

Castlewood Holdings LTD
Form S-4
July 11, 2006

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As filed with the Securities and Exchange Commission on July 11, 2006
Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CASTLEWOOD HOLDINGS LIMITED
(Exact name of registrant as specified in its charter)

Bermuda
*(State or other jurisdiction of
incorporation or organization)*

6331
*(Primary Standard Industrial
Classification Code Number)*

Not Applicable
*(I.R.S. Employer
Identification Number)*

P.O. Box HM 2267
Windsor Place, 3rd Floor
18 Queen Street
Hamilton HM JX
Bermuda
(441) 292-3645
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Richard J. Harris
Chief Financial Officer
Castlewood Holdings Limited
P.O. Box HM 2267
Windsor Place, 3rd Floor
18 Queen Street

Hamilton HM JX
Bermuda
(441) 292-3645

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Philadelphia, Pennsylvania 19103
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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective and the satisfaction or waiver of all other conditions to the merger of a direct wholly-owned subsidiary of the registrant with and into The Enstar Group, Inc., or Enstar, pursuant to the Agreement and Plan of Merger, dated as of May 23, 2006, or the merger agreement, attached as Annex A to the proxy statement/prospectus forming part of this registration statement.

If any of the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Ordinary Shares, \$1.00 par value	6,275,654 shares	Not Applicable	\$561,733,790	\$60,106

- (1) Represents the maximum number of ordinary shares that the registrant may be required to issue in the merger, calculated as the product of (a) the sum of (i) 5,739,384, the aggregate number of shares of Enstar common stock outstanding as of May 23, 2006, (ii) 500,000 shares of Enstar common stock issuable pursuant to the exercise of options outstanding as of May 23, 2006 and (iii) 36,270 restricted stock units of Enstar to be converted in the merger; and (b) an exchange ratio of 1.0000 ordinary share of the registrant for each share of Enstar common stock.
- (2) Estimated solely for the purposes of calculating the registration fee required by Section 6(b) of the Securities Act of 1933, as amended, or the Securities Act, and calculated pursuant to Rule 457(f) under the Securities Act. Pursuant to Rule 457(f)(1) under the Securities Act, the proposed maximum aggregate offering price of the registrant's ordinary shares was calculated based upon (a) the market value of shares of Enstar common stock to be exchanged in the merger, determined in accordance with Rule 457(c), as the product of (i) \$89.51, the average of the high and low prices per share of Enstar common stock as of July 3, 2006, as reported on the NASDAQ Global Select Market, and (ii) 6,275,654, the estimated maximum number of shares of Enstar common stock that may be cancelled in the merger.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED JULY 11, 2006

**THE ENSTAR GROUP, INC.
PROXY STATEMENT
FOR ANNUAL MEETING OF SHAREHOLDERS
To Be Held on , 2006**

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

This proxy statement/prospectus is being furnished to the shareholders of The Enstar Group, Inc., or Enstar, in connection with the solicitation of proxies by the board of directors of Enstar for use at the Annual Meeting of Shareholders to be held on , 2006, or the Annual Meeting, at Flowers Hall, Huntingdon College, at 1500 East Fairview Avenue, Montgomery, Alabama 36106, at 9:00 a.m., local time, and at any adjournment thereof.

Enstar and Castlewood Holdings Limited, or Castlewood, have agreed on a merger transaction involving the two companies. In order to consummate the merger, Enstar's shareholders must approve the merger agreement and the transactions contemplated by the merger agreement. As of May 23, 2006, Enstar's directors and executive officers owned 1,904,753 shares of Enstar common stock, representing approximately 33.19% of the voting power of Enstar common stock on that date. Three of those directors, who owned Enstar common stock representing 30.1% of the voting power on that date, have entered into a support agreement with Castlewood pursuant to which such directors have agreed to vote their shares of Enstar common stock in favor of the merger agreement and the transactions contemplated by the merger agreement. All other Enstar directors and officers have also indicated that they intend to vote their shares of Enstar common stock in favor of the merger agreement and the transactions contemplated by the merger agreement.

Enstar's annual meeting was originally scheduled for June 2, 2006. On May 21, 2006, Enstar's board of directors voted to postpone the June 2, 2006 annual meeting. Enstar's board of directors determined that the disclosure in the proxy statement delivered in connection with the June 2, 2006 annual meeting required amendment to describe certain terms and implications of the contemplated merger transaction. This proxy statement/prospectus includes such additional disclosure. Enstar's board of directors is asking shareholders of Enstar to vote in favor of the merger agreement and the transactions contemplated by the merger agreement.

If the merger agreement and the transactions contemplated by the merger agreement are approved and the merger is consummated:

Castlewood, which will be renamed Enstar Group Limited and which we sometimes refer to in this proxy statement/prospectus as New Enstar, will be a publicly-traded company engaged in the acquisition and management of insurance and reinsurance companies in run-off and the provision of management, consultancy and other services to the insurance and reinsurance industry;

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Enstar shareholders as of the applicable record date will receive a \$3.00 per share cash dividend on their Enstar common stock, which will be paid immediately prior to the merger;

immediately before the effective time of the merger, Castlewood will complete a recapitalization in which, among other things, all of Castlewood's issued shares will be exchanged for newly-created ordinary shares; and

after the merger, current shareholders of Enstar will own approximately 48.7% of New Enstar's issued ordinary shares, and current Castlewood shareholders, other than Enstar, will own the remaining approximately 51.3% of New Enstar's issued ordinary shares.

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Castlewood will apply to have the New Enstar ordinary shares listed on the NASDAQ Global Select Market under the ticker symbol ESGR.

After careful consideration, Enstar's board of directors has determined that the merger agreement and the transactions contemplated by the merger agreement are fair and in the best interest of Enstar and its shareholders. Enstar's board of directors has unanimously approved the merger agreement and the transactions contemplated by the merger agreement and unanimously recommends that you vote for the approval of the merger agreement and the transactions contemplated by the merger agreement.

Enstar's board of directors also recommends that you vote for T. Whit Armstrong and T. Wayne Davis to hold office as directors of Enstar until the 2009 annual meeting of shareholders of Enstar, or until their successors are duly elected and qualified, and to vote for the proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006. If the merger is consummated, New Enstar, as the sole shareholder of Enstar, will be able to determine the composition of the board of directors of Enstar in accordance with the merger agreement and select the independent auditors of Enstar in the future.

All shareholders of Enstar are invited to attend the Annual Meeting. **Your participation at the Annual Meeting, in person or by proxy, is very important.** Even if you only own a few shares, we want your shares to be represented at the Annual Meeting. The merger cannot be consummated without the approval of the holders of a majority of the outstanding voting power of the common stock of Enstar.

The affirmative vote of a plurality of the shares of Enstar common stock present in person or by proxy at the Annual Meeting and entitled to vote is required to elect directors. The affirmative vote of the majority of the shares of Enstar common stock represented at the Annual Meeting and entitled to vote on the subject matter is required with respect to the ratification of the appointment of Deloitte & Touche LLP as Enstar's independent registered public accounting firm and any other matter that may properly come before the Annual Meeting.

Whether or not you plan to attend the Annual Meeting, please take the time to vote by completing, signing, dating and returning the enclosed proxy card in the enclosed postage-prepaid envelope. If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote for approval of the merger agreement and the transactions contemplated by the merger agreement, for the election of T. Whit Armstrong and T. Wayne Davis as directors and for the ratification of the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006. If you fail to return your card, the effect will be a vote against the merger. Each proxy is revocable and will not affect your right to vote in person in the event you attend the Annual Meeting.

This document is a prospectus of Castlewood relating to the issuance of its ordinary shares in connection with the merger and a proxy statement for Enstar to use in soliciting proxies for its Annual Meeting. It contains answers to frequently asked questions beginning on page Q-1 and a summary description of the merger beginning on page 1, followed by a more detailed discussion of the merger and related matters. **You should also consider the matters discussed under RISK FACTORS commencing on page 19 of the enclosed proxy statement/prospectus.** We urge you to review the entire document carefully.

Nimrod T. Frazer
Chairman of the Board and Chief Executive Officer
The Enstar Group, Inc.

None of the Securities and Exchange Commission, any state securities regulators, the Registrar of Companies in Bermuda or the Bermuda Monetary Authority has approved or disapproved of these securities or passed on the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated , 2006, and is first being mailed to shareholders on or about , 2006.

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THE ENSTAR GROUP, INC.

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held on , 2006**

To the Shareholders of The Enstar Group, Inc.:

The Annual Meeting of Shareholders of The Enstar Group, Inc., or Enstar, will be held on , 2006 at Flowers Hall, Huntingdon College, at 1500 East Fairview Avenue, Montgomery, Alabama 36106, at 9:00 a.m., local time, for the following purposes:

- (i) to consider and vote upon a proposal to approve the Agreement and Plan of Merger, or merger agreement, dated as of May 23, 2006, by and among Castlewood Holdings Limited, CWMS Subsidiary Corp. and Enstar, and the transactions contemplated by the merger agreement;
- (ii) to elect two directors for three-year terms expiring at the annual meeting of shareholders in 2009 or until their successors are duly elected and qualified;
- (iii) to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar to serve for 2006; and
- (iv) to transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

Enstar will not be able to consummate the merger unless its shareholders approve the merger agreement and the transactions contemplated by the merger agreement.

The board of directors of Enstar has fixed the close of business on , 2006 as the record date for the determination of shareholders entitled to receive notice of, and to vote at, the Annual Meeting and any adjournment thereof. A list of shareholders as of the record date will be open for examination during the Annual Meeting.

The board of directors of Enstar has unanimously approved the merger agreement and the transactions contemplated by the merger agreement and unanimously recommends that the shareholders of Enstar vote for the approval of the merger agreement and the transactions contemplated by the merger agreement. The board of directors of Enstar also recommends that you vote for T. Whit Armstrong and T. Wayne Davis to hold office until the 2009 annual meeting of shareholders, or until their successors are duly elected and qualified, and that you vote for the proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006.

Your attention is directed to the proxy statement/prospectus submitted with this notice. This notice is being given at the direction of the board of directors of Enstar.

By Order of the Board of Directors

Cheryl D. Davis
Chief Financial Officer, Vice-President of
Corporate Taxes and Secretary

Montgomery, Alabama

, 2006

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE. IF YOU ATTEND THE MEETING, YOU MAY REVOKE THE PROXY AND VOTE IN PERSON IF YOU WISH, EVEN IF YOU HAVE PREVIOUSLY RETURNED YOUR PROXY.

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NOTE ON REFERENCES TO ADDITIONAL INFORMATION

THIS PROXY STATEMENT/PROSPECTUS INCORPORATES IMPORTANT BUSINESS AND FINANCIAL INFORMATION ABOUT THE ENSTAR GROUP, INC. THAT MAY NOT BE INCLUDED IN OR DELIVERED WITH THE DOCUMENT. THIS INFORMATION IS AVAILABLE WITHOUT CHARGE TO SHAREHOLDERS OF ENSTAR AT A WEBSITE MAINTAINED BY THE SECURITIES AND EXCHANGE COMMISSION AT [HTTP://WWW.SEC.GOV](http://www.sec.gov), AS WELL AS UPON WRITTEN OR ORAL REQUEST TO:

THE ENSTAR GROUP, INC.
CORPORATE SECRETARY

401 MADISON AVENUE
MONTGOMERY, ALABAMA 36104
(334) 834-5483

IF YOU WOULD LIKE TO REQUEST DOCUMENTS, PLEASE DO SO BY , 2006 IN ORDER TO
RECEIVE THEM BEFORE THE ANNUAL MEETING.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE ANNUAL MEETING

The following are some questions that you, as a shareholder of The Enstar Group, Inc., or Enstar, may have regarding the merger and the other matters being considered at the Annual Meeting of Enstar's shareholders and the answers to those questions. You are urged to read carefully the remainder of this proxy statement/prospectus because information in this section does not provide all the information that might be important to you with respect to the merger and the other matters being considered at the Annual Meeting. Additional important information is contained in the remainder of this proxy statement/prospectus, the annexes to this proxy statement/prospectus and the documents referred to or incorporated by reference in this proxy statement/prospectus.

Q: When is the Annual Meeting?

A: Enstar's Annual Meeting of shareholders will take place on _____, 2006, at 9:00 a.m., local time, at Flowers Hall, Huntingdon College, at 1500 East Fairview Avenue, Montgomery, Alabama 36106.

Q: What am I being asked to vote upon?

A: You are being asked to approve the merger agreement entered into among Enstar, Castlewood Holdings Limited, or Castlewood, and CWMS Subsidiary Corp., or Merger Sub, and the transactions contemplated by that agreement. Castlewood, after the merger, is sometimes referred to in this proxy statement/prospectus as New Enstar. You are also being asked to vote for T. Whit Armstrong and T. Wayne Davis to hold office as directors of Enstar until the 2009 annual meeting of shareholders of Enstar, or until their successors are duly elected and qualified, and to vote for the proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006. If the merger is consummated, the composition of the board of directors of New Enstar will be different from the current composition of Enstar's board of directors. Following the merger, New Enstar's board of directors will consist of ten members. Four of these individuals Messrs. T. Whit Armstrong, Paul J. Collins, Gregory L. Curl and T. Wayne Davis are current directors of Enstar, three of these individuals Messrs. J. Christopher Flowers, Nimrod T. Frazer and John J. Oros are current directors of both Enstar and Castlewood, and the other three individuals Messrs. Nicholas A. Packer, Paul J. O'Shea and Dominic F. Silvester are current directors and/or executive officers of Castlewood. In addition, New Enstar, as the sole shareholder of Enstar following the merger, will be able to determine the composition of Enstar's board of directors in accordance with the merger agreement and select the independent auditors of Enstar after the merger.

Q: What will happen in the merger?

A: In the merger, Merger Sub, a direct wholly-owned subsidiary of Castlewood, will merge with and into Enstar, with Enstar surviving as a direct wholly-owned subsidiary of Castlewood. Current Enstar shareholders will own approximately 48.7% of New Enstar's issued ordinary shares after the merger. Current Castlewood shareholders, other than Enstar, will own the remaining approximately 51.3% of New Enstar's issued ordinary shares after the merger. In the merger, New Enstar will issue approximately 5.7 million ordinary shares to holders of Enstar common stock. After the merger, New Enstar will have outstanding approximately 11.8 million ordinary shares.

Immediately before the effective time of the merger, Castlewood will complete a recapitalization in which, among other things, all of Castlewood's issued shares will be exchanged for newly-created ordinary shares. Upon the consummation of the recapitalization, Enstar will own approximately 3.0 million non-voting convertible ordinary shares of Castlewood. Unless otherwise indicated, the ownership percentage calculations set forth above

and throughout this proxy statement/prospectus treat such non-voting convertible ordinary shares of Castlewood owned by Enstar as if they were treasury shares and not outstanding because Enstar will be a wholly-owned subsidiary of Castlewood.

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Q: Does the Enstar board of directors support the merger?

A: Yes. The Enstar board of directors has determined that the merger agreement and the transactions contemplated by the merger agreement are fair and in the best interests of Enstar and its shareholders and that the merger agreement is advisable. The Enstar board of directors, by unanimous vote, has approved the merger agreement and the transactions contemplated by the merger agreement and recommends that the Enstar shareholders vote FOR the approval of the merger agreement and the transactions contemplated by the merger agreement. Some of Enstar's directors and executive officers have interests in the merger that are different from, or in addition to, yours. These interests are discussed in Interests of Certain Persons in the Merger beginning on page 51.

Q: Why are Castlewood and Enstar proposing the merger and the transactions contemplated by the merger agreement?

A: The boards of directors of Castlewood and Enstar believe that the merger will result in potential increased revenues and enhanced shareholder value for New Enstar. Specifically, the Enstar board of directors believes that the merger will:

enhance the existing and proven close working relationship between Enstar and Castlewood management and further align the incentives of Castlewood management with the interests of Enstar's shareholders;

provide a positive economic result for Enstar's shareholders, as a result of a one-time \$3.00 per share dividend, the one-for-one exchange ratio contemplated by the merger agreement and the opportunity for Enstar's shareholders to participate in approximately 48.7% (on an undiluted basis) of the earnings and cash flows of New Enstar;

simplify the ownership and management structure of Castlewood, Enstar and B.H. Acquisition Ltd., a company they partially own with an affiliate of Trident II, L.P., by forming one public company with one board of directors and a consolidated management team;

consolidate the financial and management resources and thereby expand the capabilities of Castlewood and Enstar to pursue additional acquisitions in the insurance and reinsurance run-off business;

enhance New Enstar's access to capital as a result of both its larger asset base and simplified ownership structure;

expand the opportunities for New Enstar to deploy its capital in attractive investments; and

increase the focus of the time and energy of the directors and management of New Enstar on identifying and consummating attractive acquisitions and managing existing businesses.

For a more detailed description of the background and reasons for the merger, see The Proposed Merger beginning on page 41.

Q: What will I receive in the merger for my Enstar common stock?

A: If the merger is consummated, as an Enstar shareholder, you will receive one ordinary share of New Enstar in exchange for each share of Enstar common stock, including the associated rights issued under the Enstar shareholder rights plan, that you own. Also, if the merger is consummated, the Enstar shareholders as of the applicable record date will receive a one-time \$3.00 per share dividend on their Enstar common stock, payable immediately prior to the merger.

Q: Will I be able to trade New Enstar ordinary shares that I receive in connection with the merger?

A: Yes. The New Enstar ordinary shares issued in connection with the merger will be freely tradeable, unless you are an affiliate of Enstar. Generally, persons who are deemed to be affiliates of Enstar must comply with Rule 145 under the U.S. Securities Act of 1933, as amended, if they wish to sell or otherwise transfer any of the New Enstar ordinary shares received in connection with the merger. You will be notified if you are an affiliate of Enstar.

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Q: Will Enstar's shares of common stock continue to be traded on the NASDAQ Global Select Market after the merger is consummated?

A: No, but the ordinary shares of New Enstar that you receive in the merger are expected to be. Castlewood will apply for listing of the New Enstar ordinary shares on the NASDAQ Global Select Market, or Nasdaq, under the ticker symbol ESGR. If the merger is consummated, Enstar's common stock will no longer be listed for trading on Nasdaq.

Q: What are the tax consequences of the merger?

A: The merger should not be a taxable transaction to you for U.S. federal income tax purposes. See The Proposed Merger Material U.S. Federal Income Tax Consequences of the Merger on page 46. You are urged to consult your own tax advisor as to the tax effects of the merger in your particular circumstances.

Q: Can I dissent and require appraisal of my shares of Enstar common stock?

A: No. Enstar shareholders have no dissenters' rights under Georgia law in connection with the merger.

Q: When should I send in my Enstar share certificates?

A: After the merger is consummated, the exchange agent for the merger will send written instructions to Enstar shareholders that explain how to exchange Enstar share certificates for New Enstar share certificates. The exchange agent will also send a letter of transmittal that must be executed by Enstar shareholders in order to obtain New Enstar share certificates. Please do not send in any share certificates until you receive these written instructions and the letter of transmittal.

Q: When do you expect to consummate the merger?

A: We expect to consummate the merger as quickly as possible once all the conditions to the merger, including obtaining the required approval of Enstar's shareholders at the Annual Meeting, are fulfilled. Fulfilling some of these conditions, such as required regulatory approvals, is not entirely within our control. We hope to consummate the merger in the third quarter of 2006.

Q: Are there risks associated with the merger that I should consider in deciding how to vote?

A: Yes. There are risks associated with all business combinations, including this merger. In particular, you should be aware that the exchange ratio determining the number of New Enstar ordinary shares that Enstar shareholders will receive is fixed and will not change as the market price of shares of Enstar common stock fluctuates in the period before the merger. Accordingly, the value of the New Enstar ordinary shares that you as an Enstar shareholder will receive in the merger in return for your shares of Enstar common stock may be either less than or more than the current fair market value of the shares of Enstar common stock that you currently hold. There are also a number of other risks that are discussed in this proxy statement/prospectus. Please read with particular care the more detailed description of the risks associated with the merger under Risk Factors beginning on page 19.

Q: Who will manage New Enstar?

A: Pursuant to the recapitalization agreement, Castlewood, Enstar and certain other shareholders of Castlewood have agreed that New Enstar's board of directors will consist of ten members following the merger. Four of these individuals Messrs. T. Whit Armstrong, Paul J. Collins, Gregory L. Curl and T. Wayne Davis are current

directors of Enstar, three of these individuals Messrs. J. Christopher Flowers, Nimrod T. Frazer and John J. Oros are current directors of both Enstar and Castlewood, and the other three individuals Messrs. Nicholas A. Packer, Paul J. O Shea and Dominic F. Silvester are current directors and/or executive officers of Castlewood. The proposed Chief Executive Officer of New Enstar following the merger is Dominic F. Silvester and the proposed Executive Chairman is John J. Oros.

Q: Will I receive the one-time \$3.00 per share dividend on my Enstar common stock if the merger is not consummated?

A: No. The one-time \$3.00 per share cash dividend will be paid to the Enstar shareholders as of the applicable record date only if the merger is consummated.

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Q: What will happen at the Annual Meeting?

- A:** At the Annual Meeting, holders of Enstar common stock will vote on whether to approve the merger agreement and the transactions contemplated by the merger agreement. Approval of the merger agreement and the transactions contemplated by the merger agreement requires the affirmative vote of the holders of a majority of the outstanding voting power of Enstar's common stock on the Record Date.

As of May 23, 2006, Enstar's directors and executive officers owned 1,904,753 shares of Enstar common stock, representing approximately 33.19% of the voting power of Enstar common stock on that date. Three of those directors, who owned Enstar common stock representing 30.1% of the voting power on that date, have entered into a support agreement with Castlewood pursuant to which such directors have agreed to vote their shares of Enstar common stock in favor of the merger agreement and the transactions contemplated by the merger agreement. All other Enstar directors and officers have also indicated that they intend to vote their shares of Enstar common stock in favor of the merger agreement and the transactions contemplated by the merger agreement. For a more detailed description of the support agreement, see Material Terms of Related Agreements Support Agreement beginning on page 66.

The holders of Enstar common stock will also vote at the Annual Meeting on the election of T. Whit Armstrong and T. Wayne Davis to hold office as directors of Enstar until the 2009 annual meeting of Enstar's shareholders, or until their successors are duly elected and qualified, and on the proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006.

Q: What do I need to do to vote?

- A:** Mail your signed and dated proxy card in the enclosed return envelope as soon as possible so that your shares may be represented at the Annual Meeting. In order to assure that Enstar obtains your vote, please follow the voting instructions on your proxy card even if you currently plan to attend the Annual Meeting in person. The Enstar board of directors recommends that Enstar's shareholders vote FOR the approval of the merger agreement and the transactions contemplated by the merger agreement. The Enstar board also recommends that Enstar's shareholders vote FOR T. Whit Armstrong and T. Wayne Davis to hold office as directors until the 2009 annual meeting of Enstar's shareholders, or until their successors are duly elected and qualified, and that Enstar's shareholders vote FOR the proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006.

Q: How do I vote my shares of Enstar common stock if they are held in the name of a bank, broker or other fiduciary?

- A:** Your bank, broker or other fiduciary will vote your shares of Enstar common stock with respect to the merger agreement and the transactions contemplated by the merger agreement, the election of T. Whit Armstrong and T. Wayne Davis as directors and the ratification of the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006 only if you provide written instructions to them on how to vote, so it is important that you provide them with instructions. If you wish to vote in person at the Annual Meeting and hold your shares of Enstar common stock in the name of a bank, broker or other fiduciary, you must contact your bank, broker or other fiduciary and request a legal proxy. You must bring this legal proxy to the Annual Meeting in order to vote in person. Shares of Enstar common stock held by a broker, bank or other fiduciary that are not voted because the beneficial owner has not provided instructions to the broker, bank or other fiduciary will have the same effect as a vote against the merger agreement and the transactions contemplated by the merger agreement but will have no effect on the results of the election of T. Whit Armstrong and T. Wayne Davis as directors or the ratification of the appointment of Deloitte & Touche LLP as the

independent registered public accounting firm of Enstar for 2006.

Q: May I change my vote even after returning a proxy card?

A: Yes. If you are a record holder, you can change your vote by:

completing, signing and dating a new proxy card and returning it by mail so that it is received before the Annual Meeting;

sending a written notice to Enstar's Secretary that is received before the Annual Meeting stating that you revoke your proxy; or

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attending the Annual Meeting and voting in person or by legal proxy.

If your shares of Enstar common stock are held in the name of a bank, broker or other fiduciary and you have directed such person(s) to vote your shares of Enstar common stock, you should instruct such person(s) to change your vote or obtain a legal proxy to do so yourself.

Q: What if I do not vote, abstain from voting or do not instruct my broker to vote my shares of Enstar common stock?

A: If you do not vote your shares, it will have the same effect as a vote against the merger agreement and the transactions contemplated by the merger agreement, but will not affect the outcome of the voting on any other matter presented to Enstar's shareholders at the Annual Meeting assuming that a quorum for the transaction of business at the Annual Meeting has been achieved.

If you return your proxy card, but mark it that you wish to **ABSTAIN** from the vote on the proposal to approve the merger agreement and the transactions contemplated by the merger agreement it will also have the same effect as a vote against the merger agreement and the transactions contemplated by the merger agreement. Similarly, if you mark your proxy card **ABSTAIN** on the proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006, it will have the same effect as a vote against that proposal. If you **ABSTAIN** on these proposals, your shares will still be counted for purposes of determining the presence of a quorum for the transaction of business at the Annual Meeting.

Broker non-votes are proxies from brokers or nominees indicating that those persons have not received instructions from the beneficial owners of the shares as to certain proposals on which the beneficial owners are entitled to vote, but with respect to which the brokers or nominees have no discretionary power to vote without instructions. Broker non-votes will be counted for purposes of determining the presence of a quorum for the transaction of business at the Annual Meeting but will not be counted for purposes of determining the number of votes cast with respect to the particular proposal on which the broker has expressly not voted. Consequently, if you do not instruct your broker to vote your shares, it too will have the same effect as a vote against the merger agreement and the transactions contemplated by the merger agreement. Brokers or nominees, however, can exercise their discretion to vote your shares in favor of T. Whit Armstrong and T. Wayne Davis to hold office as directors until the 2009 annual meeting of Enstar's shareholders, or until their successors are duly elected and qualified, as well as in favor of the ratification of the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006.

If you sign your proxy card but do not indicate how you want to vote, your shares of Enstar common stock will be voted **FOR** the approval of the merger agreement and the transactions contemplated by the merger agreement, **FOR** T. Whit Armstrong and T. Wayne Davis to hold office as directors until the 2009 annual meeting of Enstar's shareholders, or until their successors are duly elected and qualified, and **FOR** the proposal to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar for 2006.

Q: Where can I find more information about Enstar and Castlewood?

A: Business and financial information about Enstar and Castlewood is contained in this proxy statement/prospectus. You can also find more information about Enstar and Castlewood from various sources described under **Where You Can Find More Information** on page 198.

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SUMMARY

This summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. To understand the merger agreement and the transactions contemplated by the merger agreement fully and for a more complete description of the legal terms of the merger agreement, you should carefully read this entire document and the documents to which we refer you. See **Where You Can Find More Information** on page 198.

In this proxy statement/prospectus, the following terms have the meanings as set forth below:

Annual Meeting	Enstar's Annual Meeting to be held on _____, 2006.
B.H. Acquisition	B.H. Acquisition Ltd., a Bermuda company and partially-owned affiliate of Castlewood, Enstar and an affiliate of Trident II, L.P. which will become a wholly-owned subsidiary of New Enstar upon completion of the merger.
Castlewood	The registrant, Castlewood Holdings Limited, a Bermuda company, and its subsidiaries, prior to the merger.
Code	U.S. Internal Revenue Code of 1986, as amended.
Commission	U.S. Securities and Exchange Commission.
Direct Foreign Shareholder Group	A shareholder or group of commonly controlled shareholders of New Enstar that are not U.S. persons.
Enstar	The Enstar Group, Inc., a Georgia corporation, and its subsidiaries, prior to the merger.
Exchange Act	U.S. Securities Exchange Act of 1934, as amended.
merger agreement	Agreement and Plan of Merger, dated as of May 23, 2006, among Castlewood, Merger Sub and Enstar.
Merger Sub	CWMS Subsidiary Corp., a Georgia corporation and a direct wholly-owned subsidiary of Castlewood.
merger	The merger of Merger Sub with and into Enstar, with Enstar surviving as a direct wholly-owned subsidiary of Castlewood.
Nasdaq	NASDAQ Global Select Market.
New Enstar, we, us and our	Castlewood following the merger.
recapitalization	The recapitalization of Castlewood pursuant to the recapitalization agreement.

recapitalization agreement	Recapitalization Agreement, dated as of May 23, 2006, among Castlewood, Enstar, Trident, Dominic F. Silvester, Paul J. O Shea, Nicholas A. Packer, and certain other shareholders of Castlewood.
Record Date	Close of business on , 2006.
registration rights agreement	Registration Rights Agreement, between and among New Enstar, Trident, J. Christopher Flowers, Dominic F. Silvester and certain other shareholders of New Enstar.
Securities Act	U.S. Securities Act of 1933, as amended.
support agreement	Support Agreement, dated as of May 23, 2006, among Castlewood, J. Christopher Flowers, Nimrod T. Frazer and John J. Oros.
Trident	Collectively, Trident II, L.P., Marsh & McLennan Capital Professionals Fund, L.P. and Marsh & McLennan Employees Securities Company.

See the Glossary of Selected Insurance and Reinsurance Terms beginning on page G-1 for an explanation of terms related to the insurance industry.

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The Companies (see Information About Castlewood on page 71 and Information About Enstar on page 125)

Castlewood Holdings Limited
P.O. Box HM 2267
Windsor Place, 3rd Floor
18 Queen Street
Hamilton HM JX
Bermuda
(441) 292-3645

Castlewood is a Bermuda company that acquires and manages insurance and reinsurance companies in run-off and provides management, consultancy and other services to the insurance and reinsurance industry. Castlewood currently is privately owned, and its shares do not trade on any stock exchange or other quotation system. After the merger, Castlewood will change its name to Enstar Group Limited. Castlewood will apply to have New Enstar's ordinary shares listed on the NASDAQ Global Select Market, or Nasdaq, under the symbol ESGR. The listing will take effect at the effective time of the merger.

CWMS Subsidiary Corp.
401 Madison Avenue
Montgomery, Alabama 36104
(334) 834-5483

Merger Sub is a recently-formed Georgia corporation that is a direct wholly-owned subsidiary of Castlewood. At the time of the merger, Merger Sub will have conducted no business other than in connection with the merger agreement. After the merger of Merger Sub with and into Enstar, Enstar will be the surviving entity and will change its name to Enstar USA, Inc.

The Enstar Group, Inc.
401 Madison Avenue
Montgomery, Alabama 36104
(334) 834-5483
Internet address: www.enstargroup.com

Enstar is a Georgia corporation engaged in the operation of several equity affiliates in the financial services industry. Enstar's common stock trades on Nasdaq under the symbol ESGR.

The Proposed Merger (see page 41)

Under the terms of the proposed merger, Merger Sub, a direct wholly-owned subsidiary of Castlewood, will merge with and into Enstar with Enstar surviving as a direct wholly-owned subsidiary of Castlewood. The merger agreement is attached as Annex A to this proxy statement/prospectus. We encourage you to read the merger agreement carefully and fully as it is the legal document that governs the merger.

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The following charts depict (1) the organizational structures of Castlewood and Enstar, prior to the merger, and (2) the organizational structure of New Enstar upon consummation of the merger.

Prior to the Merger

* Percentages are not calculated on a fully-diluted basis. Unless otherwise indicated, percentages reflect voting and economic interest. Inactive subsidiaries of The Enstar Group, Inc. are omitted.

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Upon Consummation of the Merger

- * Percentages are not calculated on a fully-diluted basis. Unless otherwise indicated, percentages reflect voting and economic interest, except that the ownership percentages of New Enstar may, in some cases, be subject to the limitations on voting power that will be set forth in New Enstar's by-laws. Inactive subsidiaries of Enstar USA, Inc. are omitted.

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Recommendation of Enstar's Board of Directors Relating to the Merger (see page 44)

Enstar's board of directors has determined that the merger agreement and the transactions contemplated by the merger agreement are fair and in the best interests of Enstar and its shareholders and that the merger agreement is advisable. Enstar's board of directors, by unanimous vote, has approved the merger agreement and the transactions contemplated by the merger agreement and recommends that Enstar shareholders vote **FOR** the approval of the merger agreement and the transactions contemplated by the merger agreement. Some of Enstar's directors and executive officers have interests in the merger that are different from, or in addition to, yours. These interests are discussed in **Interests of Certain Persons in the Merger** beginning on page 51.

Reasons for the Merger (see page 43)

The boards of directors of Castlewood and Enstar believe that the merger will result in potential increased revenues and enhanced shareholder value for New Enstar. Specifically, Enstar's board of directors believes that the merger will:

- enhance the existing and proven close working relationship between Enstar and Castlewood management and further align the incentives of Castlewood management with the interests of Enstar's shareholders;

- provide a positive economic result for Enstar's shareholders, as a result of a one-time \$3.00 per share dividend, the one-for-one exchange ratio contemplated by the merger agreement and the opportunity for Enstar's shareholders to participate in approximately 48.7% (on an undiluted basis) of the earnings and cash flows of New Enstar;

- simplify the ownership and management structure of Castlewood, Enstar and B.H. Acquisition, a company they partially own with an affiliate of Trident II, L.P., by forming one public company with one board of directors and a consolidated management team;

- consolidate the financial and management resources and thereby expand the capabilities of Castlewood and Enstar to pursue additional acquisitions in the insurance and reinsurance run-off business;

- enhance New Enstar's access to capital as a result of both its larger asset base and simplified ownership structure;

- expand the opportunities for New Enstar to deploy its capital in attractive investments; and

- increase the focus of the time and energy of the directors and management of New Enstar on identifying and consummating attractive acquisitions and managing existing businesses.

What Enstar Shareholders Will Receive in the Merger

If the merger is consummated, as an Enstar shareholder you will receive one New Enstar ordinary share in exchange for each share of Enstar common stock, including the associated rights issued under the Enstar shareholder rights plan, that you own.

The Enstar Dividend

If the merger is consummated, Enstar shareholders as of the applicable record date will receive a one-time \$3.00 per share dividend on their Enstar common stock, payable immediately prior to the merger.

Treatment of Enstar Stock Options and Restricted Stock Units (see page 53)

Each outstanding option to purchase shares of Enstar common stock granted under the Enstar stock plans will be assumed by New Enstar and converted into an option to purchase ordinary shares of New Enstar. The per share exercise price of each new option will be set at a ratio to the trading price of the ordinary shares of New Enstar immediately following the closing of the merger that equals the ratio of the exercise price of the corresponding Enstar stock option to the trading price of the shares of Enstar common stock immediately prior

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to the closing of the merger. The number of New Enstar ordinary shares underlying the new option will be set so that the aggregate spread value of the new option approximately equals the spread value of the former Enstar stock option.

Each restricted stock unit issued under Enstar's Deferred Compensation and Stock Plan for Non-employee Directors that is outstanding immediately prior to the closing of the merger will automatically convert from a right in respect of a share of Enstar common stock into a right in respect of one ordinary share of New Enstar.

Ownership of New Enstar after the Merger

Immediately following the consummation of the merger, New Enstar will have approximately 11.8 million ordinary shares issued, of which current Enstar shareholders will own approximately 48.7% and current Castlewood shareholders, other than Enstar, will own the remaining approximately 51.3%. Unless otherwise indicated, the ownership percentage calculations set forth above and throughout this proxy statement/prospectus treat the non-voting convertible shares of New Enstar owned by Enstar as if they were treasury shares and not outstanding because Enstar will be a wholly-owned subsidiary of Castlewood.

Listing of New Enstar Ordinary Shares

Castlewood will file an application to have New Enstar's ordinary shares listed on Nasdaq under the ticker symbol ESGR.

Effects of the Merger on the Rights of Enstar Shareholders

If the merger is consummated, New Enstar will be governed by its memorandum of association and second amended and restated bye-laws. The memorandum of association and form of the second amended and restated bye-laws have been filed by Castlewood as exhibits to the registration statement of which this proxy statement/prospectus is a part. The memorandum of association and second amended and restated bye-laws of New Enstar differ from Enstar's current articles of incorporation, as amended, and amended and restated bylaws. In addition, while Enstar is presently governed by Georgia corporate law, New Enstar will be governed by Bermuda corporate law.

Risk Factors (see page 19)

Shareholders voting on the merger should consider, among other things, the risks associated with ownership of New Enstar ordinary shares and the other risks set forth in the "Risk Factors" section of this proxy statement/prospectus.

Conditions to the Consummation of the Merger (see page 58)

Castlewood's and Enstar's respective obligations to consummate the merger are subject to the satisfaction or, to the extent legally permissible, the waiver of the following conditions:

the receipt of all governmental and regulatory consents, clearances, approvals and actions necessary for the merger and the other transactions contemplated by the merger agreement unless failure to obtain those consents, clearances, approvals and actions would not reasonably be expected to have a material adverse effect on New Enstar;

the absence of any law, order or injunction prohibiting consummation of the merger in the United States, Bermuda or the European Union;

the Commission having declared effective the Castlewood registration statement of which this proxy statement/prospectus is a part;

the approval for listing by Nasdaq of the New Enstar ordinary shares to be issued in the merger, subject to official notice of issuance;

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the approval of the merger agreement and the transactions contemplated by the merger agreement by the Enstar shareholders;

the approval of the recapitalization agreement and certain actions contemplated by the recapitalization agreement by the Castlewood shareholders;

the completion of the recapitalization of Castlewood pursuant to the recapitalization agreement (see Material Terms of Related Agreements Recapitalization Agreement beginning on page 62);

no event having occurred which would trigger a distribution under Enstar's shareholders rights plan;

the receipt by Enstar and Castlewood of an opinion of Enstar's tax counsel to the effect that the merger should qualify as a reorganization within the meaning of section 368(a) of the Code;

the representations and warranties of the parties contained in the merger agreement which are qualified as to material adverse effect being true and correct as of the date of the merger agreement and as of the closing date of the merger, except to the extent that such representation or warranty speaks as of another date, and the representations and warranties of the parties which are not qualified as to material adverse effect being true and correct (disregarding materiality qualifiers), except where the failure to be true and correct, individually or in the aggregate, would not have a material adverse effect on the party making the representation, as of the date of the merger agreement and as of the closing date of the merger as if they were made on that date, except to the extent that such representation or warranty speaks as of another date; and

the parties having performed or complied in all material respects with all agreements or covenants required to be performed by them under the merger agreement (other than such party's covenants regarding the issuance of securities, and Enstar's covenant regarding dividends and changes in share capital, which must be complied with in all respects), in each case, on or before the closing date.

Termination of Merger Agreement (see page 60)

The merger agreement may be terminated at any time before the consummation of the merger in any of the following ways:

by mutual written consent of Enstar and Castlewood;

by either Enstar or Castlewood:

if the merger has not been consummated by January 31, 2007; except that a party may not terminate the merger agreement if the cause of the merger not being consummated is that party's failure to fulfill its material obligations under the merger agreement;

if a governmental authority or a court in the United States or European Union permanently enjoins or prohibits the consummation of the merger, except that a party that seeks to terminate the merger agreement upon such an event must have used its reasonable best efforts to obtain the government approvals required for the consummation of the merger; or

if Enstar's shareholders fail to approve the merger agreement and the transactions contemplated by the merger agreement.

by Castlewood:

if Enstar has breached in any material respect any of its representations or warranties, or has failed to perform in any material respect any of its covenants or other agreements under the merger agreement and such breach:

is incapable of being cured by or remains uncured prior to January 31, 2007; or

would result in the failure of certain closing conditions to the merger being satisfied; or

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if:

Enstar or Enstar's board of directors materially breaches the covenant regarding no solicitation of competing acquisition proposals and such breach is not cured within five business days after receiving notice of such breach;

Enstar's board of directors changes its recommendation to the Enstar shareholders to approve the merger agreement and the transactions contemplated by the merger agreement; or

Enstar fails to call the annual meeting of shareholders to vote on the merger by November 23, 2006; or

by Enstar:

if Castlewood or Merger Sub has breached in any material respect any of its representations or warranties, or has failed to perform in any material respect any of its covenants or other agreements under the merger agreement and such breach:

is incapable of being cured by or remains uncured prior to January 31, 2007; or

would result in the failure of certain closing conditions to the merger being satisfied; or

if there has been a change in the recommendation by Enstar's board of directors in respect of the merger agreement and the transactions contemplated by the merger agreement and:

Enstar notifies Castlewood in writing that it intends to approve and enter into an agreement concerning a different business combination transaction that constitutes a superior proposal, attaching the most current version of such agreement or a description of its material terms; and

Castlewood, within five business days of receiving such notice from Enstar, does not make an offer that Enstar's board of directors determines is at least as favorable to the Enstar shareholders as the superior proposal Enstar received from the third party.

Termination of the merger agreement also terminates certain obligations under the support agreement described below.

Support Agreement (see page 66)

Castlewood and Messrs. Flowers, Oros and Frazer, three of Enstar's largest shareholders, have entered into the support agreement pursuant to which such shareholders have agreed to vote all of their shares of Enstar common stock in favor of the approval of the merger agreement and the transactions contemplated by the merger agreement and against any business combination with a third party.

The support agreement is attached as Annex B to this proxy statement/prospectus.

Recapitalization Agreement (see page 62)

In connection with the merger, Castlewood, Enstar, Trident, and certain other shareholders of Castlewood entered into a recapitalization agreement which provides, among other things, for:

a recapitalization of Castlewood in which all issued shares will be exchanged for newly-created ordinary shares;

the appointment of the board of directors of New Enstar immediately following the merger;

the repurchase of certain shares of Castlewood from Trident;

payments to certain officers and employees of Castlewood;

the purchase by Castlewood or its designee of the shares of B.H. Acquisition beneficially owned by an affiliate of Trident II, L.P.; and

the adoption of new bye-laws that will include, among other things, certain restrictions on transfers and voting of the ordinary shares.

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Castlewood shareholders holding the number of shares required to approve the recapitalization agreement and the transactions contemplated thereby have agreed to vote in favor of such agreement and transactions.

The recapitalization agreement also restricts the transfer by the Castlewood shareholders party thereto of the New Enstar ordinary shares they receive in the recapitalization for one year, subject to certain exceptions. The recapitalization agreement also provides that at the time of the recapitalization, certain shareholders of Castlewood will enter into a registration rights agreement entitling them, after the expiration of one year from the date of the registration rights agreement, to require that New Enstar effect the registration under the Securities Act of their New Enstar ordinary shares, although after the expiration of 90 days from the date of the registration rights agreement and prior to the first anniversary of such date, Trident has the right to require that Castlewood register up to 750,000 of Trident's New Enstar ordinary shares. The directors of Enstar have agreed to similar transfer restrictions on their shares of New Enstar, and will receive registration rights pursuant to the same registration rights agreement.

The recapitalization agreement is attached as Annex C to this proxy statement/prospectus.

Other Related Agreements

Castlewood has agreed, subject to the consummation of the merger agreement, to repurchase from two directors of Enstar, Messrs. T. Whit Armstrong and T. Wayne Davis, upon their request, during a 30-day period commencing January 15, 2007, at the then prevailing market price, such number of ordinary shares as provides an amount sufficient for Mr. Armstrong and Mr. Davis to pay taxes on compensation income resulting from the exercise of options by them on May 23, 2006 for 50,000 shares of Enstar common stock in the aggregate. Castlewood's obligation to repurchase ordinary shares is limited to 25,000 ordinary shares from each of Mr. Armstrong and Mr. Davis.

Castlewood has also entered into a tax indemnification agreement with J. Christopher Flowers, a director and Enstar's largest shareholder, pursuant to which Castlewood will reimburse and indemnify Mr. Flowers for, and hold him harmless on an after-tax basis against, any increase in Mr. Flowers' U.S. federal, state or local income tax liability (including any interest or penalties relating thereto), and reasonable attorneys' fees, incurred by Mr. Flowers as a result of certain dispositions of shares of Enstar or dispositions of all or substantially all of the Enstar assets by New Enstar, Enstar or any successor or assign of either, within the period beginning immediately after the effective time of the merger and ending five years after the last day of the taxable year that includes the effective time.

Regulatory Approvals (see page 48)

Castlewood is required to obtain approval of the merger and/or the recapitalization from the insurance regulatory authorities in certain foreign jurisdictions, including the United Kingdom and Belgium. In addition, Castlewood must provide notice of the merger and the recapitalization to the insurance regulatory authorities in Switzerland. Castlewood has already received approval from the Bermuda Monetary Authority to issue the ordinary shares in connection with the recapitalization and the merger.

Material U.S. Federal Income Tax Consequences of the Merger (see page 46)

The merger is intended to qualify as a reorganization for U.S. federal income tax purposes. Accordingly, it is expected that the exchange of Enstar common stock for New Enstar ordinary shares in the merger should not result in the recognition of gain or loss for U.S. federal income tax purposes.

However, this proxy statement/prospectus does not address all tax consequences that may be relevant to persons who exchange Enstar common stock for New Enstar ordinary shares in the merger. In particular, this proxy

statement/prospectus does not address any of the tax consequences associated with:

the exercise of options to purchase Enstar common stock before the effective time of the merger;

the exchange of options to purchase Enstar common stock for options to purchase New Enstar ordinary shares in the merger; or

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the exchange of Enstar restricted stock units for a right to receive restricted stock units in respect of New Enstar ordinary shares.

Any person who may exchange Enstar common stock for New Enstar ordinary shares in the merger is urged to carefully read the discussions under The Proposed Merger Material U.S. Federal Income Tax Consequences of the Merger and Material Tax Considerations of Holding and Disposing of New Enstar Ordinary Shares beginning on pages 46 and 186, respectively, and to consult his or her tax advisor with respect to the tax consequences of participating in the merger and holding and disposing of New Enstar ordinary shares.

Accounting Treatment of the Merger (see page 46)

New Enstar will account for the merger under the purchase method of accounting for business combinations under accounting principles generally accepted in the United States.

No Dissenters Rights

Under Georgia law, Enstar shareholders are not entitled to dissenters rights in connection with the merger.

Information about the Enstar Annual Meeting and Voting (see page 34)

The Annual Meeting will be held on , 2006, at 9:00 a.m., local time, at Flowers Hall, Huntingdon College at 1500 East Fairview Avenue, Montgomery, Alabama 36106, for the following purposes:

to consider and vote upon a proposal to approve the merger agreement and the transactions contemplated by the merger agreement;

to elect two directors for three-year terms expiring at the annual meeting of shareholders of Enstar in 2009 or until their successors are duly elected and qualified;

to ratify the appointment of Deloitte & Touche LLP as the independent registered public accounting firm of Enstar to serve for 2006; and

to transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

Enstar will not be able to consummate the merger unless its shareholders approve the merger agreement and the transactions contemplated by the merger agreement.

If the merger is consummated, the composition of the board of directors of New Enstar will be different from the current composition of Enstar's board of directors. Following the merger, four of these individuals Messrs. T. Whit Armstrong, Paul J. Collins, Gregory L. Curl and T. Wayne Davis are current directors of Enstar, three of these individuals Messrs. J. Christopher Flowers, Nimrod T. Frazer and John J. Oros are current directors of both Enstar and Castlewood, and the other three individuals Messrs. Nicholas A. Packer, Paul J. O Shea and Dominic F. Silvester are current directors and/or executive officers of Castlewood. In addition, New Enstar, as the sole shareholder of Enstar, will be able to determine the composition of Enstar's board of directors and select independent auditors of Enstar after the merger.

Enstar Shareholder Votes Required

Approval of the merger agreement and the transactions contemplated by the merger agreement requires the affirmative vote of the holders of a majority of the outstanding voting power of Enstar's common stock on the Record Date.

As of May 23, 2006, Enstar's directors and executive officers owned 1,904,753 shares of Enstar common stock, representing approximately 33.19% of the voting power of Enstar common stock on that date. Three of those directors, who owned Enstar common stock representing 30.1% of the voting power on that date, have entered into a support agreement with Castlewood pursuant to which such directors have agreed to vote their shares of Enstar common stock in favor of the merger agreement and the transactions contemplated by the merger agreement. All other Enstar directors and officers have also indicated that they intend to vote their

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shares of Enstar common stock in favor of the merger agreement and the transactions contemplated by the merger agreement.

Interests of Certain Persons in the Merger (see page 51)

When you consider the recommendation of Enstar's board of directors that you vote in favor of approval of the merger agreement and the transactions contemplated by the merger agreement, you should be aware that some of Enstar's directors and executive officers have interests in the merger that are different from, or in addition to, yours. These interests include:

a new employment agreement between New Enstar and John J. Oros, Enstar's President and Chief Operating Officer, that will take effect at the effective time of the merger;

accelerated vesting of 80,000 options granted to certain Enstar directors and officers pursuant to one of Enstar's equity incentive plans;

a severance payment of \$350,000 to Nimrod T. Frazer, Enstar's Chief Executive Officer;

a tax indemnification by Castlewood of J. Christopher Flowers, a director of Enstar, pursuant to which Castlewood will reimburse and indemnify Mr. Flowers for, and hold him harmless on an after-tax basis against, any increase in Mr. Flowers' U.S. federal, state or local income tax liability (including any interest or penalties relating thereto), and reasonable attorneys' fees, incurred by Mr. Flowers as a result of certain dispositions of shares of Enstar or dispositions of all or substantially all of the Enstar assets by New Enstar, Enstar or any successor or assign of either, within the period beginning immediately after the effective time of the merger and ending five years after the last day of the taxable year that includes the effective time;

registration rights expected to be granted by New Enstar to Mr. Flowers, pursuant to which Mr. Flowers may request that New Enstar effect the registration under the Securities Act of certain of his ordinary shares of New Enstar, and the registration rights expected to be granted by New Enstar to the other directors of Enstar pursuant to which they may participate in certain registration statements filed by New Enstar under the Securities Act and sell their ordinary shares of New Enstar pursuant to such registration statements;

rights of T. Whit Armstrong and T. Wayne Davis, directors of Enstar, to each sell up to 25,000 ordinary shares of New Enstar to New Enstar;

service of the current Enstar directors on New Enstar's board of directors following the merger; and

indemnification by New Enstar of past and present directors and officers of Enstar for losses in connection with any action arising out of or pertaining to acts or omissions, or alleged acts or omissions, by them in their capacities as such at or before the effective time of the merger.

Enstar's board of directors considered these interests in making its recommendation.

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Recent Developments (see page 98)

On June 16, 2006, a wholly-owned subsidiary of Castlewood entered into a definitive agreement for the purchase of Cavell Holdings Limited, or Cavell, a U.K. company, from Dukes Place Holdings, L.P., a portfolio company of GSC Partners, for a purchase price of approximately £32 million (approximately \$59 million). Cavell owns a U.K. reinsurance company and a Norwegian reinsurer, both of which are currently in run-off. Cavell had total consolidated assets of approximately £101 million at March 31, 2006, as reported in its U.K. regulatory statements. Completion of the transaction is conditioned on, among other things, governmental and regulatory approvals and satisfaction of various other closing conditions. The transaction is expected to close in the third quarter of 2006.

In an unrelated transaction, on June 16, 2006, a wholly-owned subsidiary of Castlewood also entered into a definitive agreement with Dukes Place Holdings, L.P. for the purchase of a minority interest in a U.S. holding company that owns two property and casualty insurers based in the United States, both of which are in run-off. Completion of the transaction is conditioned on, among other things, governmental and regulatory approvals and satisfaction of various other closing conditions. The transaction is expected to close in the fourth quarter of 2006.

Table of Contents**SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA**

Castlewood and Enstar are providing the following financial data to assist you in your analysis of the financial aspects of the proposed merger. The information is only a summary and should be read in conjunction with each company's historical consolidated financial statements and related notes included or incorporated by reference in this proxy statement/prospectus, as well as the Unaudited Pro Forma Condensed Combined Financial Information for New Enstar beginning on page 133.

Castlewood Summary Historical Financial Data

The following selected historical financial information of Castlewood for each of the past five fiscal years has been derived from Castlewood's audited historical financial statements, which were audited by Deloitte & Touche, an independent registered public accounting firm. The financial information as of March 31, 2006 and 2005, and for each of the three-month periods then ended, has been derived from Castlewood's unaudited financial statements which include, in management's opinion, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the results of operations and financial position of Castlewood for the periods and dates presented. This information is only a summary and should be read in conjunction with management's discussion and analysis of results of operations and financial condition of Castlewood and the audited and unaudited consolidated financial statements and notes thereto of Castlewood included elsewhere in this proxy statement/prospectus.

Since its inception, Castlewood has made several acquisitions which impact the comparability of the information reflected in the Castlewood Summary Historical Financial Data. See Information About Castlewood Business Acquisitions to Date beginning on page 74 for information about Castlewood's acquisitions.

Three Months Ended March 31,		Year Ended December 31,				
2006	2005	2005	2004	2003	2002	2001(1)
(in thousands of U.S. dollars, except per share data)						

Statement of Operations**Data:**

Net reduction in loss and loss adjustment expense liabilities	\$ 2,457	\$ 1,550	\$ 96,007	\$ 13,706	\$ 24,044	\$ 48,758	\$ 90
Consulting fee income	6,349	4,488	22,006	23,703	24,746	20,627	983
Net investment income, net realized gains (losses) and foreign exchange (loss) gain	10,130	3,971	24,902	14,233	9,434	13,457	395
Total expenses	(10,873)	(8,733)	(52,697)	(38,891)	(24,144)	(32,302)	(2,264)
Share of income of partly owned companies	112	48	192	6,881	1,623	10,079	389
Minority interest	(212)	(380)	(9,700)	(3,097)	(5,111)		
	7,963	944	80,710	16,535	30,592	60,619	(407)

Net earnings from continuing operations								
Extraordinary gain								
Negative goodwill (net of minority interest)	4,347			21,759				
Net earnings	\$ 12,310	\$ 944	\$ 80,710	\$ 38,294	\$ 30,592	\$ 60,619	\$ (407)	
Per Share Data(2):								
Earnings per share before extraordinary gains	basic	\$ 433.08	\$ 51.75	\$ 4,397.89	\$ 914.49	\$ 1,699.56	\$ 3,367.72	\$ (22.61)
Extraordinary gain	basic	236.42			1,203.42			
Net earnings per share	basic	\$ 669.50	\$ 51.75	\$ 4,397.89	\$ 2,117.91	\$ 1,699.56	\$ 3,367.72	\$ (22.61)
Earnings per share before extraordinary gain		\$ 424.90	\$ 50.36	\$ 4,304.30	\$ 906.13	\$ 1,699.56	\$ 3,367.72	\$ (22.61)
Extraordinary gain	diluted	231.95			1,192.40			
Net earnings per share	diluted	\$ 656.85	\$ 50.36	\$ 4,304.30	\$ 2,098.53	\$ 1,699.56	\$ 3,367.72	\$ (22.61)
Weighted average shares outstanding	basic	18,387	18,242	18,352	18,081	18,000	18,000	18,000
Weighted average shares outstanding	diluted	18,741	18,744	18,751	18,248	18,000	18,000	18,000
Cash dividends paid per share					645.83	4,483.41		

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	As of March 31, 2006		As of December 31, 2005 2004 2003 2002 2001									
	(in thousands of U.S. dollars, except per share data)											
Summary Balance Sheet Data:												
Cash and cash equivalents	\$	434,993	\$	345,329	\$	350,456	\$	127,228	\$	85,916	\$	71,906
Investments		724,045		539,568		591,635		268,417		258,429		175,068
Reinsurance recoverable		319,414		250,229		341,627		175,091		122,937		238,162
Total assets		1,560,445		1,199,963		1,347,853		632,347		514,597		527,845
Reserves for losses and loss adjustment expenses		1,042,608		806,559		1,047,313		381,531		284,409		419,717
Total shareholder equity		273,604		260,906		177,338		147,616		167,473		63,696
Book Value per Share:												
Basic		14,880.30		14,189.70		9,721.41		8,200.89		9,304.06		3,538.67
Diluted		14,599.49		13,921.67		9,461.05		8,200.89		9,304.06		3,538.67

- (1) For the period between August 16, 2001 (date of incorporation) and December 31, 2001.
- (2) Earnings per share is a measure based on net earnings divided by weighted average ordinary shares outstanding. Basic earnings per share is defined as net earnings available to ordinary shareholders divided by the weighted average number of ordinary shares outstanding for the period, giving no effect to dilutive securities. Diluted earnings per share is defined as net earnings available to ordinary shareholders divided by the weighted average number of shares and share equivalents outstanding calculated using the treasury stock method for all potentially dilutive securities. When the effect of dilutive securities would be anti-dilutive, these securities are excluded from the calculation of diluted earnings per share.
- (3) Basic book value per share is defined as total shareholders' equity available to ordinary shareholders divided by the number of ordinary shares outstanding as at the end of the period, giving no effect to dilutive securities. Diluted book value per share is defined as total shareholders' equity available to ordinary shareholders divided by the number of ordinary shares and ordinary share equivalents outstanding at the end of the period, calculated using the treasury stock method for all potentially dilutive securities. When the effect of dilutive securities would be anti-dilutive, these securities are excluded from the calculation of diluted book value per share.

Table of Contents**Enstar Summary Historical Financial Data**

The following selected historical financial information of Enstar for each of the past five fiscal years has been derived from Enstar's audited historical financial statements, which were audited by Deloitte & Touche LLP, an independent registered public accounting firm. The financial information as of March 31, 2006 and 2005, and for each of the three-month periods then ended, has been derived from Enstar's unaudited financial statements which include, in management's opinion, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the results of operations and financial position of Enstar for the periods and dates presented. This information is only a summary and should be read in conjunction with management's discussion and analysis of results of operations and financial condition of Enstar and the audited and unaudited consolidated financial statements and notes thereto of Enstar incorporated by reference into this proxy statement/prospectus.

	Three Months Ended March 31,			Year Ended December 31,						
	2006	2005		2005	2004	2003	2002		2001	
	(in thousands of U.S. dollars, except per share data)									
Statement of Operations										
Income										
Income before										
extraordinary gain and										
cumulative effect of a										
change in accounting										
principle	\$ 1,828	\$ 39	\$ 19,045	\$ 5,977	\$ 13,226	\$ 21,526	\$ 1,574			
extraordinary gain, net of										
income taxes	875			4,415						
cumulative effect of a										
change in accounting										
principle, net of income										
taxes							967			
Net income	\$ 2,703	\$ 39	\$ 19,045	\$ 10,392	\$ 13,226	\$ 22,493	\$ 1,574			
Per Share Data(1):										
Income per Share Basic										
Income per common share										
before extraordinary gain										
and cumulative effect of a										
change in accounting										
principle basic	\$ 0.33	\$ 0.01	\$ 3.45	\$ 1.09	\$ 2.42	\$ 3.94	\$ 0.30			
extraordinary gain basic	0.16			0.80						
cumulative effect of a										
change in accounting										
principle basic						0.18				
	\$ 0.49	\$ 0.01	\$ 3.45	\$ 1.89	\$ 2.42	\$ 4.12	\$ 0.30			

Net income per common
share - basic

Weighted average shares
outstanding - basic

Income per Share - Diluted

Net income per common share

before extraordinary gain

and cumulative effect of a

change in accounting

principle - diluted

Extraordinary gain - diluted

Cumulative effect of a

change in accounting

principle - diluted

Net income per common

share - diluted

Weighted average shares

outstanding - diluted

Cash dividends paid per

share

Balance Sheet Data:

Total assets

Total liabilities

Minority interest

Shareholders' equity

5,517,909 5,517,909 5,517,909 5,496,819 5,465,753 5,465,753 5,277,808

\$ 0.31 \$ 0.01 \$ 3.25 \$ 1.03 \$ 2.25 \$ 3.74 \$ 0.29

0.15 0.76

0.17

\$ 0.46 \$ 0.01 \$ 3.25 \$ 1.79 \$ 2.25 \$ 3.91 \$ 0.29

5,881,058 5,849,053 5,856,144 5,800,993 5,881,410 5,753,553 5,449,627

\$ 189,097 \$ 159,054 \$ 185,220 \$ 158,977 \$ 152,620 \$ 128,609 \$ 99,627

21,207 12,844 20,097 12,803 6,688 8,360 1,964

11,449

167,890 146,210 165,123 146,174 134,483 120,249 97,657

- (1) Income per share is a measure based on net income divided by weighted average shares of common stock outstanding. Basic income per share is defined as net income available to common stockholders divided by the weighted average number of shares of common stock outstanding for the period, giving no effect to dilutive securities. Diluted income per share is defined as net income available to common stock divided by the weighted average number of shares of common stock and common stock equivalents outstanding calculated using the treasury stock method for all potentially dilutive securities. When the effect of dilutive securities would be anti-dilutive, these securities are excluded from the calculation of diluted income per share.

Table of Contents**Summary Unaudited Pro Forma Condensed Combined Financial Data**

The following summary unaudited pro forma condensed combined financial information was prepared using the purchase method of accounting, with Castlewood treated as the acquirer for accounting purposes. The table below presents summary financial information from the unaudited pro forma condensed combined financial statements as of and for the three months ended March 31, 2006 and for the year ended December 31, 2005 included elsewhere in this proxy statement/prospectus. The unaudited pro forma condensed combined financial information is presented as if the merger and related transactions had occurred on March 31, 2006 for purposes of the unaudited pro forma condensed combined balance sheet data and as of January 1, 2005 for purposes of the unaudited pro forma condensed combined operating data.

The unaudited pro forma condensed combined financial information are based on estimates and assumptions set forth in the notes to such financial information, which are preliminary and have been made solely for the purpose of developing such pro forma information. The unaudited pro forma condensed combined financial information are not necessarily indicative of the financial position or operating results of New Enstar that would have been achieved had the merger and related transactions been consummated as of the dates noted above, nor are they necessarily indicative of the future financial position or operating results of New Enstar. This information should be read in conjunction with the unaudited pro forma condensed combined financial information and related notes and the historical financial statements and related notes included elsewhere or incorporated by reference in this proxy statement/prospectus.

Enstar Group Limited**Summary Unaudited Pro Forma Condensed
Combined Financial Information**

	Three Months Ended March 31, 2006 (in thousands of U.S. dollars)	Year Ended December 31, 2005
Income		
Income before extraordinary gain	\$ 8,885	\$ 81,859
Cash dividends paid per share		
		At March 31, 2006
Balance sheet data:		
Total assets		\$ 1,657,921
Total liabilities		1,281,592
Minority interest		68,002
Shareholders' equity		308,327

Table of Contents**Comparative Per Share Information**

The following table presents historical per share data for Castlewood and Enstar individually and on a pro forma basis after giving effect to the merger. The pro forma combined amounts are based on using the purchase method of accounting. The pro forma combined per share data of New Enstar was derived from the Unaudited Pro Forma Condensed Combined Financial Statements beginning on page 133. The assumptions related to the preparation of the Unaudited Pro Forma Condensed Combined Financial Statements are described beginning at page 137. The data presented below should be read in conjunction with the historical consolidated financial statements of Enstar incorporated by reference in this proxy statement/prospectus and with the historical consolidated financial statements of Castlewood included in this proxy statement/prospectus. The pro forma data below is presented for informational purposes. You should not rely on the pro forma amounts as being indicative of the operating results or financial position of New Enstar that would have actually occurred had the merger and related transactions been consummated as of the dates noted above, nor are the pro forma amounts necessarily indicative of the future operating results or financial position of New Enstar.

	Castlewood Historical	Enstar Historical	Combined Pro Forma	Equivalent Pro Forma(1)
Net income per ordinary share				
Year ended December 31, 2005				
Basic	\$ 4,397.89	\$ 3.45	\$ 6.95	\$ 6.95
Diluted	\$ 4,304.30	\$ 3.25	\$ 6.59	\$ 6.59
Three months ended March 31, 2006				