

Greenlight Reinsurance Ireland, Designated Activity Company

Financial Statements

For the financial years ended 31 December 2015 and 2014

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Greenlight Reinsurance Ireland, dac

Directors and other information

Directors	Philip Harkin Bart Hedges Frank Lackner Brendan Tuohy Caryl Traynor	(Independent Non-Executive Chairman) (Executive Director) (Independent Non-Executive Director) (Independent Non-Executive Director) (Executive Director – Resigned February 16, 2016)
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 Statutory Audit Firm 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, dac

Directors' report

The directors present their report and the audited financial statements of the Company for the financial years ended 31 December 2015 and 2014.

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:

	2015	2014
	US\$	US\$
Loss before taxation	(14,610,015)	(3,707,797)
Corporation tax benefit	1,763,093	435,376
Loss brought to reserves	<u>(12,846,922)</u>	<u>(3,272,421)</u>

The directors do not recommend the payment of a dividend.

Directors, secretary and their interests

The names of the persons who were directors and secretary at any time during the financial year ended 31 December 2015 are set out on page 1. The directors and secretary, who held office at 31 December 2015, 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, 3,527 restricted shares subject to forfeiture and 93,464 ordinary shares held directly. Mr. Hedges' beneficial interest in the Parent included 405,991 ordinary shares subject to options, 54,571 restricted shares subject to forfeiture and 154,883 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 Irish law and regulations. Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with Companies Act 2014 and International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2014. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; 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 ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act 2014 and enable the financial statements to be audited. 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.

Greenlight Reinsurance Ireland, dac

Directors' report - continued

Accounting records

The measures taken by the directors to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records are the implementation of necessary policies and procedures for recording transactions, the employment of competent accounting personnel with appropriate expertise and the provision of adequate resources to the financial function. The accounting records of the company are located at La Touche House, Ground Floor, IFSC, Dublin 1.

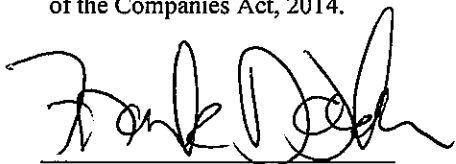
Principal risks and uncertainties

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

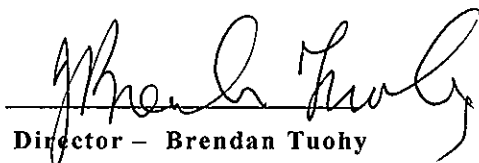
- risk of adverse loss development on the insurance risks assumed;
- risk of final settlement of losses varying significantly from the reserves estimated by the company;
- risk of a downgrade or withdrawal of the company's A (Excellent) rating by A.M. Best rating agency;
- market risk on financial instruments, 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 383 (2) of the Companies Act, 2014.



Director- Frank D. Lackner



Director – Brendan Tuohy

April 6 2016

Date

Independent Auditors' Report to the members of Greenlight Reinsurance Ireland, Designated Activity Company

We have audited the financial statements of Greenlight Reinsurance Ireland, Designated Activity Company for the year ended 31 December 2015 on pages 6 to 33 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. The relevant financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's shareholders, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the Company and the Company's shareholders 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 assets, liabilities and financial position of the Company as at 31 December 2015 and of its results for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and the European Communities (Insurance Undertakings: Financial Statements) Regulations, 2015.

Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements.

Other Offices:

Four Michael Street
Limerick

Michael Costello (Managing Partner)
Katharine Byrne
Maurice Carr
Kevin Doyle
John Gilmor Gavin
Jim Hamilton

Chartered Accountants

Sinead Heaney
Diarmuid Hendrick
Derek Henry
Liam Hession
Gerard Holliday
Brian Hughes

Ken Kilmartin
Teresa Morahan
Paul Nestor
John O'Callaghan
Con Quigley

Peter Carroll
Eddie Doyle
Stewart Dunne
Ivor Feerick
Brian Gartlan
David Giles
Derry Gray

Denis Herlihy
David McCormick
Brian McNery
Ciarán Medlar
David O'Connor
Patrick Sheehan
Noel Taylor



Independent Auditors Report to the members of Greenlight Reinsurance Ireland, Designated Activity Company - continued

Matters on which we are required to report by the Companies Act 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the directors' report is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions of sections 305 to 312 of the Companies Act 2014 which require us to report to you if, in our opinion the disclosure of directors' remuneration and transactions specified by law are not made.

Teresa Morahan

For and on behalf of BDO

Dublin

Statutory Audit Firm

AI223876

6 April 2016

Date

**Statements of comprehensive income: Technical accounts - general business for the financial years ended
31 December 2015 and 2014**

CONTINUING OPERATIONS:	Notes	2015	2014
		US\$	US\$
Gross premiums written		106,617,772	79,866,032
Ceded premiums		(21,143,801)	(9,020,741)
Net premiums written		85,473,971	70,845,291
Movement in unearned premium reserves, net	13	(1,435,250)	(3,558,437)
Earned premiums, net of reinsurance		84,038,721	67,286,854
Allocated investment return transferred from the non-technical account		(9,237,851)	1,666,127
Total technical income		74,800,870	68,952,981
Claims Paid			
- Gross claims paid		(54,781,468)	(50,852,345)
- Claims paid recoverable		2,211,642	1,350,870
Change in the provision for claims			
- Known claims reserve	13	(7,283,224)	(239,456)
- Other technical reserves	13	(370,898)	(5,879,661)
- Unallocated loss adjustor expense	13	(40,071)	(36,537)
- Losses recoverable	13	2,762,332	1,756,954
Claims incurred net of reinsurance		(57,501,687)	(53,900,175)
Operating expenses		(24,204,463)	(20,281,370)
Total technical expenses		(81,706,150)	(74,181,545)
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		(6,905,280)	(5,228,564)

Greenlight Reinsurance Ireland, dac
Statements of comprehensive income: Non-technical accounts for the financial years ended 31 December
2015 and 2014

CONTINUING OPERATIONS:

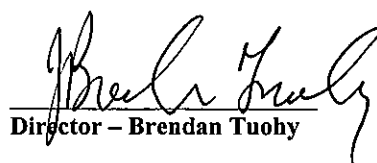
	Notes	<u>2015</u> US\$	<u>2014</u> US\$
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		(6,905,280)	(5,228,564)
Investment income		1,147,593	1,390,148
Investment expense		(3,273,073)	(3,585,854)
Market value adjustment		(16,105,048)	(7,091,035)
Gain on sale of investments		1,090,939	12,553,060
Foreign exchange gain (loss) on investments		197,003	(79,425)
Allocated investment return transferred to the technical account		<u>9,237,851</u>	<u>(1,666,127)</u>
(Loss) profit on ordinary activities before taxation	3	(14,610,015)	(3,707,797)
Income tax benefit (expense)	5	<u>1,763,093</u>	<u>435,376</u>
Retained (loss) profit for the financial year		<u>(12,846,922)</u>	<u>(3,272,421)</u>

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

The notes on pages 11 to 33 form part of these financial statements.

On behalf of the board


 Director – Frank D. Lackner


 Director – Brendan Tuohy

Greenlight Reinsurance Ireland, dac
Statements of financial position at 31 December 2015 and 2014

	Notes	2015 US\$	2014 US\$
Assets:			
Financial Investments			
Debt securities, trading, at fair value through profit or loss	8	2,676,908	2,336,531
Equity securities, trading, at fair value through profit or loss	8	62,048,201	54,868,259
Other investments, at fair value through profit or loss	8	7,372,399	4,413,706
Total investments		72,097,508	61,618,496
Reinsurers' share of technical provisions			
Unearned premiums ceded		7,949,748	2,279,585
Loss reserves recoverable		8,867,170	6,235,324
Debtors			
Reinsurance balances receivable		37,879,941	26,147,852
Other assets			
Cash and cash equivalents	9	7,506,248	4,621,922
Restricted cash and cash equivalents	10	64,045,178	49,856,373
Derivative contracts receivable, at fair value through profit or loss	8	905,037	2,239,628
Prepayments, general receivables and accrued income		358,807	292,020
Deferred acquisition cost		5,635,500	5,476,679
Tax receivable		525,976	587,008
Fixed assets	11	172,703	237,640
Deferred tax asset	5	1,730,382	1,130
Total Assets		207,674,198	159,593,657
Equity and liabilities:			
Capital and reserves			
Called up share capital	6	10,000,000	10,000,000
Capital contribution reserve	7	50,456,971	30,230,913
Retained earnings		(10,139,089)	2,707,833
Total equity		50,317,882	42,938,746
Creditors: amounts falling due within one year			
Accruals and other payables		2,470,948	1,288,724
Due to prime brokers		3,130,323	-
Due to related party	16	883,531	100,922
Total current liabilities		6,484,802	1,389,646
Non-current liabilities			
Securities sold, not yet purchased, at fair value through profit or loss	8	60,466,987	46,475,786
Derivative contracts payable, at fair value through profit or loss	8	1,934,395	2,117,203
Reinsurance balances payable		11,867,360	4,905,256
Technical reserves			
Known claims reserves	13	19,472,994	12,311,694
Loss reserves	13	21,519,920	21,190,204
Unearned premium reserve	13	34,747,009	27,641,597
Funds withheld		712,021	512,768
Unallocated loss adjustor provision	13	150,828	110,757
Total non-current liabilities		150,871,514	115,265,265
Total liabilities		157,356,316	116,654,911
Total equity and liabilities		207,674,198	159,593,657

The notes on pages 11 to 33 form part of these financial statements.

The financial statements were approved and issued for signing on behalf of the board on April 6, 2016.


Director - Frank D. Lackner


Director - Brendan Tuohy

Greenlight Reinsurance Ireland, dac

Statements of changes in equity for the financial years ended 31 December 2015 and 2014

	Share capital	Capital contribution reserve	Retained earnings	Total
	US\$	US\$	US\$	US\$
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
Contributed capital	—	20,226,058	—	20,226,058
Loss for the financial period	—	—	(12,846,922)	(12,846,922)
Balance at 31 December 2015	10,000,000	50,456,971	(10,139,089)	50,317,882

The notes on pages 11 to 33 form part of these financial statements.

Greenlight Reinsurance Ireland dac

Statements of cash flows for the financial years ended 31 December 2015 and 2014

	2015	2014
	US\$	US\$
Operating activities		
Loss for the period	(12,846,922)	(3,272,421)
Adjustments for:		
Movement in deferred income tax expense recognised in profit or loss	(1,729,253)	6,987
Change in income tax asset / liability	61,033	(845,434)
Movement in unearned premium reserves ceded	(5,670,163)	(1,822,831)
Movement in unearned premium reserves	7,105,412	5,381,268
Change in loss reserves recoverable	(2,631,846)	(1,550,879)
Change in known claims reserves	7,161,300	95,852
Change in loss reserves	329,716	5,841,302
Change in unallocated loss adjustor provision	40,071	36,537
Realised (gain) from financial investments and derivatives, net	(1,090,938)	(12,553,060)
Market value adjustment in value of investments and derivatives	16,105,048	7,091,034
Foreign exchange (gain) loss on investments	(197,003)	79,425
Stock compensation expense	226,058	158,535
Depreciation	64,937	64,938
Operating cash flows before movements in working capital	6,927,450	(1,288,747)
(Increase) decrease in prepayments, general receivables and accrued income	(66,788)	140,774
Increase in reinsurance in balances receivable	(11,732,089)	(4,002,898)
(Increase) in deferred acquisition cost	(158,821)	(212,417)
Increase in accruals and other payables	1,182,224	27,099
Increase (decrease) in due to related parties	782,609	(526,543)
Increase in reinsurance balances payable	6,962,104	2,021,245
Increase (decrease) in funds withheld	199,253	(20,205)
Net cash inflow (outflow) from operating activities	4,095,942	(3,861,692)
Investing activities		
Purchase of financial investments and derivatives	(143,537,670)	(85,494,858)
Proceeds from disposal of financial investments and derivatives	133,187,533	82,932,115
(Increase) decrease in restricted cash and cash equivalents	(13,991,802)	1,655,456
Increase in due to prime brokers	3,130,323	—
Net cash outflow from investing activities	(21,211,616)	(907,287)
Financing activities		
Capital Contribution from parent	20,000,000	—
Net cash inflow from financing activities	20,000,000	—
Net increase (decrease) in cash and cash equivalents	2,884,326	(4,768,979)
Cash and cash equivalents at the start of the period	4,621,922	9,390,901
Cash and cash equivalents at the end of the period	7,506,248	4,621,922
Supplementary information		
Taxes paid in cash	1,099	467,216
Taxes recovered in cash	0	0

The notes on pages 11 to 33 form part of these financial statements.

1. REPORTING ENTITY

Greenlight Reinsurance Ireland, dac., (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.

In accordance with the requirements of the Companies Act, 2014 and as stipulated by the Central Bank of Ireland all regulated insurance and reinsurance companies are required to convert from a ‘Limited’ company to a ‘Designated Activity Company’.

Under new Irish companies legislation, the Irish Companies Act 2014 (the **Act**), which is designed to consolidate and modernise company law, all Irish private limited companies are required to take one of two new forms provided for under the Act, a company limited by shares (which is still referred to as a ‘Limited’ company) or a designated activity company (for which the abbreviation ‘dac’ is permitted). All (re)insurance companies are required to convert to designated activity companies, public limited companies, or another form of company, but are not permitted to convert to a company limited by shares. On 16 December 2015, Greenlight Reinsurance Ireland Designated Activity Company converted to a designated activity company and changed its name from Greenlight Reinsurance Ireland Limited to Greenlight Reinsurance Ireland Designated Activity Company.

This change does not affect the Company's assets or liabilities, its contracts, its authorisation to conduct reinsurance business nor any other licences or consents that the Company may have. The Company continues in existence in a new form that is very similar to the form it took before conversion. It is governed by slightly different company law rules than those that apply to a company limited by shares.

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, dac are consolidated is that headed by Greenlight Capital Re, Ltd. The consolidated 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 Undertakings; Financial Statements) Regulations, 2015. 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.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the period. The estimated and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Certain critical accounting judgements in applying the Company's policies are detailed below.

Estimation of employee bonus

Under the Company's bonus program, each employee's target bonus consists of two components: a discretionary component based on a qualitative assessment of each employee's performance and a quantitative component based on the return on deployed equity (“RODE”) for each underwriting year relating to reinsurance operations. The qualitative portion of an employee's annual bonus is accrued at each employee's target amount, which may differ significantly from the actual amount approved and awarded annually. The quantitative portion of each employee's

Notes to the financial statements for the years ended 31 December 2015 and 2014

annual bonus is accrued based on the expected RODE for each underwriting year and adjusted for changes in the expected RODE and actual investment return each quarter until all losses are settled and the underwriting year is declared closed. The quantitative bonus is calculated and paid in annual instalments between two to five years from the end of the fiscal year in which the business was underwritten. Any further changes are incorporated into the following open underwriting year. The expected RODE calculation utilizes proprietary models which require significant estimation and judgment. Actual RODE may vary significantly from the expected RODE and any adjustments to the quantitative bonus estimates, which may be material, are recorded in the period in which they are determined.

Loss reserves

The Company establishes reserves for contracts based on estimates of the ultimate cost of all losses including losses incurred but not reported ("IBNR") that are dependent on actuarial judgement and assumptions. These are discussed in more detail on Note 2.6.

2.2. New accounting policies

a) New standards, interpretations and amendments effective from 1 January 2015

One new interpretation and a number of amendments are effective for the first time for periods beginning on (or after) 1 January 2015, 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 2015 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 2015 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 2015 and 2014, 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. Unallocated loss adjustor provision is established to cover the expected cost incurred in order to fully settle reserves for claims outstanding. 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

Notes to the financial statements for the years ended 31 December 2015 and 2014

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 each 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, equity security, 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 may purchase and sell 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

Notes to the financial statements for the years ended 31 December 2015 and 2014

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 benefit represents the sum of the tax currently receivable and deferred tax. Any 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").

2.12. Interest in investment advisory agreement

Effective 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, LLC are participants of a joint venture for the purpose of managing certain jointly held assets in accordance with the Company's investment guidelines. DME Advisors' 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 (6.85% and 4.75% at December 31, 2015 and 2014, respectively) 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

Notes to the financial statements for the years ended 31 December 2015 and 2014

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

	<u>2015</u> US\$	<u>2014</u> US\$
This is stated after charging/(crediting):		
Loss on foreign currencies	228,548	258,953
Operating lease expense	74,152	88,122
Depreciation expense	64,937	64,938
Auditors' remuneration – audit	13,678	16,958
Auditors' remuneration – tax	5,423	5,423
Market value adjustment in value of investments	(16,105,048)	(7,091,035)
Directors' remuneration	70,374	100,739

The directors' remuneration disclosed represents the total compensation paid to key management personnel.

4. EMPLOYEE COSTS AND NUMBERS

At 31 December 2015, the Company's salary and benefit expenses of \$1,347,495 (2014: \$1,702,359) related to employee compensation based on salary, health benefits, pension benefits, PRSI and group stock compensation in the form of restricted share units of the parent.

	<u>2015</u> US\$	<u>2014</u> US\$
Wages and salaries	949,935	1,300,045
Social insurance costs	91,019	102,004
Health benefits	22,853	22,069
Pension benefits	51,346	84,125
Group stock incentive	226,058	191,173
Life and disability benefit	6,284	2,943
	<u>1,347,495</u>	<u>1,702,359</u>

Notes to the financial statements for the years ended 31 December 2015 and 2014

During the year ended 31 December 2015, 6,821 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\$32.21 per share. The Company recorded US\$226,058 (2014: US\$158,535) of share-based compensation expense net of forfeitures, relating to the restricted share units for the year ended 31 December 2015.

The average number of employees for the financial year 2015 was five. (2014: five).

5. INCOME TAX EXPENSE

(a) Analysis of tax charge

	<u>2015</u> US\$	<u>2014</u> US\$
Irish corporation tax benefit	(1,763,093)	(435,376)

(b) Reconciliation of effective tax rate

	<u>2015</u> US\$	<u>2014</u> US\$
(Loss) profit for financial year after tax	(12,846,922)	(3,272,421)
Tax (benefit) charge for year	(1,763,093)	(435,376)
(Loss) profit excluding tax	(14,610,015)	(3,707,797)
Tax using the standard rate of corporation tax in Ireland of 12.5%	(1,826,252)	(463,475)
Tax effect on deductible temporary differences	3,266	1,130
Tax effect on non-deductible expenses	59,042	24,040
Tax effect on under (over) provisions		
Change in deferred taxes	(2,136)	6,987
(Over) / Under provided in prior years	2,987	(4,058)
Tax (benefit) charge for year	<u>(1,763,093)</u>	<u>(435,376)</u>

(c) Deferred tax balances

	<u>2015</u> US\$	<u>2014</u> US\$
Deferred tax balance, opening	1,130	8,117
Accelerated capital allowances and other fixed asset differences	2,136	(6,987)
Tax losses carried forward and other deductions	1,727,116	
Deferred tax balance, closing	<u>1,730,382</u>	<u>1,130</u>

The deferred tax asset of US\$1,730,382 (2014: \$1,130) relates to timing differences arising on retained losses carried forward to be recoverable against future taxable profits. There were no unrecognised deferred tax liabilities

Notes to the financial statements for the years ended 31 December 2015 and 2014

at year end 2015 and 2014.

At December 31, 2015, the Company reported tax receivable of US\$525,976 (2014: US\$587,008), and a deferred tax asset of US\$1,730,382 primarily relating to net operating losses carried forward (2014: US\$1,130). At December 31, 2015, the Company had a net operating loss carry-forward of US\$14,088,122 which can be carried forward indefinitely under Irish tax law. Based on the likelihood of GRIL generating sufficient taxable income to realize the future tax benefit, management believes it is more likely than not that the deferred tax asset and taxes recoverable will be fully realized in the future and therefore no valuation allowance has been recorded.

In evaluating the Company's ability to recover the deferred tax assets, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of future and recent operations. In projecting future taxable income, the Company uses the financial projections, plans and estimates used by the Company to manage the underlying business. The Company considers a five year time horizon to evaluate the recoverability of the deferred tax assets.

6. CALLED UP SHARE CAPITAL

	<u>2015</u> US\$	<u>2014</u> US\$
Authorised		
1,000,000,000 Ordinary shares of US\$ 0.10 each	<u>10,000,000</u>	<u>10,000,000</u>
Allotted, called up and fully paid		
100,000,000 Ordinary shares of US\$ 0.10 each	<u>10,000,000</u>	<u>10,000,000</u>

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 AND RESERVES

Capital management

The Company's policy is to maximise value for shareholders by ensuring that the Company's financial resources are allocated efficiently. The Company's capital management tools may include, but not limited to, capital contribution from parent, retrocession transactions, aggregate stop loss contracts, adverse loss development covers, quota share contracts, and re-allocation of invested assets between cash, fixed income and equity securities. The Company also manages its capital and surplus to satisfy statutory, regulatory and rating agency requirements.

The Company is regulated by the Central Bank of Ireland ('CBI') which sets out certain minimum capital requirements based on the type and risks of the business written by the entity. The Company monitors and reviews its solvency position on an ongoing basis following CBI Solvency 1 requirements and its own economic capital models. The Company has been in compliance with all applicable external capital requirements throughout the reporting period.

The Company's solvency margin cover at December 31, 2015 was 278% (2014: 317%) compared to a target solvency margin of 150% as set by the Company's Board of Directors.

The Company's capital comprises total equity of US\$50,317,882 (2014: US\$42,938,746) analysis of which is detailed in the Statement of Changes in Equity.

Capital contribution

During the year ended 31 December 2015, US\$226,058 (2014: US\$158,535) of the group share based expense was recognised in the Company's equity as capital contribution from the parent. 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 was recorded as contributed capital reserve.

The capital contributions are irrevocable, non-repayable, unconditional contributions for the Company. The contributions do not represent a loan or otherwise constitute a debt owed by the Company.

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\$1,090,938 (2014: US\$12,553,060). Gross realised gains were US\$20,893,280 (2014: US\$23,844,522) and gross realised losses were US\$19,802,342 (2014: US\$11,291,463). For the year ended 31 December 2015, included in investment income in the statements of comprehensive income was US\$16,105,048 of net unrealised losses (2014: US\$7,091,035 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 2015:

Description	Fair Value Measurements as of 31 December 2015			Total
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	US\$			
Assets:				
Debt instruments	—	2,642,314	34,594	2,676,908
Listed equity securities	61,662,942	385,259	—	62,048,201
Commodities	6,034,366	—	—	6,034,366
Private and unlisted equity securities	—	—	1,338,033	1,338,033
Derivative contracts receivable	1,394	903,643	—	905,037
	<u>67,698,702</u>	<u>3,931,216</u>	<u>1,372,627</u>	<u>73,002,545</u>
Liabilities:				
Listed equity securities, sold not yet purchased	(55,369,914)	—	—	(55,369,914)
Debt instruments, sold not yet purchased	—	(5,097,072)	—	(5,097,072)
Derivative contracts payable	(33,407)	(1,900,988)	—	(1,934,395)
	<u>(55,403,321)</u>	<u>(6,998,060)</u>	<u>—</u>	<u>(62,401,381)</u>

Notes to the financial statements for the years ended 31 December 2015 and 2014

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

Description	Fair Value Measurements as of 31 December 2014			
	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
	<u>58,419,150</u>	<u>3,564,587</u>	<u>1,874,388</u>	<u>63,858,125</u>
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)
	<u>(39,649,641)</u>	<u>(8,943,348)</u>	<u>—</u>	<u>(48,592,989)</u>

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 2015:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
	Year ended December 31, 2015					
	Assets					Liabilities
	Debt instruments	Private and unlisted equity securities	Financial contracts receivable	Listed equity securities	Total	Financial contracts payable
	US\$					
Beginning balance	1,056,827	817,561	—	—	1,874,388	—
Purchases	—	689,249	—	—	689,249	—
Sales	(1,009,222)	(208,881)	—	—	(1,218,103)	—
Total realized and unrealized gains (losses) included in earnings, net	(13,010)	40,103	(47,031)	(47,402)	(67,340)	21,509
Transfers into Level 3	—	—	173,680	355,447	529,127	605,198
Transfers out of Level 3	—	—	(126,649)	(308,045)	(434,694)	(626,707)
Ending balance	34,595	1,338,032	—	—	1,372,627	—

Notes to the financial statements for the years ended 31 December 2015 and 2014

During the year ended December 31, 2015, \$355,447 of equity securities, listed on the Athens Stock Exchange (the "ASE"), were transferred from Level 1 to Level 3 securities due to trading being halted from June 26, 2015 to August 3, 2015 for all equity securities listed on the ASE. Since there was no active market with observable trading prices to determine the fair value of these securities, during this period these securities were valued based on the last trading price of these securities on the ASE and adjusted for the estimated decline in the fair value of American depository receipts of other comparable securities. When the ASE resumed trading on August 3, 2015, the fair values of the ASE listed equity securities were once again based on observable prices in an active market. Therefore, \$308,045 of listed equity securities trading on the ASE were transferred from Level 3 to Level 1 securities during the year ended December 31, 2015.

The fair values for derivatives for which the underlying securities traded on the ASE were also transferred to Level 3 securities during 2015 when the ASE halted trading, and were subsequently transferred out of Level 3 securities when the ASE resumed trading. Therefore, for the year ended December 31, 2015, \$173,680 and \$605,198 of financial contracts receivable and financial contracts payable, respectively, were transferred from Level 2 to Level 3 due to the fair values being based on unobservable inputs during the period that the ASE had halted trading. During the year ended December 31, 2015, \$126,649 of financial contracts receivable and \$626,707 of financial contracts payable, respectively, were transferred from Level 3 to Level 2 as fair values were based on observable inputs once the ASE resumed trading.

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) included 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 increase 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.

Greenlight Reinsurance Ireland, dac

Notes to the financial statements for the years ended 31 December 2015 and 2014

Investments

Debt instruments, trading

At 31 December 2015, the following investments were included in debt instruments:

2015	Cost/ amortised cost	Unrealised Gains	Unrealised Losses	Fair Value
	US\$			
Corporate debt	1,902,751	10,635	(500,967)	1,412,419
Sovereign debt	1,211,383	83,894	(30,788)	1,264,489
Total debt	<u>3,114,134</u>	<u>94,529</u>	<u>(531,755)</u>	<u>2,676,908</u>

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	1,486,404	2,581	(134,623)	1,354,362
Sovereign debt	1,033,594	—	(51,425)	982,169
Total debt	<u>2,519,998</u>	<u>2,581</u>	<u>(186,048)</u>	<u>2,336,531</u>

The maturity distribution for debt instruments held at 31 December 2015 is as follows:

	Cost/ amortised cost	Fair value
	US\$	
Within one year	—	—
From one to five years	287,788	282,802
From five to ten years	1,290,298	1,012,200
More than ten years	1,536,048	1,381,906
	<u>3,114,134</u>	<u>2,676,908</u>

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
	<u>2,519,998</u>	<u>2,336,531</u>

Investment in Equity Securities, Trading

At 31 December 2015, the following long positions were included in investment securities, trading:

Notes to the financial statements for the years ended 31 December 2015 and 2014

2015	Cost	Unrealised gains	Unrealised Losses	Fair value
		US\$		
Equities – listed	69,268,745	4,596,397	(12,867,591)	60,997,551
Exchange traded funds	2,162,126	—	(1,111,476)	1,050,650
	<u>71,430,871</u>	<u>4,596,397</u>	<u>(13,979,067)</u>	<u>62,048,201</u>

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
	<u>50,059,698</u>	<u>9,699,636</u>	<u>(4,891,075)</u>	<u>54,868,259</u>

Other Investments

“Other investments” include commodities and private and unlisted equity securities. As of 31 December 2015 and 2014, commodities were comprised of gold bullion.

At 31 December 2015, the following securities were included in other investments:

	Cost	Unrealised gains	Unrealised Losses	Fair Value
		US\$		
Commodities	6,223,883	—	(189,517)	6,034,366
Private and unlisted equity securities	1,179,355	239,075	(80,397)	1,338,033
	<u>7,403,238</u>	<u>239,075</u>	<u>(269,914)</u>	<u>7,372,399</u>

At 31 December 2015, the Company had outstanding commitments to invest an additional \$418,223 in private equity securities.

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
	<u>4,464,396</u>	<u>163,862</u>	<u>(214,552)</u>	<u>4,413,706</u>

At 31 December 2014, the Company had outstanding commitments to invest an additional \$423,950 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.

Notes to the financial statements for the years ended 31 December 2015 and 2014

At 31 December 2015, the following securities were included in investments in securities sold, not yet purchased:

2015	Proceeds	Unrealised gains	Unrealised losses	Fair Value
		US\$		
Equities – listed	(55,707,700)	7,017,700	(6,679,914)	(55,369,914)
Debt instruments	(5,303,792)	206,719	—	(5,097,073)
	<u>(61,011,492)</u>	<u>7,224,419</u>	<u>(6,679,914)</u>	<u>(60,466,987)</u>

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)
	<u>(45,706,633)</u>	<u>4,716,220</u>	<u>(4,970,760)</u>	<u>(45,961,173)</u>

Derivative Contracts

As of 31 December 2015 and 2014, the Company had entered into total return equity swaps, interest rate swaps, commodity swaps, CDS, options, warrants, rights, futures and forward 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 2015, 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			
Call Options (2)	USD	323,661,216	44,961
Put options (3)	USD	10,089,847	602,021
Total return swaps – equities	EUR/GBP/USD	3,438,345	256,571
Warrants and rights on listed equities	EUR	4,069	1,484
Total derivative contracts receivable, at fair value			905,037
Derivative contracts payable			
Total return swaps - commodities	USD	2,887,415	(875,935)
Call Options	USD	178,116	(4,375)
Futures	USD	1,451,568	(33,407)
Forwards	KRW	199,174	(1,122)
	EUR/GBP/HKD/MXN/RON/		
Total return swaps - equities	USD	4,922,390	(1,019,556)
Total derivative contracts receivable, at fair value			(1,934,395)

(1) USD = US Dollar; JPY = Japanese Yen; EUR = Euro; GBP = British Pound; HKD = Hong Kong Dollar; KRW = Korean Won; RON = Romanian New Leu; MXN = Mexican Peso.

(2) Includes options on interest rate futures relating to U.S dollar LIBOR interest rates.

(3) Includes options on the Japanese Yen and the Chinese Yuan, denominated in U.S. dollars.

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			
Futures	USD	626,934	164,320
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			<u>2,239,628</u>
Derivative contracts 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)
	EUR/GBP/HKD/INR/RON/		
Total return swaps – equities	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			<u>(2,117,203)</u>

(1) USD = US Dollar; 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.

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 2015, 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 2015, a 10% decline in the price of each of these listed equity securities and equity-based derivative instruments would result in a US\$920,895, or 1.2%, 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 derivatives directly impacted by fluctuations in the prices of commodities. As of 31 December 2015, the investment portfolio included unhedged exposure to changes in gold prices, through ownership of physical gold and derivative instruments with underlying exposure to changes in gold prices. Additionally, as of 31 December 2015, the investment portfolio included derivative instruments with underlying exposure to changes in oil prices.

The following table summarizes the net impact that a 10% increase and decrease in commodity prices would have on the value of the Company's investment portfolio as of 31 December 2015:

Commodity	10% increase in commodity prices		10% decrease in commodity prices	
	Change in fair value	Change in fair value as % of investment portfolio	Change in fair value	Change in fair value as % of investment portfolio
Gold	\$ 748,593	1.0%	\$ (748,593)	(1.0)
Oil	288,742	0.4	(288,742)	(0.4)
Total	\$ 1,037,335	1.4%	\$ (1,037,335)	(1.4)

The Company along with its investment advisor, periodically monitor the Company's exposure to any other commodity price fluctuations and generally do not expect changes in other 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 2015, the Company had net loss reserves reported in foreign currencies of £1,318,015. As of 31 December 2015, a 10% decrease in the U.S. dollar against the GBP (all else being constant) would result in additional estimated loss reserves of £131,801. Alternatively, a 10% increase in the U.S. dollar against the GBP would result in a reduction of £131,801 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.

The Company is exposed to foreign currency risk through cash, forwards, options and investments in securities denominated in currencies other than U.S. dollar. 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 2015, 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.

Notes to the financial statements for the years ended 31 December 2015 and 2014

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 2015:

Foreign Currency	10% increase in U.S. dollar		10% decrease in U.S. dollar	
	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\$	
Argentine Peso	(126,449)	(0.2) %	126,449	0.2 %
British Pounds	(136,515)	(0.2)	136,515	0.2
Chinese Yuan	958,068	1.3	(458,451)	(0.6)
Japanese Yen	81,444	0.1	(45,325)	(0.1)
Other	17,664	0.0	(17,664)	(0.0)
Total	794,212	1.0 %	(258,476)	(0.3) %

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 2015:

	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	849.3	1.1 %	(1,114.9)	(1.5) %
Interest rate options	211.5	0.3	(37.0)	0.0
Net exposure to interest rate risk	1,060.8	1.4 %	(1,151.9)	(1.5) %

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 2015.

In addition, the securities, commodities, and cash in the Company's investment portfolio are held with several prime

Notes to the financial statements for the years ended 31 December 2015 and 2014

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 2015, 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

	2015	2014
	US\$	US\$
Cash at bank	7,506,248	1,982,566
Cash held with brokers	-	2,639,356
Total cash and cash equivalents	<u>7,506,248</u>	<u>4,621,922</u>

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.

	2015	2014
	US\$	US\$
Cash held by prime brokers relating to securities sold, not yet purchased	60,466,987	46,475,786
Cash and cash equivalents held by swap counterparties	3,578,191	3,380,587
Total restricted cash and cash equivalents	<u>64,045,178</u>	<u>49,856,373</u>

Notes to the financial statements for the years ended 31 December 2015 and 2014

11. FIXED ASSETS

The following table provides a reconciliation of the carrying amount of fixed assets for the financial years ended 31 December 2015 and 2014.

	<u>Furniture and fixtures</u>	<u>Leasehold improvements</u> US\$	<u>Total</u>
Cost			
Opening balance at 1 January 2014	189,865	269,645	459,510
Additions	—	—	—
Disposals	—	—	—
Ending balance at 31 December 2014	<u>189,865</u>	<u>269,645</u>	<u>459,510</u>
Opening balance at 1 January 2015	189,865	269,645	459,510
Additions	—	—	—
Disposals	—	—	—
Ending balance at 31 December 2015	<u>189,865</u>	<u>269,645</u>	<u>459,510</u>
Accumulated depreciation			
Opening balance at 1 January 2014	91,768	65,164	156,932
Depreciation for the year	<u>37,973</u>	<u>26,965</u>	<u>64,938</u>
Ending balance at 31 December 2014	<u>129,741</u>	<u>92,129</u>	<u>221,870</u>
Opening balance at 1 January 2015	129,741	92,129	221,870
Depreciation for the year	<u>37,972</u>	<u>26,965</u>	<u>64,937</u>
Ending balance at 31 December 2015	<u>167,713</u>	<u>119,094</u>	<u>286,807</u>
Carrying amounts			
At 31 December 2014	<u>60,124</u>	<u>177,516</u>	<u>237,640</u>
At 31 December 2015	<u>22,152</u>	<u>150,551</u>	<u>172,703</u>

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 financial years ended 31 December 2015 and 2014, there were no impairments in fixed assets.

12. INVESTMENT INCOME

A summary of net investment income for the financial years ended 31 December 2015 and 2014 is as follows:

	<u>2015</u> US\$	<u>2014</u> US\$
Realised gains and change in unrealised gains and losses, net	(14,817,106)	5,382,600
Interest and dividend income	1,147,593	1,390,148
Interest, dividend and other expenses	(2,075,983)	(1,829,514)
Investment advisor compensation	<u>(1,197,090)</u>	<u>(1,756,340)</u>
Investment income	<u>(16,942,586)</u>	<u>3,186,894</u>

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 2015, investment income, net of all fees and expenses, resulted in a loss of 18.4% on the investment portfolio. This compares to a gain of 5.2% for the year ended 31 December 2014.

13. TECHNICAL PROVISIONS

	Loss reserves	Unearned premiums
	2015	
	US\$	
At start of period	27,377,331	25,362,012
Gross change during the period	13,766,411	9,384,997
At end of period	41,143,742	34,747,009
Reinsurance recoverable	(8,867,170)	(7,949,748)
Net	32,276,572	26,797,261
	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
	2015	2014
	US\$	US\$
Known claims reserves	19,472,994	12,311,694
IBNR reserves	21,670,748	21,300,961
Total loss reserves	41,143,742	33,612,655

Notes to the financial statements for the years ended 31 December 2015 and 2014

Claims developments on all of the coverages is shown below as at 31 December 2015:

	2010	2011	2012	2013	2014	2015	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	-	-	98,141,849
At December 2014	19,813,699	25,994,707	64,443,873	30,047,741	14,592,233	-	154,892,253
At December 2015	19,799,220	26,111,766	63,684,366	33,799,872	57,205,953	16,603,630	217,204,807
Cumulative payments	(19,799,220)	(25,003,898)	(61,233,261)	(31,194,108)	(32,599,449)	(6,231,129)	(176,061,065)
Reserve at 31 December 2015	-	1,107,868	2,451,105	2,605,764	24,606,504	10,372,501	41,143,742

	2010	2011	2012	2013	2014	2015	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)	-	(8,997,686)
At December 2015	-	(3,072,119)	(1,422,594)	(1,404,828)	(4,885,631)	(3,056,003)	(13,841,175)
Cumulative payments received	-	2,243,362	696,172	1,389,761	546,689	98,021	4,974,005
Reserve at 31 December 2015	-	(828,757)	(726,422)	(15,067)	(4,338,942)	(2,957,982)	(8,867,170)

	2010	2011	2012	2013	2014	2015	Total
	\$	\$	\$	\$	\$	\$	\$
Estimate of cumulative net claims							
At December 2010	58,048	-	-	-	-	-	58,048
At December 2011	14,055,137	441,194	-	-	-	-	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	11,320,387	0	145,894,567
At December 2015	19,799,220	23,039,647	62,261,772	32,395,044	52,320,322	13,547,627	203,363,632
Cumulative net payments	(19,799,220)	(22,760,536)	(60,537,089)	(29,804,347)	(32,052,760)	(6,133,108)	(171,087,060)
Total per statement of financial position	-	279,111	1,724,683	2,590,697	20,267,562	7,414,519	32,276,572

Uncertainties and contingencies. The uncertainties arising under insurance contracts are characterised under item 2.3 *Revenue recognition* and 2.6 *Insurance losses and reserve and recoverables – technical provisions*.

Claims development. For the year ended 31 December 2015, favourable loss development on prior year contracts amounted to US\$4,503,502 (2014: \$1,774,529 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 2015, US\$150,828 (2014: \$110,757) 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 2015, the Company had loss reserves recoverable of US\$8,867,170 (2014: \$6,235,324) 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 2015 and 2014, no provision for uncollectible losses recoverable was considered necessary.

15. INVESTMENT ADVISORY AGREEMENT – RELATED PARTY TRANSACTION

At December 31, 2015, 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.

Notes to the financial statements for the years ended 31 December 2015 and 2014

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 2015, included in investment income is performance allocation of \$0 (2014: \$800,024), due to a net investment loss reported.

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 2015 are management fees of \$1,197,090 (2014: \$956,316). The management fees have been fully paid as of 31 December 2015.

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 2015, 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.

	2015	2014
	US\$	US\$
Assets	141,841,657	116,457,159
Liabilities	65,699,000	48,877,752
Income	22,237,877	25,234,670
Expenses	39,174,830	22,034,572

Green Brick Partners, Inc

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 ended 31 December 2014, the Company, along with certain affiliates of DME Advisors, provided debt financing to GRBK and acquired equity shares of GRBK. During the year ended December 31, 2015, the Company's investment income included \$0.01 million (2014: \$0.02 million) of interest relating to this debt. During the third quarter of 2015, GRBK repaid the debt in full along with all accrued interest and prepayment fees, and the Company purchased additional equity shares of GRBK. As of December 31, 2015, \$1.7 million (2014: \$0.9 million) of GRBK listed equities were included on the balance sheet as "equity securities, trading, at fair value". The Company along with certain affiliates of DME Advisors, collectively own 49% of the issued and outstanding common shares of GRBK. Under applicable securities laws, DME Advisors may be limited at times in its ability to trade GRBK shares on behalf of the Company.

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 2015, the Company ceded \$17.6 million (2014: \$6.83 million) of written premiums to Greenlight Re.

Notes to the financial statements for the years ended 31 December 2015 and 2014

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 2015, the Company ceded \$1.7 million (2014: \$1.67 million) of written premiums to 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 2015, \$37,312,081 (2014: \$23,905,420) 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 2015.

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 minimum annual rent payments denominated in Euros approximating €67,528 per annum until May 2021 and adjusted to the prevailing market rates for each of two subsequent five-year terms. The Company has the option to terminate the lease agreement 2021. Included in the schedule below are the net minimum lease payment obligations for the next six years relating to this lease as of 31 December 2015.

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. The agreement will terminate in September 2016 with no further payment obligations. For the year ended 31 December 2015, included in operating expenses is US\$1,845,511 related to expenses incurred related to the specialist service provider. Included in the schedule below are the minimum payment obligations relating to this agreement.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Total</u>
				US\$			
Operating lease obligations	82,069	82,069	82,069	82,069	82,069	30,776	441,121

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.