



Hiscox Ltd
Interim statement
2007

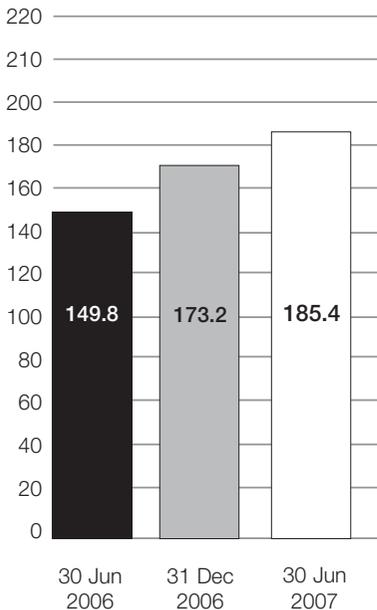
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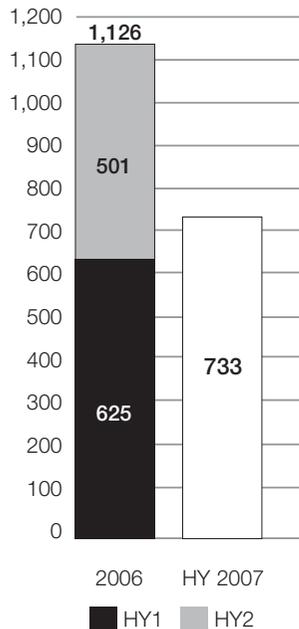
Corporate highlights

- Profit before tax increased 72.1% to **£105.6 million** (2006: £61.3 million).
- Gross premiums written increased 17.3% to **£733.0 million** (2006: £625.1 million) despite weak dollar.
- Net earned premium increased 17.5% to **£471.9 million** (2006: £401.7 million).
- Group combined ratio **84.8%** (2006: 94.6%).
- Earnings per share increased to **20.3p** (2006: 12.1p).
- Net asset value per share increased to **185.4p** (2006: 149.8p).
- Dividend increased 33% to **4p** (2006: 3p).
- Investment portfolio secure and liquid.
- Increased profit driven by Hiscox Global Markets.
- Firm rates for catastrophe exposed insurance and reinsurance. Rates increasing in the UK property market but marked competition in commodity lines elsewhere. Specialty lines broadly stable.
- Regional businesses in UK, Europe and the USA continue to grow through diverse channels. Acquisition of American Live Stock Insurance Co will access new markets in the USA.
- Losses arising from floods in the UK within expectations for a UK catastrophe both in the regional and the reinsurance accounts.

Net asset value per share (p)



Gross premiums written (£m)



Chairman's statement

This is a record result for the first half-year driven by our Global Markets division in London, complemented by a solid performance by the regional accounts worldwide despite Windstorm Kyrill and the UK June floods.

Our strategy continues to be to build a balanced insurance and reinsurance business, growing when the rates are high and consolidating when they reduce, writing global reinsurance and large insurance risks through London and Bermuda with satellite marketing offices, and writing books of regional business throughout the UK, Europe and the USA.

Results

The results for the half-year to 30th June 2007 were an increase of 72.1% in profit before tax to £105.6 million (2006: £61.3 million). Gross premiums written increased 17.3% to £733.0 million (2006: £625.1 million) and net earned premium increased 17.5% to £471.9 million (2006: £401.7 million) despite a weak dollar. The Group combined ratio reduced to 84.8% (2006: 94.6%). Earnings per share increased 67.8% to 20.3p (2006: 12.1p) and net assets per share rose 23.8% to 185.4p (2006: 149.8p). A strong set of figures. The second half of the year is exposed to hurricanes in the USA, but a good first half lays a strong foundation for the year.

Dividend

The Board stated at the 2006 year-end that it would target a total dividend of 12p per share for 2007 subject to adequate profitability and shareholder approval. We will pay an interim dividend of 4p (net) per ordinary share (2006: 3p) on 1st October 2007 to shareholders on the register at the close of business on 31st August 2007.

Overall comment

The news has been dominated recently by the floods in the UK and the effect on investments of the subprime mortgage problems in the USA.

Our investment managers have kept our funds short and predominantly in Government or well rated securities, with almost no exposure to subprime mortgage backed products.

The floods have caused considerable distress to many people and communities. The forecast overall loss to the Group from the June floods is £30.0 million, of which £5.0 million comes from the UK household account, the balance coming from the reinsurance accounts in Global Markets and Bermuda. These losses are within our expectations for such events, especially in the UK household account which is well covered by reinsurance. The recent floods also follow Windstorm Kyrill which ravaged the UK and mainland Europe in January, the forecast loss from which remains at £25 million as previously forecast. Therefore the UK and Europe regional accounts have done well to make small profits in the half year.

Our drive is to build the territorial spread of the regional accounts to give them a geographical balance, and also to build these accounts in the two largely uncorrelated areas of property (the household accounts) and liability (the professional indemnity accounts).

The acquisition of American Live Stock Insurance Co in the USA, which we completed in August, is an important step in building our USA regional account. It has a specialist book of livestock business which we will nurture, and through the company we will have licences to underwrite our specialist lines on an "admitted" basis in the USA in addition to the "surplus lines" basis which we underwrite through our Lloyd's licence.

Global Markets made a strong profit helped by good results from its specialty businesses. Global Markets balances its reinsurance and major risk accounts with books of specialty business such as personal accident, household, kidnap and ransom, bloodstock, contingency, marine and professional indemnity.

Hiscox Global Markets

This division uses the global licences, distribution network and credit rating available through Lloyd's to serve clients throughout the world.

The division made a profit before tax of £87.5 million (2006: £22.1 million) on an increased written premium income of £423.7 million (2006: £401.4 million) with a combined ratio of 75.9% (2006: 95.5%).

As mentioned above, the reinsurance account has suffered losses from Kyrill and the June floods but the overall account has shown a good profit.

The Global Markets reinsurance team did well to increase their written premium income and to feed the Hiscox "sidecar" Panther Re with well-priced business. We believe sidecars are an excellent way to harness capital for a period when rates are high without diluting our equity. The threat that we would lose business in Florida evaporated in the event as reinsureds bought more cover and we were able to write the income we wanted at the price we wanted.

Rates for catastrophe exposed business were strong for the July 1st renewals, but other commodity business is very competitive. Our specialist lines are generally more stable. As highlighted in our June trading statement, we have reduced Syndicate 33's Lloyd's capacity by 20% for 2008 to £700 million (2007: £875 million) in order to maximise the use of capital and to ensure underwriting discipline.

I am aware that, as always, every senior executive of every insurer and reinsurer is preaching discipline and yet many rates are still magically reducing. Unlike the regional business, where performance of insurers does vary and brand is important, in the big-ticket internationally traded business, as long as the security is adequate, price tends to be the sole determinant, so the way to grow is to win the bidding (downwards). Next year we will not grow in this area unless Mother Nature frightens more discipline into the market.

We have expanded our reach for Global Markets from the traditional London base to offices in Paris, New York and San Francisco, and will continue to try to find business that does not currently come to London.

Hiscox International

This division covers Bermuda, the USA and Guernsey. It generated written premium of £154.0 million (2006: £94.9 million), and a profit of £12.1 million (2006: £7.8 million).

Hiscox Bermuda continues to build a worldwide book of catastrophe business and to reinsure selected parts of the rest of the Group. Its external written premium income increased to £121.2 million (2006: £65.2 million) with a combined ratio of 99.1% (2006: 93.7%) caused by the losses from Windstorm Kyrill and the UK's June floods set against modest first half-year earned income. Again, if competition continues, Bermuda may, like Global Markets, reduce its income next year.

Hiscox USA, which opened for business last year in March, continued to grow strongly in the specialist professional indemnity area. Plans are being laid to widen the areas of business being written, particularly terrorism insurance. The acquisition of American Live Stock Insurance Co is an essential part of our plan to expand our business in the USA by being able to offer admitted as well as surplus lines policies throughout the USA.

Guernsey produced its usual excellent profit.

Hiscox UK and Europe

This segment covers our regional business throughout the UK and mainland Europe, and also includes our international art account. Overall written premium income was up 20.5% to £155.3 million (2006: £128.9 million) and the profit before tax was £6.6 million (2006: £17.8 million).

UK premium income was up 12.5% to £114.3 million (2006: £101.6 million). Our core areas increased well covering the loss of some less significant business. Windstorm Kyrill and the June floods have increased the combined ratio to 104.4% (2006: 87.7%) but a profit of £6.0 million was still made (2006: £16.5 million).

The UK broker and direct household accounts have been fully tested so far this year, first by increased competition and then by natural catastrophes. We believe that a strong brand will help us sell our policies at a proper price, and that the quality of the Hiscox brand is proved when the policy is called upon to respond to a claim. An insurance policy is a promise to pay, and you only find out that you have got what you paid for when you make a claim. We have done everything within our power and that of our appointed loss adjusters to alleviate the terrible distress of our policyholders and I believe that we have enhanced our reputation. Inevitably, big losses to the industry have the long-term benefits of encouraging more people to buy the proper levels of insurance, and insurers to be less reckless in their pricing. There are already well-publicised price rises in the UK property market.

We have started a new marketing campaign in August to continue to build the brand and bring in more good business. Last year's campaign helped us attract more business both through brokers and our direct channels and won the Marketing Society's 2007 Award for Excellence for Brand Extension.

Chairman's statement continued

The regional commercial business in the UK has done well despite increased competition. We specialise in small risks which are less competed for, and we have underwriting and claims experience that clients want more than the cheapest price. Again, the advertising helps strengthen the Hiscox brand message that we are different.

Our European offices increased their combined written income to £41.0 million (2006: £27.3 million). The figures are a bit distorted due to accounting timing, but the real comparative growth is 17.1% which is healthy and has been helped by a new focus on specialty commercial business in addition to the household account. They had losses from Windstorm Kyrill which hit Germany, the Netherlands and Belgium the hardest, so did well to manage a small profit of £0.6 million (2006: £1.3 million).

Investments

Assets under management rose to £1,823 million at 30th June 2007 (2006: £1,678 million) and the yield for the half-year was 2.6% (2006: 1.6%), giving a total investment return of £47.9 million (2006: £27.1 million). Concerns over inflation led to a difficult period for bond markets but we mitigated the impact by maintaining a short duration and high credit quality. We have had almost no exposure to the multitude of higher-yielding products and structured products that have been hit by the subprime mortgage market problems in the USA. Our holdings in equities and other risk assets added value and were increased to 10% of assets by the end of June 2007.

The recent turmoil within the subprime market in the USA is leading to more realistic pricing for risk in many parts of the financial markets and we are beginning to see some interesting opportunities which will enable us to increase risk and potential reward modestly in the portfolio.

Conclusion

As usual I am writing this in the middle of the USA wind season which peaks in September but, unusually, we have already been tested in the first half-year in the UK and Europe by some considerable natural catastrophes. There have been further floods in the UK in July for which we forecast an overall loss to the Group of £20 million. We have seen all these losses as a chance to prove ourselves with extraordinary service and thereby enhance the perception of the Hiscox brand. Rates are now generally being increased for household business - necessarily given the extraordinary weather we are experiencing - so our property account should flourish. Both in our property and commercial accounts, we will continue to develop books of quality business, attracted by our specialist knowledge, creativity and integrity in both underwriting and in the settlement of claims.

Our Global Markets and Bermuda businesses have developed well-priced accounts but we must wait and see what Mother Nature does in the next two or three months. We factor a significant hurricane in the USA into our underwriting and forecasts, and so we are prepared.

We will always remain ready to take rapid advantage of favourable conditions in whichever market we are in, but we will also have the discipline to maintain a sensible pricing structure when competition becomes foolish, even if it means losing business. We want to establish a brand that establishes us as different and well known for offering good cover at a sensible price, with rapid and fair settlement of claims, and long-term growth in value to its shareholders.



Robert Hiscox, Chairman
20 August 2007

Condensed consolidated interim income statement

for the six month period ended 30 June 2007

	Notes	6 months to 30 June 2007 (unaudited) £000	6 months to 30 June 2006 (unaudited) restated* £000	Year to 31 Dec 2006 (audited) restated* £000
Income				
Gross premiums written		733,029	625,152	1,126,164
Net premiums written		547,142	504,703	975,397
Net premiums earned		471,852	401,662	888,828
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Investment result	7	46,761	44,375	105,550
Other revenues	8	8,514	5,149	15,692
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Net revenue		527,127	451,186	1,010,070
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Expenses				
Claims and claim adjustment expenses, net of reinsurance	10	(216,612)	(198,050)	(382,341)
Expenses for the acquisition of insurance contracts		(126,271)	(113,393)	(235,797)
Administration expenses		(40,574)	(26,970)	(76,533)
Other expenses	8	(33,983)	(46,605)	(104,943)
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Total expenses		(417,440)	(385,018)	(799,614)
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Results of operating activities		109,687	66,168	210,456
Finance costs	9	(4,201)	(4,824)	(9,404)
Share of profit of associate after tax		76	5	10
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Profit before tax		105,562	61,349	201,062
Tax expense		(25,550)	(14,029)	(37,216)
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Profit for the period (all attributable to equity shareholders of the Company)		80,012	47,320	163,846
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Earnings per share on profit attributable to shareholders of the Company				
Basic	11	20.3p	12.1p	41.7p
Diluted	11	19.6p	11.9p	40.5p

*restated for the reclassification of certain minor overseas underwriting agency commissions and expenses between income statement categories (note 2).

The notes to the condensed consolidated interim financial statements are an integral part of this document.

Condensed consolidated interim balance sheet

at 30 June 2007

	Notes	30 June 2007 (unaudited) £000	30 June 2006 (unaudited) £000	31 December 2006 (audited) £000
Assets				
Intangible assets		33,122	33,016	33,212
Property, plant and equipment		13,962	12,891	13,821
Investments in associate		104	23	28
Deferred acquisition costs		146,529	128,898	117,115
Financial assets carried at fair value	13	1,501,900	1,210,543	1,241,910
Loans and receivables including insurance receivables		481,534	464,522	446,272
Deferred tax		-	13,129	-
Reinsurance assets		371,602	435,094	302,772
Cash and cash equivalents	13,16	321,309	467,904	502,871
Total assets		2,870,062	2,766,020	2,658,001
Equity and liabilities				
Shareholders' equity				
Share capital		19,829	19,649	19,694
Share premium		3,227	403,259	-
Contributed surplus		414,698	-	442,425
Other reserves		(45,611)	16,705	(40,396)
Retained earnings		342,807	148,750	260,362
Total equity		734,950	588,363	682,085
Employee retirement benefit obligations				
Deferred tax		3,452	17,308	3,801
Insurance liabilities		12,102	-	8,467
Financial liabilities carried at fair value	13	1,803,903	1,769,644	1,594,101
Current tax		91,000	115,064	93,929
Trade and other payables		23,863	44,264	20,793
		200,792	231,377	254,825
Total liabilities		2,135,112	2,177,657	1,975,916
Total equity and liabilities		2,870,062	2,766,020	2,658,001

The notes to the condensed consolidated interim financial statements are an integral part of this document.

Condensed consolidated interim statement of changes in equity

for the six month period ended 30 June 2007

	Share capital (unaudited) £000	Share premium (unaudited) £000	Contributed surplus (unaudited) £000	Currency translation reserve (unaudited) £000	Retained earnings (unaudited) £000	2007 Total (unaudited) £000	2006 Total (unaudited) £000
Balance at 1 January	19,694	-	442,425	(40,396)	260,362	682,085	578,013
Currency translation differences	-	-	-	(7,072)	-	(7,072)	(22,084)
Net investment hedge	-	-	-	1,857	-	1,857	-
Net income/(expense) recognised directly in equity	-	-	-	(5,215)	-	(5,215)	(22,084)
Profit for the period	-	-	-	-	80,012	80,012	47,320
Total recognised income/(expense) for the period	-	-	-	(5,215)	80,012	74,797	25,236
Employee share options:							
Equity settled share-based payments	-	-	-	-	2,787	2,787	1,780
Deferred tax on share-based payments	-	-	-	-	(354)	(354)	-
Proceeds from shares issued	135	3,227	-	-	-	3,362	1,973
Dividends to equity shareholders (note 12)	-	-	(27,727)	-	-	(27,727)	(18,639)
Balance at 30 June	19,829	3,227	414,698	(45,611)	342,807	734,950	588,363

The notes to the condensed consolidated interim financial statements are an integral part of this document.

Condensed consolidated interim cash flow statement

for the six month period ended 30 June 2007

	Notes	6 months to 30 June 2007 (unaudited) £000	6 months to 30 June 2006 (unaudited) £000	Year to 31 Dec 2006 (audited) £000
Profit before tax		105,562	61,349	201,062
Adjustments for:				
Interest and equity dividend income		(40,928)	(33,339)	(70,243)
Net (gains)/losses on financial assets		(4,166)	4,967	(9,422)
Retirement benefit contributions paid in excess of charges		(349)	631	(12,876)
Depreciation		2,067	1,800	3,898
Charges in respect of share based payments		2,787	1,780	5,238
Other charges		4,658	(24,618)	10,955
Changes in operational assets and liabilities:				
Insurance and reinsurance contracts		25,989	69,019	45,426
Financial assets	16	(256,902)	19,844	1,311
Other assets and liabilities		(3,397)	(20,819)	(17,953)
Cash flows from operations		(164,679)	80,614	157,396
Interest received		40,007	32,892	68,644
Equity dividends received		921	447	1,599
Interest paid		(4,516)	(2,409)	(9,416)
Current tax paid		(19,199)	(14,668)	(36,363)
Net cash flows from operating activities		(147,466)	96,876	181,860
Cash flows from the sale/(purchase) of property, plant and equipment		(2,419)	(2,534)	(5,452)
Cash flows from the purchase of intangible assets		-	-	(300)
Net cash flows from investing activities		(2,419)	(2,534)	(5,752)
Proceeds from the issue of ordinary shares		3,362	1,973	3,217
Net cash flows from transactions in own shares		-	-	50
Dividends paid to Company's shareholders	12	(27,727)	(18,639)	(30,428)
Repayment of borrowings and financial liabilities		(59)	(319)	(14,334)
Net cash flows from financing activities		(24,424)	(16,985)	(41,495)
Net movement in cash and cash equivalents		(174,309)	77,357	134,613
Cash and cash equivalents at 1 January		502,871	413,759	413,759
Net movement in cash and cash equivalents		(174,309)	77,357	134,613
Effect of exchange rate fluctuations on cash and cash equivalents		(7,253)	(23,212)	(45,501)
Cash and cash equivalents at end of period	16	321,309	467,904	502,871

The notes to the condensed consolidated interim financial statements are an integral part of this document.

Notes to the condensed consolidated interim financial statements

1 Reporting entity

Hiscox Ltd (the "Company") is a public limited company registered and domiciled in Bermuda. The condensed consolidated interim financial statements for the company as at, and for the six months ended, 30 June 2007 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

2 Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the Listing Rules issued by the Financial Services Authority. The information presented herein does not include all of the disclosures typically required for full consolidated financial statements. Consequently these financial statements should be read in conjunction with the full consolidated financial statements of the Group as at, and for the year ended, 31 December 2006 which are available from the Company's registered office or at www.hiscox.com. Except where otherwise indicated, all amounts are presented in Pounds Sterling, rounded to the nearest thousand.

The comparative amounts reported herein for the six months ended 30 June 2006 and year ended 31 December 2006 have been extracted from the previously published reports for each relevant period, but have been adjusted for a reclassification of certain minor overseas agency underwriting expenses and commissions from 'other expenses' and 'other revenues' to 'expenses for the acquisition of insurance contracts', and for the Group's revised presentation of segment information (note 5). The effect of the reclassification of the aforementioned expenses and commissions is to increase the previously reported 'expenses for the acquisition of insurance contracts' for the six months to 30 June 2006, and year ended 31 December 2006 by £5,404,000 and £9,948,000 respectively. Simultaneous identical reductions have been made in total to 'other expenses' and 'other revenues'. These presentational adjustments have no impact on the Group's previously reported result from operating activities, profit before tax or shareholders' equity. The directors believe that the amended classification of these expenses and commissions provides a more appropriate presentation of their operating nature.

The condensed consolidated interim financial statements for the 30 June 2007 and 30 June 2006 periods are unaudited but have been subject to a review by the independent auditors.

The independent auditors have reported on the Group's full consolidated financial statements as at, and for the year ended, 31 December 2006. The report of the independent auditors was not qualified.

These condensed consolidated interim financial statements were approved by the Board of Directors on 20 August 2007.

3 Accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements as at, and for the year ended, 31 December 2006 which were prepared in accordance with International Financial Reporting Standards.

During the current period the Group designated certain foreign currency borrowings as a hedging instrument in a net investment hedge relationship. Consequently, to the extent that the hedging relationship is effective, all gains or losses on the retranslation of the hedging instrument between the date of designation and the balance sheet date are now recognised directly within the currency translation reserve in equity.

The accounting policies applied in these condensed consolidated interim financial statements are also consistent with those that the Group expects to apply for the year ending 31 December 2007. The Group has not adopted IAS 34 *Interim Financial Reporting*.

4 Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the full consolidated financial statements as at, and for the year ended, 31 December 2006.

Notes to the condensed consolidated interim financial statements continued

5 Segment information

The Group's segment reporting follows the organisational structure and management's internal reporting systems, which form the basis for assessing the financial performance of, and allocating resources to, each business segment. The Group has recently made minor changes to the structure of its internal organisation in a manner that now causes the composition of reportable segments to change. The main effect of this change is that the Group's central functions are now separately identified as the "Corporate Centre" segment, with a greater proportion of central revenues and expenses now being allocated to individual operating segments where appropriate. Previously all central revenues and expenses were included with the Global Markets business within a single reportable segment. The remaining central items now reported in the new discrete Corporate Centre segment relate mainly to treasury and financing activities, and other expenses associated with oversight of the Group which are independent of individual operating units. The Group therefore now reports four primary business segments.

The other impact of restructuring the reporting segments is that the Group's specie business, all of which is written in Syndicate 33, is now presented within the Global Markets segment and not within the UK and Europe segment as previously reported. The Global Markets segment also now includes all of the Group's larger technology and media (TMT) risks. In prior years, those risks underwritten by Hiscox Insurance Company Limited were reported in the UK and Europe segment.

As a consequence of the change in reportable segments, the corresponding operating results and combined ratios for earlier periods presented have been restated on a comparable basis, capturing the increase in attributed central function items within individual business operating segments. The comparative amounts have also been restated to reflect the reclassification of certain agency expenses and commissions outlined at note 2 above.

	6 months to 30 June 2007 (unaudited)				
	Global Markets £000	UK and Europe £000	International £000	Corporate Centre £000	Total £000
Income					
Gross premiums written	423,685	155,353	153,991	-	733,029
Net premiums written	288,163	134,780	124,199	-	547,142
Net premiums earned	270,367	118,946	82,539	-	471,852
Investment result	18,128	11,406	9,453	7,774	46,761
Other income	5,752	1,356	368	1,038	8,514
Net revenue	294,247	131,708	92,360	8,812	527,127
Expenses					
Claims and claim adjustment expenses, net of reinsurance	(100,485)	(58,963)	(57,164)	-	(216,612)
Expenses for the acquisition of insurance contracts	(76,471)	(32,324)	(17,476)	-	(126,271)
Administration expenses	(16,617)	(19,709)	(4,248)	-	(40,574)
Other expenses	(13,165)	(14,111)	(1,278)	(5,429)	(33,983)
Total expenses	(206,738)	(125,107)	(80,166)	(5,429)	(417,440)
Results of operating activities	87,509	6,601	12,194	3,383	109,687
Finance costs	(35)	-	(83)	(4,083)	(4,201)
Share of profit of associate after tax	-	-	-	76	76
Profit before tax	87,474	6,601	12,111	(624)	105,562
100% level net combined ratio (%)	75.9%	103.8%	95.3%	-	84.8%

5 Segment information cont

The Group's four primary business segments are identified as follows:

- **Global Markets** comprises the results of Syndicate 33, excluding Syndicate 33's fine art, UK regional events coverage, non-US household business and underwriting result of Hiscox Inc. It includes the results of the larger retail TMT business written by Hiscox Insurance Company Limited.
- **UK and Europe** comprises the results of Hiscox Insurance Company Limited, the results of Syndicate 33's fine art, UK regional events coverage and non-US household business, together with the income and expenses arising from the Group's retail agency activities in the UK and in continental Europe. It excludes the results of the larger retail TMT business written by Hiscox Insurance Company Limited.
- **International** comprises the results of Hiscox Insurance Company (Guernsey) Limited, Hiscox Inc. and Hiscox Insurance Company (Bermuda) Limited.
- **Corporate Centre** comprises the investment return and administrative costs associated with the Company and other Group management activities.

The segment results for the 6 months ended 30 June 2007 were as follows:

Global Markets £000	6 months to 30 June 2006 (unaudited) restated				Total £000	Year to 31 December 2006 (audited) restated				
	UK and Europe £000	International £000	Corporate Centre £000			Global Markets £000	UK and Europe £000	International £000	Corporate Centre £000	Total £000
401,356	128,908	94,888	-	625,152	709,080	265,778	151,306	-	1,126,164	
319,846	108,508	76,349	-	504,703	603,562	234,414	137,421	-	975,397	
265,552	105,708	30,402	-	401,662	567,490	227,865	93,473	-	888,828	
9,966	7,312	6,839	20,258	44,375	33,123	19,327	16,449	36,651	105,550	
1,863	1,517	471	1,298	5,149	6,878	4,931	421	3,462	15,692	
277,381	114,537	37,712	21,556	451,186	607,491	252,123	110,343	40,113	1,010,070	
(147,503)	(40,774)	(9,773)	-	(198,050)	(271,120)	(95,317)	(15,904)	-	(382,341)	
(69,650)	(32,036)	(11,707)	-	(113,393)	(145,458)	(62,861)	(27,478)	-	(235,797)	
(13,752)	(10,083)	(3,135)	-	(26,970)	(37,001)	(31,360)	(8,172)	-	(76,533)	
(24,366)	(13,797)	(5,253)	(3,189)	(46,605)	(62,933)	(29,473)	(6,878)	(5,659)	(104,943)	
(255,271)	(96,690)	(29,868)	(3,189)	(385,018)	(516,512)	(219,011)	(58,432)	(5,659)	(799,614)	
22,110	17,847	7,844	18,367	66,168	90,979	33,112	51,911	34,454	210,456	
(18)	-	-	(4,806)	(4,824)	(312)	-	(36)	(9,056)	(9,404)	
-	-	-	5	5	-	-	-	10	10	
22,092	17,847	7,844	13,566	61,349	90,667	33,112	51,875	25,408	201,062	
95.5%	90.5%	98.5%	-	94.6%	90.1%	96.2%	62.7%	-	89.1%	

Notes to the condensed consolidated interim financial statements

continued

6 Return on equity

	6 months to 30 June 2007 (unaudited) £000	6 months to 30 June 2006 (unaudited) £000	Year to 31 Dec 2006 (audited) £000
Profit for the period	80,012	47,320	163,846
Opening shareholders' equity	682,085	578,013	578,013
Adjusted for the time weighted impact of: Distribution and other movements in capital	268	(205)	(10,149)
Adjusted opening shareholders' equity	682,353	577,808	567,864
Annualised return on equity (%)	24.8%	17.0%	28.9%

7 Investment result

i) Analysis of investment result

	6 months to 30 June 2007 (unaudited) £000	6 months to 30 June 2006 (unaudited) £000	Year to 31 Dec 2006 (audited) £000
Investment income including interest receivable	42,595	35,128	75,526
Net realised gains/(losses) on investments at fair value through profit or loss	11	(7,185)	(5,731)
Net fair value gains/(losses) on investments at fair value through profit or loss	5,265	(795)	8,721
Return on investments	47,871	27,148	78,516
Net realised (losses)/gains on derivative instruments	(1,110)	18,091	-
Net fair value (losses)/gains on derivative instruments	-	(864)	27,034
Total returns on financial assets	46,761	44,375	105,550

Investment expenses are presented within other operating expenses (note 8).

ii) Annualised investment yields

	6 months to 30 June 2007 (unaudited)		6 months to 30 June 2006 (unaudited)		Year to 31 Dec 2006 (audited)	
	Return £000	Yield %	Return £000	Yield %	Return £000	Yield %
Debt and fixed income securities at fair value through profit or loss	22,201	4.0	13,852	2.8	42,095	4.0
Equities and shares in unit trusts at fair value through profit or loss	10,516	13.5	2,702	4.4	13,517	10.6
Deposits with credit institutions/cash and cash equivalents	15,154	5.3	10,594	4.0	22,904	4.6
	47,871	5.3	27,148	3.3	78,516	4.6

8 Other income and expenses

	6 months to 30 June 2007 (unaudited) £000	6 months to 30 June 2006 (unaudited) restated £000	Year to 31 Dec 2006 (audited) restated £000
Agency related income	853	1,448	4,861
Profit commission	5,225	1,130	5,332
Other income	2,436	2,571	5,499
Other income	8,514	5,149	15,692
Managing agency expenses	5,505	4,235	17,258
Underwriting agency expenses	9,774	12,172	22,033
Connect agency expenses	6,717	6,360	12,547
Exchange losses	7,980	20,522	38,354
Investment expenses	606	640	1,306
Other Group expenses including depreciation and amortisation	3,401	2,676	13,445
Other expenses	33,983	46,605	104,943

9 Finance costs

	6 months to 30 June 2007 (unaudited) £000	6 months to 30 June 2006 (unaudited) £000	Year to 31 Dec 2006 (audited) £000
Interest and expenses associated with bank borrowings and letters of credit	4,166	4,806	9,363
Interest charges arising on finance leases	35	18	41
	4,201	4,824	9,404

The Group drew down £137,500,000 on a syndicated letter of credit facility on 7 November 2005 to support its underwriting operations. On 5 December 2005, the Group drew down US\$225,000,000 of its term and revolving credit facility to support the investment in Hiscox Insurance Company (Bermuda) Limited. Having repaid part of this credit facility, the Group has continued to draw down the remaining US\$182,000,000.

10 Claims and claim adjustment expenses

	6 months to 30 June 2007 (unaudited) £000	6 months to 30 June 2006 (unaudited) £000	Year to 31 Dec 2006 (audited) £000
Gross insurance claims and claim adjustment expenses	(267,175)	(221,005)	(395,497)
Insurance claims recovered from reinsurers	50,563	22,955	13,156
Net insurance claims and claim adjustment expenses	(216,612)	(198,050)	(382,341)

11 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held as own shares.

	6 months to 30 June 2007 (unaudited)	6 months to 30 June 2006 (unaudited)	Year to 31 Dec 2006 (audited)
Profit attributable to the Company's equity holders (£000)	80,012	47,320	163,846
Weighted average number of ordinary shares (thousands)	394,915	392,125	392,558
Basic earnings per share (pence per share)	20.3p	12.1p	41.7p

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares, share options. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	6 months to 30 June 2007 (unaudited)	6 months to 30 June 2006 (unaudited)	Year to 31 Dec 2006 (audited)
Profit attributable to the Company's equity holders (£000)	80,012	47,320	163,846
Weighted average number of ordinary shares in issue (thousands)	394,915	392,125	392,558
Adjustment for share options (thousands)	13,868	6,772	12,449
Weighted average number of ordinary shares for diluted earnings per share (thousands)	408,783	398,897	405,007
Diluted earnings per share (pence per share)	19.6p	11.9p	40.5p

Diluted earnings per share has been calculated after taking account of outstanding options under both employee share schemes and also SAYE schemes.

Notes to the condensed consolidated interim financial statements

continued

12 Dividends

	6 months to 30 June 2007 (unaudited) £000	6 months to 30 June 2006 (unaudited) £000	Year to 31 Dec 2006 (audited) £000
Final dividend for the year ended:			
31 December 2006 of 7.0p (net) per share	27,727	-	-
31 December 2005 of 4.75p (net) per share	-	18,639	18,639
Interim dividend for the year ended:			
31 December 2006 of 3.0p (net) per share	-	-	11,789
	27,727	18,639	30,428

An interim dividend of 4.00p (net) per ordinary share has been declared payable on 1 October 2007 to shareholders registered on 31 August 2007 in respect of the six months to 30 June 2007 (30 June 2006: 3.0p (net) per ordinary share). The dividend was approved by the Board on 16 August 2007 and accordingly has not been included as a distribution or liability in this interim consolidated financial information in accordance with IAS 10 *Events after the Balance Sheet Date*.

13 Financial assets and liabilities

i) Analysis of financial assets at fair value through profit or loss

	30 June 2007 (unaudited) £000	30 June 2006 (unaudited) £000	31 Dec 2006 (audited) £000
Debt and fixed income securities	1,194,332	1,010,472	1,043,669
Equities and shares in unit trusts	183,886	131,515	141,841
Deposits with credit institutions	123,682	67,967	54,715
Total investments	1,501,900	1,209,954	1,240,225
Derivative instrument assets	-	589	1,685
	1,501,900	1,210,543	1,241,910

ii) Analysis of financial liabilities at fair value through profit or loss

	30 June 2007 (unaudited) £000	30 June 2006 (unaudited) £000	31 Dec 2006 (audited) £000
Borrowings from credit institutions	91,000	112,378	92,852
Derivative instrument liabilities	-	2,686	1,077
	91,000	115,064	93,929

The face value of the Group's short term borrowings from credit institutions at 30 June 2007 was £91,000,000 (31 December 2006: £92,852,000; 30 June 2006: £112,432,000). The Group's borrowings at 31 December 2006 and 30 June 2007 served as a partial hedge of its net investment in Hiscox Insurance Company (Bermuda) Limited. The Group designated the short term borrowings from credit institutions for net investment hedge accounting, as permitted under IAS 39 *Financial Instruments: Recognition and Measurement*, during the current period. Consequently, a foreign exchange gain of £1,857,000 arising during 2007 has been recognised in the currency translation reserve.

iii) Investment and cash allocation

	30 June 2007 (unaudited)		30 June 2006 (unaudited)		31 Dec 2006 (audited)	
	£000	%	£000	%	£000	%
Debt and fixed income securities	1,194,332	65.5	1,010,472	60.3	1,043,669	59.9
Equities and shares in unit trusts	183,886	10.1	131,515	7.8	141,841	8.1
Deposits with credit institutions/cash and cash equivalents	444,991	24.4	535,871	31.9	557,586	32.0
	1,823,209		1,677,858		1,743,096	

iv) Investment and cash allocation by currency

	30 June 2007 (unaudited) %	30 June 2006 (unaudited) %	31 Dec 2006 (audited) %
Sterling	28.7	34.6	31.4
US Dollars	59.6	52.9	55.7
Euro and other currencies	11.7	12.5	12.9

14 Net asset value per share

	30 June 2007 (unaudited)		30 June 2006 (unaudited)		31 Dec 2006 (audited)	
	Net asset value £000	NAV per share pence	Net asset value £000	NAV per share pence	Net asset value £000	NAV per share pence
Net asset value	734,950	185.4	588,363	149.8	682,085	173.2
Net tangible asset value	701,828	177.1	555,347	141.4	648,873	164.8

The net asset value per share is based on 396,387,797 shares (30 June 2006: 392,794,573; 31 December 2006: 393,725,396), being the adjusted number of shares in issue at each reference date.

15 Impact of foreign exchange related items

	6 months to 30 June 2007 (unaudited) £000	6 months to 30 June 2006 (unaudited) £000	Year to 31 Dec 2006 (audited) £000
Income statement			
Derivative (losses)/gains on foreign exchange hedge contracts included within investment return	(1,110)	17,172	27,034
Unearned premium and deferred acquisition costs adjustment	4,356	(15,436)	(25,511)
Foreign exchange gains on borrowings for economic hedging of Hiscox Insurance Company (Bermuda) Limited	-	8,498	14,121
Other foreign exchange losses	(12,336)	(13,584)	(26,964)
Impact of foreign exchange related items on income statement	(9,090)	(3,350)	(11,320)
Balance sheet			
Foreign exchange differences recognised directly in equity	(5,215)	(22,084)	(41,218)
Overall impact of foreign exchange related items on net assets	(14,305)	(25,434)	(52,538)
Profit before tax			
Profit before tax	105,562	61,349	201,062
Unearned premium and deferred acquisition costs adjustment	(4,356)	15,436	25,511
Adjusted profit before tax	101,206	76,785	226,573
100% level combined ratio	84.8%	94.6%	89.1%
100% level combined ratio (after unearned premium and deferred acquisition costs adjustment)	85.6%	90.8%	86.3%

16 Cash and cash equivalents

The purchase, maturity and disposal of financial assets is part of the Group's insurance activities and is therefore classified as an operating cash flow. The purchase, maturity and disposal of derivative contracts is also classified as an operating cash flow.

Included within cash and cash equivalents held by the Group are balances totalling £51,409,000 (30 June 2006: £43,718,000; 31 December 2006: £41,304,000) not available for use by the Group which are held within the Lloyd's Syndicate.

Independent review report by KPMG to Hiscox Ltd

Introduction

We have been engaged by the company to review the financial information for the six months ended 30 June 2007 which comprise the condensed consolidated interim income statement, condensed consolidated interim balance sheet, condensed consolidated interim statement of changes in equity, condensed consolidated interim cash flow statement and related notes 1 to 16. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/ 4: Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquires of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Statements on Auditing and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

KPMG
Hamilton
Bermuda
20 August 2007



Hiscox Ltd
4th Floor
Wessex House
45 Reid Street
Hamilton HM 12
Bermuda

T +1 441 278 8300
F +1 441 278 8301
E enquiries@hiscox.bm

www.hiscox.com