BRIT

BRIT LIMITED Interim Report 2016

SEEING THE DIFFERENCE **MAKES THE DIFFERENCE**

Contents

Key points

A SOUND RESULT IN A CHALLENGING ENVIRONMENT

- Gross written premiums of US$1,030.6m (2015: US$1,096.9m), a decrease at constant exchange rates of 4.9%.
- Net earned premium[1] decreased by 6.8% at constant exchange rates to US$751.8m (2015: US$816.5m).
- Combined ratio[1] of 96.5% (2015: 90.6%), including 4.0 percentage points of major losses (2015: nil) and despite further rate decreases from the ongoing challenging rating environment.
- Operating profit before FX and corporate activity costs of US$198.5m (2015: US$70.9m).
- Profit after tax of US$197.6m (2015: US$6.4m).
- Investment return[2] after fees for the period of US$180.8m, representing a non-annualised return of 4.6% (2015: US$7.6m/0.2%).
- RoNTA[3] (non-annualised) of 16.1% (2015: 5.6%).
- Adjusted net tangible assets[4] increased to US$1,241.4m (31 December 2015: US$1,074.3m), after a dividend payment of US$26.1m in April 2016.
- Continued execution of strategy to deliver opportunity-driven profitable growth, with considered expansion in a number of areas of our book including US marine and Latin American engineering business, the successful opening of our Singapore office and the launch of a number of initiatives across both underwriting and claims.

Brit at a Glance

We are a market-leading global specialty (re)insurer and the largest business that trades solely on the Lloyd's of London platform, the world's leading specialist commercial insurance market. We provide highly specialised insurance products to support our clients across a broad range of complex risks, with a strong focus on property, energy and casualty business.

We operate globally via a combination of our own international distribution network that benefits from Lloyd's global licences and our broker partners. Our underwriting capabilities are underpinned by a strong financial position and our commitment to deliver superior returns to our shareholders.

We have a strong track record and are passionate about our business, our people and our clients and we have focused on cultivating a franchise that is built on delivering exceptional service. Our culture is centred on achievement and we have established a framework that identifies and rewards strong performance.

Brit is a member of the Fairfax Financial Holdings Limited group of companies (Fairfax). The Fairfax financial result for the six months ended 30 June 2016, which included the Brit financial result, was published on 28 July 2016.

www.britinsurance.com

Disclaimer

This press release does not constitute or form part of, and should not be construed as, an offer for sale or subscription of, or solicitation of any offer or invitation or advice or recommendation to subscribe for, underwrite or otherwise acquire or dispose of any securities (including share options and debt instruments) of the Company nor any other body corporate nor should it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever which may at any time be entered into by the recipient or any other person, nor does it constitute an invitation or inducement to engage in investment activity under Section 21 of the Financial Services and Markets Act 2000 (FSMA). This document does not constitute an invitation to effect any transaction with the Company or to make use of any services provided by the Company. Past performance cannot be relied on as a guide to future performance.

Interim Management Report

Officer statements

‘Brit has delivered a sound performance in the first half of 2016. Our non-annualised return on adjusted net tangible assets before FX, which we see as a key indicator of our performance, increased significantly to 16.1%. This was driven by the combination of a continuing contribution from underwriting results, under difficult circumstances, and a very strong performance from our investment portfolio.

Focused and disciplined underwriting remains at the heart of our strategy and, in H1 2016, we reported a combined ratio of 96.5%, including 4.0 percentage points attributable to major losses. This was a solid result in today’s challenging environment, as we continue to see pressure on pricing and an increasingly complex marketplace in terms of capacity, distribution and regulation.

During 2016, we have maintained our strategy of building our platform through the addition of specialty underwriting talent in targeted areas. We have also launched a number of initiatives, demonstrating our commitment to innovating new products that address real client needs, both in terms of the cover we offer and the claims service we provide. Our international distribution capabilities also continue to expand, with our new Singapore service company starting to write business in the period and with a significant strategic investment in Camargue Underwriting Managers, a Lloyd’s coverholder and one of South Africa's leading providers of specialised insurance products.

Following the rebalancing of our investment portfolio in 2015, we have adopted a defensive strategy which takes a long term view on markets. We are pleased this strategy has resulted in a non-annualised return of 4.6% in the period, primarily driven by contraction in the US yield curve, giving rise to mark to market gains on our long dated treasuries.

The medium and long-term ramifications of the UK’s vote to leave the EU will take some time to assess. Our focus remains on putting our clients first. Their needs will remain at the core of everything we do, and we will continue to manage our business with this in mind. We will continue to monitor developments and work to minimise the impact on Brit and our clients and to take advantage of opportunities as they arise.

Looking forward, we believe we have the right operating model, underwriting approach and corporate culture to continue to drive success in this challenging trading environment, underpinned by the supportive and stable long-term platform we enjoy as a member of the Fairfax family.’

Mark Cloutier
Group Chief Executive Officer
28 July 2016

‘Market conditions have, as expected, remained difficult during the first half of 2016, with the industry experiencing continued pressure on premium rates. Against this backdrop with increased catastrophe activity, we delivered a respectable combined ratio of 96.5%, including 4.0 percentage points attributable to major losses.

Brit experienced an expected overall rate reduction of 3.7%, lower than the 4.2% reduction experienced in H1 2015. This reduction was strongly influenced by reinsurance business which experienced rate reductions of 5.5%, while rates for Brit Global Specialty Direct business were more resilient, falling by 3.2%. We have maintained our rigorous risk selection in the classes experiencing pressure and continue to focus on growth in classes experiencing more favourable rating conditions.

It is pleasing to have seen a number of initiatives successfully launched during the period, and pleasing to see those initiated in recent years delivering profitable premium growth for the Group. In the current environment, we believe this proactive approach and emphasis on innovation is an important complement to our highly disciplined underwriting. More broadly, we continue to look at new opportunities as they arise and, looking ahead, we believe our clearly defined underwriting approach and opportunity driven growth strategy will allow us to navigate the ongoing challenging conditions.’

Matthew Wilson
Deputy Group Chief Executive Officer
28 July 2016

Performance summary and Key performance indicators

	6 months ended 30 June 2016 US$m	6 months ended 30 June 2015 US$m	Year ended 31 December 2015 US$m
Performance summary			
Gross written premium	**1,030.6**	1,096.9	1,999.2
Net earned premium[1]	**751.8**	816.5	1,649.6
Underwriting profit[1]	**26.5**	76.5	137.0
Investment return[2]	**180.8**	7.6	5.0
Corporate expenses	**(10.7)**	(13.7)	(30.0)
Other items	**1.9**	0.5	0.3
Operating profit before FX and corporate activity costs	**198.5**	70.9	112.3
Return on associated undertakings	**1.2**	-	-
Finance costs	**(10.1)**	(10.2)	(20.6)
FX movements[3]	**29.7**	(42.1)	(60.2)
Corporate activity costs[4]	**-**	(13.3)	(23.8)
Profit on ordinary activities before tax	**219.3**	5.3	7.7
Tax	**(21.7)**	1.1	7.9
Profit for the period (after tax)	**197.6**	6.4	15.6
Adjusted net tangible assets[5]	**1,241.4**	1,074.3	1,074.7
Key performance indicators			
Return on net tangible assets before FX movements and corporate activity costs (RoNTA)[6]	**16.1%**	5.6%	9.1%
Total value created (US$m)	**US$192.8m**	US$20.6m	US$19.2m
Combined ratio[1]	**96.5%**	90.6%	91.7%
Investment return (net of external investment related expenses)[7]	**4.6%**	0.2%	0.1%
Capital ratio	**149.5%**	127.7%	128.2%

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$61.9m),foreign exchange on non-monetary items (US$0.4m) and return on FX related derivatives (US$(32.6)m).
4 Corporate activity costs during 2015 relate to costs incurred as a result of the acquisition of Brit by Fairfax.
5 Adjusted net tangible assets are defined as total equity, less intangible assets net of the deferred tax liability on those intangible assets.
6 RoNTA calculation excludes all FX movements (footnote 3) and transaction related expenses. Based on adjusted net tangible assets (footnote 5). The 30 June figures are non-annualised.
7 The 30 June figures are non-annualised.

Overview of Results

Brit Limited's ('Brit' or 'the Group') strong result for the six months ended 30 June 2016 reflects a solid underwriting performance, excellent investment return and positive FX movements.

Operating profit before FX movements and corporate activity costs for the six month period totalled US$198.5m (30 June 2015: US$70.9m; 31 December 2015: US$112.3m). Profit before tax for the period was US$219.3m (30 June 2015: US$5.3m; 31 December 2015: US$7.7m) and profit after tax was US$197.6m (30 June 2015: US$6.4m; 31 December 2015: US$15.6m).

Non-annualised return on net tangible assets (RoNTA), excluding the effects of FX and transaction expenses, was 16.1% (30 June 2015: 5.6%; 31 December 2015: 9.1%).

The combined ratio (CoR), our key underwriting metric, for the six months ended 30 June 2016 was 96.5% (30 June 2015: 90.6%; 31 December 2015: 91.7%), a solid result against a backdrop of increasing competition, pricing pressures and increased major loss activity. The attritional loss ratio was 55.1% (30 June 2015: 54.2%; 31 December 2015: 55.2%), reflecting rating pressure and changes to mix. Major loss activity contributed 4.0 percentage points (pps) to the ratio (30 June 2015: nil; 31 December 2015: nil) while reserve releases of US$22.2m reduced the ratio by 3.0 pps (30 June 2015: US$9.0m/1.1pps; 31 December 2015: US$28.6m/1.7pps).

The aggregated return on invested assets, net of expenses, for the six months ended 30 June 2016 was an excellent US$180.8m, representing a non-annualised return of 4.6% (30 June 2015: US$7.6m/0.2%; 31 December 2015: US$5.0m/0.1%). Foreign exchange gains, net of returns on FX related derivatives, totalled US$29.7m (30 June 2015: loss of US$42.1m; 31 December 2015: loss of US$60.2m).

Adjusted net tangible assets totalled US$1,241.4m (30 June 2015: US$1,074.3m; 31 December 2015: US$1,074.7m), an increase of 15.5% in the six months to 30 June 2016. The 30 June 2016 figure is after a dividend payment of US$26.1m in April 2016.

Outlook

As expected, 2016 has seen the further softening of rates and a continued challenging underwriting environment, combined with exceptionally low interest rates, geopolitical uncertainty, global growth concerns and market volatility.

We continue to focus on our core fundamentals of underwriting discipline, risk selection and capital management. We also continue to make good progress with the selective expansion of our global distribution capability and the launch of innovative new products that address real client needs.

Our position as the largest Lloyd's-only insurance business, with the right platform and business mix and backed by the Fairfax group, continues to position us well in the depressed rating and low yield environment.

Underwriting

Overview

Our underwriting profit for the period amounted to US$26.5m (30 June 2015: US$76.5m; 31 December 2015: US$137.0m) and our combined ratio, which excludes the effect of foreign exchange on non-monetary items, was 96.5% (30 June 2015: 90.6%; 31 December 2015: 91.7%). The premiums, claims and expenses components of this result are examined below.

Premiums

	6 months ended 30 June 2016 US$m	**6 months ended 30 June 2015 US$m**	**Decrease %**	**Decrease at constant FX rates %**
Brit Global Specialty Direct	**779.9**	823.4	5.3	4.0
Brit Global Specialty Reinsurance	**250.9**	273.5	8.3	7.6
Other	**(0.2)**	-	-	-
Group	**1,030.6**	1,096.9	6.0	4.9

Gross written premium (GWP) for the six months ended 30 June 2016 decreased by 6.0% to US$1,030.6m (30 June 2015: US$1,096.9m; 31 December 2015: US$1,999.2m). At constant exchange rates the movement was a decrease of 4.9%. Direct business totalled US$779.9m (30 June 2015: US$823.4m; 31 December 2015: US$1,634.0m) and reinsurance US$250.9m (30 June 2015: US$273.5m; 31 December 2015: US$365.1m).

The drivers of the reduction between the six months ended 30 June 2016 and 30 June 2015 are explained further below:

- The Group's underwriting initiatives, launched in 2014 and 2015, resulted in a US$22.2m increase in GWP. The main contributors were BGSU (in particular general liability, inland marine and healthcare), engineering CPE and property UK;
- A reduction in the effect of prior year premium development; while still positive, the favourable development was US$43.9m lower in 2016 than in 2015;
- Other reductions of US$31.5m, driven rate changes and some reductions in areas where rate adequacy is under most pressure, including property PRV, energy, aviation and reinsurance, partly offset by premium increases in a number of classes including property facilities, property financial, 'cyber, privacy and technology' and structured risks; and
- A negative exchange rate movement effect of US$13.1m, reflecting the movements during 2016 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 which remains challenging, with overall risk adjusted premium rates decreasing in line with expectations by 3.7% (30 June 2015: 4.2% decrease; 31 December 2015: 4.1% decrease). This reduction was strongly influenced by reinsurance business which experienced rate reductions of 5.5%, while rates for Brit Global Specialty Direct business were more resilient, falling by 3.2%.

The Group retention rate for the period was a significant positive, in line with the previous year's experience at 82.9% (30 June 2015: 82.7%; 31 December 2015: 82.4%), reflecting the continued focus on our core accounts and our strong market proposition.

Outwards reinsurance

Reinsurance expenditure in the six months ended 30 June 2016 was US$272.9m or 26.5% of GWP (30 June 2015: US$262.4m/23.9%; 31 December 2015: US$369.4m/21.3%). At constant exchange rates the increase was 5.6%.

The increase in expenditure is principally driven by the increased use of quota shares to manage our net exposure, partially offset by savings on other areas of the programme.

Net earned premium

Net earned premium (NEP) excluding the effects of foreign exchange on non-monetary items, decreased by 7.9% to US$751.8m (30 June 2015: US$816.5m; 31 December 2015: US$1,649.6m). At constant exchange rates the decrease was 6.8%.

This decrease in NEP arose from a combination of factors including the year on year contraction of current year written premium, additional proportional reinsurance placements and a reduced level of favourable prior year premium development.

Claims

Claims experience in the six months to 30 June 2016 was in line with expectations. The claims ratio excluding the effect of foreign exchange on non-monetary items was 56.1% (30 June 2015: 53.1%; 31 December 2015: 53.5%).

Claims ratio analysis	**6 months ended 30 June 2016 %**	**6 months ended 30 June 2015 %**	**Year ended 31 December 2015 %**
Attritional claims ratio	**55.1**	54.2	55.2
Major loss ratio	**4.0**	-	-
Reserve release ratio	**(3.0)**	(1.1)	(1.7)
Claims ratio	**56.1**	53.1	53.5

The attritional claims ratio for the period increased to 55.1% (30 June 2015: 54.2%; 31 December 2015: 55.2%). This expected deterioration arose from a combination of factors including rate change (most notably on energy, property PRV, aviation and treaty classes), an element of mix as lower loss ratio classes contracted due to market conditions and some pressure from attritional claims experience principally on the energy, accident and health and aviation divisions.

The first half of 2016 saw increased catastrophe activity and the Group incurred claims of US$30.0m in respect of major losses (30 June 2015: US$nil; 31 December 2015: US$nil), reflecting losses arising from the Alberta Wildfires (US$23.1m), Japanese earthquake (US$3.3m) and the Houston Floods (US$3.6m). This major loss activity contributed 4.0 percentage points to the claims ratio.

As part of our quarterly reserving process, we released US$22.2m of claims reserves established for prior year claims, the equivalent of a combined ratio reduction of 3.0 percentage points (30 June 2015: US$8.9m/1.1%; 31 December 2015: US$28.6m/1.7%). The main drivers of this release were the reinsurance classes, property PRV 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 40.4% (30 June 2015: 37.6%; 31 December 2015: 38.2%). 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$209.0m and the commission expense ratio was 27.8% (30 June 2015: US$213.5m/26.2%; 31 December 2015: US$429.2m/26.0%). The increase was largely due to lower NEP and changes in business mix, including increased binder business; and
- Underwriting related operating expenses for the period, excluding the effect of foreign exchange on non-monetary items, were US$94.3m and the operating expense ratio was 12.6% (30 June 2015: US$93.1m/11.4%; 31 December 2015: US$201.4m/12.2%).

Investments

The aggregated return on invested assets (cash and cash equivalents, investments and investment related derivatives), net of expenses, for the six months ended 30 June 2016 was US$180.8m or 4.6% non-annualised (30 June 2015: US$7.6m/0.2%; 31 December 2015: US$5.0m/0.1%). The investment result was primarily driven by contraction in the US yield curve, giving rise to mark to market gains on the long dated treasuries. These gains were partly offset by losses on equities and investment related derivatives.

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

Investment return	**6 months ended 30 June 2016 US$m**	**6 months ended 30 June 2015 US$m**	**Year ended 31 December 2015 US$m**
Income	**39.6**	42.0	72.7
Released gains	**10.1**	44.4	58.0
Unrealised gains/(losses)	**151.6**	(73.3)	(108.5)
Investment return before fees	**201.3**	13.1	22.2
Investment management expenses	**(6.5)**	(4.9)	(11.9)
Investment return net of fees	**194.8**	8.2	10.3
Investment related derivative return	**(14.0)**	(0.6)	(5.3)
Total return	**180.8**	7.6	5.0
Total return	**4.6%[1]**	0.2%[1]	0.1%

1 Non-annualised.

Invested assets at 30 June 2016 totalled US$4,037.5m (30 June 2015: US$3,698.5m; 31 December 2015: US$3,973.9m). The Group's asset allocation, on a look-through basis, is set out in the table below:

Invested assets	**6 months ended 30 June 2016 US$m**	**6 months ended 30 June 2015 US$m**	**Year ended 31 December 2015 US$m**
Government debt securities	**2,605.2**	1,689.5	2,456.8
Corporate debt securities	**541.5**	417.8	404.0
Structured products	**22.3**	78.1	44.6
Loan instruments	**57.7**	71.5	23.4
Equity securities	**286.6**	38.2	305.4
Alternative investments	**1.0**	160.9	77.0
Cash and cash equivalents	**498.7**	1,234.0	637.1
Derivatives (investment related)	**24.5**	8.5	25.6
Total invested assets	**4,037.5**	3,698.5	3,973.9

The portfolio remains defensively positioned with a large allocation to cash and cash equivalents (US$498.7m) and fixed income securities (US$3,146.7m). Brit's equity allocation stands at US$286.6m. Brit has in place equity put options and ten year inflation floors to protect the portfolio.

At 30 June 2016, 86.9% of our invested assets were investment grade quality (31 December 2015: 87.8%).

Foreign exchange

We manage our currency exposures to mitigate their impact on solvency rather than to achieve a short-term impact on earnings. We experienced a total foreign exchange gain of US$29.7m in the six months ended 30 June 2016 (30 June 2015: loss of US$42.1m; 31 December 2015: loss of US$60.2m). This total foreign exchange related gain comprised:

- An unrealised revaluation gain of US$61.8m (30 June 2015: loss of US$45.5m; 31 December 2015: US$85.4m), primarily relating to the mark to market of the capital we hold in non-US dollar currencies to match our risk exposures. The gain primarily results from the strengthening of the US dollar against Sterling (where we had a short position during the period) and the weakening of the US dollar against the Euro, the Canadian dollar and the Australian dollar;
- A loss of US$32.6m (30 June 2015: gain of US$16.8m; 31 December 2015: gain of US$45.0m) on derivative contracts which were entered into to help manage the Group's FX exposures and therefore should be viewed in conjunction with our monetary FX movements; and

- An accounting gain of US$0.5m (30 June 2015: loss of US$13.4m; 31 December 2015: loss of US$19.8m), as a result of the IFRS requirement to recognise non-monetary assets and liabilities at historic exchange rates. This adjustment is essentially a timing difference. The adjustment for the six months ended 30 June 2016 comprises the un-wind of the credit carried on the balance sheet at 31 December 2015 (US$3.6m), plus the credit balance established during 2016 (US$3.1m).

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

Foreign exchange gains and (losses)	**6 months ended 30 June 2016 US$m**	**6 months ended 30 June 2015 US$m**	**Year ended 31 December 2015 US$m**
Net change in unearned premium provision - non-monetary FX effect	**7.2**	(12.7)	(11.5)
Acquisition costs - non-monetary FX effect	**(3.7)**	2.9	2.2
Net foreign exchange (losses)/gains - non-monetary[1]	**(3.0)**	(3.6)	(10.5)
	0.5	(13.4)	(19.8)
Net foreign exchange losses - monetary[1]	**61.8**	(45.5)	(85.4)
Return on derivative contracts - FX related instruments	**(32.6)**	16.8	45.0
	29.2	(28.7)	(40.4)
Total (loss)/gain	**29.7**	(42.1)	(60.2)

1 The sum of these two amounts, US$58.8m, is the 'Net foreign exchange losses' figure per the condensed consolidated income statement.

Expenses

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

Expense analysis	**6 months ended 30 June 2016 US$m**	**6 months ended 30 June 2015 US$m**	**Year ended 31 December 2015 US$m**
Underlying operating expenses[1]	**105.9**	109.4	231.8
Project costs, timing differences and other expense adjustments	**0.2**	(2.6)	0.1
Expenses before transaction related costs	**106.1**	106.8	231.9
Transaction related costs[2]	**-**	13.3	23.8
Total operating expenses	**106.1**	120.1	255.7

1 Includes bonus provisions.
2 Transaction related expenses relate to the acquisition of Brit by Fairfax.

Underlying operating expenses during the six months ended 30 June 2016 decreased by 3.2% to US$105.9m (30 June 2015: US$109.4m; 31 December 2015: US$231.8m). 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, accommodation costs and regulatory levies.

The disclosure of operating expenses within the consolidated income statement is as follows:

Disclosure of operating expenses	**6 months ended 30 June 2016 US$m**	**6 months ended 30 June 2015 US$m**	**Year ended 31 December 2015 US$m**
Acquisition costs	**50.2**	47.3	100.1
Other operating expenses	**55.9**	72.8	155.6
Total operating expenses	**106.1**	120.1	255.7

Tax

Our tax on ordinary activities for 2016 resulted in a tax expense of US$21.7m (30 June 2015: income of US$1.1m; 31 December 2015: income of US$7.9m), based on a group profit before tax of US$219.3m (30 June 2015: US$5.3m; 31 December 2015: US$7.7m).

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. A tax charge is calculated in each legal entity across the Group and then consolidated. Therefore, the Group's 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.

The 2016 Group rate varies from the weighted average rate in those jurisdictions for a number of factors. The principal factor is the impact of the exempt income, such as dividend income. The rate is further influenced by non-UK taxes arising in our Lloyd's syndicate.

Balance sheet and capital strength

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.

Our capabilities and ambition are underpinned by our strong financial position. At 30 June 2016, our adjusted net tangible assets totalled US$1,241.4m (30 June 2015: US$1,074.3m; 31 December 2015: US$1,074.7m), an increase of 15.5% in the period. During the six months ended 30 June 2016, we paid a dividend of US$26.1m.

Our group capital resources at 30 June 2016 totalled US$1,645.8m, giving surplus management capital of US$545.1m or 49.5% (30 June 2015: US$467.0m/41.3%; 31 December 2015: US$329.5m/28.2%) over our Group management capital requirement of US$1,100.7m.

Brit has in place a US$360.0m revolving credit facility which expires on 31 December 2018. At 30 June 2016 the only drawing on the facility was a US$80.0m letter of credit, of which US$4.0m was collateralised, to support Brit's underwriting activities (30 June 2015: US$80.0m fully collateralised; 31 December 2015: US$80.0m uncollateralised).

In addition, we have in issue £135.0m of 6.625% subordinated debt with a carrying value of £126.7m/ US$169.4m (30 June 2015: £125.2m/ US$196.9m; 31 December 2015: £125.9m/ US$185.6m). This instrument, which is listed on the London Stock Exchange, was issued in December 2005, is callable in whole by Brit on 9 December 2020 and matures in 2030.

At 30 June 2016, Brit's gearing ratio was 17.4% (30 June 2015: 16.7%; 31 December 2015: 21.1%).

On 28 July 2016, the Board proposed a partial buy-back of Class A Ordinary Shares. This buy-back, which is subject to shareholder approval, will result in the repurchase of 13,449,476 £0.01 Class A Ordinary Shares at a cost of US$61.3m. These shares will subsequently be cancelled. After this buy-back, the OMERS Administration Corporation's percentage holding in Brit will reduce to 27.5% and the Fairfax Group's holding will increase to 72.5%.

Business development

Underwriting

- **Singapore office**

  In February we announced the opening of an office in Singapore. The new office, which operates on the Lloyd's Singapore platform, began operations on 1 March 2016 following receipt of approval from both Lloyd's and the Monetary Authority of Singapore.

- **Camargue**

  In July, we made a significant strategic investment in Camargue Underwriting Managers (Pty) Ltd (Camargue), a Lloyd's coverholder and one of South Africa's leading providers of specialised insurance products, which has a longstanding relationship with Brit. Camargue will retain its independence, underwriting on behalf of Lloyd's syndicates, international insurers and local capacity. The investment builds on Brit's strategy of selective international expansion into niche specialty businesses that offer well-established distribution networks underpinned by underwriting expertise.

- **Aviation consortium**

  In March, we successfully launched a Lloyd's consortium for commercial general aviation, the only Lloyd's consortium for this class of business. This consortium was formed in response to market demands for increased efficiency, allowing brokers to bind fully through just one underwriter, with Brit as the lead member. It demonstrates Brit's strong capabilities within aviation and our ability to work with the market to develop offerings that truly add value in a changing and competitive landscape.

- **US Marine**

  In May, we announced the appointment of an experienced New York based Senior Vice President to launch Brit Global Specialty USA's marine business. The hire marked the strategic evolution of Brit's US based P&C platform into the marine market.

- **Launch of Latin American engineering team**

  In May, we also announced the appointment of an experienced Miami based Vice President, Engineering, with responsibility for Latin America and the Caribbean. This hire is part of our strategy to expand our footprint in the Americas, focusing on specialist areas where we can deliver sustainable and profitable growth.

- ‘**Pay or Explain' claims initiative**

  In February, we launched ‘Pay or Explain', the first product to offer a definitive timescale to respond to an insurance claim. Aimed at those buying Marine Yacht insurance cover, the Pay or Explain policy is a guarantee from Brit that we will provide a roadmap to managing the claim within 30 days of being notified of a loss, for insurance cover of up to US$/€150m, addressing the uncertainty many yacht owners currently face around the time it will take for a claim to be paid out by their insurer. This innovative initiative is a clear demonstration of Brit's commitment to innovating new products that address real client needs.

- **Conexus**

  In March, we launched a new product targeting the fine art and specie sector. The product, ‘Conexus', has been designed by Brit to combine cover for fine art and specie, property business interruption and general liability into a single policy. Traditionally, these three elements of cover would need to have been bought separately, resulting in an increased level of administration for brokers and clients. Conexus is initially targeting business in North America. This unified product demonstrates our ability and willingness to innovate to respond to a market need.

Premises

- **Brit head office**

  In February, we completed our move to The Leadenhall Building on Leadenhall Street, London EC3V. The lease is for approximately 60,000 sq ft of office space over the 16th, 17th, 18th, 39th and 40th floors. The office, which is opposite the home of the UK insurance market, Lloyd's, and includes a dedicated broker area and extensive facilities for employees, boards and clients, has been designed to foster conditions for collaboration and bring brokers and underwriters closer in a modern, inviting environment, with unrivalled views of the City.

- **Brit's Lloyd's underwriting box**

  In March, we unveiled a new design for our underwriting box at Lloyd's. The space was designed by us to update and modernise the traditional Lloyd's box and to create a more practical and welcoming environment for brokers, clients and visitors.

Result of the UK referendum on EU membership (Brexit)

On 23 June 2016, the United Kingdom voted to leave the EU. While the medium and long-term ramifications of Brexit will take some time to assess, the country is now likely to enter a long phase of negotiation with the EU on the terms of the country's exit.

Brit's focus remains on putting our clients first. Their needs will remain at the core of everything we do, and we will continue to manage our business with this in mind. Contingency planning on the potential impact of this outcome was performed prior to 23 June, and we will continue to monitor developments to work to minimise the impact on Brit and our clients and to take advantage of opportunities as they arise.

Appointment of auditor

On 16 May 2016, Ernst & Young LLP (EY) tendered its resignation as auditor of Brit Limited and confirmed there were no circumstances relating to their resignation to bring to the Board's attention. On 14 June 2016, PricewaterhouseCoopers LLP was appointed as EY's successor.

Principal risks and risk management

There are a number of risks and uncertainties which could impact the Group's future performance.

The Board monitors the key risks that the Company is exposed to against its tolerance level through the quarterly 'own risk and solvency assessment' (ORSA) process. This includes both the qualitative assessment of the risk control environment and capital assessment using a stochastic model.

The key categories of risk include:

- Overarching risk: earnings, solvency and liquidity; and
- Individual risk categories: insurance, market, credit and operational and group.

The key risks and uncertainties are set out in the following table and the principal risks in the current environment are set out below.

Risk category	**Risk**	**Description**
Insurance	Underwriting – pricing	Emerging experience is inconsistent with the assumptions and pricing models used.
	Underwriting – catastrophe	Premiums are insufficient to meet the long-term profitability expected.
	Reserving	Prior year reserves are insufficient to cover claims (net of reinsurance).
Investment	Investment market risk	Invested assets adversely affected by changes in economic variables, such as interest rates, bond yields, equity returns, credit spreads, credit ratings.
Operational and group	People	Failure to attract, motivate and retain key Directors, senior underwriters, senior management and other key personnel, on whom our future success is substantially dependent.

Additional risks to the Group potentially arise following the result of the UK referendum on EU membership (Brexit) in June 2016. As stated above, the medium and long-term ramifications of Brexit will take some time to assess. Brit performed contingency planning on the potential impact of this outcome prior to the referendum, and we will continue to monitor developments to work to minimise the impact on Brit and our clients and to take advantage of opportunities as they arise.

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. As at 30 June 2016, the Fairfax Group owned 70.1% of Brit's ordinary shares, with the remaining 29.9% owned by the OMERS Administration Corporation, administrator of the Ontario Municipal Employees Retirement System (OMERS) pension plans and trustee of the OMERS pension fund.

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
28 July 2016

Condensed Consolidated Income Statement
for 6 months ended 30 June 2016

	Note	**Unaudited 6 months ended 30 June 2016 US$m**	Unaudited 6 months ended 30 June 2015 US$m	Audited Year ended 31 December 2015 US$m
Revenue				
Gross premiums written	5	**1,030.6**	1,096.9	1,999.2
Less premiums ceded to reinsurers	5	**(272.9)**	(262.4)	(369.4)
Premiums written, net of reinsurance		**757.7**	834.5	1,629.8
Gross amount of change in provision for unearned premiums		**(77.1)**	(117.8)	(5.8)
Reinsurers' share of change in provision for unearned premiums		**78.5**	87.1	14.1
Net change in provision for unearned premiums		**1.4**	(30.7)	8.3
Earned premiums, net of reinsurance	5	**759.1**	803.8	1,638.1
Investment return	6	**194.8**	8.2	10.3
Return on derivative contracts	7	**(46.6)**	16.2	39.7
Other income		**1.9**	0.5	0.3
Net foreign exchange gains	8	**58.8**	-	-
Total revenue		**968.0**	828.7	1,688.4
Expenses				
Claims incurred:				
Claims paid:				
Gross amount		**(418.9)**	(465.1)	(871.5)
Reinsurers' share		**73.7**	94.0	191.1
Claims paid, net of reinsurance		**(345.2)**	(371.1)	(680.4)
Change in the provision for claims:				
Gross amount		**(104.3)**	(87.4)	(211.0)
Reinsurers' share		**27.4**	25.1	9.4
Net change in the provision for claims		**(76.9)**	(62.3)	(201.6)
Claims incurred, net of reinsurance	5	**(422.1)**	(433.4)	(882.0)
Acquisition costs	9	**(261.8)**	(257.9)	(526.6)
Other operating expenses	9	**(55.9)**	(72.8)	(155.6)
Net foreign exchange losses	8	**-**	(49.1)	(95.9)
Total expenses excluding finance costs		**(739.8)**	(813.2)	(1,660.1)
Operating profit		**228.2**	15.5	28.3
Finance costs		**(10.1)**	(10.2)	(20.6)
Share of profit after tax of associated undertakings		**1.2**	-	-
Profit on ordinary activities before tax		**219.3**	5.3	7.7
Tax (expense)/income	10(a)	**(21.7)**	1.1	7.9
Profit attributable to owners of the parent		**197.6**	6.4	15.6

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 2016

	Note	**Unaudited 6 months ended 30 June 2016 US$m**	Unaudited 6 months ended 30 June 2015 US$m	Audited Year ended 31 December 2015 US$m
Profit attributable to owners of the parent		**197.6**	6.4	15.6
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	3.0
Deferred tax charge on actuarial gains/(losses) on defined benefit pension scheme	10(b)	**-**	(0.7)	(0.5)
Items that may be reclassified to profit or loss in subsequent periods:				
Change in unrealised foreign currency translation (losses) on foreign operations		**(7.2)**	(0.3)	(4.9)
Total other comprehensive income		**190.4**	2.6	(2.4)
Total comprehensive income recognised		**190.4**	9.0	13.2

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

Condensed Consolidated Statement of Financial Position

30 June 2016

	Note	**Unaudited 30 June 2016 US$m**	Unaudited 30 June 2015 US$m	Audited 31 December 2015 US$m
Assets				
Intangible assets		**93.5**	96.7	95.1
Property, plant and equipment		**25.1**	7.3	21.1
Deferred acquisition costs		**238.1**	234.6	222.6
Investment in associated undertaking		**29.5**	-	28.6
Reinsurance contracts	11	**913.4**	923.6	818.9
Employee benefits		**48.2**	48.3	52.1
Current taxation		**-**	21.0	15.3
Financial investments	12	**3,517.2**	2,742.3	3,330.8
Derivative contracts	13	**64.5**	13.7	63.6
Insurance and other receivables		**823.4**	1,024.7	691.7
Cash and cash equivalents		**492.8**	952.4	581.0
Total assets		**6,245.7**	6,064.6	5,920.8
Liabilities and Equity				
Liabilities				
Insurance contracts	11	**4,327.8**	4,231.9	4,182.3
Borrowings		**169.4**	196.9	185.6
Deferred taxation		**37.7**	33.3	27.4
Provisions		**4.3**	3.0	3.3
Current taxation		**2.5**	4.4	3.2
Derivative contracts	13	**23.8**	3.5	12.5
Insurance and other payables		**358.5**	435.8	350.0
Total liabilities		**4,924.0**	4,908.8	4,764.3
Equity				
Called up share capital	14	**6.6**	6.6	6.6
Foreign currency translation reserve		**(84.5)**	(72.7)	(77.3)
Retained earnings		**1,399.6**	1,221.9	1,227.2
Total equity		**1,321.7**	1,155.8	1,156.5
Total liabilities and equity		**6,245.7**	6,064.6	5,920.8

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 28 July 2016 and were signed on its behalf by:

Dr Richard Ward
Group Chairman

Mark Allan
Chief Financial Officer

Condensed Consolidated Statement of Cash Flows

for 6 months ended 30 June 2015

	Note	**Unaudited 6 months ended 30 June 2016 US$m**	Unaudited 6 months ended 30 June 2015 US$m	Audited Year ended 31 December 2015 US$m
Cash generated from operations				
Cash flows provided by operating activities	15	**(56.3)**	576.8	262.0
Tax received/(paid)		**6.6**	(6.6)	(0.7)
Interest received		**15.4**	26.0	40.6
Dividends received		**9.3**	18.5	30.1
Net cash (outflows)/inflows from operating activities		**(25.0)**	614.7	332.0
Cash flows from investing activities				
Purchase of intangible assets		**(4.4)**	(4.1)	(7.7)
Purchase of property, plant and equipment		**(8.0)**	(1.4)	(18.6)
Movement in investment in associated undertaking		**0.1**	-	-
Investment in associated undertaking		**-**	-	(28.6)
Net cash outflows from investing activities		**(12.3)**	(5.5)	(54.9)
Cash flows from financing activities				
Purchase of shares for share-based payment schemes		**(3.8)**	-	(10.7)
Interest paid		**(1.9)**	(1.1)	(15.6)
Dividend paid		**(26.1)**	(154.1)	(154.1)
Net cash outflows from financing activities		**(31.8)**	(155.2)	(180.4)
Net (decrease)/increase in cash and cash equivalents		**(69.1)**	454.0	96.7
Cash and cash equivalents at beginning of the period		**581.0**	501.4	501.4
Effect of exchange rate fluctuations on cash and cash equivalents		**(19.1)**	(3.0)	(17.1)
Cash and cash equivalents at the end of the period		**492.8**	952.4	581.0

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 2016

	Called up share capital US$m	Own shares US$m	Foreign currency translation reserve US$m	Retained earnings US$m	Total Equity US$m
At 1 January 2016	**6.6**	**-**	**(77.3)**	**1,227.2**	**1,156.5**
Total comprehensive income recognised	**-**	**-**	**(7.2)**	**197.6**	**190.4**
Share-based payments	**-**	**-**	**-**	**0.9**	**0.9**
Dividend	**-**	**-**	**-**	**(26.1)**	**(26.1)**
At 30 June 2016	**6.6**	**-**	**(84.5)**	**1,399.6**	**1,321.7**

for 6 months ended 30 June 2015

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

Condensed Consolidated Statement of Changes in Equity (continued)

for year ended 31 December 2015

	Called up share capital US$m	Own shares US$m	Foreign currency translation reserve US$m	Retained earnings US$m	Total Equity US$m
At 1 January 2015	6.6	(1.5)	(77.6)	1,363.7	1,291.2
Total comprehensive income recognised	-	-	(4.9)	18.1	13.2
Transfer to profit on liquidation of subsidiaries	-	-	5.2	-	5.2
Vesting of own shares	-	1.5	-	(1.5)	-
Share-based payments	-	-	-	4.9	4.9
Purchase of shares for share-based payments	-	-	-	(3.9)	(3.9)
Dividend	-	-	-	(154.1)	(154.1)
At 31 December 2015	6.6	-	(77.3)	1,227.2	1,156.5

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 and its subsidiaries (collectively, the Group) for the six months ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on 28 July 2016.

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.

2 Accounting policies and basis of preparation

(a) Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2016 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 2015. The consolidated financial statements as at, and for the year ended 31 December 2015 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 2015 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 2015 were authorised for issue in accordance with a resolution of the Directors on 17 February 2016.

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 2015 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.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and associates and the Group's participation in the Lloyd's syndicate's assets, liabilities, revenues and expenses. Subsidiaries are those entities (including structured 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.

Associates are those entities over which the Group has the power to exercise significant influence but not control. The Group's investment in associated undertakings is accounted for under the equity method of accounting whereby associated undertakings are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The Group's investment in associated undertakings also includes goodwill identified on acquisition less any accumulated impairment loss. The income statement reflects the Group's share of the post-acquisition results of operations of the associated undertaking and the statement of comprehensive income reflects the Group's share of the comprehensive income of the associated undertaking. The financial statements of associated undertakings are prepared up to 31 December each year.

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 2015. 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 2016, 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.
- '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 2016 (30 June 2015: 1.5%; 31 December 2015: 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 2016

	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	779.9	250.9	25.7	(25.9)	**1,030.6**	-	**1,030.6**	-	**1,030.6**
Less premiums ceded to reinsurers	(233.7)	(59.1)	(6.0)	25.9	**(272.9)**	-	**(272.9)**	-	**(272.9)**
Premiums written, net of reinsurance	546.2	191.8	19.7	-	**757.7**	-	**757.7**	-	**757.7**
Gross earned premiums	778.3	166.5	12.1	(12.1)	**944.8**	8.8	**953.6**	-	**953.6**
Reinsurers' share	(166.3)	(36.4)	(2.3)	12.1	**(192.9)**	(1.6)	**(194.5)**	-	**(194.5)**
Earned premiums, net of reinsurance	612.0	130.1	9.8	-	**751.9**	7.2	**759.1**	-	**759.1**
Investment return	13.9	5.3	-	-	**19.2**	-	**19.2**	175.6	**194.8**
Return on derivative contracts	-	-	-	-	**-**	-	**-**	(46.6)	**(46.6)**
Other income	-	-	-	-	**-**	-	**-**	1.9	**1.9**
Net foreign exchange (losses)/gains	-	-	-	-	**-**	(3.0)	**(3.0)**	61.8	**58.8**
Total revenue	625.9	135.4	9.8	-	**771.1**	4.2	**775.3**	192.7	**968.0**
Gross claims incurred	(426.8)	(95.6)	(8.5)	7.7	**(523.2)**	-	**(523.2)**	-	**(523.2)**
Reinsurers' share	91.6	16.1	1.1	(7.7)	**101.1**	-	**101.1**	-	**101.1**
Claims incurred, net of reinsurance	(335.2)	(79.5)	(7.4)	-	**(422.1)**	-	**(422.1)**	-	**(422.1)**
Acquisition costs - commission	(183.3)	(25.5)	(0.2)	-	**(209.0)**	(2.6)	**(211.6)**	-	**(211.6)**
Acquisition costs - other	(41.8)	(7.2)	(0.1)	-	**(49.1)**	(1.1)	**(50.2)**	-	**(50.2)**
Other insurance related expenses	(35.2)	(8.8)	(1.2)	-	**(45.2)**	-	**(45.2)**	-	**(45.2)**
Other expenses	-	-	-	-	**-**	-	**-**	(10.7)	**(10.7)**
Total expenses excluding finance costs	(595.5)	(121.0)	(8.9)	-	**(725.4)**	(3.7)	**(729.1)**	(10.7)	**(739.8)**
Operating profit	30.4	14.4	0.9	-	**45.7**	0.5	**46.2**	182.0	**228.2**
Finance costs									**(10.1)**
Share of profit after tax of associated undertakings									**1.2**
Profit on ordinary activities before tax									**219.3**
Tax expense									**(21.7)**
Profit attributable to owners of the parent									**197.6**
Claims ratio	54.8%	61.1%	75.5%		**56.1%**		**55.6%**		
Expense ratio	42.5%	31.9%	15.3%		**40.4%**		**40.4%**		
Combined ratio	97.3%	93.0%	90.8%		**96.5%**		**96.0%**		

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
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 costs									(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%		

12 months ended 31 December 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$m	Effect of foreign exchange on non-onetary items US$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	1,634.0	365.1	26.0	(25.9)	1,999.2	-	1,999.2	-	1,999.2
Less premiums ceded to reinsurers	(319.6)	(74.8)	(0.9)	25.9	(369.4)	-	(369.4)	-	(369.4)
Premiums written, net of reinsurance	1,314.4	290.3	25.1	-	1,629.8	-	1,629.8	-	1,629.8
Gross earned premiums	1,636.6	370.4	29.3	(29.2)	2,007.1	(13.7)	1,993.4	-	1,993.4
Reinsurers' share	(309.2)	(76.2)	(1.3)	29.2	(357.5)	2.2	(355.3)	-	(355.3)
Earned premiums, net of reinsurance	1,327.4	294.2	28.0	-	1,649.6	(11.5)	1,638.1	-	1,638.1
Investment return	26.0	10.3	-	-	36.3	-	36.3	(26.0)	10.3
Return on derivative contracts	-	-	-	-	-	-	-	39.7	39.7
Other income	-	-	-	-	-	-	-	0.3	0.3
Total revenue	1,353.4	304.5	28.0	-	1,685.9	(11.5)	1,674.4	14.0	1,688.4
Gross claims incurred	(954.4)	(125.0)	(33.4)	30.3	(1,082.5)	-	(1,082.5)	-	(1,082.5)
Reinsurers' share	235.7	(4.3)	(0.6)	(30.3)	200.5	-	200.5	-	200.5
Claims incurred, net of reinsurance	(718.7)	(129.3)	(34.0)	-	(882.0)	-	(882.0)	-	(882.0)
Acquisition costs - commission	(376.8)	(55.3)	2.9	-	(429.2)	2.7	(426.5)	-	(426.5)
Acquisition costs - other	(79.0)	(15.3)	(5.3)	-	(99.6)	(0.5)	(100.1)	-	(100.1)
Other insurance related expenses	(79.2)	(22.6)	-	-	(101.8)	-	(101.8)	-	(101.8)
Other expenses	-	-	-	-	-	-	-	(53.8)	(53.8)
Net foreign exchange losses	-	-	-	-	-	(10.5)	(10.5)	(85.4)	(95.9)
Total expenses excluding finance costs	(1,253.7)	(222.5)	(36.4)	-	(1,512.6)	(8.3)	(1,520.9)	(139.2)	(1,660.1)
Operating profit/(loss)	99.7	82.0	(8.4)	-	173.3	(19.8)	153.5	(125.2)	28.3
Finance costs									(20.6)
Profit on ordinary activities before tax									7.7
Tax income									7.9
Profit attributable to owners of the parent									15.6
Claims ratio	54.1%	43.9%	121.4%		53.5%		53.8%		
Expense ratio	40.3%	31.9%	8.6%		38.2%		38.4%		
Combined ratio	94.4%	75.8%	130.0%		91.7%		92.2%		

6 Investment return

6 Months ended 30 June 2016

	Investment income US$m	Net realised (losses)/gains US$m	Net unrealised (losses)/ gains US$m	Total investment return US$m
Equity securities	**1.8**	**(0.3)**	**(58.2)**	**(56.7)**
Debt securities	**33.5**	**8.7**	**204.7**	**246.9**
Loan instruments	**3.6**	**0.1**	**5.4**	**9.1**
Specialised investment funds	**0.2**	**1.6**	**(0.3)**	**1.5**
Cash and cash equivalents	**0.5**	**-**	**-**	**0.5**
Total investment return before expenses	**39.6**	**10.1**	**151.6**	**201.3**
Investment management expenses	**(6.5)**	**-**	**-**	**(6.5)**
Total investment return	**33.1**	**10.1**	**151.6**	**194.8**

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

Year ended 31 December 2015

	Investment income US$m	Net realised gains US$m	Net unrealised gains/(losses) US$m	Total investment return US$m
Equity securities	0.6	2.0	2.9	5.5
Debt securities	34.8	3.7	(32.5)	6.0
Loan instruments	7.2	1.5	(16.8)	(8.1)
Specialised investment funds	29.5	50.8	(62.1)	18.2
Cash and cash equivalents	0.6	-	-	0.6
Total investment return before expenses	72.7	58.0	(108.5)	22.2
Investment management expenses	(11.9)	-	-	(11.9)
Total investment return	60.8	58.0	(108.5)	10.3

7 Return on derivative contracts

	6 months ended 30 June 2016 US$m	6 months ended 30 June 2015 US$m	Year ended 31 December 2015 US$m
Interest rate swaps	**-**	(0.7)	(0.7)
Futures	**-**	0.1	0.1
Non-currency options	**(14.0)**	-	(4.7)
Investment related derivatives	**(14.0)**	(0.6)	(5.3)
Currency forwards	**(32.6)**	16.8	45.0
Currency related derivatives	**(32.6)**	16.8	45.0
Total derivatives	**(46.6)**	16.2	39.7

8 Net foreign exchange gains/(losses)

The Group recognised foreign exchange gains of US$58.8m (30 June 2015: losses of US$49.1m; 31 December 2015: losses of US$95.9m) 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 2016 US$m	6 months ended 30 June 2015 US$m	Year ended 31 December 2015 US$m
Gains/(losses) on foreign exchange arising from:			
Translation of the statement of financial position and income statement	**61.9**	(45.5)	(85.4)
Maintaining UPR/DAC items in the statement of financial position at historic rates	**0.5**	(13.4)	(19.8)
Maintaining UPR/DAC items in the income statement at historic rates	**(3.6)**	9.8	9.3
Net foreign exchange gains/(losses)	**58.8**	(49.1)	(95.9)

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

	6 months ended 30 June 2016		6 months ended 30 June 2015		Year ended 31 December 2015	
	Average	**Closing**	Average	Closing	Average	Closing
Sterling	**0.698**	**0.748**	0.656	0.636	0.654	0.678
Canadian dollar	**1.328**	**1.299**	1.235	1.248	1.277	1.389
Euro	**0.896**	**0.900**	0.897	0.898	0.902	0.921
Australian dollar	**1.361**	**1.343**	1.279	1.301	1.330	1.374

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 2016			6 months ended 30 June 2015			Year ended 31 December 2015		
	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	**25.8**	**24.6**	**50.4**	24.8	28.9	53.7	45.0	77.5	122.5
Other staff related costs	**1.0**	**4.5**	**5.5**	0.6	4.1	4.7	2.0	7.1	9.1
Accommodation costs	**3.6**	**3.7**	**7.3**	2.8	3.1	5.9	7.6	7.7	15.3
Legal and professional charges	**0.4**	**3.3**	**3.7**	1.6	3.4	5.0	2.0	8.7	10.7
IT costs	**0.5**	**10.6**	**11.1**	0.4	9.2	9.6	0.9	19.0	19.9
Travel and entertaining	**1.9**	**1.0**	**2.9**	2.1	1.3	3.4	4.4	3.1	7.5
Marketing and communications	**0.1**	**0.7**	**0.8**	0.1	1.1	1.2	0.3	2.0	2.3
Amortisation and impairment of intangible assets	**-**	**3.0**	**3.0**	0.4	4.0	4.4	0.4	8.6	9.0
Depreciation and impairment of property, plant and equipment	**0.2**	**0.9**	**1.1**	0.2	1.2	1.4	0.6	4.1	4.7
Regulatory levies and charges	**18.8**	**0.1**	**18.9**	18.0	-	18.0	36.4	-	36.4
Costs relating to acquisition by FFHL Group Limited	**-**	**-**	**-**	-	13.3	13.3	-	14.2	14.2
Other	**(2.1)**	**3.5**	**1.4**	(3.7)	3.2	(0.5)	0.5	3.6	4.1
Expenses before commissions	**50.2**	**55.9**	**106.1**	47.3	72.8	120.1	100.1	155.6	255.7
Commission costs	**211.6**	**-**	**211.6**	210.6	-	210.6	426.5	-	426.5
Total acquisition costs and other operating expenses	**261.8**	**55.9**	**317.7**	257.9	72.8	330.7	526.6	155.6	682.2

10 Tax (expense)/income

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

	6 months ended 30 June 2016 US$m	6 months ended 30 June 2015 US$m	Year ended 31 December 2015 US$m
Current tax:			
Current taxes on income for the period	**(10.2)**	(1.3)	(2.0)
Overseas tax on income for the period	**(3.1)**	(3.2)	(6.3)
	(13.3)	(4.5)	(8.3)
Double tax relief	**2.5**	2.7	5.3
Adjustments in respect of prior years	**-**	(0.2)	2.5
Total current tax	**(10.8)**	(2.0)	(0.5)
Deferred tax:			
Relating to the origination and reversal of temporary differences	**(10.9)**	3.1	6.9
Adjustments in respect of prior years	**-**	-	1.5
Total deferred tax	**(10.9)**	3.1	8.4
Total tax (charged)/credited to income statement	**(21.7)**	1.1	7.9

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 2016 US$m	6 months ended 30 June 2015 US$m	Year ended 31 December 2015 US$m
Deferred tax charge on actuarial gains/losses on defined benefit pension scheme	**-**	(0.7)	(0.5)

11 Insurance and reinsurance contracts

Balances on insurance and reinsurance contracts

	30 June 2016 US$m	30 June 2015 US$m	31 December 2015 US$m
Gross:			
Insurance contracts			
Claims reported and loss adjustment expenses	**1,399.0**	1,392.0	1,401.4
Claims incurred but not reported	**1,993.4**	1,869.7	1,922.7
	3,392.4	3,261.7	3,324.1
Unearned premiums	**935.4**	970.2	858.2
Total gross liabilities	**4,327.8**	4,231.9	4,182.3
Recoverable from reinsurers:			
Reinsurance contracts			
Claims reported and loss adjustment expenses	**316.3**	327.6	326.0
Claims incurred but not reported	**379.4**	383.6	353.4
Impairment provision	**(1.1)**	(1.0)	(1.0)
	694.6	710.2	678.4
Unearned premiums	**218.8**	213.4	140.5
Total reinsurers' share of liabilities	**913.4**	923.6	818.9
Net:			
Claims reported and loss adjustment expenses	**1,082.7**	1,064.4	1,075.4
Claims incurred but not reported	**1,614.0**	1,486.1	1,569.3
Impairment provision	**1.1**	1.0	1.0
	2,697.8	2,551.5	2,645.7
Unearned premiums	**716.6**	756.8	717.7
Total net insurance liabilities	**3,414.4**	3,308.3	3,363.4

The net aggregate reserve releases from prior years amounted to US$22.2m (June 2015: US$8.9m; December 2015: US$28.6m). 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 2016 US$m	30 June 2015 US$m	31 December 2015 US$m
Equity securities	**286.6**	30.5	265.5
Debt securities	**3,124.7**	949.4	1,956.0
Loan instruments	**39.7**	42.1	23.4
Specialised investment funds	**66.2**	1,720.3	1,085.9
	3,517.2	2,742.3	3,330.8

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).

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 equities that have quoted prices in active markets (where transactions occur with sufficient frequency and volume), government bonds and treasury bills issued in Canada and the US.

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 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. Market observable inputs for these investments may include broker-dealer quotes, reported trades, issuer spreads and available bids. Non-US government agency securities are priced with OTC quotes or broker-dealer quotes. Other market observable inputs include benchmark yields and reported trades. Issuer spreads are also available for these types of investments.

12 Financial Investments (continued)

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 (OTC prices/broker-dealer quotes) so they are derived indirectly using inputs that can be corroborated by observable market data. These also include certain private placement corporate debt securities which are valued with the use of discounted cash flow models.

Level two specialised investment funds contain 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 two equities include certain limited partnerships where underlying investments have quoted prices in active markets that may be aggregated to produce a NAV for that partnership.

Level three

Level three securities contain certain investments in asset backed securities (ABS), residential mortgage backed securities (RMBS), investments in private equity/limited partnerships where the fund's underlying investments are not traded/quoted in an active market.

Level three ABS include mostly investment-grade debt securities backed by pools of loans with a variety of underlying collateral.

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

Level three equities include investments in limited partnerships where the fund's underlying investments are not traded/quoted in an active market. In some instances, limited partnerships are classified as level three because they may require at least three months notice to liquidate.

Disclosures of fair values in accordance with the fair value hierarchy

	30 June 2016			
	Level 1 US$m	**Level 2 US$m**	**Level 3 US$m**	**Total US$m**
Equity securities	**146.6**	**78.2**	**61.8**	**286.6**
Debt securities	**484.0**	**2,600.3**	**40.4**	**3,124.7**
Loan instruments	**-**	**39.7**	**-**	**39.7**
Specialised investment funds	**-**	**66.2**	**-**	**66.2**
	630.6	**2,784.4**	**102.2**	**3,517.2**

	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)

	31 December 2015			
	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
Equity securities	195.6	52.3	17.6	265.5
Debt securities	754.0	1,158.1	43.9	1,956.0
Loan instruments	-	23.4	-	23.4
Specialised investment funds	-	1,085.9	-	1,085.9
	949.6	2,319.7	61.5	3,330.8

All unrealised gains of US$151.6m (30 June 2015: losses of US$73.3m; 31 December 2015: losses of US$108.5m) and realised gains of US$10.1m (30 June 2015: gains of US$44.4m; 31 December 2015: gains of US$58.0m) on financial investments held during the period, are presented in investment return in the consolidated income statement.

Fair values are classified as level one when the financial instrument or derivative is actively traded and a quoted price is available. In accordance with the Group's policy, if an instrument classified as level one subsequently ceases to be traded actively, 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.

Transfer from level one to level two
There were no transfers from fair value hierarchy level one to level two (30 June 2015: none; 31 December 2015: US$676.0m).

Transfer from level two to level one
There were no transfers from fair value hierarchy level two to level one (30 June 2015: none; 31 December 2015: US$0.8m).

Transfer from level two to level three
There were no transfers from fair value hierarchy level two to level three (30 June 2015: US$1.8m; 31 December 2015: US$1.0m).

Transfer from level three to level two
There were no transfers from level three to level two (30 June 2015: US$91.2m; 31 December 2015: US$7.5m).

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

	Equity securities US$m	**Debt securities US$m**	**Loan instruments US$m**	**Specialised investment funds US$m**	**Total US$m**
At 1 January 2015	-	218.4	6.4	91.3	316.1
Transfers from/(to) Level 2	-	0.5	-	(7.0)	(6.5)
Total gains recognised in the income statement	0.6	0.4	-	1.1	2.1
Purchases	17.5	47.4	-	-	64.9
Sales proceeds	-	(221.0)	(6.4)	(85.4)	(312.8)
Foreign exchange losses	(0.5)	(1.8)	-	-	(2.3)
At 31 December 2015	**17.6**	**43.9**	**-**	**-**	**61.5**
Total gains recognised in the income statement	**0.2**	**(4.0)**	**-**	**-**	**(3.8)**
Purchases	**44.0**	**0.5**	**-**	**-**	**44.5**
At 30 June 2016	**61.8**	**40.4**	**-**	**-**	**102.2**

Total net gains recognised in the income statement under 'investment return' in respect of level three financial investments for the period amounted to US$nil (30 June 2015: US$0.8m; 31 December 2015: US$2.1m). Included in this balance are US$1.0m unrealised losses (30 June 2015: gains of US$1.0m; 31 December 2015: losses of US$7.2m) attributable to assets still held at the end of the period.

12 Financial Investments (continued)

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 2016		30 June 2015		31 December 2015	
	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	**40.4**	**1.6**	53.2	1.6	17.6	0.7
Equities	**61.8**	**1.4**	-	-	-	-
Specialised investment funds	**-**	**-**	-	-	43.9	1.3
	102.2		53.2		61.5	

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

- For equities, the Group monitored the changes monthly in the price of the security invested since acquisition.
- 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 2016 US$m**	30 June 2015 US$m	31 December 2015 US$m
Currency forwards	**37.0**	9.9	30.1
Options	**27.5**	3.8	33.5
	64.5	13.7	63.6

Derivative contract liabilities	**30 June 2016 US$m**	30 June 2015 US$m	31 December 2015 US$m
Currency forwards	**(23.8)**	(3.5)	(12.5)

13 Derivative contracts (continued)

Disclosures of fair values in accordance with the fair value hierarchy

	30 June 2016 Level 2 US$m	Level 3 US$m	Total US$m
Derivative contract assets	**41.9**	**22.6**	**64.5**
Derivative contract liabilities	**(23.8)**	**-**	**(23.8)**

	30 June 2015 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)

	31 December 2015 Level 2 US$m	Level 3 US$m	Total US$m
Derivative contract assets	43.2	20.4	63.6
Derivative contract liabilities	(12.5)	-	(12.5)

Valuation techniques

Level two

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

The fair values of equity index put options are determined with the use of option pricing models based on observable inputs including the traded price, volatility and dividend yield of the underlying security.

Level three

The valuation technique to measure the fair value of put options is to use pricing models which requires 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 2015	3.7
Purchases	14.7
Total gains recognised in the income statement	2.6
Foreign exchange losses	(0.6)
At 31 December 2015	**20.4**
Purchases	**7.1**
Total gains recognised in the income statement	**(4.9)**
At 30 June 2016	**22.6**

14 Share Capital

	30 June 2016 US$m	30 June 2015 US$m	31 December 2015 US$m	30 June 2016 1p each Number	30 June 2015 1p each Number	31 December 2015 1p each Number
Ordinary shares:						
Allotted, Issued and fully paid	**6.6**	6.6	6.6	401,057,706	401,057,706	401,057,706

120,000,000 ordinary shares were classified as Class A Ordinary Shares and the remainder reclassified as Class B Ordinary Shares. The class A and B ordinary shares rank pari passu except that on a distribution of profits by the Company, the class A shareholder is entitled to a cumulative annual dividend which must be settled ahead of any equivalent distribution to the class B shareholder.

15 Cash flows provided by operating activities

	6 months ended 30 June 2016 US$m	6 months ended 30 June 2015 US$	Year ended 31 December 2015 US$
Profit on ordinary activities before tax	**219.3**	5.3	7.7
Adjustments for non-cash movements:			
Realised and unrealised (gains)/losses on investments	**(161.6)**	28.9	50.5
Realised and unrealised losses/(gains) on derivatives	**46.6**	(16.2)	(39.7)
Amortisation of intangible assets	**4.5**	4.4	8.4
Impairment of intangible assets	**-**	-	0.6
Depreciation of property, plant and equipment	**2.8**	1.4	2.9
Impairment of property, plant and equipment	**-**	-	1.8
Foreign exchange losses/(gains) on cash and cash equivalents	**17.8**	2.2	15.8
Share of profit after tax of associated undertaking	**(1.0)**	-	-
Charges in respect of share-based payment schemes	**0.5**	4.5	4.9
Interest income	**(24.0)**	(23.5)	(42.6)
Dividend income	**(9.3)**	(18.5)	(30.1)
Foreign currency translation reserve transferred to profit on liquidation of subsidiaries	**-**	5.2	5.2
Finance costs on borrowing	**10.1**	10.2	20.6
Movement in operating assets and liabilities:			
Deferred acquisition costs	**(15.5)**	(25.1)	(13.1)
Insurance and other receivables excluding accrued income	**(120.7)**	(321.0)	20.6
Insurance and reinsurance contracts	**51.0**	66.8	121.9
Financial investments	**(24.8)**	754.1	143.7
Derivative contracts	**(36.2)**	14.0	(3.4)
Insurance and other payables	**(14.3)**	84.9	(5.7)
Employee benefits	**(1.0)**	(0.8)	(8.5)
Provisions	**(0.5)**	-	0.5
Cash flows provided by operating activities	**(56.3)**	576.8	262.0

16 Related party transactions

(a) Ultimate Parent Company

The ultimate parent company and controlling entity, and the largest group of which the Group is a member, is Fairfax Financial Holdings Limited (FFHL) which is registered in Canada and listed on the Toronto Stock Exchange. The consolidated financial statements for Fairfax are publicly available and can be obtained from the Corporate Secretary, 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7 or from the website at www.fairfax.ca.

(b) Fairfax Financial Holdings Limited

On 5 June 2015, Brit Limited was acquired by FFHL Group Limited, a subsidiary of Fairfax Financial Holdings Limited (FFHL). The Brit Group has historically entered into various reinsurance arrangements with FFHL and its affiliates.

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

	6 months to 30 June 2016 US$m	Period from 5 June to 30 June 2015 US$m	Year to 31 December 2015 US$m
Gross premiums written	**7.1**	1.5	6.8
Less premiums ceded to reinsurers	**(1.0)**	(1.4)	(3.5)
Premiums written, net of reinsurance	**6.1**	0.1	3.3
Gross amount of change in provision for unearned premiums	**(1.6)**	(0.3)	3.1
Reinsurers' share of change in provision for unearned premiums	**(2.1)**	-	(4.7)
Net change in provision for unearned premiums	**(3.7)**	(0.3)	(1.6)
Earned premiums, net of reinsurance	**2.4**	(0.2)	1.7
Gross claims paid	**(2.4)**	(0.6)	(6.9)
Reinsurers' share of claims paid	**2.3**	-	10.5
Claims paid, net of reinsurance	**(0.1)**	(0.6)	3.6
Gross change in the provision for claims	**2.6**	-	2.8
Reinsurers' share of change in the provision for claims	**(1.3)**	0.5	(9.1)
Net change in the provision for claims	**1.3**	0.5	(6.3)
Commission income	**1.3**	0.4	2.3
Commission expense	**(1.3)**	(0.4)	(1.2)

In June 2015, Hamblin Watsa Investment Counsel Limited (HWIC), an affiliate of FFHL, was appointed as an investment manager to a number of Group companies. The Group incurred and paid investment management fees to HWIC of US$5.5m (30 June 2015: US$nil; 31 December 2015: US$5.7m).

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

16 Related party transactions (continued)

	30 June 2016 US$m	30 June 2015 US$m	31 December 2015 US$m
Debtors arising out of reinsurance operations			
Insurance premium receivable	**8.6**	6.1	5.9
Recoverable from reinsurers	**60.0**	70.7	59.6
Creditors arising out of reinsurance operations			
Payable to reinsurers	**(2.7)**	(12.2)	(4.1)
Unpaid claims liabilities	**(42.9)**	(49.6)	(45.9)
Deferred acquisition costs	**0.4**	2.2	1.0
Gross unearned premiums	**6.7**	8.7	(5.2)
Unearned premium recoverable from reinsurers	**1.4**	8.1	3.5

(b) Associated undertakings

On 8 December 2015, the Group acquired 50% of the members' interests of Ambridge Partners LLC and also entered into a call and a put option to purchase the remaining 50% in 2019.

Trading with Ambridge Partners LLC is undertaken on an arms-length basis and is settled in cash. Acquisition costs included in the income statement relating to trading with Ambridge Partners LLC for the period to 30 June 2016 amounted to US$4.6m for introducing insurance business.

The amount of premiums net of commission in the statement of financial position outstanding from Ambridge Partners LLC as at 30 June 2016 was US$17.3m (31 December 2015: US$6.4m).

Company information

Directors

Dr Richard Ward	- Chairman
Mr Mark Cloutier	- Group Chief Executive Officer
Mr Ipe Jacob	- Senior independent non-executive Director
Mr Matthew Wilson	- Group Deputy Chief Executive Officer
Mr Mark Allan	- Chief Financial Officer
Mr Andrew Barnard	- Non-executive Director
Mr Bijan Khosrowshahi	- Non-executive Director
Mr Jeremy Ehrlich	- Non-executive Director

Group Company Secretary

Mr David Gormley

Registered Office

The Leadenhall Building
122 Leadenhall Street
London EC3V 4AB
UK

Telephone: +44 (0) 20 3857 0000

Website

www.britinsurance.com

The Company website provides information about Brit Limited including information on the business, annual reports, half yearly reports and announcements to the London Stock Exchange.

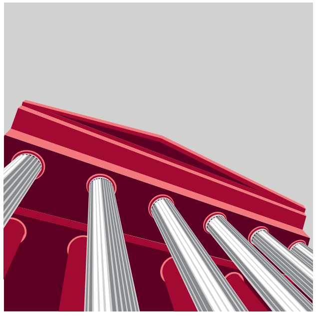
Registered Number

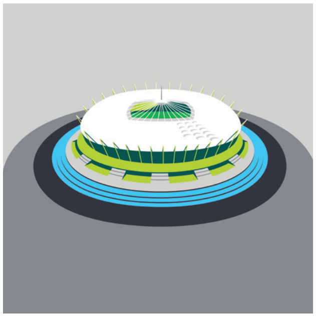
8821629

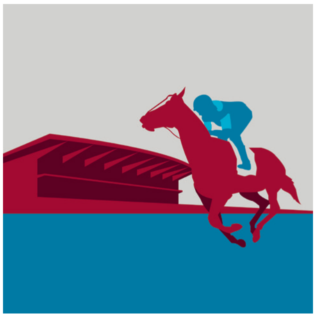
Auditor

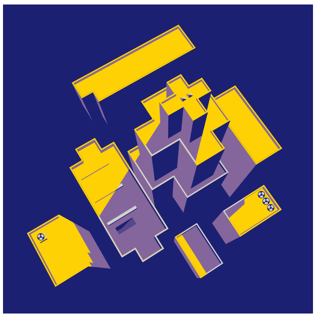
PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT










SEEING THE DIFFERENCE **MAKES THE DIFFERENCE**