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Disclaimer in respect of forward looking statements

This interim statement may contain forward looking statements based on current expectations of, and assumptions made by, the Group's management. The Group is exposed to a multitude of risks and uncertainties and therefore cannot accept any obligation to publicly revise or update forward looking statements as a result of future events or the emergence of new information regarding past events, except to the extent legally required. Therefore undue reliance should not be placed on any forward looking statements.

Corporate highlights

505.5p
Net asset value
per share

Group key performance indicators

Gross premiums written £1,096.3m (2014: £978.9m)

Net premiums earned £709.8m (2014: £643.5m)

Profit before tax £135.1m (2014: £124.6m)

Earnings per share 43.7p (2014: 36.4p)

Interim dividend increased to 8.0p per share (2014: 7.5p)

Net asset value per share 505.5p (2014: 425.6p)

Group combined ratio 82.5% (2014: 82.0%)

Return on equity (annualised) 19.9% (2014: 18.9%)

Investment return (annualised) 1.8% (2014: 2.0%)

Reserve releases £122.6m (2014: £90.0m)

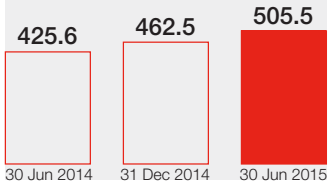
Operational highlights

Hiscox Retail delivered record profits of £59.3 million (2014: £37.4 million)

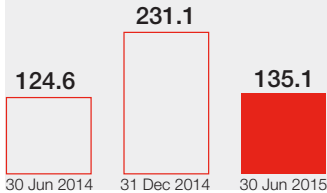
Strong growth in Hiscox London Market and Hiscox USA improves capital utilisation

Hiscox Re benefits from product innovation and an absence of catastrophes to deliver excellent profits of £59.6 million (2014: £75.6 million)

Net asset value p per share



Profit before tax (£m)



Chairman's statement

Hiscox delivered a pleasing profit of £135.1 million in the first half, thanks to a combination of sound underwriting, the growing strength of our retail operations, and a paucity of major catastrophes. The top line was up by 12.0% (2014: -3.8%) driven mainly by opportunities in the London Market business and a continued good performance from Hiscox USA. As usual, we are reporting on the cusp of the hurricane season and Mother Nature can still deliver some surprises in the second half.

Strong results across the industry mask what we regard as a market that is defying gravity, as pension funds and others pour capital in, fuelling further competition in big-ticket insurance and reinsurance. Rating levels are being gnawed away, yet attritional losses remain constant, and thus underlying loss ratios are creeping up. The market's profitability is being propped up by a lack of meaningful catastrophe losses.

Hiscox is well placed to deal with any challenges that lie ahead. Our strategy remains unchanged, balancing volatile big-ticket business with more stable specialty retail lines. It provides us with opportunities regardless of prevailing conditions, and we see plenty of room for further expansion in our chosen markets.

Results

The half-year result to 30 June 2015 was a very good pre-tax profit of £135.1 million (2014: £124.6 million). Gross written premiums increased to £1,096.3 million (2014: £978.9 million). Net earned premiums were £709.8 million (2014: £643.5 million). The impact of foreign exchange was relatively constant at a loss of £15.7 million (2014: loss of £16.4 million). The net combined ratio was a healthy 82.5% (2014: 82.0%). Earnings per share were 43.7p (2014: 36.4p) and net assets per share grew to 505.5p (2014: 425.6p). The annualised return on equity was 19.9% (2014: 18.9%).

Dividend, balance sheet and capital management

The Board of Hiscox Ltd has declared an interim dividend for 2015 of 8.0p per share (2014: 7.5p) an increase of 6.7%. The record date for the dividend will be 7 August and the payment date will be 16 September.

The Board proposes to offer again a scrip dividend alternative in respect of the interim dividend, subject to the terms and conditions of Hiscox Ltd's Scrip Dividend Alternative. A circular with further details will be sent on 10 August.

During the period the Group returned capital via a special distribution of £192 million (60p per share), including a final dividend equivalent of £48 million (15p per share). Net asset value per share has increased by 9.3% from the year end.

At this stage in the year it is too early to anticipate capital returns as the hurricane season has just started and earthquakes can happen at any time. In addition, the impact of Solvency II, continued desire to invest in the brand, and ongoing growth, especially in more long-tail casualty business means that our capital requirements are increasing. These will all affect our assessment of what constitutes excess capital at the end of the year.

Rates

Rating levels in insurance lines are still satisfactory across many territories and products, although we are seeing a downward trend in some lines such as property, marine and energy.

Trading conditions in reinsurance remain tough, though there are signs that rates are now finding their floor. Rates for US property catastrophe business were down on average by 10% at the 1 June and 1 July renewals. International property catastrophe business was down by 10% at the July renewals. In our retrocession book we saw increases of between 5% and 20% on mid-year renewals, as demand outstripped supply. Other non-catastrophe exposed lines of business saw more modest reductions.

Hiscox Retail

The Hiscox Retail segment comprises Hiscox UK and Europe, and Hiscox International.

Hiscox UK and Europe

This division provides personal lines cover – from high-value household, fine art and collectibles to luxury motor – and commercial insurance for small- and medium-sized businesses, typically operating in white collar industries. These products are distributed via brokers and through a growing network of partnerships. For some simple risks we distribute policies direct-to-consumer in the UK, France and Germany.

Gross written premiums	£318.2 million (2014: £309.4 million)
Profit before tax	£45.4 million (2014: £26.3 million)
Combined ratio	87.0% (2014: 92.9%)

Hiscox UK and Europe delivered another good result helped by a very quiet period for claims. Weather conditions have been mostly perfect for insurers – not too wet, not too cold, nor too dry.

After a period of strong investment, these businesses are finding efficiencies in underwriting practices – delivering electronic trading solutions to our brokers and partners and finding ways to automate the simple risks, leaving underwriters to focus on complex risks where they add more value to customers.

Hiscox UK and Ireland

Premium income grew by 5.2% to £223.6 million (2014: £212.6 million). The regional network of offices across the UK continues to perform very well, producing good growth particularly in commercial lines. Excellent business retention of 86% is also driving profitability.

In personal lines, the luxury motor area has benefited from improvements to customer segmentation, pricing and claims handling. Building on our ambition to be a top specialist car insurer in the UK, we recently announced that we have reached an

agreement with Willis to acquire its specialist UK classic car business, RH Specialist Insurance. This acquisition will provide us with new opportunities to distribute our existing products to members of prestigious vehicle clubs.

We continue to invest heavily in marketing as we see real value in building a strong brand, which has driven growth in our direct-to-consumer small business operation by 16%.

The project to insource the customer sales and service function for our direct commercial business is nearly complete with our team in York now taking over 97% of calls. I am pleased that customer satisfaction scores remained at world-class levels throughout the transition.

Hiscox was awarded 'Personal Lines Claims Initiative of the Year' at the Insurance Times' Claims Excellence Awards 2015, recognition of our team's effort to create customers for life, through which we have improved customer satisfaction from 95% to 98%.

Hiscox Europe

Gross written premiums in local currency grew by 8.1% to €125.9 million (2014: €116.5 million) and decreased by 2.3% to £94.6 million (2014: £96.8 million) in Sterling. Growth was mainly driven by our businesses in the Benelux, Germany and Spain, with contributions from all product lines. Adverse foreign exchange movements also impacted profits but, like other territories, the business benefited from modest claims activity and has delivered good profitability.

Hiscox Europe is building on successes in the UK market by extending the specialty commercial product in France and Germany to include a wider range of property and liability risks. This is our largest business line within Hiscox UK and Ireland, and we are replicating this success in Europe. We have also increased our appetite for schemes business, where we work with brokers to offer insurance solutions to customers with similar risk profiles. These initiatives are receiving very positive feedback from brokers, and we are looking at other ways to share products and knowledge across the Group.

Hiscox is well placed to deal with any challenges that lie ahead.

Chairman's statement continued

The small business cyber and data risks product launched in the UK and across Germany, France and the Netherlands is gaining momentum as the markets gradually evolve from expressions of interest to preparedness to buy.

Fine art continues to perform very well and our private client business has recovered historical growth rates.

Building quality specialty retail businesses takes time, continued investment and a lot of local knowledge. In 2015, we are celebrating the 20th anniversary of our French and German businesses, which are now significant contributors to profit and income for the Group.

Hiscox International

This division comprises Hiscox Guernsey, Hiscox USA and DirectAsia.

Gross written premiums	£183.9 million (2014: £146.4 million)
Profit before tax	£13.9 million (2014: £11.1 million)
Combined ratio	92.9% (2014: 92.1%)

Hiscox Guernsey – Hiscox Special Risks

Hiscox Special Risks underwrites kidnap and ransom, personal accident, classic car, jewellery and fine art risks. Led from Guernsey, Hiscox Special Risks has teams in London, Munich, Paris, New York, Los Angeles and Miami.

Despite the competitive market, Guernsey continues to perform well with gross written premiums increasing to £36.3 million (2014: £34.0 million). We are maintaining our market share in the increasingly competitive kidnap and ransom business, where clients benefit from our expertise and exclusive relationship with Control Risks.

Hiscox USA

Hiscox USA underwrites the small-to-mid market commercial risks through

brokers, other insurers and directly to businesses online and over the telephone.

Hiscox USA has built on the success of last year, increasing premiums by 28.2% to £138.1 million (2014: £107.8 million), 16.9% in local currency, despite the impact of withdrawing from unprofitable construction property business in 2014. Hiscox USA also benefited from a continued good claims experience. The professions business, which includes E&O (errors and omissions) and general liability cover, did extremely well, more than offsetting reductions in lines where rates are under pressure, such as commercial property.

The USA team continues to add new specialist business to the Hiscox Pro portfolio. This range of E&O solutions designed for emerging industries has now expanded to include security and staffing services, and testing labs.

Ongoing investment in building the Hiscox brand in the US, including the Courageous Leaders documentaries and continued thought leadership is delivering results, with our direct-to-consumer policies now numbering 100,000.

DirectAsia

DirectAsia is a direct-to-consumer business in Singapore, Hong Kong and Thailand that sells motor insurance with ancillary lines in travel, healthcare and life. Hiscox acquired the business in April 2014.

DirectAsia continues to perform in line with our expectations, growing its premium income to £9.5 million. The business is making good progress across all markets, with revised marketing activities helping to drive record sales.

Hiscox London Market

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

Gross written premiums	£306.4 million (2014: £251.7 million)
Profit before tax	£23.4 million (2014: £24.8 million)
Combined ratio	89.8% (2014: 87.2%)

Hiscox London Market had an excellent start to the year despite fierce competition in many lines. Good growth of 21.7% (13.6% in local currency) was achieved despite the team walking away from poorly rated business.

Growth was mainly driven by our support for the Willis 360 facility, our auto physical damage business where rates continue to rise, and business generated by our new teams in personal accident and casualty.

Hiscox London Market had a better claims experience in this half, despite losses in aviation and space, two moderate energy losses, and potential claims arising from political unrest in the Ukraine which we have reserved at net £20 million. We also significantly reduced the price and improved the efficiency of our outwards reinsurance programme.

Our relationship with White Oak, a specialist automotive and equipment underwriting agency, continues to grow.

Disruption in the market caused by frenetic merger and acquisitions activity has given us the opportunity to attract high quality people. We have boosted our expertise in three lines where we see potential for prudent profitable growth: general liability, product recall and marine cargo.

Small bolt-on acquisitions that complement our existing expertise and strengthen our distribution capability are an important area of potential growth for the Group. During the period, we acquired R&Q Marine Services (RQMS) for £9 million, an established managing general agent (which also underwrites on behalf of other insurers). RQMS specialises in yachts and general marine leisure insurance and we will continue to combine their knowledge with our distribution and marketing capabilities to serve more customers in our target segments. RQMS will form the core of a new managing agency business, which will underwrite on behalf of other capital providers as well as Hiscox.

Hiscox Re

The Hiscox Re segment comprises the Group's reinsurance businesses in

London, Paris and Bermuda, Insurance Linked Security (ILS) activity and healthcare business.

Gross written premiums	£287.8 million (2014: £271.5 million)
Profit before tax	£59.6 million (2014: £75.6 million)
Combined ratio	45.5% (2014: 41.8%)

Gross written premiums for Hiscox Re increased by 6.0%, as we successfully developed business for our third-party ILS partners in our Kiskadee funds. Healthcare and specialty lines continue to grow steadily. Hiscox Re continues to benefit from the lack of major catastrophes, and had minimal exposure to Cyclone Marcia and the severe weather that hit Texas in April and May.

Our focus on product innovation has paid dividends, as brokers and cedants appreciate our efforts to address their more complex needs. The release of 12 new products over the past 18 months has added \$50 million in gross written premiums.

As of 1 July our Kiskadee family of insurance linked funds has attracted over \$540 million in capital, up from \$400 million anticipated at 1 January 2015, and during this period Kiskadee wrote gross written premiums of \$87 million.

Investments

Uncertainty and low yields continue to be a feature of financial markets. With our conservative bond portfolio and an exposure to equity markets the investment performance for the first six months has been in line with expectations. Following the £192 million return of capital to shareholders in April, and excluding the Kiskadee Funds, assets under management at 30 June 2015 were £3,032 million (2014: £2,965 million) and our investment result, before derivatives, was £27.9 million (2014: £30.1 million), 1.8% on an annualised basis (2014: 2.0%).

After a positive start to the year, on the back of the ECB's quantitative easing programme, the investment background

The balance and diversity of our business, has long been a key driver of the Group's profitability.

Chairman's statement continued

was less supportive in the second quarter and was particularly challenging for bond investors. We were largely protected by our cautious stance on duration but the gains from our fixed income portfolios were modest, being reliant mostly on the extra yield from non-government bonds. The result was however supplemented by a useful contribution from our risk assets portfolio, which despite the setbacks in June delivered good returns.

With the Federal Reserve and, latterly, the Bank of England paving the way for official rate increases, we continue to position the bond portfolios with a view to minimising the impact of rising yields. We expect that such a move will be accompanied by a pick-up in volatility but remain comfortable with our allocation to risk assets which now represent 9% of the overall portfolio.

Regulatory response to market events

Although in our industry we regularly model the impact of a wide range of serious catastrophes, we fully support the Prudential Regulation Authority's (PRA) new stress test to show how insurers would cope in the event of a range of extreme scenarios. However, I feel this does not go far enough, and that there needs to be a detailed practical 'dry run' of how a serious catastrophe may play out involving all London Market players, including our supervisors at the PRA and Lloyd's.

It is nearly 14 years since the September 11 attacks, and I think it is more important than ever to test how our market would handle another major calamity. Much has changed since 2001 – both within our business and wider society – and our regulatory framework is in the process of fundamental change. Mega-catastrophes create huge disruption and panic, but supervisors gave us the green light to trade through the aftermath of 9/11, despite the widespread uncertainty. Their pragmatism enabled us to keep the wheels of global business

turning. However, with Solvency II, a new regulator in the PRA (with a different remit from its predecessor), and a prevailing mood of suspicion and skepticism towards the financial services industry, I'm unsure whether this pragmatic approach will exist next time round.

Running such a simulation would, in my opinion, help to reassure regulators (and ratings agencies) that our market could withstand a shock loss giving them the confidence to allow us to perform our primary role, which is to deal with the fallout from catastrophes. The London Market needs to act boldly in a major crisis, to provide clients with risk capital when they need it most, if it is to fulfill its role as the world's specialty insurance centre.

Outlook

We expect the current tough conditions to continue for our big-ticket insurance and reinsurance businesses into 2016. The importance of balancing our desire to grow in these areas with managing our exposure (particularly when prices are close to walk-away levels) remains crucial. Our teams in Bermuda and the London Market have shown good discipline, dexterity and creativity thus far and I believe have the energy and strong relationships to succeed in the future.

The balance and diversity of our business, has long been a key driver of the Group's profitability. Our retail businesses have plenty of room for profitable growth, and will continue to find new opportunities where others find the conditions more challenging. Hiscox has excellent people, a restless spirit and a strong independent future.



Robert Childs
Chairman
27 July 2015

Condensed consolidated interim income statement For the six month period ended 30 June 2015

Note	Six months to 30 June 2015 £000	Six months to 30 June 2014 £000	Year to 31 Dec 2014 £000	
Income				
	7	1,096,299	978,932	1,756,260
Gross premiums written		(236,215)	(246,340)	(412,850)
Outward reinsurance premiums				
Net premiums written		860,084	732,592	1,343,410
Gross premiums earned		882,169	797,117	1,674,982
Premiums ceded to reinsurers		(172,346)	(153,646)	(358,723)
Net premiums earned		709,823	643,471	1,316,259
Investment result	10	29,356	29,218	56,212
Other revenues	11	2,513	9,093	19,956
Revenue		741,692	681,782	1,392,427
Expenses				
Claims and claim adjustment expenses		(308,965)	(280,684)	(645,145)
Reinsurance recoveries		55,622	33,089	113,477
Claims and claim adjustment expenses, net of reinsurance		(253,343)	(247,595)	(531,668)
Expenses for the acquisition of insurance contracts		(173,651)	(149,304)	(318,616)
Operational expenses	11	(160,210)	(141,461)	(310,853)
Foreign exchange (losses)/gains	20	(15,678)	(16,415)	4,974
Total expenses		(602,882)	(554,775)	(1,156,163)
Results of operating activities		138,810	127,007	236,264
Finance costs	12	(4,406)	(3,175)	(6,418)
Share of profit of associates after tax		671	788	1,229
Profit before tax		135,075	124,620	231,075
Tax expense	13	(5,695)	(4,774)	(14,923)
Profit for the period (all attributable to owners of the Company)		129,380	119,846	216,152
Earnings per share on profit attributable to owners of the Company				
Basic	15	43.7p	36.4p	67.4p
Diluted	15	41.9p	34.8p	64.5p

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

Condensed consolidated interim statement of comprehensive income

For the six month period ended 30 June 2015, after tax

	Six months to 30 June 2015 £000	Six months to 30 June 2014 £000	Year to 31 Dec 2014 £000
Profit for the period	129,380	119,846	216,152
Other comprehensive income			
Items never reclassified to profit or loss:			
Actuarial gains/(losses) on defined benefit plan	21,930	(1,558)	(22,759)
Income tax relating to components of other comprehensive income	(5,268)	374	5,470
	16,662	(1,184)	(17,289)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	(8,443)	(22,941)	34,019
Income tax relating to components of other comprehensive income	-	-	-
	(8,443)	(22,941)	34,019
Other comprehensive income/(loss) net of tax	8,219	(24,125)	16,730
Total comprehensive income for the year (all attributable to owners of Company)	137,599	95,721	232,882

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

Condensed consolidated interim balance sheet

At 30 June 2015

	Note	30 June 2015 £000	30 June 2014 £000	31 Dec 2014 £000
Assets				
Intangible assets		119,331	91,896	105,946
Property, plant and equipment		34,289	21,395	29,497
Investments in associates		11,341	10,229	10,670
Deferred tax		33,063	30,862	33,490
Deferred acquisition costs		274,727	230,892	230,373
Financial assets carried at fair value	18	2,633,210	2,563,129	2,828,847
Reinsurance assets	14	577,303	513,957	525,345
Loans and receivables including insurance receivables		693,730	591,474	556,259
Current tax asset		4,952	-	8,031
Cash and cash equivalents		746,371	452,708	650,651
Total assets		5,128,317	4,506,542	4,979,109
Equity and liabilities				
Shareholders' equity				
Share capital		19,002	19,852	19,913
Share premium		12,129	6,942	10,417
Contributed surplus		89,864	89,864	89,864
Currency translation reserve		48,257	(260)	56,700
Retained earnings		1,244,561	1,215,189	1,276,446
Total equity (all attributable to owners of the Company)		1,413,813	1,331,587	1,453,340
Non controlling interest		866	866	866
Total equity		1,414,679	1,332,453	1,454,206
Employee retirement benefit obligation		6,574	6,512	32,166
Deferred tax		26,372	50,719	26,390
Insurance liabilities	14	2,985,706	2,739,838	2,835,199
Financial liabilities carried at fair value	18	273,745	-	7,109
Current tax		12,550	32,801	32,379
Trade and other payables		408,691	344,219	591,660
Total liabilities		3,713,638	3,174,089	3,524,903
Total equity and liabilities		5,128,317	4,506,542	4,979,109

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 2015

	Share capital £000	Share premium £000	Contributed surplus £000	Currency translation reserve £000	Retained earnings £000	Non controlling interest £000	Total £000
Balance at 1 January 2015	19,913	10,417	89,864	56,700	1,276,446	866	1,454,206
Total recognised comprehensive income/(expense) for the period (all attributable to owners of the Company)	-	-	-	(8,443)	146,042	-	137,599
Employee share options:							
Equity settled share based payments	-	-	-	-	8,822	-	8,822
Proceeds from shares issued	19	814	-	-	-	-	833
Deferred and current tax	-	-	-	-	2,778	-	2,778
E/F Share scheme:							
Return of capital, special distribution (note 17)	-	(32)	-	-	(141,422)	-	(141,454)
Final dividend equivalent (note 17)	-	-	-	-	(48,105)	-	(48,105)
Share consolidation and subdivision (note 17)	(930)	930	-	-	-	-	-
Balance at 30 June 2015	19,002	12,129	89,864	48,257	1,244,561	866	1,414,679

	Share capital £000	Share premium £000	Contributed surplus £000	Currency translation reserve £000	Retained earnings £000	Non controlling interest £000	Total £000
Balance at 1 January 2014	20,854	4,953	89,864	22,681	1,271,109	-	1,409,461
Total recognised comprehensive income/(expense) for the period (all attributable to owners of the Company)	-	-	-	(22,941)	118,662	-	95,721
Employee share options:							
Equity settled share based payments	-	-	-	-	7,479	-	7,479
Proceeds from shares issued	30	992	-	-	-	-	1,022
Deferred and current tax on employee share options	-	-	-	-	777	-	777
C/D Share scheme:							
Return of capital, special distribution (note 17)	-	(35)	-	-	(126,049)	-	(126,084)
Final dividend equivalent (note 17)	-	-	-	-	(49,728)	-	(49,728)
Share consolidation and subdivision (note 17)	(1,032)	1,032	-	-	-	-	-
Shares purchase by Trust (note 17)	-	-	-	-	(7,061)	-	(7,061)
Acquisition of DirectAsia	-	-	-	-	-	866	866
Balance at 30 June 2014	19,852	6,942	89,864	(260)	1,215,189	866	1,332,453

	Share capital £000	Share premium £000	Contributed surplus £000	Currency translation reserve £000	Retained earnings £000	Non controlling interest £000	Total £000
Balance at 1 January 2014	20,854	4,953	89,864	22,681	1,271,109	-	1,409,461
Total recognised comprehensive income/(expense) for the period (all attributable to owners of the Company)	-	-	-	34,019	198,863	-	232,882
Employee share options:							
Equity settled share based payments	-	-	-	-	14,439	-	14,439
Proceeds from shares issued	74	2,669	-	-	-	-	2,743
Deferred and current tax on employee share options	-	-	-	-	1,874	-	1,874
C/D Share scheme:							
Return of capital, special distribution (note 17)	-	(35)	-	-	(126,049)	-	(126,084)
Final dividend equivalent (note 17)	-	-	-	-	(49,728)	-	(49,728)
Share consolidation and subdivision (note 17)	(1,032)	1,032	-	-	-	-	-
Shares purchase by Trust (note 17)	-	-	-	-	(10,593)	-	(10,593)
Acquisition of DirectAsia	-	-	-	-	-	866	866
Shares issued in relation to Scrip Dividend	17	1,798	-	-	-	-	1,815
Dividends paid to owners of the Company (note 16)	-	-	-	-	(23,469)	-	(23,469)
Balance at 31 December 2014	19,913	10,417	89,864	56,700	1,276,446	866	1,454,206

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 2015

	Note	Six months to 30 June 2015 £000	Six months to 30 June 2014 £000	Year to 31 Dec 2014 £000
Profit before tax		135,075	124,620	231,075
Adjustments for:				
Interest and equity dividend income		(21,343)	(21,471)	(45,146)
Interest expense	12	4,406	3,175	6,418
Net fair value gains on financial assets and liabilities		(5,949)	(6,090)	(12,121)
Depreciation and amortisation		7,905	6,158	12,857
Charges in respect of share based payments		8,822	7,479	14,439
Other non-cash movements		1,389	(1,400)	(497)
Effect of exchange rate fluctuations on cash presented separately		11,769	12,563	6,740
Changes in operational assets and liabilities:				
Insurance and reinsurance contracts		(107,190)	13,062	174,158
Financial assets carried at fair value		189,270	(12,327)	(171,076)
Financial liabilities carried at fair value		264,306	-	6,880
Other assets and liabilities		(196,980)	(22,403)	(27,943)
Cash flows from operations		291,480	103,366	195,784
Cash paid to the defined benefit pension scheme		-	-	(200)
Interest received		21,189	19,420	43,292
Equity dividends received		790	1,097	1,702
Interest paid		(3,649)	(3,007)	(5,990)
Current tax paid		(23,924)	(23,021)	(62,563)
Cash flows from subscriptions received in advance		35,032	-	169,928
Net cash flows from operating activities		320,918	97,855	341,953
Cash flow from the purchase and sale of a subsidiary, net of cash balance	22	(6,171)	(1,277)	(2,627)
Cash flow from sale and purchase of associates		-	(2,103)	(1,687)
Cash flows from the purchase of property, plant and equipment		(10,057)	(2,414)	(11,727)
Cash flows from the purchase of intangible assets		(8,475)	(9,314)	(27,580)
Net cash flows from investing activities		(24,703)	(15,108)	(43,621)
Proceeds from the issue of ordinary shares		833	1,022	2,743
Distributions paid to owners of the Company	16, 17	(189,559)	(175,812)	(197,466)
Share purchase	17	-	(7,061)	(10,593)
Net cash flows from financing activities		(188,726)	(181,851)	(205,316)
Net increase/(decrease) in cash and cash equivalents		107,489	(99,104)	93,016
Cash and cash equivalents at 1 January		650,651	564,375	564,375
Net increase/(decrease) in cash and cash equivalents		107,489	(99,104)	93,016
Effect of exchange rate fluctuations on cash and cash equivalents		(11,769)	(12,563)	(6,740)
Cash and cash equivalents at end of period	21	746,371	452,708	650,651

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 2015 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interest in associates. The Chairman's statement accompanying these condensed consolidated interim financial statements forms the Interim Management Report for the half year ended 30 June 2015.

The Directors of Hiscox Ltd are listed in the Group's 2014 Report and Accounts, with the exception of the following changes. Anne MacDonald and Lynn Carter were appointed as Non Executive Directors on 20 May 2015. Richard Gillingwater and Dr James King resigned on 20 May 2015. Daniel Healey is acting as the interim Senior Independent Director. A list of current Directors is maintained and available for inspection at the registered office of the Company located at 4th Floor, Wessex House, 45 Reid Street, Hamilton, HM 12, Bermuda.

2 Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with the Listing Rules issued by the Financial Conduct 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 2014 which are available from the Company's registered office or at www.hiscoxgroup.com.

Except where otherwise indicated, all amounts are presented in Pounds Sterling and rounded to the nearest thousand.

After making enquiries, the Directors have an expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason the condensed consolidated interim financial statements have been prepared on a going concern basis and are prepared on the historical cost basis except that pension scheme assets included in the measurement of the employee retirement benefit obligation, and certain financial instruments including derivative instruments are measured at fair value.

Taxes on income for the interim period are accrued using the estimated effective tax rate that would be applicable to estimated total annual earnings.

The independent auditors have reported on the Group's full consolidated financial statements as at, and for the year ended, 31 December 2014. The report of the independent auditors was not qualified. The amounts presented for the 30 June 2015 and 30 June 2014 periods are unaudited.

These condensed consolidated interim financial statements were approved on behalf of the Board of Directors by the Chief Executive, BE Masojada and the Chief Financial Officer, SJ Bridges. Accordingly the Half Yearly Report to the London Stock Exchange was approved for issue on Monday, 27 July 2015 following receipt of confirmation from the auditors that they had reviewed the final content.

3 Accounting policies and methods of computation

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 2014. The consolidated financial statements as at, and for the year ended, 31 December 2014 were compliant with International Financial Reporting Standards as adopted by

the European Union and in accordance with the provisions of the Bermuda Companies Act 1981. The Interim Report is compliant with IAS 34 Interim Financial Reporting as adopted by the European Union.

In preparing these interim financial statements, Management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2014.

4 Financial, insurance and other risk management

The Group's financial, insurance and other risk management objectives and policies are consistent with that disclosed in note 3 of the full consolidated financial statements as at, and for the year ended, 31 December 2014. The principal risks and uncertainties are unchanged and may be summarised as underwriting risk, reserving risk, reliability of fair values, equity price risk, interest rate risk, liquidity risk, credit risk, currency risk and capital risk.

The Group continues to monitor all aspects of its financial risk appetite and the resultant exposure taken with caution, and has consequently suffered insignificant defaults on investments held, and other third-party balances during the period under review.

As detailed in note 18, the Group's investment allocation is broadly comparable to that at 31 December 2014 as outlined in the Group Report and Accounts. The Group also continues to be mindful of the processes required for establishing the reliability of fair values obtained for some classes of financial assets affected by ongoing periods of diminished liquidity. In order to assist users, the Group has disclosed the measurement attributes

of its investment portfolio in a fair value hierarchy in note 19 in accordance with IFRS 13 Fair Value Measurement.

The Group remains susceptible to fluctuations in rates of foreign exchange, in particular between Pound Sterling and the US Dollar.

Strong treasury management has ensured that the Group's balance sheet remains well capitalised and its operations are financed to accommodate foreseen liquidity demands together with a high level of capital sufficient to meet future catastrophe obligations even if difficult investment market conditions were to prevail for a period of time.

5 Seasonality and weather

Historically the Group's most material exposure to catastrophe losses on certain lines of business such as reinsurance inwards and marine and major property risk have been greater during the second half of the calendar year, broadly in line with the most active period of the North Atlantic hurricane season. In contrast, a majority of gross premium income written in these lines of business occurs during the first half of the calendar year. The Group actively participates in many regions and if any catastrophic events do occur, it is likely that the Group will share some of the market's losses. Consequently, the potential for significantly greater volatility in expected returns remains during the second half of the year. Details of the Group's recent exposures to these classes of business are disclosed in the Group's 2014 Report and Accounts.

6 Related party transactions

Transactions with related parties during the period are consistent in nature and scope with those disclosed in note 38 of the Group's 2014 Report and Accounts.

7 Operating segments

The Group's operating segment reporting follows the organisational structure and management's internal reporting systems, which form the basis for assessing the financial reporting performance of, and allocation of resource to each business segment.

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

Hiscox Retail brings together the results of the UK and Europe, and Hiscox International being the US, Guernsey and Asia retail business divisions. Hiscox UK and Europe underwrite European personal and commercial lines of business through Hiscox Insurance Company Limited, together with the fine art and non-US household insurance business written through Syndicate 33. In addition, Hiscox UK includes elements of specialty and international employees and officers' insurance written by Syndicate 3624. Hiscox International comprises the specialty and fine art lines written through Hiscox Insurance Company (Guernsey) Limited, and the motor business written via DirectAsia, together with US commercial, property and specialty business written by Syndicate 3624 and Hiscox Insurance Company Inc. via the Hiscox USA business division.

Hiscox London Market comprises the internationally traded insurance business written by the Group's London based underwriters via Syndicate 33, including lines in property, marine and energy, casualty and other specialty insurance lines. In addition, the segment includes elements of business written by Syndicate 3624 being auto physical damage, auto extended warranty and aviation business.

Hiscox Re is the reinsurance division of the Hiscox Group, combining the underwriting platforms in Bermuda, London and Paris. The segment comprises the performance of Hiscox Insurance Company (Bermuda) Limited with the reinsurance contracts written by Syndicate 33. In addition, the healthcare and casualty reinsurance contracts written in the Bermuda hub on Syndicate capacity are also included. The segment also captures the performance of Kiskadee, the Hiscox Group's Insurance Linked Securities business.

Corporate Centre comprises the investment return, finance costs and administrative costs associated

with Group management activities. Corporate Centre also includes the majority of foreign currency items on economic hedges and intragroup borrowings. These relate to certain foreign currency items on economic hedges and intragroup borrowings, further details of these can be found in note 13 of the Group's Report and Accounts for the year ended 31 December 2014. Corporate Centre forms a reportable segment due to its investment activities which earn significant external returns.

All amounts reported overleaf represent transactions with external parties only. In the normal course of trade, the Group's entities enter into various reinsurance arrangements with one another. The related results of these transactions are eliminated on consolidation and are not included within the results of the segments. This is consistent with the information used by the chief operating decision-maker when evaluating the results of the Group. Performance is measured based on each reportable segment's profit before tax.

Notes to the condensed consolidated interim financial statements

continued

	Six months to 30 June 2015					Six months to 30 June 2014					Year to 31 December 2014				
	Hiscox Retail £000	Hiscox London Market £000	Hiscox Re £000	Corporate Centre £000	Total £000	Hiscox Retail £000	Hiscox London Market £000	Hiscox Re £000	Corporate Centre £000	Total £000	Hiscox Retail £000	Hiscox London Market £000	Hiscox Re £000	Corporate Centre £000	Total £000
Gross premiums written	502,140	306,408	287,751	–	1,096,299	455,775	251,700	271,457	–	978,932	891,115	510,825	354,320	–	1,756,260
Net premiums written	472,474	217,122	170,488	–	860,084	418,029	189,463	125,100	–	732,592	825,878	336,895	180,637	–	1,343,410
Net premiums earned	424,547	179,107	106,169	–	709,823	373,352	163,078	107,041	–	643,471	790,721	332,497	193,041	–	1,316,259
Investment result	11,390	5,544	6,329	6,093	29,356	8,368	6,070	11,169	3,611	29,218	25,934	8,719	9,348	12,211	56,212
Other revenues	4,084	2,473	(4,226)	182	2,513	3,499	1,852	3,458	284	9,093	6,643	6,283	6,777	253	19,956
Revenue	440,021	187,124	108,272	6,275	741,692	385,219	171,000	121,668	3,895	681,782	823,298	347,499	209,166	12,464	1,392,427
Claims and claim adjustment expenses, net of reinsurance	(147,483)	(85,686)	(20,174)	–	(253,343)	(152,678)	(81,269)	(13,648)	–	(247,595)	(325,806)	(159,864)	(45,998)	–	(531,668)
Expenses for the acquisition of insurance contracts	(109,506)	(54,980)	(9,165)	–	(173,651)	(96,555)	(41,491)	(11,258)	–	(149,304)	(205,748)	(93,569)	(19,299)	–	(318,616)
Operational expenses	(112,965)	(18,789)	(18,539)	(9,917)	(160,210)	(96,003)	(16,877)	(16,881)	(11,700)	(141,461)	(209,213)	(40,597)	(39,623)	(21,420)	(310,853)
Foreign exchange (losses)/gains	(11,262)	(4,352)	243	(307)	(15,678)	(2,981)	(6,556)	(3,597)	(3,281)	(16,415)	(5,121)	9,044	2,682	(1,631)	4,974
Total expenses	(381,216)	(163,807)	(47,635)	(10,224)	(602,882)	(348,217)	(146,193)	(45,384)	(14,981)	(554,775)	(745,888)	(284,986)	(102,238)	(23,051)	(1,156,163)
Results of operating activities	58,805	23,317	60,637	(3,949)	138,810	37,002	24,807	76,284	(11,086)	127,007	77,410	62,513	106,928	(10,587)	236,264
Finance costs	–	(26)	(1,015)	(3,365)	(4,406)	–	(24)	(718)	(2,433)	(3,175)	–	(46)	(1,365)	(5,007)	(6,418)
Share of profit of associates after tax	515	156	–	–	671	373	–	–	415	788	655	182	–	392	1,229
Profit/(loss) before tax	59,320	23,447	59,622	(7,314)	135,075	37,375	24,783	75,566	(13,104)	124,620	78,065	62,649	105,563	(15,202)	231,075
100% ratio analysis*															
Claims ratio (%)	34.6	47.2	18.3	–	35.7	40.7	48.5	12.4	–	37.9	40.9	47.4	22.0	–	39.8
Expense ratio (%)	51.8	40.1	26.9	–	44.6	51.2	34.4	25.8	–	41.8	52.0	39.8	29.6	–	44.9
Combined ratio excluding foreign exchange impact (%)	86.4	87.3	45.2	–	80.3	91.9	82.9	38.2	–	79.7	92.9	87.2	51.6	–	84.7
Foreign exchange impact (%)	2.7	2.5	0.3	–	2.2	0.8	4.3	3.6	–	2.3	0.6	(3.0)	(1.8)	–	(0.8)
Combined ratio (%)	89.1	89.8	45.5	–	82.5	92.7	87.2	41.8	–	82.0	93.5	84.2	49.8	–	83.9
Total assets	1,595,749	1,220,083	1,978,434	334,051	5,128,317	1,494,074	1,008,195	1,670,010	334,263	4,506,542	1,598,928	1,200,237	1,868,321	311,623	4,979,109
Total liabilities	1,405,898	1,214,817	1,060,707	32,216	3,713,638	1,284,804	982,020	819,243	88,022	3,174,089	1,433,459	1,146,574	920,783	24,087	3,524,903

*The Group's percentage participation in Syndicate 33 can fluctuate from year-to-year and consequently, presentation of the ratios at the 100% level removes any distortions arising therefrom.

Notes to the condensed consolidated interim financial statements

continued

8 Net asset value per share

	30 June 2015		30 June 2014		31 Dec 2014	
	Net asset value (total equity) £000	NAV per share pence	Net asset value (total equity) £000	NAV per share pence	Net asset value (total equity) £000	NAV per share pence
Net asset value	1,414,679	505.5	1,332,453	425.6	1,454,206	462.5
Net tangible asset value	1,295,348	462.8	1,240,557	396.2	1,348,260	428.8

The net asset value per share is based on 279,875,668 shares (30 June 2014: 313,090,274; 31 December 2014: 314,419,567), being the adjusted number of shares in issue at each reference date. Net tangible assets comprise total equity excluding intangible assets.

9 Return on equity

	Six months to 30 June 2015 £000	Six months to 30 June 2014 £000	Year to 31 Dec 2014 £000
Profit for the period	129,380	119,846	216,152
Opening shareholders' equity	1,454,206	1,409,461	1,409,461
Adjusted for the time weighted impact of capital distributions and issuance of shares	(91,892)	(86,855)	(142,812)
Adjusted opening shareholders' equity	1,362,314	1,322,606	1,266,649
Annualised return on equity (%)	19.9	18.9	17.1

10 Investment result

i) Analysis of investment result

The total investment result for the Group before taxation comprises:

	Six months to 30 June 2015 £000	Six months to 30 June 2014 £000	Year to 31 Dec 2014 £000
Investment income including interest receivable	21,343	21,471	45,146
Net realised gains/(losses) on financial investments at fair value through profit or loss	2,064	1,657	(1,055)
Net fair value gains on financial investments at fair value through profit or loss	4,450	6,987	12,264
Investment result – financial assets	27,857	30,115	56,355
Fair value gains/(losses) on derivative financial instruments	1,499	(897)	(143)
Total result	29,356	29,218	56,212

Investment expenses are presented within other expenses (note 11).

ii) Annualised investment yields

	Six months to 30 June 2015		Six months to 30 June 2014		Year to 31 Dec 2014	
	Return £000	Yield %	Return £000	Yield %	Return £000	Yield %
Debt and fixed income securities	15,038	1.3	21,211	1.8	36,714	1.5
Equities and shares in unit trusts	11,910	9.3	7,914	7.2	17,604	7.6
Deposits with credit institutions/cash and cash equivalents	909	0.4	990	0.4	2,037	0.4
	27,857	1.8	30,115	2.0	56,355	1.8

11 Other revenues and operational expenses

	Six months to 30 June 2015 £000	Six months to 30 June 2014 £000	Year to 31 Dec 2014 £000
Agency related income	4,987	4,277	8,060
Profit commission	3,386	4,313	9,965
Other underwriting income and insurance linked funds	(6,374)	(286)	1,136
Other income	514	789	795
Other revenues	2,513	9,093	19,956
Wages and salaries	56,564	49,081	108,622
Social security costs	11,126	9,052	19,551
Pension cost – defined contribution	4,071	3,713	8,112
Pension cost – defined benefit	749	274	660
Share based payments	8,822	7,479	14,439
Marketing expenses	19,276	15,151	31,829
Investment expenses	1,826	1,865	4,192
Depreciation and amortisation	7,905	6,158	12,857
Other expenses	49,871	48,688	110,591
Operational expenses	160,210	141,461	310,853

In accordance with IAS 32 any changes in the fair value of the third-party investment in Kiskadee Funds, classified as a financial liability, are recognised as fair value gains or losses through profit or loss (note 18). As at 30 June 2015, the Group has recognised a loss of £6,374,000 (30 June 2014: £286,000).

12 Finance costs

	Six months to 30 June 2015 £000	Six months to 30 June 2014 £000	Year to 31 Dec 2014 £000
Interest and expenses associated with bank borrowings	1,120	905	1,931
Interest and charges associated with Letters of Credit	2,457	1,952	3,894
Interest charges on experience account	829	318	593
	4,406	3,175	6,418

As at 30 June 2015, the total amount drawn by way of Letter of Credit to support the Funds at Lloyd's requirement was \$529.5 million (30 June 2014: \$338.0 million; 31 December 2014: \$441.5 million).

13 Tax expense

The Company and its subsidiaries are subject to enacted tax laws in the jurisdictions in which they are incorporated and domiciled. The amounts charged in the condensed consolidated income statement comprise the following:

	Six months to 30 June 2015 £000	Six months to 30 June 2014 £000	Year to 31 Dec 2014 £000
Current tax			
Expense for the year	11,121	31,552	65,537
Adjustments in respect of prior years	(595)	(2,121)	(3,365)
Total current tax	10,526	29,431	62,172
Deferred tax			
Credit for the year	(4,473)	(24,328)	(45,633)
Adjustments in respect of prior years	(358)	(329)	(811)
Effect of rate change	–	–	(805)
Total deferred tax	(4,831)	(24,657)	(47,249)
Total tax charged to the income statement	5,695	4,774	14,923

The Group records its income tax expense based on the expected effective rate for the full year.

Notes to the condensed consolidated interim financial statements

continued

14 Insurance liabilities and reinsurance assets

	30 June 2015 £000	30 June 2014 £000	31 Dec 2014 £000
Gross			
Claims and claim adjustment expenses outstanding	1,908,893	1,804,902	1,967,864
Unearned premiums	1,076,813	934,936	867,335
Total insurance liabilities, gross	2,985,706	2,739,838	2,835,199
Recoverable from reinsurers			
Claims and claim adjustment expenses outstanding	357,218	322,946	368,319
Unearned premiums	220,085	191,011	157,026
Total reinsurers' share of insurance liabilities	577,303	513,957	525,345
Net			
Claims and claim adjustment expenses outstanding	1,551,675	1,481,956	1,599,545
Unearned premiums	856,728	743,925	710,309
Total insurance liabilities, net	2,408,403	2,225,881	2,309,854

Net claims and claim adjustment expenses include releases of £122.6m (30 June 2014: £90.0m, 31 December 2014: £172.2m) of reserves established in prior reporting periods.

The development of net claims reserves by accident years are detailed below:

Insurance claims and claims expenses reserves – net at 100%

Accident year ending 31 December**	2006 £000	2007 £000	2008 £000	2009 £000	2010 £000	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	Total £000
Estimate of ultimate claims costs as adjusted for foreign exchange*:											
at end of accident year**	524,356	685,983	776,122	689,201	802,661	1,003,936	795,704	766,772	796,167	420,380	7,261,282
one period later**	516,421	622,785	693,422	576,896	707,166	936,068	709,332	677,833	740,582	–	6,180,505
two periods later**	499,538	601,510	689,269	552,281	666,470	888,825	654,582	623,871	–	–	5,176,346
three periods later**	458,549	572,715	648,744	553,412	649,725	882,947	638,291	–	–	–	4,404,383
four periods later**	472,742	569,268	615,664	546,687	638,400	877,771	–	–	–	–	3,720,532
five periods later**	460,016	543,146	608,716	542,228	634,637	–	–	–	–	–	2,788,743
six periods later**	453,402	539,082	601,887	539,992	–	–	–	–	–	–	2,134,363
seven periods later**	453,769	525,947	594,013	–	–	–	–	–	–	–	1,573,729
eight periods later**	451,622	525,461	–	–	–	–	–	–	–	–	977,083
nine periods later**	451,032	–	–	–	–	–	–	–	–	–	451,032
Current estimate of cumulative claims	451,032	525,461	594,013	539,992	634,637	877,771	638,291	623,871	740,582	420,380	6,046,030
Cumulative payments to date	(427,078)	(486,824)	(561,903)	(466,344)	(516,467)	(704,230)	(448,059)	(379,401)	(286,363)	(61,688)	(4,338,357)
Liability recognised at 100% level	23,954	38,637	32,110	73,648	118,170	173,541	190,232	244,470	454,219	358,692	1,707,673
Liability recognised in respect of prior accident years at 100% level											92,276
Total net liability to external parties at 100% level											1,799,949

*The foreign exchange adjustment arises from the retranslation of the estimates at each date using the exchange rate ruling at 30 June 2015.

**With the exception of the most recent development data for each accident year, which only relates to the six months ending 30 June 2015, the term period refers to one full calendar year.

14 Insurance liabilities and reinsurance assets continued

Reconciliation of 100% disclosures above to Group's share - net

Accident year	2006 £000	2007 £000	2008 £000	2009 £000	2010 £000	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	Total £000
Current estimate of cumulative claims	451,032	525,461	594,013	539,992	634,637	877,771	638,291	623,871	740,582	420,380	6,046,030
Less: attributable to external Names	(94,763)	(102,690)	(105,068)	(84,404)	(86,234)	(118,788)	(71,696)	(61,114)	(76,624)	(51,850)	(853,231)
Group share of current ultimate claims estimate	356,269	422,771	488,945	455,588	548,403	758,983	566,595	562,757	663,958	368,530	5,192,799
Cumulative payments to date	(427,078)	(486,824)	(561,903)	(466,344)	(516,467)	(704,230)	(448,059)	(379,401)	(286,363)	(61,688)	(4,338,357)
Less: attributable to external Names	88,525	93,775	98,706	71,535	67,305	95,308	46,692	34,254	27,335	5,035	628,470
Group share of cumulative payments	(338,553)	(393,049)	(463,197)	(394,809)	(449,162)	(608,922)	(401,367)	(345,147)	(259,028)	(56,653)	(3,709,887)
Liability for 2006 to 2015 accident years recognised on Group's balance sheet	17,716	29,722	25,748	60,779	99,241	150,061	165,228	217,610	404,930	311,877	1,482,912
Liability for accident years before 2006 recognised on Group's balance sheet											68,763
Total Group liability to external parties included in the balance sheet, net†											1,551,675

†This represents the claims element of the Group's insurance liabilities and reinsurance assets.

15 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 in treasury as own shares.

	Six months to 30 June 2015	Six months to 30 June 2014	Year to 31 Dec 2014
Profit for the period attributable to owners of the Company (£000)	129,380	119,846	216,152
Weighted average number of ordinary shares in issue (thousands)	295,787	329,341	320,554
Basic earnings per share (pence per share)	43.7p	36.4p	67.4p

Diluted

Diluted earnings per share is calculated by adjusting the assumed conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares, share options and awards. 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. If the inclusion of potentially issuable shares would decrease the loss per share, the potentially issuable shares are excluded from the diluted earnings per share calculation.

Notes to the condensed consolidated interim financial statements

continued

15 Earnings per share continued

	Six months to 30 June 2015	Six months to 30 June 2014	Year to 31 Dec 2014
Profit for the period attributable to owners of the Company (£000)	129,380	119,846	216,152
Weighted average number of ordinary shares in issue (thousands)	295,787	329,341	320,554
Adjustment for share options (thousands)	12,806	14,553	14,315
Weighted average number of ordinary shares for diluted earnings per share (thousands)	308,593	343,894	334,869
Diluted earnings per share (pence per share)	41.9p	34.8p	64.5p

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

16 Dividends paid to owners of the Company

	Six months to 30 June 2015 £000	Six months to 30 June 2014 £000	Year to 31 Dec 2014 £000
Interim dividend for the year ended: 31 December 2014 of 7.5p (net) per share	–	–	23,469
	–	–	23,469

The final dividend equivalent for the year ended 31 December 2014 was paid as part of the E/F Share Scheme (2013: C/D Share Scheme), see note 17. 243,449,661 E and 77,251,864 F Shares of 60p each were issued, of which 15p per share was in lieu of a final dividend for 2014 of a cash value of £48,105,000. During 2014, the final dividend equivalent for the year ended 31 December 2013 was settled as 261,555,693 C and 93,647,894 D Shares of 50p each, of which 14p per share was issued in lieu of a final cash dividend of £49,728,000.

The interim dividend for 2014 was either paid in cash or issued as a scrip dividend at the option of the shareholder. The interim dividend for the year ended 31 December 2014 was paid in cash of £22,049,000 and 270,917 share for the scrip dividend.

An interim dividend of 8.0p (net) per ordinary share has been declared payable on 16 September 2015 to shareholders registered on 7 August 2015 in respect of the six months to 30 June 2015 (30 June 2014: 7.5p (net) per ordinary share). A scrip dividend alternative will be offered to the owners of the Company. The dividend was declared in Bermuda on 24 July 2015 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.

17 Share capital

	30 June 2015		30 June 2014		31 Dec 2014	
	Share capital £000	Number of shares	Share capital £000	Number of shares	Share capital £000	Number of shares
Issued ordinary share capital of 6.5p (2014: 6.0p)	19,002	292,338,669	19,852	330,865,514	19,913	331,873,654

The amounts presented in the equity structure of the Group above relate to Hiscox Ltd, the legal parent Company. At 30 June 2015, there are approximately 8.1 million ordinary shares held in Treasury.

17 Share capital continued

Changes in Group share capital, contributed surplus, C/D Shares and E/F Shares

	Ordinary share capital £000	Share premium £000	Contributed surplus £000	C Shares £000	D Shares £000	E Shares £000	F Shares £000
At 1 January 2014	20,854	4,953	89,864	–	–	–	–
Employee share option scheme – proceeds from shares issued	74	2,669	–	–	–	–	–
Issue of C/D Shares	–	(35)	–	128,988	46,824	–	–
Redemption of C/D Shares	–	–	–	(128,988)	(46,824)	–	–
Share consolidation and subdivision	(1,032)	1,032	–	–	–	–	–
Scrip dividends to owners of the Company	17	1,798	–	–	–	–	–
At 31 December 2014	19,913	10,417	89,864	–	–	–	–
Employee share option scheme – proceeds from shares issued	19	814	–	–	–	–	–
Issue of E/F Shares	–	(32)	–	–	–	143,176	46,351
Redemption of E/F Shares	–	–	–	–	–	(143,176)	(46,351)
Share consolidation and subdivision	(930)	930	–	–	–	–	–
At 30 June 2015	19,002	12,129	89,864	–	–	–	–

E/F Share issue and return of capital

On 2 March 2015, Hiscox Ltd announced its intention to return approximately £192 million, or 60p per existing ordinary share, to shareholders. This comprised 45p per share in the form of a special distribution and a final dividend equivalent of 15p per share. This was also accompanied by a consolidation of the Company's existing ordinary share capital as described below. These proposals were approved by shareholders at an Extraordinary General Meeting held on 25 March 2015.

On 26 March 2015, E/F Shares were issued to existing shareholders on the basis of one E or F Share (at the election of the shareholder) for each existing ordinary share held. Each E Share entitled the shareholder to receive 60p in the form of a dividend payable on 2 April 2015. Each F Share would be purchased by UBS Limited for the same amount. Following its purchase of the F Shares, UBS Limited exercised a put option requiring the Company to buy the shares for 60p each.

There were no E/F Shares outstanding at 30 June 2015 as both classes of shares had been redeemed and cancelled by that date.

As a result of these arrangements total capital of £189,559,000 was returned to shareholders, of which £32,000 was charged against the share premium account and the remaining £189,527,000 charged against retained earnings. An additional £2,862,000 of E Shares were distributed to the Employee Benefit Trust. The amount is not reported as a distribution as the trust forms part of the consolidated result.

In an effort to ensure that the net tangible asset value per share remained the same pre and post the return of capital, a 88 for 100 share consolidation was also undertaken. This was accompanied by a separate issue of deferred shares which were subsequently cancelled in order to arrive at a new par value for the ordinary shares of 6.5p each. No deferred shares were in issue at 30 June 2015 as all shares had been redeemed and cancelled by that date.

Share repurchase

The Trustees of the Group's Employee Benefit Trust purchased Hiscox Ltd shares through the market during 2014 to facilitate the settlement of vesting awards under the Group's performance share plan. As the trust is consolidated into the Group financial results, these purchases have been accounted for in the same way as treasury shares and have been charged against retained earnings. The shares are held by the Trustees for the beneficiaries of the trust.

Notes to the condensed consolidated interim financial statements

continued

18 Financial assets and liabilities

i) Analysis of financial assets carried at fair value

	30 June 2015 £000	30 June 2014 £000	31 Dec 2014 £000
Debt and fixed income securities	2,356,908	2,312,367	2,526,179
Equities and shares in unit trusts	263,865	223,001	252,916
Deposits with credit institutions	7,318	8,216	26,385
Total investments	2,628,091	2,543,584	2,805,480
Insurance linked fund	5,033	19,377	22,888
Derivative financial instruments	86	168	479
Total financial assets carried at fair value	2,633,210	2,563,129	2,828,847

ii) Analysis of financial liabilities carried at fair value

	30 June 2015 £000	30 June 2014 £000	31 Dec 2014 £000
Third-party investment in Kiskadee Funds	273,745	–	7,033
Derivative financial instruments	–	–	76
Total financial liabilities	273,745	–	7,109

iii) Investment and cash allocation

	30 June 2015		30 June 2014		31 Dec 2014	
	£000	%	£000	%	£000	%
Debt and fixed income securities	2,356,908	69.9	2,312,367	77.2	2,526,179	73.1
Equities and shares in unit trusts	263,865	7.8	223,001	7.4	252,916	7.3
Deposits with credit institutions/cash and cash equivalents	753,659	22.3	460,924	15.4	677,036	19.6
Total	3,374,432		2,996,292		3,456,131	

Included in cash and cash equivalents at 30 June 2015 are £307,568,000 (30 June 2014: £30,622,000; 31 Dec 2014: £41,258,000) of cash held by the special purpose vehicles which are consolidated by the Group through the Kiskadee Funds but in which the Group has an interest of less than 100%. The remaining interests are held by third-party investors and included in the consolidated balance sheet as financial liabilities in accordance with IAS 32.

Also included in cash and cash equivalents at 30 June 2015 are £35,032,000 (30 June 2014: £585,000; 31 Dec 2014: £169,928,000) of subscriptions received in advance by the two Kiskadee Funds and not yet invested at the balance sheet date. As a result, the Group has recognised a liability under trade and other payables for the same amount.

iv) Investment and cash allocation by currency

	30 June 2015 %	30 June 2014 %	31 Dec 2014 %
Sterling	19.7	24.0	22.7
US Dollars	65.9	59.5	63.0
Euro and other currencies	14.4	16.5	14.3

19 Fair value measurements

In accordance with IFRS 13 Fair Value Measurement, the fair value of financial instruments based on a three-level fair value hierarchy that reflects the significance of the inputs used in measuring the fair value is set out below:

As at 30 June 2015	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Debt and fixed income securities	634,161	1,722,747	–	2,356,908
Equities and shares in unit trusts	–	250,691	13,174	263,865
Deposits with credit institutions	7,318	–	–	7,318
Insurance linked fund	–	–	5,033	5,033
Derivative financial instruments	–	86	–	86
Total	641,479	1,973,524	18,207	2,633,210
Financial liabilities				
Third-party investment in Kiskadee Funds	–	–	273,745	273,745
Derivative financial instruments	–	–	–	–
Total	–	–	273,745	273,745

As at 30 June 2014

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Debt and fixed income securities	419,601	1,892,766	–	2,312,367
Equities and shares in unit trusts	–	208,249	14,752	223,001
Deposits with credit institutions	8,216	–	–	8,216
Insurance linked fund	–	–	19,377	19,377
Derivative financial instruments	–	168	–	168
Total	427,817	2,101,183	34,129	2,563,129
Financial liabilities				
Third-party investment in Kiskadee Funds	–	–	–	–
Derivative financial instruments	–	–	–	–
Total	–	–	–	–

As at 31 December 2014

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Debt and fixed income securities	682,940	1,843,239	–	2,526,179
Equities and shares in unit trusts	–	239,238	13,678	252,916
Deposits with credit institutions	26,385	–	–	26,385
Insurance linked fund	–	–	22,888	22,888
Derivative financial instruments	–	479	–	479
Total	709,325	2,082,956	36,566	2,828,847
Financial liabilities				
Third-party investment in Kiskadee Funds	–	–	7,033	7,033
Derivative financial instruments	–	76	–	76
Total	–	76	7,033	7,109

In addition, the contingent consideration payable of £1,875,000 in respect of the R&Q Marine Services Limited acquisition is measured at fair value based on Level 3 inputs, see note 22. In 2014, this was £470,000 in respect of the acquisition of DirectAsia.

Notes to the condensed consolidated interim financial statements

continued

19 Fair value measurements continued

The levels of the fair value hierarchy are defined by the standard as follows:

- Level 1 – fair values measured using quoted prices (unadjusted) in active markets for identical instruments;
- Level 2 – fair values measured using directly or indirectly observable inputs or other similar valuation techniques for which all significant inputs are based on market observable data;
- Level 3 – fair values measured using valuation techniques for which significant inputs are not based on market observable data.

The fair values of the Group's financial assets are based on prices provided by investment managers who obtain market data from numerous independent pricing services. The pricing services used by the investment managers obtain actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

Investments in mutual funds comprise a portfolio of stock investments in trading entities which are invested in various quoted investments. The fair value of shares in unit trusts are based on the net asset value of the fund reported by independent pricing sources or the fund manager.

Included within Level 1 of the fair value hierarchy are Government bonds, Treasury bills and exchange traded equities which are measured based on quoted prices.

Level 2 of the hierarchy contains US Government agencies, corporate securities, asset backed securities and mortgage backed securities. The fair value of these assets are based on the prices obtained from both investment managers and investment custodians as discussed above. The Group records the unadjusted price provided and validates the price through a number of methods including a comparison of the prices provided by the investment managers with the investment custodians and the valuation used by external parties to derive fair value. Quoted prices for US Government agencies and corporate securities are based on a limited number of transactions for those securities and as such the Group considers these instruments to have similar characteristics as those instruments classified as Level 2. Also included within Level 2 are units held in traditional long funds and long and short special funds and over the counter derivatives.

Level 3 contains investments in a limited partnership and unquoted equity securities which have limited observable inputs on which to measure fair value. Unquoted equities are initially carried at cost in the absence of observable pricing information, which is deemed to be comparable to fair value. The effect of changing one or more of the inputs used in the measurement of fair value of these instruments to another reasonably possible assumption would not be significant and no further analysis has been performed. The Group invested into the insurance linked fund in December 2012, which is subject to a two-year initial lock-up period. The fund specialises in catastrophe reinsurance opportunities. The fair value of the fund is estimated to be the net asset value reported by the fund administrator at the balance sheet date. This net asset value is based on the fair value of the underlying insurance contracts in the fund which are sensitive to estimates of insurances losses that have occurred. A change in these estimates could have a material impact on the valuation of the fund. The fund was partially redeemed in January 2015 with remaining redemption shares issued which paid out when the underwriting contracts expired on 30 June 2015.

The third-party investment in the Kiskadee Funds consists of the third-party interest of investors in the Kiskadee Funds that is classified as a financial liability in the Group consolidated financial statements in accordance with IAS 32. The fair value of the Kiskadee Funds is estimated to be the net asset value reported to investors as at the balance sheet date by the external fund administrator. The net asset value is based on the fair value of the underlying reinsurance contracts in the fund. Significant inputs and assumptions in calculating the fair value of the underlying reinsurance contracts include the fair value of cash and cash equivalents as well as estimates of insurance assets and liabilities which are unobservable inputs. The Group has considered changes in the net asset valuation of the Kiskadee Funds if reasonably different inputs and assumptions were used in the fair value estimate of insurance assets and liabilities and has found no significant changes in the valuation, given the lower level of catastrophe losses during the period. The net asset value and the third-party investment in Kiskadee Funds includes cash and cash equivalents of £272,381,000 at 30 June 2015.

In certain cases, the inputs used to measure the fair value of a financial instrument may fall into more than one level within the fair value hierarchy. In this instance, the fair value of the instrument in its entirety is classified based on the lowest level of input that is significant to the fair value measurement.

19 Fair value measurements continued

During the period, there were no significant transfers made between Level 1 and Level 2 of the fair value hierarchy. The following table sets forth a reconciliation of opening and closing balances for financial instruments classified under Level 3 of the fair value hierarchy:

	Financial assets			Financial liabilities
	Equities and shares in unit trusts £000	Insurance linked fund £000	Total £000	Third party investment in Kiskadee Funds £000
30 June 2015				
Balance at 1 January	13,678	22,888	36,566	7,033
Fair value gains or losses through profit or loss	(452)	4	(448)	6,374
Foreign exchange gains and losses	(17)	401	384	(3,968)
Purchases/subscriptions in the Kiskadee Funds	–	–	–	264,306
Settlements	(35)	(18,260)	(18,295)	–
Closing balance	13,174	5,033	18,207	273,745
Unrealised gains and losses in the period on securities held at the end of the period	(3,480)	(438)	(3,918)	6,374

	Financial assets			Financial liabilities
	Equities and shares in unit trusts £000	Insurance linked fund £000	Total £000	Third party investment in Kiskadee Funds £000
30 June 2014				
Balance at 1 January	14,064	19,917	33,981	–
Fair value gains or losses through profit or loss	2,389	(286)	2,103	–
Foreign exchange losses	(81)	(254)	(335)	–
Purchases	–	–	–	–
Settlements	(1,620)	–	(1,620)	–
Closing balance	14,752	19,377	34,129	–
Unrealised gains and losses in the period on securities held at the end of the period	394	159	553	–

20 Impact of foreign exchange related items

The net foreign exchange (losses)/gains for the year include the following amounts:

	Six months to 30 June 2015 £000	Six months to 30 June 2014 £000	Year to 31 Dec 2014 £000
Exchange (losses)/gains recognised in the consolidated income statement	(15,678)	(16,415)	4,974
Exchange (losses)/gains classified as a separate component of equity	(8,443)	(22,941)	34,019
Overall impact of foreign exchange related items on net assets	(24,121)	(39,356)	38,993

The above excludes profit or losses on foreign exchange derivative contracts which are included within the investment result.

Net unearned premiums and deferred acquisition costs are treated as non-monetary items in accordance with IFRS. As a result, a foreign exchange mismatch arises caused by these items being translated at historical rates of exchange prevailing at the original transaction date and not being retranslated at the end of each period. The impact of this mismatch on the income statement is shown in the table below.

	Six months to 30 June 2015 £000	Six months to 30 June 2014 £000	Year to 31 Dec 2014 £000
Opening balance sheet impact of non-retranslation of non-monetary items	1,608	(4,790)	(4,790)
(Losses)/gains included within profit representing the non-retranslation of non-monetary items	(8,516)	1,945	6,398
Closing balance sheet impact of non-retranslation of non-monetary items	(6,908)	(2,845)	1,608

Notes to the condensed consolidated interim financial statements

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21 Condensed consolidated interim cash flow statement

The purchase, maturity and disposal of financial assets and liabilities, including derivatives, is part of the Group's insurance activities and is therefore classified as an operating cash flow. Included within cash and cash equivalents held by the Group are balances totalling £104,082,000 (30 June 2014: £114,077,000; 31 December 2014: £142,617,000) not available for use by the Group outside of the Lloyd's Syndicates within which they are held.

22 Business combinations

Hiscox MGA Ltd (Formerly R&Q Marine Services Ltd)

On 27 February 2015, the Group acquired 100% of the share capital and voting rights of R&Q Marine Services Ltd for £9,250,000. Soon after the acquisition the company's name was changed to Hiscox MGA Ltd. The company is an underwriting agency specialising in yachts and the general marine leisure industry. They write a range of products, providing cover for super-yachts, small yachts, marina trades and yacht race cover. The acquisition will give Hiscox a platform within the yacht and marine leisure industry to underwrite to its existing Syndicate 33 on certain lines and to develop the MGA platform for the Group providing opportunities for future growth.

Purchase consideration

	£000
Initial cash consideration	7,375
Contingent consideration	1,875
Total purchase consideration representing fair value of net assets acquired	9,250

The contingent consideration reflected above of £1,875,000 represents the current fair value estimate of the expected additional consideration that may be payable to the seller. The contingent consideration is payable based on Hiscox MGA Ltd exceeding certain revenue targets during the first year post the acquisition.

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount £000	Fair value and accounting policy adjustments £000	Fair value £000
Intangible assets	–	9,185	9,185
Other debtors	299	–	299
Cash and cash equivalents	1,204	–	1,204
Total assets	1,503	9,185	10,688
Net client account creditors	1,295	–	1,295
Other creditors	143	–	143
Total liabilities	1,438	–	1,438
Net assets acquired	65	9,185	9,250

The assets and liabilities as at the acquisition date are stated at their provisional fair values and may be amended during the year if further evidence of the appropriate fair value is received.

The intangible shown above is primarily from acquiring the rights to renew the existing book of business and the underwriter teams contacts and experience in the marine leisure field.

The Group incurred acquisition-related costs of £72,000 on legal fees and due diligence costs. These costs have been included in administrative expenses.

Hiscox MGA Ltd contributed a profit of £534,000 to the Group's profit before tax for the period between 27 February 2015 and 30 June 2015.

Directors' responsibilities statement

The Directors confirm, to the best of our knowledge, that the Chairman's statement and condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and the Interim Statement includes a fair review of the information required by sections 4.2.7R and 4.2.8R of the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority, being:

- 1. an indication of important events during the first six months of the current financial year and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- 2. related party transactions that have taken place in the first six months of the current year and that have materially affected the consolidated financial position or performance of Hiscox Ltd during that period, and any changes in the related party transactions described in the last annual report that could have such a material effect.

The individuals responsible for authorising the responsibility statement on behalf of the Board are the Chief Executive, BE Masojada and the Chief Financial Officer, SJ Bridges. Accordingly the Half Yearly Report to the London Stock Exchange was approved for issue on Monday, 27 July 2015 following receipt of confirmation from the auditors that they had reviewed the final content.

Independent review report to Hiscox Ltd

Introduction

We have been engaged by Hiscox Ltd ('the Company') to review the condensed consolidated interim financial statements in the Interim Statement for the six months ended 30 June 2015 which comprises the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim balance sheet, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim cash flow statement and related explanatory notes. We have read the other information contained in the Interim Statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirement of the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA'). 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 Statement is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Statement in accordance with the DTR of the UK FCA.

As disclosed in note 3, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The Directors are responsible for ensuring that the condensed consolidated interim financial statements included in this Interim Statement have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial statements in the Interim Statement based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements in the Interim Statement for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

KPMG Audit Limited
Hamilton
Bermuda
27 July 2015

Neither an audit nor a review provides assurance on the maintenance and integrity of the Group's website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area. Legislation in Bermuda and in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.