

HALF YEAR FINANCIAL REPORT - 30 JUNE 2010

16.9% annualised RoE excluding the effect of foreign exchange on non-monetary items

Financial highlights

- Return on equity (annualised) excluding the effect of foreign exchange on non-monetary items of 16.9% (30 June 2009: 13.1%)
- Profit before tax excluding the effect of foreign exchange on non-monetary items increased by 12.2% to £72.8m (30 June 2009: £64.9m). Profit before tax of £77.5m (30 June 2009: £8.7m loss)
- Gross written premium 13.4% lower at £851.5m (30 June 2009: £983.0m) primarily reflects proactive management of the underwriting cycle and is in line with the Group's focus on achieving upper quartile underwriting performance. Premium rate increases of 1.1% achieved despite competitive market conditions (30 June 2009: 5.2%)
- Combined ratio excluding the effect of foreign exchange on non-monetary items of 96.5% (30 June 2009: 93.8%) including 7.1 percentage points for major claims (earthquake in Chile)
- Claims ratio excluding major claims improved by 9.0 percentage points reflecting strong profits arising from prior years and early evidence that the Group's strategy to improve underwriting returns is working. This was offset by a 6.2 percentage point increase in the expense ratio due to lower premium volumes, business mix and the timing of certain expenses. Overall, the combined ratio excluding major claims improved by 2.8 percentage points
- Prior year claims reserves continue to run-off positively with releases in the period of £41.9m (30 June 2009: release of £19.0m). During the period the Group successfully commuted, at a modest profit, a major Financial Risks contract which represented 30% of the original net reserves established for sub-prime related claims in 2007
- Investment return of £57.5m or 1.6% (30 June 2009: £59.2m or 1.8%)
- Effective tax rate of 13.0% (30 June 2009: 27.6%)
- Diluted earnings per share of 87.3p (30 June 2009: loss of 8.0p)
- Recommended 2010 interim distribution maintained at 30.0p per share
- Growth in net tangible assets per share of 4.6% to £11.00 (31 December 2009: £10.52) after payment of 2009 final distribution of 30.1p per share

Business development

- Significant progress achieved in meeting the Group's aim to be a top quartile underwriter with detailed plans rolled out by each business unit. Enhanced underwriting tools and portfolio analytics have been embedded throughout the organisation to enable underwriters to focus on developing the most profitable areas of accounts and re-underwrite risks that are not consistent with top quartile performance
- Continued emphasis on portfolio optimisation across the Group. In the UK the withdrawal from Local Authority (Municipal) business and a significant reduction in Private Motor is offset by the continued growth in Brit Lite, which specialises in micro-SME commercial insurance, and now represents 14% of the UK portfolio
- Continuation of the measured build-out of the Group's overseas network with the establishment of a representative office in Australia to formalise the previous third-party relationship
- Successful completion of the corporate reorganisation, with approximately £500m of the Group's capital resources now held outside of the UK

Dane Douetil, Group CEO of Brit Insurance Holdings N.V. commented:

"Brit Insurance has made excellent progress during the first six months towards our stated goal of delivering upper quartile underwriting performance. This progress has been reflected in the improvement of our return on equity to 16.9% despite difficult underwriting and investment markets. Particularly pleasing has been the material improvement in our underlying claims ratio from 62.0% to 53.0% once the effect of large claims (Chile this year and Air France last year) has been removed. Our successful move to the Netherlands is already bearing fruit with a strong post tax result of £67.4m.

"Although Brit Insurance is well prepared for Solvency II the industry must guard against the direct and hidden costs of the ever increasing capital and regulatory burden in the post credit crunch world. Change is required but it must be relevant and proportionate. The economic outlook remains challenging but our established multi-product franchise, geographic spread and strong balance sheet position us well to outperform the market."

Financial highlights and key performance indicators

	6 months ended 30 June 2010	6 months ended 30 June 2009	Year ended 31 December 2009
Gross written premium (£m)	851.5	983.0	1,696.4
Net written premium (£m)	649.2	792.1	1,471.4
Net earned premium (£m) ²	624.5	743.3	1,495.5
Investment return (£m)	57.5	59.2	137.4
Profit before tax excluding the effect of foreign exchange on non-monetary items (£m) ¹	72.8	64.9	171.3
Profit / (loss) before tax (£m)	77.5	(8.7)	116.4
Profit / (loss) after tax (£m)	67.4	(6.3)	87.5
Net assets (£m)	938.7	810.6	894.6
Net tangible assets (£m)	856.4	727.7	813.4
Total invested assets (£m)	3,456.3	3,231.5	3,475.3
Diluted earnings / (loss) per share (pence)	87.3	(8.0)	113.2
Distribution per share – proposed / paid (pence)	30.0	30.0	60.1 ³
Net assets per share (£)	12.05	10.48	11.57
Net tangible assets per share (£)	11.00	9.41	10.52
Return on equity excluding the effect of foreign exchange on non-monetary items (annualised)	16.9%	13.1%	17.4%
Return on equity (annualised)	17.8%	(1.1)%	12.2%
Claims ratio ²	60.1%	63.6%	62.2%
Expense ratio ²	36.4%	30.2%	31.8%
Combined ratio ²	96.5%	93.8%	94.0%
Investment return	1.6%	1.8%	4.2%
Tax rate	13.0%	27.6%	24.8%

¹ Under International Financial Reporting Standards (IFRS), unearned premium and deferred acquisition costs are classified as non-monetary items and therefore translated at historic exchange rates. Corresponding monetary items are translated at closing rates. If non-monetary items were to be translated at closing rates, the 2010 half year result would decrease by £4.7m (30 June 2009 result increase by £73.6m; 31 December 2009 result increase by £54.9m).

² Excluding the effect of foreign exchange on non-monetary items.

³ Reflects interim 2009 dividend and final 2009 distribution received by shareholders on 15 July 2010.

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Notes to Editors

Brit Insurance is an international general insurance and reinsurance group specialising in commercial insurance. The Group writes a diverse portfolio of over 70 classes of insurance and reinsurance offering worldwide protection. The scope is wide-ranging: from sole traders to the largest multinational corporations; from manufacturers to professional services; from shops to satellites. Our distribution model is centred on brokers and intermediaries. Reflecting where our customers trade, we are organised into three strategic business units – Global Markets, UK and Reinsurance – which have access to our underwriting platforms including Brit Insurance Limited and our Lloyd's syndicate, Brit Syndicate 2987.

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HALF YEAR MANAGEMENT REPORT

OVERVIEW OF THE RESULTS

In the first half of 2010 Brit Insurance (the Group) produced an annualised return on equity excluding the effect of foreign exchange on non-monetary items of 16.9% (30 June 2009: 13.1%). This result, which benefited from positive foreign currency effects, is strong in the context of the significant level of catastrophic claim activity in the period and the low investment yield environment. Profit before tax excluding the effect of foreign exchange on non-monetary items rose by 12.2%.

Summary income statement	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m
Gross written premium	851.5	983.0
Net written premium	649.2	792.1
Net earned premium ¹	624.5	743.3
Underwriting result ¹	20.4	43.5
Investment return	57.5	59.2
Other expenses	(17.4)	(16.3)
Other foreign exchange	20.3	(20.9)
Other income, finance costs and associates	(8.0)	(0.6)
Profit before tax excluding the effect of foreign exchange on non-monetary items	72.8	64.9
Effect of foreign exchange on non-monetary items	4.7	(73.6)
Profit / (loss) before tax	77.5	(8.7)
Tax	(10.1)	2.4
Profit / (loss) after tax	67.4	(6.3)
Combined ratio ¹	96.5%	93.8%
RoE ¹	16.9%	13.1%

¹ Excluding the effect of foreign exchange on non-monetary items

Premiums

Gross written premium (GWP) for the six months to 30 June 2010 decreased by 13.4% to £851.5m (30 June 2009: £983.0m). At constant exchange rates the fall was 13.0% (30 June 2009: 11.6% growth). The reduction in GWP was due to two main factors: proactive management of the underwriting portfolio with a disciplined approach to renewal and new business together with lower positive movements on prior underwriting year premium estimates than in 2009. The reduction in GWP is in line with the Group's 2010 business plan and previous guidance that the Group did not plan to grow premium volumes during 2010.

Gross written premium	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	Movement at constant exchange rates %
Global Markets	400.2	469.3	(14.0)
Reinsurance	240.7	277.4	(12.6)
UK	210.1	235.5	(11.4)
Other ²	0.5	0.8	-
Total Group	851.5	983.0	(13.0)

² Includes the run-off of historic participations including Life Syndicate 389.

Premium rate increases for the period were 1.1% (30 June 2009: 5.2%; 31 December 2009: 4.8%) and were broadly in line with the Group's expectations at the start of the year. Rate increases were experienced in each SBU with the UK division seeing the largest rise.

Premium rating increases on renewal business	6 months ended 30 June 2010 %	6 months ended 30 June 2009 %	12 months ended 31 December 2009 %
Global Markets	0.2	4.4	4.3
Reinsurance	0.6	8.3	7.4
UK	2.9	3.4	3.7
Total Group	1.1	5.2	4.8

The Group has continued to manage its underwriting portfolio actively over the period.

Over the last two years Global Markets has non-renewed over £160m of business that no longer met the return criteria for the business unit. In particular this has led to a reduction in the long-tail portfolio which now represents 30% of the premium written by Global Markets, down from 40% in 2008. Lower premium volumes in Accident and Health (GWP down 29%) and in Specialty Lines (GWP down 23%) are evidence of actions taken over the last two years. During 2010, portfolio optimisation has continued with a targeted focus on developing the top 20% of business and re-underwriting the worst performing 20% of the Global Market portfolio.

The reduction in premium from the Reinsurance division reflects the non-recurrence of positive movements on prior year premium recognised during 2009. On an underlying basis, GWP was broadly flat with Property Treaty volumes slightly lower and Casualty Treaty volumes modestly higher. Average premium rate increases of 0.6% were experienced with reductions in headline US catastrophe rates more than offset by rate increases in other areas of the account which had seen claim activity during 2009.

In the UK, premium rates continue to rise, albeit slowly. The division has used the current market conditions to accelerate its portfolio management actions with a 60% reduction in the Private Motor account and an exit from Local Authority (Municipal) business. In each of these classes the unit does not believe that it can generate a suitable return on capital across the insurance cycle. The division holds a leading role in micro-SME insurance market through its Brit Lite proposition and continues to see good penetration through this segment. The contribution from Brit Lite has increased to 14% from 11% in 2009.

Net written premium (NWP) decreased by 18.0% to £649.2m (30 June 2009: £792.1m) and net earned premium (NEP) excluding the effect of foreign exchange on non-monetary items decreased by 16.0% to £624.5m (30 June 2009: £743.3m). Lower net earned premium is a result of the reductions in written premium but also the timing of the recognition of reinsurance premiums, the effect of which is expected to partially reverse in the second half of 2010.

Underwriting

The Group combined ratio excluding the effect of foreign exchange on non-monetary items increased to 96.5% (30 June 2009: 93.8%). The claims ratio fell by 3.5 percentage points but the improvement was more than offset by an increase in the expense ratio to 36.4%.

Combined ratio (excluding the effect of foreign exchange on non- monetary items)	6 months ended 30 June 2010			6 months ended 30 June 2009		
	Claims ratio %	Expense ratio %	Combined ratio %	Claims ratio %	Expense ratio %	Combined ratio %
Global Markets	56.1	40.5	96.6	60.3	32.6	92.9
Reinsurance	60.6	25.5	86.1	69.1	22.1	91.2
UK	63.0	37.5	100.5	65.6	32.7	98.3
Total Group³	60.1	36.4	96.5	63.6	30.2	93.8

³ Includes the run-off of historic participations including Life Syndicate 389 and specific XL contracts underwritten by Brit Insurance (Gibraltar) PCC Limited (BIG).

The reduction in the Group claims ratio reflects continued strong profits arising from prior year business together with early evidence that the Group's strategy to improve underwriting returns, especially in Global Markets, is working. This more than offsets a higher burden from catastrophe claims. The claims ratio excluding major claims improved by 9.0 percentage points compared with the first six months of 2009.

The period saw a significant level of natural and man-made catastrophes with insured claims from natural catastrophes estimated by the Munich Re NatCat Service at US\$22bn. This is more than double the first-half average since 2000.

Date	Event	Est. market claim (US\$bn)	Source
26 February 2010	Windstorm Xynthia - Europe	3.4	Munich Re NatCat Service
27 February 2010	Earthquake - Chile	8.0	Munich Re NatCat Service
6 March 2010	Hailstorms and floods - Australia	0.8	Insurance Council of Australia
20 April 2010	Deepwater Horizon – Gulf of Mexico	1.4-3.5	Moody's

The effect of major claims (i.e. net claims greater than £10m to the Group) was US\$67m (£44m) in the period compared with £12m in 2009. This added 7.1 percentage points to the Group claims ratio (30 June 2009: 1.6 percentage points). Major claims in the period arose entirely from the Chilean earthquake on 27 February 2010 and the Group's estimate of its exposure is marginally lower than its initial estimate of US\$71m disclosed on 26 March 2010.

This estimate has been derived by a thorough ground-up analysis for each portfolio, and for the Property Treaty Catastrophe account the Group believes this approach is consistent with a market loss of approximately US\$6bn. The Group further estimates that should the market loss reach US\$10bn its inwards International Property Treaty Catastrophe account will have no additional exposure to any deterioration beyond this level. Under this scenario and including a similarly conservative estimate for the Direct account, the Group estimates a total net exposure of approximately US\$82m (£54m), a US\$15m reduction compared with its initial estimate on 26 March 2010.

In addition the Group was exposed to a significant number of larger than normal attritional claims, for example, the explosion on the Deepwater Horizon oil platform in the Gulf of Mexico on 20 April 2010, windstorm Xynthia in Northern Europe and adverse weather in Australia. The aggregate claims from these events are estimated in the region of £17.4m.

As part of the Group's standard reserving process, the Group released £41.9m of claims reserves from prior years (30 June 2009: £19.0m) equivalent to 6.7 percentage points of net earned premium (30 June 2009: 2.6 percentage points of net earned premium). The Group experienced reserve releases across each of the business units with the largest contributions arising from Casualty Treaty, UK Employers' Liability and Aerospace.

Net reserve movements by SBU	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	12 months ended 31 December 2009 £m
Global Markets	10.9	18.1	13.8
Reinsurance	15.9	(11.7)	24.1
UK	16.7	12.1	41.2
Other ⁴	(1.6)	0.5	2.1
Total Group	41.9	19.0	81.2

⁴ Includes specific XL contracts underwritten by BIG and Syndicate 389

During the period, the Group has had success in further reducing the level of uncertainty in relation to claims arising out of the financial crisis in 2007 and 2008. During the period the Group successfully commuted, at a modest profit, a major Financial Risks contract which represented 30% of the original reserves (net of reinsurance) established for sub-prime related claims in 2007. For the remaining notifications, reserves continue to prove robust.

To aid understanding of the Group's reserving track record, the net ultimate loss ratios on an underwriting year basis are set out below. This table should be read horizontally and shows how over time the ultimate net loss ratio on each underwriting year develops from the level at which it was initially set. These figures are based on premium net of brokerage which is the basis on which the Group sets its claims reserves.

Development of Group ultimate net loss ratio by underwriting year								
	After 1 year	After 2 years	After 3 years	After 4 years	After 5 years	After 6 years	After 7 years	At 30 June 2010
2003	74%	72%	64%	59%	56%	53%	51%	50%
2004	81%	79%	72%	70%	67%	66%		65%
2005	106%	110%	107%	104%	102%			98%
2006	81%	83%	80%	76%				75%
2007	89%	92%	92%					91%
2008	95%	99%						101%
2009	85%							88%

As this data is on an underwriting year basis, claims in the current calendar year can affect the previous underwriting years. For example the increase in the ultimate net loss ratio for 2009 is mainly caused by the claims arising from the Chilean earthquake which has affected both the 2009 and 2010 underwriting years (and to a lesser extent the 2008 underwriting year). For this reason, the triangle is most informative when read from the point 'After 2 years' by which time most business is off risk.

The consistent positive run-off from reserves held for the 2007 and prior underwriting years (after two years) is evidence of the conservativeness of the Group's reserving policy. The modest increase in reserves for the 2008 underwriting year is partly attributable to current year claims (Chile and Irish floods) which have attached to the 2008 underwriting year and to the Group's policy of retaining a conservative margin on younger years, in particular during the recent recessionary period.

The Group continues to reserve on a consistent basis and retains a margin in addition to internal actuarial best estimate to allow for uncertainties. The current margin of £40m is the same as the previous two years. For many years the Group has had an external actuarial firm annually review the reserves and the internal actuarial best estimate has consistently been higher than the external best estimate, i.e. more conservative. From 2005 to 2009 the Group released accumulatively £364m from reserves (averaging £73m per annum) and this trend has continued into the first half of 2010 with a release of

£41.9m. Taken together, the maintenance of a consistent margin and continued reserve releases, demonstrates the strength of the Group's reserving position.

The expense ratio increased to 36.4% following a particularly low expense ratio in the first half of 2009. The increase is a result of a number of factors including: reduction in premium volumes (2.8 percentage points), business mix (1.6 percentage points), an increase in the bonus accrual as a result of significantly higher pre-tax profit (0.6 percentage points) and higher levies (1.0 percentage points) including the reallocation of certain premium levies from the claims ratio to the expense ratio. For the full year an expense ratio of 35% is anticipated. Management continues to focus on efficiency throughout the Group.

Other underwriting related items

The charge relating to the Group's catastrophe swap contract with Fremantle Limited, which is accounted for as a derivative, was £1.8m in the first half of 2010 (30 June 2009: £2.4m). This arrangement has now expired and the principal was returned to investors in full on 28 June 2010.

Investment return

The Group continued to maintain a conservative investment stance with the majority of investments in cash and short-dated high quality bonds. Investment return was £57.5m for the period (30 June 2009: £59.2m) as government securities continued to benefit from movements in the yield curve. This resulted in an investment yield for the period (non-annualised) of 1.6% (30 June 2009: 1.8%). See the Investments section later in this report for a detailed breakdown of the investment portfolio and investment return for the first six months of 2010.

Other corporate expenses

Other non-insurance related expenses, which include Group central costs and any project costs, increased by £1.1m compared with the first half of 2009. The main increase arose from costs associated with the Group's new headquarters in Amsterdam.

	6 months ended 30 June 2010		6 months ended 30 June 2009	
	Expenses £m	Ratio %	Expenses £m	Ratio %
Acquisition costs – commission ⁵	159.0	25.5	167.8	22.6
Other insurance related expenses	68.1	10.9	56.4	7.6
Underwriting expenses	227.1	36.4	224.2	30.2
Other corporate expenses	17.4	2.8	16.3	2.2
Total expenses	244.5	39.2	240.5	32.4

⁵ Excluding the effect of foreign exchange on non-monetary items.

Group headcount at 30 June 2010 increased by 2% to 758 (31 December 2009: 741; 30 June 2009: 717) reflecting the build-out of the Group's non-UK offices.

Foreign exchange

The Group experienced a foreign exchange benefit of £25.0m in the period (30 June 2009: £94.5m charge).

First, the Group experienced a foreign exchange benefit of £20.3m relating to a real gain on the mark to market of the element of the Group's capital that it holds in non-Sterling currencies. At 30 June 2010, £316.8m of the Group's net tangible assets were denominated in non-Sterling currencies.

Secondly, the Group recognised a benefit of £4.7m relating to the IFRS requirement to recognise non-monetary assets and liabilities (i.e. deferred acquisition costs (DAC) and unearned premium reserve (UPR)) at historic exchange rates. At 30 June 2010, the difference between recognising non-monetary assets and liabilities at historic rather than closing exchange rates was an additional £3.8m net asset. This reflects the relative weakness of Sterling at 30 June 2010 compared to the historic rate over the period. At 31 December 2009, the respective amount was an additional net liability of £0.9m. The benefit in the first half of 2010 of £4.7m is the movement between the differences at 31 December 2009 and 30 June 2010.

On the basis that exchange rates remain constant, the additional net asset at 30 June 2010 of £3.8m will reverse as a charge to earnings during the second half of 2010 and early 2011. Figures relating to this adjustment are disclosed separately in the segmental information in the column 'Effect of foreign exchange on non-monetary items'. The Group

considers this as purely a timing difference in profit recognition that will reverse in future periods and has therefore presented additional profit before tax and RoE figures excluding its effect.

The total foreign exchange related benefit of £25.0m is made up of £33.4m 'Net foreign exchange gain' per the face of the income statement and a reclassification of part of the foreign exchange translation on non-monetary items to premium and acquisition costs. This latter adjustment can be seen in the column 'Effect of foreign exchange on non-monetary items' in Note 4 to the Financial Statements – Segmental information.

Effect of foreign exchange on non-monetary items	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	12 months ended 31 December 2009 £m
UPR/DAC valued at historic rates of exchange	475.3	518.5	461.8
UPR/DAC valued at closing rates of exchange	479.1	498.9	460.9
Valuation difference in closing balance sheet	3.8	(19.6)	(0.9)
Valuation difference in opening balance sheet	(0.9)	54.0	54.0
Effect of foreign exchange on non-monetary items	4.7	(73.6)	(54.9)

Foreign exchange gains/(losses)	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	12 months ended 31 December 2009 £m
Gains/(losses) on exchange	20.3	(20.9)	(3.3)
Effect of FX on non-monetary items (from above)	4.7	(73.6)	(54.9)
Total foreign exchange gains/(losses)	25.0	(94.5)	(58.2)
Of which:			
Net FX gains/(losses) (per face of income statement)	33.4	(61.0)	(33.4)
Included within premium and acquisition costs (per segmental)	(8.4)	(33.5)	(24.8)

Associated undertakings

The Group's share of the results of associated undertakings was a loss of £0.7m (30 June 2009: loss of £1.0m).

Result before tax

The Group's profit before tax excluding the effect of foreign exchange on non-monetary items was £72.8m, a 12.2% increase over the prior period (30 June 2009: £64.9m). Including the effect of foreign exchange on non-monetary items, the profit before tax rose to £77.5m (30 June 2009: £8.7m loss).

Tax

The Group's effective tax rate of 13.0% (2009: 27.6%) reflects the initial benefit of the Group reorganisation in late 2009 and a favourable geographic mix of profits. In accordance with accounting standards the half year tax charge is based on the rate expected for the full year derived from latest projections. Aside from material events the tax rate for the full year is anticipated to be comparable to the half year.

The UK Government has announced proposals to reduce the rate of corporate taxation over the next five years. The proposals are as yet not enacted. The Group estimates the long term benefit of the reduction in tax rate in respect of future taxes already provided for (deferred tax) will be no more than £1.5m. The UK rate of insurance premium tax is also to increase from January 2011 with most risks subject to tax of 6%. The rate change may lead to increased costs for the industry.

The Gibraltar Government has recently released, for consultation, tax legislation to come into effect from January 2011. It has also confirmed a corporate tax rate of 10%. The effect of the change in legislation on the Group has yet to be estimated pending finalisation of the legislation. The Group is on track to reduce the effective tax rate over time to less than half the UK corporation tax rate.

Net income, EPS and return on equity

Net income for the six months to 30 June 2010 was a profit of £67.4m compared to a loss of £6.3m in the six months to 30 June 2009. This translates into EPS of 87.3p (30 June 2009: loss of 8.0p) and return on equity (annualised) of 17.8% (30 June 2009: -1.1%).

Excluding the effect of foreign exchange on non-monetary items, the annualised return on equity was 16.9% compared with the annualised return on equity excluding the effect of foreign exchange on non-monetary items of 13.1% for the first six months of 2009.

Distributions

In February 2010, the Group announced its intention to pay a final distribution in relation to 2009 of 30.0p per share and this was approved by shareholders on 6 May 2010. Brit Insurance Holdings N.V.'s distributions are denominated in whole Euro cents and the final distribution was set at 36 Euro cents. This was paid on 15 July 2010 with shareholders electing to take the distribution in Sterling receiving 30.1p per share. The scrip alternative was taken up by 25% of shareholders (by number of shares).

The Board recommends a half-year 2010 distribution of 30.0p per share. Subject to the approval of shareholders and the Dutch Court, it is payable on 7 December 2010 to shareholders on the register on 22 October 2010. The share will go ex-distribution on 20 October 2010. As the Group is currently in an offer period the Board has decided not to offer a scrip alternative on this occasion.

Net asset value

Net tangible asset value (NTA) of £856.4m rose 5.3% during the period, reflecting the net attributable profit for the period less the cash element of the distribution of £17.7m.

Capital and liquidity

The Group balance sheet remains strong, and the Group's main insurance carriers, Brit Insurance Limited (BIL) and Lloyd's Syndicate 2987, benefit from strong ratings from the major ratings agencies. BIL's ratings of A (Strong) from Fitch Ratings and A (Excellent) from AM Best were both affirmed with stable outlooks in June 2010 and remain in the target range of mid to high 'A'. Syndicate 2987's effective rating from trading through Lloyd's is A+ (Strong) from Standard and Poor's and Fitch Ratings and A (Excellent) from AM Best.

The Group has access to a three year £175m revolving credit facility effective from 9 November 2009. At 31 December 2009 £107.0m was drawn and this was fully repaid during the period to leave the facility undrawn at 30 June 2010. The facility was redrawn in early July and on 27 July 2010 the outstanding amount was £25m. The Group's gearing ratio was 13.4% on 30 June 2010 (31 December 2009: 25.1%) and it remains within the Group appetite to retain a gearing ratio below 30%.

Business development

During 2010 the Group is continuing to embed the changes required to deliver on its aim to move underwriting performance from market average to top quartile. Significant strides have already been made through proactive portfolio management and investment has been made in key areas of the business. Each SBU has a clear focus on driving upper quartile performance in its own Peer Group. A number of actions have already been taken in 2010, the full benefits of which are yet to be realised. At the same time the Group continues to get closer to its customer as well as build an efficient and effective operating structure.

- **Portfolio management:** The Group continues to manage its underwriting portfolio actively both across and within the SBU structure. Global Markets's premium volumes continue to reduce as effects of previous portfolio actions take effect. In addition the UK division has been active during late 2009 and into early 2010 to scale back significantly its involvement in Private Motor as well as exit Local Authority (Municipal) business. Both of these areas are no longer expected to generate sufficiently high returns over the cycle.
- **Investment in the business:** The Group announced a new 2010 investment programme to facilitate moving its underwriting performance into the top quartile. Areas of investment include UK portfolio performance management, claims lifecycle and the Delegated Underwriting Centre of Excellence. These investments each have clearly targeted profit improvement at their core.
- **Extending spread of reach:** The Group made good progress on the strategic objective of getting closer to its customers. Over the last 18 months, the Reinsurance division has opened a representative office in Japan as well as converted a pre-existing relationship in Australia into a full representative office. Brit Insurance Services (USA) Inc (BISI) which began trading in 2009 has had a successful first year and now has a staff of 13. BISI's growth will be measured and focus initially on Facultative Casualty and Property not normally seen in London. Premium written by BISI to 1 July 2010 was US\$21.4m and included 56% growth in the Religious Package business originally transferred from London.

- Corporate reorganisation: The Group's corporate reorganisation is now complete with a new head office in Amsterdam. The build out of the Group's non-UK operations has accelerated over the period with the appointment of a new Head of Office in Amsterdam and in Gibraltar. At 30 June 2010 approximately £500m of the Group's capital resources are held outside of the UK.

Approach from Apollo

Shareholders should note the separate announcement made today updating on the potential offer by Apollo. A further announcement will be made in due course as appropriate.

Outlook

The underwriting market in the first half of 2010 has traded broadly in line with the Group's expectations with rate increases on renewed business averaging 1.1% in the period. The UK division posted the strongest rate increases as the UK underwriting market continues its slow turn, whilst broadly flat rates in Global Markets is consistent with the Group's view that the market is finely balanced. Rate increases of 0.6% in Reinsurance in the period remained stable after the July renewals as rate increases in Marine XL offset modest reductions in Property Treaty North America. The margin in the Reinsurance business remains strong.

It is expected that the large claims experienced in the first half of 2010 will have a localised positive effect on pricing for specific classes of business but will not in general be market changing. Clearly the outcome of the US wind season together with capital markets trends will be important drivers of the direction of pricing in 2011.

In the UK the 2009 full year results for the major insurers have again demonstrated that the accident year combined ratio for the market was over 100%. Furthermore, additional evidence of insurer pain was seen by the withdrawal of Quinn Insurance which entered administration during the second quarter. These factors together with low investment returns should lead to a continuation of market-wide rate increases. Currently, however, there is little evidence to suggest that rate increases are accelerating at a level that will lead to the industry combined ratio falling below 100%.

With the three SBUs trading at different points within their respective underwriting cycles the Group believes its diverse business franchise is well positioned to face the current market conditions. However, in these market conditions it is paramount that capital is allocated actively to areas of the underwriting portfolio that offer the best returns and that underwriters are willing to walk away from underpriced business. With a strong balance sheet and a focus on improving underwriting returns, the Group is confident of its ability to continue to create long-term value for its shareholders.

GLOBAL MARKETS

	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Gross written premium			
Accident & Health	34.9	49.3	87.4
Aerospace	12.3	17.7	22.9
Specialty Lines	61.4	79.3	151.9
Professional Lines	58.9	74.0	161.6
Marine	132.1	138.6	253.8
Property	100.6	110.4	197.7
Total	400.2	469.3	875.3
Net earned premium	332.4	421.8	819.9
Net reserve movement from prior years	10.9	18.1	13.8
Underwriting profit	11.3	28.7	22.6
Operating profit	21.2	32.0	42.8
Combined ratio	96.6%	92.9%	96.9%

Premium rating increases/(decreases) on renewal business	6 months ended 30 June 2010 %	6 months ended 30 June 2009 %
Accident & Health	0.5	1.4
Aerospace	(8.0)	(6.2)
Specialty Lines	1.1	4.6
Professional Lines	1.4	(0.3)
Marine	1.0	8.4
Property	(1.3)	3.4
Total	0.2	4.4

The rate movements should be read with caution. They are based on underwriters' estimates of rate changes, including adjustments to terms and conditions. They relate to renewal business only, since this represents the business for which the Group has the best year-on-year data.

Financial Review

- Gross written premium decreased by 14.7% to £400.2m (30 June 2009: £469.3m), a fall of 14.0% at constant exchange rates. The reduction reflects portfolio actions taken over the last two years with in particular reductions of over 20% in Accident and Health and the longer-tail classes of business – Professional Lines and Specialty Lines.
- Rate movements in 2010 have been broadly flat to date with most rates in the range of -1% to +1%. Rates in Marine Energy have started to respond to the Deepwater Horizon rig explosion with 15% rate increases in the Gulf of Mexico and up to 30% rate increases on Contractors business.
- The underwriting result decreased to £11.3m with a combined ratio of 96.6% (30 June 2009: £28.7m and 92.9%). The claims ratio fell by 4.2 percentage points to 56.1% as the positive evidence arising from the SBU's portfolio management action began to show, offset by the SBU's exposure to Chile (£17.3m) and to a number of attritional claims including Deepwater Horizon.
- At 40.5%, the expense ratio was unusually high and was affected by a number of items including lower premium written, timing of reinsurance premium and business mix.
- Movements on prior year reserves continued to be positive with £10.9m released in the first half of 2010 (30 June 2009: £18.1m). Major contributions came from Aerospace and Property. Reserves in relation to sub-prime continue to run-off as expected and during the period a major Financial Risks contract, which represented over one third of the SBU's original net reserves established for sub-prime related claims in 2007, was successfully commuted at a modest profit.

Business Development

Over the last two years in excess of £160m of premium has been non-renewed as the SBU has exited classes of business that no longer achieved the required rate of return and proactively reduced volumes in areas where there were early signs of cyclical pressures. During 2010 the SBU has continued this focus on active management of the underwriting portfolio.

This has been aided by the roll-out of enhanced underwriting and performance management information through improved technical pricing tools, electronic peer review, detailed peer analysis and underwriter dashboards allowing for faster and more granular decision making.

The Group's Chicago based managing general agent, BISI, has also been gathering momentum as it broadens its product range to include Facultative Property and Casualty. BISI now employs 13 staff, has successfully bedded in its underwriting systems and is due to officially open its permanent office in August. It is still early days, but BISI is already attracting new business through its enhanced service levels.

Outlook

Conditions in the underwriting market remain finely balanced with abundant capacity in many lines of business preventing further rate rises from being achieved. However, in markets where significant claims have been experienced rates have risen, e.g. increased Energy rates in the range of 10-30%. With conflicting trends by class of business, the SBU will continue to remain proactive in its capital allocation. Following the tough decisions taken over the last two years, early signs of an improvement in the core underwriting result are evident and the SBU is well positioned to react quickly to changing market conditions.

REINSURANCE

	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Gross written premium			
Property Treaty North America	85.7	92.4	116.2
Property Treaty International	49.6	49.7	64.0
Casualty Treaty	79.5	101.2	142.0
Marine XL	19.2	15.8	20.8
Other	6.7	18.3	21.2
Total	240.7	277.4	364.2
Net earned premium	124.5	153.5	297.6
Net reserve movement from prior years	15.9	(11.7)	24.1
Underwriting profit	16.2	12.4	57.6
Operating profit	20.7	13.8	66.1
Combined ratio	86.1%	91.2%	79.9%

Premium rating increases/(decreases) on renewal business	6 months ended 30 June 2010 %	6 months ended 30 June 2009 %
Property Treaty North America	(0.5)	11.5
Property Treaty International	1.0	5.0
Casualty Treaty	0.8	7.7
Marine XL	7.0	18.8
Total (including other)	0.6	8.3

The rate movements should be read with caution. They are based on underwriters' estimates of rate changes, including adjustments to terms and conditions. They relate to renewal business only, since this represents the business for which the Group has the best year-on-year data.

Financial Review

- Gross written premium decreased by 13.2% to £240.7m (30 June 2009: £277.4m), a 12.6% decrease at constant exchange rates. The reduction in the year is primarily due to the non-recurrence of reinstatement premium booked in the first half of 2009 together with heightened competition in terms of pricing. Current year premium was flat demonstrating the stability of the core portfolio.
- Rates have on average increased by 0.6% in the period as reductions felt on headline US catastrophe rates were more than offset by rate increases on loss-affected contracts elsewhere in the Property Treaty account. After allowing for the July renewals, average rate movements for the year remained at 0.6%, with increases experienced on Marine XL offsetting modest declines in Property Treaty North America.
- The combined ratio of 86.1% was a significant improvement over the prior year period (30 June 2009: 91.2%). Higher catastrophe claims - £23.1m from Chile (18.6 percentage points of net earned premium) as well as a number of attritional catastrophes – were more than offset by releases from prior year claims reserves.
- Net reserve releases from prior years were £15.9m equivalent to 12.8 percentage points of net earned premium and arose primarily from positive run-off from the Casualty Treaty account.
- Operating profit increased by 50.0% to £20.7m (30 June 2009: £13.8m).

Business Development

The SBU has continued to optimise its underwriting portfolio as part of the group-wide aim to move to upper quartile underwriting profitability. During the period an enhanced version of the SBU's portfolio analysis tool was embedded into the underwriting process which allows for more detailed analytics of the in force portfolio. As a result, the SBU has carried out a thorough analysis on the worst performing 20% of the portfolio and this has already led to a number of portfolio actions.

Following the successful establishment of a representative office in Japan during 2009, the Group converted its previous third-party relationship in Australia into a full representative office during the period.

In addition, the catastrophe swap contract entered into during 2009, swapping US\$50m of US wind exposure for US\$50m of Japanese wind exposure, was renewed for a further year. This swap allows the Group to balance its territorial catastrophe exposures cost-effectively.

Outlook

The active claims environment in the first half of 2010 is likely to put a floor on premium rates in the International Catastrophe market during the remainder of 2010 and into the 2011 renewal season. Furthermore, the Deepwater Horizon explosion will lead to another disappointing result for the Energy market and will likely mean significant rate increases in the Marine Treaty XL market in 2011.

During the remainder of 2010, the Reinsurance SBU's primary focus remains continued portfolio optimisation and where necessary a selective re-underwriting of the portfolio. Having said that, technical margins remain strong across the Reinsurance book and the SBU is confident of its excellent positions in both the Property and Casualty elements of the underwriting portfolio.

UK

	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Gross written premium			
Employers'/Public Liability	51.2	60.8	116.7
Professional Indemnity/D&O	14.2	21.2	38.3
Motor	44.8	60.8	115.2
Property & Commercial/Packages	99.9	92.7	185.2
Total	210.1	235.5	455.4
Net earned premium	160.2	160.4	362.4
Net reserve movement from prior years	16.7	12.1	41.2
Underwriting profit/(loss)	(1.6)	2.5	0.9
Operating profit	5.6	4.3	14.2
Combined ratio	100.5%	98.3%	99.7%

Premium rating increases/(decreases) on renewal business	6 months ended 30 June 2010 %	6 months ended 30 June 2009 %
Employers'/Public Liability	0.1	(0.7)
Professional Indemnity/D&O	1.5	1.7
Motor	10.5	9.0
Property & Commercial/Packages	1.1	2.4
Total	2.9	3.4

The rate movements should be read with caution. They are based on underwriters' estimates of rate changes, including adjustments to terms and conditions. They relate to renewal business only, since this represents the business for which the Group has the best year-on-year data.

Financial Review

- Gross written premium decreased by 10.8% to £210.1m (30 June 2009: £235.5m) an 11.4% decrease at constant exchange rates. The reduction in premium is a result of two main factors - active portfolio management of the underwriting portfolio together with a reduction in the level of positive movements on premium estimates for prior years.
- Underlying movements reflect a 60% reduction in Private Motor and the exit of Local Authority (Municipal) business. This has been offset by growth in the core Property account and from Brit Lite. Premium written through regional offices now represents 32% of the UK division (30 June 2009: 27%).
- Rates have increased across all UK classes and the overall rate increase of 2.9% is on top of a rate increase of 3.7% for 2009.
- The combined ratio for the period was 100.5%, a modest increase on the prior period (30 June 2009: 98.3%). The claims ratio of 63.0% (30 June 2009: 65.6%) improved by 2.6 percentage points but this was offset by an increase in the expense ratio to 37.5% (30 June 2009: 32.7%). The increase in the expense ratio was due to a number of factors including business mix and the reallocation of certain levies from the claims ratio to the expense ratio. During the period the SBU experienced strong performance from the commercial lines business but disappointing results from the smaller personal lines operation.
- Net reserve movement from prior years remains positive at £16.7m in the first six months of 2010 (30 June 2009: £12.1m).

Business Development

The UK division continues to operate in a competitive marketplace with, for the bulk of the portfolio, little sign that material premium rate increases are imminent. In this context the SBU is more than ever focused on actively managing its underwriting portfolio in order to protect the available margin.

During 2010 the SBU has, as part of this active approach, materially reduced its exposure to Private Motor and exited from the Local Authority (Municipal) market. Private Motor at its peak contributed less than 11% of the UK portfolio, but recent structural developments have reduced its attractiveness and the division no longer considers it to be a sustainable class of business. In addition the SBU has taken early action to exit Local Authority (Municipal) business in response to inadequate pricing and the expectation of a more difficult claims environment ahead.

As part of the 2010 investment programme the UK division should benefit from improved process efficiency within Brit Lite, enhanced technical pricing tools and superior claims cycle management.

Outlook

The first half of 2010 saw a continuation of the slow turn in the UK market and it is expected that this will continue through the remainder of 2010 and into 2011. Rate increases, albeit positive, are not yet sufficient for the Group to increase meaningfully its UK premium base from current levels. In this context, proactive portfolio management will continue with the aim to build on a strong result from commercial lines and to leverage further the opportunities offered by the Brit Lite proposition.

INVESTMENTS

Market conditions

Market conditions were more stable in the first half of 2010 than those witnessed during the prior year. Nevertheless, volatility rose sharply during the second quarter as markets began to question the sustainability of the global economic recovery. The steep yield curve experienced during 2009 began to flatten as inflation expectations waned. The three-year gilt yield receded 67bps during the period, from 1.87% to 1.20%, and the three-year Treasury bond yield dropped a similar 65bps from 1.62% to 0.97%. Credit performance was much more stable than in 2009, with corporate bonds modestly outperforming government bonds in both US dollars and Sterling. Equities, however, performed poorly during 2010 after a period of exceptional returns in 2009. The FTSE All Share Index posted a total return of -6.2% in the period, while the MSCI World Total Return fell 6.7%.

Financial performance

The investment portfolio provided a total return of £57.5m in the first half of 2010, equivalent to a non-annualised return of 1.6%. The figure is calculated by converting the returns in each underlying currency to Sterling at the average exchange rate.

Pre-tax return	6 months ended 30 June 2010		6 months ended 30 June 2009		Year ended 31 December 2009	
	£m	%	£m	%	£m	%
Equity securities	(1.7)	(2.2)	0.7	1.6	13.8	17.5
Debt securities	52.0	2.0	46.1	2.2	92.5	4.5
Specialised investment funds	5.8	5.4	2.6	2.2	17.9	19.2
Cash and cash equivalents	1.4	0.2	9.8	1.1	13.2	1.5
	57.5	1.6	59.2	1.8	137.4	4.2

Equity securities

The equity portfolio registered a loss of 2.2% in the first six months of the year. However, this represented a better performance than benchmark equity indices. The out-performance was driven principally by higher relative holdings in defensive sectors and precious metals. Equities accounted for 2.7% of the investment portfolio on 30 June 2010, down from 2.9% at the end of 2009.

Debt securities

The fixed income portfolio has witnessed a good absolute performance so far in 2010. The fixed income return of £52.0m represents a non-annualised percentage return of 2.0% for the period. As of 30 June 2010 the duration of the Sterling and US Dollar bond portfolio is 1.66 and 1.64 years, respectively, up from 1.19 and 1.54 years at the year-end.

The majority of the fixed income return was provided by government bonds in the first half of the year. Non-financial corporate holdings provided the best percentage return of any single fixed-income group (+2.4%), but there was relatively little return dispersion amongst sectors in the year to date. Group holdings of corporate bonds totalled £786.1m on 30 June 2010 up from £722.8m at the year-end. Holdings of non-financial corporate bonds now exceed those of financials.

The Group's exposure to European government bonds rated below AAA is immaterial at 30 June 2010.

Specialised investment funds

The Group's holdings in specialised investment funds provided a gain of £5.8m during the first six months of 2010. Senior loan and mortgage-backed securities funds performed strongly during the period. Group holdings of specialised funds declined to £87.5m from £96.7m at year-end, as several funds were exited during the period. Current holdings can be characterised as more conservative than those held during 2009.

Asset allocation

	At 30 June 2010		At 30 June 2009		At 31 December 2009	
	£m	%	£m	%	£m	%
Equity securities	92.4	2.7	100.3	3.1	102.0	2.9
Debt securities	2,535.2	73.4	1,959.3	60.6	2,282.4	65.7
Specialised investment funds	87.5	2.5	90.5	2.8	96.7	2.8
Cash and cash equivalents	741.2	21.4	1,081.4	33.5	994.2	28.6
	3,456.3	100.0	3,231.5	100.0	3,475.3	100.0

Breakdown of debt securities at 30 June 2010

£m	Government	P-1	AAA	AA	A	BBB and lower	Total
Government issue*	1,416.0	-	-	-	-	-	1,416.0
Corporate bonds	-	-	6.3	152.5	485.2	142.1	786.1
CDs and CPs	-	197.7	-	-	-	-	197.7
Other	-	-	135.4	-	-	-	135.4
	1,416.0	197.7	141.7	152.5	485.2	142.1	2,535.2

* All Government issue bonds are from either the US, Canada, UK or from eurozone countries.

Breakdown of debt securities at 31 December 2009

£m	Government	P-1	AAA	AA	A	BBB and lower	Total
Government issue*	1,045.5	-	-	-	-	-	1,045.5
Corporate bonds	-	-	163.3	218.5	282.9	58.1	722.8
CDs and CPs	-	346.9	-	-	-	-	346.9
Other	-	-	111.1	42.7	13.4	-	167.2
	1,045.5	346.9	274.4	261.2	296.3	58.1	2,282.4

* All Government issue bonds are from either the US, Canada, UK or from eurozone countries.

Outlook

The emergence of sovereign debt concerns in Europe has impacted the nature of the investment risks and opportunities facing the Group. Although the Group has virtually no direct exposure to the affected countries, the crisis has impacted the market's view of inflation in the eurozone and to a lesser extent in the UK. The resulting downward pressure on yields has provided a higher investment return in 2010 to date than anticipated. The Group's investment portfolio remains conservatively positioned and risk tolerance can be increased in the future if attractive opportunities arise.

RISKS

Principal risks

The Group identifies and manages risk under categories consistent with the Financial Services Authority (FSA) risk classification: group, market, insurance, credit, liquidity and operational. The principal risks facing the business were discussed on page 39 of the Group's 2009 Annual Report, with further details on risk management, including sensitivity analysis, given in Note 4 on page 94 of the same report.

Amsterdam
27 July 2010

Robert John Orr Barton
Dane Jonathan Douetil
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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Income Statement

for the 6 months ended 30 June 2010

	Note	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	12 months ended 31 December 2009 £m
Revenue				
Gross premiums written	4	851.5	983.0	1,696.4
Less premiums ceded to reinsurers	4	(202.3)	(190.9)	(225.0)
Premiums written, net of reinsurance		649.2	792.1	1,471.4
Gross amount of change in provision for unearned premiums		(102.9)	(160.1)	(0.3)
Reinsurers' share of change in provision for unearned premiums		67.3	68.9	(7.2)
Net change in provision for unearned premiums		(35.6)	(91.2)	(7.5)
Earned premiums, net of reinsurance		613.6	700.9	1,463.9
Investment return	5	57.5	59.2	137.4
Return on derivative contracts		(1.8)	(1.3)	(4.1)
Disposal and partial disposal of associated undertakings		-	4.2	4.2
Net foreign exchange gains	6	33.4	-	-
Other income		-	0.3	1.4
Total revenue		702.7	763.3	1,602.8
Expenses				
Claims incurred:				
Claims paid:				
Gross amount		(464.8)	(363.3)	(792.2)
Reinsurers' share		86.9	51.9	110.8
Claims paid, net of reinsurance		(377.9)	(311.4)	(681.4)
Change in the provision for claims:				
Gross amount		(1.1)	(164.3)	(262.1)
Reinsurers' share		3.8	2.5	12.8
Net change in the provision for claims		2.7	(161.8)	(249.3)
Claims incurred, net of reinsurance		(375.2)	(473.2)	(930.7)
Acquisition costs		(188.9)	(183.2)	(396.9)
Other operating expenses		(53.1)	(48.4)	(111.6)
Net foreign exchange losses	6	-	(61.0)	(33.4)
Total expenses excluding finance costs		(617.2)	(765.8)	(1,472.6)
Operating profit/(loss)		85.5	(2.5)	130.2
Finance costs		(7.3)	(5.2)	(11.5)
Share of loss after tax of associated undertakings		(0.7)	(1.0)	(2.3)
Profit/(loss) on ordinary activities before tax		77.5	(8.7)	116.4
Tax (expense)/credit	7	(10.1)	2.4	(28.9)
Profit/(loss) attributable to owners of the parent		67.4	(6.3)	87.5
Basic earnings per share (pence per share) (restated for 25 February 2010 share consolidation)	8	87.3p	(8.0p)	113.2p
Diluted earnings per share (pence per share) (restated for 25 February 2010 share consolidation)	8	87.3p	(8.0p)	113.2p

Condensed Consolidated Statement of Comprehensive Income

for the 6 months ended 30 June 2010

	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	12 months ended 31 December 2009 £m
Profit/(loss) for the period	67.4	(6.3)	87.5
Other comprehensive income net of tax			
Actuarial losses on defined benefit pension scheme	(0.8)	(12.7)	(2.5)
Tax relating to actuarial losses on defined benefit pension scheme	0.2	3.6	0.7
Foreign exchange differences arising on the revaluation of foreign operations	-	0.1	0.1
Reversal of foreign exchange translation differences resulting from the disposal of foreign operations	-	(4.2)	(4.2)
Other comprehensive income for the period net of tax	(0.6)	(13.2)	(5.9)
Total comprehensive income for the period attributable to owners of the parent	66.8	(19.5)	81.6

Condensed Consolidated Statement of Financial Position

at 30 June 2010

	Note	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Assets				
Property, plant and equipment		7.5	6.8	6.0
Intangible assets		82.3	82.9	81.2
Deferred acquisition costs		184.5	189.3	162.4
Investments in associated undertakings		15.9	14.4	15.3
Current taxation		10.7	-	-
Reinsurance contracts	9	610.9	581.0	523.5
Financial investments	10	2,715.1	2,150.1	2,481.1
Derivative contracts		0.5	1.0	0.6
Insurance and other receivables		670.2	642.7	537.0
Cash and cash equivalents		741.2	1,081.4	994.2
Total assets		5,038.8	4,749.6	4,801.3
Liabilities and equity				
Liabilities				
Insurance contracts	9	3,611.8	3,447.4	3,439.4
Employee benefits		4.3	14.2	4.1
Borrowings	11	132.9	206.8	237.6
Current taxation		-	8.2	4.7
Deferred taxation		27.4	6.5	19.0
Provisions		1.6	0.3	0.3
Derivative contracts		0.3	1.4	0.9
Insurance and other payables		321.8	254.2	200.7
Total liabilities		4,100.1	3,939.0	3,906.7
Equity				
Called up share capital		236.2	247.3	277.9
Share premium account		615.9	-	612.0
Capital redemption reserve		-	-	-
Translation reserve		-	-	-
Own shares		(10.4)	(64.1)	(10.7)
Retained earnings		97.0	627.4	15.4
Total equity attributable to owners of the parent		938.7	810.6	894.6
Total liabilities and equity		5,038.8	4,749.6	4,801.3

Condensed Consolidated Statement of Cash Flows

for the 6 months ended 30 June 2010

	Note	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	12 months ended 31 December 2009 £m
Cash generated from operations				
Cash flows provided by operating activities	12	(190.8)	194.9	73.5
Tax paid		(16.9)	(6.9)	(32.1)
Interest paid		(2.1)	(0.6)	(11.3)
Interest received		50.4	64.0	116.0
Dividends received		4.5	0.7	2.4
Net cash (outflows)/inflows from operating activities		(154.9)	252.1	148.5
Cash flows from investing activities				
Purchase of property, plant and equipment		(3.6)	(0.3)	(1.0)
Purchase of intangible assets		(3.0)	(3.0)	(5.5)
Net proceeds from disposals of associated undertakings		-	15.4	15.4
Movements in associated undertaking loan and preference share balances		(1.3)	(1.6)	(3.8)
Net cash (outflows)/inflows from investing activities		(7.9)	10.5	5.1
Cash flows from financing activities				
Equity dividends paid		-	(23.2)	(46.4)
(Repayment)/draw down on revolving credit facility		(107.0)	65.0	104.8
Repurchase of US dollar floating rate unsecured subordinated loan notes		-	-	(9.1)
Acquisition of own shares for employee incentive schemes		(6.4)	(0.1)	(0.4)
Net cash (outflows)/inflows from financing activities		(113.4)	41.7	48.9
Net (decrease)/increase in cash and cash equivalents		(276.2)	304.3	202.5
Cash and cash equivalents at beginning of the period		994.2	840.7	840.7
Effect of exchange rate fluctuations on cash and cash equivalents		23.2	(63.6)	(49.0)
Cash and cash equivalents at the end of the period		741.2	1,081.4	994.2

Condensed Consolidated Statement of Changes in Equity

for the 6 months ended 30 June 2010

	Note	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Own shares £m	Retained earnings £m	Total equity attributable to owners of the parent £m
At 1 January 2010		277.9	612.0	-	-	(10.7)	15.4	894.6
Total comprehensive income for the period		-	-	-	-	-	66.8	66.8
Capital distributions	14	(21.6)	3.9	-	-	-	-	(17.7)
Exchange difference on retranslation of share capital		(20.1)	-	-	-	-	20.1	-
Acquisition of own shares for share schemes		-	-	-	-	(6.4)	-	(6.4)
Vesting of own shares		-	-	-	-	6.7	(6.7)	-
Share-based payments		-	-	-	-	-	1.4	1.4
At 30 June 2010		236.2	615.9	-	-	(10.4)	97.0	938.7

for the 6 months ended 30 June 2009

	Note	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Own shares £m	Retained earnings £m	Total equity attributable to owners of the parent £m
At 1 January 2009		247.3	-	-	4.1	(64.2)	662.5	849.7
Total comprehensive income for the period		-	-	-	(4.1)	-	(15.4)	(19.5)
Equity dividends	13	-	-	-	-	-	(23.2)	(23.2)
Acquisition of own shares for share schemes		-	-	-	-	(0.1)	-	(0.1)
Vesting of own shares		-	-	-	-	0.2	(0.2)	-
Share-based payments		-	-	-	-	-	3.7	3.7
At 30 June 2009		247.3	-	-	-	(64.1)	627.4	810.6

for the 12 months ended 31 December 2009

	Note	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Translation reserve £m	Own shares £m	Retained earnings £m	Total equity attributable to owners of the parent £m
At 1 January 2009		247.3	-	-	4.1	(64.2)	662.5	849.7
Total comprehensive income for the year		-	-	-	(4.1)	-	85.7	81.6
Cancellation of treasury shares		(11.9)	-	11.9	-	53.4	(53.4)	-
Equity dividends	13	-	-	-	-	-	(46.4)	(46.4)
Corporate reorganisation		(235.4)	-	(11.9)	-	-	247.3	-
Establishment of Brit Insurance Holdings N.V.		278.7	612.0	-	-	-	(890.7)	-
Exchange difference on retranslation of share capital		(0.8)	-	-	-	-	0.8	-
Acquisition of own shares for share schemes		-	-	-	-	(0.4)	-	(0.4)
Vesting of own shares		-	-	-	-	0.5	(0.5)	-
Share-based payments		-	-	-	-	-	10.1	10.1
At 31 December 2009		277.9	612.0	-	-	(10.7)	15.4	894.6

Notes to the Financial Statements

1 Accounting policies

The interim condensed consolidated financial statements for the six months ended 30 June 2010 have not been audited, nor have the interim condensed consolidated financial statements for the equivalent period in 2009.

The interim condensed consolidated financial statements for the six months ended 30 June 2010 have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2009.

The interim condensed financial statements have been prepared in accordance with accounting policies that are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009 except for the adoption of IFRS 3R: Business Combinations, IAS 27R: Consolidated and Separate Financial Statements and IFRIC 17: Distributions of Non-Cash Assets to Owners. The adoption of these standards has had no effect on the condensed consolidated financial statements for the six months ended 30 June 2010. The accounting policies that have been adopted are those that the Directors anticipate will be complied with in the Group's annual financial statements for the year ended 31 December 2010.

The Group prepares annual financial statements in accordance with International Financial Reporting Standards adopted for use by the EU. The statutory accounts for the year ended 31 December 2009 have been reported on by the Group's auditors, Ernst & Young Accountants LLP, and delivered to the Dutch Chamber of Commerce. The report of the auditors was unqualified and did not contain statements under Part 9 of Book 2 of the Netherlands Civil Code. The comparative figures provided for the 12 months ended 31 December 2009 are based on the Group's statutory accounts. The corporate reorganisation completed by the Group on 21 December 2009 has been accounted for as a continuation of the existing Group and therefore the comparative information for the six months ended 30 June 2009 has not been restated.

The interim condensed financial statements do not constitute statutory accounts of the Group within the meaning of Part 9 of Book 2 of the Netherlands Civil Code.

Basis of preparation

The Group's condensed consolidated opening and closing statement of financial position, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity have been prepared in accordance with IFRS. IFRS comprises standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and as endorsed by the EU.

In accordance with IFRS 4, 'Insurance Contracts', the Group continues to comply with the recommendations of the Statement of Recommended Practice on Accounting for Insurance Businesses issued by the Association of British Insurers in December 2005 (as revised in December 2006). However the Group has the option to make improvements to its policies if the changes make the financial statements more relevant and no less reliable to decision making needs of the users.

After making due enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing financial statements.

Basis of consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries and the Group's participation in Lloyd's syndicates' assets, liabilities, revenues and expenses. Subsidiaries are those entities in which the Group directly or indirectly has the power to exercise control over the operating and financial policies in order to gain economic benefits. Also consolidated as if they were subsidiaries are special purpose entities. The financial statements of subsidiaries are prepared up to 31 December each year. Consolidation adjustments are made to convert subsidiary accounts from local GAAP into IFRS so as to remove any dissimilar accounting policies that may exist.

Subsidiaries are consolidated from the date control is transferred to the Group and cease to be consolidated from the date control is transferred from the Group. All inter-company balances, profits and transactions are eliminated.

Associated undertakings are those entities over which the Group has the power to exercise significant influence but not control. The Group's investment in associated undertakings is accounted for under the equity method of accounting whereby associated undertakings are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The Group's investment in associated undertakings also includes goodwill identified on acquisition less any accumulated impairment loss. The income statement reflects the Group's share of the post-acquisition results of operations of the associated undertakings and the statement of comprehensive income reflects the Group's share of the comprehensive income of the associated undertakings. The financial statements of associated undertakings are prepared up to 31 December each year.

2 Risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group remain those detailed in Note 4 to the Group's annual financial statements for the year ended 31 December 2009.

3 Seasonality of operations

The Group underwrites a wide range of risks, some of which are subject to potential seasonal variation. The most material of these is the Group's exposure to US Windstorms which are largely concentrated into the second half of a calendar year.

4 Segmental information

The reportable segments have been identified as follows:

The Global Markets strategic business unit which underwrites the Group's international and US business other than reinsurance. In the main, Global Markets deals with wholesale buyers of insurance, not individuals. Risks are large and usually syndicated by several underwriters - the subscription market.

The Reinsurance strategic business unit which underwrites reinsurance business which is essentially the insurance of insurance and reinsurance companies and includes providing non-proportional cover for major events such as earthquakes or hurricanes. These insurance and reinsurance companies calculate how much risk they want to bear and pass on the remaining exposure to reinsurers in return for a premium.

The UK strategic business unit which is developing business opportunities within the UK general commercial insurance markets through both wholesale and retail brokers and has opened offices in key locations across the UK.

'Other underwriting' which is made up of Excess of Loss reinsurance ceded from the strategic business units to a cell of Brit Insurance (Gibraltar) PCC Limited, Syndicate 389 (Life - final year of account 2003) and historic participations on external managed syndicates in run off (final year of account 2000).

'Other corporate' which is made up of residual income and expenditure not allocated to other segments.

Foreign exchange differences on non-monetary items are separately disclosed. This provides a fairer representation of the claims ratios and financial performance of the SBUs which would otherwise be distorted by the mismatch arising from IFRSs whereby unearned premium, reinsurers share of unearned premium and deferred acquisition costs are treated as non-monetary items and claims reserves are treated as monetary items. Non-monetary items are carried at historic exchange rates, while monetary items are translated at closing rates.

The Group investment return is managed centrally and an allocation is made to each of the strategic business units based on the average risk free interest rate for the period being applied to the insurance funds of each Unit. The annualised average risk free interest rate applied to the insurance funds was 1.65% for the 6 months ended 30 June 2010 (30 June 2009: 0.5%) (31 December 2009: 1.66%).

Information regarding the Group's reportable segments is presented below.

6 months ended 30 June 2010

	Global Markets £m	Reinsurance £m	UK £m	Other underwriting £m	Intra Group £m	Total underwriting excluding the effect of foreign exchange on non-monetary items £m	Effect of foreign exchange on non-monetary items £m	Total underwriting after the effect of foreign exchange on non-monetary items £m	Other corporate £m	Total £m
Gross premiums written	400.2	240.7	210.1	11.8	(11.3)	851.5	-	851.5	-	851.5
Less premiums ceded to reinsurers	(107.2)	(58.5)	(47.6)	(0.3)	11.3	(202.3)	-	(202.3)	-	(202.3)
Premiums written, net of reinsurance	293.0	182.2	162.5	11.5	-	649.2	-	649.2	-	649.2
Gross earned premiums	406.5	157.6	195.3	7.8	(7.3)	759.9	(11.3)	748.6	-	748.6
Reinsurers' share	(74.1)	(33.1)	(35.1)	(0.4)	7.3	(135.4)	0.4	(135.0)	-	(135.0)
Earned premiums, net of reinsurance	332.4	124.5	160.2	7.4	-	624.5	(10.9)	613.6	-	613.6
Investment return	9.9	4.5	7.2	-	-	21.6	-	21.6	35.9	57.5
Return on derivative contracts	-	(1.1)	(0.7)	-	-	(1.8)	-	(1.8)	-	(1.8)
Net foreign exchange gains	-	-	-	-	-	-	13.1	13.1	20.3	33.4
Total revenue	342.3	127.9	166.7	7.4	-	644.3	2.2	646.5	56.2	702.7
Gross claims incurred	(241.3)	(107.4)	(117.2)	(11.9)	11.8	(466.0)	-	(466.0)	-	(466.0)
Reinsurers' share	54.9	31.9	16.2	(0.4)	(11.8)	90.8	-	90.8	-	90.8
Claims incurred, net of reinsurance	(186.4)	(75.5)	(101.0)	(12.3)	-	(375.2)	-	(375.2)	-	(375.2)
Acquisition costs – commission	(101.9)	(21.4)	(35.6)	(0.1)	-	(159.0)	2.5	(156.5)	-	(156.5)
Acquisition costs – other	(17.7)	(2.8)	(11.4)	(0.5)	-	(32.4)	-	(32.4)	-	(32.4)
Other insurance related expenses	(15.1)	(7.5)	(13.1)	-	-	(35.7)	-	(35.7)	-	(35.7)
Other expenses	-	-	-	-	-	-	-	-	(17.4)	(17.4)
Total expenses excluding finance costs	(321.1)	(107.2)	(161.1)	(12.9)	-	(602.3)	2.5	(599.8)	(17.4)	(617.2)
Operating profit/(loss)	21.2	20.7	5.6	(5.5)	-	42.0	4.7	46.7	38.8	85.5
Finance costs										(7.3)
Share of loss after tax of associated undertakings										(0.7)
Profit on ordinary activities before tax										77.5
Tax expense										(10.1)
Profit attributable to owners of the parent										67.4
Claims ratio	56.1%	60.6%	63.0%			60.1%		61.1%		
Expense ratio	40.5%	25.5%	37.5%			36.4%		36.6%		
Combined ratio	96.6%	86.1%	100.5%			96.5%		97.7%		

6 months ended 30 June 2009

	Global Markets £m	Reinsurance £m	UK £m	Other underwriting £m	Intra Group £m	Total underwriting excluding the effect of foreign exchange on non-monetary items £m	Effect of foreign exchange on non-monetary items £m	Total underwriting after the effect of foreign exchange on non-monetary items £m	Other corporate £m	Total £m
Gross premiums written	469.3	277.4	235.5	15.2	(14.4)	983.0	-	983.0	-	983.0
Less premiums ceded to reinsurers	(94.8)	(55.5)	(54.3)	(0.7)	14.4	(190.9)	-	(190.9)	-	(190.9)
Premiums written, net of reinsurance	374.5	221.9	181.2	14.5	-	792.1	-	792.1	-	792.1
Gross earned premiums	486.7	184.3	196.2	8.3	(7.2)	868.3	(45.4)	822.9	-	822.9
Reinsurers' share	(64.9)	(30.8)	(35.8)	(0.7)	7.2	(125.0)	3.0	(122.0)	-	(122.0)
Earned premiums, net of reinsurance	421.8	153.5	160.4	7.6	-	743.3	(42.4)	700.9	-	700.9
Investment return	3.3	1.4	1.8	-	-	6.5	-	6.5	52.7	59.2
Return on derivative contracts	(1.1)	(1.1)	(0.2)	-	-	(2.4)	-	(2.4)	1.1	(1.3)
Disposal and partial disposal of associated undertaking	-	-	-	-	-	-	-	-	4.2	4.2
Other income	-	-	-	-	-	-	-	-	0.3	0.3
Total revenue	424.0	153.8	162.0	7.6	-	747.4	(42.4)	705.0	58.3	763.3
Gross claims incurred	(282.4)	(121.0)	(123.9)	(8.9)	8.6	(527.6)	-	(527.6)	-	(527.6)
Reinsurers' share	28.1	14.9	18.7	1.3	(8.6)	54.4	-	54.4	-	54.4
Claims incurred, net of reinsurance	(254.3)	(106.1)	(105.2)	(7.6)	-	(473.2)	-	(473.2)	-	(473.2)
Acquisition costs – commission	(110.0)	(26.4)	(32.0)	0.6	-	(167.8)	8.9	(158.9)	-	(158.9)
Acquisition costs – other	(14.0)	(2.1)	(7.5)	(0.7)	-	(24.3)	-	(24.3)	-	(24.3)
Other insurance related expenses	(13.7)	(5.4)	(13.0)	-	-	(32.1)	-	(32.1)	-	(32.1)
Other expenses	-	-	-	-	-	-	-	-	(16.3)	(16.3)
Net foreign exchange losses	-	-	-	-	-	-	(40.1)	(40.1)	(20.9)	(61.0)
Total expenses excluding finance costs	(392.0)	(140.0)	(157.7)	(7.7)	-	(697.4)	(31.2)	(728.6)	(37.2)	(765.8)
Operating profit/(loss)	32.0	13.8	4.3	(0.1)	-	50.0	(73.6)	(23.6)	21.1	(2.5)
Finance costs										(5.2)
Share of loss after tax of associated undertakings										(1.0)
Loss on ordinary activities before tax										(8.7)
Tax credit										2.4
Loss attributable to owners of the parent										(6.3)
Claims ratio	60.3%	69.1%	65.6%			63.6%		67.5%		
Expense ratio	32.6%	22.1%	32.7%			30.2%		30.7%		
Combined ratio	92.9%	91.2%	98.3%			93.8%		98.2%		

	Global Markets £m	Reinsurance £m	UK £m	Other underwriting £m	Intra Group £m	Total underwriting excluding the effect of foreign exchange on non-monetary items £m	Effect of foreign exchange on non-monetary items £m	Total underwriting after the effect of foreign exchange on non-monetary items £m	Other corporate £m	Total £m
Gross premiums written	875.3	364.2	455.4	16.5	(15.0)	1,696.4	-	1,696.4	-	1,696.4
Less premiums ceded to reinsurers	(116.8)	(57.4)	(64.9)	(0.9)	15.0	(225.0)	-	(225.0)	-	(225.0)
Premiums written, net of reinsurance	758.5	306.8	390.5	15.6	-	1,471.4	-	1,471.4	-	1,471.4
Gross earned premiums	944.4	354.5	430.1	16.4	(15.0)	1,730.4	(34.3)	1,696.1	-	1,696.1
Reinsurers' share	(124.5)	(56.9)	(67.7)	(0.8)	15.0	(234.9)	2.7	(232.2)	-	(232.2)
Earned premiums, net of reinsurance	819.9	297.6	362.4	15.6	-	1,495.5	(31.6)	1,463.9	-	1,463.9
Investment return	20.2	8.5	13.3	0.1	-	42.1	-	42.1	95.3	137.4
Return on derivative contracts	(2.3)	(2.2)	(0.3)	-	-	(4.8)	-	(4.8)	0.7	(4.1)
Disposal and partial disposal of associated undertaking	-	-	-	-	-	-	-	-	4.2	4.2
Other income	-	-	-	-	-	-	-	-	1.4	1.4
Total revenue	837.8	303.9	375.4	15.7	-	1,532.8	(31.6)	1,501.2	101.6	1,602.8
Gross claims incurred	(582.7)	(180.5)	(290.8)	(13.0)	12.7	(1,054.3)	-	(1,054.3)	-	(1,054.3)
Reinsurers' share	68.5	17.1	49.2	1.5	(12.7)	123.6	-	123.6	-	123.6
Claims incurred, net of reinsurance	(514.2)	(163.4)	(241.6)	(11.5)	-	(930.7)	-	(930.7)	-	(930.7)
Acquisition costs – commission	(220.2)	(51.6)	(73.9)	0.6	-	(345.1)	6.8	(338.3)	-	(338.3)
Acquisition costs – other	(29.6)	(9.3)	(18.1)	(1.6)	-	(58.6)	-	(58.6)	-	(58.6)
Other insurance related expenses	(31.0)	(13.5)	(27.6)	-	-	(72.1)	-	(72.1)	-	(72.1)
Other expenses	-	-	-	-	-	-	-	-	(39.5)	(39.5)
Net foreign exchange losses	-	-	-	-	-	-	(30.1)	(30.1)	(3.3)	(33.4)
Total expenses excluding finance costs	(795.0)	(237.8)	(361.2)	(12.5)	-	(1,406.5)	(23.3)	(1,429.8)	(42.8)	(1,472.6)
Operating profit/(loss)	42.8	66.1	14.2	3.2	-	126.3	(54.9)	71.4	58.8	130.2
Finance costs										(11.5)
Share of loss of associated undertakings										(2.3)
Profit on ordinary activities before tax										116.4
Tax expense										(28.9)
Profit attributable to owners of the parent										87.5
Claims ratio	62.7%	54.9%	66.7%	73.7%		62.2%		63.6%		
Expense ratio	34.2%	25.0%	33.0%	6.4%		31.8%		32.0%		
Combined ratio	96.9%	79.9%	99.7%	80.1%		94.0%		95.6%		

5 Investment return

6 months ended 30 June 2010

	Investment income £m	Net realised gains/(losses) £m	Net unrealised gains/(losses) £m	Total investment return £m
Equity securities	2.0	5.3	(9.0)	(1.7)
Debt securities	46.5	(8.9)	14.4	52.0
Specialised investment funds	2.8	(14.9)	17.9	5.8
Cash and cash equivalents	1.4	-	-	1.4
	52.7	(18.5)	23.3	57.5

6 months ended 30 June 2009

	Investment income £m	Net realised gains/(losses) £m	Net unrealised gains/(losses) £m	Total investment return £m
Equity securities	0.6	10.2	(10.1)	0.7
Debt securities	42.1	9.6	(5.6)	46.1
Specialised investment funds	0.7	(9.1)	11.0	2.6
Cash and cash equivalents	9.8	-	-	9.8
	53.2	10.7	(4.7)	59.2

12 months ended 31 December 2009

	Investment income £m	Net realised gains/(losses) £m	Net unrealised gains/(losses) £m	Total investment return £m
Equity securities	2.4	6.7	4.7	13.8
Debt securities	81.2	6.6	4.7	92.5
Specialised investment funds	2.6	(12.3)	27.6	17.9
Cash and cash equivalents	13.2	-	-	13.2
	99.4	1.0	37.0	137.4

6 Net foreign exchange gains/(losses)

The Group recognised foreign exchange gains of £33.4m (30 June 2009: loss of £61.0m) (31 December 2009: loss of £33.4m) in the income statement in the period.

Foreign exchange gains and losses result from the translation of the balance sheet to closing exchange rates and the income statement to average exchange rates. However, as an exception to this, International Accounting Standard 21 'The Effects of Changes in Foreign Exchange Rates' requires that net unearned premiums and deferred acquisition costs (UPR/DAC), being non-monetary items, remain at historic exchange rates. This creates a foreign exchange mismatch, the financial effects of which are shown in the table below.

	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	12 months ended 31 December 2009 £m
Gains/(losses) on foreign exchange arising from:			
Translation of the balance sheet and income statement	20.3	(20.9)	(3.3)
Maintaining UPR/DAC items in the balance sheet at historic rates	4.7	(73.6)	(54.9)
Maintaining UPR/DAC items in the income statement at historic rates	8.4	33.5	24.8
Net foreign exchange gains/(losses)	33.4	(61.0)	(33.4)

Principal exchange rates applied are set out in the table below.

	6 months ended 30 June 2010		6 months ended 30 June 2009		12 months ended 31 December	
	Average	Closing	Average	Closing	Average	Closing
US dollar	1.53	1.50	1.50	1.65	1.57	1.61
Canadian dollar	1.58	1.59	1.80	1.91	1.78	1.69
Euro	1.15	1.22	1.12	1.17	1.12	1.13

In accordance with International Accounting Standard 1 'Presentation of Financial statements', exchange gains and losses are presented on a net basis.

They are reported within revenue where they result in a net gain and within expenses where they result in a net loss.

7 Tax (expense)/credit

The major components of the tax (expense)/credit in the interim condensed consolidated income statement are:

	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	12 months ended 31 December 2009 £m
Current tax:			
For the period	(1.5)	(17.1)	(44.5)
Adjustments in respect of prior years	-	0.1	5.8
Total current tax	(1.5)	(17.0)	(38.7)
Deferred tax:			
Origination and reversal of temporary differences	(8.3)	19.4	9.9
Adjustments in respect of prior years	(0.3)	-	(0.1)
Total deferred tax	(8.6)	19.4	9.8
Total tax (charged)/credited to income statement	(10.1)	2.4	(28.9)

The UK Government has announced proposals to reduce the rate of corporate taxation over the next five years. The proposals are as yet not enacted. The group estimates the long term benefit of the reduction in tax rate in respect of future taxes already provided for (deferred tax) will be no more than £1.5m.

8 Earnings and net assets per share

On 25 February 2010 the Company undertook a consolidation of its share capital such that the shareholders received one ordinary €4 share for every four ordinary €1 shares owned as at that date.

Basic and diluted earnings per share, after adjusting for the share consolidation, are as follows:

	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	12 months ended 31 December 2009 £m
Profit/(loss) on ordinary activities after tax	67.4	(6.3)	87.5
	6 months ended 30 June 2010 Number in millions	6 months ended 30 June 2009 Number in millions	12 months ended 31 December 2009 Number in millions
Basic weighted average number of shares	77.2	77.3	77.3
Employee share options	-	-	-
Diluted weighted average number of shares	77.2	77.3	77.3
Basic earnings per share (pence per share)	87.3	(8.0)	113.2
Diluted earnings per share (pence per share)	87.3	(8.0)	113.2

Net assets and net tangible assets per share, after adjusting for the share consolidation, are as follows:

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Net assets	938.7	810.6	894.6
Intangible assets	(82.3)	(82.9)	(81.2)
Net tangible assets	856.4	727.7	813.4
	30 June 2010 Number in millions	30 June 2009 Number in millions	31 December 2009 Number in millions
Number of shares in issue at end of period	79.2	82.4	78.5
Own shares	(1.3)	(5.1)	(1.2)
Number of shares in issue less own shares	77.9	77.3	77.3
Net assets per share	12.05	10.48	11.57
Net tangible assets per share	11.00	9.41	10.52

9 Insurance and reinsurance contracts

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Gross			
Insurance contracts			
Claims reported and loss adjustment expenses	1,596.6	1,401.2	1,511.7
Claims incurred but not reported	1,225.0	1,199.1	1,240.4
	2,821.6	2,600.3	2,752.1
Unearned premiums	790.2	847.1	687.3
Total insurance contracts	3,611.8	3,447.4	3,439.4
Recoverable from reinsurers			
Reinsurance contracts			
Claims reported and loss adjustment expenses	299.2	287.2	284.5
Claims incurred but not reported	191.8	168.2	188.3
Impairment provision	(10.5)	(13.7)	(12.4)
	480.5	441.7	460.4
Unearned premiums	130.4	139.3	63.1
Total reinsurance contracts	610.9	581.0	523.5
Net			
Claims reported and loss adjustment expenses	1,297.4	1,114.0	1,227.2
Claims incurred but not reported	1,033.2	1,030.9	1,052.1
Impairment provision	10.5	13.7	12.4
	2,341.1	2,158.6	2,291.7
Unearned premiums	659.8	707.8	624.2
Net insurance and reinsurance contracts	3,000.9	2,866.4	2,915.9

Net releases from prior year claims reserves have been made of £41.9m (30 June 2009: £19.0m) (31 December 2009: £81.2m).

The split of the release by SBU has been disclosed in the Half Year Management Report.

10 Financial investments

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Equity securities	92.4	100.3	102.0
Debt securities	2,535.2	1,959.3	2,282.4
Specialised investment funds	87.5	90.5	96.7
	2,715.1	2,150.1	2,481.1

All financial investments have been designated as held at fair value through the profit or loss.

11 Borrowings

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
US dollar floating rate unsecured subordinated loan notes	-	9.1	-
Lower Tier Two subordinated debt	132.9	132.7	132.8
Revolving credit facility	-	65.0	104.8
	132.9	206.8	237.6

The Group has access to a three year £175.0m revolving credit facility effective from 9 November 2009. Amounts outstanding as at 31 December 2009 were fully repaid during the period to leave the facility undrawn at 30 June 2010.

12 Cash flows provided by operating activities

	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	12 months ended 31 December 2009 £m
Profit/(loss) on ordinary activities before tax	77.5	(8.7)	116.4
Adjustments for non-cash movements:			
Realised and unrealised gains on investments	(4.8)	(6.0)	(38.0)
Realised and unrealised losses on derivatives	1.8	1.3	4.1
Loss on sale of property, plant and equipment	-	-	0.1
Amortisation of software	1.9	2.2	4.2
Impairment of software	-	-	2.2
Depreciation of property, plant and equipment	2.1	1.5	2.9
Foreign exchange gains on financing items	-	(1.3)	(1.4)
Foreign exchange (gains)/losses on cash and cash equivalents	(23.2)	63.6	49.0
Share of loss after tax of associated undertakings	0.7	1.0	2.3
Charges in respect of equity settled employee share schemes	1.4	3.7	10.1
Cash contributions in excess of charges in respect of defined benefit pension scheme	(0.6)	0.1	0.2
Interest income	(48.2)	(52.5)	(97.1)
Dividend income	(4.5)	(0.7)	(2.4)
Finance costs on borrowing	7.3	0.6	11.5
Profit on disposal of associated undertaking	-	(4.2)	(4.2)
Changes in working capital:			
Deferred acquisition costs	(22.1)	(37.2)	(10.3)
Insurance and other receivables excluding accrued income	(135.4)	(135.8)	(37.5)
Insurance and reinsurance contracts	85.0	71.3	120.8
Financial investments	(229.2)	248.9	(50.1)
Derivative contracts	(2.3)	(4.9)	(7.8)
Insurance and other payables	100.5	52.1	(1.4)
Provisions	1.3	(0.1)	(0.1)
Cash flows provided by operating activities	(190.8)	194.9	73.5

13 Equity dividends

	6 months ended 30 June 2010 £m	6 months ended 30 June 2009 £m	12 months ended 31 December 2009 £m
Final 2008	-	23.2	23.2
Interim 2009	-	-	23.2
	-	23.2	46.4

14 Capital distributions

At the time of the Group reorganisation in December 2009, it was announced that for an initial period the Group would make distributions to shareholders by way of reductions of the par value of Brit Insurance Holdings N.V. shares.

A final distribution of 30.1p per ordinary share for the year ended 31 December 2009 was approved by the Annual General Meeting on 6 May 2010 and paid on 15 July 2010. This was satisfied in the form of 675,217 newly issued shares for shareholders who elected to take the distribution in the form of a scrip and £17.7m in cash for the remaining shareholders. As a result of the distribution, the nominal value of the share capital has been reduced by 36 Euro cents from €4.00 to €3.64 in respect of each registered share.

The Directors recommend an interim distribution of 30.0p per ordinary share for the period ended 30 June 2010. Subject to approval from the Dutch Court, this distribution will be paid on 7 December 2010 to shareholders on the register on 22 October 2010. Based on the number of shares in issue as at 27 July 2010 this would amount to a cash payment of £23.7m.

15 Related party transactions

Transactions with related parties during the period are consistent in nature and scope with those disclosed in Note 38 to the Group's annual financial statements for the year ended 31 December 2009.

Amsterdam
27 July 2010

Robert John Orr Barton
Dane Jonathan Douetil
Matthew Scales
Joseph Patrick MacHale
Peter Frank Hazell
Cornelis Antonius Carolus Maria Schrauwers
Willem Frans Casimir Stevens

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- (a) The condensed consolidated financial statements have been prepared in accordance with IAS 34 (Interim Financial Reporting);
- (b) The condensed consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit of the issuer and the entities included in the consolidation;
- (c) The half year management report gives a true and fair view of the situation at the date of the statement of financial position, the development of the business during the financial year of the issuer and of the entities whose information is included in the interim financial statements and the expected development of business, with particular attention being devoted, inasmuch as no weighty interests preclude this, to the investments and the circumstances affecting turnover and profitability.

By order of the Board

Amsterdam
27 July 2010

Robert John Orr Barton
Dane Jonathan Douetil
Matthew Scales
Joseph Patrick MacHale
Peter Frank Hazell
Cornelis Antonius Carolus Maria Schrauwens
Willem Frans Casimir Stevens

REVIEW REPORT TO THE BOARD OF DIRECTORS OF BRIT INSURANCE HOLDINGS N.V.

To: The Board of Directors of Brit Insurance Holdings N.V.

Review Report

Introduction

We have reviewed the accompanying condensed consolidated interim financial information for the six month period ended 30 June 2010, of Brit Insurance Holdings N.V., Amsterdam, which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity and related notes 1 to 15. The directors are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 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 Dutch auditing standards 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 accompanying condensed consolidated interim financial information as at 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

The Hague, 27 July 2010
Ernst & Young Accountants LLP

signed by
S.B. Spiessens

COMPANY INFORMATION

The Board:

Robert John Orr Barton (John)
Chairman

Dane Jonathan Douetil CBE
Chief Executive Officer

Peter Frank Hazell
Non-Executive Director

Joseph Patrick MacHale (Joe)
Non-Executive Director

Matthew Scales
Finance Director

Drs Cornelis Antonius Carolus
Maria Schrauwens (Cees)
Senior Independent Director

Willem Frans Casimir Stevens
Non-Executive Director

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