

EXHIBIT INDEX

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- 99.3 Audited financial statements of SPRE Limited for the years ended December 31, 2008 and 2007.
- 99.4 Audited financial statements of SPRE Limited for the years ended December 31, 2007 and 2006.
- 99.5 Pro Forma Condensed Combined Consolidated Statement of Earnings of Enstar Group Limited as of December 31, 2008 (Unaudited).

CONSENT OF INDEPENDENT PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements (No. 333-149551, No. 333-148863, No. 333-148862 and No. 333-141793) on Form S-8 of Enstar Group Limited of our report dated March 18, 2009 with respect to the balance sheets of Unionamerica Insurance Company Limited as of December 31, 2008 and 2007 and the related profit & loss accounts, and reconciliations of movements in shareholders' funds for both of the years then ended, which report appears in this Current Report on Form 8-K/A of Enstar Group Limited.

/s/ KPMG Audit Plc

KPMG Audit Plc

London, England

March 18, 2009

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/s/ KPMG Audit Plc

KPMG Audit Plc

London, England

March 18, 2009

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/s/ KPMG Audit Plc _____

KPMG Audit Plc

London, England

March 18, 2009

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/s/ KPMG Audit Plc _____

KPMG Audit Plc

London, England

March 18, 2009

UNIONAMERICA INSURANCE COMPANY LIMITED
(Registered in England No.1022903)
FINANCIAL STATEMENTS
31 December 2008

UNIONAMERICA INSURANCE COMPANY LIMITED

Independent Auditors' Report

The Board of Directors

Unionamerica Insurance Company Limited:

We have audited the accompanying balance sheets of Unionamerica Insurance Company Limited ("the Company") as of December 31, 2008 and 2007, and the related profit and loss accounts and reconciliations of movements in shareholders' funds for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S."). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Unionamerica Insurance Company Limited as of December 31, 2008 and 2007, and the results of its operations for the years then ended, in conformity with generally accepted accounting principles in the United Kingdom.

Accounting principles generally accepted in the United Kingdom vary in certain significant respects from U.S. generally accepted accounting principles. Information relating to the nature and effect of such differences is presented in note 23 to the financial statements.

/s/ KPMG Audit Plc

KPMG Audit Plc

London, United Kingdom

March 18, 2009

UNIONAMERICA INSURANCE COMPANY LIMITED

Profit & Loss Account
 Technical Account — General Business
 For the Year Ended 31 December 2008

	Notes	2008 US\$000	2007 US\$000
Earned premiums, net of reinsurance			
Gross premiums written	3	141	(231)
Outward reinsurance premiums		<u>93,331</u>	<u>(3,680)</u>
Earned premiums, net of reinsurance		93,472	(3,911)
Allocated investment return transferred from the non-technical account		<u>10,044</u>	<u>3,039</u>
		<u>103,516</u>	<u>(872)</u>
Claims incurred, net of reinsurance			
Claims paid — gross amount		(137,821)	(51,067)
— reinsurers' share		<u>478,258</u>	<u>75,789</u>
		<u>340,437</u>	<u>24,722</u>
Change in the provision for claims — gross amount		133,348	18,705
— reinsurers' share		<u>(669,397)</u>	<u>(35,597)</u>
		<u>(536,049)</u>	<u>(16,892)</u>
Claims incurred, net of reinsurance	4, 5	(195,612)	7,830
Net operating expenses	7	<u>(10,693)</u>	<u>(4,687)</u>
Balance on the technical account — general business		<u>(102,789)</u>	<u>2,271</u>

The above results relate to discontinued business.

See accompanying notes to these financial statements.

UNIONAMERICA INSURANCE COMPANY LIMITED

**Profit & Loss Account
Non-Technical Account — General Business
For the Year Ended 31 December 2008**

	Notes	2008 US\$000	2007 US\$000
Balance on the technical account — general business		(102,789)	2,271
Investment income	8	19,958	9,579
Unrealised investment (loss)/gain		(1,823)	1,231
Investment expenses and charges	9	(559)	0
		17,576	10,810
Allocated investment return transferred to the technical account — general business		(10,044)	(3,039)
		7,532	7,771
Other charges, including value adjustments	10	(1,349)	(558)
(Loss)/profit on ordinary activities before tax	11	(96,606)	9,484
Tax on (loss)/profit on ordinary activities	13	702	882
(Loss)/profit for the year after tax		(95,904)	10,366

A separate statement of recognised gains and losses has not been prepared as there are no differences between the above result and the result after recognised gains and losses.

All business is discontinued as defined by Financial Reporting Standard 3.

See accompanying notes to these financial statements.

UNIONAMERICA INSURANCE COMPANY LIMITED

Balance Sheet
At 31 December 2008

	Notes	2008 US\$000	2007 US\$000
ASSETS			
Investments			
Other financial investments	14	663,880	822,020
Deposits with ceding undertakings		13,079	13,968
Reinsurers' share of technical provisions			
Claims outstanding	5	169,437	811,976
Debtors			
Debtors arising out of direct insurance operations		0	3,232
Debtors arising out of reinsurance operations		52,421	137,401
Other debtors	15	149	4,232
Other assets			
Cash at bank and in hand	14	367,601	39,667
Prepayments and accrued income			
Accrued interest and rental income		<u>10,085</u>	<u>12,590</u>
Total assets		<u><u>1,276,652</u></u>	<u><u>1,845,086</u></u>
LIABILITIES AND SHAREHOLDERS' FUNDS			
Capital and reserves			
Called up share capital	18	86,968	82,047
Capital contribution		100,000	100,000
Share premium account		184,727	163,334
Profit and loss account		<u>(62,880)</u>	<u>83,024</u>
Equity Shareholders' funds		308,815	428,405
Technical provisions			
Claims outstanding	5	944,051	1,135,297
Creditors			
Creditors arising out of direct insurance operations		0	1,217
Creditors arising out of reinsurance operations		22,681	82,690
Deposits received from reinsurers		324	68,433
Other creditors including taxation and social security	17	<u>781</u>	<u>129,044</u>
Total liabilities		<u><u>1,276,652</u></u>	<u><u>1,845,086</u></u>

See accompanying notes to these financial statements.

UNIONAMERICA INSURANCE COMPANY LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the Year Ended 31 December 2008

	Notes	2008 US\$000	2007 US\$000
Opening shareholders' funds		428,405	116,108
Ordinary shares issued			
Share capital	6,18	4,921	38,597
Share premium account	6,18	21,393	163,334
Capital contribution		0	100,000
Dividend paid		(50,000)	0
Profit for the financial year		(95,904)	10,366
Closing shareholders' funds		<u>308,815</u>	<u>428,405</u>

See accompanying notes to these financial statements.

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements Year ended 31 December 2008

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with the provisions of Section 255 of, and the special provisions of Part 1 of schedule 9A to, the United Kingdom Companies Act 1985, relating to insurance companies.

The financial statements have also been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of investments, and comply with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006) (“the ABI SORP”).

The directors consider that the going concern basis of accounting is appropriate. Furthermore, the expected cost, including internal claims handling expenses, of the run-off of the book of business is exceeded by the expected future investment return attributable to the Technical Account-General Business. Accordingly, no provision has been made for future run-off expenses.

In accordance with FRS 8, Related Party Disclosures, the Company has not disclosed related party transactions with group companies, on the basis that the Company is a subsidiary undertaking with 100% voting rights controlled within a group which produces publicly available consolidated financial statements in which the Company is included.

In accordance with FRS 1, Cashflow Statements, the Company is not required to prepare a cashflow statement because more than 90% of the voting rights of the Company are held within the group and the group’s consolidated financial statements are publicly available.

The following accounting policies have been applied consistently in dealing with items which are considered material to the Company’s financial statements except as noted below.

Basis of accounting for underwriting activities

All classes of business are accounted for on an annual basis.

Premiums

Written premiums, gross of commission payable to intermediaries, comprise the estimated premiums on contracts entered into in a financial year, regardless of whether such amounts may relate in whole or in part to a later financial year, exclusive of taxes and duties levied on premiums.

Premiums written include adjustments to premiums written in prior accounting periods and estimates for “pipeline” premiums. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business.

Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance and reinsurance contracts.

Claims incurred

Claims incurred include all claims and claims settlement expense payments made in respect of the financial period, the movement in the provision for outstanding claims and claims settlement expenses, and movement in claims incurred but not reported.

Claims outstanding

Full provision is made on an individual case basis for the estimated cost of claims notified but not yet settled by the balance sheet date after taking into account handling costs and settlement trends. A provision for claims incurred but not reported is established on a statistical basis. The level of provisions has been set on the basis of the information which is currently available, including potential outstanding claims advices and case law. The methods used and estimates made are reviewed regularly. Whilst the directors consider the gross provision for claims and the related reinsurance recoveries to be fairly stated on the basis of the information currently available to them, the ultimate liability can vary materially as a result of subsequent information and events. Any difference, which may be material, between provisions and subsequent settlements will be dealt with in the accounts of later years.

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

1. ACCOUNTING POLICIES *(continued)*

Part VII Transfer

The Company received a transfer of all the insurance liabilities and underlying outwards reinsurance agreements from SPRE Limited, formerly St. Paul Reinsurance Company Limited, and a portfolio of business from Travelers Insurance Company Limited, formerly St. Paul Travelers Insurance Company Limited, under Part VII of the Financial Services and Markets Act 2000. This transfer was effective on 31 December 2007. The Part VII transfer has been accounted for in accordance with the ABI SORP.

Estimation Techniques

The provision for outstanding claims comprises an estimate of the cost of settling all notified outstanding claims including claims handling costs, and an estimate of the cost of settling IBNR claims including claims handling costs.

The notified outstanding claims are based on advices from policyholders, intermediaries and assessors. IBNR claims are estimated using a variety of statistical techniques including:

- The development of previously settled claims (chain ladder)
- The development of previously notified claims (chain ladder)
- Expected loss ratios
- A combination of the above (Bornhuetter-Ferguson)

In addition reference is made to external reviews and industry data. The methods are predominantly deterministic, however, where possible, stochastic methods are used to produce a range of possible outcomes. The reinsurers' share of the provision for outstanding claims is then estimated based on the gross provisions having due regard to collectability, and contract terms and conditions.

The estimation of the provisions for the ultimate cost of asbestos, environmental pollution and other latent health hazards is subject to a larger range of uncertainties than those in other classes of business. This is largely due in part to the long delay between the exposure to the harmful conditions and the notification of a claim to the insurer. As a consequence traditional claims estimation techniques cannot wholly be relied on, and estimates are made using the specialised knowledge of both internal and external experts and professional advisors.

The establishment of outstanding claims provisions is subject to a great degree of variability in that, notwithstanding every effort to make appropriate provision, the eventual cost of settling outstanding claims may vary significantly from the initial estimate.

Investment income, expenses and charges

Investments are shown at market value. Debt securities and other fixed-income securities and shares and other variable-yield securities and units in unit trusts are stated at market value at the close of business on the balance sheet date, or on the last trading day before that date.

Investment income is accounted for on an accrual basis. Interest is accrued up to the balance sheet date. Realised investment gains and losses comprise the difference between net sale proceeds and previous valuation unless acquired during the year.

Allocation of investment income

Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and previous valuation unless acquired during the year and are included in the Non-Technical Account. Investment income, realised gains and losses, expenses and charges are allocated from the non-technical account to the technical account based on investments held against technical provisions.

Currency translation

All revenue transactions during the year denominated in currencies other than United States dollars are recorded at the rates ruling at that time. Monetary assets and liabilities denominated in currencies other than United States dollars are translated into dollars at the exchange rates ruling at the year-end. Differences on exchange are dealt with in the profit and loss account.

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

1. ACCOUNTING POLICIES *(continued)*

Taxation

The charge for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2. UNCERTAINTIES REGARDING ADEQUACY OF ASBESTOS AND ENVIRONMENTAL ISSUES

Management has established reserves for asbestos and environmental claims based upon known facts, current law and management's judgement. However, the uncertainties surrounding the final resolution of these claims continue, and it is difficult to determine the ultimate exposure for the asbestos and environmental claims and related litigation. As a result, the reserves are subject to revision as new information becomes available and claims develop.

The continuing uncertainties include, without limitation, the risks and lack of predictability inherent in complex litigation, any impact from the bankruptcy protection sought by various asbestos producers and other asbestos defendants, a further increase or decrease in asbestos and environmental claims which cannot now be anticipated, the role of any umbrella or excess policies the Company has issued, the resolution or adjudication of some disputes pertaining to the amount of available coverage for asbestos and environmental claims in a manner inconsistent with the Company's previous assessment of these claims, the number and outcome of direct actions against the Company and further developments pertaining to the environmental claims.

In addition, the Company's asbestos-related claims and claims adjustment expense experience has been impacted by the exhaustion or unavailability due to insolvency of other insurance sources potentially available to policyholders along with the insolvency or bankruptcy of other defendants. It is also not possible to predict changes in the legal and legislative environment and their impact on the future development of asbestos and environmental claims. This development will be affected by future court decisions and interpretations, as well as changes in applicable legislation, including legislation related to asbestos reform.

It is also difficult to predict the ultimate outcome of large coverage disputes until settlement negotiations near completion and significant legal questions are resolved or, failing settlement, until the dispute is adjudicated. This is particularly the case with policyholders in bankruptcy where negotiations often involve a large number of claimants and other parties and require court approval to be effective. As part of its continuing analysis of asbestos reserves, which includes an annual ground-up review of asbestos policyholders, the Company continues to study the implications of these and other developments.

Because of the uncertainties set forth above, additional liabilities may arise for amounts in excess of the current asbestos and environmental reserves. In addition, the Company's estimate of claims and claim adjusting expenses may change. These additional liabilities and increases in estimates, or a range of either, cannot now be reasonably estimated and could result in income statement charges that could be material to the Company's operating results and financial condition in future period.

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

3. SEGMENTAL INFORMATION

Analysis of gross premiums written and earned, gross claims incurred, gross operating expenses, reinsurance balance and the result:

	2008 (US\$000)					
	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses incurred	Reinsurance balance	Under- writing loss
Direct insurance:						
Fire and other damage to property	0	0	(1,925)	(192)	3,550	1,433
Third-party liability	0	0	(13,688)	(1,386)	8,090	(6,986)
	<u>0</u>	<u>0</u>	<u>(15,613)</u>	<u>(1,578)</u>	<u>11,640</u>	<u>(5,553)</u>
Reinsurance	<u>141</u>	<u>141</u>	<u>11,140</u>	<u>(9,168)</u>	<u>(109,395)</u>	<u>(107,280)</u>
	<u>141</u>	<u>141</u>	<u>(4,473)</u>	<u>(10,746)</u>	<u>(97,755)</u>	<u>(112,833)</u>
	2007 (US\$000)					
	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses incurred	Reinsurance balance	Under- writing loss
Direct insurance:						
Fire and other damage to property	6	6	5,021	(194)	(4,492)	341
Third-party liability	(208)	(208)	(8,534)	(647)	11,055	1,666
	<u>(202)</u>	<u>(202)</u>	<u>(3,513)</u>	<u>(841)</u>	<u>6,563</u>	<u>2,007</u>
Reinsurance	<u>(29)</u>	<u>(29)</u>	<u>(28,849)</u>	<u>(3,827)</u>	<u>29,930</u>	<u>(2,775)</u>
	<u>(231)</u>	<u>(231)</u>	<u>(32,362)</u>	<u>(4,668)</u>	<u>36,493</u>	<u>(768)</u>

The net assets and investment income are not managed at a class level, and therefore are not included in the segmental analysis.

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

4. PRIOR YEARS' CLAIMS PROVISIONS

(Under)/over provisions for claims provisions at the beginning of the period compared with payments and provisions at the end of the period in respect of prior years' claims net of ceded reinsurance are represented by the claims incurred net of reinsurance figure in the Profit and Loss Technical Account.

5. CLAIMS OUTSTANDING

Claims outstanding as at the balance sheet date were as follows:

	Gross US\$000	Reinsurance US\$000	Net US\$000
2008			
Claims outstanding	<u>944,051</u>	<u>169,437</u>	<u>774,614</u>
2007			
Claims outstanding	<u>1,135,297</u>	<u>811,976</u>	<u>323,321</u>

The movement in net claims outstanding in the year was:

	2008 US\$000	2007 US\$000
Net claims outstanding as at 1 January	323,321	0
Reallocation of bad debt provision	(15,694)	0
Translation adjustment	<u>(69,062)</u>	<u>1,794</u>
	238,565	1,794
Claims incurred, net of reinsurance	195,612	(7,830)
Claims payments, net of reinsurance	340,437	24,722
Part VII transfer — Claims outstanding	0	793,193
— Reinsurers' share of claims outstanding	<u>0</u>	<u>(488,558)</u>
Net claims outstanding as at 31 December	<u>774,614</u>	<u>323,321</u>

6. PART VII TRANSFER

On 31 December 2007 two portfolios of business were transferred to the Company, from SPRE Limited, and from Travelers Insurance Company Limited.

In accordance with the agreement to issue an unspecified number of shares, the balance of consideration payable at 31 December 2007 of US\$26.3 million was satisfied by the issue of 4,921,126 new ordinary shares at US\$5.347 per share on 24 January 2008. Following this issue of shares the Company had shareholders' equity of US\$455 million.

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

7. NET OPERATING EXPENSES

	2008 US\$000	2007 US\$000
Gross acquisition costs	<u>3</u>	<u>(194)</u>
	3	(194)
Administration expenses	<u>10,743</u>	<u>4,862</u>
Gross operating expenses	10,746	4,668
Reinsurance commissions	<u>(53)</u>	<u>19</u>
	<u>10,693</u>	<u>4,687</u>

8. INVESTMENT INCOME

	2008 US\$000	2007 US\$000
Income from investments	<u>27,992</u>	<u>9,887</u>
Realised investment (losses)/gains	<u>(8,034)</u>	<u>(308)</u>
	<u>19,958</u>	<u>9,579</u>

9. INVESTMENT EXPENSES AND CHARGES

	2008 US\$000	2007 US\$000
Investment management charges	<u>(559)</u>	<u>0</u>
	<u>(559)</u>	<u>0</u>

10. OTHER CHARGES, INCLUDING VALUE ADJUSTMENTS

	2008 US\$000	2007 US\$000
Management fees	<u>(1,349)</u>	<u>(558)</u>
	<u>(1,349)</u>	<u>(558)</u>

UNIONAMERICA INSURANCE COMPANY LIMITED**Notes to the financial statements****11. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX**

	2008	2007
	US\$000	US\$000
Included in profit on ordinary activities before tax are:		
Income from listed securities (listed bonds)	31,398	7,928
Auditor's remuneration in respect of:		
Audit of these financial statements	276	243
Other services pursuant to legislation	205	44
Other services	16	11

12. EMPLOYEES

The Company had a management agreement with Travelers Management Limited, a former fellow group undertaking in 2008, which employed UK personnel and provided certain management services. The Company had an Underwriting, Administration and Management Agreement in 2008, with Travelers Special Services Limited, another former fellow group undertaking, which provides a number of management services. The charges associated with these management agreements have been fully included within these financial statements (see note 21).

13. TAXATION

	2008	2007
	US\$000	US\$000
Reconciliation of the current tax (credit)/charge required under FRS 19		
(Loss)/profit on ordinary activities before taxation	<u>(96,606)</u>	<u>9,484</u>
(Loss)/profit on ordinary activities before taxation multiplied by the standard rate of corporation taxation of 28.5% (See note below) (2007: 30%)	(27,532)	2,845
Group relief surrendered for nil consideration	27,532	0
Prior year corporation tax	<u>(702)</u>	<u>(3,727)</u>
Tax credit for the period	<u>(702)</u>	<u>(882)</u>

Corporation tax reduced from 30% to 28% on 1 April 2008 and as a result of this a composite rate of 28.5% is being used in this calendar year

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

14. OTHER FINANCIAL ASSETS

(a) The Company's investments, which are shown at market value, are as follows:

	2008 (US \$000)		2007 (US \$000)	
	Market Value	Cost	Market Value	Cost
Shares & other variable yield securities	2,000	5,218	8,193	8,193
Debt securities and other fixed income securities	617,939	615,092	813,827	812,819
Deposits with credit institutions	43,941	43,941	0	0
	<u>663,880</u>	<u>664,251</u>	<u>822,020</u>	<u>821,012</u>
Cash at bank and in hand	367,601	367,601	39,667	39,667
	<u>1,031,481</u>	<u>1,031,852</u>	<u>861,687</u>	<u>860,679</u>

(b) Collateral deposits

Investments amounting to US\$25,459,094 (2007: US\$31,187,000) have been deposited with a third party to secure certain overseas liabilities.

Investments amounting to US\$207,623,654 (2007: US\$226,721,000) are held in a US trust fund required by virtue of the Company's accredited reinsurer status in a number of US jurisdictions.

15. OTHER DEBTORS

	2008 US\$000	2007 US\$000
Group relief receivable from fellow group undertakings	0	3,124
Taxation recoverable	109	147
Other debtors	<u>40</u>	<u>961</u>
	<u>149</u>	<u>4,232</u>

16. INDEMNITIES, CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business, letters of credit to the value of US\$33,694,970 (2007: US\$48,567,740) have been issued to policyholders against insurance liabilities. The letters of credit have been collateralised with bank deposits of US\$1,634,200 (2007: US\$1,600,039) and investments of US\$41,867,000 (2007: US\$40,040,000).

UNIONAMERICA INSURANCE COMPANY LIMITED**Notes to the financial statements****17. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY**

	2008	2007
	US\$000	US\$000
Amounts owed to group undertakings	0	86,206
Income taxes	0	16,505
Other — consideration payable (see note 6)	0	26,314
— accrued management expenses	781	19
	<u>781</u>	<u>129,044</u>

18. SHARE CAPITAL

	2008	2007
	US\$000	US\$000
Authorised:		
110,000,000 (2007: 110,000,000) ordinary shares of US\$1 each	<u>110,000</u>	<u>110,000</u>
Allotted, issued and fully paid:		
86,968,123 (2007: 82,046,997) ordinary shares of US\$1 each	<u>86,968</u>	<u>82,047</u>

On 24 January, 4,921,126 new ordinary shares were issued at US\$5.347 per share as the balance of consideration for the Part VII transfer of business from SPRE Limited, (see note 6).

19. DIRECTORS' EMOLUMENTS

Emoluments of directors were paid by Travelers Management Limited, a former fellow group undertaking which employs all personnel and provides full management services. For the current year, the directors' emoluments have been apportioned across the group as a whole, based on services rendered to the Company.

	2008	2007
	US\$000	US\$000
Directors' emoluments	1,227	578
Company contributions to money purchase pension scheme	104	59
	<u>1,331</u>	<u>637</u>

The emoluments of the highest paid director were US\$202,134 (2007: US\$115,373)

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

19. DIRECTORS' EMOLUMENTS (continued)

The amount of contributions to money purchase scheme that is attributable to the highest paid director is US\$21,168 (2007: US\$11,272)

	Number of Directors	
	2008	2007
Retirement benefits are accruing to the following number of directors:		
Money purchase schemes	8	6
The number of directors who exercised share options	1	1

20. MANAGEMENT COMPANY

The Company has no employees and all services were provided to the Company by Travelers Special Services Limited, a former fellow subsidiary with which the Company had a management agreement. The charge for these services of US\$10,743,000 (2007: US\$4,862,000) is included in administrative expenses.

No loans were made to the directors or officers of the Company (2007: US\$ Nil).

21. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption, contained in Financial Reporting Standard 8, from disclosing transactions with other group companies or with related parties in which the Company has no investments.

During the current financial year the Company entered into transactions with former fellow group undertakings within The Travelers Companies Inc group. These transactions are noted below:

	2008 US\$000
Stop Loss Commutation	
Claims paid - reinsurers' share	419,524
Change in the provision for claims - reinsurers' share	(475,805)
	<u>(56,281)</u>
Recharges under management agreements	
Administration expenses (see note 20)	(10,743)
Other charges (see note 10)	(1,349)
	<u>(12,092)</u>

The Company surrendered tax losses to former fellow group undertakings within The Travelers Companies Inc. group.

22. IMMEDIATE AND ULTIMATE PARENT COMPANY

Prior to 30 December 2008, the Company's intermediate parent company was St. Paul Fire and Marine Insurance Company Limited which is registered in England & Wales. Prior to 30 December 2008, the Company's ultimate parent company and controlling party was The Travelers Companies Inc.

Post 30 December 2008 the immediate parent undertaking of the smallest group of which the Company is a member is Unionamerica Holdings Ltd, a company incorporated in Great Britain.

The ultimate parent undertaking of the largest group of which the Company is a member and for which consolidated accounts have been prepared is Enstar Group Limited, a company incorporated in Bermuda. The consolidated financial statements of both parent undertakings are available to the public and may be obtained from the Company's office at Avaya House, 2 Cathedral Hill, Guildford, Surrey, GU2 7YL.

The annual U.S. Securities and Exchange Commission filing of Enstar Group Limited may be obtained from:

U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549
U.S.A

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

23 SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES IN THE UNITED KINGDOM (“UK GAAP”) AND ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA (“US GAAP”)

The Unionamerica Insurance Company Limited financial statements have been prepared in accordance with UK GAAP as applied in note 1. UK GAAP differs to the requirements of US GAAP in certain respects. The effects of the application of US GAAP to the (loss)/profit for the year after taxation, as determined under UK GAAP, are set out in the table below:

	2008 US\$000	2007 US\$000
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		
UK GAAP (loss)/profit for the year after taxation	(95,904)	10,366
US GAAP adjustments		
(a) Unrealised investment loss/(gain)	1,823	(1,231)
(b) Taxation	0	369
(c) Other minor adjustments	<u>14</u>	<u>35</u>
Total US GAAP adjustments	<u>1,837</u>	<u>(827)</u>
Net (loss)/income under US GAAP	<u>(94,067)</u>	<u>9,539</u>

(a) Unrealised investment loss/(gain)

Under UK GAAP unrealised losses and gains on investments represent the difference between the valuation of investments at the balance sheet date and previous valuation unless acquired during the year and are included in the Non-Technical Account. Under US GAAP movements in the valuation of investments that are available-for-sale are reported through Other Comprehensive Income and do not form part of net income.

(b) Taxation

This adjustment reflects the differences between the calculation of current and deferred taxation as set out in the table below:

	2008 US\$000	2007 US\$000
US GAAP Taxation adjustments		
Current taxation	0	369
Deferred taxation	<u>0</u>	<u>0</u>
	<u>0</u>	<u>369</u>

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

23 SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES IN THE UNITED KINGDOM (“UK GAAP”) AND ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA (“US GAAP”) (continued)

	2008 US\$000	2007 US\$000
SHAREHOLDERS’ EQUITY INTEREST		
UK GAAP Shareholders’ equity interest	308,815	428,405
US GAAP adjustments		
(c) Taxation	(430)	326
(d) Other minor adjustments	<u>0</u>	<u>49</u>
Total US GAAP adjustments	<u>(430)</u>	<u>375</u>
US GAAP Shareholders’ equity interest	<u><u>308,835</u></u>	<u><u>428,780</u></u>

(c) Taxation

This adjustment reflects the differences between the calculation of current and deferred taxation as set out in the table below:

	2008 US\$000	2007 US\$000
US GAAP Taxation adjustments		
Current taxation	(132)	326
Deferred taxation	<u>(298)</u>	<u>0</u>
	<u><u>(430)</u></u>	<u><u>326</u></u>

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

23 SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES IN THE UNITED KINGDOM (“UK GAAP”) AND ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA (“US GAAP”) (continued)

CASH FLOW STATEMENT AS DETERMINED IN ACCORDANCE WITH US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (“US GAAP”)	2008 US\$000	2007 US\$000
Cash flows from operating activities:		
Net (loss)/income	(94,067)	9,539
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortisation of investments	3,680	(911)
Foreign currency translation on investments	47,620	(425)
Net loss on sale of investments	467	266
	<u>(42,300)</u>	<u>8,469</u>
Changes in assets and liabilities:		
Accrued interest receivable	2,505	(10,639)
Debtors arising out of reinsurance operations	74,412	(58,335)
Loss and loss adjustment expenses recoverable from reinsurers	663,497	(476,012)
Other debtors	(2,185)	(2,890)
Losses and loss adjustment expenses	(191,246)	778,375
Creditors arising out of reinsurance operations	(155,649)	40,966
Other creditors	<u>(101,963)</u>	<u>102,308</u>
Net cash provided in operating activities	<u>247,071</u>	<u>382,242</u>
Cash flows from investing activities		
Purchase of investments	(666,628)	(899,357)
Proceeds on sale of investments	<u>771,177</u>	<u>239,624</u>
Net cash provided / (used) by investing activities	<u>104,549</u>	<u>(659,733)</u>
Cash flows from financing activities		
Dividends paid	(50,000)	0
Proceeds from issue of share capital	<u>26,314</u>	<u>301,931</u>
Net cash (used) / provided in financing activities	<u>(23,686)</u>	<u>301,931</u>
Net increase in cash and cash equivalents	327,934	24,440
Cash and cash equivalents, beginning of year	<u>39,667</u>	<u>15,227</u>
Cash and cash equivalents, end of year	<u>367,601</u>	<u>39,667</u>
Supplementary cash flow information		
Net income taxes paid	<u>(17,590)</u>	<u>—</u>
Interest paid	<u>—</u>	<u>—</u>

UNIONAMERICA INSURANCE COMPANY LIMITED

(Registered in England No.1022903)

FINANCIAL STATEMENTS

31 December 2007

UNIONAMERICA INSURANCE COMPANY LIMITED

Independent Auditors' Report

The Board of Directors
Unionamerica Insurance Company Limited:

We have audited the accompanying balance sheets of Unionamerica Insurance Company Limited ("the Company") as of December 31, 2007 and 2006, and the related profit and loss accounts and reconciliations of movements in shareholders' funds for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S."). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Unionamerica Insurance Company Limited as of December 31, 2007 and 2006, and the results of its operations for the years then ended, in conformity with generally accepted accounting principles in the United Kingdom.

Accounting principles generally accepted in the United Kingdom vary in certain significant respects from U.S. generally accepted accounting principles. Information relating to the nature and effect of such differences is presented in note 25 to the financial statements.

/s/ KPMG Audit Plc

KPMG Audit Plc
London, United Kingdom
March 18, 2009

UNIONAMERICA INSURANCE COMPANY LIMITED

Profit & Loss Account
 Technical Account — General Business
 For the Year Ended 31 December 2007

	Notes	2007 US\$000	2006 US\$000
Earned premiums, net of reinsurance			
Gross premiums written	4	(231)	(8,026)
Outward reinsurance premiums		<u>(3,680)</u>	<u>(4,244)</u>
Earned premiums, net of reinsurance		(3,911)	(12,270)
Allocated investment return transferred from the non-technical account			
		<u>3,039</u>	<u>2,764</u>
		<u>(872)</u>	<u>(9,506)</u>
Claims incurred, net of reinsurance			
Claims paid — gross amount		(51,067)	(52,118)
— reinsurers' share		<u>75,789</u>	<u>63,802</u>
		<u>24,722</u>	<u>11,684</u>
Change in the provision for claims — gross amount		18,705	37,254
— reinsurers' share		<u>(35,597)</u>	<u>(35,588)</u>
		<u>(16,892)</u>	<u>1,666</u>
Claims incurred, net of reinsurance	5, 6	7,830	13,350
Net operating expenses	8	<u>(4,687)</u>	<u>(3,844)</u>
Balance on the technical account — general business		<u>2,271</u>	<u>0</u>

The above results relate to discontinued business.

See accompanying notes to these financial statements.

UNIONAMERICA INSURANCE COMPANY LIMITED**Profit & Loss Account
Non-Technical Account — General Business
For the Year Ended 31 December 2007**

	Notes	2007 US\$000	2006 US\$000
Balance on the technical account — general business		<u>2,271</u>	<u>0</u>
Investment income	9	9,579	8,835
Unrealised investment gain/(loss)		1,231	(143)
Investment expenses and charges	10	<u>0</u>	<u>(243)</u>
		10,810	8,449
Allocated investment return transferred to the technical account — general business		<u>(3,039)</u>	<u>(2,764)</u>
		7,771	5,685
Other charges, including value adjustments	11	(558)	(553)
Profit on ordinary activities before tax	12	<u>9,484</u>	<u>5,132</u>
Tax on profit on ordinary activities	14	<u>882</u>	<u>4</u>
Profit for the year after tax		<u>10,366</u>	<u>5,136</u>

A separate statement of recognised gains and losses has not been prepared as there are no differences between the above result and the result after recognised gains and losses.

See accompanying notes to these financial statements.

UNIONAMERICA INSURANCE COMPANY LIMITED

Balance Sheet
At 31 December 2007

	Notes	2007 US\$000	2006 US\$000
ASSETS			
Investments			
Other financial investments	15	822,020	159,987
Deposits with ceding undertakings		13,968	5,466
Reinsurers' share of technical provisions			
Claims outstanding	6	811,976	356,922
Debtors			
Debtors arising out of direct insurance operations		3,232	14,634
Debtors arising out of reinsurance operations		137,401	51,064
Accrued premium income		0	0
Other debtors	16	4,232	2,672
Other assets			
Cash at bank and in hand	15	39,667	15,227
Prepayments and accrued income			
Accrued interest and rental income		12,590	1,951
Total assets		<u>1,845,086</u>	<u>607,923</u>
LIABILITIES AND SHAREHOLDERS' FUNDS			
Capital and reserves			
Called up share capital	19	82,047	43,450
Capital contribution		100,000	0
Share premium account		163,334	0
Profit and loss account		83,024	72,658
Equity Shareholders' funds	23	<u>428,405</u>	<u>116,108</u>
Technical provisions			
Claims outstanding	6	1,135,297	356,922
Creditors			
Creditors arising out of direct insurance operations		1,217	86
Creditors arising out of reinsurance operations		82,690	35,402
Deposits received from reinsurers		68,433	0
Other creditors including taxation and social security	18	129,044	99,405
Total liabilities		<u>1,845,086</u>	<u>607,923</u>

See accompanying notes to these financial statements.

UNIONAMERICA INSURANCE COMPANY LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the Year Ended 31 December 2007

	Notes	2007 US\$000	2006 US\$000
Opening shareholders' funds		116,108	110,972
Ordinary shares issued			
Share capital	7,10	38,597	0
Share premium account	7,10	163,334	0
Capital contribution	7	100,000	0
Profit for the financial year		10,366	5,136
Closing shareholders' funds		<u>428,405</u>	<u>116,108</u>

See accompanying notes to these financial statements.

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements Year ended 31 December 2007

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the provisions of Section 255 of, and the special provisions of Part 1 of schedule 9A to, the United Kingdom Companies Act 1985, relating to insurance companies.

The financial statements have also been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of investments, and comply with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006) ("the ABI SORP").

The directors consider that the going concern basis of accounting is appropriate. Furthermore, the expected cost, including internal claims handling expenses, of the run-off of the book of business is exceeded by the expected future investment return attributable to the Technical Account-General Business. Accordingly, no provision has been made for future run-off expenses.

In accordance with FRS 8, Related Party Disclosures, the Company has not disclosed related party transactions with group companies, on the basis that the Company is a subsidiary undertaking with 100% voting rights controlled within a group which produces publicly available consolidated financial statements in which the Company is included.

In accordance with FRS 1, Cashflow Statements, the Company is not required to prepare a cashflow statement because more than 90% of the voting rights of the Company are held within the group and the group's consolidated financial statements are publicly available.

2. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the Company's financial statements except as noted below.

Basis of accounting for underwriting activities

All classes of business are accounted for on an annual basis.

Premiums

Written premiums, gross of commission payable to intermediaries, comprise the estimated premiums on contracts entered into in a financial year, regardless of whether such amounts may relate in whole or in part to a later financial year, exclusive of taxes and duties levied on premiums.

Premiums written include adjustments to premiums written in prior accounting periods and estimates for "pipeline" premiums. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business.

Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance and reinsurance contracts.

Claims incurred

Claims incurred include all claims and claims settlement expense payments made in respect of the financial period, the movement in the provision for outstanding claims and claims settlement expenses, and movement in claims incurred but not reported.

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

2. ACCOUNTING POLICIES *(continued)*

Claims outstanding

Full provision is made on an individual case basis for the estimated cost of claims notified but not yet settled by the balance sheet date after taking into account handling costs and settlement trends. A provision for claims incurred but not reported is established on a statistical basis. The level of provisions has been set on the basis of the information which is currently available, including potential outstanding claims advices and case law. The methods used and estimates made are reviewed regularly. Whilst the directors consider the gross provision for claims and the related reinsurance recoveries to be fairly stated on the basis of the information currently available to them, the ultimate liability can vary materially as a result of subsequent information and events. Any difference, which may be material, between provisions and subsequent settlements will be dealt with in the accounts of later years.

Part VII Transfer

The Company received a transfer of all the insurance liabilities and underlying outwards reinsurance agreements from SPRE Limited, and a portfolio of business from Travelers Insurance Company Limited formerly St. Paul Travelers Insurance Company Limited, under Part VII of the Financial Services and Markets Act 2000. This transfer was effective on 31 December 2007. The Part VII transfer has been accounted for in accordance with the ABI SORP.

Estimation Techniques

The provision for outstanding claims comprises an estimate of the cost of settling all notified outstanding claims including claims handling costs, and an estimate of the cost of settling IBNR claims including claims handling costs.

The notified outstanding claims are based on advices from policyholders, intermediaries and assessors.

IBNR claims are estimated using a variety of statistical techniques including:

- The development of previously settled claims (chain ladder)
- The development of previously notified claims (chain ladder)
- Expected loss ratios
- A combination of the above (Bornhuetter-Ferguson)

In addition reference is made to external reviews and industry data.

The methods are predominantly deterministic, however, where possible, stochastic methods are used to produce a range of possible outcomes.

The reinsurers' share of the provision for outstanding claims is then estimated based on the gross provisions having due regard to collectability, and contract terms and conditions.

The estimation of the provisions for the ultimate cost of asbestos, environmental pollution and other latent health hazards is subject to a larger range of uncertainties than those in other classes of business. This is largely due in part to the long delay between the exposure to the harmful conditions and the notification of a claim to the insurer. As a consequence traditional claims estimation techniques cannot wholly be relied on, and estimates are made using the specialised knowledge of both internal and external experts and professional advisors.

The establishment of outstanding claims provisions is subject to a great degree of variability in that, notwithstanding every effort to make appropriate provision, the eventual cost of settling outstanding claims may vary significantly from the initial estimate.

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

2. ACCOUNTING POLICIES *(Continued)*

Investment income, expenses and charges

Investments are shown at market value. Debt securities and other fixed-income securities and shares and other variable-yield securities and units in unit trusts are stated at market value at the close of business on the balance sheet date, or on the last trading day before that date.

Investment income is accounted for on an accrual basis. Interest is accrued up to the balance sheet date. Realised investment gains and losses comprise the difference between net sale proceeds and previous valuation unless acquired during the year.

Allocation of investment income

Unrealised gains and losses on investments represent the difference between the valuation of investments at the balance sheet date and previous valuation unless acquired during the year and are included in the Non-Technical Account.

Investment income, realised gains and losses, expenses and charges are allocated from the non-technical account to the technical account based on investments held against technical provisions.

Currency translation

All revenue transactions during the year denominated in currencies other than United States dollars are recorded at the rates ruling at that time. Monetary assets and liabilities denominated in currencies other than United States dollars are translated into dollars at the exchange rates ruling at the year-end. Differences on exchange are dealt with in the profit and loss account.

Taxation

The charge for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

3. UNCERTAINTIES REGARDING ADEQUACY OF ASBESTOS AND ENVIRONMENTAL ISSUES

Management has established reserves for asbestos and environmental claims based upon known facts, current law and management's judgement. However, the uncertainties surrounding the final resolution of these claims continue, and it is difficult to determine the ultimate exposure for the asbestos and environmental claims and related litigation. As a result, the reserves are subject to revision as new information becomes available and claims develop.

The continuing uncertainties include, without limitation, the risks and lack of predictability inherent in complex litigation, any impact from the bankruptcy protection sought by various asbestos producers and other asbestos defendants, a further increase or decrease in asbestos and environmental claims which cannot now be anticipated, the role of any umbrella or excess policies the Company has issued, the resolution or adjudication of some disputes pertaining to the amount of available coverage for asbestos and environmental claims in a manner inconsistent with the Company's previous assessment of these claims, the number and outcome of direct actions against the Company and further developments pertaining to the environmental claims.

In addition, the Company's asbestos-related claims and claims adjustment expense experience has been impacted by the exhaustion or unavailability due to insolvency of other insurance sources potentially available to policyholders along with the insolvency or bankruptcy of other defendants. It is also not possible to predict changes in the legal and legislative environment and their impact on the future development of asbestos and environmental claims. This development will be affected by future court decisions and interpretations, as well as changes in applicable legislation, including legislation related to asbestos reform.

It is also difficult to predict the ultimate outcome of large coverage disputes until settlement negotiations near completion and significant legal questions are resolved or, failing settlement, until the dispute is adjudicated. This is particularly the case with policyholders in bankruptcy where negotiations often involve a large number of claimants and other parties and require court approval to be effective. As part of its continuing analysis of asbestos reserves, which includes an annual ground-up review of asbestos policyholders, the Company continues to study the implications of these and other developments.

Because of the uncertainties set forth above, additional liabilities may arise for amounts in excess of the current asbestos and environmental reserves. In addition, the Company's estimate of claims and claim adjusting expenses may change. These additional liabilities and increase in estimates, or a range of either, cannot now be reasonably estimated and could result in income statement charges that could be material to the Company's operating results and financial condition in future period.

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

4. SEGMENTAL INFORMATION

Analysis of gross premiums written and earned, gross claims incurred, gross operating expenses, reinsurance balance and the result:

	2007 (US\$000)					
	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses incurred	Reinsurance balance	Under- writing loss
Direct insurance:						
Fire and other damage to property	6	6	5,021	(194)	(4,492)	341
Third-party liability	(208)	(208)	(8,534)	(647)	11,055	1,666
	(202)	(202)	(3,513)	(841)	6,563	2,007
Reinsurance	(29)	(29)	(28,849)	(3,827)	29,930	(2,775)
	(231)	(231)	(32,362)	(4,668)	36,493	(768)
	2006 (US\$000)					
	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses incurred	Reinsurance balance	Under- writing loss
Direct insurance:						
Fire and other damage to property	(679)	(679)	1,946	(32)	(1,328)	(93)
Third-party liability	(735)	(735)	1,852	(689)	(826)	(398)
	(1,414)	(1,414)	3,798	(721)	(2,154)	(491)
Reinsurance	(6,612)	(6,612)	(18,662)	(3,123)	26,124	(2,273)
	(8,026)	(8,026)	(14,864)	(3,844)	23,970	(2,764)

The net assets and investment income are not managed at a class level, and therefore are not included in the segmental analysis.

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

5. PRIOR YEARS' CLAIMS PROVISIONS

(Under)/over provisions for claims provisions at the beginning of the period compared with payments and provisions at the end of the period in respect of prior years' claims net of ceded reinsurance are represented by the claims incurred net of reinsurance figure in the Profit and Loss Technical Account.

6. CLAIMS OUTSTANDING

Claims outstanding as at the balance sheet date were as follows:

	Gross US\$000	Reinsurance US\$000	Net US\$000
2007			
Claims outstanding	<u>1,135,297</u>	<u>811,976</u>	<u>323,321</u>
2006			
Claims outstanding	<u>356,922</u>	<u>356,922</u>	<u>0</u>

The movement in net claims outstanding in the year was:

	2007 US\$000	2006 US\$000
Net claims outstanding as at 1 January	0	0
Translation adjustment	<u>1,794</u>	<u>1,666</u>
	1,794	1,666
Claims incurred, net of reinsurance	(7,830)	(13,350)
Claims payments, net of reinsurance	24,722	11,684
Part VII transfer — Claims outstanding	793,193	0
— Reinsurers' share of claims outstanding	<u>(488,558)</u>	<u>0</u>
Net claims outstanding as at 31 December	<u>323,321</u>	<u>0</u>

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

7. PART VII TRANSFER

On 31 December 2007 two portfolios of business were transferred to the Company, from SPRE Limited, formerly St Paul Reinsurance Company Limited and from Travelers Insurance Company Limited, formerly St Paul Travelers Insurance Company Limited, both fellow group undertakings.

The assets and liabilities transferred are set out below:

	US\$000	US\$000
Assets		
Cash and investments		664,163
Reinsurers' share of technical provisions		488,558
Debtors		57,892
Other assets		40,785
		<u>1,251,398</u>
Liabilities		
Technical provisions		793,193
Creditors		113,328
Other liabilities		16,632
		<u>923,153</u>
Assets transferred in excess of liabilities financed by:		
Ordinary shares issued	38,597	
Share premium account	163,334	
Capital contribution	100,000	
Consideration payable (See Note 18)	<u>26,314</u>	
		<u>328,245</u>
		<u>1,251,398</u>

The balance of consideration payable at 31 December 2007 of US\$26.3 million was satisfied by the issue of 4,921,126 new ordinary shares at US\$5.347 per share on 24 January 2008. Following this issue of shares the Company had shareholders' equity of US\$455 million.

8. NET OPERATING EXPENSES

	2007 US\$000	2006 US\$000
Gross acquisition costs	<u>(194)</u>	<u>(1,758)</u>
Administration expenses	<u>4,862</u>	<u>5,602</u>
Gross operating expenses	4,668	3,844
Reinsurance commissions	<u>19</u>	<u>0</u>
	<u>4,687</u>	<u>3,844</u>

UNIONAMERICA INSURANCE COMPANY LIMITED**Notes to the financial statements****9. INVESTMENT INCOME**

	2007 US\$000	2006 US\$000
Income from investments	9,887	8,590
Realised investment (losses)/gains	<u>(308)</u>	<u>245</u>
	<u>9,579</u>	<u>8,835</u>

10. INVESTMENT EXPENSES AND CHARGES

	2007 US\$000	2006 US\$000
Investment management charges	<u>0</u>	<u>(243)</u>
	<u>0</u>	<u>(243)</u>

11. OTHER CHARGES, INCLUDING VALUE ADJUSTMENTS

	2007 US\$000	2006 US\$000
Management fees	<u>(558)</u>	<u>(553)</u>
	<u>(558)</u>	<u>(553)</u>

12. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	2007 US\$000	2006 US\$000
Included in profit on ordinary activities before tax are:		
Income from listed securities (listed bonds)	7,928	7,542
Auditor's remuneration in respect of:		
Audit of these financial statements	243	113
Other services pursuant to legislation	44	63
Other services	11	44

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

13. EMPLOYEES

The Company has a management agreement with Travelers Management Limited, formerly St. Paul Travelers Management Limited, a fellow group undertaking, which employs UK personnel and provides certain management services. The Company has an Underwriting, Administration and Management Agreement with Travelers Special Services Limited, formerly St. Paul Travelers Special Services Limited, another fellow group undertaking, which provides a number of management services. The charges associated with these management agreements have been fully included within these financial statements (see note 21).

14. TAXATION

	2007 US\$000	2006 US\$000
Reconciliation of the current tax (credit)/charge required under FRS 19		
Profit on ordinary activities before taxation	<u>9,484</u>	<u>5,132</u>
Profit on ordinary activities before taxation multiplied by the standard rate of corporation taxation of 30% (2006: 30%)	2,845	1,540
Group relief surrendered	0	(1,540)
Prior year corporation tax	<u>(3,727)</u>	<u>(4)</u>
Tax credit for the period	<u>(882)</u>	<u>(4)</u>

15. OTHER FINANCIAL ASSETS

(a) The Company's investments, which are shown at market value, are as follows:

	2007 (US \$000)		2006 (US \$000)	
	Market Value	Cost	Market Value	Cost
Shares & other variable yield securities	8,193	8,193	0	0
Debt securities and other fixed income securities	<u>813,827</u>	<u>812,819</u>	<u>159,987</u>	<u>160,824</u>
	822,020	821,012	159,987	160,824
Deposits with credit institutions	<u>39,667</u>	<u>39,667</u>	<u>15,227</u>	<u>15,227</u>
	<u>861,687</u>	<u>860,679</u>	<u>175,214</u>	<u>176,051</u>

(b) Collateral deposits

Investments amounting to US\$31,187,000 (2006: US\$32,564,000) have been deposited with a third party to secure certain overseas liabilities.

Investments amounting to US\$226,721,000 (2006: US\$120,146,000) are held in a US trust fund required by virtue of the Company's accredited reinsurer status in a number of US jurisdictions.

UNIONAMERICA INSURANCE COMPANY LIMITED**Notes to the financial statements****16. OTHER DEBTORS**

	2007	2006
	US\$000	US\$000
Group relief receivable from fellow group undertakings	3,124	2,522
Taxation recoverable	147	0
Other debtors	961	150
	<u>4,232</u>	<u>2,672</u>

17. INDEMNITIES, CONTINGENT LIABILITIES AND COMMITMENTS

In the normal course of business, letters of credit to the value of US\$48,567,740 (2006: US\$25,262,000) have been issued to policyholders against insurance liabilities. The letters of credit have been collateralised with bank deposits of US\$1,600,039 (2006: US\$249,000) and investments of US\$40,040,000 (2006: US\$30,920,000).

18. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2007	2006
	US\$000	US\$000
Amounts owed to group undertakings	86,206	99,400
Income taxes	16,505	0
Other — consideration payable (see Note 7)	26,314	0
— other	19	5
	<u>129,044</u>	<u>99,405</u>

19. SHARE CAPITAL

	2007	2006
	US\$000	US\$000
Authorised:		
110,000,000 (2006: 45,000,000) ordinary shares of US\$1 each	110,000	45,000
Allotted, issued and fully paid:		
82,046,997 (2006: 43,450,000) ordinary shares of US\$1 each	<u>82,047</u>	<u>43,450</u>

On 31 December 2007, 38,596,997 new ordinary shares were issued at US\$5.232 per share as the consideration for the Part VII transfer of business from SPRE Limited, formerly St Paul Reinsurance Company Limited (see note 7).

UNIONAMERICA INSURANCE COMPANY LIMITED**Notes to the financial statements****20. DIRECTORS' EMOLUMENTS**

Emoluments of directors are paid by Travelers Management Limited, formerly St. Paul Travelers Management Limited, a fellow group undertaking which employs all personnel within the Unionamerica Holdings Group and provides full management services. For the current year, the directors' emoluments have been apportioned across the group as a whole, based on services rendered to the Company.

	2007 US\$000	2006 US\$000
Directors' emoluments	578	526
Company contributions to money purchase pension scheme	<u>59</u>	<u>54</u>
	<u>637</u>	<u>580</u>

The emoluments of the highest paid director were US\$115,373 (2006: US\$111,977)

The amount of contributions to money purchase pension schemes that is attributable to the highest paid director is US\$11,272 (2006 : US\$11,883)

	Number of Directors	
	2007	2006
Retirement benefits are accruing to the following number of directors:		
Money purchase schemes	6	6
The number of directors who exercised share options	1	1

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

21. MANAGEMENT COMPANY

The Company has no employees and all services are provided to the Company by Travelers Special Services Limited, formerly St. Paul Travelers Special Services Limited, a fellow subsidiary with which the Company has a management agreement. The charge for these services of US\$4,862,000 (2006: US\$5,602,000) is included in administrative expenses.

No loans were made to the directors or officers of the Company (2006: US\$ Nil).

22. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption, contained in Financial Reporting Standard 8, from disclosing transactions with other group companies or with related parties in which the Company has no investments.

23. POST BALANCE SHEET EVENTS

Subsequent to the year end, on 24 January 2008, the final issue of 4,921,126 shares at US\$5.347 per share took place in settlement of the creditor for consideration payable of US\$26,313,343 shown in the balance sheet at 31 December 2007. Following this issue of shares, share capital was increased by US\$4,921,126 and share premium was increased by US\$21,392,217 and accordingly the Company had shareholders' equity of US\$455 million.

On 30 December 2008, the Company was sold to Royston Run-off Limited, a subsidiary of Enstar Group Limited. Prior to the sale the company commuted certain stop loss contracts with former fellow subsidiaries of the Travelers Companies Inc. group.

24. IMMEDIATE AND ULTIMATE PARENT COMPANY

Prior to 30 December 2008, the Company's intermediate parent company was St. Paul Fire and Marine Insurance Company Limited which is registered in England & Wales. Prior to 30 December 2008, the Company's ultimate parent company and controlling party was The Travelers Companies Inc.

Post 30 December 2008 the immediate parent undertaking of the smallest group of which the Company is a member is Unionamerica Holdings Ltd, a company incorporated in Great Britain.

The ultimate parent undertaking of the largest group of which the Company is a member and for which consolidated accounts have been prepared is Enstar Group Limited, a company incorporated in Bermuda. The consolidated financial statements of both parent undertakings are available to the public and may be obtained from the Company's office at Avaya House, 2 Cathedral Hill, Guildford, Surrey, GU2 7YL.

The annual U.S. Securities and Exchange Commission filing of Enstar Group Limited may be obtained from:

U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549
U.S.A

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

25 SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES IN THE UNITED KINGDOM (“UK GAAP”) AND ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA (“US GAAP”)

The Unionamerica Insurance Company Limited financial statements have been prepared in accordance with UK GAAP as applied in note 1. UK GAAP differs to the requirements of US GAAP in certain respects. The effects of the application of US GAAP to the profit for the year after taxation, as determined under UK GAAP, are set out in the table below:

	2007 US\$000	2006 US\$000
PROFIT FOR THE FINANCIAL YEAR		
UK GAAP profit for the year after taxation	10,366	5,136
US GAAP adjustments		
(a) Unrealised investment (gain)/loss	(1,231)	143
(b) Taxation	369	(43)
(c) Other minor adjustments	<u>35</u>	<u>17</u>
Total US GAAP adjustments	<u>(827)</u>	<u>117</u>
Net income under US GAAP	<u>9,539</u>	<u>5,253</u>

(a) Unrealised investment (gain)/loss

Under UK GAAP unrealised losses and gains on investments represent the difference between the valuation of investments at the balance sheet date and previous valuation unless acquired during the year and are included in the Non-Technical Account. Under US GAAP movements in the valuation of investments that are available-for-sale are reported through Other Comprehensive Income and do not form part of net income.

(b) Taxation

This adjustment reflects the differences between the calculation of current taxation.

	2007 US\$000	2006 US\$000
SHAREHOLDERS' EQUITY INTEREST		
UK GAAP Shareholders' equity interest	428,405	116,108
US GAAP adjustments		
(d) Taxation	326	(43)
(e) Other minor adjustments	<u>49</u>	<u>14</u>
Total US GAAP adjustments	<u>375</u>	<u>(29)</u>
US GAAP Shareholders' equity interest	<u>428,780</u>	<u>116,079</u>

(d) Taxation

This adjustment reflects the differences between the calculation of current taxation.

UNIONAMERICA INSURANCE COMPANY LIMITED

Notes to the financial statements

25 SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES IN THE UNITED KINGDOM (“UK GAAP”) AND ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA (“US GAAP”) (continued)

CASH FLOW STATEMENT AS DETERMINED IN ACCORDANCE WITH US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (“US GAAP”)	2007 US\$000	2006 US\$000
Cash flows from operating activities:		
Net income	9,539	5,253
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortisation of investments	(911)	(412)
Foreign currency translation on investments	(425)	(636)
Net loss on sale of investments	266	520
	<u>8,469</u>	<u>4,725</u>
Changes in assets and liabilities:		
Accrued interest receivable	(10,639)	648
Debtors arising out of reinsurance operations	(58,335)	(30,993)
Loss and loss adjustment expenses recoverable from reinsurers	(476,012)	35,107
Other debtors	(2,890)	(292)
Losses and loss adjustment expenses	778,375	(35,109)
Creditors arising out of reinsurance operations	40,966	9,677
Other creditors	<u>102,308</u>	<u>1,115</u>
Net cash provided / (used) in operating activities	<u>382,242</u>	<u>(15,122)</u>
Cash flows from investing activities		
Purchase of investments	(899,357)	0
Proceeds on sale of investments	<u>239,624</u>	<u>3,669</u>
Net cash (used) / provided by investing activities	<u>(659,733)</u>	<u>3,669</u>
Cash flows from financing activities		
Dividends paid	0	0
Proceeds from issue of share capital	<u>301,931</u>	<u>0</u>
Net cash provided in financing activities	<u>301,931</u>	<u>0</u>
Net increase / (decrease) in cash and cash equivalents	24,440	(11,453)
Cash and cash equivalents, beginning of year	<u>15,227</u>	<u>26,680</u>
Cash and cash equivalents, end of year	<u>39,667</u>	<u>15,227</u>
Supplementary cash flow information:		
Net income taxes paid	—	—
Interest paid	—	—

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)
(Registered in England No. 1460363)
FINANCIAL STATEMENTS
31 December 2008

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)

Independent Auditors' Report

The Board of Directors
SPRE Limited:

We have audited the accompanying balance sheets of SPRE Limited ("the Company") as of December 31, 2008 and 2007, and the related profit and loss accounts and reconciliations of movements in shareholders' funds for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S."). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SPRE Limited as of December 31, 2008 and 2007, and the results of its operations for the years then ended, in conformity with generally accepted accounting principles in the United Kingdom.

Accounting principles generally accepted in the United Kingdom vary in certain significant respects from U.S. generally accepted accounting principles. Information relating to the nature and effect of such differences is presented in note 24 to the financial statements.

/s/ KPMG Audit Plc

KPMG Audit Plc
London, United Kingdom
March 18, 2009

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)

Profit & Loss Account
Technical Account — General Business
For the Year Ended 31 December 2008

	Notes	2008 US\$000	2007 US\$000
Earned premiums, net of reinsurance			
Gross premiums written	3	0	2,069
Outward reinsurance premiums		0	(418)
		<u>0</u>	<u>1,651</u>
Change in the gross provision for unearned premiums		0	886
Change in provision for unearned premiums, reinsurers' share		0	(82)
		<u>0</u>	<u>804</u>
Earned premiums, net of reinsurance		<u>0</u>	<u>2,455</u>
Allocated investment return transferred from the non-technical account		0	15,178
		<u>0</u>	<u>17,633</u>
Claims incurred, net of reinsurance			
Claims paid — gross amount		0	(827,301)
— reinsurers' share		0	505,361
		<u>0</u>	<u>(321,940)</u>
Change in the provision for claims — gross amount		0	864,279
— reinsurers' share		0	(521,766)
		<u>0</u>	<u>342,513</u>
Claims incurred, net of reinsurance		<u>0</u>	<u>20,573</u>
Net operating expenses	10	0	(7,824)
Balance on the technical account — general business		<u>0</u>	<u>30,382</u>

The above results relate to discontinued business.

A separate statement of recognised gains and losses has not been prepared as there are no differences between the above result and the result after recognised gains and losses.

See accompanying notes to these financial statements.

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)

Profit & Loss Account
Non Technical Account — General Business
For the Year Ended 31 December 2008

	Notes	2008 US\$000	2007 US\$000
Balance on the technical account — general business		0	30,382
Investment income	6	0	43,030
Unrealised investment loss		0	(385)
Investment expenses and charges	7	0	(8,543)
		0	34,102
Allocated investment return transferred to the technical account — general business		0	(15,178)
		0	18,924
Other income	8	0	7,614
Other charges, including value adjustments	9	0	(911)
Profit/(loss) on ordinary activities before tax		0	56,009
Tax on Profit/(loss) on ordinary activities	13	0	(11,711)
Profit/(loss) for the year after tax		0	44,298

See accompanying notes to these financial statements.

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)

Balance Sheet
At 31 December 2008

	Notes	2008 US\$000	2007 US\$000
ASSETS			
Investments			
Investment in subsidiary undertaking	14	0	301,931
Debtors			
Other debtors	15	0	26,314
Other assets			
Cash at bank and in hand		100	100
Total assets		<u>100</u>	<u>328,345</u>
LIABILITIES AND SHAREHOLDER'S FUNDS			
Capital and reserves			
Called up share capital	20	0	420,775
Profit and loss account	18	0	(92,530)
Equity Shareholders' funds		<u>0</u>	<u>328,245</u>
Creditors			
Other creditors including taxation and social security	17	100	100
Total liabilities		<u>100</u>	<u>328,345</u>

See accompanying notes to these financial statements.

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)
Reconciliation of movements in shareholders' funds
For the Year Ended 31 December 2008

	Notes	2008 US\$000	2007 US\$000
Opening shareholders' funds		328,245	283,947
Distribution in kind		(328,245)	0
Profit for the financial year after tax	18	0	44,298
Closing shareholders' funds		<u>0</u>	<u>328,245</u>

See accompanying notes to these financial statements.

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)

Notes to the financial statements
Year Ended 31 December 2008

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the provisions of Section 255, and special provisions of Part 1 of Schedule 9A, of the United Kingdom Companies Act 1985.

The financial statements have also been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of investments, and comply with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006) (“the ABI SORP”).

During 2007 the Company completed a Part VII transfer of all its insurance assets, liabilities and outwards reinsurance agreements to Unionamerica Insurance Company Limited (“Unionamerica”). The transfer was effected on 31 December. The Company received shares in Unionamerica equivalent to 71.22% of the issued shared capital. On 24 April 2008 the Company made a distribution in kind in the form of the Company’s interests in Unionamerica. For all financial periods these accounts deal with SPRE Limited as a company and not as a group as its results and that of Unionamerica are consolidated into the results of the ultimate parent undertaking.

In accordance with FRS 8, Related Party Disclosures, the Company has not disclosed related party transactions with group companies, on the basis that the Company is a subsidiary undertaking with 100% voting rights controlled within a group which produces publicly available consolidated financial statements in which the Company is included.

In accordance with FRS 1, Cashflow Statements, the Company is not required to prepare a cashflow statement because more than 90% of the voting rights of the Company are held within the group and the group’s consolidated financial statements are publicly available.

2. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of accounting for underwriting activities

All classes of business are accounted for on an annual basis.

Premiums

Written premiums, gross of commission payable to intermediaries, comprise the estimated premiums on contracts entered into in a financial year, regardless of whether such amounts may relate in whole or in part to a later financial year, exclusive of taxes and duties levied on premiums.

Premiums written include adjustments to premiums written in prior accounting periods and estimates for “pipeline” premiums. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business.

Unearned premiums

The provision for unearned premiums comprises the amount representing that part of gross premiums written which is estimated to be earned in subsequent financial years, taking into account the risk profile of the contracts on a contract by contract basis.

Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance and reinsurance contracts.

Deferred acquisition costs represent the proportion of acquisition costs incurred that correspond to the proportion of gross premiums written which are unearned at the balance sheet date.

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)

Notes to the financial statements

2. ACCOUNTING POLICIES *(continued)*

Claims incurred

Claims incurred include all claims and claims settlement expense payments made in respect of the financial period, the movement in the provision for outstanding claims and claims settlement expenses, and movement in claims incurred but not reported.

Claims outstanding

Full provision is made on an individual case basis for the estimated cost of claims notified but not yet settled by the balance sheet date after taking into account handling costs and settlement trends. A provision for claims incurred but not reported is established on a statistical basis. The level of provisions has been set on the basis of the information which is currently available, including potential outstanding claims advices and case law. The methods used and estimates made are reviewed regularly. Whilst the directors consider the gross provision for claims and the related reinsurance recoveries to be fairly stated on the basis of the information currently available to them, the ultimate liability can vary materially as a result of subsequent information and events. Any difference, which may be material, between provisions and subsequent settlements will be dealt with in the accounts of later years.

Estimation Techniques

The following notes on estimation techniques were applicable to the period prior to the Part VII transfer.

In addition to the inherent uncertainty of having to forecast the ultimate costs of those claims that have occurred but not yet been advised to the Company as at the balance sheet date, there is also the considerable uncertainty regarding the eventual final costs of the claims that have been reported by the balance sheet date but which remain unsettled.

As a consequence of these uncertainties the Company has to apply sophisticated estimation techniques to determine the appropriate level of claims provisions.

In overview, claims provisions are determined based upon prior experience, knowledge of market conditions and trends and the terms and conditions of the underlying contracts of insurance and reinsurance.

A variety of different statistical techniques are used by the Company's in-house actuaries to determine the appropriate level of provision to carry. These methods include the following:

- Chain ladder development of incurred claims, where claims to date for each accident year are extrapolated based upon the historical development patterns of earlier accident years.
- Expected loss ratios where claims are calculated by applying loss ratios determined from prior experience adjusted for known changes in market conditions or claims trends, to earned premiums; and
- Bornhuetter Ferguson method, which combines use of expected loss ratios, for the more recent and underdeveloped accident years, and the chain ladder projection of incurred claims data for earlier years.

All projections are carried out separately for each line of business.

Catastrophe losses are reserved separately primarily based on event by event analysis of potential exposure on contracts written.

Where possible the Company adopts multiple techniques to estimate the required level of provision. This assists in giving a greater understanding of the trends inherent in the data being projected and setting the range of possible outcomes. The most appropriate estimation technique is then selected taking into account the characteristics of the business class being reserved.

Establishing an appropriate level of claims provision is inherently uncertain. The degree of uncertainty will vary by product and line of business according to the characteristics of the insured risk.

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)

Notes to the financial statements

2. ACCOUNTING POLICIES *(continued)*

Unexpired risks

Provision is made for unexpired risks where the claims and administrative expenses likely to arise after the end of the financial year in respect of contracts concluded before that date are expected to exceed the unearned premiums net of any acquisition costs deferred. The provision for unexpired risks is calculated separately by classes of business that are managed together, after taking into account relevant future investment income.

Investments, investment income, expenses and charges

Investments are shown at market value. Debt securities and other fixed-income securities and shares and other variable-yield securities and units in unit trusts are stated at market value at the close of business on the balance sheet date, or on the last trading day before that date.

Investment income is accounted for on an accruals basis. Interest is accrued up to the balance sheet date. Realised investment gains and losses comprise the difference between net sale proceeds and previous valuation or historical cost if acquired during the year. Unrealised investment gains and losses are reflected in the profit and loss account.

Allocation of investment income

Investment income, realised gains and losses, expenses and charges are allocated from the non-technical account to the technical account based on investments held against technical provisions.

Land and buildings

In order to present a true and fair view of the Company's performance, freehold land and buildings are depreciated but are carried at current value and are subject to triennial revaluation. Any permanent diminution or subsequent reversal in value is taken to the profit and loss account.

Foreign currency translation

Foreign currency revenue and profit and loss items have been translated into US Dollars at the average quarterly rates of exchange. Monetary assets and liabilities held in foreign currency are translated into US Dollars at the rates of exchange ruling at the balance sheet date. Gains and losses on foreign currency translation are taken to the profit and loss account.

Taxation

The charge for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)

Notes to the financial statements

3. SEGMENTAL ANALYSIS

	2008	2007
	US\$000	US\$000
By major class of business		
Gross premiums written		
Property	0	610
Casualty	0	1,233
Marine/aviation/satellite	0	226
	<u>0</u>	<u>2,069</u>
Underwriting result		
Property	0	7,838
Casualty	0	5,595
Marine/aviation/satellite	0	1,771
	<u>0</u>	<u>15,204</u>
Net insurance funds		
Property	0	0
Casualty	0	0
Marine/aviation/satellite	0	0
	<u>0</u>	<u>0</u>

The net assets and investment income are not managed at class level, therefore are not included in the segmental analysis.

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)

Notes to the financial statements.

3. SEGMENTAL ANALYSIS (continued)

The transaction of London Market reinsurance and insurance non-marine business at the Company's London office is regarded by the directors as the Company's business segment.

	2008 (US \$000)					
	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Underwriting profit
Direct insurance						
Property	0	0	0	0	0	0
Casualty	0	0	0	0	0	0
	0	0	0	0	0	0
Reinsurance	0	0	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	2007 (US \$000)					
	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Underwriting loss
Direct insurance						
Property	(13)	(13)	321	(22)	(64)	222
Casualty	0	0	(15)	(1,343)	(2,960)	(4,318)
	(13)	(13)	306	(1,365)	(3,024)	(4,096)
Reinsurance	2,082	2,968	36,672	(6,641)	(13,879)	19,300
	<u>2,069</u>	<u>2,955</u>	<u>36,978</u>	<u>(8,006)</u>	<u>(16,903)</u>	<u>15,204</u>

The underwriting result represents the balance on the technical account — general business before investment income and charges.

4. PRIOR YEARS' CLAIMS PROVISIONS

(Under)/over provisions for claims provisions at the beginning of the period compared with payments and provisions at the end of the period in respect of prior years' claims net of ceded reinsurance are represented by the claims incurred net of reinsurance figure in the Profit and Loss Technical Account.

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)

Notes to the financial statements

5. PART VII TRANSFER

The Company transferred all of its insurance liabilities and underlying outwards reinsurance agreements to Unionamerica Insurance Company Limited, under Part VII of the Financial Services and Markets Act 2000. This transfer was effective on 31 December 2007. The Part VII transfer has been accounted for in accordance with the ABI SORP.

The assets and liabilities transferred are set out below:

	US\$000
Assets	
Cash and investments	664,163
Reinsurers' share of technical provisions	266,040
Reinsurers' share of technical provisions — Internal stop loss	158,212
Debtors	57,892
Other assets	<u>40,785</u>
	1,187,092
Liabilities	
Technical provisions	570,675
Technical provisions — Internal stop loss	158,212
Creditors	113,328
Other liabilities	<u>16,632</u>
	858,847
Surplus assets	<u><u>328,245</u></u>

Following the transfer of surplus assets of US\$328,245,000, the Company received shares in Unionamerica Insurance Company Limited to the value of US\$301,931,000 on 31 December 2007, the balance of which was satisfied after the year end on 24 January 2008, by the issue of additional shares to the value of US\$26,314,000 to the Company.

6. INVESTMENT INCOME

	2008	2007
	US\$000	US\$000
Land and buildings	0	3,620
Income from other financial investments	0	36,756
Realised investment gains	<u>0</u>	<u>2,654</u>
	<u><u>0</u></u>	<u><u>43,030</u></u>

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)

Notes to the financial statements

7. INVESTMENT EXPENSES AND CHARGES

	2008	2007
	US\$000	US\$000
Interest payable	0	8,175
Investment management expenses	0	368
	<u>0</u>	<u>8,543</u>

8. OTHER INCOME

	2008	2007
	US\$000	US\$000
Differences on foreign currency net asset translation	0	7,614
	<u>0</u>	<u>7,614</u>

9. OTHER CHARGES

	2008	2007
	US\$000	US\$000
Other charges	0	911
	<u>0</u>	<u>911</u>

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)

Notes to the financial statements

10. NET OPERATING EXPENSES

	2008	2007
	US\$000	US\$000
Gross acquisition costs	0	102
Change in gross deferred acquisition costs	<u>0</u>	<u>90</u>
	0	192
Administrative expenses	<u>0</u>	<u>7,634</u>
Gross operating expenses	0	7,826
Reinsurance commissions and profit participation	<u>0</u>	<u>(2)</u>
	<u>0</u>	<u>7,824</u>

11. INCLUDED IN PROFIT AND LOSS ACCOUNT

	2008	2007
	US\$000	US\$000
Income from listed securities	0	36,756
Interest payable on other loans	0	8,175
Auditor's remuneration in respect of:		
Audit of these financial statements	14	244
Other services pursuant to legislation	14	44
Tax services	15	15

Auditors' remuneration accruing in 2008 was paid by a fellow group undertaking.

12. EMPLOYEES

The Company has no employees, but had a management agreement with Travelers Management Limited, a former fellow group undertaking, which employed UK personnel and provided certain management services. The Company had entered into an additional services agreement with Travelers Special Services Limited, another former fellow group undertaking, which provided a number of management services.

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)

Notes to the financial statements

13. TAXATION

	2008	2007
	US\$000	US\$000
Analysis of charge in the period, current tax		
Tax charge for the year	0	14,208
Adjustments in respect of prior periods	<u>0</u>	<u>(2,497)</u>
Tax on Profit on ordinary activities	<u>0</u>	<u>11,711</u>
	2008	2007
	US\$000	US\$000
Reconciliation of the current tax charge required under FRS19		
Profit on ordinary activities before taxation	<u>0</u>	<u>56,009</u>
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax of 28.5% (see note below) (2007: 30%)	0	16,803
Movement in provisions	0	532
Loss on disposal of building	0	(2,702)
Losses brought forward	0	(425)
Prior year corporation tax	<u>0</u>	<u>(2,497)</u>
Tax charge for the period	<u>0</u>	<u>11,711</u>

Corporation tax reduced from 30% to 28% on 1 April 2008 and as a result of this a composite rate of 28.5% is being used in this calendar year.

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)

Notes to the financial statements

14. INVESTMENTS

	2008	2007
	US\$000	US\$000
Investment in subsidiary undertaking		
At cost		
As at 1 January	301,931	0
Acquisition during the year (See Note 5)	26,314	301,931
Distribution in kind	<u>(328,245)</u>	<u>0</u>
As at 31 December	<u>0</u>	<u>301,931</u>

On 24 April 2008, SPRE Limited paid an interim dividend of a total amount of US\$328,245,000 which was paid in the form of assets of SPRE Limited, such assets being 63,354,088 shares in Unionamerica Insurance Company Limited equivalent to the value of the dividend.

15. OTHER DEBTORS

	2008	2007
	US\$000	US\$000
Consideration receivable (See Note 5)	<u>0</u>	<u>26,314</u>
	<u>0</u>	<u>26,314</u>

16. CONTINGENCIES AND OTHER LIABILITIES

Following the Part VII transfer there are no contingencies or other liabilities to report.

17. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2008	2007
	US\$000	US\$000
Sundry creditors	<u>100</u>	<u>100</u>
	<u>100</u>	<u>100</u>

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)

Notes to the financial statements.

18. RESERVES – PROFIT AND LOSS ACCOUNT

	2008	2007
	US\$000	US\$000
As at 1 January	(92,530)	(136,828)
Profit for the financial year	0	44,298
Distribution	<u>92,530</u>	<u>0</u>
As at 31 December	<u>0</u>	<u>(92,530)</u>

19. PROVISION FOR OTHER RISKS AND CHARGES

Consequent to the decision to close the branch offices in Belgium and Germany, a provision was established, based on the directors' best estimates, for the likely costs arising in exiting these businesses.

	2008	2007
	US\$000	US\$000
At the beginning of the year	0	1,419
Utilised during the year	<u>0</u>	<u>(1,419)</u>
At the end of the year	<u>0</u>	<u>0</u>

20. SHARE CAPITAL

	2008	2007
	£000	£000
Authorised		
83,301,419 (2007: 300,000,000) authorised ordinary shares of £1 each	<u>83,301</u>	<u>300,000</u>
Allotted, issued and fully paid	US\$000	US\$000
2 (2007: 216,698,583) ordinary shares of £1 each at par	<u>0</u>	<u>420,775</u>

On the 20th February 2008, the Company received approval from the High Court to reduce the share capital of the Company: On this date the authorized share capital of the company was reduced from £300,000,000 to £83,301,419 by the cancellation of 216,698,581 issued Ordinary shares of £1 each.

Following the reduction the authorised share capital of the company is £83,301,419 divided into Ordinary shares of £1 each, of which 2 have been issued and credited as fully paid.

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)

Notes to the financial statements

21. REMUNERATION OF DIRECTORS

	2008	2007
	US\$000	US\$000
Directors' emoluments	0	922
Amounts receivable under long term incentive schemes	0	0
	<u>0</u>	<u>922</u>
Company contributions to money purchase pension schemes	0	92
	<u>0</u>	<u>1,014</u>

The aggregate emoluments and amounts receivable under long term incentive schemes of the highest paid director were US\$ Nil (2007: US\$174,874).

Company contribution to money purchase pension schemes attributable to the highest paid director was US\$ Nil (2007 : US\$18,923).

	Number of Directors	
	2008	2007
Retirement benefits accruing to the following number of Directors under:		
Money purchase schemes	0	8
Defined benefit schemes	0	0
The number of directors who exercised share options	0	3
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	0	0

Emoluments of directors based in the UK were paid by Travelers Management Limited, a former fellow group undertaking which employed all UK personnel and provided full management services. The directors' emoluments have been apportioned across the group as a whole, based on services rendered to companies in the group.

SPRE LIMITED

(Formerly St. Paul Reinsurance Company Limited)

Notes to the financial statements

22. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption, contained in Financial Reporting Standard 8, from disclosing transactions with other group companies or with related parties in which the Company has no investments.

During the current financial year there were no transactions with former fellow group undertakings within The Travelers Companies Inc. group.

23. IMMEDIATE AND ULTIMATE HOLDING COMPANIES

Prior to 30 December 2008, the Company's intermediate parent company was St. Paul Fire and Marine Insurance Company Limited which is registered in England & Wales. Prior to 30 December 2008, the Company's ultimate parent company and controlling party was The Travelers Companies Inc.

Post 30 December 2008 the immediate parent undertaking of the smallest group of which the Company is a member is Unionamerica Holdings Ltd, a company incorporated in Great Britain.

The ultimate parent undertaking of the largest group of which the Company is a member and for which consolidated accounts have been prepared is Enstar Group Limited, a company incorporated in Bermuda. The consolidated financial statements of both parent undertakings are available to the public and may be obtained from the Company's office at Avaya House, 2 Cathedral Hill, Guildford, Surrey, GU2 7YL.

The annual U.S. Securities and Exchange Commission filing of Enstar Group Limited may be obtained from:

U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549
U.S.A

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)

Notes to the financial statements

24 SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES IN THE UNITED KINGDOM (“UK GAAP”) AND ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA (“US GAAP”)

The SPRE Limited financial statements have been prepared in accordance with UK GAAP as applied in note 1. UK GAAP differs to the requirements of US GAAP in certain respects. The effects of the application of US GAAP to the profit for the year after taxation, as determined under UK GAAP, are set out in the table below:

	2008	2007
	US\$000	US\$000
PROFIT FOR THE FINANCIAL YEAR		
UK GAAP profit for the year after taxation	0	44,298
US GAAP adjustments		
(a) Unrealised investment loss/(gain)	0	385
(b) Valuation difference on freehold building	<u>0</u>	<u>(1,403)</u>
Total US GAAP adjustments	<u>0</u>	<u>(1,018)</u>
Net income under US GAAP	<u><u>0</u></u>	<u><u>43,280</u></u>

(a) Unrealised investment loss/(gain)

Under UK GAAP unrealised losses and gains on investments represent the difference between the valuation of investments at the balance sheet date and previous valuation unless acquired during the year and are included in the Non-Technical Account. Under US GAAP movements in the valuation of investments that are available-for-sale are reported through Other Comprehensive Income and do not form part of net income.

(b) Valuation difference on freehold building

Under UK GAAP the freehold property is carried at current value and is subject to triennial valuation by an independent property valuer who is a member of the Royal Institute of Chartered Surveyors. The open market value of the property is determined after the deduction of expected selling costs. Under US GAAP the freehold property is carried at historical cost less accumulated depreciation.

	2008	2007
	US\$000	US\$000
SHAREHOLDERS' EQUITY INTEREST		
UK GAAP Shareholders' equity interest	<u>0</u>	<u>328,245</u>
US GAAP Shareholders' equity interest	<u>0</u>	<u>328,245</u>

SPRE LIMITED**(Formerly St. Paul Reinsurance Company Limited)****Note to the Financial Statements****24 SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES IN THE UNITED KINGDOM (“UK GAAP”) AND ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA (“US GAAP”) (Continued)**

	2008	2007
CASH FLOW STATEMENT AS DETERMINED IN ACCORDANCE WITH US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (“US GAAP”)	US\$000	US\$000
Cash flows from operating activities:		
Net income	0	43,280
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortisation of investments	0	(189)
Foreign currency translation on investments	0	(17,160)
Net loss on sale of investments	0	(2,654)
	0	23,277
Changes in assets and liabilities:		
Accrued interest receivable	0	12,649
Debtors arising out of reinsurance operations	0	66,598
Loss and loss adjustment expenses recoverable from reinsurers	0	537,836
Other debtors	0	136
Losses and loss adjustment expenses	0	(870,996)
Creditors arising out of reinsurance operations	0	(175,291)
Other creditors	0	(2,304)
Net cash used in operating activities	0	(408,095)
Cash flows from investing activities		
Purchase of investments	0	(395,583)
Purchase of investment in subsidiary	0	(328,245)
Proceeds on sale of investments	0	1,102,095
Proceeds from sale of freehold building	0	5,867
Net cash provided by investing activities	0	384,134
Net (decrease) in cash and cash equivalents	0	(23,961)
Cash and cash equivalents, beginning of year	100	24,061
Cash and cash equivalents, end of year	100	100
Supplemental cash flow information		
Net income taxes paid	—	—
Interest paid	—	—

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)
(Registered in England No. 1460363)
FINANCIAL STATEMENTS
31 December 2007

SPRE LIMITED
(Formerly St. Paul Reinsurance Company Limited)

Independent Auditors' Report

The Board of Directors
SPRE Limited:

We have audited the accompanying balance sheets of SPRE Limited ("the Company") as of December 31, 2007 and 2006, and the related profit and loss accounts and reconciliations of movements in shareholders' funds for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S."). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SPRE Limited as of December 31, 2007 and 2006, and the results of its operations for the years then ended, in conformity with generally accepted accounting principles in the United Kingdom.

Accounting principles generally accepted in the United Kingdom vary in certain significant respects from U.S. generally accepted accounting principles. Information relating to the nature and effect of such differences is presented in note 28 to the financial statements.

/s/ KPMG Audit Plc

KPMG Audit Plc
London, United Kingdom
March 18, 2009

SPRE LIMITED
Profit & Loss Account

Technical Account — General Business
For the Year Ended 31 December 2007

	Notes	2007 US\$000	2006 US\$000
Earned premiums, net of reinsurance			
Gross premiums written	3	2,069	5,440
Outward reinsurance premiums		(418)	14,403
		<u>1,651</u>	<u>19,843</u>
Change in the gross provision for unearned premiums	21	886	312
Change in provision for unearned premiums, reinsurers' share	21	(82)	(47)
		<u>804</u>	<u>265</u>
Earned premiums, net of reinsurance		2,455	20,108
Allocated investment return transferred from the non-technical account		15,178	16,755
		<u>17,633</u>	<u>36,863</u>
Claims incurred, net of reinsurance			
Claims paid — gross amount		(827,301)	(148,192)
— reinsurers' share		505,361	30,938
		<u>(321,940)</u>	<u>(117,254)</u>
Change in the provision for claims — gross amount	21	864,279	122,024
— reinsurers' share	21	(521,766)	(113,250)
		<u>342,513</u>	<u>8,774</u>
Claims incurred, net of reinsurance		20,573	(108,480)
Net operating expenses	10	(7,824)	(8,436)
Balance on the technical account — general business		<u>30,382</u>	<u>(80,053)</u>

The above results relate to discontinued business.

A separate statement of recognised gains and losses has not been prepared as there are no differences between the above result and the result after recognised gains and losses.

See accompanying notes to these financial statements.

SPRE LIMITED
Profit & Loss Account

Non Technical Account — General Business
For the Year Ended 31 December 2007

	Notes	2007 US\$000	2006 US\$000
Balance on the technical account — general business		<u>30,382</u>	<u>(80,053)</u>
Investment income	6	43,030	37,366
Unrealised investment loss		(385)	(6,201)
Investment expenses and charges	7	(8,543)	(7,582)
		<u>34,102</u>	<u>23,583</u>
Allocated investment return transferred to the technical account — general business		<u>(15,178)</u>	<u>(16,755)</u>
		<u>18,924</u>	<u>6,828</u>
Other income	8	7,614	7,599
Other charges, including value adjustments	9	(911)	(1,184)
Profit/(loss) on ordinary activities before tax		56,009	(66,810)
Tax on Profit/(loss) on ordinary activities	13	(11,711)	0
Profit/(loss) for the year after tax		<u>44,298</u>	<u>(66,810)</u>

See accompanying notes to these financial statements.

SPRE LIMITED**Balance Sheet
At 31 December 2007**

	Notes	2007 US\$000	2006 US\$000
ASSETS			
Investments			
Investment in subsidiary undertaking	15	301,931	0
Land and buildings	14	0	4,466
Other financial investments	15	0	686,893
Reinsurers' share of technical provisions			
Provision for unearned premiums	21	0	80
Claims outstanding	21	0	537,756
Debtors			
Debtors arising out of reinsurance operations	16	0	66,598
Other debtors	17	26,314	47
Other assets			
Cash at bank and in hand		100	24,060
Prepayments and accrued income			
Accrued interest and rental income		0	12,649
Deferred acquisition costs	21	0	89
Total assets		<u>328,345</u>	<u>1,332,638</u>
LIABILITIES AND SHAREHOLDERS' FUNDS			
Capital and reserves			
Called up share capital	23	420,775	420,775
Profit and loss account	20	(92,530)	(136,828)
Equity Shareholders' funds		<u>328,245</u>	<u>283,947</u>
Technical provisions			
Provision for unearned premiums	21	0	868
Claims outstanding	21	0	870,128
Provision for other risks and charges	22	0	1,419
Deposits received from reinsurers		0	124,948
Creditors			
Creditors arising out of reinsurance operations		0	50,343
Other creditors including taxation and social security	19	100	985
Total liabilities		<u>328,345</u>	<u>1,332,638</u>

See accompanying notes to these financial statements.

SPRE LIMITED

**Reconciliation of movements in shareholders' funds
For the Year Ended 31 December 2007**

	Notes	2007 US\$000	2006 US\$000
Opening shareholders' funds		283,947	350,757
Profit/(Loss) for the financial year after tax	20	44,298	(66,810)
Closing shareholders' funds		<u>328,245</u>	<u>283,947</u>

See accompanying notes to these financial statements.

SPRE LIMITED

Notes to the financial statements Year Ended 31 December 2007

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the provisions of Section 255, and special provisions of Part 1 of Schedule 9A, of the United Kingdom Companies Act 1985.

The financial statements have also been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of investments, and comply with the Statement of Recommended Practice issued by the Association of British Insurers in December 2005 (as amended in December 2006) ("the ABI SORP").

During the year the Company completed a Part VII transfer of all its insurance assets, liabilities and outwards reinsurance agreements to Unionamerica Insurance Company Limited ('Unionamerica'). The transfer was effected on 31 December 2007. In consideration for the transfer of surplus assets of US\$328 million, the Company received shares in Unionamerica equivalent to 71.22% of the issued share capital as at 31 December 2007. These accounts deal with SPRE Limited as a company and not as a group as its results and that of Unionamerica are consolidated into the results of The Travelers Companies Inc.

Prior to completion of the Part VII transfer, the expected cost of the run-off of the book of business was exceeded by the expected future investment return attributable to the Technical Account — General Business. Accordingly, no provision was made for future run-off expenses.

Following the successful completion of the Part VII transfer on 31 December 2007 the directors propose to proceed with the orderly wind up of the company's affairs and intend to seek the liquidation of the company in early 2008. Accordingly, these accounts are prepared on a break up basis. Given that the assets retained by the company, following the Part VII transfer consist only of cash and its investment in its fellow subsidiary, Unionamerica Insurance Company Limited, no adjustment has been necessary as a result of the decision to present these financial statements on a break up basis.

In accordance with FRS 8, Related Party Disclosures, the Company has not disclosed related party transactions with group companies, on the basis that the Company is a subsidiary undertaking with 100% voting rights controlled within a group which produces publicly available consolidated financial statements in which the Company is included.

In accordance with FRS 1, Cashflow Statements, the Company is not required to prepare a cashflow statement because more than 90% of the voting rights of the Company are held within the group and the group's consolidated financial statements are publicly available.

2. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of accounting for underwriting activities

All classes of business are accounted for on an annual basis.

Premiums

Written premiums, gross of commission payable to intermediaries, comprise the estimated premiums on contracts entered into in a financial year, regardless of whether such amounts may relate in whole or in part to a later financial year, exclusive of taxes and duties levied on premiums.

Premiums written include adjustments to premiums written in prior accounting periods and estimates for "pipeline" premiums. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business.

Unearned premiums

The provision for unearned premiums comprises the amount representing that part of gross premiums written which is estimated to be earned in subsequent financial years, taking into account the risk profile of the contracts on a contract by contract basis.

Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance and reinsurance contracts. Deferred acquisition costs represent the proportion of acquisition costs incurred that correspond to the proportion of gross premiums written which are unearned at the balance sheet date.

SPRE LIMITED

Notes to the financial statements

2. ACCOUNTING POLICIES *(continued)*

Claims incurred

Claims incurred include all claims and claims settlement expense payments made in respect of the financial period, the movement in the provision for outstanding claims and claims settlement expenses, and movement in claims incurred but not reported.

Claims outstanding

Full provision is made on an individual case basis for the estimated cost of claims notified but not yet settled by the balance sheet date after taking into account handling costs and settlement trends. A provision for claims incurred but not reported is established on a statistical basis. The level of provisions has been set on the basis of the information which is currently available, including potential outstanding claims advices and case law. The methods used and estimates made are reviewed regularly. Whilst the directors consider the gross provision for claims and the related reinsurance recoveries to be fairly stated on the basis of the information currently available to them, the ultimate liability can vary materially as a result of subsequent information and events. Any difference, which may be material, between provisions and subsequent settlements will be dealt with in the accounts of later years.

Estimation Techniques

The following notes on estimation techniques were applicable to the period prior to the Part VII transfer.

In addition to the inherent uncertainty of having to forecast the ultimate costs of those claims that have occurred but not yet been advised to the Company as at the balance sheet date, there is also the considerable uncertainty regarding the eventual final costs of the claims that have been reported by the balance sheet date but which remain unsettled.

As a consequence of these uncertainties the Company has to apply sophisticated estimation techniques to determine the appropriate level of claims provisions.

In overview, claims provisions are determined based upon prior experience, knowledge of market conditions and trends and the terms and conditions of the underlying contracts of insurance and reinsurance.

A variety of different statistical techniques are used by the Company's in-house actuaries to determine the appropriate level of provision to carry. These methods include the following:

- Chain ladder development of incurred claims, where claims to date for each accident year are extrapolated based upon the historical development patterns of earlier accident years.
- Expected loss ratios where claims are calculated by applying loss ratios determined from prior experience adjusted for known changes in market conditions or claims trends, to earned premiums; and
- Bomhuetter Ferguson method, which combines use of expected loss ratios, for the more recent and underdeveloped accident years, and the chain ladder projection of incurred claims data for earlier years.

All projections are carried out separately for each line of business.

Catastrophe losses are reserved separately primarily based on event by event analysis of potential exposure on contracts written.

Where possible the Company adopts multiple techniques to estimate the required level of provision. This assists in giving a greater understanding of the trends inherent in the data being projected and setting the range of possible outcomes. The most appropriate estimation technique is then selected taking into account the characteristics of the business class being reserved.

Establishing an appropriate level of claims provision is inherently uncertain. The degree of uncertainty will vary by product and line of business according to the characteristics of the insured risk.

SPRE LIMITED

Notes to the financial statements

2. ACCOUNTING POLICIES *(continued)*

Unexpired risks

Provision is made for unexpired risks where the claims and administrative expenses likely to arise after the end of the financial year in respect of contracts concluded before that date are expected to exceed the unearned premiums net of any acquisition costs deferred. The provision for unexpired risks is calculated separately by classes of business that are managed together, after taking into account relevant future investment income.

Investments, investment income, expenses and charges

Investments are shown at market value. Debt securities and other fixed-income securities and shares and other variable-yield securities and units in unit trusts are stated at market value at the close of business on the balance sheet date, or on the last trading day before that date.

Investment income is accounted for on an accruals basis. Interest is accrued up to the balance sheet date. Realised investment gains and losses comprise the difference between net sale proceeds and previous valuation or historical cost if acquired during the year. Unrealised investment gains and losses are reflected in the profit and loss account.

Allocation of investment income

Investment income, realised gains and losses, expenses and charges are allocated from the non-technical account to the technical account based on investments held against technical provisions.

Land and buildings

In order to present a true and fair view of the Company's performance, freehold land and buildings are depreciated but are carried at current value and are subject to triennial revaluation. Any permanent diminution or subsequent reversal in value is taken to the profit and loss account.

Foreign currency translation

Foreign currency revenue and profit and loss items have been translated into US Dollars at the average quarterly rates of exchange. Monetary assets and liabilities held in foreign currency are translated into US Dollars at the rates of exchange ruling at the balance sheet date. Gains and losses on foreign currency translation are taken to the profit and loss account.

Taxation

The charge for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

SPRE LIMITED**Notes to the financial statements****3. SEGMENTAL ANALYSIS**

	2007	2006
	US\$000	US\$000
By major class of business		
Gross premiums written		
Property	610	1,998
Casualty	1,233	3,466
Marine/aviation/satellite	<u>226</u>	<u>(24)</u>
	<u>2,069</u>	<u>5,440</u>
Underwriting result		
Property	7,838	(14,118)
Casualty	5,595	(88,591)
Marine/aviation/satellite	<u>1,771</u>	<u>5,901</u>
	<u>15,204</u>	<u>(96,808)</u>
Net insurance funds		
Property	0	(99,364)
Casualty	0	398,836
Marine/aviation/satellite	<u>0</u>	<u>33,599</u>
	<u>0</u>	<u>333,071</u>

The net assets and investment income are not managed at class level, therefore are not included in the segmental analysis.

SPRE LIMITED

Notes to the financial statements.

3. SEGMENTAL ANALYSIS (continued)

The transaction of London Market reinsurance and insurance non-marine business at the Company's London office is regarded by the directors as the Company's business segment.

	2007 (US \$000)					
	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Underwriting profit
Direct insurance						
Property	(13)	(13)	321	(22)	(64)	222
Casualty	<u>0</u>	<u>0</u>	<u>(15)</u>	<u>(1,343)</u>	<u>(2,960)</u>	<u>(4,318)</u>
	(13)	(13)	306	(1,365)	(3,024)	(4,096)
Reinsurance	<u>2,082</u>	<u>2,968</u>	<u>36,672</u>	<u>(6,641)</u>	<u>(13,879)</u>	<u>19,300</u>
	<u>2,069</u>	<u>2,955</u>	<u>36,978</u>	<u>(8,006)</u>	<u>(16,903)</u>	<u>15,204</u>
	2006 (US \$000)					
	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Underwriting loss
Direct insurance						
Property	3	3	(534)	(105)	(10)	(646)
Casualty	<u>22</u>	<u>22</u>	<u>(47,557)</u>	<u>(2,467)</u>	<u>(492)</u>	<u>(50,494)</u>
	25	25	(48,091)	(2,572)	(502)	(51,140)
Reinsurance	<u>5,415</u>	<u>5,727</u>	<u>21,923</u>	<u>(5,907)</u>	<u>(67,411)</u>	<u>(45,668)</u>
	<u>5,440</u>	<u>5,752</u>	<u>(26,168)</u>	<u>(8,479)</u>	<u>(67,913)</u>	<u>(96,808)</u>

The underwriting result represents the balance on the technical account — general business before investment income and charges.

4. PRIOR YEARS' CLAIMS PROVISIONS

(Under)/over provisions for claims provisions at the beginning of the period compared with payments and provisions at the end of the period in respect of prior years' claims net of ceded reinsurance are represented by the claims incurred net of reinsurance figure in the Profit and Loss Technical Account.

SPRE LIMITED

Notes to the financial statements

5. PART VII TRANSFER

The Company transferred all of its insurance liabilities and underlying outwards reinsurance agreements to Unionamerica Insurance Company Limited, under Part VII of the Financial Services and Markets Act 2000. This transfer was effective on 31 December 2007. The Part VII transfer has been accounted for in accordance with the ABI SORP.

The assets and liabilities transferred are set out below:

	US\$000
Assets	
Cash and investments	664,163
Reinsurers' share of technical provisions	266,040
Reinsurers' share of technical provisions — Internal stop loss	158,212
Debtors	57,892
Other assets	40,785
	<u>1,187,092</u>
Liabilities	
Technical provisions	570,675
Technical provisions — Internal stop loss	158,212
Creditors	113,328
Other liabilities	16,632
	<u>858,847</u>
Surplus assets	<u>328,245</u>

Following the transfer of surplus assets of US\$328,245,000, the Company received shares in Unionamerica Insurance Company Limited of US\$301,931,000 on 31 December 2007, the balance of which was satisfied after the year end on 24 January 2008, by the issue of additional shares of US\$26,314,000 to the Company.

6. INVESTMENT INCOME

	2007 US\$000	2006 US\$000
Land and buildings	3,620	0
Income from other financial investments	36,756	36,231
Realised investment gains	2,654	1,135
	<u>43,030</u>	<u>37,366</u>

SPRE LIMITED**Notes to the financial statements****7. INVESTMENT EXPENSES AND CHARGES**

	2007	2006
	US\$000	US\$000
Interest payable	8,175	2,291
Investment management expenses	368	593
Realised investment losses	0	4,698
	<u>8,543</u>	<u>7,582</u>

8. OTHER INCOME

	2007	2006
	US\$000	US\$000
Differences on foreign currency net asset translation	7,614	7,599
	<u>7,614</u>	<u>7,599</u>

9. OTHER CHARGES

	2007	2006
	US\$000	US\$000
Increase of provision	0	263
Other charges	911	921
	<u>911</u>	<u>1,184</u>

SPRE LIMITED**Notes to the financial statements****10. NET OPERATING EXPENSES**

	2007	2006
	US\$000	US\$000
Gross acquisition costs	102	592
Change in gross deferred acquisition costs	90	34
	<u>192</u>	<u>626</u>
Administrative expenses	7,634	7,853
Gross operating expenses	7,826	8,479
Reinsurance commissions and profit participation	(2)	(43)
	<u>7,824</u>	<u>8,436</u>

11. INCLUDED IN PROFIT AND LOSS ACCOUNT

	2007	2006
	US\$000	US\$000
Income from listed securities	36,756	34,960
Interest payable on other loans	8,175	2,291
Auditor's remuneration in respect of:		
Audit of these financial statements	244	299
Other services pursuant to legislation	44	42
Tax services	15	22

12. EMPLOYEES

The Company has no employees, but has a management agreement with Travelers Management Limited, formerly St. Paul Travelers Management Limited, a fellow group undertaking, which employs UK personnel and provides certain management services. The Company has entered into an additional services agreement with Travelers Special Services Limited, formerly St. Paul Travelers Special Services Limited, another fellow group undertaking, which provides a number of management services. The charges associated with these management agreements have been fully included within these financial statements.

SPRE LIMITED**Notes to the financial statements****13. TAXATION**

	2007 US\$000	2006 US\$000
Analysis of charge in the period, current tax		
Tax charge for the year	14,208	0
Adjustments in respect of prior periods	<u>(2,497)</u>	<u>0</u>
Tax on Profit on ordinary activities	<u>11,711</u>	<u>0</u>
	2007 US\$000	2006 US\$000
Reconciliation of the current tax charge required under FRS19		
Profit/(loss) on ordinary activities before taxation	<u>56,009</u>	<u>(66,810)</u>
Profit/(loss) on ordinary activities before tax multiplied by the standard rate of corporation tax of 30% (2006: 30%)	16,803	(20,043)
Tax losses for the year to be utilised — Group relief	0	20,043
Movement in provisions	532	0
Loss on disposal of building	(2,702)	0
Losses brought forward	(425)	0
Prior year corporation tax	<u>(2,497)</u>	<u>0</u>
Tax charge for the period	<u>11,711</u>	<u>0</u>

14. LAND AND BUILDINGS — FREEHOLD

	2007 US\$000	2006 US\$000
Current value at 31 December	<u>0</u>	<u>4,466</u>

The land & buildings were sold to a fellow group company during the year.

SPRE LIMITED

Notes to the financial statements

15. INVESTMENTS

Investment in subsidiary undertaking	2007	2006
	US\$000	US\$000
At cost		
As at 1 January	0	0
Acquisition during the year (See Note 5)	<u>301,931</u>	<u>0</u>
As at 31 December	<u>301,931</u>	<u>0</u>

Name of Undertaking	Description of Shares Held	Business	Economic Voting Rights in Shares
Unionamerica Insurance Company Limited (Incorporated in Great Britain and registered in England)	Ordinary \$1 Shares	Insurance and Reinsurance	71.22%

SPRE LIMITED

Notes to the financial statements

15. INVESTMENTS (continued)

Other Financial Investments

	2007 (US \$000)			2006 (US \$000)		
	Market value	Amortised/ book cost	Actual cost	Market value	Amortised/ book cost	Actual cost
Shares & other variable-yield securities and units in unit trusts**	0	0	0	8,334	8,334	8,334
Debt Securities and other fixed income securities*	0	0	0	513,995	512,715	534,361
Government securities*	<u>0</u>	<u>0</u>	<u>0</u>	<u>164,564</u>	<u>165,460</u>	<u>168,004</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>686,893</u>	<u>686,509</u>	<u>710,699</u>
Included in the above Investments:						
Listed on the London Stock Exchange	0	0	0	35,418	35,496	36,574
Listed on other investment exchanges	0	0	0	643,141	642,679	665,791
Unlisted warrants	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,334</u>	<u>8,334</u>	<u>8,334</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>686,893</u>	<u>686,509</u>	<u>710,699</u>

The investments were transferred to Unionamerica Insurance Company Limited, as part of the Part VII transfer.

* Government securities and fixed interest securities are shown at market value. Short term deposits are shown at nominal value. Equities are shown at market value.

With the exception of short term deposits and unlisted warrants, all the investments are listed on recognised stock exchanges.

Investments amounting to US\$Nil (2006: US\$121,097,667) are held in a U.S. trust fund required by virtue of the Company's accredited reinsurer status in a number of U.S. jurisdictions

** Shares and other variable securities include US\$Nil (2006: US\$8,334,000), representing Nil (2006:894,260) warrants in Platinum Underwriting Holdings Limited valued at US\$Nil (2006:US\$9.32) per warrant.

SPRE LIMITED**Notes to the financial statements****16. DEBTORS ARISING OUT OF REINSURANCE OPERATIONS**

	2007	2006
	US\$000	US\$000
Pipeline premiums	0	1,000
Other underwriting debtors	0	65,598
	<u>0</u>	<u>66,598</u>

Included within the debtors figures above, the debtors due after more than one year are \$0 (2006: \$539,285).

17. OTHER DEBTORS

	2007	2006
	US\$000	US\$000
Taxation recoverable	0	47
Consideration receivable (See Note 5)	26,314	0
	<u>26,314</u>	<u>47</u>

18. CONTINGENCIES AND OTHER LIABILITIES

Following the Part VII transfer there are no contingencies or other liabilities to report.

19. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2007	2006
	US\$000	US\$000
Sundry creditors	100	18
Amounts due to fellow group undertakings	0	967
	<u>100</u>	<u>985</u>

20. RESERVES — PROFIT AND LOSS ACCOUNT

	2007	2006
	US\$000	US\$000
As at 1 January	(136,828)	(70,018)
Profit/(loss) for the financial year	44,298	(66,810)
As at 31 December	<u>(92,530)</u>	<u>(136,828)</u>

SPRE LIMITED

Notes to the financial statements

21. TECHNICAL PROVISIONS AND DEFERRED ACQUISITION COSTS

	Provision for unearned premiums US\$000	Claims outstanding US\$000	Total US\$000
Gross amount			
At the beginning of the year	868	870,128	870,996
Translation adjustment	18	(5,849)	(5,831)
Movement in the provision	(886)	(135,392)	(136,278)
Part VII transfer (see Note 5)	0	(728,887)	(728,887)
At the end of the year	<u>0</u>	<u>0</u>	<u>0</u>
Reinsurance amount			
At the beginning of the year	(80)	(537,756)	(537,836)
Translation adjustment	(2)	15,990	15,988
Movement in the provision	82	97,514	97596
Part VII transfer (see Note 5)	0	424,252	424,252
At the end of the year	<u>0</u>	<u>0</u>	<u>0</u>
Net technical provisions			
At the end of the year	<u>0</u>	<u>0</u>	<u>0</u>
At the beginning of the year	<u>788</u>	<u>332,372</u>	<u>333,160</u>
		2007	2006
		US\$000	US\$000
Deferred acquisition costs			
Gross commissions		0	(89)
Ceded commissions		<u>0</u>	<u>0</u>
		<u>0</u>	<u>(89)</u>
Net insurance funds		<u>0</u>	<u>333,071</u>

SPRE LIMITED

Notes to the financial statements.

22. PROVISION FOR OTHER RISKS AND CHARGES

Consequent to the decision to close the branch offices in Belgium and Germany, a provision was established, based on the directors' best estimates, for the likely costs arising in exiting these businesses.

	2007	2006
	US\$000	US\$000
At the beginning of the year	1,419	2,261
Utilised during the year	(1,419)	(1,105)
Change of provision	0	263
At the end of the year	<u>0</u>	<u>1,419</u>

23. SHARE CAPITAL

	2007	2006
	£000	£000
Authorised 300,000,000 (2006: 300,000,000) authorised ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>
Allotted, issued and fully paid 216,698,583 (2006: 216,698,583) ordinary shares of £1 each at par	<u>420,775</u>	<u>420,775</u>

SPRE LIMITED**Notes to the financial statements****24. REMUNERATION OF DIRECTORS**

	2007	2006
	US\$000	US\$000
Directors' emoluments	922	825
Amounts receivable under long term incentive schemes	<u>0</u>	<u>0</u>
	922	825
Company contributions to money purchase pension schemes	<u>92</u>	<u>84</u>
	<u><u>1,014</u></u>	<u><u>909</u></u>

The aggregate emoluments and amounts receivable under long term incentive schemes of the highest paid director were US\$174,874 (2006: US\$174,314).

Company contribution to money purchase schemes attributable to the highest paid director was US\$18,923 (2006 : US\$18,648).

	Number of Directors	
	2007	2006
Retirement benefits accruing to the following number of Directors under:		
Money purchase schemes	8	8
The number of directors who exercised share options	3	1
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	0	0

Emoluments of directors based in the UK are paid by Travelers Management Limited, formerly St. Paul Travelers Management Limited, a fellow group undertaking which employs all UK personnel and provides full management services. The directors' emoluments have been apportioned across the group as a whole, based on services rendered to companies in the group.

SPRE LIMITED

Notes to the financial statements

25. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption, contained in Financial Reporting Standard 8, from disclosing transactions with other group companies or with related parties in which the Company has no investments.

26. POST BALANCE SHEET EVENTS

Subsequent to the year end, on 30 January 2008 the Share Capital of the Company was reduced from £300,000,000 to £83,301,419, by the cancellation of 216,698,581 issued ordinary shares of £1 each. The capital reduction was effected by a Special Resolution and with the sanction of an order of the High Court of Justice dated 20 February 2008.

The Company was deregistered with the FSA on 12 February 2008 and the company subsequently changed its name from St. Paul Reinsurance Company Limited to SPRE Limited on 12 March 2008.

On 26 March 2008, the Financial Services Authority (FSA) approved the Company's application to distribute in specie the Company's investment in Unionamerica Insurance Company Limited, to its immediate parent, Unionamerica Acquisition Company Limited.

On 30 December 2008, the Company was sold to Royston Run-off Limited, a subsidiary of Enstar Group Limited.

27. IMMEDIATE AND ULTIMATE HOLDING COMPANIES

Prior to 30 December 2008, the Company's intermediate parent company was St. Paul Fire and Marine Insurance Company Limited which is registered in England & Wales. Prior to 30 December 2008, the Company's ultimate parent company and controlling party was The Travelers Companies Inc.

Post 30 December 2008 the immediate parent undertaking of the smallest group of which the Company is a member is Unionamerica Holdings Ltd, a company incorporated in Great Britain.

The ultimate parent undertaking of the largest group of which the Company is a member and for which consolidated accounts have been prepared is Enstar Group Limited, a company incorporated in Bermuda. The consolidated financial statements of both parent undertakings are available to the public and may be obtained from the Company's office at Avaya House, 2 Cathedral Hill, Guildford, Surrey, GU2 7YL.

The annual U.S. Securities and Exchange Commission filing of Enstar Group Limited may be obtained from:

U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549
U.S.A

SPRE LIMITED**Notes to the financial statements****28 SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES IN THE UNITED KINGDOM (“UK GAAP”) AND ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA (“US GAAP”)**

The SPRE Limited financial statements have been prepared in accordance with UK GAAP as applied in note 1. UK GAAP differs to the requirements of US GAAP in certain respects. The effects of the application of US GAAP to the profit/(loss) for the year after taxation, as determined under UK GAAP, are set out in the table below:

	2007 US\$000	2006 US\$000
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		
UK GAAP profit/(loss) for the year after taxation	44,298	(66,810)
US GAAP adjustments		
(a) Unrealised investment loss	385	6,201
(b) Valuation difference on freehold building	(1,403)	0
Total US GAAP adjustments	<u>(1,018)</u>	<u>6,201</u>
Net income/(loss) under US GAAP	<u>43,280</u>	<u>(60,609)</u>

(a) Unrealised investment (gain)/loss

Under UK GAAP unrealised losses and gains on investments represent the difference between the valuation of investments at the balance sheet date and previous valuation unless acquired during the year and are included in the Non-Technical Account. Under US GAAP movements in the valuation of investments that are available-for-sale are reported through Other Comprehensive Income and do not form part of net income.

(b) Valuation difference on freehold building

Under UK GAAP the freehold property is carried at current value and is subject to triennial valuation by an independent property valuer who is a member of the Royal Institute of Chartered Surveyors. The open market value of the property is determined after the deduction of expected selling costs. Under US GAAP the freehold property is carried at historical cost less accumulated depreciation.

	2007 US\$000	2006 US\$000
SHAREHOLDERS' EQUITY INTEREST		
UK GAAP Shareholders' equity interest	328,245	283,947
US GAAP adjustments		
(c) Valuation difference on freehold building	0	1,403
Total US GAAP adjustments	<u>0</u>	<u>1,403</u>
US GAAP Shareholders' equity interest	<u>328,245</u>	<u>285,350</u>

(c) Valuation difference on freehold building

Under UK GAAP the freehold property is carried at current value and is subject to triennial valuation by an independent property valuer who is a member of the Royal Institute of Chartered Surveyors. The open market value of the property is determined after the deduction of expected selling costs. Under US GAAP the freehold property is carried at historical cost less accumulated depreciation.

SPRE LIMITED

Notes to the financial statements

28 SIGNIFICANT DIFFERENCES BETWEEN ACCOUNTING PRINCIPLES IN THE UNITED KINGDOM (“UK GAAP”) AND ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA (“US GAAP”) (continued)

	2007 US\$000	2006 US\$000
CASH FLOW STATEMENT AS DETERMINED IN ACCORDANCE WITH US GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (“US GAAP”)		
Cash flows from operating activities:		
Net income/(loss)	43,280	(60,609)
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortisation of investments	(189)	2,553
Foreign currency translation on investments	(17,160)	(33,093)
Net loss on sale of investments	(2,654)	3,563
	<u>23,277</u>	<u>(87,586)</u>
Changes in assets and liabilities:		
Accrued interest receivable	12,649	1,425
Debtors arising out of reinsurance operations	66,598	12,947
Loss and loss adjustment expenses recoverable from reinsurers	537,836	114,679
Other debtors	136	95
Losses and loss adjustment expenses	(870,996)	(93,658)
Creditors arising out of reinsurance operations	(175,291)	(20,379)
Other creditors	(2,304)	(5,912)
Net cash used in operating activities	<u>(408,095)</u>	<u>(78,389)</u>
Cash flows from investing activities		
Purchase of investments	(395,583)	(235,526)
Purchase of investment in subsidiary	(328,245)	0
Proceeds on sale of investments	1,102,095	308,788
Proceeds from sale of freehold building	5,867	0
Net cash provided by investing activities	<u>384,134</u>	<u>73,262</u>
Net (decrease) in cash and cash equivalents	(23,961)	(5,127)
Cash and cash equivalents, beginning of year	24,061	29,188
Cash and cash equivalents, end of year	<u>100</u>	<u>24,061</u>
Supplementary cash flow information:		
Net income taxes paid	<u>0</u>	<u>0</u>
Interest paid	<u>0</u>	<u>0</u>

ENSTAR GROUP LIMITED
UNAUDITED PRO FORMA CONDENSED COMBINED
CONSOLIDATED STATEMENT OF EARNINGS

The following unaudited pro forma condensed combined consolidated statement of earnings is based on the historical statements of earnings of Enstar Group Limited (“Enstar”) and of Unionamerica Insurance Company Limited, Unionamerica Acquisition Company, Unionamerica Holdings Limited and SPRE Limited (formerly St. Paul Reinsurance Company Limited) (the acquired companies collectively, “Unionamerica”), and have been prepared to illustrate the effects of the acquisition of Unionamerica from St. Paul Fire and Marine Insurance Company (an affiliate of The Travelers Companies, Inc.) by Royston Run-off Limited (“Royston”), a wholly-owned subsidiary of Enstar, which was completed on December 30, 2008. The unaudited pro forma condensed combined consolidated statement of earnings is presented as if the acquisition was completed as of January 1, 2008.

The pro forma financial information is presented for illustrative purposes only under one set of assumptions and does not reflect the financial results of the combined companies had consideration been given to other assumptions or to the impact of possible operating efficiencies, asset dispositions, and other factors. Further, the pro forma financial information does not necessarily reflect the historical results of the combined company that actually would have occurred had the transaction been in effect during the period indicated or that may be obtained in the future. The unaudited pro forma condensed combined statement of earnings should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the historical financial statements, including the related notes, of Enstar covering the twelve-month period ended December 31, 2008 included in Enstar’s Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which was filed with the United States Securities and Exchange Commission on March 4, 2009 (the “2008 Annual Report”), as well as the historical financial statements of Unionamerica included elsewhere in this Current Report on Form 8-K/A, with the exception of historical information for Unionamerica Holdings Limited and Unionamerica Acquisition Company Limited as these entities were materially insignificant to the transaction as a whole. A pro forma condensed combined balance sheet is not presented in this Current Report on Form 8-K/A, because the Unionamerica transaction was completed on December 30, 2008. As a result, assets and liabilities of Unionamerica at their estimated fair market values are included in Enstar’s historical consolidated balance sheet as of December 31, 2008, which is included in Enstar’s 2008 Annual Report.

ENSTAR GROUP LIMITED
UNAUDITED PRO FORMA CONDENSED COMBINED CONSOLIDATED STATEMENTS OF EARNINGS
for the year ended December 31, 2008
(Expressed in thousands of U.S dollars, except share and per share data)

	<u>Enstar Group Limited</u>	<u>Unionamerica</u>	<u>Adjustment Entries</u>	<u>Combined</u>
INCOME				
Consulting fees	\$ 25,151	\$ —	\$ —	\$ 25,151
Net investment income and net realized gains	26,601	22,729	—	49,330
Net realized (losses)	(1,655)	—	—	(1,655)
	<u>50,097</u>	<u>22,729</u>	<u>—</u>	<u>72,826</u>
EXPENSES				
Net reduction in loss and loss adjustment expense liabilities	(242,104)	102,140	22,327(a)	(117,637)
Salaries and benefits	56,270	6,385	—	62,655
General and administrative expenses	53,357	5,331	—	58,688
Interest expense	23,370	—	13,409(b)	36,779
Foreign exchange loss	14,986	5,563	—	20,549
	<u>(94,121)</u>	<u>119,419</u>	<u>35,736</u>	<u>61,034</u>
EARNINGS BEFORE INCOME TAXES, MINORITY INTEREST AND SHARE OF NET (LOSS) OF PARTLY OWNED COMPANY				
	144,218	(96,690)	(35,736)	11,792
INCOME TAXES				
	(46,854)	(1,308)	3,822(c)	(44,340)
MINORITY INTEREST				
	(50,808)	—	38,973(d)	(11,835)
SHARE OF NET (LOSS) OF PARTLY OWNED COMPANY				
	(201)	—	—	(201)
EARNINGS FROM CONTINUING OPERATIONS				
	<u>\$ 46,355</u>	<u>\$ (97,998)</u>	<u>\$ 7,059</u>	<u>\$ (44,584)</u>
Earnings per share — basic				
	\$ 3.67			\$ (3.53)
Earnings per share — diluted				
	\$ 3.59			\$ (3.53)
Weighted average shares outstanding — basic				
	12,638,333			12,638,333
Weighted average shares outstanding — diluted				
	12,921,475			12,638,333

Note a

Amortization of fair value adjustments

Note b

Adjustment to interest expense to reflect the financing costs of the acquisitions

Note c

Adjustment to income taxes for pro forma adjustments

Note d

Reflect minority interest's share of: 1) results of Unionamerica; and 2) net pro forma income statement adjustments