

**GOSHAWK INSURANCE HOLDINGS
LIMITED**

Annual Report and Financial Statements

For the year ended 31 December 2010

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GOSHAWK INSURANCE HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

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GOSHAWK INSURANCE HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS 2010

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Gareth Nokes
Alan Turner
Orla Gregory – resigned 25th May 2010

SECRETARY

Siobhan Hextall

REGISTERED OFFICE

Avaya House
2 Cathedral Hill
Guildford
Surrey GU2 7YL

BANKERS

Barclays Bank PLC

AUDITORS

Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

DIRECTORS' REPORT

The directors present their annual report and audited financial statements of Goshawk Insurance Holdings Limited ("the Company") for the year ended 31 December 2010

PRINCIPAL ACTIVITIES

The Company is a holding company whose wholly owned subsidiary undertakings include Rosemont Reinsurance Limited, a Bermuda domiciled reinsurance company which continues to pursue an orderly run-off of its business

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The results of the Company for the year ended 31 December 2010 are set out in the financial statements on page 7
The Company made a post-tax profit for the year of US\$ 28,239,480 (2009 - US\$ 6,345,376)

The Company is a subsidiary of Enstar Acquisitions Limited, a company registered in the UK and ultimately owned by Enstar Group Limited. At the beginning of the year, Enstar Acquisitions Limited owned approximately 89.3% of the issued share capital of the Company.

During 2009 additional shares in the Company were purchased by affiliates of the Enstar Group and as a consequence more than 99% of the issued shares of the Company are owned within the Enstar Group. As a result the Company is now exempt from preparing consolidated accounts under Section 401(1)(A) of the Companies Act 2006. The results of all companies within the Goshawk group are contained within the results of the Enstar Group, whose consolidated financial statements are publicly available (see note 15).

The Company has claimed exemption under Section 417(1) of the Companies Act 2006 from including an Enhanced Business Review within the directors' report.

IDENTIFICATION AND MANAGEMENT OF RISK

The Company is exposed to financial risk, through its financial assets and liabilities, predominantly arising from the investment in Rosemont Reinsurance Limited and other subsidiaries within the Goshawk group.

The most important components of these risks are interest rate, currency, credit and liquidity risk in relation to financial assets. The Company manages these risks by

- reviewing cash flow requirements to ensure liquidity needs are met,
- monitoring movements in foreign currency rates to minimise any adverse impact of movements in foreign exchange rates, and
- appointing investment managers with a view to ensuring the best possible returns on investments and minimising the impact of movements in interest rates.

Furthermore, the Company regularly reviews the solvency of associated party reinsurers to minimise credit risk and ensure adequacy of recoverables.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (2009 - £nil).

DIRECTORS' REPORT (Continued)

DIRECTORS

The present membership of the Board of Directors is shown on page 1, all of who held office from 1st January 2010, and until the date of this report, unless otherwise stated

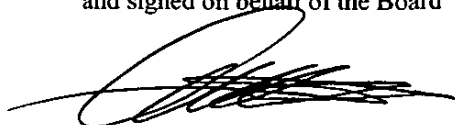
DISCLOSURE TO THE AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have indicated their willingness to be appointed for another term and appropriate arrangements have been put in place for them to be reappointed as auditors in the absence of an Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board



Gareth Nokes
Director
20 May 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GOSHAWK INSURANCE HOLDINGS LIMITED

We have audited the financial statements of Goshawk Insurance Holdings Limited for the year ended 31 December 2010 which comprise of the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

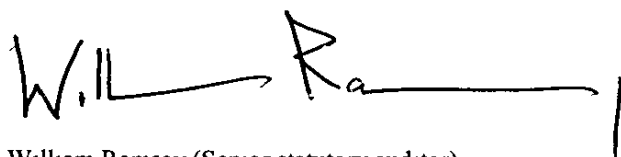
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GOSHAWK INSURANCE HOLDINGS LIMITED (Continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' report

A handwritten signature in black ink, appearing to read 'W. Ramsay', with a long horizontal line extending to the right.

William Ramsay (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

~~May 2011~~

7 June 2011

GOSHAWK INSURANCE HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2010

	Note	2010 US\$'000	2009 US\$'000
TURNOVER			
Investment income		390	92
Other income	2	28,722	7,716
		<u>29,112</u>	<u>7,808</u>
Administrative expenses	3	(4)	(457)
Other charges	5	(634)	(633)
		<u></u>	<u></u>
OPERATING PROFIT		28,474	6,718
Interest payable		<u>(235)</u>	<u>(372)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		28,239	6,346
Tax on profit on ordinary activities	6	<u>-</u>	<u>-</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>28,239</u>	<u>6,346</u>

All transactions derive from continuing operations

The Company has no recognised gains or losses other than those included in the profit and loss account. Accordingly, a statement of recognised gains and losses is not presented.

The notes on pages 9 to 13 form an integral part of these accounts.

GOSHAWK INSURANCE HOLDINGS LIMITED

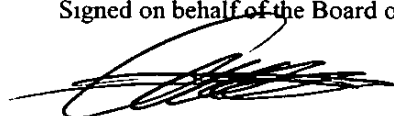
BALANCE SHEET as at 31 December 2010

	Note	2010 US\$'000	2009 US\$'000
FIXED ASSETS			
Investments in subsidiary undertakings	7	69,668	39,866
Other financial investments	8	117	8,351
		<u>69,785</u>	<u>48,217</u>
CURRENT ASSETS			
Cash at bank and in hand		510	587
Debtors	9	47,527	40,911
		<u>47,527</u>	<u>40,911</u>
TOTAL ASSETS		<u>117,822</u>	<u>89,715</u>
CREDITORS: amounts falling due within one year	10	<u>(184)</u>	<u>(553)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		117,638	89,162
CREDITORS amounts falling due after one year	11	<u>(9,833)</u>	<u>(9,596)</u>
NET ASSETS		<u>107,805</u>	<u>79,566</u>
CAPITAL AND RESERVES			
Called up share capital	12	28,922	28,922
Share premium account	13	307,489	307,489
Profit and loss account	13	<u>(228,606)</u>	<u>(256,845)</u>
EQUITY SHAREHOLDERS' FUNDS		<u>107,805</u>	<u>79,566</u>

The notes on pages 9 to 13 form an integral part of these accounts

These financial statements were approved and authorised for issue by the Board of Directors on 20 May 2011

Signed on behalf of the Board of Directors



Gareth Nokes

Director

Company Registration No 02517324

**NOTES TO THE ACCOUNTS
for the year ended 31 December 2010**

1. ACCOUNTING POLICIES

Basis of Preparation

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards

The Company is exempt by virtue of Section 401 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group. The consolidated financial statements of Enstar Group Limited, within which the Company is included, are publically available (see note 15)

In accordance with FRS 1 (Revised 1996), Cash Flow Statements, the Company is not required to prepare a cash flow 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 financial statements are prepared under the historical cost convention

The principal risks and uncertainties of the business have been addressed within the director's report on page 2

The particular accounting policies adopted are described below. They have been applied consistently throughout the current and preceding years

Going Concern

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

Foreign Currency

Transactions in foreign currencies during the year are translated into US Dollars at average rates of exchange for the period. Monetary assets and liabilities are translated into US Dollars at the rates ruling at the balance sheet date

Taxation

The charge for taxation is based on the profit for the year, taking into account deferred taxation. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or a right to receive more tax, with the following exception. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable tax profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is calculated based on tax rates and laws substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted

Investments

Shares in subsidiary and associated undertakings are stated at the Company's share of net asset value as at the balance sheet date, in accordance with the alternative treatment allowed under UK accounting practice. In accordance with the accounting treatment, impairments and reversal of impairments of investments in subsidiary and associated undertakings have been taken to the profit and loss account

Other fixed asset investments are held on the balance sheet at current value with realised and unrealised losses taken to the profit and loss account

GOSHAWK INSURANCE HOLDINGS LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 December 2010

2. OTHER INCOME

	2010 US\$'000	2009 US\$'000
Reversal of impairment of investment in subsidiary undertaking	29,895	9,454
Dividend from Subsidiary Undertaking	118	-
Write down of deferred consideration relating to the sale of a subsidiary undertaking in a prior year	(1,291)	(1,738)
	<u>28,722</u>	<u>7,716</u>

3. ADMINISTRATIVE EXPENSES

	2010 US\$'000	2009 US\$'000
Administrative expenses and other charges include		
Auditors' remuneration		
- audit services	50	42
- non-audit services	81	72
	<u>131</u>	<u>114</u>

The company has no employees (2009 – none)

4. DIRECTORS' EMOLUMENTS

The directors are not remunerated for their services by the Company. They are employees of Enstar (EU) Limited. They are remunerated by Enstar (EU) Limited for their services to the group and they receive no remuneration as directors of this company. Disclosures regarding Directors' emoluments and staff costs are contained in the financial statements of Enstar (EU) Limited.

5. OTHER CHARGES

	2010 US\$'000	2009 US\$'000
Loss on foreign exchange movement	(634)	(633)
	<u>(634)</u>	<u>(633)</u>

NOTES TO THE ACCOUNTS
for the year ended 31 December 2010

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010	2009
	US\$'000	US\$'000
Analysis of charge in the year		
UK corporation tax on profit for the year	-	-
Factors affecting tax charge for the year		
Profit on ordinary activities before tax	28,239	6,346
Profit on ordinary activities multiplied by standard rate of tax in the UK of 28% (2009 - 28%)	7,907	1,777
Profits not subject to UK tax	(8,371)	(2,647)
Disallowable expenses & non taxable income	333	485
Group relief surrendered for nil consideration	-	385
Increase in tax losses carried forward	131	-
Total amount of current tax	-	-

Factors that may affect future tax charges

The company has excess management expense losses carried forward in the UK of US\$ 17,013,980 (2009 - US\$ 16,536,618) that are available indefinitely for offset against future taxable profits of the company. Deferred tax assets have not been recognised in respect of these losses. There are no unrecognised deferred tax liabilities.

7. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

At 31 December 2010 the Company owned 100% of the ordinary share capital of Goshawk Holdings (Bermuda) Limited, a company registered in Bermuda.

	2010	2009
	US\$'000	US\$'000
Carrying value of shares in subsidiary undertakings brought forward	39,866	30,412
Reversal of impairment	29,895	9,454
Disposal of Subsidiary undertaking	(93)	-
Carrying value of shares in subsidiary undertakings carried forward	69,668	39,866

8. INVESTMENTS

	Current value
	2010
	US\$'000
Other financial investments	117
	8,351
	117
	8,351

GOSHAWK INSURANCE HOLDINGS LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 December 2010

9. DEBTORS

	2010 US\$'000	2009 US\$'000
Amounts due within one year -		
Due from group undertaking	47,454	40,911
Other Debtors	73	-
	<u>47,527</u>	<u>40,911</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 US\$'000	2009 US\$'000
Amounts due to related companies	95	485
Accruals	89	68
	<u>184</u>	<u>553</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2010 US\$'000	2009 US\$'000
Amounts due to related companies	<u>9,833</u>	<u>9,596</u>

12. CALLED UP SHARE CAPITAL

	2010 US\$'000	2009 US\$'000
Authorised:		
1,296,303,684 ordinary shares of 1p each	24,566	24,566
175,924,079 deferred shares of 4p each	13,336	13,336
	<u>37,902</u>	<u>37,902</u>
Allotted, issued and fully paid:		
879,620,395 ordinary shares of 1p each	16,049	16,049
175,924,079 deferred shares of 4p each	12,873	12,873
	<u>28,922</u>	<u>28,922</u>

NOTES TO THE ACCOUNTS
for the year ended 31 December 2010

13. SHAREHOLDERS' FUNDS

	Share capital US\$'000	Share premium US\$'000	Profit & loss a/c US\$'000	Total US\$'000
2010				
Balance at 1 January	28,922	307,489	(256,845)	79,566
Profit on ordinary activities after taxation	-	-	28,239	28,239
Revaluation of subsidiary undertaking	-	-	-	-
Balance at 31 December	<u>28,922</u>	<u>307,489</u>	<u>(228,606)</u>	<u>107,805</u>
2009				
Balance at 1 January	28,922	307,489	(263,191)	73,220
Profit on ordinary activities after taxation	-	-	6,346	6,346
Revaluation of subsidiary undertaking	-	-	-	-
Balance at 31 December	<u>28,922</u>	<u>307,489</u>	<u>(256,845)</u>	<u>79,566</u>

14. TRANSACTIONS WITH RELATED PARTIES

Significant transactions with related parties of the Group to which the Company belongs in 2010 were

- \$14,050,800 was loaned to Enstar Acquisitions Limited, an associated company \$353,331 of interest on that loan was accrued as a receivable from Enstar Acquisitions Limited. The balance recoverable at 31 December 2010 was \$14,407,651
- \$118,504 was received from GK Consortium Management Limited, an associated company, for dividends. GK Consortium Management Limited was subsequently wound up during the year.
- \$235,259 was accrued to the benefit of Rosemont Reinsurance Limited, an associated company, for loan interest. The balance payable at 31 December 2010 was \$9,833,051

15. ULTIMATE PARENT COMPANY

The Company's ultimate parent company and controlling entity is Enstar Group Limited, incorporated in Bermuda. The immediate parent company is Enstar Acquisitions Limited, incorporated in the United Kingdom.

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.