**BRIT LIMITED**
**PRESS RELEASE**
**17 FEBRUARY 2017**

# FULL YEAR RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

## A STRONG PERFORMANCE IN A CHALLENGING ENVIRONMENT

### Key points

- Gross written premiums of US$1,912.2m (2015: US$1,999.2m), a decrease at constant exchange rates of 2.3%.
- Net earned premium[1] decreased by 6.1% at constant exchange rates to US$1,515.1m (2015: US$1,649.6m).
- Combined ratio[1] of 96.4% (2015: 91.7%), including 4.5 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$118.5m (2015: US$91.7m).
- Profit after tax of US$157.6m (2015: US$15.6m).
- Return on invested assets[2] after fees for the period of US$102.9m or 2.6% (2015: US$5.0m or 0.1%).
- RoNTA[3] before FX movements of 11.8% (2015: 9.1%) and RoNTA after FX movements of 15.8% (2015: 3.8%).
- Adjusted net tangible assets[4] decreased to US$1,064.8m (2015: US$1,074.7m), after dividends paid and share buy-back costs of US$148.9m.
- Launch of Syndicate 2988 for the 2017 underwriting year, supported by third party capital.
- 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.

### Mark Cloutier, Group Executive Chairman of Brit Limited, said:

'Brit has delivered a strong performance in 2016. Our return on adjusted net tangible assets before FX, which we see as a key indicator of our performance, increased to 11.8%, giving a five year average of 16.9%. This was driven by the combination of a continuing contribution from underwriting results, under difficult circumstances, and a strong performance from our investment portfolio. Our RoNTA, after including foreign exchange movements, increased significantly to 15.8%.

Market conditions remain challenging as competition from new entrants and additional capacity from existing competitors with appetite to grow has put continuing downward pressure on rates across several major classes of business. We do not believe these conditions are sustainable over the longer term and certainly call for a cautious approach to growth. In this climate, we are determined to maintain underwriting discipline and have adopted a defensive stance to protect our business and preserve capital. Our strategy is to remain well diversified and to focus on retaining quality business, while contracting the areas of our book experiencing the most rating pressure. We also continue to assess cautiously new business and manage our portfolio mix to target areas of our book with less rating pressure. We believe that such an approach will enable us to weather the current environment and position us well for the future when the ill-discipline reads through to results and market conditions improve.

This focused and disciplined strategy has resulted in a combined ratio for 2016 of 96.4%, including 4.5 percentage points attributable to major losses. Pleasingly, our attritional ratio remained relatively constant at 55.5%. This is a solid result in today's challenging environment and increasingly complex marketplace.

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. We also launched Syndicate 2988 for the 2017 underwriting year, supported by third party capital.

Our investment strategy takes a long term view of markets and we are pleased this strategy has resulted in a return of 2.6% in the year, primarily driven by contraction in the US yield curve, giving rise to mark to market gains on our long dated treasuries. In November, we sold the majority of our fixed income positions locking in a solid result for the year and leaving the portfolio defensively positioned with a 25.9% allocation to cash and cash equivalents.

In December 2016, we announced appointment of Matthew Wilson to Group Chief Executive Officer, and my appointment as Group Executive Chairman, effective 1 January 2017. I have worked with Matthew since 2010 and there is no one who knows the business better. He has the skill-set, market experience and leadership qualities to successfully take the business forward on the next stage of its journey. I look forward to continuing to work closely with Matthew and the entire Brit team in my new role, and to build upon the market-leading platform we have created at Brit, through what are likely to be challenging, but interesting times.'

## Matthew Wilson, Group CEO of Brit Limited, commented:

'Market conditions have, as expected, remained difficult during 2016, with the industry experiencing continued pressure on premium rates. Against this backdrop with increased catastrophe activity, we delivered a respectable combined ratio of 96.4%, including 4.5 percentage points attributable to major losses.

Brit experienced an expected overall rate reduction of 3.3%, lower than the 4.1% reduction experienced in 2015. This reduction was seen across both reinsurance business, which experienced rate reductions of 4.8%, and direct business, which experienced rate reductions of 2.9%.

We have looked to balance our portfolio by actively defending our core business, ensuring rigorous risk selection in the classes experiencing pressure and modestly expanding in areas where profitable opportunities exist, while contracting in areas where it is felt that profit margins are thinner. We are also managing our net position through the selective use of additional reinsurance protections, such as increased cessions on quota shares.

It is pleasing to have seen a number of initiatives successfully launched during the year, and 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 disciplined underwriting. Looking ahead, we believe our clearly defined underwriting approach and opportunity driven growth strategy will allow us to navigate the ongoing challenging conditions, while leaving us strongly positioned for any improvements over the longer-term.

In September 2016 we announced the launch of Syndicate 2988, which has a capacity of £52m (US$82m) for its first year of trading. Syndicate 2988 reaffirms our commitment to the Lloyd's market and will help us further position Brit as the specialist underwriter of choice, building on our existing strength across underwriting, claims and capital management and track record of delivering attractive returns for capital providers. Delivering new products, solutions and perspectives for brokers and clients is at the very heart of our strategy. The launch of Syndicate 2988 is a powerful demonstration of this objective, and we look forward with excitement to the resulting expansion of Brit's presence at Lloyd's.

Lastly, I am honoured and excited to lead Brit going forward and would like to thank Mark who has been instrumental in the transformation of Brit over the last few years. Today we are a highly successful business with a clear strategy, a strong culture and a hugely supportive parent in Fairfax. I am pleased that Mark will continue to play a crucial role as Group Executive Chairman, supporting myself and the senior management team as we look forward to 2017 and beyond with confidence.'

## Notes

1 Net earned premium and the combined ratio exclude the effect of foreign exchange on non-monetary items.
2 Return on invested assets includes return on investment related derivatives and share of net profit of associates, and is after deducting investment management fees.
3 RoNTA excludes all foreign exchange movements and corporate activity costs and is based on adjusted net tangible assets.
4 Adjusted net tangible assets are defined as total equity, less intangible assets net of the deferred tax liability on those intangible assets.

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## 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 (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

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## 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 customers 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.

## The Fairfax Group

FFHL Group Limited (FFHL), a member of the Fairfax Financial Holdings Limited group (Fairfax), completed the acquisition of 97.0% of the then LSE listed Brit PLC on 5 June 2015 and acquired the remaining 3.0% on 8 July 2015. Fairfax (www.fairfax.ca) is a Canadian company whose shares are listed on the Toronto Stock Exchange. On 29 June 2015, Fairfax completed the sale of 29.9% of Brit to Ontario Municipal Employees Retirement System (OMERS), the pension plan manager for government employees in the Canadian province of Ontario. Brit's ordinary shares' listing on the London Stock Exchange was cancelled with effect from 23 June 2015 and Brit PLC was renamed Brit Limited.

FFHL will have the ability to repurchase the shares owned by OMERS over time and on 3 August 2016, FFHL acquired an additional 2.4% of Brit from OMERS, bringing its ownership to 72.5%.

We believe that the Fairfax Group is an excellent partner for Brit, enabling us to enhance our global product offering. It provides us with expanded underwriting opportunities and distribution channels and supports the delivery of our strategy to become a leading global specialty (re)insurer.

## Business developments during 2016

During 2016 we have continued to focus on our underwriting strategy. Key developments have included:

- **Syndicate 2988**

  In November, Brit received approval from Lloyd's to launch a new syndicate, Syndicate 2988, to underwrite risks attaching on or after 1 January 2017. Syndicate 2988, which is managed by Brit Syndicates Limited, has a capacity of £52m (US$82m) for its first year of trading and is supported by private Lloyd's members. Underwriting is undertaken by Brit's existing teams and the syndicate will write a well-balanced global portfolio of both insurance and reinsurance across a broad range of specialty lines in which Brit already has well established product offerings.

  The launch of Syndicate 2988 reinforces Brit's long-term commitment to the Lloyd's market and ambition to use its infrastructure to expand our current position as the largest Lloyd's only insurer. It will also help us further position Brit as the specialist underwriter of choice, building on our existing strength across underwriting, claims and capital management and track record of delivering attractive returns for capital providers.

- **Camargue**

  On 31 August 2016, following the receipt of all regulatory approvals, Brit acquired a 50% interest in the South African company, Camargue Underwriting Managers Proprietary Limited (Camargue). Camargue is 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.

- **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.

- **'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.

- **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.

- **Ambridge Partners LLC**

  For 2016, Brit has acted as lead partner for Ambridge Partners LLC (Ambridge) as it increased capacity of its transactional liability facility to US$175.0m. This increase in capacity follows Brit's investment in Ambridge in September 2015, and provides attractive exposure to the fast-growing MGU and continues Brit's selective international expansion into niche specialty businesses with a strong track record in distribution and underwriting capabilities.

- **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.

  In October, BGSU announced two appointments to its newly formed Marine business. First, the appointment of a Vice President Cargo based in New York and responsible for building our presence in the US cargo market. Second, a Vice President Yacht based in Annapolis, Maryland responsible for developing our presence in the US recreational 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.

- **Diamond Processing consortium**

  In November, Brit announced the launch of a Lloyd's consortium for diamond processing. The consortium, led by Brit and brings additional capacity of up to US$50m to the London market, is Lloyd's first dedicated to diamond processing and affirms Brit's position as market leader in this class of business.

- **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.

## Solvency II

We are in compliance with our regulatory obligations under Solvency II, which came into force on 1 January 2016. Solvency II reporting forms an integral part of each quarter's close process and we will deliver our reporting obligations at 31 December 2016.

## Financial Review

### Overview of Results

The Group's income statement, re-analysed to show the key components of our result, is set out below:

| | 2016<br>US$m | 2015<br>US$m | 2014<br>US$m | 2013<br>US$m | 2012<br>US$m |
|---|---|---|---|---|---|
| Gross written premium | **1,912.2** | 1,999.2 | 2,148.5 | 1,849.7 | 1,825.2 |
| Net earned premium (note 1) | **1,515.1** | 1,649.6 | 1,601.1 | 1,478.4 | 1,499.1 |
| Underwriting profit (note 1) | **54.6** | 137.0 | 168.3 | 215.9 | 101.3 |
| Underwriting profit | **54.6** | 137.0 | 168.3 | 215.9 | 101.3 |
| Return on invested assets, net of fees | **102.9** | 5.0 | 124.8 | 85.3 | 139.8 |
| Corporate expenses | **(21.3)** | (30.0) | (38.8) | (23.2) | (22.6) |
| Finance costs | **(18.8)** | (20.6) | (22.3) | (23.4) | (23.2) |
| Other items | **1.1** | 0.3 | 0.8 | 6.9 | 0.8 |
| Profit on ordinary activities before tax, FX,and corporate activity costs | **118.5** | 91.7 | 232.8 | 261.5 | 196.0 |
| FX movements | **41.3** | (60.2) | 35.8 | (90.8) | (43.6) |
| Corporate activity costs (note 2) | **-** | (23.8) | (22.6) | (3.1) | - |
| Profit on ordinary activities before tax | **159.8** | 7.7 | 246.0 | 167.5 | 152.5 |
| Tax | **(2.2)** | 7.9 | (16.7) | (10.1) | (8.3) |
| Discontinued operations | **-** | - | - | (2.2) | 37.8 |
| Profit for the year (after tax) | **157.6** | 15.6 | 229.3 | 155.2 | 182.1 |

Note 1: Excluding the effects of foreign exchange on non-monetary items.
Note 2: Corporate activity costs during 2015 relate to costs incurred as a result of the acquisition of Brit by Fairfax. The 2014 corporate activity costs relate to Brit's IPO in April 2014.

### Group performance and total value added

We have delivered a good result for the year. This result was driven by a solid underwriting return, benefitting from a low attritional loss ratio, a low but increased level of large losses and favourable reserve development, a strong investment return and favourable FX movements.

Profit on ordinary activities for the year before tax, FX and corporate activity costs was US$118.5m (2015: US$91.7m), profit before tax was US$159.8m (2015: US$7.7m) and profit after tax was US$157.6m (2015: US$15.6m). Return on adjusted net tangible assets (RoNTA), excluding the effects of FX on non-monetary items and corporate activity costs, increased to 11.8% (2015: 9.1%). RoNTA for 2016 after including foreign exchange movements was 15.8% (2015: 3.8%) and total value created for the year was US$139.0m (2015: US$19.2m).

Our adjusted net tangible assets at 31 December 2016 totalled US$1,064.8m (2015: US$1,074.7m), after 2016 dividend payments and share buy-back costs of US$148.9m.

We measure our performance using our key performance indicators (KPIs).

| | 2016 | 2015 |
|---|---|---|
| Return on net tangible assets before FX movements and corporate activity costs (RoNTA) | 11.8% | 9.1% |
| Total value created | US$139.0m | US$19.2m |
| Combined ratio | 96.4% | 91.7% |
| Investment return (net of external investment related expenses) | 2.6% | 0.1% |
| Capital ratio | 125.6% | 128.2% |
| Ratio of front office employees to back office employees | 180.7% | 178.5% |

In 2016, we delivered a RoNTA of 11.8%, in challenging insurance market conditions, and our value creation was US$139.0m or 12.9% of opening adjusted NTA. The company has generated a total value of US$719.0m over the past five years, an average of US$143.8m per annum.

The combined ratio is our key underwriting metric. Our combined ratio in 2016 was 96.4%, reflecting a strong underwriting performance in difficult market conditions. We have consistently delivered combined ratios below 100% over the past five years and an average ratio of 91.2% over that period.

The return on our invested assets 2.6% or US$102.9m (2015: 0.1%/US$5.0m). This was a combination of US$73.7m (2015: US$72.7m) of investment income, US$72.3m of mark-to-market gains (2015: losses of US$50.5m) and return on associated undertakings of US$3.6m (2015: nil), less losses on derivatives of US$32.9m (2015: US$5.3m) and fees of US$13.8m (2015: US$11.9m).

Our balance sheet remains strong. At 31 December 2016, after dividends paid and share buy-back during the year of US$148.9m, Group capital resources totalled US$1,457.3m which equated to 125.6% of our Group capital requirement of US$1,160.2m.

The ratio of front office employees to back office employees monitors the efficiency of our business model. At 31 December 2016, the ratio was 180.7%, reflecting that we had approximately 1.8 front office employees for every back office employee.

In addition to these KPIs, we have other measures that offer further insight into the detail of our performance. These measures are:

- Premium related: Risk adjusted rate change; Retention rate;
- Claims related: Claims ratio; Attritional loss ratio; Major claims ratio; Reserve release ratio; and
- Underwriting expense related: Underwriting expense ratio; Commission ratio; Operating expense ratio.

## Underwriting

### Overview

Our underwriting profit for the year amounted to US$54.6m (2015: US$137.0m) and our combined ratio, which excludes the effect of foreign exchange on non-monetary items, was 96.4% (2015: 91.7%). The premiums, claims and expenses components of this result are examined below.

### Premiums written

| Premium growth | 2016 US$m | 2015 US$m | Growth % | Growth at constant FX rates % |
|---|---|---|---|---|
| Brit Global Specialty Direct | 1,546.6 | 1,634.0 | (5.3) | (3.1) |
| Brit Global Specialty Reinsurance | 365.8 | 365.1 | 0.2 | 1.3 |
| Other underwriting | (0.2) | 0.1 | - | - |
| **Group** | 1,912.2 | 1,999.2 | (4.4) | (2.3) |

Gross written premium (GWP) decreased by 4.4% over the same period in 2015 to US$1,912.2m (2015: US$1,999.2m). At constant exchange rates the decrease was 2.3%. Direct business decreased by 5.3% to US$1,546.6m (2015: US$1,634.0m), while reinsurance remained constant at US$365.8m (2015: US$365.1m).

The drivers of the 4.4% decrease in Group GWP, which was in line with expectations, are as follows:

- Underwriting initiatives: The Group's underwriting initiatives, launched in 2013, 2014, 2015 and 2016 resulted in a US$39.1m increase in GWP. The main contributors were our professional lines (including cyber and healthcare) and our A&H divisions.
- Prior year premium development: The book again experienced favourable development on prior years. However, 2016 saw lower levels of favourable development, resulting in a reduction of US$55.3m over 2015.
- Current year premiums: Current year premiums, excluding those derived from the underwriting initiatives highlighted above, reduced by US$29.4m over 2015. This was driven by the challenging rating environment (primarily in energy, property PRV, specialist liability and reinsurance) and strong discipline from underwriters, offset by growth in new teams and areas where rates remain attractive. These reductions were partly offset by growth in specialty lines, professional lines and BGSU.
- Foreign exchange: The impact of foreign exchange resulted in a US$41.4m year on year reduction, which reflects the strengthening during 2016 of the US dollar against a number of currencies in which the Group writes business.

### Premium ratings

| Measure | Commentary | Track record |
|---|---|---|
| Risk adjusted rate change | Overall risk adjusted premium rates for renewal business decreased by 3.3% during 2015 (2015: 4.1%). This reduction was strongly influenced by reinsurance business which experienced rate reductions of 4.8%, driven by a 5.6% rate reduction in property treaty. Rates for direct business fell by 2.9% in the year, with the principal movements being decreases in energy, property, aviation and BGSU specialty. These were partly offset by increases in specialist liability and accident and health. | 2016 (3.3)%<br>2015 (4.1)%<br>2014 (2.9)%<br>2013 0.3%<br>2012 3.4% |

### Retention rates

| Measure | Commentary | Track record |
|---|---|---|
| Retention rate | Our retention rate for the period was 84.3% (2015: 82.4%). The retention rates we achieved in 2015 and 2016 reflect the successful renewal of a profitable book of business, following the re-underwriting of the book that occurred between 2008 and 2012, through which we rebalanced our book and non-renewed around half of our underwriting portfolio. | 2016 84.3%<br>2015 82.4%<br>2014 83.0%<br>2013 83.0%<br>2012 76.0% |

**Outwards reinsurance**

Our reinsurance expenditure in 2016 was US$432.0m or 22.6% of GWP (2015: US$369.4m/18.5%), an increase of US$62.6m.

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

**Net earned premium**

Net earned premium (NEP) in 2016, excluding the effects of foreign exchange on non-monetary items, decreased by 8.2% to US$1,515.1m (2015: US$1,649.6m, increase of 3.0%). At constant exchange rates the decrease was 6.1% (2015: increase of 2.2%). The 2015 growth was impacted by a US$70.8m reinsurance premium paid in 2014 in respect of a specific one-off outwards reinsurance contract entered into to provide adverse development cover for a discontinued professional lines account with exposure to Italian medical malpractice. An effect of this contract was to reduce our 2014 attritional ratio by 1.9 percentage points and increase our 2014 underwriting expense ratio by 1.7 percentage points. It did not materially impact our combined ratio.

Direct business decreased by 8.9% to US$1,208.6m (2015: US$1,327.4m, increase of 6.4%), while reinsurance decreased by 3.0% to US$285.5m (2015: US$294.2m, increase of 11.4%).

**Claims**

Our underlying claims experience in 2016 was in line with expectations. The claims ratio and its components are set out below:

| Year | Attritional loss ratio | Major claims ratio | Reserve release ratio | Claims ratio |
|---|---|---|---|---|
| 2016 | 55.5% | 4.5% | (3.5)% | 56.5% |
| 2015 | 55.2% | - | (1.7)% | 53.5% |
| 2014 | 51.0% | 2.3% | (3.3)% | 50.0% |
| 2013 | 51.3% | 3.2% | (6.0)% | 48.5% |
| 2012 | 51.8% | 6.1% | (1.7)% | 56.2% |

The 2016 attritional loss was stable at 55.5% (2015: 55.2%).

2016 saw an increase in catastrophe activity and the Group incurred major claims of US$68.4m (2015: US$nil), as set out below. Major claims are defined as claims in excess, incurred from natural or man-made catastrophes, or from large single risk loss events of US$10.0m (net of reinsurance and allowing for reinstatements).

| Major losses | 2016 | |
|---|---|---|
| | US$m | CoR% |
| Alberta wildfires | 19.2 | 1.3 |
| Louisiana floods | 10.9 | 0.7 |
| Hurricane Matthew | 26.3 | 1.7 |
| Other (note 1) | 12.0 | 0.8 |
| | **68.4** | **4.5** |

Note 1: 'Other' includes Japan earthquake, Houston floods and Gatlinburg wildfire.

As part of our standard reserving process, we released US$53.5m of claims reserves established for prior year claims, the equivalent of a combined ratio reduction of 3.5% (2015: US$28.6m/1.7%). The main drivers of this release were marine, casualty treaty, property treaty, energy, property PRV and specialist liability, partly offset by strengthening in our professional lines and property facilities divisions. Our statement of financial position remains strong and we continue to operate a robust reserving process.

**Underwriting expenses**

Our underwriting expense ratio was 39.9% (2015: 38.2%). Its components are set out below:

| Year | Commission ratio | Operating expense ratio | Underwriting expense ratio |
|---|---|---|---|
| 2016 | 27.2% | 12.7% | 39.9% |
| 2015 | 26.0% | 12.2% | 38.2% |
| 2014 | 27.5% | 12.0% | 39.5% |
| 2013 | 24.9% | 12.0% | 36.9% |
| 2012 | 25.7% | 11.4% | 37.0% |

Commission costs were US$411.6m and the commission expense ratio was 27.2% (2015: US$429.2m/26.0%). The ratio was affected principally by changes in business mix, a general increment in acquisitions costs (including business arrangement fees) and reduction in NEP due to increased use of proportional treaties due to the soft market conditions.

Our operating expenses are analysed below.

**Expenses**

Our operating expense ratio increased to 12.7% (2015: 12.2%). Operating expenses for the period were as follows:

| Expense analysis | 2016 US$m | 2015 US$m |
|---|---|---|
| Underlying operating expenses including bonus provisions | 217.1 | 231.8 |
| Project costs, timing differences and other expense adjustments | - | 0.1 |
| Expenses before corporate activity related costs | 217.1 | 231.9 |
| Corporate activity related costs (note 1) | - | 23.8 |
| Total operating expenses | 217.1 | 255.7 |

Note 1: Corporate activity costs during 2015 relate to costs incurred as a result of the acquisition of Brit by Fairfax.

Underlying operating expenses during 2016 decreased by 6.3% to US$217.1m (2015: US$231.9m). The movement at constant exchange rates was an increase of 4.1%, reflecting our predominately Sterling expense base. This increase related to targeted expansion and investment in growth areas, increased regulatory levies and increased IT costs, partly offset by a decrease in amortisation changes.

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

| Disclosure of operating expenses | 2016 US$m | 2015 US$m |
|---|---|---|
| Acquisition costs | 112.3 | 100.1 |
| Other insurance related expenses | 83.5 | 101.8 |
| Total insurance related expenses | 195.8 | 201.9 |
| Other operating expenses | 21.3 | 53.8 |
| Total operating expenses | 217.1 | 255.7 |

## Investment return

The return on our invested assets after deducting external fees was US$102.9m or 2.6% (2015: US$5.0m/0.1%). Our invested assets at 31 December 2016 amounted to US$3,971.6m (2015: US$3,973.9m).

| Investment return | 2016 US$m | 2015 US$m |
|---|---|---|
| Income | 73.7 | 72.7 |
| Released gains/(losses) | 62.3 | 58.0 |
| Unrealised (losses)/gains | 10.0 | (108.5) |
| Investment return before fees | 146.0 | 22.2 |
| Investment management fees | (13.8) | (11.9) |
| Investment return net of fees | 132.2 | 10.3 |
| Investment related derivative return | (32.9) | (5.3) |
| Return on associated undertakings | 3.6 | - |
| Total return | 102.9 | 5.0 |
| Total return | 2.6% | 0.1% |

The first three quarters of 2016 saw a very strong investment result, driven by a contraction in the yield curve, giving rise to mark to market gains on the fixed income portfolio. These gains were partly offset by losses on equities, loan instruments and investment related derivatives.

The fourth quarter, however, experienced a significant increase in yield rates as markets responded to the forthcoming US election. This increase resulted in losses on our fixed income book, compared to the Q3 year to date result. As the elections drew near, we sold the majority of our fixed income positions, crystallising the losses for the quarter, but locking in a solid result for the year.

Our income producing assets performed well and we generated income of US$73.7m during the year, representing a running yield of 0.9% (2015: US$72.7m/1.6%).

Our two associated undertakings produced a positive first year return of US$3.6m.

- Ambridge Partners LLC, a leading managing general underwriter of transactional insurance products of which a 50% share was acquired on 8 December 2015, contributed US$3.4m to this return; and
- Camargue Underwriting Managers Proprietary Limited, a leading managing general underwriter of a range of specialised insurance products and specialist liability solutions in South Africa of which a 50% share was acquired on 30 August 2016, contributed US$0.2m to this return.

## Foreign exchange

We manage our currency exposures to mitigate the impact on solvency rather than to achieve a short-term impact on earnings. We experienced a total foreign exchange gain of US$41.3m in 2016 (2015: loss of US$60.2m), reflecting the movement of the US dollar against other currencies in which we trade and hold assets. This total foreign exchange related loss comprised:

- An unrealised revaluation gain of US$61.2m (2015: loss of 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 (in which we have a short position) and the weakening of the US dollar against the Canadian dollar (long position), partly offset by the strengthening of the US dollar against the Euro (long position);
- Losses of US$19.9m (2015: gain of US$45.0m) on derivative contracts which were entered into to help manage our monetary FX exposures and therefore should be viewed in conjunction with our monetary FX movements; and
- No overall gain or loss (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 full year 2015 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$3.6m).

The allocation of the FX result within the Consolidated Income Statement is as follows:

| Foreign exchange gains and (losses) | 2016 US$m | 2015 US$m |
|---|---|---|
| Net change in unearned premium provision - non-monetary FX effect | 19.0 | (11.5) |
| Acquisition costs - non-monetary FX effect | (10.0) | 2.2 |
| Net foreign exchange losses - non-monetary (Note 1) | (9.0) | (10.5) |
| | - | (19.8) |
| Net foreign exchange gains/(losses) – monetary (Note 1) | 61.2 | (85.4) |
| Return on derivative contracts - FX related instruments | (19.9) | 45.0 |
| | 41.3 | (40.4) |
| Total gain/(loss) | 41.3 | (60.2) |

Note 1: The sum of these two amounts, US$52.2m, is the 'Net foreign exchange gains' figure per the Consolidated Income Statement (2015: US$95.9m 'Net foreign exchange losses').

**Tax**

Our tax on ordinary activities for 2016 resulted in a tax expense of US$2.2m (2015: tax income of US$7.9m), based on a group profit before tax of US$159.8m (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 income not subject to tax such as the syndicate's dividend income. An additional factor is the future reduction in the UK corporation tax rate and its effect on deferred tax liabilities and prior year adjustments, relating primarily to the syndicate's underwriting results. The effective tax rate is further influenced by non-UK taxes arising in our Lloyd's syndicate.

**Financial position and capital Strength**

Our business is underwritten exclusively through our wholly-aligned Lloyd's Syndicate 2987, which benefits from Lloyd's ratings of A (Excellent) from A.M. Best, AA- (Very Strong) from Fitch and A+ (Strong) from Standard & Poor's.

Our capabilities and ambition are underpinned by our strong financial position. At 31 December 2016, our adjusted net tangible assets totalled US$1,064.8m (2015: US$1,074.7m). At 31 December 2016, Group capital resources totalled US$1,457.3m, giving surplus management capital of US$297.1m or 25.6% (2015: US$329.5m/28.2%) over our Group capital requirement of US$1,160.2m. The position at 31 December is after dividends paid and share buy-back costs during the year of US$148.9m.

During 2016, we renegotiated our revolving credit facility (RCF). While the facility size remains at US$360.0m, it has been extended until 31 December 2020. The commercial terms negotiated with the banks have resulted in a significant improvement in terms with no significant change to covenant levels. At 31 December 2016, a US$80.0m letter of credit (LoC) was in place, of which US$4.0m was collateralised (31 December 2015: US$80.0m/uncollateralised) to support our underwriting activities. At the date of this report, 16 February 2017, the LoC was fully collateralised. At 31 December 2016 and at 31 December 2015 no other drawings were outstanding on the facility.

At 31 December 2016, our gearing ratio was 18.9% (2015: 21.1%).

**Asset allocation**

Brit's invested assets (financial investments, investment in associates, cash and cash equivalents and derivative contracts) at 31 December 2016 were US$3,971.5m (31 December 2015: US$3,973.9m).

Following the sale in the fourth quarter of the longer dated fixed income securities in the portfolio and the investment of the proceeds invested into US Treasury bills, the portfolio at 31 December had a large allocation to cash and cash equivalents (US$1,027.3m/25.9%) with a reduced holding in fixed income securities (US$2,425.4m/61.1%). Brit's equity allocation was US$492.0m (12.4%).

Our asset allocation, on both a look-through basis and statutory disclosure basis, is set out in the tables below:

| 31 December 2016 | | Statutory basis | | | | | | | Total invested assets (look through |
|---|---|---|---|---|---|---|---|---|---|
| | | Equity securities | Debt securitie | Loan instruments | Specialised investment funds | Cash and casl equivalents | Associated undertakings | Derivative assets | |
| | | US$m | US$m | US$m | US$m | US$m | US$m | US$m | US$m |
| Look through basis | Government debt securities | - | 1,829.3 | - | 1.6 | - | - | - | 1,830.9 |
| | Corporate debt securities | - | 594.4 | - | 0.1 | - | - | - | 594.5 |
| | Structured products | - | 1.0 | - | 13.0 | - | - | - | 14.0 |
| | Loan instruments | - | - | - | - | - | - | - | - |
| | Equity securities | 399.8 | - | - | 55.6 | - | 36.6 | - | 492.0 |
| | Alternative investments | - | - | - | 7.3 | - | - | - | 7.3 |
| | Cash and cash equivalents | - | - | - | 1.8 | 1,025.5 | - | - | 1,027.3 |
| | Investment related derivatives | - | - | - | - | - | - | 5.5 | 5.5 |
| **Total invested assets** (statutory) | | 399.8 | 2,424.7 | - | 79.4 | 1,025.5 | 36.6 | 5.5 | 3,971.5 |

| 31 December 2015 | | Statutory basis | | | | | | | Total invested assets (look through |
|---|---|---|---|---|---|---|---|---|---|
| | | Equity securities | Debt securitie | Loan instruments | Specialised investment funds | Cash and casl equivalents | Associated undertakings | Derivative assets | |
| | | US$m | US$m | US$m | US$m | US$m | US$m | US$m | US$m |
| Look through basis | Government debt securities | - | 1,792.0 | - | 664.8 | - | - | - | 2,456.8 |
| | Corporate debt securities | - | 144.3 | - | 259.7 | - | - | - | 404.0 |
| | Structured products | - | 19.7 | - | 24.9 | - | - | - | 44.6 |
| | Loan instruments | - | - | 23.4 | - | - | - | - | 23.4 |
| | Equity securities | 265.5 | - | - | 39.9 | - | - | - | 305.4 |
| | Alternative investments | - | - | - | 48.4 | - | 28.6 | - | 77.0 |
| | Cash and cash equivalents | - | - | - | 56.1 | 581.0 | - | - | 637.1 |
| | Investment related derivatives | - | - | - | (7.9) | - | - | 33.5 | 25.6 |
| **Total invested assets** (statutory) | | 265.5 | 1,956.0 | 23.4 | 1,085.9 | 581.0 | 28.6 | 33.5 | 3,973.9 |

Our investments in specialised investment funds account for US$79.4m or 2.0% (2015: US$1,085.9m/27.2%) of our invested assets on a statutory reporting basis. The reduction in 2016 is driven by the requirement to consolidate for the first time, two key UCITS funds, following an increase in the control over these funds exerted by Brit. These funds are predominantly invested in corporate bonds. The remaining specialised funds in this category cover small allocations to US & European credit as well as specialist equity funds.

The duration of our portfolio at 31 December 2016 was 1.1 years (2015: 6.3 years) and 82.7% of our invested assets were investment grade quality (2015: 87.8%).

## Outlook

Despite the challenging rating environment and increased catastrophe activity, we have returned both a solid underwriting result and investment performance in 2016. However, this profitable underwriting environment being experienced by the market is likely to result in further rate softening in 2017, albeit at reduced rates, and a continued challenging environment when combined with exceptionally low interest rates, geopolitical uncertainty, global growth concerns and market volatility. Capital availability continues to increase from both traditional and non-traditional sources and we expect this to create further competition during 2017.

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 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. Joining the Fairfax group supports the delivery of our strategy, enabling us to enhance our global product offering, opening new distribution channels while providing us with additional new business opportunities.

## 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.

## Directorate Changes

On 1 January 2017, Richard Ward stepped down from his role as Chairman, but remains on the Board as Senior Independent Director. On the same date, Mark Cloutier, formerly Group Chief Executive Officer, became Group Executive Chairman, with Matthew Wilson replacing him as Group Chief Executive Officer, and Gordon Campbell joined the Board as a non-executive Director. Ipe Jacob and Bijan Khosrowshahi resigned as directors with effect from 31 December 2016.

## 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. |

## Financial information and availability of accounts

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2016 or 2015, but is derived from those accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies and the statutory accounts for 2016 will be delivered following the Company's annual general meeting. The auditor has reported on those accounts; their reports were unqualified and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

The audited Annual Report and Accounts for 2016 are expected to be available on the Company's website no later than 13 March 2017. An announcement will be made when they are available.

The preliminary results were approved by the Board on 15 February 2017.

## Responsibility statement of the Directors

The Directors confirm that, to the best of their knowledge:

- The consolidated financial statements, contained within the 2016 Company's statutory accounts, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group; and
- The Strategic Report, contained within the 2016 Company's statutory accounts, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

**Matthew Wilson**
Group Chief Executive Officer

15 February 2017

**Mark Allan**
Chief Financial Officer

15 February 2017

## Consolidated Income Statement
For the year ended 31 December 2016

| | **Year ended 31 December 2016 US$m** | Year ended 31 December 2015 US$m |
|---|---|---|
| **Revenue** | | |
| Gross premiums written | **1,912.2** | 1,999.2 |
| Less premiums ceded to reinsurers | **(432.0)** | (369.4) |
| **Premiums written, net of reinsurance** | **1,480.2** | 1,629.8 |
| | | |
| Gross amount of change in provision for unearned premiums | **21.4** | (5.8) |
| Reinsurers' share of change in provision for unearned premiums | **32.5** | 14.1 |
| Net change in provision for unearned premiums | **53.9** | 8.3 |
| **Earned premiums, net of reinsurance** | **1,534.1** | 1,638.1 |
| | | |
| Investment return | **132.2** | 10.3 |
| Return on derivative contracts | **(52.8)** | 39.7 |
| Other income | **1.1** | 0.3 |
| Net foreign exchange gains | **52.2** | - |
| **Total revenue** | **1,666.8** | 1,688.4 |
| | | |
| **Expenses** | | |
| **Claims incurred:** | | |
| **Claims paid:** | | |
| Gross amount | **(874.9)** | (871.5) |
| Reinsurers' share | **140.7** | 191.1 |
| **Claims paid, net of reinsurance** | **(734.2)** | (680.4) |
| | | |
| **Change in the provision for claims:** | | |
| Gross amount | **(183.9)** | (211.0) |
| Reinsurers' share | **62.0** | 9.4 |
| **Net change in the provision for claims** | **(121.9)** | (201.6) |
| | | |
| Claims incurred, net of reinsurance | **(856.1)** | (882.0) |
| Acquisition costs | **(530.9)** | (526.6) |
| Other operating expenses | **(104.8)** | (155.6) |
| Net foreign exchange losses | **-** | (95.9) |
| **Total expenses excluding finance costs** | **(1,491.8)** | (1,660.1) |
| | | |
| **Operating profit** | **175.0** | 28.3 |
| | | |
| Finance costs | **(18.8)** | (20.6) |
| Share of net profit of associates | **3.6** | - |
| **Profit on ordinary activities before tax** | **159.8** | 7.7 |
| Tax (expense)/income | **(2.2)** | 7.9 |
| **Profit for the year** | **157.6** | 15.6 |

All profits arise from continuing operations.

## Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

| | **Year ended 31 December 2016 US$m** | Year ended 31 December 2015 US$m |
|---|---|---|
| **Profit attributable to owners of the parent** | **157.6** | 15.6 |
| **Other comprehensive income** | | |
| **Items not to be reclassified to profit or loss in subsequent periods:** | | |
| Actuarial (losses)/gains on defined benefit pension scheme | **(5.4)** | 3.0 |
| Deferred tax gain/(charge) relating to actuarial gains on defined benefit pension scheme | **0.9** | (0.5) |
| **Items that may be reclassified to profit or loss in subsequent periods:** | | |
| Change in unrealised foreign currency translation losses on foreign operations | **(13.7)** | (4.9) |
| **Total other comprehensive income** | **(18.2)** | (2.4) |
| **Total comprehensive income recognised for the year** | **139.4** | 13.2 |

## Consolidated Statement of Financial Position

At 31 December 2016

| | **31 December 2016 US$m** | 31 December 2015 US$m |
|---|---|---|
| **Assets** | | |
| Intangible assets | **93.9** | 95.1 |
| Property, plant and equipment | **22.9** | 21.1 |
| Deferred acquisition costs | **219.6** | 222.6 |
| Investments in associated undertakings | **36.6** | 28.6 |
| Reinsurance contracts | **884.1** | 818.9 |
| Employee benefits | **42.5** | 52.1 |
| Deferred taxation | **0.4** | - |
| Current taxation | **15.3** | 15.3 |
| Financial investments | **2,903.9** | 3,330.8 |
| Derivative contracts | **12.6** | 63.6 |
| Insurance and other receivables | **718.3** | 691.7 |
| Cash and cash equivalents | **1,025.5** | 581.0 |
| **Total assets** | **5,975.6** | 5,920.8 |
| | | |
| **Liabilities and Equity** | | |
| | | |
| **Liabilities** | | |
| Insurance contracts | **4,243.5** | 4,182.3 |
| Borrowings | **157.5** | 185.6 |
| Deferred taxation | **25.8** | 27.4 |
| Provisions | **2.4** | 3.3 |
| Current taxation | **4.6** | 3.2 |
| Derivative contracts | **11.8** | 12.5 |
| Insurance and other payables | **382.0** | 350.0 |
| **Total liabilities** | **4,827.6** | 4,764.3 |
| | | |
| **Equity** | | |
| Called up share capital | **6.4** | 6.6 |
| Capital redemption reserve | **0.2** | - |
| Foreign currency translation reserve | **(91.0)** | (77.3) |
| Retained earnings | **1,232.4** | 1,227.2 |
| **Total equity attributable to owners of the parent** | **1,148.0** | 1,156.5 |
| | | |
| **Total liabilities and equity** | **5,975.6** | 5,920.8 |

These financial statements were approved by the Board of Directors on 15 February 2017 and were signed on its behalf by:

**Matthew Wilson**
Group Chief Executive Officer

**Mark Allan**
Chief Financial Officer

## Consolidated Statement of Cash Flows
For the year ended 31 December 2016

| | Year ended 31 December 2016 US$m | Year ended 31 December 2015 US$m |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash generated from operations | **579.1** | 262.0 |
| Tax paid | **(3.4)** | (0.7) |
| Interest received | **57.8** | 40.6 |
| Dividends received | **17.5** | 30.1 |
| **Net cash inflows from operating activities** | **651.0** | 332.0 |
| **Cash flows from investing activities** | | |
| Purchase of intangible assets | **(6.3)** | (7.7) |
| Purchase of property, plant and equipment | **(8.3)** | (18.6) |
| Investment in associated undertaking | **(4.9)** | (28.6) |
| **Net cash outflows from investing activities** | **(19.5)** | (54.9) |
| **Cash flows from financing activities** | | |
| Purchase of class A shares for cancellation | **(58.1)** | - |
| Purchase of shares for share-based payment schemes | **(3.1)** | (10.7) |
| Interest paid | **(15.4)** | (15.6) |
| Dividends paid | **(90.8)** | (154.1) |
| **Net cash outflows from financing activities** | **(167.4)** | (180.4) |
| **Net increase in cash and cash equivalents** | **464.1** | 96.7 |
| Cash and cash equivalents at beginning of the year | **581.0** | 501.4 |
| Effect of exchange rate fluctuations on cash and cash equivalents | **(19.6)** | (17.1) |
| **Cash and cash equivalents at the end of the year** | **1,025.5** | 581.0 |

## Consolidated Statement of Changes in Equity
For the year ended 31 December 2016

| | Called up share capital US$m | Capital redemption reserve US$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 | **-** | **-** | **(13.7)** | **153.1** | **139.4** |
| Repurchase of class A shares | **-** | **-** | **-** | **(58.1)** | **(58.1)** |
| Cancellation of share capital | **(0.2)** | **0.2** | **-** | **-** | **-** |
| Share-based payments | **-** | **-** | **-** | **1.0** | **1.0** |
| Dividend | **-** | **-** | **-** | **(90.8)** | **(90.8)** |
| **At 31 December 2016** | **6.4** | **0.2** | **(91.0)** | **1,232.4** | **1,148.0** |

## Consolidated Statement of Changes in Equity
For the 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 |

**Nature and Purpose of Group Reserves**

**Own shares:** Own shares represents the cost of shares held in trust for settling share-based payments and shares held in treasury.

**Capital Redemption Reserve:** The balance represents the amount by which share capital is diminished in the event of a share cancellation and is required to be recognised in a legal reserve so as to maintain the Group's capital.

**Foreign currency translation reserve:** The balance on this reserve represents the foreign exchange differences arising from the translation of financial statement information of entities within the Group from functional currencies to the presentational currency of the Group.

**Retained earnings:** Retained earnings represents the cumulative comprehensive income retained by the Group after taxation and after any distributions made from this account.