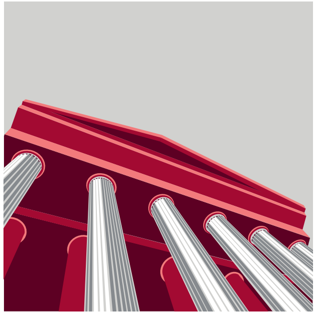
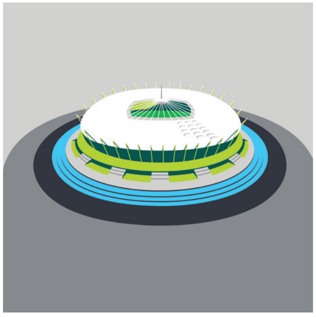
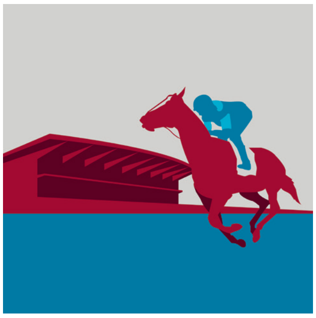
BRIT

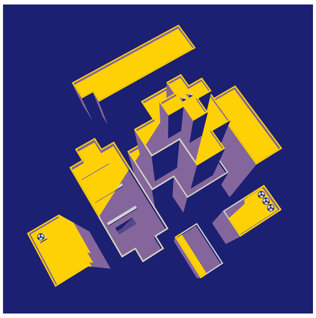
BRIT LIMITED Interim Report 2015










SEEING THE DIFFERENCE **MAKES THE DIFFERENCE**

Contents

Key points

A STRONG UNDERWRITING PERFORMANCE IN A CHALLENGING ENVIRONMENT

- Gross written premiums of US$1,096.9m (30 June 2014: US$1,171.0m), a decrease of 6.3%. At constant exchange rates the decrease was 3.2%.
- Net earned premium increased by 1.4% to US$816.5m (30 June 2014: US$805.2m). At constant exchange rates the increase was 5.3%.
- Resilient combined ratio of 90.6% despite the challenging rating environment (30 June 2014: 88.3%).
- Operating profit before FX and transaction related expenses of US$70.9m (30 June 2014: US$172.3m).
- Profit after tax of US$6.4m (30 June 2014: US$94.5m).
- Investment return after fees for the period of US$7.6m, representing a non-annualised return of 0.2% (30 June 2014: US$94.0m/2.1%).
- Annualised RoNTA of 11.4% (30 June 2014: 25.0%).
- Adjusted net tangible assets decreased to US$1,074.3m (31 December 2014: US$1,209.6m), driven by dividend payment of US$154.1m in April 2015.
- Rebalancing of the investment portfolio, reducing credit exposures and extending duration in risk-free assets.
- Continued commitment to deliver opportunity-driven profitable growth, with the recruitment of a new US General Liability team, the strengthening of our Latin American team and the expansion of our London Market Healthcare team.
- Successful acquisition of the Company by Fairfax Financial Holdings Limited completed.

About Brit Limited

Brit Limited is a market-leading global specialty insurer and reinsurer, focused on underwriting complex risks. It has a major presence in Lloyd's of London, the world's specialist insurance market provider, with significant US and international reach. We underwrite a broad class of commercial specialty insurance with a strong focus on property, casualty and energy business. Our capabilities are underpinned by strong financials. Brit is a member of the Fairfax Financial Holdings Limited group of companies.

For more information please visit www.britinsurance.com.

Disclaimer

Interim Management Report

Performance summary and Key performance indicators

	6 months ended 30 June 2015 US$m	6 months ended 30 June 2014 US$m	Year ended 31 December 2014 US$m
Performance summary			
Gross written premium	**1,096.9**	1,171.0	2,148.5
Net earned premium[1]	**816.5**	805.2	1,601.1
Underwriting profit[1]	**76.5**	94.5	168.3
Investment return[2]	**7.6**	94.0	124.9
Corporate expenses	**(13.7)**	(16.2)	(38.8)
Other items	**0.5**	-	0.8
Operating profit before FX and transaction costs	**70.9**	172.3	255.2
Finance costs	**(10.2)**	(11.9)	(22.3)
FX movements[3]	**(42.1)**	(34.7)	35.7
Transaction related expenses	**(13.3)**	(23.0)	(22.6)
Profit on ordinary activities before tax	**5.3**	102.7	246.0
Tax	**1.1**	(8.2)	(16.7)
Profit for the period (after tax)	**6.4**	94.5	229.3
Adjusted net tangible assets[4]	**1,074.3**	1,226.1	1,209.6
Key performance indicators			
Combined ratio[1]	**90.6%**	88.3%	89.5%
RoNTA[5]	**11.4%**	25.0%	20.7%
Investment return (net of external investment related expenses)[6]	**0.2%**	2.1%	2.9%

1 Excludes the effect of foreign exchange on non-monetary items.
2 Inclusive of return on investment related derivatives and after deducting investment management expenses.
3 Includes the effect of foreign exchange on monetary items (US$(45.5)m),foreign exchange on non-monetary items (US$(13.4)m) and return on FX related derivatives (US$16.8m).
4 Adjusted net tangible assets are defined as total equity, less intangible assets net of the deferred tax liability on those intangible assets.
5 RoNTA calculation excludes all FX movements (footnote 3) and transaction related expenses. Based on adjusted net tangible assets (footnote 4). The 30 June figures are annualised.
6 The 30 June figures are non-annualised.

Overview of Results

Brit Limited's ('Brit' or 'the Group') result for the six months ended 30 June 2015 was driven by a strong underwriting performance, reflecting a low attritional ratio, favourable reserve development and an absence of large losses, offset by reduced investment return due to market volatility, FX losses and transaction costs and an increasingly challenging environment.

Operating profit before FX movements and transaction costs for the six month period totalled US$70.9m (30 June 2014: US$172.3m; 31 December 2014: US$255.2m). Profit before tax for the period was US$5.3m (30 June 2014: US$102.7m; 31 December 2014: US$246.0m) and profit after tax was US$6.4m (30 June 2014: US$94.5m; 31 December 2014: US$229.3m).

Annualised return on net tangible assets (RoNTA), excluding the effects of FX and transaction expenses relating to the acquisition of Brit by Fairfax, was 11.4% (30 June 2014: 25.0%; 31 December 2014: 20.7%).

The combined ratio (CoR) is our key underwriting metric and the combination of strong portfolio management and underwriting discipline helped Brit achieve a CoR of 90.6% in the period (30 June 2014: 88.3%; 31 December 2014: 89.5%), an excellent result against a backdrop of increasing competition and pricing pressures. The underwriting strength is evidenced in the Group's ability to deliver consistently competitive combined ratios, with an average ratio over the past four and a half years of 91.3%.

Adjusted net tangible assets totalled US$1,074.3m (30 June 2014: US$1,226.1m; 31 December 2014: US$1,209.6m), a decrease of 11.2% in the period. This decrease reflects the result for the period and a dividend payment of US$154.1m.

Outlook

As expected, 2015 is proving to be another difficult year for the insurance industry, as exceptionally low interest rates, geopolitical uncertainty, global growth concerns and market volatility mean that the industry continues to face challenges. Capital availability continues to increase from both traditional and non-traditional sources and we expect this to create further competition and pressure on pricing and conditions in the remainder of 2015.

We continue to focus on our core fundamentals of underwriting discipline, risk selection and capital management and are making good progress with the selective expansion of our global distribution capability, capitalising on our initiatives of recent years.

Our unique position as the largest Lloyd's-only insurance business with the right platform and business mix continues to position us well in the depressed rating and low yield environment. The successful completion of the recommended cash offer by Fairfax Financial Holdings Limited during the period will enable us to enhance our global product offering, provide us with expanded underwriting opportunities and distribution channels and support the delivery of our strategy to become the leading global speciality (re)insurer.

Underwriting

Overview

Our underwriting profit for the period amounted to US$76.5m (30 June 2014: US$94.5m; 31 December 2014: US$168.3m) and our combined ratio, which excludes the effect of foreign exchange on non-monetary items, was 90.6% (30 June 2014: 88.3%; 31 December 2014: 89.5%). The premiums, claims and expenses components of this result are examined below.

Premiums

Premium	6 months ended 30 June 2015 US$m	6 months ended 30 June 2014 US$m	Decrease %	Decrease at constant FX rates %
Brit Global Specialty Direct	**823.4**	869.6	5.3	2.1
Brit Global Specialty Reinsurance	**273.5**	301.4	9.3	6.4
Group	**1,096.9**	1,171.0	6.3	3.2

Gross written premium (GWP) for the six months ended 30 June 2015 decreased by 6.3% to US$1,096.9m (30 June 2014: US$1,171.0m; 31 December 2014: US$2,148.5m). At constant exchange rates the movement was a decrease of 3.2%. Direct business totalled US$823.4m (30 June 2014: US$869.6m; 31 December 2014: US$1,743.8m) and reinsurance US$273.5m (30 June 2014: US$301.4m; 31 December 2014: US$404.7m).

The drivers of the reduction between the six months ended 30 June 2015 and 30 June 2014 are explained further below:

- The Group's underwriting initiatives, launched in both 2014 and 2015 resulted in a US$45.6m increase in GWP. The main contributors were Aviation, Property UK and BGSU Latin America;
- A reduction in the effect of prior year premium development; while still positive, the favourable development was US$44.3m lower in 2015 than in 2014;
- Other reductions of US$37.0m, driven by a decision to reduce premiums in areas with rate reductions and where rate adequacy is under most pressure, including Energy, Property and the Reinsurance classes, partly offset by premium increases in a number of classes including Property Facilities, 'Cyber, Privacy and Technology', and Legal Expenses/Structured Risks; and
- A negative exchange rate movement effect of US$38.4m, reflecting the movements during 2015 of the US dollar against a number of currencies in which the Group writes business.

Like the rest of the sector, Brit was impacted by the rating environment continuing to become more challenging, with overall risk adjusted premium rates decreasing in line with expectations by 4.2% (30 June 2014: 3.0% decrease; 31

December 2014: 2.9% decrease). This reduction was strongly influenced by reinsurance business which experienced rate reductions of 8.5%, while rates for Brit Global Specialty Direct business were more resilient, falling by 3.3%.

The Group retention rate for the period was in line with the previous year's experience at 82.7% (30 June 2014: 83.0%; 31 December 2014: 83.0%).

Outwards reinsurance

Reinsurance expenditure in the six months ended 30 June 2015 was US$262.4m or 23.9% of GWP (30 June 2014: US$254.8m/21.8%; 31 December 2014: US$457.4m/21.3%). At constant exchange rates the increase was 5.6%.

The 2015 core reinsurance programme and structure remained broadly unchanged and renewed on terms in line with expectations, with price reductions of 5 to 10%. One additional protection which we entered into during the period is a strategic US$75m fully collateralised quota share placed with Versutus, a Bermuda domiciled special purpose reinsurer. This provides protection to our existing worldwide property catastrophe excess of loss portfolio.

Net earned premium

Net earned premium (NEP) excluding the effects of foreign exchange on non-monetary items, increased by 1.4% to US$816.5m (30 June 2014: US$805.2m; 31 December 2014: US$1,601.1m). At constant exchange rates the increase was 5.3%.

This increase in NEP principally arose from the growth in GWP during 2014, which experienced an increase over 2013 of 15% at constant exchange rates. The drivers of this premium growth in 2014, and the NEP growth during six months ended 30 June 2015, were:

- The Group's underwriting initiatives, launched in both 2013 and 2014. The main contributors were aviation, Bermuda, high value homeowners, BGSU and political and credit; and

- The Group's organic growth, driven by growth in classes experiencing more favourable rating conditions when written including the property binder book and marine. These growth areas were partly offset by premium reductions in classes experiencing falling rates including reinsurance, energy and casualty.

These areas of growth were partly offset by the reduction in 2015 in the level of favourable development of premium estimates arising from prior years which was fully earned.

Claims

Claims experience in the six months to 30 June 2015 was in line with expectations. The claims ratio excluding the effect of foreign exchange on non-monetary items was 53.1% (30 June 2014: 48.8%; 31 December 2014: 50.0%).

Claims ratio analysis	**6 months ended 30 June 2015 %**	**6 months ended 30 June 2014 %**	**Year ended 31 December 2014 %**
Attritional claims ratio	**54.2**	51.4	51.0
Major loss ratio	**-**	-	2.3
Reserve release ratio	**(1.1)**	(2.6)	(3.3)
Claims ratio	**53.1**	48.8	50.0

The attritional claims ratio for the period increased to 54.2% (30 June 2014: 51.4%; 31 December 2014: 51.0%). This deterioration arose partly from rating pressures and a change in business mix as we continued to reduce exposure to short-tail reinsurance which carries a lower attritional loss ratio. The Group also incurred losses of US$12.0m in respect of the Pemex oil platform explosion, and a number of other smaller risk and weather losses which have negatively affected the attritional loss ratio.

The first half of 2015 saw limited catastrophe activity and the Group incurred no claims in respect of major losses.

As part of our quarterly reserving process, we released US$8.9m of claims reserves established for prior year claims, the equivalent of a combined ratio reduction of 1.1% (30 June 2014: US$21.0m/2.6%; 31 December 2014:

US$53.0m/3.3%). The main drivers of this release were Property Treaty and Marine. Brit's balance sheet remains strong and Brit continues to operate a robust reserving process.

Underwriting expenses

The expense ratio excluding the effect of foreign exchange on non-monetary items was 37.6% (30 June 2014: 39.5%; 31 December 2014: 39.5%). This comprised commission costs and underwriting related operating expenses:

- Commission costs for the period, excluding the effect of foreign exchange on non-monetary items, were US$213.5m and the commission expense ratio was 26.2% (30 June 2014: US$224.5m/27.9%; 31 December 2014: US$441.5m/27.6%). The decrease was largely due to changes in business mix; and
- Underwriting related operating expenses for the period were US$93.1m and the operating expense ratio was 11.4% (30 June 2014: US$93.1m/11.6%; 31 December 2014: US$191.4m/12.0%).

Expenses

The Group's full operating expense base for the period was as follows:

Expense analysis	**6 months ended 30 June 2015 US$m**	**6 months ended 30 June 2014 US$m**	**Year ended 31 December 2014 US$m**
Underlying operating expenses[1]	**109.4**	110.9	227.7
Project costs, timing differences and other expense adjustments	**(2.6)**	(1.6)	2.5
Expenses before transaction related costs	**106.8**	109.3	230.2
Transaction related costs[2]	**13.3**	23.0	22.6
Total operating expenses	**120.1**	132.3	252.8

1 Includes bonus provisions.
2 Transaction related expenses at 30 June 2015 relate to the acquisition of Brit by Fairfax; Transaction related expenses at 30 June 2014 and 31 December 2014 relate to Brit's IPO in March 2014.

Underlying operating expenses during the six months ended 30 June 2015 decreased by 1.8% to US$109.4m (30 June 2014: US$110.9m; 31 December 2014: US$227.7m). The decrease relates to the effect of currency movements (as the majority of our expenses are incurred in Sterling), partly offset by increases in staff related costs in growth areas such as accommodation costs.

The allocation of operating expenses within the 'Condensed Consolidated Income Statement' and the 'Segmental Information' is as follows:

Disclosure of operating expenses	**6 months ended 30 June 2015 US$m**	**6 months ended 30 June 2014 US$m**	**Year ended 31 December 2014 US$m**
Acquisition costs[1]	**47.3**	52.7	96.9
Other insurance related expenses	**45.8**	40.4	94.5
Total insurance related expenses[2]	**93.1**	93.1	191.4
Other operating expenses[3]	**27.0**	39.2	61.4
Total operating expenses	**120.1**	132.3	252.8

1 Operating expenses incurred in connection with the conclusion of insurance contracts. They exclude commission costs.
2 The 'Total insurance related expenses' are included within the expense ratio.
3 Other operating expenses including transaction costs.

Investments

During the second quarter of 2015 we commenced a portfolio rebalancing exercise. This rebalancing exercise has involved reducing credit exposures, increasing exposure to government debt and extending duration in risk-free assets. This revised strategy takes a long-term view of markets which may lead to increased short-term volatility in our investment performance. This re-balancing will continue in the second half of 2015.

Return on our investments (after management fees and including investment related derivatives) for the period was US$7.6m or 0.2% non-annualised (30 June 2014: US$94.0m/2.1%; 31 December 2014: US$124.9m/2.9%), with a clear contrast in performance due to the changed environment between the two quarters. A strong return in the three months to 31 March 2015 driven by mark to market gains from contracting credit spreads and reducing interests rates, was offset by a negative return in the three months to 30 June 2015 arising principally from mark to market losses resulting from the anticipated increase in US interest rates, especially on the longer dated bonds held in the portfolio following the rebalancing exercise.

The Group's return on investments is analysed in the table below:

Investment return	**6 months ended 30 June 2015 US$m**	**6 months ended 30 June 2014 US$m**	**Year ended 31 December 2014 US$m**
Income	**42.0**	49.1	95.6
Released gains/(losses)	**44.4**	11.0	21.0
Unrealised gains/(losses)	**(73.3)**	29.9	9.2
Investment return before fees	**13.1**	90.0	125.8
Investment management expenses	**(4.9)**	(6.0)	(10.1)
Investment return net of fees	**8.2**	84.0	115.7
Investment related derivative return	**(0.6)**	10.0	9.2
Total return	**7.6**	94.0	124.9
Total return	**0.2%**[1]	2.1%[1]	2.9%

1 Non-annualised.

Invested assets at 30 June 2015 totalled US$3,698.5m (30 June 2014: US$4,384.7m; 31 December 2014: US$4,028.4m). The Group's asset allocation, on a look-through basis, is set out in the table below:

Asset allocation	**6 months ended 30 June 2015 US$m**	**6 months ended 30 June 2014 US$m**	**Year ended 31 December 2014 US$m**
Government debt securities	**1,689.5**	864.0	787.8
Corporate debt securities	**417.8**	1,333.5	1,164.3
Structured products	**78.1**	520.7	521.0
Loan instruments	**71.5**	305.9	269.3
Equity securities	**38.2**	240.1	155.4
Alternative investments	**160.9**	248.1	309.7
Cash and cash equivalents	**1,234.0**	862.7	809.8
Derivatives	**8.5**	9.7	11.1
Total invested assets	**3,698.5**	4,384.7	4,028.4

The classification of the Group's invested assets within the 'Condensed Consolidated Statement of Financial Position' is as follows:

Invested assets - classification	**6 months ended 30 June 2015 US$m**	**6 months ended 30 June 2014 US$m**	**Year ended 31 December 2014 US$m**
Assets held for sale	**-**	75.6	-
Financial investments	**2,742.3**	3,659.4	3,525.3
Derivative contracts – investment related (assets)	**3.8**	8.2	3.7
Cash and cash equivalents	**952.4**	643.8	501.4
Derivative contracts – investment related (liabilities)	**-**	(2.3)	(2.0)
Total invested assets	**3,698.5**	4,384.7	4,028.4

The change in asset allocation in the six months ended 30 June 2015 reflects the re-balancing exercise.

Foreign exchange

We manage our currency exposures to mitigate its impact on solvency rather than to achieve a short-term impact on earnings. We experienced a total foreign exchange loss of US$42.1m in 2015 (30 June 2014: loss of US$34.7m; 31 December 2014: gain of US$35.7m). This total foreign exchange related loss comprised:

- An unrealised revaluation loss of US$45.5m (30 June 2014: US$46.0m; 31 December 2014: US$0.7m), primarily relating to the mark to market of the element of Brit's capital that it holds in non-US dollar currencies matching its risk exposures;
- A gain of US$16.8m (30 June 2014: US$7.5m; 31 December 2014: US$2.8m) on derivative contracts which were entered into to help manage the Group's FX exposures; and
- An accounting loss of US$13.4m (30 June 2014: gain of US$3.8m; 31 December 2014: gain of US$33.6m) as a result of the IFRS requirement to recognise non-monetary assets and liabilities at historic exchange rates.

The allocation of the FX result within the income statement is as follows:

Foreign exchange gains and (losses)	**6 months ended 30 June 2015 US$m**	**6 months ended 30 June 2014 US$m**	**Year ended 31 December 2014 US$m**
Net change in unearned premium provision - non-monetary FX effect	**(12.7)**	22.5	15.4
Acquisition costs - non-monetary FX effect	**2.9**	(5.7)	(3.8)
Net foreign exchange (losses)/gains - non-monetary[1]	**(3.6)**	(13.0)	22.0
	(13.4)	3.8	33.6
Net foreign exchange losses - monetary[1]	**(45.5)**	(46.0)	(0.7)
Return on derivative contracts - FX related instruments	**16.8**	7.5	2.8
	(28.7)	(38.5)	2.1
Total (loss)/gain	**(42.1)**	(34.7)	35.7

1 The sum of these two amounts, US$(49.1)m, is the 'Net foreign exchange losses' figure per the Condensed Consolidated Income Statement.

Tax

Our effective tax rate for the period was a negative 20.8% (30 June 2014: 8.0% charge; 31 December 2014: 6.8% charge), which is a composite tax rate reflecting the mix of the tax rates charged in those jurisdictions.

The Group is liable to taxes on its corporate income in a number of jurisdictions, in particular the UK, Gibraltar and the US, where its companies carry on business. The tax charge is calculated in each legal entity across the Group and then consolidated. Therefore the Group effective rate is sensitive to the location of taxable profits and is a composite tax rate reflecting the mix of tax rates charged in those jurisdictions.

Balance sheet and capital resources

Brit's balance sheet remains strong. Brit Syndicate 2987's effective rating from trading through Lloyd's is A+ (Strong) from Standard and Poor's, AA- (Very Strong) from Fitch Ratings and A (Excellent) from AM Best.

At 30 June 2015 our adjusted net tangible assets totalled US$1,074.3m (30 June 2014: US$1,226.1m; 31 December 2014: US$1,209.6m), a decrease of 11.2% in the period. During the six months ended 30 June 2015, we paid a dividend of US$154.1m.

Brit has in place a US$360m revolving credit facility which expires on 31 December 2018. At 30 June 2015 the only drawing on the facility was a US$80.0m letter of credit (30 June 2014: US$80.0m; 31 December 2014: US$80.0m) to support Brit's underwriting activities. As of 1 July 2015 this letter of credit was fully collateralised.

In addition, Brit has in issue US$212.3m (£135.0m) of 6.625% Lower Tier Two subordinated debt with a carrying value of US$196.9m (30 June 2014: US$211.7m; 31 December 2014: US$194.2m). This was issued in December 2005 and matures in 2030. It is callable in whole by Brit on 9 December 2020.

At 30 June 2015, Brit's gearing ratio was 16.7% (30 June 2014: 14.7%; 31 December 2014: 13.8%).

Business development

Underwriting

- **Recruitment of new US General Liability team**

  Steve Courchaine joined Brit in April 2015 as Senior Vice President to launch a new General Liability team for Brit Global Specialty USA. Steve was formerly Chief Underwriting Officer of IFG and has over 30 years of experience underwriting casualty business. This initiative extends Brit Global Specialty USA's property and specialty package offering to include the mono-line casualty market, and is part of the Group's strategy to focus on growing profitably in specialist areas where it has significant expertise and experience. Steve will write Excess and Surplus General Liability on a primary and excess basis targeting manufacturing, construction and premises risk through wholesale brokers. He is supported by Peter Canna, who joined Brit from Everest as Vice President, Underwriting. The team is based in Hartford, Connecticut.

- **Strengthening of Latin American Team**

  In April 2015 we further strengthened our Miami-based Latin American business, led by Juan Calvache, with the appointment of Guillermo Eslava as Vice President, Casualty Reinsurance. Guillermo will focus on creating a Casualty Treaty and Facultative portfolio in the Latin America and Caribbean region, thereby helping us to continue to diversify our international presence in the Americas using the capital and licensing flexibility of our Lloyd's service company model to access local distribution. Prior to joining Brit, Guillermo was Treaty and Facultative Regional Manager at Swiss Re with responsibility for Latin America.

- **Expansion of Healthcare team**

  In the second half of 2015 Chris Brooking and Tom Kennedy will join our Professional Lines Division as we expand our Global Healthcare reach. Chris and Tom, who join us from Barbican Insurance Group, will bring an outstanding depth of expertise and underwriting acumen that will not only complement our very successful existing Healthcare business but will also allow us to expand our US healthcare offerings.

Capital management

For 2015 we have partnered with a new Bermuda domiciled special purpose reinsurer, Versutus Limited, to provide support for Brit's property treaty portfolio. For 2015, Versutus has entered into a US$75m fully collateralised quota share agreement under which it will reinsure a share of Brit's existing worldwide property catastrophe excess of loss portfolio. Such arrangements allow us to build relationships with the newer providers of alternative capacity within the market.

Senior management appointments

In February, Matthew Wilson was appointed to the position of Group Deputy CEO and Chief Underwriting Officer. Matthew's underwriting acumen and commercial instincts have been central to the strategic and financial progress that Brit has made in recent years and he is the ideal candidate to work alongside Mark Cloutier to drive the business forward. Matthew began his career with Lloyd's in 1988 and joined Brit Insurance in 1999. He was appointed as CEO of Brit Global Markets (now Brit Global Specialty) in May 2008 and became a member of the Executive Management Committee in January 2009.

Board changes

Following the successful offer made by Fairfax for Brit, Jonathan Feuer, Sachin Khajuria, Kamil Salame, Gernot Lohr, Maarten Hulshoff, Hans-Peter Gerhardt and Willem Stevens resigned as non-executive directors from the Brit board. On 29 June 2015, Matthew Wilson (Group Deputy CEO and Chief Underwriting Officer) was appointed to the Board.

Principal risks and risk management

The principal risks and uncertainties faced by the Group and how we manage them are set out on pages 60 to 65 of Brit's 2014 Annual Report. This is available at www.britinsurance.com.

There are a number of risks and uncertainties which could impact the Group's performance over the remaining six months of 2015. These risks include:

- Deteriorating macroeconomic conditions;
- Claims arising from catastrophic events or a series of claims for large losses;
- Increasingly challenging underwriting market conditions;
- Investment market volatility; and
- Fluctuations in exchange rates.

The risks arising from all business activities are managed in line with the Group risk management framework in order to protect policyholders and maximise shareholder value. This established framework addresses all the risks surrounding the organisation's activities past, present and, in particular, future. It sets out risk management standards, risk appetite, and provides a consistent methodology and structure to the way in which the risks are identified, measured and managed. The framework is supported by appropriate governance, management information, policies, processes, culture and systems.

Brit delivers shareholder value by actively seeking and accepting risk within agreed limits. Brit's risk management framework highlights the importance of managing the impact of risk on the economic value of the company. It sets out a transparent process to identify, assess and manage risk and deploy risk appetite using an economic capital approach.

Brit's risk framework ensures that a strong culture of risk control and management continues to be embedded across the Group. Risk appetite is set by the Board and cascaded throughout the organisation. Brit monitors the aggregation of risk across the business and has overarching limits in place to manage this. In addition to the overarching limits, the risk framework clearly identifies the key risk categories and risk tolerances set for each risk category by the boards (e.g. risk tolerance is set for exposure to losses from US windstorms). Brit uses specialised risk management tools including sophisticated models to monitor current risk exposures relative to risk tolerance.

The responsibility for risk management is clearly defined and spread throughout the organisation and Brit maintains a strong risk governance structure based on the three lines of defence principle. Within the first line of defence, individual risk committees, chaired by members of the executive management team, monitor day-to-day risk control activities. Risk management, as a second line of defence provides oversight over business processes and sets out policies and procedures and reports directly to the Risk Oversight Committee of the Board. Internal Audit, reporting to the Audit Committee, is the third line of defence providing independent assurance and monitoring of the effectiveness of the risk management processes.

This risk governance structure ensures that information is passed to the relevant management committee or Board. This process enables Brit to protect policyholders and maximise shareholder value by ensuring the risk and capital implications of business strategy are well understood. Brit's risk framework will also enable the Group, and the legal entities within it, to comply fully with the risk management requirements under Solvency II.

Ownership

Brit Limited's ultimate parent undertaking is Fairfax Financial Holdings Limited, a company registered in Canada. Fairfax Financial Holdings Limited is quoted on the Toronto stock exchange.

On 5 June 2015, FFHL Group Limited, a member of the Fairfax Financial Holdings Limited group, completed the acquisition of 97.0% of Brit and acquired the remaining 3.0% on 7 July 2015. Brit's ordinary shares' listing on the London Stock Exchange was cancelled with effect from 23 June 2015. On 29 June 2015 Fairfax completed the sale of 29.9% of its holding in Brit to Ontario Municipal Employees Retirement System (OMERS), the pension plan manager for government employees in the Canadian province of Ontario.

Auditor review

This half-yearly financial report has not been audited or reviewed by the Company's independent auditor.

Responsibility statement of the Directors in respect of the Interim Report

We confirm that to the best of our knowledge:

- The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU; and
- The interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year.

Mark Cloutier
Group Chief Executive Officer

30 July 2015

Condensed Consolidated Income Statement
for six months ended 30 June 2015

	Note	**Unaudited 6 months ended 30 June 2015 US$m**	Unaudited 6 months ended 30 June 2014 US$m	Audited Year ended 31 December 2014 US$m
Revenue				
Gross premiums written	5	**1,096.9**	1,171.0	2,148.5
Less premiums ceded to reinsurers	5	**(262.4)**	(254.8)	(457.4)
Premiums written, net of reinsurance		**834.5**	916.2	1,691.1
Gross amount of change in provision for unearned premiums		**(117.8)**	(153.6)	(82.9)
Reinsurers' share of change in provision for unearned premiums		**87.1**	65.1	8.3
Net change in provision for unearned premiums		**(30.7)**	(88.5)	(74.6)
Earned premiums, net of reinsurance	5	**803.8**	827.7	1,616.5
Investment return	6	**8.2**	84.0	115.7
Return on derivative contracts	7	**16.2**	17.5	12.0
Other income		**0.5**	-	0.8
Net foreign exchange gains	8	**-**	-	21.3
Total revenue		**828.7**	929.2	1,766.3
Expenses				
Claims incurred:				
Claims paid:				
Gross amount		**(465.1)**	(427.7)	(1,251.8)
Reinsurers' share		**94.0**	81.0	185.6
Claims paid, net of reinsurance		**(371.1)**	(346.7)	(1,066.2)
Change in the provision for claims:				
Gross amount		**(87.4)**	(81.5)	167.5
Reinsurers' share		**25.1**	35.1	98.8
Net change in the provision for claims		**(62.3)**	(46.4)	266.3
Claims incurred, net of reinsurance	5	**(433.4)**	(393.1)	(799.9)
Acquisition costs	9	**(257.9)**	(282.9)	(542.2)
Other operating expenses	9	**(72.8)**	(79.6)	(155.9)
Net foreign exchange losses	8	**(49.1)**	(59.0)	-
Total expenses excluding finance costs		**(813.2)**	(814.6)	(1,498.0)
Operating profit		**15.5**	114.6	268.3
Finance costs		**(10.2)**	(11.9)	(22.3)
Profit on ordinary activities before tax		**5.3**	102.7	246.0
Tax income/(expense)	10(a)	**1.1**	(8.2)	(16.7)
Profit attributable to owners of the parent		**6.4**	94.5	229.3

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Comprehensive Income
for 6 months ended 30 June 2015

	Note	**Unaudited 6 months ended 30 June 2015 US$m**	Unaudited 6 months ended 30 June 2014 US$m	Audited Year ended 31 December 2014 US$m
Profit attributable to owners of the parent		**6.4**	94.5	229.3
Other comprehensive income				
Items not to be reclassified to profit or loss in subsequent periods:				
Actuarial gains/(losses) on defined benefit pension scheme		**3.6**	(3.7)	0.6
Current tax credit on actuarial gains/losses on defined benefit pension scheme	10(b)	**-**	0.9	-
Deferred tax charge on actuarial gains/losses on defined benefit pension scheme	10(b)	**(0.7)**	-	(0.1)
Items that may be reclassified to profit or loss in subsequent periods:				
Change in unrealised foreign currency translation (losses)/gains on foreign operations		**(0.3)**	37.8	(82.4)
Total other comprehensive income		**2.6**	35.0	(81.9)
Total comprehensive income recognised		**9.0**	129.5	147.4

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

for 6 months ended 30 June 2015

	Note	**Unaudited 30 June 2015 US$m**	Unaudited 30 June 2014 US$m	Audited 31 December 2014 US$m
Assets				
Intangible assets		**96.7**	108.6	97.0
Property, plant and equipment		**7.3**	7.2	7.3
Deferred acquisition costs		**234.6**	239.6	209.5
Reinsurance contracts	11	**923.6**	857.2	821.2
Employee benefits		**48.3**	34.5	43.4
Current taxation		**21.0**	16.4	16.4
Financial investments	12	**2,742.3**	3,659.4	3,525.3
Assets held for sale		**-**	75.6	-
Derivative contracts	13	**13.7**	14.7	12.2
Insurance and other receivables		**1,024.7**	966.8	706.2
Cash and cash equivalents		**952.4**	643.8	501.4
Total assets		**6,064.6**	6,623.8	5,939.9
Liabilities and Equity				
Liabilities				
Insurance contracts	11	**4,231.9**	4,601.8	4,062.7
Borrowings		**196.9**	211.7	194.2
Deferred taxation		**33.3**	29.2	35.6
Provisions		**3.0**	3.6	3.0
Current taxation		**4.4**	9.6	4.5
Derivative contracts	13	**3.5**	9.7	4.2
Insurance and other payables		**435.8**	445.1	344.5
Total liabilities		**4,908.8**	5,310.7	4,648.7
Equity				
Called up share capital	14	**6.6**	6.6	6.6
Own shares		**-**	(1.5)	(1.5)
Foreign currency translation reserve		**(72.7)**	42.6	(77.6)
Retained earnings		**1,221.9**	1,265.4	1,363.7
Total equity		**1,155.8**	1,313.1	1,291.2
Total liabilities and equity		**6,064.6**	6,623.8	5,939.9

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

These financial statements were approved by the Board of Directors on 30 July 2015 and were signed on its behalf by:

Dr Richard Ward
Group Chairman

Mark Cloutier
Group Chief Executive Officer

Condensed Consolidated Statement of Cash Flows

for 6 months ended 30 June 2014

	Note	**Unaudited 6 months ended 30 June 2015 US$m**	Unaudited 6 months ended 30 June 2014 US$m	Audited Year ended 31 December 2014 US$m
Cash generated from operations				
Cash flows provided by operating activities	15	**576.8**	76.1	(75.1)
Tax paid		**(6.6)**	(21.7)	(27.6)
Interest paid		**(1.1)**	(3.5)	(18.6)
Interest received		**26.0**	52.6	63.4
Dividends received		**18.5**	5.2	34.2
Net cash inflows/(outflows) from operating activities		**613.6**	108.7	(23.7)
Cash flows from investing activities				
Purchase of property, plant and equipment		**(1.4)**	(0.2)	(2.6)
Purchase of intangible assets		**(4.1)**	(2.3)	(5.1)
Acquisitions	16	**-**	(2.0)	(2.0)
Disposal of consolidated structured entity		**-**	-	72.4
Net cash (outflows)/inflows from investing activities		**(5.5)**	(4.5)	62.7
Cash flows from financing activities				
Disposal of own shares		**-**	0.5	0.5
Purchase of shares by non-controlling interests		**-**	2.4	2.4
Dividend paid		**(154.1)**	-	(40.4)
Net cash (outflows)/inflows from financing activities		**(154.1)**	2.9	(37.5)
Net increase in cash and cash equivalents		**454.0**	107.1	1.5
Cash and cash equivalents at beginning of the period		**501.4**	524.1	524.1
Effect of exchange rate fluctuations on cash and cash equivalents		**(3.0)**	12.6	(24.2)
Cash and cash equivalents at the end of the period		**952.4**	643.8	501.4

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

for 6 months ended 30 June 2015

	Called up Share capital US$m	Share Premium account US$m	Own shares US$m	Reserves US$m	Foreign currency translation reserve US$m	Retained earnings US$m	Total Equity attributable to owners of the parent US$m	Non-controlling interests US$m	Total equity US$m
At 1 January 2015	**6.6**	**-**	**(1.5)**	**-**	**(77.6)**	**1,363.7**	**1,291.2**	**-**	**1,291.2**
Total comprehensive income recognised	**-**	**-**	**-**	**-**	**(0.3)**	**9.3**	**9.0**	**-**	**9.0**
Transfer to profit on liquidation of subsidiaries	**-**	**-**	**-**	**-**	**5.2**	**-**	**5.2**	**-**	**5.2**
Vesting of own shares	**-**	**-**	**1.5**	**-**	**-**	**(1.5)**	**-**	**-**	**-**
Share based payments	**-**	**-**	**-**	**-**	**-**	**4.5**	**4.5**	**-**	**4.5**
Dividend	**-**	**-**	**-**	**-**	**-**	**(154.1)**	**(154.1)**	**-**	**(154.1)**
At 30 June 2015	**6.6**	**-**	**-**	**-**	**(72.7)**	**1,221.9**	**1,155.8**	**-**	**1,155.8**

for 6 months ended 30 June 2014

	Called up Share capital US$m	Share Premium account US$m	Own shares US$m	Reserves US$m	Foreign currency translatio n reserve US$m	Retained earnings US$m	Total Equity attributable to owners of the parent US$m	Non-controlling interests US$m	Total equity US$m
At 1 January 2014	1.1	733.6	(2.5)	(151.9)	4.8	593.5	1,178.6	1.7	1,180.3
Total comprehensive income recognised	-	-	-	-	37.8	91.7	129.5	-	129.5
Purchase of shares by non-controlling interests	-	-	-	-	-	-	-	2.4	2.4
Buy-out of non-controlling interests	-	27.8	-	-	-	(23.7)	4.1	(4.1)	-
Vesting of own shares	-	-	1.2	-	-	(1.2)	-	-	-
Corporate reorganisation	(1.1)	(761.4)	1.3	151.9	-	609.3	-	-	-
Establishment of Brit PLC	1,328.0	-	(2.0)	-	-	(1,326.0)	-	-	-
Capital reduction	(1,321.4)	-	-	-	-	1,321.4	-	-	-
Disposal of own shares	-	-	0.5	-	-	-	0.5	-	0.5
Share based payments	-	-	-	-	-	0.4	0.4	-	0.4
At 30 June 2014	6.6	-	(1.5)	-	42.6	1,265.4	1,313.1	-	1,313.1

Condensed Consolidated Statement of Changes in Equity (continued)

for year ended 31 December 2014

	Called up Share capital US$m	Share Premium account US$m	Own shares US$m	Reserves US$m	Foreign currency translation reserve US$m	Retained earnings US$m	Total Equity attributable to owners of the parent US$m	Non-controlling interests US$m	Total equity US$m
At 1 January 2014	1.1	733.6	(2.5)	(151.9)	4.8	593.5	1,178.6	1.7	1,180.3
Total comprehensive income recognised	-	-	-	-	(82.4)	229.8	147.4	-	147.4
Purchase of shares by non-controlling interests	-	-	-	-	-	-	-	2.4	2.4
Buy-out of non-controlling interests	-	27.8	-	-	-	(23.7)	4.1	(4.1)	-
Vesting of own shares	-	-	1.2	-	-	(1.2)	-	-	-
Corporate reorganisation	(1.1)	(761.4)	1.3	151.9	-	609.3	-	-	-
Establishment of Brit PLC	1,328.0	-	(2.0)	-	-	(1,326.0)	-	-	-
Capital reduction	(1,321.4)	-	-	-	-	1,321.4	-	-	-
Disposal of own shares	-	-	0.5	-	-	-	0.5	-	0.5
Share based payments	-	-	-	-	-	1.0	1.0	-	1.0
Dividend						(40.4)	(40.4)		(40.4)
At 31 December 2014	6.6	-	(1.5)	-	(77.6)	1,363.7	1,291.2	-	1,291.2

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

1 General information

The condensed consolidated interim financial statements of Brit Limited (formerly Brit PLC) and its subsidiaries (collectively, the Group) for the six months ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on 30 July 2015.

On 5 June 2015, Brit Limited (the Company) was acquired by FFHL Group Limited, a subsidiary of Fairfax Financial Holdings Limited. The shares of the Company were delisted from the official list of the London Stock Exchange on 23 June 2015.

Brit Limited is a limited company, incorporated and domiciled in England and Wales. The Group's principal activity is the underwriting of general insurance and reinsurance business. The Company was re-registered from a public limited company to a private limited company on 24 June 2015 and the name of the company changed accordingly.

2 Accounting policies and basis of preparation

(a) Change of presentation currency and functional currency

Change of presentation currency

On 1 January 2015 the Group changed its presentation currency from Sterling to US dollars. This change has been made retrospectively and the 2014 interim and full year financial statements have been restated using the following procedures:

- Assets and liabilities were translated into US dollars at closing rates of exchange;
- Income and expenses were translated into US dollars at average rates of exchange;
- Differences resulting from the retranslation were taken to reserves;
- The cumulative translation reserve was set to nil at 1 January 2005 (the transition date to IFRS); and
- Share capital, share premium, own shares and other reserves were translated at historic rates prevailing at the dates of transactions.

Change of functional currency

IAS 21 'The effects of changes in foreign exchange rates' describes functional currency as 'the currency of the primary economic environment in which an entity operates.' Determining when the functional currency of an entity has changed is a matter of judgement as the determining factors may move gradually over time. However, the Board has concluded that the functional currency of Brit Limited and its principal operating entities changed from Sterling to US dollars with effect from 1 January 2015. This mainly follows an increase in the amounts of capital held in US dollars from this date. In accordance with IAS 21, the change in functional currency has been applied prospectively from 1 January 2015.

(b) Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied by the Brit Limited Group in its consolidated financial statements as at the year ended 31 December 2014. The consolidated financial statements as at, and for the year ended 31 December 2014 were compliant with International Financial Reporting Standards as adopted by the European Union.

This 2015 condensed consolidated interim financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for Brit Limited, for the year ended 31 December 2014 were prepared in accordance with IFRS and UK company law. IFRS comprises standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and as endorsed by the EU. The consolidated financial statements of the Brit Limited Group for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 24 February 2015 and delivered to the Registrar of Companies in the UK. The report of the auditor on those accounts was unqualified.

2 Accounting policies and basis of preparation (continued)

These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules issued by the Financial Conduct Authority. The information presented herein does not include all the disclosures typically required for full consolidated financial statements. Consequently these financial statements should be read in conjunction with the full consolidated financial statements of the Brit Limited Group as at, and for the year ended 31 December 2014 available from the Company's registered office or from www.britinsurance.com.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore the Group continues to adopt the going concern basis in preparing its condensed consolidated interim financial statements.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and the Group's participation in Lloyd's syndicates' assets, liabilities, revenues and expenses. Subsidiaries are those entities that an investor controls, when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are prepared up to 31 December each year. Consolidation adjustments are made to convert subsidiary financial statements from local GAAP into IFRS so as to remove any dissimilar accounting policies that may exist. Subsidiaries are consolidated from the date control is transferred to the Group and cease to be consolidated from the date control is transferred from the Group. All inter-company balances, profits and transactions are eliminated.

3 Risk management policies

The Group's financial, insurance and other risk management objectives and policies are consistent with those disclosed in Note 4 to the Group's consolidated financial statements as at and for the year ended 31 December 2014. The principal risks and uncertainties are unchanged and may be summarised as insurance risk, investment risk, market risk, credit risk, liquidity risk, capital risk and operational risk.

4 Seasonality of operations

The Group underwrites a wide range of risks, some of which are subject to potential seasonal variation. The most material of these is the Group's exposure to North Atlantic hurricanes which are largely concentrated into the second half of a calendar year. The Group actively participates in many regions and if any catastrophe events do occur, it is likely that the Group will share some of the market's losses. Consequently the potential for significantly greater volatility in expected returns remains during the second half of the year.

5 Segmental information

As at 30 June 2015, the reportable segments identified were as follows:

- 'Brit Global Specialty Direct', which underwrites the Group's international and US business other than reinsurance. In the main, Global Specialty Direct deals with wholesale buyers of insurance, rather than individuals. Risks are large and usually syndicated by several underwriters by means of the subscription market.

- 'Brit Global Specialty Reinsurance', which underwrites reinsurance business (essentially the insurance of insurance and reinsurance companies) and includes writing non-proportional cover for major events such as earthquakes or hurricanes. These insurance and reinsurance companies calculate how much risk they want to retain and then pass on their remaining exposure to reinsurers in return for a premium.

- 'Other underwriting', which comprises excess of loss reinsurance ceded from the strategic business units to a cell of Brit Insurance (Gibraltar) PCC Limited and Life Syndicate 389.

- 'Other corporate', which is made up of residual income and expenditure not allocated to other segments.

Foreign exchange differences on non-monetary items are separately disclosed. This provides a fairer representation of the claims ratios and financial performance of the Strategic Business Units (SBUs) which would otherwise be distorted by the mismatch arising from IFRSs whereby unearned premium, reinsurer's share of unearned premium and deferred acquisition costs are treated as non-monetary items and the majority of other assets and liabilities are treated as monetary items. Non-monetary items are carried at historic exchange rates, while monetary items are translated at closing rates.

The Group investment return is managed centrally and an allocation is made to each of the strategic business units based on the average risk-free interest rate applied to the opening insurance funds of each strategic business unit. The annualised average risk-free rate applied to insurance funds was 1.5% for the six months ended 30 June 2015 (30 June 2014: 1.5%; 31 December 2014: 1.5%).

The ratios set out in the segmental analysis are calculated as follows:

- The claims ratio is calculated as claims incurred, net of reinsurance divided by earned premiums, net of reinsurance.

- The expense ratio is calculated as acquisition costs and other insurance-related expenses divided by earned premiums, net of reinsurance.

- The combined ratio is the sum of the claims and expense ratios.

Information regarding the Group's reportable segments is presented below.

(a) Statement of profit or loss by segment

6 months ended 30 June 2015

	Brit Global Specialty Direct US$m	Brit Global Specialty Reinsurance US$m	Other Underwriting US$m	Intra Group US$m	Total underwriting excluding the effect of foreign exchange on non-monetary items US$m	Effect of foreign exchange on non-monetary items US$m	Total underwriting after the effect of foreign exchange on non-monetary items US$m	Other corporate US$m	Total US$m
Gross premiums written	823.4	273.5	20.1	(20.1)	**1,096.9**	-	**1,096.9**	-	**1,096.9**
Less premiums ceded to reinsurers	(219.2)	(62.1)	(1.2)	20.1	**(262.4)**	-	**(262.4)**	-	**(262.4)**
Premiums written, net of reinsurance	604.2	211.4	18.9	-	**834.5**	-	**834.5**	-	**834.5**
Gross earned premiums	806.6	187.5	11.7	(11.7)	**994.1**	(15.0)	**979.1**	-	**979.1**
Reinsurers' share	(152.2)	(37.2)	0.1	11.7	**(177.6)**	2.3	**(175.3)**	-	**(175.3)**
Earned premiums, net of reinsurance	654.4	150.3	11.8	-	**816.5**	(12.7)	**803.8**	-	**803.8**
Investment return	13.1	5.1	-	-	**18.2**	-	**18.2**	(10.0)	**8.2**
Return on derivative contracts	-	-	-	-	**-**	-	**-**	16.2	**16.2**
Profit on disposal of asset held for sale	-	-	-	-	**-**	-	**-**	-	**-**
Other income	-	-	-	-	**-**	-	**-**	0.5	**0.5**
Total revenue	667.5	155.4	11.8	-	**834.7**	(12.7)	**822.0**	6.7	**828.7**
Gross claims incurred	(472.6)	(76.7)	(11.3)	8.1	**(552.5)**	-	**(552.5)**	-	**(552.5)**
Reinsurers' share	119.9	6.9	2.7	(10.4)	**119.1**	-	**119.1**	-	**119.1**
Claims incurred, net of reinsurance	(352.7)	(69.8)	(8.6)	(2.3)	**(433.4)**	-	**(433.4)**	-	**(433.4)**
Acquisition costs - commission	(186.8)	(26.7)	-	-	**(213.5)**	2.9	**(210.6)**	-	**(210.6)**
Acquisition costs - other	(37.5)	(7.7)	(2.1)	-	**(47.3)**	-	**(47.3)**	-	**(47.3)**
Other insurance related expenses	(35.7)	(10.1)	-	-	**(45.8)**	-	**(45.8)**	-	**(45.8)**
Other expenses	-	-	-	-	**-**	-	**-**	(27.0)	**(27.0)**
Net foreign exchange losses	-	-	-	-	**-**	(3.6)	**(3.6)**	(45.5)	**(49.1)**
Total expenses excluding finance costs	(612.7)	(114.3)	(10.7)	(2.3)	**(740.0)**	(0.7)	**(740.7)**	(72.5)	**(813.2)**
Operating profit/(loss)	54.8	41.1	1.1	(2.3)	**94.7**	(13.4)	**81.3**	(65.8)	**15.5**
Finance cos									**(10.2)**
Profit on ordinary activities before tax									**5.3**
Tax income									**1.1**
Profit attributable to owners of the parent									**6.4**
Claims ratio	53.9%	46.4%	105.9%		**53.1%**		**53.9%**		
Expense ratio	39.7%	29.6%	21.9%		**37.6%**		**37.8%**		
Combined ratio	93.6%	76.0%	127.7%		**90.6%**		**91.7%**		

6 months ended 30 June 2014

	Brit Global Specialty Direct US$m	Brit Global Specialty Reinsurance US$m	Other Underwriting US$m	Intra Group US$m	Total underwriting excluding the effect of foreign exchange on non-monetary items US$m	Effect of foreign exchange on non-monetary items US$m	Total underwriting after the effect of foreign exchange on non-monetary items US$m	Other corporate US$m	Total US$m
Gross premiums written	869.6	301.4	30.1	(30.1)	1,171.0	-	1,171.0	-	1,171.0
Less premiums ceded to reinsurers	(212.4)	(67.3)	(5.2)	30.1	(254.8)	-	(254.8)	-	(254.8)
Premiums written, net of reinsurance	657.2	234.1	24.9	-	916.2	-	916.2	-	916.2
Gross earned premiums	784.9	207.1	5.2	(5.5)	991.7	25.7	1,017.4	-	1,017.4
Reinsurers' share	(151.1)	(38.4)	(2.5)	5.5	(186.5)	(3.2)	(189.7)	-	(189.7)
Earned premiums, net of reinsurance	633.8	168.7	2.7	-	805.2	22.5	827.7	-	827.7
Investment return	14.4	6.7	0.1	-	21.2	-	21.2	62.8	84.0
Return on derivative contracts	-	-	-	-	-	-	-	17.5	17.5
Net foreign exchange gain	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-
Total revenue	648.2	175.4	2.8	-	826.4	22.5	848.9	80.3	929.2
Gross claims incurred	(423.5)	(86.3)	(2.7)	3.3	(509.2)	-	(509.2)	-	(509.2)
Reinsurers' share	104.1	14.5	0.8	(3.3)	116.1	-	116.1	-	116.1
Claims incurred, net of reinsurance	(319.4)	(71.8)	(1.9)	-	(393.1)	-	(393.1)	-	(393.1)
Acquisition costs - commission	(194.9)	(29.6)	-	-	(224.5)	(5.7)	(230.2)	-	(230.2)
Acquisition costs - other	(40.2)	(9.5)	(3.0)	-	(52.7)	-	(52.7)	-	(52.7)
Other insurance related expenses	(30.1)	(10.3)	-	-	(40.4)	-	(40.4)	-	(40.4)
Other expenses	-	-	-	-	-	-	-	(39.2)	(39.2)
Net foreign exchange losses	-	-	-	-	-	(13.0)	(13.0)	(46.0)	(59.0)
Total expenses excluding finance costs	(584.6)	(121.2)	(4.9)	-	(710.7)	(18.7)	(729.4)	(85.2)	(814.6)
Operating profit/(loss)	63.6	54.2	(2.1)	-	115.7	3.8	119.5	(4.9)	114.6
Finance costs									(11.9)
Profit on ordinary activities before tax									102.7
Tax expense									(8.2)
Profit attributable to owners of the parent									94.5
Claims ratio	50.4%	42.6%	68.8%		48.8%		47.5%		
Expense ratio	41.8%	29.3%	112.5%		39.5%		39.0%		
Combined ratio	92.2%	71.9%	181.3%		88.3%		86.5%		

12 months ended 31 December 2014

	Brit Global Specialty Direct US$m	Brit Global Specialty Reinsurance US$m	Other Underwriting US$m	Intra Group US$m	Total underwriting excluding the effect of foreign exchange on non-monetary items US$m	Effect of foreign exchange on non-onetary items US$m	Total underwriting after the effect of foreign exchange on non-monetary items US$m	Other corporate US$m	Total US$m
Gross premiums written	1,743.8	404.7	36.5	(36.5)	2,148.5	-	2,148.5	-	2,148.5
Less premiums ceded to reinsurers	(414.1)	(74.7)	(5.1)	36.5	(457.4)	-	(457.4)	-	(457.4)
Premiums written, net of reinsurance	1,329.7	330.0	31.4	-	1,691.1	-	1,691.1	-	1,691.1
Gross earned premiums	1,639.7	408.2	24.1	(24.1)	2,047.9	17.7	2,065.6	-	2,065.6
Reinsurers' share	(391.7)	(76.2)	(3.0)	24.1	(446.8)	(2.3)	(449.1)	-	(449.1)
Earned premiums, net of reinsurance	1,248.0	332.0	21.1	-	1,601.1	15.4	1,616.5	-	1,616.5
Investment return	27.4	11.9	0.2	-	39.5	-	39.5	76.2	115.7
Return on derivative contracts	-	-	-	-	-	-	-	12.0	12.0
Other income	-	-	-	-	-	-	-	0.8	0.8
Net foreign exchange gains	-	-	-	-	-	22.0	22.0	(0.7)	21.3
Total revenue	1,275.4	343.9	21.3	-	1,640.6	37.4	1,678.0	88.3	1,766.3
Gross claims incurred	(948.0)	(142.9)	(9.7)	16.3	(1,084.3)	-	(1,084.3)	-	(1,084.3)
Reinsurers' share	280.7	19.3	0.7	(16.3)	284.4	-	284.4	-	284.4
Claims incurred, net of reinsurance	(667.3)	(123.6)	(9.0)	-	(799.9)	-	(799.9)	-	(799.9)
Acquisition costs - commission	(383.5)	(58.2)	0.2	-	(441.5)	(3.8)	(445.3)	-	(445.3)
Acquisition costs - other	(77.3)	(15.3)	(4.3)	-	(96.9)	-	(96.9)	-	(96.9)
Other insurance related expenses	(69.7)	(24.8)	-	-	(94.5)	-	(94.5)	-	(94.5)
Other expenses	-	-	-	-	-	-	-	(61.4)	(61.4)
Total expenses excluding finance costs	(1,197.8)	(221.9)	(13.1)	-	(1,432.8)	(3.8)	(1,436.6)	(61.4)	(1,498.0)
Operating profit	77.6	122.0	8.2	-	207.8	33.6	241.4	26.9	268.3
Finance costs									(22.3)
Profit on ordinary activities before tax									246.0
Tax expense									(16.7)
Profit attributable to owners of the parent									229.3
Claims ratio	53.5%	37.2%	43.0%		50.0%		49.5%		
Expense ratio	42.5%	29.6%	19.5%		39.5%		39.4%		
Combined ratio	96.0%	66.8%	62.5%		89.5%		88.9%		

6 Investment return

6 Months ended 30 June 2015

	Investment income US$m	Net realised gains US$m	Net unrealised (losses)/ gains US$m	Total investment return US$m
Equity securities	**0.1**	**1.5**	**(0.2)**	**1.4**
Debt securities	**19.1**	**4.7**	**(25.9)**	**(2.1)**
Loan instruments	**4.7**	**1.5**	**3.4**	**9.6**
Specialised investment funds	**17.8**	**36.7**	**(50.6)**	**3.9**
Cash and cash equivalents	**0.3**	**-**	**-**	**0.3**
Total investment return before expenses	**42.0**	**44.4**	**(73.3)**	**13.1**
Investment management expenses	**(4.9)**	**-**	**-**	**(4.9)**
Total investment return	**37.1**	**44.4**	**(73.3)**	**8.2**

6 Months ended 30 June 2014

	Investment income US$m	Net realised gains US$m	Net unrealised gains/(losses) US$m	Total investment return US$m
Equity securities	0.5	2.0	0.7	3.2
Debt securities	22.9	3.0	3.0	28.9
Loan instruments	9.2	2.3	(1.0)	10.5
Specialised investment funds	16.0	3.7	27.4	47.1
Cash and cash equivalents	0.5	-	(0.2)	0.3
Total investment return before expenses	49.1	11.0	29.9	90.0
Investment management expenses	(6.0)	-	-	(6.0)
Total investment return	43.1	11.0	29.9	84.0

Year ended 31 December 2014

	Investment income US$m	Net realised gains US$m	Net unrealised (losses)/ gains US$m	Total investment return US$m
Equity securities	1.3	3.7	(1.0)	4.0
Debt securities	43.7	4.1	(8.3)	39.5
Loan instruments	16.2	2.8	(6.4)	12.6
Specialised investment funds	33.2	10.4	24.9	68.5
Cash and cash equivalents	1.2	-	-	1.2
Total investment return before expenses	95.6	21.0	9.2	125.8
Investment management expenses	(10.1)	-	-	(10.1)
Total investment return	85.5	21.0	9.2	115.7

7 Return on derivative contracts

	6 months ended 30 June 2015 US$m	6 months ended 30 June 2014 US$m	Year ended 31 December 2014 US$m
Interest rate swaps	**(0.7)**	9.5	10.8
Futures	**0.1**	0.2	(2.3)
Non-currency options	**-**	0.3	0.7
Investment related derivatives	**(0.6)**	10.0	9.2
Currency forwards	**16.8**	7.5	6.8
Currency options	**-**	-	(4.0)
Currency related derivatives	**16.8**	7.5	2.8
	16.2	17.5	12.0

8 Net foreign exchange (losses)/gains

The Group recognised foreign exchange losses of US$49.1m (30 June 2014: losses of US$59.0m; 31 December 2014: gains of US$21.3m) in the income statement in the period.

Foreign exchange gains and losses result from the translation of the balance sheet to closing exchange rates and the income statement to average exchange rates. However, as an exception to this, IAS 21 'The Effects of Changes in Foreign Exchange Rates' requires that net unearned premiums and deferred acquisition costs (UPR/DAC), being non-monetary items, remain at historic exchange rates. This creates a foreign exchange mismatch, the financial effects of which are shown in the table below.

	6 months ended 30 June 2015 US$m	6 months ended 30 June 2014 US$m	Year ended 31 December 2014 US$m
(Losses)/gains on foreign exchange arising from:			
Translation of the statement of financial position and income statement	**(45.5)**	(46.0)	(0.7)
Maintaining UPR/DAC items in the statement of financial position at historic rates	**(13.4)**	3.8	33.6
Maintaining UPR/DAC items in the income statement at historic rates	**9.8**	(16.8)	(11.6)
Net foreign exchange (losses)/gains	**(49.1)**	(59.0)	21.3

Principal exchange rates applied are set out in the table below.

	6 months ended 30 June 2015		6 months ended 30 June 2014		Year ended 31 December 2014	
	Average	**Closing**	Average	Closing	Average	Closing
Sterling	**0.656**	**0.636**	0.599	0.585	0.606	0.641
Canadian dollar	**1.235**	**1.248**	1.096	1.064	1.103	1.160
Euro	**0.897**	**0.898**	0.731	0.731	0.752	0.827
Australian dollar	**1.279**	**1.301**	1.090	1.059	1.109	1.224

In accordance with IAS 1 ‘Presentation of Financial Statement’, exchange gains and losses are presented on a net basis. They are reported within revenue where they result in a net gain and within expenses where they result in a net loss.

9 Acquisition costs and other operating expenses

	6 months ended 30 June 2015			6 months ended 30 June 2014			Year ended 31 December 2014		
	Acquisition costs US$m	**Other operating expenses US$m**	**Total US$m**	Acquisition costs US$m	Other operating expenses US$m	Total US$m	Acquisition costs US$m	Other operating expenses US$m	Total US$m
Salary, pension and social security costs	**24.8**	**28.9**	**53.7**	26.1	29.2	55.3	42.3	74.9	117.2
Other staff related costs	**0.6**	**4.1**	**4.7**	0.8	2.5	3.3	1.4	6.4	7.8
Accommodation costs	**2.8**	**3.1**	**5.9**	2.7	2.5	5.2	5.8	5.1	10.9
Legal and professional charges	**1.6**	**3.4**	**5.0**	1.5	2.5	4.0	2.8	7.9	10.7
IT costs	**0.4**	**9.2**	**9.6**	0.5	9.7	10.2	0.8	19.6	20.4
Travel and entertaining	**2.1**	**1.3**	**3.4**	2.2	1.3	3.5	4.6	3.1	7.7
Marketing and communications	**0.1**	**1.1**	**1.2**	0.2	0.8	1.0	0.3	1.7	2.0
Amortisation and impairment of intangible assets	**0.4**	**4.0**	**4.4**	0.7	3.8	4.5	1.2	8.3	9.5
Depreciation and impairment of property, plant and equipment	**0.2**	**1.2**	**1.4**	0.2	1.5	1.7	0.3	3.0	3.3
Regulatory levies and charges	**18.0**	**-**	**18.0**	19.9	-	19.9	35.1	-	35.1
Costs relating to initial public offering	**-**	**-**	**-**	-	23.0	23.0	-	22.6	22.6
Costs relating to acquisition by FFHL Group Limited	**-**	**13.3**	**13.3**	-	-	-	-	-	-
Other	**(3.7)**	**3.2**	**(0.5)**	(2.1)	2.8	0.7	2.3	3.3	5.6
Expenses before commissions	**47.3**	**72.8**	**120.1**	52.7	79.6	132.3	96.9	155.9	252.8
Commission costs	**210.6**	**-**	**210.6**	230.2	-	230.2	445.3	-	445.3
Total acquisition costs and other operating expenses	**257.9**	**72.8**	**330.7**	282.9	79.6	362.5	542.2	155.9	698.1

10 Tax income/(expense)

(a) Tax credited/(charged) to income statement

	6 months ended 30 June 2015 US$m	6 months ended 30 June 2014 US$m	Year ended 31 December 2014 US$m
Current tax:			
Current taxes on income for the period	**(1.3)**	(7.5)	(8.4)
Overseas tax on income for the period	**(3.2)**	(4.8)	(6.8)
	(4.5)	(12.3)	(15.2)
Double tax relief	**2.7**	4.3	5.8
Adjustments in respect of prior years	**(0.2)**	(0.2)	2.0
Total current tax	**(2.0)**	(8.2)	(7.4)
Deferred tax:			
Relating to the origination and reversal of temporary differences	**3.1**	(2.7)	(11.6)
Adjustments in respect of prior years	**-**	2.7	2.3
Total deferred tax	**3.1**	-	(9.3)
Total tax credited/(charged) to income statement	**1.1**	(8.2)	(16.7)

Overseas tax and the double tax relief principally arise from taxes suffered as a result of the Group's operations at Lloyd's. Double tax relief is effectively limited to an amount equal to the tax due at the UK tax rate on the same source of income.

(b) Tax (charged)/credited to other comprehensive income

	6 months ended 30 June 2015 US$m	6 months ended 30 June 2014 US$m	Year ended 31 December 2014 US$m
Current tax credit on actuarial gains/losses on defined benefit pension scheme	**-**	0.9	-
Deferred tax charge on actuarial gains/losses on defined benefit pension scheme	**(0.7)**	-	(0.1)
	(0.7)	0.9	(0.1)

11 Insurance and reinsurance contracts

Balances on insurance and reinsurance contracts

	30 June 2015 US$m	30 June 2014 US$m	31 December 2014 US$m
Gross:			
Insurance contracts			
Claims reported and loss adjustment expenses	**1,392.0**	1,670.3	1,426.4
Claims incurred but not reported	**1,869.7**	1,925.6	1,783.9
	3,261.7	3,595.9	3,210.3
Unearned premiums	**970.2**	1,005.9	852.4
Total gross liabilities	**4,231.9**	4,601.8	4,062.7
Recoverable from reinsurers:			
Reinsurance contracts			
Claims reported and loss adjustment expenses	**327.6**	315.8	338.1
Claims incurred but not reported	**383.6**	344.9	357.6
Impairment provision	**(1.0)**	(0.2)	(0.9)
	710.2	660.5	694.8
Unearned premiums	**213.4**	196.7	126.4
Total reinsurers' share of liabilities	**923.6**	857.2	821.2
Net:			
Claims reported and loss adjustment expenses	**1,064.4**	1,354.5	1088.3
Claims incurred but not reported	**1,486.1**	1,580.7	1426.3
Impairment provision	**1.0**	0.2	0.9
	2,551.5	2,935.4	2515.5
Unearned premiums	**756.8**	809.2	726.0
Total net insurance liabilities	**3,308.3**	3,744.6	3241.5

The net aggregate reserve releases from prior years amounted to US$8.9m (June 2014: US$21.0m; December 2014: US$53.0m). In part this arises from the Group's reserving philosophy which reflects a conservative best estimate, reserving prudently for the most recent years where the outcome is most uncertain, leaving a potential for subsequent release.

12 Financial Investments

	30 June 2015 US$m	30 June 2014 US$m	31 December 2014 US$m
Equity securities	**30.5**	52.0	42.4
Debt securities	**949.4**	1,728.3	1,537.5
Loan instruments	**42.1**	244.0	264.1
Specialised investment funds	**1,720.3**	1,635.1	1,681.3
	2,742.3	3,659.4	3,525.3

All financial investments have been designated as held at fair value through profit or loss.

12 Financial Investments (continued)

Basis for determining the fair value hierarchy of financial instruments

The Group has classified fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy comprises the following levels:

- Level one - quoted prices (unadjusted) in active markets for identical assets;
- Level two - inputs other than quoted prices included within Level one that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level three - inputs for the assets that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. The significance of an input is assessed against the fair value measurement in its entirety.

Assets are categorised as Level one where fair values determined in whole directly by reference to an active market. These relate to prices which are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis, i.e. the market is still active.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair values for Level two and Level three assets include:

- Values provided at the request of the Group by pricing services and which are not publicly available or values provided by external parties which are readily available but relate to assets for which the market is not always active; and
- Assets measured on the basis of valuation techniques including a varying degree of assumptions supported by market transactions and observable data.

For all assets not quoted in an active market or for which there is no active market, the availability of financial data can vary and is affected by a wide variety of factors, including the type of financial instrument, whether it is new and not yet established in the marketplace, and other characteristics specific to each transaction. To the extent that valuation is based on the models or inputs that are unobservable in the market, the determination of fair value requires additional judgement. Accordingly, the degree of judgement exercised is higher for instruments classified in Level three and the classification between Level two and Level three depends highly on the proportion of assumptions used, supported by market transactions and observable data.

Valuation techniques

Level one

Assets included in Level one are government bonds, treasury bills, exchange-traded funds which are measured based on quoted prices.

Level two

Level two securities contain investments in US and non-US government agency securities, US and non-US Corporate debt securities, loan instruments and specialised investment funds.

US and non-US government agency securities are priced using valuations from independent pricing vendors who use discounted cash flow models supplemented with market and credit research to gather specific information. US and non-US corporate debt securities are investment grade and the information collected during pricing of these instruments includes credit data as well as other observations from the market and the particular sector. Prices for all these securities are based on a limited number of transactions so they are derived indirectly using inputs that can be corroborated by observable market data.

Level two loan instruments consist primarily of below investment-grade debt of a wide variety of corporate issuers and industries. These instruments are mostly over the counter (OTC) traded. These instruments are priced using pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

At 31 December 2014, Level two structured products included certain Asset Back Securities (ABSs), Collateralised Mortgage Obligations (CMOs), Commercial Mortgage Backed Securities (CMBSs), Collateralised Loan Obligations (CLOs), Mortgage Backed Securities (MBSs) and Residential Mortgage Backed Securities (RMBSs). These structured products include pools of assets with a variety of underlying collateral. During pricing, the prepayment models might be adjusted for the underlying collateral and current price data, treasury curve, swap curve as well as the cash settlement. The Group has disposed of these investments in the six months ended 30 June 2015.

Level two specialised investment funds contain alternative and credit opportunities funds that are valued based on the underlying assets in the fund on a security by security basis. A number of direct and indirect inputs such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates and anticipated timing of principal repayments are considered during their valuation.

Level three

Level three securities contain investments in ABSs and RMBSs as well as investments in Insurance-Linked securities (ILS) and loan instruments.

Level three ABSs include debt securities backed by pools of loans with a variety of underlying collateral. These instruments are priced using unobservable inputs.

Level three RMBSs include non-agency RMBSs backed by non-conforming residential mortgages. Pricing models factor in interest rates, bond or credit swap spreads and volatility.

ILSs are financial instruments whose performance is primarily driven by insurance and/or reinsurance loss events. Instead of an active market, there is a secondary market existing for ILS contracts. Valuations of these securities require mark-to-market considerations when evaluating risk/return and pricing models use at least one significant input not being based on observable market data.

Level three loan instruments consist primarily of below investment-grade debt of a wide variety of corporate issuers and industries. These instruments are mostly OTC traded. These instruments are priced using unobservable inputs.

At 31 December 2014, Level three specialised investment funds included securities that are valued using techniques appropriate to each specific investment. The valuation techniques included fair value by reference to net asset values (NAVs) adjusted and issued by fund managers based on their knowledge of underlying investments and credit spreads of counterparties. The composition of the underlying assets in the funds has changed in the six months ended 30 June 2015, allowing the Group to designate these funds as Level two.

Disclosures of fair values in accordance with the fair value hierarchy

	30 June 2015			
	Level 1 US$m	**Level 2 US$m**	**Level 3 US$m**	**Total US$m**
Equity securities	**30.5**	**-**	**-**	**30.5**
Debt securities	**571.3**	**335.2**	**42.9**	**949.4**
Loan instruments	**-**	**31.8**	**10.3**	**42.1**
Specialised investment funds	**1,165.4**	**554.9**	**-**	**1,720.3**
	1,767.2	**921.9**	**53.2**	**2,742.3**

12 Financial Investments (continued)

	30 June 2014			
	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
Equity securities	52.0	-	-	52.0
Debt securities	467.9	784.5	475.9	1,728.3
Loan instruments	-	244.0	-	244.0
Specialised investment funds	1,343.9	119.0	172.2	1,635.1
	1,863.8	1,147.5	648.1	3,659.4

	31 December 2014			
	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
Equity securities	42.4	-	-	42.4
Debt securities	222.9	1,096.2	218.4	1,537.5
Loan instruments	-	257.7	6.4	264.1
Specialised investment funds	1,070.7	519.3	91.3	1,681.3
	1,336.0	1,873.2	316.1	3,525.3

Fair values are classified as level one when the financial instrument is actively traded and a quoted price is available. In accordance with the Group's policy, if an instrument classified asLlevel one subsequently ceases to be actively traded, it is immediately transferred out of Level one. In such cases, instruments are classified into Level two, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level three. All fair value measurements above are recurring as they are required to be measured and recognised at the end of each reporting period.

In the six months ended 30 June 2015, there were no transfers of financial assets or liabilities from fair value hierarchy Level one to Level two (30 June 2014: US$ nil; 31 December 2014: US$314.1m). There were US$1.8m of transfers from fair value hierarchy Level two to Level three (30 June 2014: US$33.1m; 31 December 2014: US$0.3m). There were transfers of US$91.2m from Level three to Level two in the period ended 30 June 2015 (30 June 2014: US$ nil; 31 December 2014: US$173.4m). The fair value hierarchy movement was due to a change in the composition of the underlying assets of these specialised investment funds from 31 December 2014 to 30 June 2015. The new securities have more observable inputs available for their valuation.

All unrealised losses of US$73.3m (30 June 2014: gains of US$29.9m; 31 December 2014: gains of US$9.2m) and realised gains of US$44.4m (30 June 2014: US$11.0m; 31 December 2014: US$21.0m) on financial investments held during the period, are presented in investment return in the consolidated income statement.

12 Financial Investments (continued)

Reconciliation of movements in Level 3 financial investments measured at fair value

	Debt securities US$m	Loan instruments US$m	Specialised investment funds US$m	Total US$m
At 1 January 2014	427.3	-	123.3	550.6
Transfers from/(to) Level 2	(137.0)	0.3	(36.4)	(173.1)
Total gains/(losses) recognised in the income statement	3.0	(0.2)	2.0	4.8
Purchases	33.5	6.5	6.1	46.1
Sales proceeds	(106.6)	-	(3.5)	(110.1)
Foreign exchange losses	(1.8)	(0.2)	(0.2)	(2.2)
At 31 December 2014	218.4	6.4	91.3	316.1
Transfers from/(to) Level 2	1.8	-	(91.2)	(89.4)
Total gains recognised in the income statement	0.9	-	(0.1)	0.8
Purchases	25.5	8.3	-	33.8
Sales proceeds	(202.8)	(4.4)	-	(207.2)
Foreign exchange losses	(0.9)	-	-	(0.9)
At 30 June 2015	**42.9**	**10.3**	**-**	**53.2**

Total net gains recognised in the income statement under 'investment return' in respect of Level three financial investments for the period amounted to US$0.8m (30 June 2014: US$9.9m; 31 December 2014: US$4.8m). Included in this balance are US$1.0m unrealised gains (30 June 2014: US$5.7m; 31 December 2014: US$1.2m) attributable to assets still held at the end of the period.

Sensitivity of Level three financial investments measured at fair value to changes in key assumptions

The following table shows the sensitivity of the fair value of Level three financial investments to changes in key assumptions.

	30 June 2015		30 June 2014		31 December 2014	
	Carrying amount US$m	**Effect of possible alternative assumptions (+/-) US$m**	Carrying amount US$m	Effect of possible alternative assumptions (+/-) US$m	Carrying amount US$m	Effect of possible alternative assumptions (+/-) US$m
Debt securities and loan instruments	**53.2**	**1.6**	475.	21.5	224.	7.2
Specialised investment funds	**-**	**-**	172.	8.6	91.	2.0
	53.2		648.		316.	

In order to determine reasonably possible alternative assumptions, the Group adjusted key unobservable model inputs as follows:

- For debt securities, the Group adjusted, dependent on the type and valuation methodology of the investment, key variables including the probability of spread movements, leverage ratio changes and changes in mortgage default rates used in the models.

- For specialised investment funds, the assumptions have been adjusted by between 5% and 8% as determined by historic movements in volatility of valuations or price changes in the underlying investments.

13 Derivative contracts

Derivative contract assets	**30 June 2015 US$m**	30 June 2014 US$m	31 December 2014 US$m
Currency forwards	**9.9**	6.5	8.5
Options	**3.8**	4.1	3.7
Interest rate swaps	**-**	4.1	-
	13.7	14.7	12.2

Derivative contract liabilities	**30 June 2015 US$m**	30 June 2014 US$m	31 December 2014 US$m
Currency forwards	**3.5**	7.4	2.2
Options	**-**	0.2	2.0
Interest rate swaps	**-**	2.1	-
	3.5	9.7	4.2

Disclosures of fair values in accordance with the fair value hierarchy

	30 June 2015			
	Level 1 US$m	**Level 2 US$m**	**Level 3 US$m**	**Total US$m**
Derivative contract assets	**-**	**9.9**	**3.8**	**13.7**
Derivative contract liabilities	**-**	**3.5**	**-**	**3.5**

	30 June 2014			
	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
Derivative contract assets	-	10.6	4.1	14.7
Derivative contract liabilities	-	9.5	0.2	9.7

	31 December 2014			
	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
Derivative contract assets	-	8.5	3.7	12.2
Derivative contract liabilities	-	4.2	-	4.2

Valuation techniques

Level one

Futures contracts are ‘forward-based’ derivative contracts that are standardised, transferable and exchange-traded, and therefore quoted prices are available in an active market.

Level two

The fair value of the interest rate swaps are determined using pricing models based on observable market data such as prices of instruments with similar maturities and characteristics, interest rate yield curves and measures of interest rate volatility. The value is adjusted to reflect the credit risk of the counterparty.

The valuation technique used to determine the fair value of forward contracts is derived from observable inputs such as active foreign-exchange and interest-rate markets that may require adjustments for certain unobservable inputs.

13 Derivative contracts (continued)

Level three

The valuation technique to measure the fair value of options is to use pricing models which require market-based inputs such as expected volatility, expected dividend yield and the risk-free rate of interest.

Reconciliation of movements in Level three derivative contracts measured at fair value

	Options US$m
At 1 January 2014	3.3
Purchases	0.2
Total gains recognised in the income statement	0.2
At 31 December 2014	3.7
Total gains recognised in the income statement	0.1
At 30 June 2015	3.8

14 Share Capital

	30 June 2015 US$m	30 June 2014 US$m	31 December 2014 US$m	30 June 2015 1p each Number	30 June 2014 1p each Number	31 December 2014 1p each Number
Ordinary shares:						
Allotted, Issued and fully paid	**6.6**	6.6	6.6	**401,057,706**	400,452,960	400,452,960

	US$m	Number
As at 31 December 2014	6.6	400,452,960
Shares issued in respect of share based incentive schemes at nominal value	-	604,746
As at 30 June 2015	**6.6**	**401,057,706**

On 29 June 2015, 120,000,000 shares were reclassified as class A shares and the remainder reclassified as class B shares. The class A and B shares rank *pari passu* except that on a distribution of profits by the Company, the class A shareholders are entitled to a cumulative annual dividend which must be settled ahead of any equivalent distribution to class B shareholders.

15 Cash flows provided by operating activities

	6 months ended 30 June 2015 US$m	6 months ended 30 June 2014 US$	Year ended 31 December 2014 US$
Profit on ordinary activities before tax	**5.3**	**102.7**	**246.0**
Adjustments for non-cash movements:			
Realised and unrealised losses/(gains) on investments	**28.9**	**(40.9)**	**(30.2)**
Realised and unrealised gains on derivatives	**(16.2)**	**(17.5)**	**(12.0)**
Amortisation of intangible assets	**4.4**	**4.5**	**9.4**
Depreciation of property, plant and equipment	**1.4**	**1.7**	**3.3**
Foreign exchange losses/(gains) on cash and cash equivalents	**2.2**	**5.6**	**(8.7)**
Charges to equity in respect of employee share schemes	**4.5**	**0.4**	**1.0**
Interest income	**(23.5)**	**(43.9)**	**(61.4)**
Dividend income	**(18.5)**	**(5.2)**	**(34.2)**
Foreign currency translation reserve transferred to profit on liquidation of subsidiaries	**5.2**	**-**	**-**
Finance costs on borrowing	**10.2**	**11.9**	**22.3**
Movement in operating assets and liabilities:			
Deferred acquisition costs	**(25.1)**	**(24.0)**	**(14.2)**
Insurance and other receivables excluding accrued income	**(321.0)**	**(316.8)**	**(120.5)**
Insurance and reinsurance contracts	**66.8**	**76.5**	**(108.9)**
Financial investments	**754.1**	**194.0**	**(15.7)**
Derivative contracts	**14.0**	**15.4**	**6.3**
Insurance and other payables	**84.9**	**113.0**	**52.3**
Employee benefits	**(0.8)**	**(0.8)**	**(9.1)**
Provisions	**-**	**(0.5)**	**(0.8)**
Cash flows provided by operating activities	**576.8**	**76.1**	**(75.1)**

16 Acquisitions

On 1 June 2014 the Group acquired an aviation underwriting and claims team from QBE Underwriting Limited. The Group purchased this team and the renewal rights to their London based dedicated Lloyd's aviation business through a cash payment of US$2.0m and a further US$1.4m of estimated deferred consideration. This has been recognised as a renewal right intangible asset of US$3.4m.

17 Related party transactions

Principal investors

(a) Apollo and CVC investment funds

On 5 June 2015, the principal investors in Brit Limited, Apollo and CVC investment funds, sold their entire investment holding to FFHL Group Limited, a subsidiary of Fairfax Financial Holdings Limited. In the period up until 5 June 2015, the Group paid investment management fees to Apollo and CVC affiliated investment funds as follows:

	Period ended 5 June 2015 US$m	6 months ended 30 June 2014 US$m	Year ended 31 December 2014 US$m
Apollo Capital Management, LP	**0.5**	0.3	1.0
Athene Asset Management, LLC	**1.1**	0.4	1.7
CVC Credit Partners, LLC	**0.2**	0.2	0.3
	1.8	0.9	3.0

The Group has made investments in Apollo and CVC investments funds whilst they were related parties as follows:

	5 June 2015 US$m	30 June 2014 US$m	31 December 2014 US$m
Apollo Offshore Credit Strategies Fund	**42.6**	22.2	42.4
CVC Credit Partners European Opportunities Fund	**12.0**	16.2	23.9
	54.6	38.4	66.3

(b) Fairfax Financial Holdings Limited

The Group has historically entered into various reinsurance arrangements with Fairfax Financial Holdings Limited and its affiliates. In June 2015, Hamblin Watsa Investment Counsel Limited, an affiliate of Fairfax Financial Holdings Limited, was appointed as an investment manager to a number of Group companies.

The amounts included in the income statement relating to trading with Fairfax Financial Holdings Limited and its affiliates for the period from 5 June 2015 to 30 June 2015 were as follows:

	Period from 5 June to 30 June 2015 US$m
Gross premiums written	**1.5**
Premiums ceded to reinsurers	**(1.4)**
	0.1

The amounts included in the statement of financial position outstanding with Fairfax Financial holdings Limited and its affiliates as at 30 June 2015 were as follows:

	30 June 2015 US$m
Debtors arising out of reinsurance operations	**6.1**
Creditors arising out of reinsurance operations	**(12.2)**
	(6.1)

Company information

Directors

Dr Richard Ward (Chairman)
Mark Cloutier (Chief Executive Officer)
Matthew Wilson (Chief Underwriting Officer and Deputy Chief Executive Officer)
Ipe Jacob (Independent Non-Executive Director)

Secretary

David Gormley

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SEEING THE DIFFERENCE **MAKES THE DIFFERENCE**