Greenlight Reinsurance Ireland, Ltd.

Financial Statements

For the years ended 31 December 2014 and 2013

BDO
Beaux Lane House
Mercer Street Lower
Dublin 2
Ireland

Greenlight Reinsurance Ireland, Ltd.

Contents

Greenlight Reinsurance Ireland, Ltd.

Directors and other information

Directors	Philip Harkin	(Independent Non-Executive Chairman)
	Bart Hedges	(Executive Director)
	Frank Lackner	(Independent Non-Executive Director)
	Brendan Tuohy	(Independent Non-Executive Director)
	Caryl Traynor	(Executive Director)
	Leonard Goldberg	(Non-Executive Director – Resigned July 30, 2014)

Secretary

Laura Accurso
65 Market Street
Suite 1207
Jasmine Court
Camana Bay
Grand Cayman

Company number 475022

Registered office

La Touche House, Ground Floor
IFSC, Dublin 1

Principal place of business

La Touche House, Ground Floor
IFSC, Dublin 1

Auditors

BDO
Registered Auditors
Beaux Lane House
Mercer Street Lower
Dublin 2

Bankers

HSBC
Grand Canal Square
Dublin 2

Solicitors

A&L Goodbody
IFSC
North Wall Quay
Dublin 1

Greenlight Reinsurance Ireland, Ltd.

Directors' report
The directors present their report and the audited financial statements of the company for the years ended 31 December 2014 and 2013.

Principal activity and review of the business
The principal activity of the company is that of a reinsurance business. The directors plan to develop further the activities of the company.

Results and dividends
The results for the period were as follows:

	2014	2013
	US$	US$
(Loss) profit before taxation	(3,707,797)	4,118,571
Corporation tax benefit (charge)	435,376	(531,172)
(Loss) profit brought to reserves	(3,272,421)	3,587,399

The directors do not recommend the payment of a dividend.

Important events since the year end
On March 23, 2015 the company's parent, Greenlight Capital Re, Ltd., contributed additional capital in the sum of US$20,000,000 into the company. This will be recorded as contributed capital reserve in subsequent financial statements.

Directors, secretary and their interests
The directors and secretary, who held office at 31 December 2014, had no beneficial interest in the share capital of the company or any other group company at any time during the financial year except that certain directors had beneficial ownership in the parent company, Greenlight Capital Re, Ltd (the "Parent"), a NASDAQ listed publicly held company. Mr. Lackner's beneficial interest in the Parent included 2,000 ordinary shares subject to options, 5,396 restricted shares subject to forfeiture and 88,068 ordinary shares held directly. Mr. Hedges' beneficial interest in the Parent included 365,308 ordinary shares subject to options, 60,798 restricted shares subject to forfeiture and 135,384 ordinary shares held directly. Mr. Traynor's and Ms. Accurso's beneficial interests in the Parent comprised of an insignificant number of common shares of the Parent.

Statement of directors' responsibilities
The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations. Under that law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper books of account which disclose, with reasonable accuracy at any time, the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with IFRSs as adopted by the European Union and comply with the Companies Acts, 1963 to 2013 and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Books of account
The directors have taken appropriate steps to ensure compliance with Section 202 of the Companies Act, 1990, by appointing suitably experienced personnel to maintain the company's books of account and by the design and implementation of control systems appropriate to the business. The books of account are held at LaTouche House, Ground Floor, IFSC, Dublin 1.

Principal risks and uncertainties
The directors consider that the principal risks and uncertainties facing the company are:

- risk of adverse loss development on the insurance risks assumed;
- risk of final settlement of losses varying significantly from the reserves estimated by the company;
- risk of a downgrade or withdrawal of the company's A (Excellent) rating by A.M. Best rating agency;
- market risk on financial instruments, including equity price risk, foreign currency risk, interest rate risk and credit risk.

Auditors
BDO have expressed their willingness to continue in office in accordance with the provisions of Section 160(2) of the Companies Act, 1963 to 2013.

Director- Frank D. Lackner

Director - Caryl Traynor

26 MARCH 2015

Date

Audit - Tax - Advisory
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Beaux Lane House
Mercer Street Lower
Dublin 2
Ireland

Independent Auditors' Report to the members of Greenlight Reinsurance Ireland, Limited

We have audited the financial statements of Greenlight Reinsurance Ireland, Limited for the year ended 31 December 2014 on pages 6 to 30 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes. These financial statements have been prepared in accordance with the accounting policies set out on pages 11 to 15.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an independent auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2 the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2014 and of its results for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts 1963 to 2013 and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996.

Independent Auditors Report to the members of Greenlight Reinsurance Ireland, Limited - continued

Matters on which we are required to report by the Companies Acts 1963 to 2013

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion proper books of account have been kept by the company.
- The financial statements are in agreement with the books of account.
- In our opinion the information given in the directors' report is consistent with the financial statements.
- The net assets of the company, as stated in the balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2014 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2013 which require us to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.

Teresa Morahan
For and on behalf of BDO
Dublin
Registered Auditors
AI223876

26 March 2015
Date

Greenlight Reinsurance Ireland, Ltd.

Statements of comprehensive income: Technical accounts - general business for the years ended 31 December 2014 and 2013

CONTINUING OPERATIONS:	**Notes**	**2014**	**2013**
		US$	**US$**
Gross premiums written		79,866,032	75,133,663
Ceded premiums		(9,020,741)	(5,004,237)
Net premiums written		70,845,291	70,129,426
Movement in unearned premium reserves, net	**13**	(3,558,437)	4,177,456
Earned premiums, net of reinsurance		67,286,854	74,306,882
Allocated investment return transferred from the non-technical account		1,666,127	4,310,216
Total technical income		68,952,981	78,617,098
Claims Paid			
- Gross claims paid		(50,852,345)	(44,360,694)
- Claims paid recoverable		1,350,870	1,301,042
Change in the provision for claims			
- Known claims reserve	**13**	(239,456)	(5,641,417)
- Other technical reserves	**13**	(5,879,661)	(6,763,328)
- Unallocated loss adjustor expense	**13**	(36,537)	58,984
- Losses recoverable	**13**	1,756,954	1,533,122
Claims incurred net of reinsurance		(53,900,175)	(53,872,291)
Operating expenses		(20,281,370)	(25,234,111)
Total technical expenses		(74,181,545)	(79,106,402)
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		(5,228,564)	(489,304)

Greenlight Reinsurance Ireland, Ltd.
Statements of comprehensive income: Non-technical accounts for the years ended 31 December 2014 and 2013

CONTINUING OPERATIONS:

	Notes	2014 US$	2013 US$
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		(5,228,564)	(489,304)
Investment income		1,390,148	1,023,928
Investment expense		(3,585,854)	(5,115,867)
Market value adjustment		(7,091,035)	6,264,281
Gain on sale of investments		12,473,635	6,745,749
Allocated investment return transferred to the technical account		(1,666,127)	(4,310,216)
(Loss) profit on ordinary activities before taxation	3	(3,707,797)	4,118,571
Income tax benefit (expense)	5	435,376	(531,172)
Retained (loss) profit for the financial year		(3,272,421)	3,587,399

The Company had no recognised gains or losses other than the profit (loss) for the above financial period.

The notes on pages 11 to 30 form part of these financial statements.

On behalf of the board

Director – Frank D. Lackner

Director – Caryl Traynor

Greenlight Reinsurance Ireland, Ltd.

Statements of financial position at 31 December 2014 and 2013

	Notes	2014 US$	2013 US$
Current Assets:			
Financial Investments			
Debt securities, trading, at fair value through profit or loss	8	2,336,531	206,785
Equity securities, trading, at fair value though profit of loss	8	54,868,259	48,505,100
Other investments, at fair value through profit or loss	8	4,413,706	5,069,058
Total investments		61,618,496	53,780,943
Cash and cash equivalents	9	4,621,922	9,390,901
Restricted cash and cash equivalents	10	49,856,373	51,591,254
Derivative contracts receivable, at fair value through profit or loss	8	2,239,628	4,989,345
Prepayments, general receivables and accrued income		292,020	432,792
Reinsurance balances receivable		26,147,852	22,144,954
Loss reserves recoverable		6,235,324	4,684,445
Deferred acquisition cost		5,476,679	5,264,262
Unearned premiums ceded		2,279,585	456,754
Tax asset (including deferred tax US$1,130)		588,138	0
Fixed assets	11	237,640	302,578
Total Assets		159,593,657	153,038,228
Creditors: amounts falling due within one year			
Accruals and other payables		1,288,724	1,261,625
Tax liability (net of deferred tax asset of $ 8,117)		0	250,309
Due to related party	16	100,922	627,465
Total current liabilities		1,389,646	2,139,399
Non-current liabilities			
Securities sold, not yet purchased, at fair value through profit or loss	8	46,475,786	50,625,665
Derivative contracts payable, at fair value through profit or loss	8	2,117,203	904,255
Reinsurance balances payable		4,905,256	2,884,011
Technical reserves			
Known claims reserves	13	12,311,694	12,215,842
Loss reserves	13	21,190,204	15,348,902
Unearned premium reserve	13	27,641,597	22,260,329
Funds withheld		512,768	532,973
Unallocated loss adjustor provision	13	110,757	74,220
Total non-current liabilities		115,265,265	104,846,197
Total liabilities		116,654,911	106,985,596
Net assets		42,938,746	46,052,632
Capital and reserves			
Called up share capital	6	10,000,000	10,000,000
Capital contribution reserve	7	30,230,913	30,072,378
Retained earnings		2,707,833	5,980,254
Total equity		42,938,746	46,052,632

The notes on pages 11 to 30 form part of these financial statements.

The financial statements were approved and issued for signing on behalf of the board on 26 March 2015.

Director - Frank D. Lackner

Director – Caryl Traynor

Greenlight Reinsurance Ireland, Ltd.

Statements of changes in equity for the years ended 31 December 2014 and 2013

	Share capital	Capital contribution reserve	Retained earnings	Total
	US$	US$	US$	US$
Balance at 31 December 2012	10,000,000	30,133,517	2,392,855	42,526,372
(Returned) capital	—	(61,139)	—	(61,139)
Profit for the financial period	—	—	3,587,399	3,587,399
Balance at 31 December 2013	10,000,000	30,072,378	5,980,254	46,052,632
Contributed capital	—	158,535	—	158,535
(Loss) for the financial period	—	—	(3,272,421)	(3,272,421)
Balance at 31 December 2014	10,000,000	30,230,913	2,707,833	42,938,746

The notes on pages 11 to 30 form part of these financial statements.

Greenlight Reinsurance Ireland Ltd.

Statements of cash flows for the years ended 31 December 2014 and 2013

	2014	2013
Operating activities	US$	US$
(Loss) profit for the period	(3,272,421)	3,587,399
Adjustments for:		
Movement in deferred income tax expense recognised in profit or loss	6,987	(2,413)
Change in income tax liability	(845,434)	18,081
Movement in unearned premium reserves ceded	(1,822,831)	1,443,581
Movement in unearned premium reserves	5,381,268	(5,612,860)
Change in loss reserves recoverable	(1,550,879)	(1,596,467)
Change in known claims reserves	95,852	5,683,363
Change in loss reserves	5,841,302	6,800,563
Change in unallocated loss adjustor	36,537	(58,984)
Realised loss (gains) from financial investments and derivatives, net	7,091,034	(5,382,979)
Market value adjustment in value of investments and derivatives	(12,553,060)	(5,954,220)
Foreign exchange loss (gain) loss on restricted cash and cash equivalents	79,425	(791,528)
Stock compensation expense	158,535	(61,139)
Depreciation	64,938	64,937
Operating cash flows before movements in working capital	(1,288,747)	(1,862,666)
Decrease (increase) in prepayments, general receivables and accrued income	140,774	(43,005)
Increase in reinsurance in balances receivable	(4,002,898)	(119,241)
(Increase) decrease in deferred acquisition cost	(212,417)	1,096,109
Increase (decrease) in accruals and other payables	27,099	(1,527,971)
Decrease in due to related parties	(526,543)	(2,303)
Increase in reinsurance balances payable	2,021,245	1,407,889
(Decrease) increase in funds withheld	(20,205)	221,227
Net cash outflow from operating activities	(3,861,692)	(829,961)
Investing activities		
Purchase of financial investments and derivatives	(85,494,858)	(75,304,341)
Proceeds from disposal of financial investments and derivatives	82,932,115	94,706,060
Decrease (increase) in restricted cash and cash equivalents	1,655,456	(14,429,856)
Net cash outflow from investing activities	(907,287)	4,971,863
Net (decrease) increase in cash and cash equivalents	(4,768,979)	4,141,902
Cash and cash equivalents at the start of the period	9,390,901	5,248,999
Cash and cash equivalents at the end of the period	4,621,922	9,390,901
Supplementary information		
Taxes paid in cash	467,216	532,553
Taxes recovered in cash	0	0

The notes on pages 11 to 30 form part of these financial statements.

1. REPORTING ENTITY

Greenlight Reinsurance Ireland, Ltd., (the "Company") was incorporated as a Private Limited Company under the Companies Acts 1963 to 2013 on September 7, 2009 and is a licensed reinsurance entity domiciled in Dublin, Ireland. The registered office of the Company is La Touche House, Ground Floor, IFSC, Dublin 1. The Company provides multi-line property and casualty reinsurance.

The Company is a wholly owned subsidiary of Greenlight Capital Re, Ltd., a company resident in the Cayman Islands. The largest and smallest group in which the financial statements of Greenlight Reinsurance Ireland, Ltd are consolidated is that headed by Greenlight Capital Re, Ltd. The financial statements of Greenlight Capital Re, Ltd. are publicly available on the website www.greenlightre.ky.

2. ACCOUNTING POLICIES

2.1. Basis of accounting

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by European Union.

The financial statements also comply with the European Communities (Insurance Undertaking; Accounts) Regulations, 1996. The financial statements are expressed in United States Dollars (US$) which is the Company's functional currency and have been prepared on the historical cost basis. The carrying value of all assets and liabilities recorded in the statements of financial position approximates their fair value.

2.2. New accounting policies

a) New standards, interpretations and amendments effective from 1 January 2014
One new interpretation and a number of amendments are effective for the first time for periods beginning on (or after) 1 January 2014, and have been adopted in these financial statements. Note: neither the interpretation nor the amendments effective for the first time for periods beginning on (or after) 1 January 2014 affect the company's annual financial statements.

b) New standards, interpretations and amendments not yet effective
None of the new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2014 and which have not been adopted early, are expected to have a material effect on the company's future financial statements.

2.3. Revenue recognition

The Company estimates the ultimate premiums for the entire contract period. These estimates are based on information received from the ceding companies and estimates from actuarial pricing models used by the Company. For excess of loss contracts, the total ultimate estimated premiums are recorded as premiums written at the inception of the contract. For quota share contracts, the premiums are recorded as written based on cession statements from cedents which typically are received monthly or quarterly depending on terms specified in each contract. For any reporting lag, premiums written are estimated based on the portion of the ultimate estimated premiums relating to the risks underwritten during the lag period.

Changes in premium estimates, including premium receivable on both excess of loss and quota share contracts are expected and may result in significant adjustments in any period. These estimates change over time as additional information regarding the underlying business volume is obtained. Any subsequent adjustments arising on such estimates are recorded in the period in which they are determined.

Premiums written are generally recognised as earned over the contract period in proportion to the period of risk covered. Unearned premiums consist of the unexpired portion of reinsurance provided.

Investment income is included in the statements of comprehensive income on an accrual basis.

2.4 Reinsurance Premiums Ceded

The Company reduces the risk of future losses on business assumed by reinsuring certain risks and exposures with other reinsurers (retrocessionaires). The Company remains liable to the extent that any retrocessionaire fails to meet its obligations and to the extent the Company does not hold sufficient security for their unpaid obligations.

Ceded premiums are written during the period in which the risks incept and are expensed over the contract period in proportion to the period of protection. Unearned premiums ceded consist of the unexpired portion of reinsurance obtained.

2.5 Deferred Acquisition Costs

Policy acquisition costs, such as commission and brokerage costs, relate directly to and vary with the writing of reinsurance contracts. Acquisition costs relating solely to bound contracts are deferred subject to ultimate recoverability and are amortised over the related contract term. The Company evaluates the recoverability of deferred acquisition costs by determining if the sum of future earned premiums and anticipated investment income is greater than the expected future claims and expenses. If a loss is probable on the unexpired portion of policies in force, a premium deficiency loss is recognised. At 31 December 2014 and 2013, the deferred acquisition costs were considered fully recoverable and no premium deficiency loss was recorded.

2.6. Insurance losses and reserves and recoverables - technical provisions

The Company establishes reserves for contracts based on estimates of the ultimate cost of all losses including losses incurred but not reported ("IBNR"). These estimated ultimate reserves are based on the Company's own actuarial estimates derived from reports received from ceding companies, industry data and historical experience. These estimates are reviewed by the Company periodically on a contract by contract basis and adjusted as necessary. Since reserves are estimates, the final settlement of losses may vary from the reserves established and any adjustments to the estimates, which may be material, are recorded in the period they are determined. Changes in estimates are reflected in the results of operations in the period in which the estimates are changed. The Company does not discount its loss reserves.

Loss reserves recoverable include the amounts due from retrocessionaires for unpaid loss and loss adjustment expenses on retrocession agreements. Ceded losses incurred but not reported are estimated based on the Company's actuarial estimates. These estimates are reviewed periodically and adjusted when deemed necessary. The Company may not be able to ultimately collect the losses recoverable amounts due to the retrocessionaires' inability to pay. The Company regularly evaluates the financial condition of its retrocessionaires and records provisions for uncollectible reinsurance expenses recoverable when recovery is no longer probable.

2.7. Financial Assets

The Company's financial instruments are carried at fair value, and all unrealised gains or losses are included in investment income in the statements of comprehensive income in accordance with International Accounting Standard 39, Financial Instruments: Recognition and Measurement, ("IAS 39") and International Financial Reporting Standard 7, Financial Instruments; Disclosures, ("IFRS 7").

Investments and Investments in Securities Sold, Not Yet Purchased

The Company's investments in debt instruments and equity securities that are classified as "trading securities" are carried at fair value. The fair values of the listed equity investments are derived based on quoted prices (unadjusted) in active markets for identical assets (Level 1 inputs). The fair values of listed equities that have restrictions on sale or transfer which expire within one year are determined by adjusting the observed market price of the equity using a liquidity discount based on observable market inputs. The fair values of debt instruments are derived based on inputs that are observable, either directly or indirectly, such as market maker or broker quotes reflecting recent transactions (Level 2 inputs), and are generally derived based on the average of multiple market maker or broker quotes which are considered to be binding. Where quotes are not available, debt instruments are valued using cash flow models using assumptions and estimates that may be subjective and non-observable (Level 3 inputs).

The Company's "other investments" may include investments in private and unlisted equity securities, limited partnerships, and commodities, which are all carried at fair value. The fair values of commodities are determined based on quoted prices in active markets for identical assets (Level 1). The Company maximises the use of observable direct or indirect inputs (Level 2 inputs) when deriving the fair values for "other investments". For limited partnerships and private and unlisted equity securities, where observable inputs are not available, the fair values are derived based on unobservable inputs (Level 3 inputs) such as management's assumptions developed from available information using the services of the investment advisor, including the most recent net asset values obtained from the managers of those underlying investments.

For securities classified as "trading securities", and "other investments", any realised and unrealised gains or losses are determined on the basis of the specific identification method (by reference to cost or amortised cost, as appropriate) and included in investment income in the statements of comprehensive income.

Dividend income and expense are recorded on the ex-dividend date. The ex-dividend date is the date as of when the underlying security must have been traded to be eligible for the dividend declared. Interest income and interest expense are recorded on an accrual basis.

Derivatives

IFRS requires that an entity recognise all derivatives in the statements of financial position at fair value. It also requires that unrealised gains and losses resulting from changes in fair value be included in income or comprehensive income, depending on whether the instrument qualifies as a hedge transaction, and if so, the type of hedge transaction. The Company's derivatives do not qualify as hedges for financial reporting purposes.

Derivative Contracts

The Company enters into derivative contracts with counterparties as part of its investment strategy. Derivative contracts which include total return swaps, credit default swaps ("CDS"), futures, options, currency forwards and other derivative instruments are recorded at their fair value with any unrealised gains and losses included in investment income in the statements of comprehensive income. Derivative contracts receivable represents derivative contracts whereby, based upon the contract's current fair value, the Company will be entitled to receive payments upon settlement of the contract. Derivative contracts payable represents derivative contracts whereby, based upon the contract's current fair value, the Company will be obligated to make payments upon settlement of the contract.

Total return swap agreements, included on the statements of financial position as derivative contracts receivable and derivative contracts payable, are derivative financial instruments whereby the Company is either entitled to receive or obligated to pay the product of a notional amount multiplied by the movement in an underlying security, which the Company may not own, over a specified time frame. In addition, the Company may also be obligated to pay or receive other payments based on interest rates, dividend payments and receipts, or foreign exchange movements during a specified period. The Company measures its rights or obligations to the counterparty based on the fair value movements of the underlying security together with any other payments due. These contracts are carried at fair value, based on observable inputs (Level 2 inputs) with the resultant unrealised gains and losses reflected in investment income in the statements of comprehensive income. Additionally, any changes in the value of amounts received or paid on swap contracts are reported as a gain or loss in investment income in the statements of comprehensive income.

Derivative contracts may also include exchange traded futures or options contracts that are based on the movement of a particular index, commodity, currency or interest rate. Where such contracts are traded in an active market, the Company's obligations or rights on these contracts are recorded at fair value measured based on the observable quoted prices of the same or similar financial contracts in an active market (Level 1) or on broker quotes which reflect market information based on actual transactions (Level 2). Amounts invested in exchange traded options and over the counter ("OTC") options are recorded either as an asset or liability at inception. Subsequent to initial recognition, unexpired exchange traded option contracts are recorded at fair value based on quoted prices in active markets (Level 1). For OTC options or exchange traded options where a quoted price in an active market is not available, fair values are derived based upon observable inputs (Level 2) such as multiple quotes from brokers and market makers, which are considered to be binding.

The Company purchases and sells CDS for strategic investment purposes. A CDS is a derivative instrument that provides protection against an investment loss due to specified credit or default events of a reference entity. The seller of a CDS guarantees to pay the buyer a specified amount if the reference entity defaults on its obligations or fails to perform. The buyer of a CDS pays a premium over time to the seller in exchange for obtaining this protection. A CDS trading in an active market is valued at fair value based on broker or market maker quotes for identical instruments in an active market (Level 2) or based on the current credit spreads on identical contracts (Level 2).

2.8. Fixed Assets

Fixed assets are included in the statements of financial position and are recorded at cost when acquired, less accumulated depreciation. Fixed assets are comprised of furniture and fixtures and leasehold improvements and are depreciated, using the straight-line method, over their estimated useful lives, which are five years for furniture and fixtures. Leasehold improvements are amortised over the lesser of the estimated useful lives of the assets or remaining lease term.

2.9. Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is provided on taxable profits at current attributable rates.

Deferred tax is calculated on all timing differences that have originated but not reversed as of the date of the statement of financial position where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statements of financial position date.

Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes.

Deferred tax liabilities are recognised in full in respect of net unfavourable timing differences. Deferred tax assets in respect of net favourable timing differences, including taxation losses available for carry forward, are recognised only when it is considered more probable than not that there will be suitable taxable profits from which the future reversal of timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the statements of financial position date. Deferred tax is not discounted.

2.10. Currency

The reporting and functional currency of the Company is the U.S. dollar (US$). Transactions in foreign currencies are recorded in U.S. dollars at the exchange rates in effect on the transaction date. Monetary assets and liabilities in foreign currencies at the statements of financial position date are translated at the exchange rate in effect at the statements of financial position date and translation exchange gains and losses, if any, are included in the statements of comprehensive income.

2.11. Provisions and Contingencies

No general provisions or contingencies are included in the financial statements in accordance with IAS 37 ("Provisions, contingent liabilities and contingent assets").

2.11. Interest in investment advisory agreement

Prior to January 1, 2014, the Company, its parent and an affiliate were party to an investment advisory agreement (the ''Investment Agreement'') with DME Advisors, LP ("DME Advisors") under which the participants and DME Advisors created a joint venture for the purpose of managing certain jointly held assets in accordance with the Company's investment guidelines. Effective January 1, 2014, the Investment Agreement was amended and restated to replace DME Advisors with DME Advisors, LLC ("DME") as the participant to the joint venture. DME's principal place of business is New York, USA. The Company has stated its interest in this agreement based on the percentage of its interests under the terms of the agreement. The Company's share of the assets, liabilities, income and expenses under the agreement (4.75% at December 31, 2014) are reported in the Company's financial statements.

2.13. Share-based compensation

The Company's employees are part of a group stock incentive plan, whereby the Company receives services from the employees but has no obligation to settle the share-based compensation transactions. In accordance with IFRS 2, the Company accounts for the group share-based payment transactions as equity-settled share-based payment transactions and recognises the increase in equity as a capital contribution from the parent. The Company measures the stock-based compensation expense for restricted stock awards based on the market price of the parent's common shares at the grant date and the expense is recognised on a straight line basis over the vesting period which is currently three years.

2.14. Operating lease

The Company has leased office space which has been classified as an operating lease. Operating leases are not recognised in the Company's statements of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

2.15. Segments

The Company manages its business on the basis of one operating segment, Property and Casualty Reinsurance. Therefore no separate segment disclosures are considered necessary.

The Company manages the concentration risk and counter party risk of its cedents by being highly selective in the contracts it chooses to underwrite and spending a significant amount of time with the cedents and brokers to understand the risks and appropriately structure the contracts. Through profit commissions, self-insured retentions, co-participation, reinstatement premiums or other terms within the contract, the Company's clients are provided with an incentive to manage the Company's interests. While brokers do not have the authority to bind any reinsurance contract on behalf of the Company, brokerage firms are monitored for their quality and financial strength on a regular basis.

3. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2014 US$	2013 US$
This is stated after charging/(crediting):		
Loss on foreign currencies	258,953	218,165
Operating lease expense	88,122	90,106
Depreciation expense	64,938	64,937
Auditors' remuneration – audit	16,958	21,290
Auditors' remuneration – tax	5,423	3,383
Market value adjustment in value of investments	(7,091,035)	(6,264,281)
Directors' fees	100,739	110,976

4. EMPLOYEE COSTS AND NUMBERS

At 31 December 2014, the Company's salary and benefit expenses of $1,702,359 (2013: $1,482,766) related to employee compensation based on salary, health benefits, pension benefits, motor allowance, PRSI and group stock compensation in the form of restricted share units of the parent.

During the year ended 31 December 2014, 9,668 restricted shares units ("RSU") of the parent were granted to the Company's personnel under the group stock incentive plan. These RSUs contain certain restrictions relating to, among other things, vesting, forfeiture in the event of termination of employment and transferability. Each of these

RSUs cliff vest after three years from the date of grant, subject to the employee's continued service with the Company. On the vesting date, the RSUs convert into one Class A ordinary share of the parent. The RSUs granted had a weighted average grant date fair value of US$32.60 per share. The Company recorded US$158,535 of share-based compensation expense net of forfeitures, relating to the restricted share units for the year ended 31 December 2014.

5. INCOME TAX EXPENSE

(a) Analysis of tax charge

	2014 US$	2013 US$
Irish corporation tax (benefit) expense	(435,376)	531,172

(b) Reconciliation of effective tax rate

	2014 US$	2013 US$
(Loss) profit for financial year after tax	(3,272,421)	3,587,399
Tax (benefit) charge for year	(435,376)	531,172
(Loss) profit excluding tax	(3,707,797)	4,118,571
Tax using the standard rate of corporation tax in Ireland of 12.5%	(463,475)	513,780
Tax effect on deductible temporary differences	1,130	2,861
Tax effect on non-deductible expenses	24,040	8,607
Tax effect on under (over) provisions		0
Change in deferred taxes	6,987	(2,413)
(Over) / Under provided in prior years	(4,058)	8,337
Tax (benefit) charge for year	(435,376)	531,172

6. CALLED UP SHARE CAPITAL

	2014 US$	2013 US$
Authorised		
1,000,000,000 Ordinary shares of US$ 0.10 each	10,000,000	10,000,000
Allotted, called up and fully paid		
100,000,000 Ordinary shares of US$ 0.10 each	10,000,000	10,000,000

One Ordinary share was issued at US$0.10 on 7 September 2009 (the date of incorporation) and an additional 99,999,999 Ordinary shares were subsequently issued on 31 August 2010, also at US$0.10.

7. CAPITAL CONTRIBUTION

During the year ended 31 December 2014, US$158,535 (2013: US$29,475) of the group share based expense was recognised in the Company's equity as capital contribution from the parent.

8. FINANCIAL INVESTMENTS

In the normal course of its business, the Company purchases and sells various financial instruments which include listed and unlisted equities, corporate and sovereign debt, commodities, futures, put and call options, currency forwards, other derivatives and similar instruments sold, not yet purchased.

Purchases and sales of investments are disclosed in the statements of cash flows. Net realised gains on the sale of investments, derivative contracts, and investments sold, not yet purchased during the period were US$12,553,060 (2013: US$5,954,220). Gross realised gains were US$23,844,522 (2013: US$15,994,439) and gross realised losses were US$11,291,463 (2013: US$10,040,219). For the year ended 31 December 2014, included in investment income in the statements of comprehensive income was US$7,091,035 of net unrealised losses (2013: US$6,264,281 of net unrealised gains) relating to trading securities still held at the statements of financial position dates.

The following table presents the Company's investments, categorised by the level of the fair value hierarchy as of 31 December 2014:

	Fair Value Measurements as of 31 December 2014			
Description	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
		US$		
Assets:				
Debt instruments	—	1,279,706	1,056,826	2,336,532
Listed equity securities	54,541,747	326,512	—	54,868,259
Commodities	3,596,144	—	—	3,596,144
Private and unlisted equity securities	—	—	817,562	817,562
Derivative contracts receivable	281,259	1,958,369	—	2,239,628
	58,419,150	3,564,587	1,874,388	63,858,125
Liabilities:				
Listed equity securities, sold not yet purchased	(39,608,458)	—	—	(39,608,458)
Debt instruments, sold not yet purchased	—	(6,867,328)	—	(6,867,328)
Derivative contracts payable	(41,183)	(2,076,020)	—	(2,117,203)
	(39,649,641)	(8,943,348)	—	(48,592,989)

The following table presents the Company's investments, categorised by the level of the fair value hierarchy as of 31 December 2013:

	Fair Value Measurements as of 31 December 2013			
Description	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
		US$		
Assets:				
Debt instruments	—	181,526	25,259	206,785
Listed equity securities	48,158,128	346,972	—	48,505,100
Commodities	2,919,687	—	—	2,919,687
Private and unlisted equity securities	—	—	2,149,371	2,149,371
Derivative contracts receivable	215,805	4,773,540	—	4,989,345
	51,293,620	5,302,038	2,174,630	58,770,288

Liabilities:				
Listed equity securities, sold not yet purchased	(43,978,165)	—	—	(43,978,165)
Debt instruments, sold not yet purchased	—	(6,647,500)	—	(6,647,500)
Derivative contracts payable	—	(904,255)	—	(904,255)
	(43,978,165)	(7,551,755)	—	(51,529,920)

The following table presents the reconciliation of the balances for all investments measured at fair value using significant unobservable inputs (Level 3) as of 31 December 2014:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Debt Instruments	**Private and Unlisted Equity Securities**	**Total**
		US$	
Beginning balance	25,260	2,149,372	2,174,632
Purchases	1,023,673	795,068	1,818,741
Sales		(2,382,916)	(2,382,916)
Total realised and unrealised gains and (losses) in earnings, net	7,894	436,994	444,888
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	(180,957)	(180,957)
Ending balance	1,056,827	817,561	1,874,388

During the year ended 31 December 2014, US$180,957 of securities were transferred from Level 3 to Level 1, as these securities began actively trading on listed exchanges during 2014. There were no other transfers into or out of Level 3 fair value hierarchy during 2014. For the year ended 31 December 2014, realised gains of US$611,357 and decrease in unrealised gains of US$166,468 on securities held at the reporting date and valued using unobservable inputs are included in investment income in the statements of comprehensive income.

The following table presents the reconciliation of the balances for all investments measured at fair value using significant unobservable inputs (Level 3) as of 31 December 2013:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Debt Instruments	**Private and Unlisted Equity Securities**	**Total**
		US$	
Beginning balance	11,245	1,612,332	1,623,577
Purchases	479,169	1,951,728	2,430,897
Sales	(478,327)	(396,079)	(874,406)
Total realised and unrealised gains and (losses) in earnings, net	13,173	63,440	76,613
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	(1,082,050)	(1,082,050)
Ending balance	25,260	2,149,371	2,174,631

During the year ended 31 December 2013, US$1,082,050 of securities were transferred from Level 3 to Level 1, as these securities began actively trading on listed exchanges during 2013. There were no other transfers into or out of Level 3 fair value hierarchy during 2013. For the year ended 31 December 2013, realised gains of US$31,801 and increase in unrealised gains of US$44,812 on securities held at the reporting date and valued using unobservable inputs are included in investment income in the statements of comprehensive income.

Investments

Debt instruments, trading

At 31 December 2014, the following investments were included in debt instruments:

2014	Cost/ amortised cost	Unrealised Gains	Unrealised Losses	Fair Value
		US$		
Corporate debt	2,519,998	2,581	(186,048)	2,336,531

At 31 December 2013, the following investments were included in debt instruments:

2013	Cost/ amortised cost	Unrealised Gains	Unrealised Losses	Fair Value
		US$		
Corporate debt	281,803	5,548	(80,566)	206,785

The maturity distribution for debt instruments held at 31 December 2014 is as follows:

	Cost/ amortised cost	Fair value
	US$	
Within one year	—	—
From one to five years	1,040,830	1,040,905
From five to ten years	114,021	60,837
More than ten years	1,365,147	1,234,789
	2,519,998	2,336,531

The maturity distribution for debt instruments held at 31 December 2013 is as follows:

	Cost/ amortised cost	Fair value
	US$	
Within one year	—	—
From one to five years	—	—
From five to ten years	—	—
More than ten years	281,803	206,785
	281,803	206,785

Investment in Equity Securities, Trading

At 31 December 2014, the following long positions were included in investment securities, trading:

2014	Cost	Unrealised gains	Unrealised Losses	Fair value
		US$		
Equities – listed	48,059,567	9,699,636	(3,828,582)	53,930,621
Exchange traded funds	2,000,131	—	(1,062,493)	937,638
	50,059,698	9,699,636	(4,891,075)	54,868,259

At 31 December 2013, the following long positions were included in investment securities, trading:

2013	Cost	Unrealised gains	Unrealised Losses	Fair Value
		US$		
Equities – listed	35,148,582	13,506,736	(1,376,787)	47,278,531
Exchange traded funds	2,409,725	—	(1,183,156)	1,226,569
	37,558,307	13,506,736	(2,559,943)	48,505,100

Other Investments

"Other investments" include commodities and private and unlisted equity securities. As of 31 December 2014 and 2013, commodities were comprised of gold bullion.

At 31 December 2014, the following securities were included in other investments:

	Cost	Unrealised gains	Unrealised Losses	Fair Value
		US$		
Commodities	3,717,184	—	(121,040)	3,596,144
Private and unlisted equity securities	747,212	163,862	(93,512)	817,562
	4,464,396	163,862	(214,552)	4,413,706

At 31 December 2014, the Company had outstanding commitments to invest an additional $423,950 in private equity securities.

At 31 December 2013, the following securities were included in other investments:

	Cost	Unrealised gains	Unrealised losses	Fair Value
		US$		
Commodities	2,619,781	299,906	—	2,919,687
Private and unlisted equity securities	2,111,992	391,809	(354,430)	2,149,371
	4,731,773	691,715	(354,430)	5,069,058

At 31 December 2013, the Company had outstanding commitments to invest an additional $301,111 in private equity securities.

Investments in Securities Sold, Not Yet Purchased

Securities sold, not yet purchased are securities that the Company has sold, but does not own, in anticipation of a decline in the market value of the security. The Company's risk is that the value of the security will increase rather than decline. Consequently, the settlement amount of the liability for securities sold, not yet purchased may exceed the amount recorded in the statements of financial position as the Company is obligated to purchase the securities sold, not yet purchased in the market at prevailing prices to settle its obligations. To sell a security, not yet purchased, the Company needs to borrow the security for delivery to the buyer. On each day the transaction is open, the liability for the obligation to replace the borrowed security is marked-to-market and an unrealised gain or loss is recorded. At the time the transaction is closed, the Company realises a gain or loss equal to the difference between the price at which the security was sold and the cost of replacing the borrowed security. While the transaction is open, the Company will also incur an expense for any dividends or interest which will be paid to the lender of the securities.

At 31 December 2014, the following securities were included in investments in securities sold, not yet purchased:

2014	Proceeds	Unrealised gains	Unrealised losses	Fair Value
		US$		
Equities – listed	(38,617,916)	4,353,390	(4,829,320)	(39,093,846)
Debt instruments	(7,088,717)	362,830	(141,440)	(6,867,327)
	(45,706,633)	4,716,220	(4,970,760)	(45,961,173)

At 31 December 2013, the following securities were included in investments in securities sold, not yet purchased:

2013	Proceeds	Unrealised gains	Unrealised losses	Fair Value
		US$		
Equities – listed	(40,122,083)	2,774,245	(6,263,590)	(43,611,428)
Debt instruments	(6,427,107)	117	(587,247)	(7,014,237)
	(46,549,190)	2,774,362	(6,850,837)	(50,625,665)

Derivative Contracts

As of 31 December 2014 and 2013, the Company had entered into total return swaps, CDS, options, warrants, rights, futures, forwards and interest rate options contracts with various financial institutions to meet certain investment objectives. Under the terms of each of these derivative contracts, the Company is either entitled to receive or is obligated to make payments which are based on the product of a formula contained within each contract that includes the change in the fair value of the underlying or reference security.

At 31 December 2014, the fair values of derivative contracts outstanding were as follows:

Derivative Contracts	Listing Currency (1)	Notional amount of underlying instruments	Fair value of net assets (obligations) on derivative contracts
		US$	
Derivative contracts receivable			
Interest rate options		—	—
Futures	USD	626,934	164,320
Forwards		—	—
Total return swaps – equities	EUR/GBP/HKD/USD	2,058,453	897,178
Put options (2)	USD	14,239,336	1,061,191
Warrants and rights on listed equities	EUR	382,413	116,939
Total derivative contracts receivable, at fair value			2,239,628

Derivative contract payable			
Credit default swaps, purchased – sovereign debt	USD	11,939,432	(81,391)
Credit default swaps, purchased – corporate debt	USD	10,502,280	(61,959)
Total return swaps – equities	EUR/GBP/HKD/INR/RON/USD	5,824,134	(1,908,382)
Futures	USD	1,596,498	(41,183)
Forwards	KRW	976,292	(24,288)
Total derivative contracts payable, at fair value			(2,117,203)

(1) USD = US Dollar; JPY = Japanese Yen; EUR = Euro; GBP = British Pound; HKD = Hong Kong Dollar; KRW = Korean Won; RON = Romanian New Leu; INR = Indian Rupee.
(2) Includes options on the Japanese Yen and the Chinese Yuan, denominated in U.S. dollars.

At 31 December 2013, the fair values of derivative contracts outstanding were as follows:

Derivative Contracts	Listing Currency (1)	Notional amount of underlying instruments	Fair value of net assets (obligations) on derivative contracts
		US$	
Derivative contracts receivable			
Interest rate options (3)	USD	18,776,173	1,259
Futures	JPY/USD	5,634,122	215,805
Forwards	JPY	3,412,389	18,376
Total return swaps – equities	EUR/GBP/HKD/USD	8,582,891	3,995,608
Put options (2)	USD	10,422,861	619,687
Warrants and rights on listed equities	EUR	251,139	138,610
Total derivative contracts receivable, at fair value			4,989,345
Derivative contracts payable			
Credit default swaps, purchased – sovereign debt	USD	12,058,408	(190,873)
Credit default swaps, purchased – corporate debt	USD	13,133,024	(173,808)
Total return swaps – equities	EUR/GBP/HKD	1,773,412	(536,799)
Forwards	KRW	1,539,291	(2,775)
Total derivative contracts payable, at fair value			(904,255)

(1) USD = US Dollar; JPY = Japanese Yen; EUR = Euro; GBP = British Pound; HKD = Hong Kong Dollar; KRW = Korean Won.
(2) Includes options on the Japanese Yen, the Australian Dollar and the Chinese Yuan, denominated in U.S. dollars.
(3) Includes contracts on U.S. and Japanese interest rates denominated in U.S. dollars.

The Company is exposed to credit risk in relation to counterparties that may default on their obligations to the Company. The amount of counterparty credit risk predominantly relates to the value of derivative contracts receivable and assets held at counterparties. The Company mitigates its counterparty credit risk by using several counterparties which decreases the likelihood of any significant concentration of credit risk with any one counterparty. In addition, the Company is exposed to credit risk on corporate and sovereign debt instruments to the extent that the debtors may default on their debt instruments.

The Company is exposed to market risk including interest rate and foreign exchange fluctuations on financial instruments that are valued at market prices. Market movements can be volatile and difficult to predict. This may affect the ultimate gains or losses realised upon the sale of its holdings, as well as the amount of net investment income reported in the statements of comprehensive income. Management utilises the services of the Company's investment advisor to monitor the Company's positions to reduce the risk of potential loss due to changes in market values.

Equity Price Risk.

As of 31 December 2014, the Company's investment portfolio consisted primarily of long and short equity securities, along with certain equity-based derivative instruments, the carrying values of which are primarily based on quoted market prices. Generally, market prices of common equity securities are subject to fluctuation, which could cause the amount to be realised upon the closing of the position to differ significantly from the current reported value. This risk is partly mitigated by the presence of both long and short equity securities. As of 31 December 2014, a 10% decline in the price of each of these listed equity securities and equity-based derivative instruments would result in a US$1,884,923, or 2.8%, decline in the fair value of the total investment portfolio.

Computations of the prospective effects of hypothetical equity price changes are based on numerous assumptions, including the maintenance of the existing level and composition of investment securities and should not be relied on as indicative of future results.

Commodity Price Risk.

Generally, market prices of commodities are subject to fluctuation. The Company's investment portfolio periodically includes long or short investments in commodities or in derivative securities directly impacted by fluctuations in the prices of commodities. As of December 31, 2014, the Company's investments included exposure to changes in commodity prices, through ownership of physical commodities and commodity-linked derivative securities. As of December 31, 2014, a 10% decline in the price of each of these commodities and commodity-linked securities would have resulted in a $359,553, or 0.5%, decline in the fair value of the Company's investments. The Company, along with its investment advisor, periodically monitors the exposure to commodity price fluctuations and generally does not expect changes in commodity prices to have a materially adverse impact on the Company's operations.

Foreign Currency Risk.

Certain of the company's reinsurance contracts provide that ultimate losses may be payable or calculated in foreign currencies depending on the country of original loss. Foreign currency exchange rate risk exists to the extent that there is an increase in the exchange rate of the foreign currency in which losses are ultimately owed. As of 31 December 2014, the company had net loss reserves reported in foreign currencies of £607,618. As of 31 December 2014, a 10% decrease in the U.S. dollar against the GBP (all else being constant) would result in additional estimated loss reserves of $60,762. Alternatively, a 10% increase in the U.S. dollar against the GBP would result in a reduction of $60,762 in the company's recorded loss reserves.

The company does not seek to specifically match the liabilities under reinsurance policies that are payable in foreign currencies with investments denominated in such currencies; the company continually monitor the exposure to potential foreign currency losses and would consider the use of forward foreign currency exchange contracts in an effort to mitigate against adverse foreign currency movements.

Through cash, forwards, options and investments in securities denominated in currencies other than U.S. dollar, the Company is exposed to foreign currency risk. Foreign currency exchange rate risk is the potential for adverse changes in the U.S. dollar value of investments (long and short), speculative foreign currency options and cash positions due to a change in the exchange rate of the foreign currency in which cash and financial instruments are denominated. As of 31 December 2014, some of the Company's currency exposure resulting from foreign denominated securities (longs and shorts) was reduced by offsetting cash balances (shorts and longs) denominated in the corresponding foreign currencies.

The following table summarises the net impact that a 10% increase and decrease in the value of the United States dollar against select foreign currencies would have on the value of the Company's investment portfolio as of 31

December 2014:

	10% increase in U.S. dollar		10% decrease in U.S. dollar	
Foreign Currency	**Change in fair value**	**Change in fair value as % of investment portfolio**	**Change in fair value**	**Change in fair value as % of investment portfolio**
	US$		**US$**	
British Pounds	(133,488)	(0.2)%	133,488	0.2%
Euro	(545,789)	(0.8)	545,789	0.8
Japanese Yen	1,048,475	1.6	(943,841)	(1.4)
Australian Dollar	1,557,803	2.3	(153,974)	(0.2)
Chinese Yuan	(98,217)	(0.1)	98,217	0.1
Australian Dollar	35,513	0.1	(35,513)	(0.1)
Other	83,848	0.1	(83,848)	(0.1)
Total	1,948,145	3.0%	(439,682)	(0.7)%

Computations of the prospective effects of hypothetical currency price changes are based on numerous assumptions, including the maintenance of the existing level and composition of investment in securities denominated in foreign currencies and related hedges, and should not be relied on as indicative of future results.

Interest Rate Risk.

The Company's investment portfolio includes interest rate sensitive securities, such as corporate and sovereign debt instruments, CDS, futures and interest rate options. The primary market risk exposure for any debt instrument is interest rate risk. As interest rates rise, the market value of the Company's long fixed-income portfolio falls, and the converse is also true as interest rates fall. The short fixed-income portfolio would benefit from rising interest rates and be negatively impacted from falling interest rates. Additionally, some of the Company's derivative investments may also be interest rate sensitive and their value may indirectly fluctuate with changes in interest rates.

The following table summarises the impact that a 100 basis point increase and decrease in interest rates would have on the value of the investment portfolio as of 31 December 2014:

	100 basis point increase in interest rates		100 basis point decrease in interest rates	
	Change in fair value	**Change in fair value as % of investment portfolio**	**Change in fair value**	**Change in fair value as % of investment portfolio**
	US$		**US$**	
Debt instruments - long and short, net	390.9	0.58 %	(419.4)	(0.62) %
Credit default swaps	0.7	0.0	(0.7)	(0.0)
Interest rate options	—	—	—	—
Net exposure to interest rate risk	391.6	0.58 %	(420.1)	(0.62) %

Credit Risk.

The Company is exposed to credit risk primarily from the possibility that counterparties may default on their obligations to it. The amount of the maximum exposure to credit risk is indicated by the carrying value of the Company's financial assets including reinsurance balances receivable which were all current as of 31 December 2014.

In addition, the securities, commodities, and cash in the Company's investment portfolio are held with several prime brokers, subjecting the Company to the related credit risk from the possibility that one or more of them may default on their obligations to the Company. The Company closely and regularly monitors its concentration of credit risk with each prime broker and if necessary, transfer cash or securities between prime brokers to diversify and mitigate its credit risk. Other than the Company's investment in derivative contracts and corporate and government debt, if any, and the fact that the investments and majority of cash balances are held by prime brokers on behalf of the Company, there are no other significant concentrations of credit risk.

Liquidity Risk.

As of 31 December 2014, the majority of the Company's investments were valued based on quoted prices in active markets for identical assets (Level 1). Given the Company's value-oriented long and short investment strategy, if equity markets decline, the obligations for covering short positions would also decline. Any reduction in the short portfolio would reduce the need for restricted cash and thereby cash would be freed up to be used for any purpose. Additionally, since the majority of the Company's invested assets are liquid, even in distressed markets, the invested assets can be liquidated to generate cash to pay claims, hence mitigating any liquidity risk.

Effects of Inflation.

The Company does not believe that inflation has had or will have a material effect on its combined results of operations, except insofar as inflation may affect interest rates and the asset values in the Company's investment portfolio.

9. CASH AND CASH EQUIVALENTS

	2014	2013
	US$	US$
Cash at bank	1,982,566	1,803,791
Cash held with brokers	2,639,356	7,587,110
Total cash and cash equivalents	4,621,922	9,390,901

Cash and cash equivalents which are held by the Company comprise cash at a non-US bank and cash and cash equivalents held with prime brokers. All cash equivalents have an original maturity of three months or less. The Company has no significant concentration of credit risk as the cash held with brokers is spread over a number of financial institutions.

10. RESTRICTED CASH AND CASH EQUIVALENTS

The Company is required to maintain certain cash in segregated accounts with prime brokers and swap counterparties. The amount of restricted cash held by prime brokers is primarily used to support the liability created from securities sold, not yet purchased. The amount of cash encumbered varies depending on the market value of the securities sold, not yet purchased. In addition, swap counterparties require cash collateral to support the current value of any amounts that may be due to the counterparty based on the value of the underlying security.

	2014	2013
	US$	US$
Cash held by prime brokers relating to securities sold, not yet purchased	46,475,786	50,625,665
Cash and cash equivalents held by swap counterparties	3,380,587	965,589
Total restricted cash and cash equivalents	49,856,373	51,591,254

11. FIXED ASSETS

The following table provides a reconciliation of the carrying amount of fixed assets for the years ended 31 December 2014 and 2013.

	Furniture and fixtures	Leasehold improvements	Total
		US$	
Cost	189,865	269,645	459,510
Opening balance at 1 January 2013	—	—	—
Additions	—	—	—
Disposals	189,865	269,645	459,510
Ending balance at 31 December 2013	189,865	269,645	459,510
Opening balance at 1 January 2014	189,865	269,645	459,510
Additions	—	—	—
Disposals	—	—	—
Ending balance at 31 December 2014	189,865	269,645	459,510
Accumulated depreciation			
Opening balance at 1 January 2013	53,795	38,200	91,995
Depreciation for the year	37,973	26,964	64,937
Ending balance at 31 December 2013	91,768	65,164	156,932
Opening balance at 1 January 2014	91,768	65,164	156,931
Depreciation for the year	37,973	26,965	64,938
Ending balance at 31 December 2014	129,741	92,129	221,870
Carrying amounts			
At 31 December 2013	98,097	204,481	302,578
At 31 December 2014	60,124	177,516	237,640

The Company periodically reviews fixed assets that have finite lives, and that are not held for sale, for impairment by comparing the carrying value of the assets to their estimated future undiscounted cash flows. For the years ended 31 December 2014 and 2013, there were no impairments in fixed assets.

12. INVESTMENT INCOME

A summary of net investment income for the years ended 31 December 2014 and 2013 is as follows:

	2014	2013
	US$	US$
Realised gains and change in unrealised gains and losses, net	5,382,600	13,010,030
Interest and dividend income	1,390,148	1,023,927
Interest, dividend and other expenses	(1,829,514)	(1,997,879)
Investment advisor compensation	(1,756,340)	(3,117,988)
Investment income	3,186,894	8,918,090

Investment returns are calculated monthly and compounded to calculate the annual returns. The resulting actual investment income may vary depending on cash flows into or out of the investment account. For the year ended 31 December 2014, investment income, net of all fees and expenses, resulted in a gain of 5.2% on the investment portfolio. This compares to a gain of 16.6% for the year ended 31 December 2013.

13. TECHNICAL PROVISIONS

	Loss reserves	Unearned premiums
	2014 US$	
At start of period	22,954,519	21,803,575
Gross change during the period	10,658,136	5,838,022
At end of period	33,612,655	27,641,597
Reinsurance recoverable	(6,235,324)	(2,279,585)
Net	27,377,331	25,362,012
	2013 US$	
At start of period	12,126,044	25,972,854
Gross change during the period	15,512,920	(3,712,525)
At end of period	27,638,964	22,260,329
Reinsurance recoverable	(4,684,445)	(456,754)
Net	22,954,519	21,803,575

	2014 US$	2013 US$
Known claims reserves	12,311,694	12,215,842
IBNR reserves	21,300,961	15,423,122
Total loss reserves	33,612,655	27,638,964

Claims developments on all of the coverages is shown below as at 31 December 2014:

	2010 $	2011 $	2012 $	2013 $	2014 $	Total $
Estimate of cumulative gross claims						
At December 2010	58,048	-	-	-	-	58,048
At December 2011	14,055,137	1,056,998	-	-	-	15,112,135
At December 2012	20,185,379	19,196,040	1,899,163	-	-	41,280,582
At December 2013	19,835,136	26,529,048	48,981,320	2,796,345	-	98,141,850
At December 2014	19,813,699	25,994,707	64,443,873	30,047,741	14,592,233	154,892,254
Cumulative payments	(19,813,699)	(24,210,115)	(58,155,567)	(15,456,741)	(3,643,476)	(121,279,599)
Reserve at 31 December 2014	-	1,784,592	6,288,306	14,591,000	10,948,756	33,612,655

	2010 $	2011 $	2012 $	2013 $	2014 $	Total $
Estimate of cumulative reinsurance recoveries						
At December 2010	-	-	-	-	-	-
At December 2011	-	(615,804)	-	-	-	(615,804)
At December 2012	-	(2,817,183)	(381,246)	-	-	(3,198,429)
At December 2013	-	(3,348,548)	(1,542,363)	(1,205,027)	-	(6,095,938)
At December 2014	-	(2,920,029)	(1,464,851)	(1,340,960)	(3,271,846)	(8,997,687)
Cumulative payments received	-	1,577,374	377,032	807,957	-	2,762,363
Reserve at 31 December 2014	-	(1,342,655)	(1,087,818)	(533,004)	(3,271,846)	(6,235,324)

Greenlight Reinsurance Ireland, Ltd.

Notes to the financial statements for the years ended 31 December 2014 and 2013

	2010	2011	2012	2013	2014	Total
	$	$	$	$	$	$
Estimate of cumulative net claims						
At December 2010	58,048	-	-	-	-	58,048
At December 2011	14,055,137	441,193	-	-	-	14,496,331
At December 2012	20,185,379	16,378,857	1,517,917	-	-	38,082,153
At December 2013	19,835,136	23,180,500	47,438,957	1,591,318	-	92,045,911
At December 2014	19,813,699	23,074,678	62,979,022	28,706,781	11,320,386	145,894,567
Cumulative net payments	(19,813,699)	(22,632,741)	(57,778,535)	(14,648,784)	(3,643,476)	(118,517,236)
Total per statement of financial position	-	441,937	5,200,488	14,057,997	7,676,910	27,377,331

Uncertainties and contingencies. The uncertainties arising under insurance contracts are characterised under item 2.2 *Revenue recognition* and 2.5 *Insurance losses and reserve and recoverables – technical provisions.*

Claims development. For the year ended 31 December 2014, adverse loss development on prior year contracts amounted to US$2,245,527 (2013: $963,490 adverse) based on updated data received from the cedents and a reassessment in connection with the quarterly reserve analysis conducted by the Company.

Unallocated loss adjustor provision. For the year ended 31 December 2014, US$110,757 (2013: $74,220) had been accrued for unallocated loss adjustment expense.

14. RETROCESSION

Loss reserves recoverable from the retrocessionaires are recorded as assets. Retrocession contracts do not relieve the Company from its obligations to the insureds. Failure of retrocessionaires to honour their obligations could result in losses to the Company. The Company currently has two retrocession coverages that provide for recovery of a portion of loss and loss expenses incurred on certain contracts. At 31 December 2014, the Company had loss reserves recoverable of US$6,235,324 (2013: $4,684,445) with an affiliated retrocessionaire rated "A (Excellent)" by A.M. Best. The Company regularly evaluates the financial condition of its retrocessionaires to assess the ability of the retrocessionaires to honour their obligations. At 31 December 2014 and 2013, no provision for uncollectible losses recoverable was considered necessary.

15. INVESTMENT ADVISORY AGREEMENT – RELATED PARTY TRANSACTION

At December 31, 2014, the Company, its parent, an affiliate and DME were party to an Investment Agreement with DME Advisors, under which the participants and DME Advisors created a joint venture for the purpose of managing certain jointly held assets. DME Advisors is a related party and an affiliate of David Einhorn, Chairman of the parent company's Board of Directors.

Pursuant to the Investment Agreement, performance allocation equal to 20% of the net income of the participants' share of account managed by DME Advisors is allocated, subject to a loss carry forward provision, to DME's account. The loss carry forward provision allows DME to earn reduced performance allocation of 10% on investment income in any year subsequent to the year in which the investment account incurs a loss, until all the losses are recouped and an additional amount equal to 150% of the aggregate investment loss is earned. DME is not entitled to earn performance allocation in a year in which the investment portfolio incurs a loss. For the year ended 31 December 2014, included in investment income is performance allocation of $800,024 (2013: $2,232,907).

Additionally, pursuant to the Investment Agreement, a monthly management fee equal to 0.125% (1.5% on an annual basis) of the participants' investment account managed by DME Advisors is paid to DME Advisors. Included in the investment income for the year ended 31 December 2014 are management fees of $956,316 (2013: $885,080). The management fees have been fully paid as of 31 December 2014.

Pursuant to the Investment Agreement, the Company has agreed to indemnify DME Advisors for any expense, loss, liability, or damage arising out of any claim asserted or threatened in connection with DME Advisors serving as the

Company's investment advisor. The Company will reimburse DME Advisors for reasonable costs and expenses of investigating and/or defending such claims provided such claims were not caused due to gross negligence, breach of contract or misrepresentation by DME Advisors. During the year ended 31 December 2014, there were no indemnification payments made by the Company.

The following amounts are included in the Company's financial statements in order to reflect the company's share of assets, liabilities, income and expenses under the agreement.

	2014	2013
	US$	US$
Assets	116,457,159	123,211,294
Liabilities	48,877,752	54,333,368
Income	25,234,670	27,147,576
Expenses	22,034,572	22,737,915

David Einhorn also serves as the Chairman of the Board of Directors of Green Brick Partners Inc ("GRBK"), a publicly traded company. During the year end December 31, 2014, the Company, along with certain affiliates of DME Advisors, provided debt financing to GRBK and acquired equity shares of GRBK. As of December 31, 2014, $1.0 million of the GRBK debt and $0.9 million of listed equities were included on the balance sheet as *debt instruments, trading, at fair value through profit and loss* and *equity securities, trading, at fair value through profit and loss,* respectively. The debt matures on October 27, 2019, and carries an annual interest rate of 9.0% until October 27, 2015, and 10.0% thereafter. During the year ended December 31, 2014, the Company's investment income included $0.02 million of interest relating to this debt.

16. OTHER RELATED PARTY TRANSACTIONS

Quota share retrocession agreement

The Company has entered into a quota share retrocession agreement with Greenlight Re whereby the Company cedes to Greenlight Re a quota share portion of certain specified reinsurance contracts written by the Company. For the year ended 31 December 2014, the Company ceded $6.83 million (2013: $1.94 million) of written premiums to Greenlight Re.

Aggregate stop loss retrocession agreement

The Company has entered into a retrocession agreement with Greenlight Re whereby Greenlight Re provides an aggregate stop loss protection to the company in return for premiums ceded by the company to Greenlight Re. For the year ended 31 December 2014, the Company ceded $1.67 million (2013: $1.61 million) of written premiums to Greenlight Re. During the year ended December 31, 2014, the threshold for coverage was breached which resulted in $546,689 of losses paid to the Company by Greenlight Re.

Letters of Credit

The Company's related company, Greenlight Re, issues letters of credit on behalf of the Company under various facilities, for the benefit of the Company's insureds. The collateral pledged as security relating to these letters of credit is also provided by Greenlight Re. In the event that the Company's insureds draw upon any letters of credit, the Company shall be obligated to reimburse Greenlight Re the amount of the letters of credit drawn by the insured. As of 31 December 2014, $23,905,420 (2013: $21,193,726) of letters of credit were issued by Greenlight Re on behalf of the Company and no letters of credits were drawn by the Company's insureds for the year ended 31 December 2014.

17. COMMITMENTS

Operating Lease

The Company has entered into a lease agreement for office space in Dublin, Ireland. Under the terms of this lease agreement, the company is committed to average annual rent payments denominated in Euros approximating €67,528 per annum until May 2016 (net of rent inducements), and adjusted to the prevailing market rates for each of three subsequent five-year terms. The Company has the option to terminate the lease agreement in 2016 and 2021. Included in the schedule below are the net minimum lease payment obligations for the next three years relating to this lease as of 31 December 2014.

Specialist Service Agreement

The Company has entered into a service agreement with a specialist service provider for the provision of administration and support in developing and maintaining business relationships, reviewing and recommending programs and managing risks relating to certain specialty lines of business. The specialist service provider does not have any authority to bind the Company to any reinsurance contracts. Under the terms of the agreement, the Company has committed to quarterly payments to the service provider. If the agreement is terminated, the Company is obligated to make minimum payments for another two years to ensure contracts to which the Company is bound are adequately administered by the specialist service provider. For the year ended 31 December 2014, included in operating expenses is US$1,277,135 related to expenses incurred related to the specialist service provider. Included in the schedule below are the minimum payment obligations relating to this agreement.

	2015	2016	Total
		US$	
Operating lease obligations	87,697	32,887	120,584
Specialist service agreement	150,000	—	150,000
Total	237,697	32,887	270,584

18. CORPORATE GOVERNANCE CODE

Effective 1 January 2015, the Company is subject to "The Corporate Governance Code for Credit Institutions and Insurance Undertakings" (the "Code") but is not deemed to be a "major institution" under the terms of the Code.

19. SUBSEQUENT EVENTS

On March 23, 2015 the company's parent, Greenlight Capital Re, Ltd., contributed additional capital in the sum of US$20,000,000 into the company. This will be recorded as contributed capital reserve in subsequent financial statements.