Advent Capital (Holdings) LTD

Consolidated Report and Financial Statements

Year ended 31 December 2015

CONTENTS

DIRECTORS AND ADVISORS

Directors	Trevor J Ambridge (Chief Financial Officer) Nigel P Fitzgerald (Chief Executive Officer) Philip J Green (resigned 31 December 2015) Jean Cloutier (Non-Executive Director)
Company Secretary	Neil M Ewing ACII
Registered Office	2nd Floor 2 Minster Court Mincing Lane London EC3R 7BB
Bankers	The Royal Bank of Scotland plc 5-10 Great Tower Street London EC3P 3HX
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT
Solicitors	Clyde & Co LLP The St Botolph Building 138 Houndsditch London EC3A 7AR
Company Registration Number	03033609

GROUP STRATEGIC REPORT

The directors present their group strategic report for the year ended 31 December 2015.

FINANCIAL SUMMARY

	2015 $'m	2014 $'m	2013 $'m	2012 $'m	2011 $'m
Gross premiums written	240.5	207.1	211.0	250.4	326.1
Net premiums written	174.8	153.6	157.0	125.1	191.8
Net premiums earned	159.4	138.6	164.0	119.6	187.2
Underwriting profit (loss)	0.9	0.2	(4.5)	(4.7)	(96.5)
(Loss) profit before tax	(41.8)	30.9	(3.8)	21.1	(42.4)
(Loss) profit after tax	(32.3)	25.2	(0.9)	0.1	(37.6)
Return on equity (1)	(17.7%)	16.5%	(0.6%)	0.1%	(23.2%)
Per share amounts					
(Loss) profit	(56.9c)	46.3c	(1.6c)	0.2c	(84c)
Net assets	$2.69	$3.24	$2.79	$2.81	$2.81
Net tangible assets	$2.64	$3.16	$2.71	$2.73	$2.72
Operating ratios					
Claims ratio (2)	53.5%	53.7%	61.4%	45.7%	109.2%
Expense ratio (2)	45.9%	46.1%	41.4%	58.2%	42.3%
Combined ratio (2)	99.4%	99.8%	102.8%	103.9%	151.5%

(1) Return on equity is calculated on opening shareholders' funds adjusted for the weighted average shares issued and dividends paid during the year.

(2) The 2012 operating ratios are impacted by the reinsurance to close premium paid for the closure of Syndicate 3330. Excluding this transaction, which has no impact on net income, Advent recorded a claims ratio of 65%, an expense ratio of 38% and a combined ratio of 103%.

BUSINESS REVIEW

Overview of the Company

Advent Capital (Holdings) LTD ("Advent" or "The Company") a limited company, incorporated in the United Kingdom, is a well-established reinsurance and insurance group which has traded for more than 30 years through Syndicate 780 at Lloyd's. Advent Underwriting Limited ("AUL"), a wholly owned subsidiary, manages Syndicate 780, wholly supported by the Company. Syndicate 780 is the primary source of income for the Company.

The Company seeks to achieve consistent underwriting profitability through the exercise of disciplined underwriting and risk management practises, high degrees of service and professionalism attributable to its claims and other supporting operations, prudent technical reserve standards and valued long standing trading relationships.

GROUP STRATEGIC REPORT

2015 Results

For the year ended 31 December 2015, the Company had a loss before tax of $41.8 million, (2014: profit before tax of $30.9 million), mainly due to the investment loss of $40.2 million (2014: gain of $34.5 million).

The underwriting profit of $0.9 million and combined ratio of 99.4% (2014: $0.2 million and combined ratio of 99.8%) included prior year's' reserve releases of $24.0 million (2014: $26.6 million).

Sources of income

	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
Underwriting profit (loss)	863	244	(4,542)	(4,693)	(96,458)
Investment (loss) gain	(40,204)	34,471	10,729	29,537	69,076
Interest on debt	(4,086)	(4,223)	(4,257)	(4,465)	(4,534)
Corporate and other costs	(558)	17	-	(214)	(11,158)
Profit (loss) on exchange	2,197	385	(5,710)	918	627
Pre tax (loss) profit	(41,789)	30,894	(3,780)	21,083	(42,447)

The Company primarily derives its pre tax profit or loss from activities related to its underwriting business.

At 31 December 2015, shareholders' equity was $158.7 million (2014: $176.3 million). Information on investments and cash are set out on Page 7.

Underwriting Review

Gross premiums written increased by 16.1% to $240.5 million in 2015 from $207.1 million in 2014, due to growth in the Accident & Health (A&H) and the new Property Binders classes of business, partially offset by the competitive underwriting environment across many classes, particularly property reinsurance. For the year ended 31 December 2015, the portfolio mix was 76% insurance and 24% reinsurance business (2014: 55% insurance, 45% reinsurance).

For the year ended 31 December 2015, net premiums written increased by 13.8% to $174.8 million from $153.6 million in 2014, as with gross premiums written except that the A&H class of business has quota share reinsurance of up to 75% on business sourced with Fairmont with $34.2 million of premiums written and $11.9 million of losses ceded (2014: $8.7 million and $1.7 million, respectively). The Wentworth quota share arrangement for the property reinsurance classes was renewed for the 2015 YOA at 75%, up from 50% in prior years; in Q4, the Company decreased the cession to 0% for all classes except for the London market catastrophe account and Polish Re quota share arrangement which cessions reduced to 50%, resulting in a reduction of ceded written premium of $4.7m and ceded earned premium of $3.4m For 2015, written premium of $9.0 million and losses of $2.8 million were ceded in total (2014: $21.6 million and $4.6 million, respectively).

Net premiums earned increased by 15.0% to $159.4 million in 2015 from $138.6 million in 2014, reflecting the maturing of the Company's specialty insurance business.

The lower expense ratio results from a stable expense base on higher net earned premiums.

GROUP STRATEGIC REPORT

Insurance Segment Review

Class of business underwriting results are set out below.

31 December 2015	Reinsurance	Marine	Non-Marine Insurance	Discontinued	Total
	$'000	$'000	$'000	$'000	$000
Gross premiums written	56,515	51,092	132,691	190	240,488
Net premiums written	48,215	43,600	82,075	871	174,761
Net earned premium	**48,820**	**46,982**	**62,721**	**875**	**159,398**
Net claims incurred	(20,631)	(26,187)	(39,126)	592	(85,352)
Acquisition costs	(4,349)	(13,738)	(16,754)	(53)	(34,894)
Operating expenses	(8,755)	(10,557)	(18,911)	(67)	(38,290)
Underwriting profit (loss)	**15,085**	**(3,500)**	**(12,070)**	**1,347**	**862**
Claims ratio	42.3%	55.7%	62.4%	(67.6%)	53.5%
Acquisition cost ratio	8.9%	29.2%	26.7%	6.0%	21.9%
Operating cost ratio	17.1%	22.5%	30.2%	7.6%	24.0%
Expense ratio	26.8%	51.7%	56.9%	13.6%	45.9%
Combined ratio	**69.1%**	**107.4%**	**119.2%**	**(54.0%)**	**99.4%**
Unearned premium net of deferred acquisition costs and reinsurance	**14,550**	**15,588**	**27,822**	**-**	**57,960**

31 December 2014	Reinsurance	Marine	Non-Marine Insurance	Discontinued	Total
	$'000	$'000	$'000	$'000	$000
Gross premiums written	82,031	60,869	65,693	(1,452)	207,141
Net premiums written	58,893	50,339	45,747	(1,382)	153,597
Net earned premium	**57,285**	**39,812**	**42,657**	**(1,156)**	**138,598**
Net claims incurred	(27,679)	(27,913)	(21,800)	3,002	(74,388)
Acquisition costs	(5,430)	(9,719)	(10,560)	346	(25,363)
Operating expenses	(14,187)	(11,462)	(13,168)	216	(38,603)
Underwriting profit (loss)	**9,989**	**(9,282)**	**(2,871)**	**2,408**	**244**
Claims ratio	48.3%	70.1%	51.1%	-	53.7%
Acquisition cost ratio	9.5%	24.4%	24.8%	-	18.3%
Operating cost ratio	24.8%	28.8%	30.9%	-	27.9%
Expense ratio	34.3%	53.2%	55.7%	-	46.1%
Combined ratio	**82.6%**	**123.3%**	**106.8%**	**-**	**99.8%**
Unearned premium net of deferred acquisition costs and reinsurance	**15,841**	**18,786**	**18,626**	**-**	**53,253**

Reinsurance

Market conditions, a surplus of available reinsurance market capital and changes to the Company's risk appetite, resulted in a reduction in gross written premium to $56.5 million from $82.0 million in 2014 and decreased net earned premium of $48.8 million and $57.3 million respectively. The Wentworth quota share over the property and marine reinsurance classes was renewed for the 2015 year of account (YOA) at 75%, up from 50% in prior years. The cession was largely eliminated in Q4, as previously noted. For 2015, the Company ceded premiums written of $9.0 million and losses of $2.8 million (2014: CRC $21.6 million and $4.6 million, respectively).

The Reinsurance segment had an underwriting profit of $15.1 million (2014: $10.0 million) and a combined ratio of 69.1% (2014: 82.6%) driven by prior years' reserve releases of $13.6m.

GROUP STRATEGIC REPORT

Marine

Gross premiums written reduced by 16.1% to $51.1 million in 2015 from $60.9 million in 2014 largely due to the Marine XL class. The segment had an underwriting loss of $3.5 million and a combined ratio of 107.4% due to a high expense ratio on the reduced premium base (2014: $9.3 million and combined ratio of 123.3%).

Non-Marine Insurance

Gross premiums written increased by 102.0% to $132.7 million in 2015 from $65.7 million in 2014, due to growth in the A&H and Property Binders portfolios, partially offset by a decline in the property insurance portfolio due to challenging market conditions. Net earned premium increased to $62.7 million in 2015 from $42.7 million in 2014, in line with the change in gross premiums written. The segment had an underwriting loss of $12.1 million and a combined ratio of 119.2% (2014: $2.9 million and combined ratio of 106.8%).

Discontinued

The discontinued segment comprises classes of business discontinued in 2012 and prior years.

Investment Performance

	2015			2014		
	Total $'000	Company $'000	Syndicate $'000	Total $'000	Company $'000	Syndicate $'000
Fixed income investments	355,835	79,336	276,499	398,179	10,690	387,489
Equities	94,989	8,520	86,469	80,491	-	80,491
Other investments	23,175	-	23,175	6,075	-	6,075
Cash	49,518	5,132	44,386	65,520	31,955	33,565
Total investments and cash	523,517	92,988	430,529	550,265	42,645	507,620
Investment (loss) gain	(40,204)	409	(40,613)	34,471	471	34,000
Interest on debt	(4,086)	(4,086)	-	(4,223)	(4,223)	-
Net investment (loss) gain	(44,290)	(3,677)	(40,613)	30,248	(3,752)	34,000

The investment result deteriorated to a loss of $40.2 million in 2015 from a gain $34.5 million in 2014, primarily due to unrealised losses on equities. The 2015 investment loss of (9.8%) (2014: return of 5.9%) includes interest and dividends of $4.1 million and net realised and unrealised losses of $48.6 million.

The weighted average interest rate on outstanding debt at 31 December 2015 was 4.6% (2014: 4.3%).

Capital Management

The Company's objective is to have sufficient capital to support its operations to ensure future growth and expansion while providing a satisfactory return to its shareholder. Total Shareholder's Equity at 31 December 2015 is $158.7m (31 December 2014: 176.3m).

Syndicate 780's underwriting is supported by Funds in Syndicate (FIS). Total FIS cash and investments at 31 December 2015 was $253.0 million (2014: $199.4 million) and provides capital for on-going underwriting requirements of $181.8 million and to pay uncalled Syndicate losses. The level of required capital is set by Lloyd's with reference to the Solvency Capital Requirement (SCR), calculated in accordance with Solvency II. The 2016 YOA has an Economic Capital Assessment (ECA) of $177.8 million. In recognition of market risk in the FIS assets, management has agreed with Lloyd's a capital load of $6.2 million.

The Company has provided capital to its operating subsidiaries using permanent capital and unsecured long term debt financing. The long term debt has no financial covenants other than the quarterly payment of interest and payment of principal on maturity. In the case of the Company's US dollar and Euro denominated subordinated debt due 3 June 2035, amounting to an aggregate of $45.7 million at

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31 December 2015 (2014: $47.1 million), the Company has the ability to defer interest payable for 20 consecutive quarters without causing an event of default.

2016 Business Plans and Outlook

Syndicate 780's 2016 business plan and SCR have been approved by Lloyd's, with gross premiums of $316.4 million. Competitive market conditions continue to prevail across all classes of business, with surplus capacity putting pressure on rates, terms and conditions. In addition, broker portfolio placements and greater cedent risk retention has put pressure on signings. The Company sees the Fairfax distribution network as a key differentiator in developing new business.

Internal Control and Risk Management

Overview
The Board of Directors ("Board") is responsible for the oversight of the Company's systems of internal control, for reviewing their effectiveness at least annually and for reporting on the effectiveness of controls in the Company's Annual Report and Financial Statements. Executive management is responsible for the implementation and satisfactory maintenance of systems of internal controls over financial reporting and for compliance with laws and regulations.

Every employee is responsible for internal control and is informed of their role through detailed job descriptions, policies, procedures manuals and communications from Business Unit Leaders and the Board.

The Company's systems of internal control consist of a number of interrelated components as outlined below:

Control Environment
The control environment sets the tone of the business influencing the control consciousness of its directors and employees, sometimes referred to as the "tone at the top". It provides structure and discipline for the other four components, incorporating factors such as integrity, ethical values, management's philosophy and operating style; assignment of authority and responsibility; employee competence; organisational structure; and the attention and direction provided by the Board.

The control environment is communicated to employees through the following key policies approved by the Board:

- Corporate objectives and risk appetite
- Code of Business Conduct and Ethics
- Whistle Blowing
- Anti-Bribery and Corruption, Confidentiality and Trading Responsibilities regarding Fairfax
- Anti-money laundering and financial crime
- Documented polices and procedures for each Business Unit

As a small organisation, the Company's culture is hands-on with extensive interaction between directors, Business Unit Leaders and employees and one which takes pride in maintaining strong underwriting disciplines throughout the insurance cycle while acknowledging the potential volatility in short term results arising from catastrophe events.

GROUP STRATEGIC REPORT

1) Risk Assessment

The Company faces a variety of risks from both internal and external sources that require identification, assessment and management. Risk management is the process that enables a business to:

- Identify and understand the risks that it faces in the pursuit of its business objectives;
- Assess the risks against risk appetite;
- Where possible and commercially desirable, reduce the probability and impact of those risks;
- Regularly review, monitor and report on those risks in order to take informed actions; and
- Ensure that any new risks, or changes to existing risks, are captured and assessed.

As the environment in which the Company is operating changes, the risk assessment process needs to be dynamic and updated on an on-going basis.

The key risks, as assessed by the Company, are set out below:

- **Insurance risk:**
  - ***Underwriting and risk selection:*** The Company is exposed to risk when underwriters select and price insurance and reinsurance business as there is uncertainty over the ultimate loss ratios.
  - ***Extreme losses***: Insurance costs are not fixed and known at the time a policy is issued, so claims can significantly exceed premiums received in any period. Although the frequency and severity of claims may have been priced accurately, in extreme circumstances, claims may be sufficiently large to threaten the Company's capital base.
  - ***Reserving:*** The Company has a provision on its balance sheet for the estimated ultimate cost of claims. Some of these claims are long tailed in nature and as such, they are susceptible to adverse development (e.g. due to latent exposures, legal reform and unforeseen deterioration of known losses).
- **Other financial risks:**
  - ***Credit risk:*** The Company is exposed to the risk that a counterparty will be unable to pay amounts in full when due. The Company is exposed to credit risk through reinsurance recoverables and amounts due from intermediaries and policyholders. There remains an increased risk of counterparty failure in a challenging economic climate.
  - ***Market risk:***
    - ***Matching*** – Mismatches in the duration of the Company's assets and liabilities to movements in interest rates may lead to an increase in capital requirements while a mismatch in assets and liabilities denominated in foreign currencies may lead to losses from changes in exchange rates.
    - ***Asset*** – The Company's investments (comprising individual holdings in sovereign and corporate fixed interest securities as well as equities, derivatives, real estate and cash) are also exposed to the risk of default and/or fluctuations in market prices.
    - ***Liquidity risk*** – The Company may not have cash available to pay obligations when due at a reasonable cost, particularly for major catastrophe events where it has to post US situs funds on gross incurred claims or where it has to pay gross claims before collecting the related reinsurance.
- **Operational risk:**
    - The Company is exposed to a range of operational risks, some of which could have a direct financial impact such as:
      - inaccurate **management information** (e.g. through staff error, inadequate processes or loss of IT systems) causing inadequate pricing, reserving or exposure management;
      - loss of office **facilities** (though fire, flood, terrorism, etc.);
      - **outsourcing** issues; and
      - **fraud**.
    - Other operational risks may not have direct financial losses, but may be equally damaging to the Company's business model if not managed effectively. These include:

GROUP STRATEGIC REPORT

- **Reputational**: Advent's business model relies on the maintenance of its good reputation. For example, Advent's ability to attract and retain staff or business from brokers will be undermined if it suffers reputational damage from the actions of the company itself or indirectly due to the actions of employees.
- **Conduct**: Advent has a duty to ensure that the process and outcome from doing business with the Company is fair for policyholders.
- **Regulatory**: AUL, our primary operating subsidiary, is regulated by the Prudential Regulation Authority (PRA), the Financial Conduct Authority (FCA) and Lloyd's. The Company is at risk of censure, fine or restriction of business if it fails to run the business in compliance with the applicable rules and regulations.
- **Cultural**: There is a risk that Advent fails to ensure it has a culture that promotes an effective and efficient working environment which encourages teamwork from all members of staff.
- **Political changes**: There is a risk that Advent's business model is impacted by changes to the economic landscape, for example, changes to the tax regime or the legal framework.

- **Other Risks:**
  - **Group** – The risk of the Fairfax group being unable to support Advent, particularly in the provision of new capital if it is required.
  - **Strategic** – Advent faces the risk of loss through the setting of an inappropriate strategy or the ineffective execution of an appropriate strategy.
  - **Capital** – Advent has to ensure that it has sufficient capital from a regulatory perspective in order to trade at Lloyd's within the PRA's regulatory regime.

Ownership of risks and controls within the Company is clearly defined. The Risk Function coordinates an assessment of all risks through a quarterly risk review, carried out in line with policies and procedures, to ensure that risks remain relevant and up-to-date.

The Company's risk appetite is recommended by the Risk and Compliance Officer to the Board for their approval. When any risk falls outside the Company's risk appetite, action plans are agreed, implemented and monitored. Risk mitigation actions have clearly defined owners and implementation timescales.

The Company's risk appetite for extreme losses, its major Insurance risk, is to limit the pre tax cost of a single event catastrophe loss, after reinsurance recoveries and reinstatement premiums, to $35 million.

2) Control Activities

Control activities are the policies and procedures that are set by the Executive Committee to manage risk and support the delivery of the Company's objectives.

The Company maintains and updates policies and procedures addressing all key areas throughout the business.

3) Information, Communication and Key Performance Indicators

Appropriate information must be identified, captured and communicated in a form and timeframe that enables directors and employees to carry out their responsibilities. The Company has an established management information system for the production of operational, financial and compliance reports which allow the Executive Committee and the Board to run and control the business.

GROUP STRATEGIC REPORT

The Company has established corporate objectives and risk appetite. The key performance data required for management and control purposes has been identified as combined ratio, adequacy of reserves, exposure to catastrophe losses on a gross and net basis and performance against the approved business plan. Management reports are produced monthly for the Executive Committee and reported to the Board quarterly. Decision making is made at the appropriate level, within pre-agreed parameters, and communicated throughout the Company as required.

The Company maintains pro-active channels of communication with all key stakeholders including existing and prospective clients, staff, brokers, reinsurers, the shareholder, and regulators.

4) Monitoring
Internal control systems need to be monitored to assess the quality of the system over time. The Company achieves this through a combination of day-to-day operational monitoring conducted by management, such as the review of exception reports, together with a comprehensive risk based internal audit programme.

The audit programme is risk focussed with the majority of the activity centred upon those areas which are considered to generate the largest risks namely underwriting, reinsurance and claims.

The Company believes it has implemented an effective system of internal control.

The Directors' view is that it is not necessary for the understanding of the business to disclose its policies on environmental matters, employee matters or social, community and human rights issues, other than to the extent that such matters are covered elsewhere in the Annual Report.

On behalf of the Board

Trevor J Ambridge, FCPA, FCA
Director
17 February 2016

REPORT OF THE DIRECTORS

The Directors present their Report together with the audited consolidated Company Financial Statements for the year ended 31 December 2015.

The Board

The directors are listed on page 3.

Directors and their Interests in Shares

The Directors have no interests in the ordinary voting shares of the Company, which are held by Fairfax either directly or via its subsidiaries.

Future developments

Future developments of the company are set out in the Group Strategic Report.

Financial Instruments and risk management

Information on the use of financial instruments by the Company and its management of financial risk is disclosed in the Group Strategic Report and in notes 1 and 4 to the financial statements.

Corporate Social Responsibility

The Company undertakes to act fairly, honestly and with integrity in its relationships with its various stakeholders including employees, the shareholder, clients and the wider community. The Code of Business Conduct and Ethics adopted by the Company sets out the values and standards of conduct expected of its employees and the Company takes into account its responsibilities due to, and impact on, each of these stakeholders in its policies and procedures.

With respect to the environment, the Company continues to seek to reduce the impact of its business by the use of various energy saving and recycling initiatives.

Statement of directors' responsibilities

The directors are responsible for preparing the Group Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with 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 state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

REPORT OF THE DIRECTORS

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

Each of the persons who is a director at the date of this report confirms that:

1) So far as the director is aware, there is no relevant audit information of the Company's consolidated financial statements for the year ended 31 December 2015 of which the auditors are unaware; and

2) The director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board

Trevor J Ambridge, FCPA, FCA
Director
17 February 2016

Independent auditors' report to the members of Advent Capital (Holdings) Ltd

Report on the group financial statements

Our opinion

In our opinion, Advent Capital (Holdings) Ltd's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2015 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the Consolidated Report and Accounts (the "Annual Report"), comprise:

- the Consolidated Statement of Financial Position as at 31 December 2015;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out Group Strategic Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Advent Capital (Holdings) Ltd

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the parent company. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 12 and 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 group'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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the parent company financial statements of Advent Capital (Holdings) Ltd for the year ended 31 December 2015.

Mark Bolton

Mark Bolton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 February 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Income			
Gross premiums earned		211,771	186,164
Reinsurance premiums ceded		(52,373)	(47,566)
Net premiums earned	3	159,398	138,598
Investment result	4	(40,204)	34,471
Total Income		**119,194**	**173,069**
Expenses			
Claims incurred	3	(100,753)	(82,304)
Reinsurance recoveries	3	15,401	7,916
Acquisition costs	3	(34,894)	(25,363)
Underwriting expenses	2	(38,290)	(38,603)
Corporate and other costs		(558)	17
Profit (loss) on exchange	1	2,197	385
Total Expenses		**(156,897)**	**(137,952)**
Operating (loss) profit		**(37,703)**	**35,117**
Interest expense		(4,086)	(4,223)
(Loss) profit before tax		**(41,789)**	**30,894**
Income tax (expense) / recovery	6	9,451	(5,668)
(Loss) profit for the year attributable to shareholders		**(32,338)**	**25,226**
Other comprehensive (expense)		(216)	(660)
Total comprehensive (expense) income		**(32,554)**	**24,566**
Earnings per ordinary share			
- Basic and diluted	5	**(56.9c)**	**46.3c**
Dividends per ordinary share		-	-

The notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2015

	Note	2015 $'000	2014 $'000
Assets			
Cash and cash equivalents	4	49,518	65,520
Financial investments at fair value	4	473,999	484,745
Other assets	4	17,732	25,664
Insurance and reinsurance assets			
- Reinsurers' share of outstanding claims	3	59,285	70,046
- Reinsurers' share of unearned premiums	3	23,601	10,246
- Debtors arising from insurance and reinsurance operations	3	98,592	88,600
- Deferred acquisition costs		28,676	18,022
Deferred tax asset	6	6,710	-
Property and equipment	14	280	709
Intangible assets	7	4,309	4,309
Total assets		**762,702**	**767,861**
Shareholders' Equity			
Ordinary share capital	5	47,269	43,566
Share premium		141,351	130,054
Capital redemption reserve		33,690	33,690
Other reserves		8,538	8,754
Accumulated deficit		(72,101)	(39,763)
Total equity		**158,747**	**176,301**
Liabilities			
Insurance and reinsurance liabilities			
- Outstanding claims	3	348,476	374,617
- Unearned premiums	3	110,237	81,520
- Creditors arising out of insurance and reinsurance operations		48,695	33,126
Trade and other payables	8	6,082	8,958
Deferred tax liability	6	-	1,536
Long term debt	5	90,465	91,803
Total liabilities		**603,955**	**591,560**
Total shareholders' equity and liabilities		**762,702**	**767,861**

The notes form an integral part of these financial statements.

The financial statements on pages 16 to 51 were approved by the Board of Directors on 18 February 2015 and signed on its behalf by:

Trevor J Ambridge, FCPA, FCA
Chief Financial Officer

Neil M Ewing ACII
Company Secretary

Company Registration Number: 03033609

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2015

	Ordinary share capital $'000	Share premium $'000	Capital re-demption reserve $'000	Other reserves $'000	Currency translation reserve $'000	Accumulated deficit $'000	Total $'000
Balance, 1 January 2014	43,566	130,054	33,690	(4,927)	14,341	(64,989)	**151,735**
Profit for the year	-	-	-	-	-	25,226	**25,226**
Currency translation	-	-	-	-	(660)	-	**(660)**
Balance, 31 December 2014	43,566	130,054	33,690	(4,927)	13,681	(39,763)	**176,301**
Loss for the year	-	-	-	-	-	(32,338)	**(32,338)**
Issued shares	3,703	11,297	-	-	-	-	**15,000**
Currency translation	-	-	-	-	(216)	-	**(216)**
Balance, 31 December 2015	47,269	141,351	33,690	(4,927)	13,465	(72,101)	**158,747**

Share premium account is the excess of proceeds from issue of shares over the par value of the ordinary shares.

Capital redemption reserve was transferred from share capital on the reduction in par value of ordinary shares from 25p to 5p per share in June 2005.

Other reserves include the grandfathered merger reserves.

The currency translation reserve arises due to the change in functional currency from 1 October 2009 and from the retranslation of Sterling functional currency subsidiaries.

The notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Cash generated by (used in) operations	11	(20,863)	9,284
Interest paid		(4,121)	(4,223)
Net cash generated (used in) from operating activities		(24,984)	5,061
Cash flows from investing activities			
Interest received		9,609	9,951
Purchase of property and equipment		(234)	(45)
Net cash used in investing activities		9,375	9,906
Net (decrease) increase in cash and cash equivalents		(15,609)	14,967
Exchange movements on opening cash and cash equivalents		(393)	(1,159)
Cash and cash equivalents at the beginning of year		65,520	51,712
Cash and cash equivalents at the end of year	4	49,518	65,520

The notes form an integral part of these financial statements.

ACCOUNTING POLICIES

BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, using the historic cost convention with the revaluation of financial assets at fair value through the consolidated income statement.

The consolidated financial statements include the assets, liabilities and results of the Parent Company and its subsidiaries. The Company participates in insurance business as an underwriting member at Lloyd's. The Company includes its share of the assets and liabilities arising as a result of underwriting activities in these financial statements. These assets and liabilities are held under various Lloyd's trust deeds and are shown separately in Note 9 to the Financial Statements. All intercompany transactions and balances are eliminated on consolidation.

Use of estimates and critical judgements
The preparation of the financial statements requires the use of critical accounting estimates, assumptions and management judgements that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities. Although these estimates are based on management's knowledge of current information and events, actual results may ultimately differ from these estimates, perhaps significantly. The most significant estimates are as follows:

Valuation of outstanding claims
The valuation of outstanding claims and, in particular, the provision for claims incurred but not reported, involves the use of many estimation techniques, as set out in more detail in Note 3.

Valuation of the deferred tax asset
In determining the recoverability of deferred tax assets, the Company primarily considers current and expected profitability of applicable operating companies and their ability to utilize any recorded tax assets. The Company reviews its deferred income tax assets on a regular basis, taking into consideration the underlying operations' performance as compared to plan, the outlook for the business going forward, the impact of enacted and proposed changes to tax law and the availability of tax planning strategies, including Group Relief with other UK subsidiaries of Fairfax Financial Holdings Limited (Fairfax).

The significant accounting policies which the Company has adopted and applied consistently throughout the year are set out below.

Financial investments
The Company currently holds securities which have been classified as "fair value through income" on acquisition. Purchases and sales of investments are recognised on the trade date, being the date at which a commitment to buy or sell the asset has been made. Investments are initially recognised at fair value, and are subsequently re-measured at fair value based upon quoted bid prices. Changes to the fair value are included in the income statement for the period in which they arise.

Foreign currency translation
The Company's functional currency is the US dollar. Foreign currency transactions are translated into US dollars using the exchange rate at the date of the transactions. Monetary assets and liabilities in foreign currencies are translated into US dollars at the closing rates of exchange at the balance sheet date. Non-monetary assets and liabilities, including unearned premiums and deferred acquisition costs, are translated into US dollars at historic rates of exchange. Resulting foreign exchange gains and losses are recognised in operating expenses.

Advent Underwriting Limited has a functional currency of Sterling. Assets and liabilities from this subsidiary are translated at the period end exchange rate. Transactions during the period are translated at the average rate for the period. Exchange differences arising from the translation of the net investment in these subsidiaries are recorded in other comprehensive income.

The Company uses forward exchange contracts to mitigate the exchange risk associated with claims in currencies other than its principal settlement currencies and to manage its currency balance sheet. Gains or losses on forward exchange contracts are recorded in the income statement within claims incurred to the extent that they are used to hedge claims costs in non-settlement currencies. All other gains or losses are recorded as profit on exchange. The fair value of the forward exchange contracts is determined by reference to quoted period end exchange rates.

ACCOUNTING POLICIES

Cash and cash equivalents
Cash and cash equivalents consist of cash at bank, short term bank deposits and any highly liquid short term investments with original maturity dates of three months or less.

Purchased syndicate capacity
The cost of purchasing the Company's participation in Syndicate 780 is recorded at cost. Syndicate capacity is considered to have an indefinite life and is not subject to annual amortisation. The carrying value of purchased capacity is reviewed annually for any impairment in value with reference to the future cash flows to be earned from the Syndicate for purchased capacity, with any impairment in value charged to the income statement in the period in which it is identified.

Long term debt
Long term debt is initially recognised at fair value, net of transaction costs incurred. Subsequently, long term debt is stated at amortised cost using the effective interest rate method. Any difference between the amortised cost and the redemption value is recognised in the income statement over the period of the debt.

Insurance and reinsurance business
The results for insurance and reinsurance business written are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against net earned premium.

(i) Gross premiums
All insurance and reinsurance contracts are accounted for as insurance under IFRS 4. Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the Company, less an allowance for cancellations. Gross premium is earned over the period of the contract on a 365ths basis when the incidence of risk is similar throughout the contract period. Where the incidence of risk varies through the policy period, gross premium is earned in proportion to the risk profile.

Unearned premiums represent the proportion of premiums written that relate to the unexpired terms of policies in force at the balance sheet date.

All premiums are stated gross of acquisition costs, which represent commission and other related expenses, which are expensed over the period in which the related premiums are earned.

(ii) Reinsurance premiums ceded comprise the cost of reinsurance arrangements placed and are generally recognised over the period in which related gross written premiums are earned. "Losses occurring during" policies are charged over the period for which coverage is provided.

(iii) Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

Provision is also made, where necessary, for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums reserve and unexpired risks provision. The expected claims are calculated based on information available at the balance sheet date. Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

(iv) Reinsurance recoveries represent the reinsurers' share of the claims incurred in the period, adjusted for any provisions for bad debt.

(v) Outstanding claims represent the undiscounted ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the balance sheet date, including provision for claims incurred but not yet reported, less any amounts paid in respect of those claims. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

ACCOUNTING POLICIES

Receivables
Debtors and creditors, valued at cost, include the totals of the Company's share of the syndicates' outstanding debit and credit transactions as processed by XChanging Ins-sure Services Ltd. Since there is no legal right of offset, no account has been taken of any offsets which may be applicable in calculating the net amounts due between the syndicates and their counterparty insureds, reinsurers or intermediaries as appropriate.

Property and equipment
Property and equipment are initially recognised at cost. Depreciation is provided on all property and equipment in order to write down their cost or valuation to their estimated residual value by equal instalments over their estimated useful economic lives, which are considered to be:

Furniture, fittings and equipment	3 to 5 years
Computer equipment	3 years

Deferred tax
Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated and parent company only financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit within all of the UK subsidiaries of the Fairfax Group will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Pensions
The Company pays contributions to the individual money purchase schemes of directors and employees. Contributions are charged to the income statement as incurred.

Share based payments
Share option schemes are accounted using a fair value method where the cost of providing the option is based upon the fair value of the option at each reporting date. The fair value is calculated using an option pricing model, with the corresponding expense being charged to the income statement over the vesting period. These options are considered to be "cash-settled" options and therefore the accrued liability is recognised within trade and other payables.

Dividends
Dividends to the Company's shareholders are recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

New accounting standards: Standards issued but not yet adopted

The following new standards have been issued by the IASB and were not yet effective for the fiscal year beginning January 1, 2015.

- IFRS 9 Financial Instruments ("IFRS 9") - In July 2014 the IASB published the complete version of IFRS 9 which supersedes the 2010 version of IFRS 9 currently applied by the company. This complete version is effective for annual periods beginning on or after January 1, 2018, with retrospective application, and includes: requirements on the classification and measurement of financial assets and liabilities; an expected credit loss model that replaces the existing incurred loss impairment model; and new hedge accounting guidance. The company is currently evaluating the impact of the complete version of IFRS 9 on its consolidated financial statements.

- IFRS 15 Revenue from Contracts with Customers ("IFRS 15") - In May 2014 the IASB published IFRS 15 which introduces a single model for recognizing revenue from contracts with customers. IFRS 15 excludes insurance contracts from its scope and is therefore not expected to have an impact. The standard is effective for annual periods beginning on or after January 1, 2017, with retrospective application.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS

1. FOREIGN EXCHANGE RISK MANAGEMENT

The Company's operations are conducted in a number of currencies, the principal ones of which are US$, £, CDN$ and Euro. The Company's policy is that it is not in the business of taking or speculating on foreign currency risk. Its objective is to match each principal currency position.

On a monthly basis the Company reviews its consolidated foreign currency balance sheet, prepared in its principal currencies. Action is taken to reduce or mitigate foreign currency mismatches through the purchase or sale of the appropriate currencies or the use of forward exchange transactions where necessary.

Advent makes use of a currency translation service from Xchanging, whereby premiums and claims receivable in currencies outside the Syndicate's settlement currencies (currently US$, £, CAD$ and Euro) are translated at the spot rate of exchange to Sterling (or in some cases US$) at the date of payment of the claim or receipt of the premium. Advent has used forward exchange contracts to hedge the expected settlement cost of claims in non-settlement currencies where required.

The principal exchange rates used in translating foreign currency assets, liabilities, income and expenditure in the preparation of these accounts were:

	2015		2014	
	Period average Rate	Period end Rate	Period average Rate	Period end Rate
	$	$	$	$
Sterling	0.6543	0.6785	0.6069	0.6413
Euro	0.9017	0.9206	0.7526	0.8264
Canadian dollar	1.2772	1.3891	1.1041	1.1582

The Company's gross premiums were written in the following currencies:

	2015		2014	
	$'000	%	$'000	%
US dollar	191,783	79.8	168,923	81.5
£ sterling	29,868	12.4	10,852	5.3
Canadian dollar	4,582	1.9	7,574	3.6
Euro	14,255	5.9	19,792	9.6
	240,488	100.0	207,141	100.0

The Company's asset and liability positions in its major foreign currencies were as follows:

31 December 2015	**US$m**	**£m**	**CAD$m**	**€m**	**NZ$m**	**JPYm**	**AU$m**
Total assets	595.8	57.3	31.2	39.1	4.8	68.2	11.4
Total liabilities	(447.4)	(46.3)	(17.1)	(45.1)	(24.0)	(300.6)	(9.5)
Net assets (net liabilities)	148.4	11.0	14.1	(6.0)	(19.2)	(232.4)	1.9
31 December 2014	**US$m**	**£m**	**CAD$m**	**€m**	**NZ$m**	**JPYm**	**AU$m**
Total assets	586.8	41.1	29.7	55.1	6.0	65.5	18.6
Total liabilities	(408.3)	(45.4)	(18.7)	(49.1)	(28.6)	(234.6)	(9.3)
Net assets (net liabilities)	178.5	(4.3)	11.0	6.0	(22.6)	(169.1)	9.3

At 31 December 2015, the Company had outstanding sterling forward foreign exchange contracts to purchase NZ$15.5 million, to reduce its currency exposures. Post year end the Syndicate entered into a US dollar forward foreign exchange contract for the sale of CAN$5.0 million to reduce its currency exposures.

NOTES TO THE FINANCIAL STATEMENTS

The Company recorded foreign exchange gains and losses in the consolidated income statement as follows:

	2015	2014
	$'000	$'000
Underwriting activities	9,275	1,773
Corporate activities	(7,078)	(1,388)
Profit on exchange	2,197	385

The effect on profit before tax of a 5% increase or decrease in the closing exchange rates on the foreign currency balance sheet at 31 December 2015 is approximately $0.5 million (2014: $0.8 million) given the Company's policy of minimising foreign currency mismatches on a monthly basis.

2. UNDERWRITING EXPENSES

Underwriting expenses include the following:

	2015	2014
	$'000	$'000
Operating lease	1,306	743
Depreciation of property and equipment	647	1,014
Audit services		
Fees payable to the Company's auditors for the audit of the Company and consolidated Financial Statements	215	219
The audit of the Company's subsidiaries	15	39
Fees payable to the Company's auditors for the audit of Syndicate 780	217	243
Non-audit services		
Fees payable to the Company's auditors and its associates for other services:		
Actuarial	180	269
Other	94	105
	721	875

Other non-audit services primarily relate to Solvency II including the review of the Syndicate's Solvency II balance sheet.

3. INSURANCE RISK MANAGEMENT

The Company is exposed to insurance risk through its underwriting activities. Insurance risk arises from the possibility that an insured event occurs and the uncertainty as to the timing of submission and the ultimate amount of the resulting claim.

The Company predominantly writes property insurance and reinsurance business, including catastrophe-exposed business, with additional specialised lines including energy, marine, marine excess of loss and accident and health. The Company manages its underwriting activities on a line of business basis with the four segments having the following insurance risk characteristics:

a) The Reinsurance segment consists of the Company's property and casualty treaty reinsurance classes. The property treaty class offers property catastrophe and individual risk cover for insurance and reinsurance contracts written predominantly on a "losses occurring during policy period" basis with generally no risks in excess of 12 months and with a large proportion of risks expiring at 31 December each year. The casualty treaty class provides excess of loss coverage for general casualty classes such as auto liability, medical malpractice, workers compensation and associated exposures, with an emphasis on clash business. The majority of the account is written in the United States and no business is written on an unlimited basis.

b) The Marine Insurance segment includes a broad range of products including marine, offshore energy portfolios with coverage provided for individual risk and catastrophe accumulations and marine hull & machinery, liability and cargo insurance. The energy portfolio consists of short tail

NOTES TO THE FINANCIAL STATEMENTS

3. INSURANCE RISK MANAGEMENT (continued)

offshore physical damage and operator's extra expense cover written on a direct basis. Most risks are written on an excess or limited conditions basis with the objective of avoiding exposure to attritional losses. The marine hull & machinery, liability and cargo accounts are written on both a primary and excess direct basis, as well as through binding authorities.

c) The Non-Marine Insurance segment comprises the Company's property, terrorism and accident & health insurance classes. The property classes include commercial property, personal lines and commercial automobile physical damage insurance written in the open market on both a lead and following basis, either through underwriting facilities or on an individual risk basis. The Terrorism account, which is written on both a direct basis and through binding authorities, provides cover for the risk of terrorist attacks and political violence on property throughout the world. The accident & health account provides a wide range of medical and accident coverage, primarily through binding authorities.

d) The discontinued segment includes classes of busines classes written prior to 2012.

The Board sets the Company's overall risk appetite for insurance and catastrophe risk with specific parameters for risk set out in the approved annual business plan. Management of insurance risk on an operational basis is the responsibility of the Chief Underwriting Officer of AUL.

i) Segmental analysis

The tables below detail the company's underwriting performance by segment. Acquisition costs, consisting of direct brokerage commissions, are allocated to each segment on a direct basis while operating costs, including underwriting costs, where they cannot be specifically attributed, are either allocated based on gross premiums written or gross premiums earned. The Company does not prepare a segmented balance sheet by line of business and accordingly, has presented key insurance account balances only.

31 December 2015	Reinsurance	Marine	Non-Marine Insurance	Discontinued	Total
	$'000	$'000	$'000	$'000	$000
Gross premiums written	56,515	51,092	132,691	190	240,488
Net premiums written	48,215	43,600	82,075	871	174,761
Net earned premium	48,820	46,982	62,721	875	159,398
Net claims incurred	(20,631)	(26,187)	(39,126)	592	(85,352)
Acquisition costs	(4,349)	(13,738)	(16,754)	(53)	(34,894)
Operating expenses	(8,755)	(10,557)	(18,911)	(67)	(38,290)
Underwriting profit (loss)	**15,085**	**(3,500)**	**(12,070)**	**1,347**	**862**
Claims ratio	42.3%	55.7%	62.4%	(67.6%)	53.5%
Acquisition cost ratio	8.9%	29.2%	26.7%	6.0%	21.9%
Operating cost ratio	17.1%	22.5%	30.2%	7.6%	24.0%
Expense ratio	26.8%	51.7%	56.9%	13.6%	45.9%
Combined ratio	**69.1%**	**107.4%**	**119.3%**	**(54.0%)**	**99.4%**
Balance sheet accounts					
Reinsurers share of outstanding claims	38,819	1,324	19,142	-	**59,285**
Reinsurers share of unearned premium	1,568	2,417	19,616	-	**23,601**
Deferred acquisition costs	3,124	6,608	18,944	-	**28,676**
Other assets	-	-	-	-	**651,140**
Total assets	**43,511**	**10,349**	**54,770**	**2,932**	**762,702**
Outstanding claims	(225,438)	(32,224)	(58,765)	(32,049)	(348,476)
Unearned premium	(19,242)	(24,613)	(66,382)	-	(110,237)
Other liabilities	-	-	-	-	(145,242)
Total liabilities	**(244,680)**	**(56,837)**	**(125,147)**	**(32,049)**	**(603,955)**

NOTES TO THE FINANCIAL STATEMENTS

3. INSURANCE RISK MANAGEMENT (continued)

31 December 2014	Reinsurance	Marine	Non-Marine Insurance	Discontinued	Total
	$'000	**$'000**	**$'000**	**$'000**	**$000**
Gross premiums written	82,031	60,869	65,693	(1,452)	207,141
Net premiums written	58,893	50,339	45,747	(1,382)	153,597
Net earned premium	57,285	39,812	42,657	(1,156)	138,598
Net claims incurred	(27,679)	(27,913)	(21,800)	3,004	(74,388)
Acquisition costs	(5,430)	(9,719)	(10,560)	346	(25,363)
Operating expenses	(14,187)	(11,462)	(13,168)	214	(38,603)
Underwriting profit (loss)	**9,989**	**(9,282)**	**(2,871)**	**2,408**	**244**
Claims ratio	48.3%	70.1%	51.1%	-	53.7%
Acquisition cost ratio	9.5%	24.4%	24.8%	-	18.3%
Operating cost ratio	24.8%	28.8%	30.9%	-	27.9%
Expense ratio	34.3%	53.2%	55.7%	-	46.1%
Combined ratio	**82.6%**	**123.3%**	**106.8%**	**-**	**99.8%**
Balance sheet accounts					
Reinsurers share of outstanding claims	56,950	2,855	10,241	-	70,046
Reinsurers share of unearned premium	2,500	2,006	5,740	-	10,246
Deferred acquisition costs	3,102	6,812	8,108	-	18,022
Other assets	-	-	-	-	669,547
Total assets	**62,552**	**11,673**	**24,089**	**-**	**767,861**
Outstanding claims	(215,833)	(61,138)	(50,375)	(47,271)	(374,617)
Unearned premium	(21,442)	(27,603)	(32,475)	-	(81,520)
Other liabilities	-	-	-	-	(135,423)
Total liabilities	**(237,275)**	**(88,741)**	**(82,850)**	**(47,271)**	**(591,560)**

All premiums are concluded in the United Kingdom.

The geographical analysis of premiums by destination is as follows:

	2015	2014
	$'000	**$'000**
UK	58,624	48,538
Other EU	17,609	25,342
US and Canada	126,297	99,053
Other	37,958	34,208
	240,488	207,141

NOTES TO THE FINANCIAL STATEMENTS

ii) Catastrophe Exposure

Lloyd's defines its own set of Realistic Disaster Scenarios (RDS) events for which all syndicates must report their exposures. The Company's pre tax exposure, before and after reinsurance, to its major RDS scenarios are set out below:

Catastrophe event	Industry Loss US$Bn	1 January 2016 Gross loss $M	1 January 2016 Net loss $M	1 January 2015 Gross loss $M	1 January 2015 Net loss $M
Florida Windstorm – Miami	125	72.8	24.0	63.3	23.3
Florida Windstorm – Pinellas	125	75.1	23.5	71.7	26.8
Gulf of Mexico Windstorm	112	78.8	21.9	79.8	30.4
USA North East Windstorm	78	52.2	21.1	54.8	29.4
Los Angeles Earthquake	78	94.4	27.8	76.3	32.8
European Windstorm	30	10.3	6.6	11.5	7.5
Japan Earthquake	65	13.3	9.2	14.0	10.0

As the catastrophe element of the underwriting portfolio remains Property Insurance biased, we maintain a more traditional Catastrophe excess of loss reinsurance structure for the 2016 underwriting year.

Our largest net wind scenario is a Florida (wind) event, driven mainly by the property open market and property binder portfolio, and would result in an estimated after tax loss of $19.2 million or 12.7% of shareholder's equity (2015: USA North East Windstorm catastrophe event : $29.4 million and 16.7% respectively).

The Company maintains strong underwriting disciplines to mitigate its exposure to catastrophe losses using an underwriting team with significant expertise in the business lines they write and with a well diversified portfolio of clients with whom the Company has long-established relationships. In 2015, approximately 63% of gross premiums written came from the Company's existing clients (2014: 61%).

The Company's approach to underwriting is governed by key principles which run throughout the underwriting units and are continuously monitored by management. Strict underwriting guidelines are adopted in terms of class of business, line size and in terms of policy periods, which are preferably limited to 12 months (plus odd time). The Company's policy is that it does not write excess of loss reinsurance contracts on an unlimited basis in any business segment. Any risk outside agreed guidelines must be approved by the Chief Underwriting Officer before the risk is underwritten and is reported to the Executive Committee. The Chief Underwriting Officer reports regularly to the Executive Committee and the Board on underwriting results against the approved business plan.

The Company uses reinsurance, including excess of loss and quota share reinsurance, to reduce the impact of probable maximum losses following major catastrophe events to levels within the Company's risk appetite for exposure to such catastrophe losses. The reinsurance programme is determined predominantly using the Company's 1:100 and 1:250 Exceedance Probability curves as a guide to the amount of cover required along with Advent's own perception of risk for the key areas and considers number of other factors including reinsurance security, availability of reinsurers and retrocessional reinsurers, pricing, terms and conditions and commercial relationships are reviewed prior to purchase. The key catastrophe protection is validated against prior year losses and the Solvency II Internal model to assess cost, benefits and efficiency of recoveries before confirming final purchase to the broker.

Specific protections are purchased to cover the major classes written and the programme is designed to provide significant vertical cover for major losses. The Company records all of its exposures and uses

RDS analysis and industry accepted third party catastrophe modelling software to monitor and analyse its peak exposures and estimated losses, based on key concentrations of risk. For worldwide territories where catastrophe modelling software is not available, the Chief Underwriting Officer is responsible for reviewing and approving probable maximum loss estimates to ensure any catastrophe loss will be within the Company's approved risk appetite for that territory.

NOTES TO THE FINANCIAL STATEMENTS

3. INSURANCE RISK MANAGEMENT (continued)

iii) Claims outstanding

The establishment of claims reserves represents the area of greatest uncertainty in preparing insurance company accounts. Reserves for future anticipated claims are made based on information available at the time of preparation of the accounts. Any "best estimate" of ultimate claims needs to be viewed as a point value within a likely range of outcomes. The nature of each insurer's business, and the reinsurance arrangements in place, influence how wide that likely range of outcomes will be.

Critical accounting estimates – claims estimation:

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high, such as casualty, will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in the Company's underwriting and claims processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous years
- changes in the legal environment
- the effects of inflation
- changes in mix of business
- the impact of large losses
- movements in industry benchmarks

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these claims the Company has regard to the claim circumstance as reported, any information available from cedants and information on the cost of settling claims with similar characteristics in previous years.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case-by-case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

For major natural catastrophe events, the original loss estimate for all 'on risk' exposures is analysed using computer simulation to ascertain those accounts likely to be impacted. From the initial output, modelled loss estimates, per account, are generated. An underwriting review of the account, by cedant, is then conducted to validate the individual loss estimates and, where applicable, amend the model driven estimates with underwriter input relevant to the particular features of the loss and its anticipated impact on an account. Where accounts cannot be analysed, using catastrophe-modelling software, benchmark analysis is conducted, again on an account-by-account basis, to generate loss estimates. As more specific client information becomes available the ultimate loss estimates are updated from the initial forecast to reflect the client specific data.

Where possible, the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections resulting from the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

NOTES TO THE FINANCIAL STATEMENTS

3. INSURANCE RISK MANAGEMENT (continued)

Actual claims experience will always differ from projected estimates. Such differences in relation to risks previously earned are recognised in the income statement in the accounting period during which the difference is identified.

The Company's claims reserves are calculated by the Company's Head of Reserving and underwriters with input from the Head of Claims and Reinsurance Administration. These reserves are reviewed and approved monthly by the Reserve Group and quarterly by the Board. Annually, the reserves of the Syndicate are reviewed by external actuaries who issue valuation opinions on the adequacy of reserves.

The movement in the Company's claims reserves for the year ended 31 December 2015 is set out below:

	Provision for unearned premiums $000	Claims outstanding $000	Total $000
Gross			
At 1 January 2015	81,520	374,617	456,137
Exchange adjustments	-	(9,662)	(9,662)
Movements in provisions			
- Current year	28,717	132,948	161,665
- Prior years	-	(32,195)	(32,195)
- Paid claims	-	(117,232)	(117,232)
At 31 December 2015	**110,237**	**348,476**	**458,713**
Reinsurers' share			
At 1 January 2015	10,246	70,046	80,292
Exchange adjustments	-	(3,005)	(3,005)
Movements in provisions			
- Current year	13,355	23,006	36,361
- Prior years	-	(7,605)	(7,605)
- Paid recoveries	-	(23,157)	(23,157)
At 31 December 2015	**23,601**	**59,285**	**82,886**
Gross			
At 1 January 2014	60,543	445,846	506,389
Exchange adjustments	-	(11,414)	(11,414)
Movements in provisions			
- Current year	20,977	118,554	139,531
- Prior years	-	(36,249)	(36,249)
- Paid claims	-	(142,120)	(142,120)
At 31 December 2014	**81,520**	**374,617**	**456,137**
Reinsurers' share			
At 1 January 2014	4,268	102,114	106,382
Exchange adjustments	-	(4,080)	(4,080)
Movements in provisions			
- Current year	5,978	18,430	24,408
- Prior years	-	(10,514)	(10,514)
- Paid recoveries	-	(35,904)	(35,904)
At 31 December 2014	**10,246**	**70,046**	**80,292**
Net			
At 31 December 2015	86,636	289,191	375,827
At 31 December 2014	71,274	304,571	375,845

For the year ended 31 December 2015, prior years' reserve releases, net of reinstatement premiums and reinsurance recoveries, amounted to $24.0 million (2014: $26.6 million).

NOTES TO THE FINANCIAL STATEMENTS

3. INSURANCE RISK MANAGEMENT (continued)

The claims balance is further analysed between notified outstanding claims and IBNR outstanding below:

	2015		2014	
	Gross $'000	Net $'000	Gross $'000	Net $'000
Notified outstanding claims	132,745	109,037	165,423	129,685
IBNR	215,731	180,154	209,194	174,886
Outstanding claims	**348,476**	**289,191**	374,617	304,571
Percentage of IBNR to notified outstanding claims	163%	165%	126%	135%

The breakdown of the gross and net claims reserves by category of claims is set out below.

	2015		2014	
	Gross $'000	Net $'000	Gross $'000	Net $'000
Large catastrophe provisions	48,505	20,903	76,613	36,937
All other short tail provisions	164,725	133,042	173,230	142,860
Long-tail casualty provisions	135,246	135,246	124,774	124,774
Total	348,476	289,191	374,617	304,571

Large catastrophe provisions include major hurricanes and earthquakes. All other short tail provisions represent coverages where the majority of claims are expected to be reported within two years of the occurrence of the claim. Long tail provisions consist of Syndicate 780's casualty and personal accident accounts.

The following table shows the adverse or favourable development of claims, on a gross and net basis, determined on an accident year basis, from the amounts originally estimated at the end of the preceding year. Claims in currencies other than US dollars have been reconverted at 31 December 2015 exchange rates for all accident years.

NOTES TO THE FINANCIAL STATEMENTS

3. INSURANCE RISK MANAGEMENT – CONTINUED – update tables (LEB)

Earned gross claims

Accident year	2006 and prior $'m	2007 $'m	2008 $'m	2009 $'m	2010 $'m	2011 $'m	2012 $'m	2013 $'m	2014 $'m	2015 $'m	Total $'m
At the end of accident year	2,304	85	258	108	232	400	136	120	112	131	
One year later	2,299	91	278	125	211	406	137	119	108		
Two years later	2,287	85	266	122	207	409	132	110			
Three years later	2,290	82	257	118	215	390	128				
Four years later	2,284	80	257	113	216	383					
Five years later	2,277	79	257	115	215						
Six years later	2,275	81	256	112							
Seven years later	2,267	79	256								
Eight years later	2,263	80									
Nine years later	2,260										
Estimate of cumulative claims	2,260	80	256	112	215	383	128	110	108	131	3,783
Cumulative paid claims											3,439
Gross claims liability *											344
Favourable (unfavourable) development	2	0	0	3	1	7	4	9	5	-	31

* Gross Claims reserves per balance sheet of $348 million include additional claims handling of $4 million.

Earned net claims

Accident year	2006 and prior $'m	2007 $'m	2008 $'m	2009 $'m	2010 $'m	2011 $'m	2012 $'m	2013 $'m	2014 $'m	2015 $'m	Total $'m
At the end of accident year	1,632	83	202	93	146	219	116	107	95	108	
One year later	1,617	90	221	112	133	224	118	111	91		
Two years later	1,609	84	215	110	137	229	113	104			
Three years later	1,615	81	212	106	134	213	111				
Four years later	1,634	79	208	101	135	208					
Five years later	1,626	78	208	103	136						
Six years later	1,629	80	208	100							
Seven years later	1,618	79	207								
Eight years later	1,617	79									
Nine years later	1,615										
Estimate of cumulative claims	1,615	79	207	100	136	208	111	104	91	108	2,759
Cumulative paid claims											2,474
Net claims liability *											285
Favourable (unfavourable) development	2	0	0	3	0	5	2	7	5	-	24

* Net Claims reserve per balance sheet of $289 million include additional claims handling of $4 million.

NOTES TO THE FINANCIAL STATEMENTS

3. INSURANCE RISK MANAGEMENT - CONTINUED

iv) Outwards reinsurance

Ceded reinsurance written

The Company's reinsurance costs as a percentage of gross written premiums is set out below:

	2015 $'000	2014 $'000
Gross premiums written (GPW)	240,488	207,141
Ceded reinsurance premiums (third party)	(19,664)	(21,956)
Ceded reinsurance premiums (affiliate)	(46,064)	(31,589)
Total reinsurance premiums	(65,728)	(53,545)
Net premiums written	174,760	153,596
Third party reinsurance premiums as a percentage of GPW	8.2%	10.6%

The security of the Company's proposed and existing reinsurers is reviewed and approved by the Outwards Reinsurance Committee, to ensure that the outward placements are with reinsurers of an acceptable level of security. The core list of approved reinsurers currently consists of 14 (2014: 28) Lloyd's syndicates and 14 (2014: 34) reinsurance companies all of which are rated A- or higher, or where policy limits are fully collateralised.

Reinsurers are selected depending on their rating by either AM Best or Standard & Poors. No reinsurer is selected with a rating below A except in specific circumstances and with the prior approval of the Advent's Outwards Reinsurance Committee or where the policy limits are fully collateralised by acceptable security, currently US Treasury bills or equivalent funds. For the extension of the 2015 reinsurance programme to 31 March 2016, the Company's reinsurance exposure is provided by reinsurers rated as follows:

Reinsurers	Exposure $'000
A++	10,000
A+ Companies	40,585
A+ Lloyd's syndicates	30,207
A Companies	64,416
Not rated – fully collateralised limits	15,000
Total exposure	**160,208**

The Company reviews amounts due from reinsurers on paid losses, amounts recoverable from reinsurers on outstanding losses and amounts in dispute to determine if a provision for bad debts is required. The Company's policy is to provide for reinsurer bad debts in situations where it does not expect to collect the full amount outstanding due to the financial position of the reinsurer or due to disputes over coverage.

Reinsurance recoverable:

At 31 December 2015, the Company's reinsurance recoverable on outstanding claims amounted to $59.3 million with reinsurers who had the following risk ratings by AM Best (or equivalent S&P rating in the absence of an AM Best rating):

Risk Rating

	$'000	%
A+	9,146	15.4%
Lloyd's	3,985	6.7%
A	5,427	9.2%
Affiliates	40,727	68.7%
Total	59,285	100.0%

Trust funds of $34.2 million are held as security for certain balances dure from affiliates.

NOTES TO THE FINANCIAL STATEMENTS

3. INSURANCE RISK MANAGEMENT - CONTINUED

v) Debtors arising from insurance and reinsurance operations

The table below sets out the analysis of the debtors arising from insurance and reinsurance operations, at cost and fair value.

	2015 $'000	2014 $'000
Insurance and reinsurance premiums due	20,224	13,089
Pipeline premium	74,331	69,171
Reinsurance recoveries on paid claims	4,037	6,340
	98,592	88,600

Pipeline premium represents amounts receivable in respect of premiums incepted on binder business for which notification from the broker has not yet been received, together with reinstatement premiums on claims. The estimate of the likely settlement date for reinstatement premiums due is intrinsically related to the estimate of the likely settlement dates for the major losses.

Of the total balance, $98,491,000 is due within one year, with the balance due after one year.

A provision of $0.6 million (2014: $0.6m) has been recorded against a debt due from an insured where currency controls put in place after the inception of the risk have prevented the payment of the debt.

The reinsurance recoveries accruals on paid claims is further analysed below:

	2015 $'000	2014 $'000
Fully performing	4,037	6,340
Past due	-	-
	4,037	6,340

Of the remaining debtor balances, it is expected that substantially all of the insurance and reinsurance premiums due and approximately 90% of the deferred acquisition costs will be received or expensed within one year. Other than reinsurance recoveries as noted above all of these debtors are fully performing.

vi) Reserve Sensitivity

The potential uncertainty in outstanding claims has been estimated based on the volatility seen in historical development patterns. This indicates that there is about a 50% chance that the final outcome will lie within +/- $25 million of the estimated reserve. This analysis assumes that the historical volatility, excluding major losses, is representative of future uncertainty in outstanding claims. A significant part of the outstanding claims relate to major losses. The basis on which these claims will be settled is still uncertain, and may be influenced by future legal proceedings, which adds to the uncertainty in these reserve estimates.

The projected payout of the ultimate gross and net claims reserves at 31 December 2015 is as follows:

Payment within	1 year $'000	2 years $'000	3 years $'000	4 years $'000	5 years $'000	More than 5 years $'000
Gross	134,033	71,185	40,449	26,794	18,457	57,469
Net	110,131	59,438	33,774	22,373	15,487	47,985

The payout patterns have been estimated based on the historical payment patterns at a class of business level. Future payment patterns are inherently uncertain.

Unearned premiums are expected to be earned approximately 90% in 2016 and the balance in 2017.

NOTES TO THE FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT

i) Investment (loss) gain

	2015 $'000	2014 $'000
Interest and dividends	9,929	10,004
Investment management expenses	(1,513)	(1,744)
Net investment income	8,416	8,260
Gain on sale of investments	15,424	24,835
Loss on sale of investments	(4,895)	(641)
Net gain (loss) on sale of investments	10,529	24,194
Unrealised gains on investments	3,610	40,436
Unrealised losses on investments	(62,759)	(38,419)
Net unrealised (losses) gains on investments	(59,149)	2,017
Investment result	(40,204)	34,471

ii) Financial Instruments

	2015 $'000	2014 $'000
Carrying value		
Debt securities and other fixed income securities	342,013	377,862
Equities	94,989	80,491
Derivatives and forward exchange contracts	4,750	3,474
Holdings in collective investment schemes	18,425	2,601
Syndicate overseas deposits	13,822	20,317
	473,999	484,745
Cost		
Debt securities and other fixed income securities	327,438	347,161
Equities	167,230	111,467
Derivatives	22,244	22,244
Holdings in collective investment schemes	19,308	2,847
Syndicate overseas deposits	13,822	20,317
	550,042	504,036

At 31 December 2015, investments of $122.9million (2014: $119.5 million) were held in US situs and other regulatory deposits available for the payment of claims in those jurisdictions and which are not available for the payment of other claims and obligations.

At 31 December 2015, cash and investments of $253.0 million (2014: $199.4 million) were held within FIS to support Syndicate 780's underwriting activities and for uncalled losses.

Overseas deposits are managed by Lloyd's. The Company does not have the authority to ensure that its investment policies are complied with. Lloyd's has advised the Company that it has invested overseas deposits in:

		2015 $000	2014 $000
Government securities		8,074	13,556
Corporate bonds rated	AAA	1,338	1,311
	AA	2,260	2,443
	A or below	2,140	2,321
Cash		10	686
		13,822	20,317

NOTES TO THE FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (continued)

CASH AND CASH EQUIVALENTS

	2015 $000	2014 $000
Corporate cash and cash equivalents	5,132	32,105
Syndicate cash and cash equivalents	44,386	33,415
	49,518	65,520

At 31 December 2015 the cash and cash equivalents were held with Royal Bank of Scotland, Barclays Bank, Citibank, RBC Dexia and in a Blackrock Government fund, which are rated A-, A-, A-, AA- and AA respectively by Standard & Poor's.

OTHER ASSETS

	2015 $000	2014 $000
Other assets at cost and fair value comprise:		
- prepayments	1,070	523
- accrued income	1,655	1,555
- other debtors	9,918	9,155
- group tax relief receivable	-	10,807
- intercompany amounts	29	38
- other	5,060	3,586
	17,732	25,664
Catagorised as due:		
- within 12 months	17,732	23,752
- after more than 12 months	-	1,912
	17,732	25,664

The amounts denoted as "other" above relates to shares in Fairfax, which were purchased at a cost of $6.6 million for the purposes of the share based payment plans (see note 5) of the Company and are not considered to be a financial investment. The shares are fair valued based upon the listed share price of Fairfax at 31 December 2015. Other than these shares, the cost of other assets equals the fair value.

iii) Investments analysed by type, maturity and IFRS 7 pricing category

IFRS 7 requires the Company to categorise its investment portfolio in terms of the quality of the pricing information used to value the asset. The Company has categorised all short dated government debt as Level 1, as there is an active market and prices are available from multiple sources. The Company has also designated its equity portfolio as Level 1 as all holdings are listed on recognised exchanges with observable prices. The Syndicate's participation in overseas deposits is split between Levels 1 and 2 based upon information provided by Lloyd's.

Determinations to classify fair value measures within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement. Included in the Level 3 classification are deflation derivatives and an investment in a convertible debenture. The Company has categorised the deflation derivatives as Level 3 due to the pricing being model derived from a single broker. The Company has categorised the convertible debenture as Level 3 due to it being unlisted, unrated and not frequently traded.

The remainder of the portfolio is considered to be Level 2, as these assets are valued based upon prices quoted in markets that are less active, have fewer sources or are derived from prices quoted in an active market.

The tables below presents the company's assets that are measured at fair value, together with an analysis of when they mature:

NOTES TO THE FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (continued)

At 31 December 2015	Total $000	Less than 1 year $000	1 to 2 years $000	2 to 3 years $000	More than 3 years $000
Level 1					
Equities	84,651	-	-	-	-
Government (short dated)	199,578	199,578	-	-	-
Overseas deposits	8,075	2,342	4,239	1,143	351
	292,304	201,920	4,239	1,143	351
Level 2					
Equities	10,338	-	-	-	-
Government (long dated)	48,139	-	-	-	48,139
State and municipal government bonds	79,924	-	-	-	79,924
Overseas deposits	5,747	1,962	1,186	1,411	1,188
Forward exchange contracts	1,104	1,104	-	-	-
Holdings in collective investment schemes	15,215	-	-	-	-
	160,467	3,066	1,186	1,411	129,251
Level 3					
Deflation derivatives	3,646	-	-	-	3,646
Convertible bonds	14,372	-	-	-	14,372
Holdings in collective investment schemes	3,210	-	-	-	-
	21,228	-	-	-	18,018
	473,999	**204,986**	**5,425**	**2,554**	**147,620**

At 31 December 2014	Total $'000	Less than 1 year $'000	1 to 2 years $'000	2 to 3 years $'000	More than 3 years $'000
Level 1					
Government (short dated)	195,260	195,260	-	-	-
Equities	80,491	-	-	-	-
Overseas deposits	9,347	5,088	115	3,105	1,039
	285,098	200,348	115	3,105	1,039
Level 2					
Government (long dated)	60,587	10,690	-	-	49,897
Government guaranteed	5,999	5,999	-	-	-
State and municipal government bonds	90,971	-	-	-	90,971
Convertible bonds	14,379	-	-	-	14,379
Holdings in collective investment schemes	2,601	2,601	-	-	-
Overseas deposits	10,970	964	3,045	4,156	2,805
	185,507	20,254	3,045	4,156	158,052
Level 3					
Deflation derivatives	3,474	-	-	-	3,474
Convertible debentures	10,666	-	-	-	10,666
	14,140	-	-	-	14,140
	484,745	**220,602**	**3,160**	**7,261**	**173,231**

NOTES TO THE FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (continued)

The maximum loss to the Company in relation to the deflation derivative investments is the market value of $3.6 million at 31 December 2015 (2014: $3.5 million). Level 3 investment movements are summarised as follows:

	2015 $'000	2014 $'000
Balance at 1 January	14,140	1,388
Purchase of investments	6,955	11,500
Profit (loss) recognised in the income statement	133	1,252
Balance at 31 December	21,228	14,140

iv) Financial risk

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that proceeds from financial assets are not sufficient to fund the obligations arising from policies as they fall due. The most important components of financial risk are interest rate risk, equity risk, credit risk and liquidity risk.

<u>Interest rate risk</u>

Interest rate risk arises primarily from investments in fixed rate securities. In addition, to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk. The Company is also exposed to interest rate risk through its floating rate unsecured subordinated and senior loan notes which are linked to US LIBOR in the case of the US dollar dominated debt and EURIBOR in the case of the Euro denominated debt.

The table below sets out the sensitivity of the fixed income portfolio to changes in interest rates, by currency of investment.

Change in Interest rates (Basis points)	US $'000
+200	(32,012)
+100	(17,615)
-100	48,584
-200	21,694

<u>Equity risk</u>

Equity risk arises from the Company's investments in equities. Equity risk is the risk that the value of an investment will fall as a result of market influences.

<u>Credit risk</u>

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk are:
- amounts due from corporate bondholders
- amounts due from reinsurers on paid and outstanding losses
- amounts due from policyholders and intermediaries
- counterparty risk with respect to derivative transactions

The Company places limits on its exposure to any single counterparty for investments and reinsurers and to geographical and industry segments.

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Company monitors its liquidity needs through monthly cash flow forecasts at syndicate and parent company level.

NOTES TO THE FINANCIAL STATEMENTS

4. FINANCIAL RISK MANAGEMENT (continued)

The tables below summarise the assets subject to credit risk by Standard & Poor's (S&P) credit rating, or equivalent where no S&P rating is available.

At 31 December 2015	AAA $'000	AA $'000	A $'000	BBB $'000	Below BBB $'000	Not Rated $'000	Total $'000
Debt and other fixed income securities	217,783	91,622	3,779	22,713	6,116	-	342,013
Collective investment schemes	-	-	-	-	-	18,425	18,425
Overseas deposits	8,416	3,125	1,926	323	16	16	13,822
Derivatives and forward contracts	-	-	-	-	-	4,750	4,750
Reinsurance recoverable	-	-	59,285	-	-	-	59,285
Other assets	-	-	-	-	-	17,732	17,732
Cash and cash equivalents	-	1,840	47,678	-	-	-	49,518
	226,199	96,587	112,668	23,036	6,132	40,923	505,545

At 31 December 2014	AAA $'000	AA $'000	A $'000	BBB $'000	Below BBB $'000	Not Rated $'000	Total $'000
Debt and other fixed income securities	28,630	210,608	71,890	25,080	18,211	23,444	377,863
Collective investment schemes	-	13	74	-	-	2,514	2,601
Overseas deposits	10,312	6,978	2,866	160	-	1	20,317
Derivatives	-	-	-	-	-	3,474	3,474
Reinsurance recoverable	-	12,362	57,481	-	-	203	70,046
Other assets	-	-	-	-	-	25,664	25,664
Cash and cash equivalents	-	859	64,661	-	-	-	65,520
	38,942	230,820	196,972	25,240	18,211	55,300	565,485

Collateral is provided to the Company as security over reinsurance recoverable balances due from some reinsurers. At 31 December 2015, collateral totalling $34.2 million was available to the Company (2014: $26.9 million). No other collateral is provided for the benefit of the Company.

Debtors arising from insurance and reinsurance operations comprise premiums due from insureds and reinsureds, but not paid at 31 December 2015. The balance includes reinstatement premiums due on losses, which will be collected when the associated claims are paid.

No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

NOTES TO THE FINANCIAL STATEMENTS

5. CAPITAL MANAGEMENT

The Company's objective is to have sufficient capital to support its operations to ensure future growth and expansion while providing a satisfactory return to shareholders given the potential short volatility of its results due to major catastrophe events.

The Company has provided capital to its operating subsidiaries using permanent capital and unsecured long term debt financing. The long term debt issuances have no financial covenants other than the quarterly payment of interest and payment of principal on maturity. In the case of the Company's US dollar and Euro denominated subordinated debt due 3 June 2035, amounting to an aggregate of $45.7 million at 31 December 2015 (2014: $47.1 million), the Company has the ability to defer interest payable on the subordinated notes for 20 consecutive quarters without causing an event of default

For the Company's operations at Lloyd's, the level of capital is set by Lloyd's with reference to the Solvency Capital Requirement (SCR), calculated in accordance with Solvency II principles. The 2015 YOA has an Economic Capital Assessment (ECA) of $181.8 million ($184.9 million). In recognition of market risk in FIS, management agreed to a capital load of $6.2 million ($6.2 million). The required capital is deposited in the FIS. At 31 December 2015, total FIS cash and investments was $253.5 million (2014: $309.1 million), and provide capital for on-going underwriting requirements and to pay uncalled Syndicate losses.

SHARE CAPITAL

	Authorised		Allotted, Called Up and Fully Paid	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Ordinary shares of $0.80 each	79,970	79,970	47,269	43,566
Number of shares (000s)	100,000	100,000	59,103	54,473

During the year, the Company issued 4,629,630 shares for consideration of $15.0m.

Share Schemes

The Company has purchased 13,724 Fairfax Financial Holdings Limited (Fairfax) shares at a cost of $6.6 million which will be used for the purposes of the share option plan. These are carried at fair value of $6.5 million within other assets at 31 December 2015.

Details of share options to acquire Fairfax shares which remain outstanding at the end of the year are as follows:

Grant	**Number**
Outstanding at 1 January 2014	6,025
Exercised in year	(532)
Granted in year	1,346
Outstanding at 31 December 2014	6,839
Exercised in year	(2,178)
Granted in year	9,063
Outstanding at 31 December 2015	13,724

The weighted average remaining contractual life of options outstanding at 31 December 2015 is 4.6 years (2014: 2.5 years). These awards are not subject to performance conditions. All of the grants have 5 year vesting periods and are exercisable up to the tenth year from the date of vesting.

NOTES TO THE FINANCIAL STATEMENTS

5. CAPITAL MANAGEMENT (continued)

The compensation expense and the accrued liability are calculated by reference to the share price of the Fairfax shares. The total compensation expense for 2015 was $0.2 million (2014: $0.5 million). The total liability at the end of the year was $5.0 million (2014: $2.3 million).

EARNINGS PER ORDINARY SHARE

Earnings per share is based on the profit attributable to shareholders and the weighted average number of shares in issue during the year. There are no dilutive shares.

	2015 $'000	2014 $'000
(Loss) profit for the year	(32,338)	25,226
Weighted average number of shares in issue (000s)	56,788	54,473
Basic (loss) earnings per share	(56.9c)	46.3c

LONG TERM DEBT

Outstanding debt	Issue date	Due date	Callable (by the Company) after	Interest rate	Interest rate (31 December 2015)	2015 $'000	2014 $'000
Subordinated Notes							
US$34 million	3/6/2005	3/6/2035	3/6/2010	3 month LIBOR + 3.90%	4.43%	33,052	33,033
€12 million	3/6/2005	3/6/2035	3/6/2010	3 month EURIBOR + 3.85%	3.75%	12,652	14,085
						45,704	47,118
Senior Notes							
US$26 million	16/1/2006	15/1/2026	16/1/2011	3 month LIBOR + 4.50%	5.03%	25,261	25,211
US$20 million	15/12/2006	15/12/2026	15/12/2011	3 month LIBOR + 4.15%	4.68%	19,500	19,474
						44,761	44,685
Total Loan Notes at amortised cost and fair value						90,465	91,803
Weighted average interest rate, 31 December						4.57%	4.33%

The Subordinated Notes rank on a winding-up of the Company in priority to distributions on all classes of share capital and rank pari passu with each other but are subordinated in right of payment to the claims of all unsubordinated creditors of the Company (including, where applicable, all policyholders of the Syndicate).

The Senior Notes rank on a winding-up of the Company in priority to distributions on all classes of share capital and subordinated loan notes, and rank pari passu with each other but are subordinated in right of payment to the claims of all unsubordinated creditors of the Company (including, where applicable, all policyholders of the Syndicate).

The Subordinated Notes and Senior Notes are listed on the Channel Islands Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

6. INCOME TAX RECOVERY (EXPENSE)

Charge in the year	**2015 $'000**	**2014 $'000**
Current Tax		
Group relief – prior years	(238)	(486)
Group relief – current year	(966)	(10,800)
Deferred Tax:		
Origination and reversal of timing differences	(8,052)	16,651
Adjustments in respect of prior periods	(375)	303
Effect of change in tax rates on opening balance	180	-
Tax on (loss) profit on ordinary activities	(9,451)	5,668
Factors affecting tax charge for the year		
(Loss) profit on ordinary activities before tax	(41,789)	30,894
Tax charge at the average standard rate of UK corporation tax of 20.25% (2014: 21.5%)	(8,462)	6,614
Effects of:		
Rate changes	181	(1,248)
Disallowed expenses	631	531
Prior year adjustments	(613)	(183)
Other differences	(1,188)	(46)
	(9,451)	5,668

Factors that may affect future tax charges

Deferred tax is provided on the annually accounted result of each year of account. A deferred tax asset of $6.7 million (2014: deferred tax liability of $1.5 million) has been recognised in the balance sheet.

Company transferred losses of $nil million (2014: $51.1 million) to fellow UK subsidiaries of the Fairfax UK Tax Group. There are no unutilised losses at the year end

The Company is subject to US tax on its share of syndicate deemed US underwriting profits. This tax is recoverable to the extent that UK tax arises on taxable syndicate profits for the appropriate years of account. Provision has been made for the Company's liability to US tax. Some US tax suffered will be irrecoverable due to the difference between UK and US tax rates and the difference between the timing of US and UK syndicate profits for tax purposes. No US tax has been written off during the year (2014: $Nil).

NOTES TO THE FINANCIAL STATEMENTS

6. INCOME TAX RECOVERY (EXPENSE) (continued)

DEFERRED TAX

	2015 $'000	2014 $'000
Deferred tax asset (liability) in respect of underwriting results to be declared:	6,174	(2,074)
Deferred tax asset in respect of:		
Capital allowances disclaimed	497	493
Other timing differences	39	45
	6,710	(1,536)
Deferred tax (liability) asset at 1 January 2015	(1,536)	15,418
Deferred tax (credit) charge in the income statement		
Origination and reversal of timing differences	8,052	(16,651)
Effect of change in tax rate on opening balance	(181)	-
Adjustments in respect of prior periods	375	(303)
Deferred tax asset (liability) at 31 December 2015	6,710	(1,536)

The utilisation of $6.2m of the deferred tax asset is dependent on the Company making future taxable profits or through the tax sharing arrangements with other profitable UK group companies. Management believe this asset will be fully recoverable based on the future financial plans of the Company.

7. INTANGIBLE ASSETS

	2015 $'000	2014 $'000
Purchased capacity	4,309	4,309

Intangible assets represent purchased capacity and it has been determined that this asset has an indefinite life. The Company carries out an annual impairment review of the intangible assets.

8. TRADE AND OTHER PAYABLES

	2015 $'000	2014 $'000
Trade and other payables at cost and fair value		
- Accruals	5,332	8,621
- Deferred income	-	151
- Other	750	186
	6,082	8,958
Categorised as due		
- within 12 months	6,082	6,637
- after more than 12 months	-	2,321
	6,082	8,958

Other payables include amounts due to suppliers of goods or services to the Company. These balances will be paid in accordance with the Company's creditor payment policy.

NOTES TO THE FINANCIAL STATEMENTS

9. COMMITMENTS

(a) Capital commitments

There were no capital commitments or authorised but un-contracted commitments at the end of the financial year.

(b) Funds at Lloyd's

As noted in Note 5, the Company has committed funds to support its underwriting business at Lloyd's in the form of investments managed by Hamblin Watsa Investment Counsel (HWIC), an affiliate. These assets are not available to meet day to day cash flow requirements of the Company.

(c) Operating leases

The Company leases certain land and buildings on short-term operating leases, the future minimum lease payments under non-cancellable operating leases are as follows:

	2015 $'000	2014 $'000
No later than one year	1,755	1,487
Later than one year and no later than 5 years	5,110	5,944
More than 5 years	-	498

10. RELATED PARTIES

The Company accepted inwards reinsurance business from related parties of $9.9 million (2014: $9.8 million). All transactions with these parties were conducted at arms length and at normal commercial terms as detailed below:

	2015 $'000	2014 $'000
Crum and Forster	44	-
Northbridge	-	140
Zenith Insurance Company	161	110
Brit Insurance	1,316	-
Fairfax Brazil	-	(317)
Polish Re	7,943	9,438
Hudson Insurance Company	443	470
	9,907	9,841

The Fairfax Brazil negative ceded premiums relate to adjustments to prior years' premium estimates.

	Reinsurance Premiums		Reinsurance Recoveries	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Wentworth	8,994	21,578	2,892	4,590
Polish Re	237	891	(106)	1,255
Odyssey Re	2,791	873	499	-
United States Fire	34,042	8,247	11,971	1,684
Riverstone Insurance Ltd	-	-	57	-
	46,064	31,589	15,313	7,529

The Company paid investment management fees to HWIC of $1.5 million (2014: $1.6 million).

NOTES TO THE FINANCIAL STATEMENTS

10. RELATED PARTIES (continued)

Intercompany receivables and payables due from or to each subsidiary are as follows:

	2015 $'000	2014 $'000
AUL	(4,538)	(4,725)
Advent Group Services Limited	(661)	(699)
Advent Capital Limited	-	6
Advent Capital (No. 2) Limited	(83)	(88)
Advent Capital (No. 3) Limited	193,555	173,557

11. RECONCILIATION OF (LOSS) PROFIT BEFORE TAX TO CASH GENERATED FROM (USED IN) OPERATIONS

	2015 $'000	2014 $'000
(Loss) profit before tax	(41,788)	30,894
Movement in:		
- insurance and reinsurance receivables	(16,168)	5,950
- other assets	2,038	(6,773)
- insurance and reinsurance payables	38,043	(18,522)
- trade and other payables	(27,564)	(14,838)
Interest expense	4,086	4,223
Investment result	(9,769)	(10,417)
Unrealised investment gains	46,833	(18,917)
Net (purchase) sale of investments	(36,276)	41,270
Depreciation	647	1,014
Amortisation of debt issue costs	125	84
Amortisation of share option costs	1,097	465
Issue of common stock to parent	15,000	-
Purchase of Fairfax shares for incentive plans	(4,733)	(399)
Group tax relief received	11,394	5,662
Exchange movements on opening cash and cash equivalents	392	1,159
Other foreign exchange movements	(4,220)	(11,571)
Cash (used in) generated from operations	(20,863)	9,284

12. STAFF COSTS (including Directors)

	2015 $'000	2014 $'000
Wages and salaries	16,774	16,151
Social security costs	2,863	2,353
Other pension costs	2,297	2,028
	21,934	20,532

Other pension costs are in respect of money purchase schemes and personal pension arrangements.

NOTES TO THE FINANCIAL STATEMENTS

12. STAFF COSTS (including Directors) (continued)

The average number of persons, including executive directors, employed by the Company during the year was:

By activity	2015 Number	2014 Number
Executive management	5	5
Finance and actuarial	15	14
Underwriting	46	42
Claims and Reinsurance	5	5
Compliance and non-executive directors	8	6
IT	9	9
Administration	10	10
	98	91

13. KEY MANAGEMENT EMOLUMENTS

	2015 $'000	2014 $'000
Short term employee benefits	3,139	4,021
Post-employment benefits	284	314
Share-based payments	709	458
	4,132	4,793
Number of Directors with accrued benefits under money purchase schemes	5	5
Highest paid Director		
Emoluments (including benefits in kind)	980	1,446
Contribution to money purchase pension scheme	61	62
	1,041	1,508

The directors consider that the key management as defined by IAS 24 includes the Executive Directors of AUL; the Managing Agent for the Company's underwriting activities. All Directors of the Company are on the Board of AUL.

14. PROPERTY AND EQUIPMENT

	Leasehold improvements $'000	Furniture & Fittings $'000	Computer Equipment $'000	Total $'000
Cost				
At 1 January 2015	2,988	708	5,519	9,215
Additions	-	14	220	234
Foreign exchange	(163)	(39)	(302)	(504)
At 31 December 2015	2,825	683	5,437	8,945
Accumulated Depreciation				
At 1 January 2015	2,540	566	5,400	8,506
Charge for the year	424	99	102	625
Foreign exchange	(139)	(31)	(296)	(466)
	2,825	634	5,206	8,665
Net Book Value				
At 31 December 2015	-	49	231	280

Independent auditors' report to the members of Advent Capital (Holdings) Ltd

Report on the parent company financial statements

Our opinion

In our opinion, Advent Capital (Holdings) Ltd's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs as at 31 December 2015 and of its cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Consolidated Report and Accounts (the "Annual Report"), comprise:

- the Parent Company Only Statement of Financial Position as at 31 December 2015;
- the Parent Company Only Cash Flow Statement for the year then ended;
- the Parent Company Only Statement of Changes in Equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Advent Capital (Holdings) Ltd

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 parent 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the group financial statements of Advent Capital (Holdings) Ltd for the year ended 31 December 2015.

Mark Bolton (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 February 2016

PARENT COMPANY ONLY STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Note	2015 $'000	2014 $'000
Assets			
Cash and cash equivalents	15	5,132	32,810
Financial Investments at fair value in FIS		87,856	39,827
Other assets:			
- Due from associated companies		142,123	163,967
- Deferred tax		601	585
- Other		8,276	5,556
Property and equipment	13	280	709
Investments in subsidiaries	17	112,604	112,604
Total assets		**356,872**	**356,058**
Shareholders' Equity			
Ordinary share capital	5	47,269	43,566
Share premium account		141,351	130,054
Capital redemption reserve		33,690	33,690
Retained earnings		36,612	42,603
Total shareholders' equity		**258,922**	**249,913**
Liabilities			
Trade and other payables	16	6,740	8,829
Due to associated companies		745	5,513
Long term debt	5	90,465	91,803
Total liabilities		**97,950**	**106,145**
Total shareholders' equity and liabilities		**356,872**	**356,058**

The notes form an integral part of these financial statements.

The parent company only financial statements were approved by the Board on 18 February 2015 and signed on its behalf by:

Trevor J Ambridge, FCPA, FCA
Chief Financial Officer

Neil M Ewing ACII
Company Secretary

Company Registration Number: 03033609

PARENT COMPANY ONLY STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2015

	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Retained earnings $'000	Total shareholders' equity $'000
Balance, at 1 January 2014	43,566	130,054	33,690	39,718	**247,028**
Profit and total comprehensive income for the year	-	-	-	2,885	**2,885**
Balance, at 31 December 2014	43,566	130,054	33,690	42,603	**249,913**
Issued shares	3,703	11,297	-	-	**15,000**
Loss and total comprehensive expenses for the year	-	-	-	(5,991)	**(5,991)**
Balance, at 31 December 2015	47,269	141,351	33,690	(36,612)	**258,922**

The loss for the year is the total recognised gain for the year.

PARENT COMPANY ONLY CASH FLOW STATEMENT
Year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Cash generated from operations	19	17,413	20,846
Interest received		360	10
Interest paid		(4,121)	(4,223)
Net cash generated from operating activities		13,652	16,633
Cash flows from investing activities			
Purchase of fixed assets		(234)	(45)
Purchase of investments		(6,358)	-
Funds deposited to FIS		(49,503)	-
Net cash used in financing activities		(56,095)	(45)
Cash flows from Financing activities			
Issue of shares		15,000	-
Net (decrease) increase in cash and cash equivalents		(27,443)	16,588
Exchange movement on opening cash and equivalents		(235)	(178)
Cash and cash equivalents at the beginning of year		32,810	16,400
Cash and cash equivalents at the end of year	15	5,132	32,810

The notes form an integral part of these financial statements.

ADDITIONAL PARENT COMPANY ONLY ACCOUNTING POLICIES

Basis of presentation

Advent Capital (Holdings) LTD is the ultimate parent company for the Advent Group. The Parent Company is domiciled in the United Kingdom.

These Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, using the historic cost convention with the revaluation of financial assets and financial liabilities at fair value through the consolidated income statement. As permitted under section 408 of the Companies Act 2006, no separate income statement has been prepared.

The accounting policies used in the preparation of the consolidated financial statements have been consistently applied in the preparation of these separate Parent Company financial statements. In addition, the following policies have also been used.

Investment in Subsidiaries
Investments in the Parent Company's subsidiaries are initially stated at cost and are subsequently reviewed for impairment as circumstances indicate that the carrying value exceeds the realisable value.

Dividend income
Dividend income from investments in subsidiaries is recognised when the right to receive payment has been established.

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

15. CASH AND CASH EQUIVALENTS AND INVESTMENTS

	2015 $'000	2014 $'000
Cash at bank	5,132	32,810
Financial Investments at Fair Value		
Debt securities and other fixed income securities	79,336	25,080
Equities	8,520	14,747
	87,856	39,827
Financial Investments at Cost		
Debt securities and other fixed income securities	77,073	19,666
Equities	4,261	5,807
	81,334	25,473

NOTES TO THE PARENT COMPANY ONLY ACCOUNTS

16. TRADE AND OTHER PAYABLES

	2015 $'000	2014 $'000
Parent Company		
Interest payable	497	256
Accruals	6,243	8,573
Total at cost and fair value	6,740	8,829

17. INVESTMENTS IN SUBSIDIARIES

	2015 $'000	2014 $'000
As at 1 January	112,604	113,951
Advent Re capital reduction	-	(12)
Writedown of investments in subsidiaries	-	(1,335)
As at 31 December	112,604	112,604

NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS

The net investment balance consists of 100% of the following companies:

Company	Shareholding	Nature of Business	Country of Registration
Advent Underwriting Limited	100%	Lloyd's Managing Agent	England & Wales
Advent Group Services Limited	100%	Service Company	England & Wales
Advent Capital Limited	100%	Lloyd's Corporate Member	England & Wales
Advent Capital (No. 2) Limited	100%	Lloyd's Corporate Member	England & Wales
Advent Capital (No. 3) Limited	100%	Lloyd's Corporate Member	England & Wales

Amounts due to and from subsidiaries are non-interest bearing, have no fixed repayment terms and are recorded at cost which approximates fair value. Advent Re (Holdings) Ltd. was liquidated on 9 April 2014.

18. PROFIT ATTRIBUTABLE TO MEMBERS OF PARENT COMPANY

As permitted by section 230 of the Companies Act 2006, the Parent Company's income statement has not been included in the Company's Accounts. The Parent Company's loss for the year ended 31 December 2015 was $5.9 million (2014: profit of $2.9 million).

19. RECONCILIATION OF LOSS BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	2015 $'000	2014 $'000
(Loss) profit before tax	(5,991)	6,254
Movement in:		
- other assets	24,551	(41,189)
- trade and other payables	(7,602)	(3,317)
Debt interest	4,086	4,223
Write down value of investment in subsidiaries	-	1,384
Investment expense (income)	1,269	(12,492)
Net sale of investments	-	66,572
Amortisation of debt issue costs	125	83
Depreciation of fixed assets	625	1,014
Amortisation of share option costs	749	464
Purchase of Fairfax shares for incentive plans	(4,733)	(399)
Exchange movement on opening cash and cash equivalents	-	178
Other foreign exchange movements	4,334	(1,929)
	17,413	20,846

20. COMPANY INFORMATION

The Company is a private limited company registered and domiciled in the United Kingdom. The immediate and ultimate parent company is Fairfax, a company incorporated in Canada. Copies of the consolidated financial statements of Fairfax are available from 95 Wellington Street West, Suite 800, Toronto, Ontario, Canada, M5J 2N7.