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# Omega Insurance Holdings Limited

Interim results for the six months ended  
30 June 2007

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## Highlights

### Financial

- Profit before tax up 119% to \$20.4 million (2006: \$9.3 million)
- Profit after tax up 147% to \$16.3 million (2006: \$6.6 million)
- Earnings per share up 120% to \$0.11 per share (2006: \$0.05)
- Combined ratio of 82% (2006: 86%)
- Effective tax rate 20% (2006: 29%)
- Interim dividend of US 7.7cents per share

### Operational

- Syndicate 958 continuing 27 year record of unbroken underwriting profit
- Group corporate restructuring completed on 16 March 2007 with the transfer of Omega Specialty Insurance Company Limited to Omega Insurance Holdings Limited
- Omega US licensed by Delaware and eligible to write surplus lines business in 11 US states
- Senior recruitments in Omega Specialty and Omega US
- Outlook positive for the full year 2007 and for 2008 and beyond

Richard Tolliday, Chief Executive of Omega, commented: "These are excellent results ahead of expectations. With the very substantial growth in profits we are beginning the delivery of the earnings potential of the Group's new structure and operating units. The Group has potential for long-term profitable growth and the dividend we have declared is a clear indication of our confidence in Omega's future prospects as we build upon 27 years of underwriting excellence".

### Enquiries:

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Richard Tolliday, CEO

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## Overview

We are very pleased to report an excellent set of first half results. The considerable growth in profit is tangible evidence of the start of the delivery of the Group's earning potential and the successful execution of the Group's strategic and operational plans over the last two years. The profit after tax of \$16.3 million is an increase of 147% over the first half of 2006 (\$6.6 million).

With the completion of the final stage of the Group's corporate reorganisation on 16 March 2007, we believe Omega now has in place the optimal corporate structure from a strategic, operational and financial standpoint. The structure supports our strategy as an international insurance and reinsurance underwriting operation developing and growing businesses that are complementary to the Group's Lloyd's platform. The Group now consists of the following operating units:

- Bermudian AIM listed holding company, Omega Insurance Holdings Limited ("Omega Insurance Holdings")
- Bermudian insurance company, Omega Specialty Insurance Company Limited ("Omega Specialty")
- US insurance company, Omega US Insurance, Inc. ("Omega US")
- Lloyd's managing agent managing Syndicate 958, Omega Underwriting Agents Limited ("Omega Underwriting Agents")
- Lloyd's corporate member supplying capital exclusively to Syndicate 958, Omega Dedicated Limited ("Omega Dedicated")
- Company dedicated to the development of European and International business through Syndicate 958, Omega Europe GMBH ("Omega Europe")

The development of these platforms enables the Group to deploy its capital through businesses that extend Omega's reach into markets from which it already sources business for the Syndicate. The Group is gaining a greater share of business of the type we have always written, applying the same long established underwriting discipline and focus that we always have.

These results reflect the quality of Omega's underwriting and the focus that has been maintained during a period of corporate transformation. Syndicate 958 is forecast to continue a wholly remarkable 27 year record of unbroken underwriting profitability. The Syndicate anticipates underwriting gross premiums for 2007 of \$605m.

From a financial perspective, the Group's profit before tax for the six months to 30 June 2007 is \$20.4 million, a growth of 119%. The largest component of this profit is from Omega Specialty which contributed \$16.3m. This result is driven by Omega Specialty's underwriting, including its quota share reinsurances of Omega Dedicated and Syndicate 958's 2006 and 2007 years of account.

The Group profit after tax of \$16.3 million reflects a drop in the Group's effective tax rate as result of the reorganisation. It is expected to fall further in the second half of 2007.

Gross written premiums in the first half of 2007 were \$173.1 million, up 113% on the same time last year (2006 \$81.3 million). Net earned premiums of \$66.8 million are an increase of 168% on 2006 (\$24.9 million). Forecast written premiums for the full year 2007 are in line with initial expectations. Whilst the Group's underwriting exposure is weighted towards the second half of the year, the first half of 2007 has proved extremely benign for Omega in terms of loss exposure.

We had previously reduced very materially our exposure to under-priced non-US business and therefore have had minimal exposure to events such as the UK Floods. The result of this is a Group combined ratio of 82% and a positive outlook for the full year.

Market conditions remain strong in the key areas of Omega's underwriting and we envisage that continuing into 2008. The development and growth of Omega Specialty in Bermuda and Omega US afford the prospects of profitable growth for the Group's underwriting in 2008 and beyond, with no compromise to Omega's rigorous standards of underwriting.

We have made important senior recruitments in both of those operating units. Andrew Stapleton has been appointed Chief Underwriting Officer of Omega Specialty to succeed Stephen Edwards who will be returning to the UK following a period of handover. Andrew has twenty years experience in the industry and has worked most recently in the Bermudian market. Earlier in 2007 we appointed John Curry to the position of Chief Underwriting Officer of Omega US. John has over thirty years of experience in the US insurance industry. In August Wayne Bates joined Omega US as Chief Operating Officer. Wayne has nineteen years experience in the insurance industry, the last eight working for one of the largest independent managing general agents in the US.

A key focus now is the operational growth and development of our Bermuda and US operations in line with Omega's proven and established approach to underwriting and risk management. These operations will increase the Group's share of business of the type it has historically underwritten. Omega Specialty is successfully developing its account of reinsurance clients and employing selection criteria similar to those of Syndicate 958. Omega US is the Group's US surplus lines insurance operation and is targeting the same type of small commercial property risks as those that Syndicate 958 has historically underwritten and continues to insure. Like Syndicate 958, it will seek a geographic spread of a portfolio of small property risks, de-emphasising catastrophe exposed zones. The development of its account will increase further the diversity and balance within the Group's own underwriting portfolio.

## **Dividend**

Notwithstanding the expectation of future growth for the Group, in view of the strong half-year results and the positive outlook for the full year, the Board is pleased to be able to declare an interim dividend of US 7.7cents per share. This represents a distribution of approximately 70% of the Group's profit after tax for the first half of 2007. The Board's current expectation is that the final dividend for 2007 will equate to a similar level of distribution of the profits for the second half of the year.

We have stated on previous occasions the Board's intention to engage in the active management of the Group's capital base. We have said that, as an element of that capital management, the Board intends that a substantial part of Omega's profits be paid out as dividends. This dividend is demonstration of our commitment to this statement.

Going forward for 2008 and beyond, in assessing the appropriate level of each distribution, the Board will always have regard to the overall financial requirements of the Group and the opportunities for the profitable deployment of its resources at that time.

The interim dividend of 7.7cents per share will be payable on 16 November 2007 to those shareholders on the register as at 26 October 2007. The dividend is payable in US dollars but those shareholders wishing to receive the dividend in pounds sterling may elect to do so and

should contact the Company's registrars on +44 (0)1534 632312. Dividends paid in pounds sterling will be converted at the rate prevailing on 26 October 2007.

## **Market Conditions**

Market conditions continue to be strong and offer attractive margins in the core areas of Omega's underwriting account. Pricing for US catastrophe reinsurance has remained firm and the market has continued to exhibit discipline, aided by the continuing relative scarcity of appropriately structured retrocessional cover for non-marine catastrophe risks from acceptable security. Rates and conditions for non-US reinsurance business remain broadly unattractive as a result of the relatively undisciplined and ill-conceived stampede for diversity, apparently at any cost, being engaged in by some reinsurers. Omega has for two years now been cutting back its exposures in the under-priced areas such as Australia, Japan and some UK programmes.

Omega's non-marine property insurance account is focused on smaller commercial risks, particularly in the US. Rates and conditions remain attractive in this business that is below the thresholds of scale and volume imposed by many large insurers. Omega US is receiving strong indications of support from Omega's existing distribution channels and we are confident of the opportunities for its successful and profitable development and growth.

The development of the offshore energy account continues to be pleasing. Rates have declined only modestly from 2006 which itself had seen a dramatic repricing and restructuring of the class.

## **Outlook**

Omega has made a strong start to 2007 with market conditions very much as expected. The outcome of the full year will of course be dependent upon the extent of any major losses in the second half of the year.

Whilst market conditions vary considerably across the market by both class of business and geography, Omega's portfolio and, importantly, the planned development of Omega Specialty and Omega US are inherently weighted towards those areas where rates continue to remain near historic peaks and where we expect sustained robust margins. Additional selective underwriting should ensure a positive outlook into 2008 and beyond.

As we develop and grow the Group's operations in Bermuda and the US we benefit greatly from the Group's respected franchise and long-established relationships. Given this together with the Group-wide focus on Omega's proven underwriting discipline and Omega's unbroken record of profitability throughout the industry's cycles, we approach the future with optimism and confidence in Omega's ability to create and seize opportunities and to meet the challenges that await us.

## **Review of operations and financial results**

	<i>June 2007</i>	<i>June 2006</i>	<i>December 2006</i>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Net earned premium	66,773	24,869	67,085
Investment return	6,566	4,872	11,480

Other income	10,188	6,245	11,787
Profit before tax	20,445	9,292	22,589
Profit after tax	16,262	6,559	15,491
Earnings per share (fully diluted)	US\$0.11	US\$0.05	US\$0.12
Net assets per share	US\$1.92	US\$1.72	US\$1.80
Dividend per share	US 7.7cents	-	GBP 4.1p

The principal income stream for the Group comes from the deployment of the Group's capital to support its own underwriting through Omega Specialty. As well as a growing book of third party business in Omega Specialty, the Group's capital supports 15.2% of the capacity of Syndicate 958 via its corporate member Omega Dedicated. The majority of this share has been reinsured to Omega Specialty. In addition Omega Specialty reinsures a 17.5% share of Syndicate 958's 2007 year of account through whole account quota share. Omega Specialty has also underwritten a 10% qualifying quota share of Syndicate 958's 2007 year of account. This latter contract had the effect of increasing the effective capacity of the Syndicate from \$249million to \$274million. As a result performance of the Omega group for 2007 is closely aligned to that of the Syndicate.

The Group's net earned premium income has grown by 168% over the same period of 2006, however these arrangements mean much of the growth is linked to Syndicate 958's mature well-diversified book of business with a proven track record of profitability.

The Group's other income of \$10.2m is predominantly composed of the profit commission earned by the managing agency on the open years of account.

#### **Omega Specialty Insurance Company Limited**

	<i>June 2007</i>	<i>June 2006</i>	<i>December 2006</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Gross premium written	165,712	74,319	104,898
Net premium written	136,004	67,334	84,972
Net premium earned	64,301	21,931	61,753
Technical result	13,206	2,907	13,562
Claims ratio	53%	61%	49%
Expense ratio	29%	26%	32%
Combined ratio	82%	87%	81%

The comparative results of Omega Specialty run from 15 February 2006 to 30 June 2006 and 15 February 2006 to 31 December 2006, respectively. The impressive growth in income and profit is the direct result of the Group's strategy of increasing its own underwriting involvement, combined with the excellent underwriting performance of Syndicate 958.

#### **Omega Dedicated**

As a Lloyd's underwriting member, for the 2007 year of account, Omega Dedicated's share of Syndicate 958 has remained at 16.4 percent of which 14.7 percent is reinsured to Omega Specialty.

#### **Year of account**

<i>2007</i>	<i>2006</i>	<i>2005</i>
<i>£'000</i>	<i>£'000</i>	<i>£'000</i>

Total Capacity Syndicate 958	249,432	249,432	223,975
Effective capacity	274,375	-	-
Omega Dedicated participation	40,947	40,947	29,000
Third party via Omega Dedicated	2,850	2,979	3,558
Aspen participation via Omega Dedicated	—	—	24,303

### Syndicate 958 Underwriting Performance

	<i>June</i> 2007 \$'000	<i>June</i> 2006 \$'000	<i>December</i> 2006 \$'000
Gross premiums written	412,177	321,629	462,755
Net premiums written	273,876	250,221	309,313
Net premiums earned	166,480	157,853	339,862
Technical result	47,451	34,946	96,038
Claims ratio	51%	45%	41%
Expense ratio	28%	32%	31%
Combined ratio	79%	77%	72%

Estimated results for underwriting years of account 2006 and 2005 for the Syndicate can be summarised as follows:

	2006 £'000	2005 £'000
Capacity	249,432	223,975
Profit after standard personal expenses (forecasts)	12.5% – 20%	5% – 10%

The Syndicate's growth in capacity is largely driven by the development of new lines of business such as the new offshore energy book. This is fully consistent with the Syndicate's strategy to write for profit rather than growth, emphasising those areas where margins are robust and reducing in others when rate pressure suggests contraction is appropriate. Through this approach the Syndicate has maintained its profitability despite strong growth over the past few years. Looking forward, in line with the Group's strategy Omega intends to continue to increase or decrease the Syndicate's capacity and premium income according to its judgement of the insurance cycle and the margins of profitability afforded by market conditions.

Forecast profitability on both 2005 and 2006 year of account remain consistent with previous estimates. At this stage the Syndicate business plans suggests capacity for 2008 at a similar level to 2007.

### Omega Underwriting Agents – other income

Other income consists primarily of income generated from the management of the Syndicate through fixed management fees as a percentage of capacity under management and profit commission accruing to the years of account under management.

	<i>June</i> 2007	<i>June</i> 2006	<i>December</i> 2006
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	US\$'000	US\$'000	US\$'000
Profit commission	6,550	3,365	7,588
Managing agents fees	2,911	2,581	3,218

## Investment Return

The Group's investments comprise directly owned investments supporting the underwriting business - its corporate assets, and the Group's share of the Syndicate's investments.

We reiterate our confidence in the quality of our investment portfolio as expressed in our announcement of 23 August 2007. Omega operates a conservative investment strategy designed to avoid fluctuations in the non-underwriting results. The strategy seeks to provide satisfactory returns but only to the extent consistent with the principal aims of diversification of risk, the preservation of capital and liquidity of funds. Investments are primarily in short-duration, high-grade, fixed-income securities. The Group holds no investments in equities. The majority (91% at 31 July) of Omega's corporate assets are currently in cash or fixed income bonds rated AAA.

Omega's only investments in the mortgage related securities are limited to AAA rated government sponsored organisations who fund mortgage providers in the US.

	<i>Funds</i>	<i>Income</i>	<i>Annualised</i>
	<i>At 30 June 2007</i>		<i>Average</i>
	US\$'000	US\$'000	<i>Return</i>
			%
Omega Specialty Bermuda	187,840	4,002	4.58
Corporate funds	75,004	1,755	4.73
Syndicate funds	70,874	809	4.06
	<u>333,718</u>	<u>6,566</u>	

## Taxation

The effective tax rate for the 6 months to 30 June 2007 was 20% compared to the rate of 31% for the full 2006 calendar year. Omega Specialty was transferred by dividend in specie to Omega Insurance Holdings on 16 March 2007. A provision has therefore been included for a UK tax liability on the profits of Omega Specialty up to that date. The directors expect the Group's effective rate to fall further across the remainder of 2007.

**Richard Tolliday**  
**Chief Executive Officer**  
**17 September 2007**

## Condensed Consolidated income statement for the six months ended 30 June 2007

	Notes	Six months ended 30 June 2007 US\$'000	Six months ended 30 June 2006 US\$'000 (restated)	Year ended 31 December 2006 US\$'000 (restated)
<b>Income</b>				
Gross premiums written		173,125	81,309	115,619
Outward reinsurance premiums		(32,598)	(12,355)	(26,680)
<b>Net premiums written</b>		<b>140,527</b>	<b>68,954</b>	<b>88,939</b>
Change in gross provision for unearned premiums		(91,261)	(45,928)	(15,997)
Reinsurers share of change in the provision for unearned premiums		17,507	1,843	(5,857)
<b>Net earned premium</b>		<b>66,773</b>	<b>24,869</b>	<b>67,085</b>
Investment return		6,566	4,872	11,480
Other income	2	10,188	6,245	11,787
<b>Net revenue</b>		<b>83,527</b>	<b>35,986</b>	<b>90,352</b>
<b>Expenses</b>				
Insurance claims		(37,097)	(25,720)	(52,360)
Insurance claims recoverable from reinsurers		1,423	11,241	20,208
<b>Net insurance claims</b>	3	<b>(35,674)</b>	<b>(14,479)</b>	<b>(32,152)</b>
Net acquisition costs		(16,350)	(4,562)	(15,504)
Other underwriting operating expenses		(2,452)	(2,391)	(5,224)
Other corporate expenses		(8,085)	(4,942)	(13,775)
Finance costs		(521)	(320)	(1,108)
<b>Total expenses</b>		<b>(63,082)</b>	<b>(26,694)</b>	<b>(67,763)</b>
<b>Profit before tax</b>		<b>20,445</b>	<b>9,292</b>	<b>22,589</b>
Income tax	4	(4,183)	(2,733)	(7,098)
<b>Total recognised profit for the period attributable to equity holders of the parent company</b>		<b>16,262</b>	<b>6,559</b>	<b>15,491</b>
Earnings per share – basic	6	US\$0.11	US\$0.05	US\$0.12
Earnings per share – diluted	6	US\$0.11	US\$0.05	US\$0.12

On 17 September the board approved a dividend of US 7.7cents per share.

## Condensed Consolidated Balance Sheet

As at 30 June 2007

	Notes	30 June 2007 US\$'000	30 June 2006 US\$'000 (restated)	31 December 2006 US\$'000 (restated)
<b>ASSETS</b>				
Cash and cash equivalents		95,522	148,839	81,348
Financial investments		238,196	32,851	223,286
Deferred acquisition costs		25,706	12,402	8,570
Reinsurance assets		176,858	78,216	61,466
Insurance receivables		35,742	23,662	15,688
Prepayments and accrued income		14,482	8,775	5,992
Other debtors	7	11,272	55,559	16,294
Current income tax assets		-	392	-
Deferred tax assets		1,565	377	742
Property and equipment		245	73	211
Intangible assets		149	149	149
<b>Total assets</b>		<b>599,737</b>	<b>361,295</b>	<b>413,746</b>
<b>EQUITY</b>				
Called up share capital		14,759	10,392	14,736
Share premium account		147,694	170,471	247,641
Contributed surplus		100,000	-	-
Own shares		(49)	(85)	(98)
Foreign exchange reserve		1,703	2,712	1,162
Profit and loss account		19,538	22,082	1,960
<b>Total equity and reserves</b>		<b>283,645</b>	<b>205,572</b>	<b>265,401</b>
<b>LIABILITIES</b>				
Insurance contracts	8	239,341	118,787	103,155
Trade and other payables		66,792	33,311	38,520
Current income tax liabilities		9,242	3,503	1,629
Deferred tax liabilities		717	122	5,041
<b>Total liabilities</b>		<b>316,092</b>	<b>155,723</b>	<b>148,345</b>
<b>Total liabilities and equity</b>		<b>599,737</b>	<b>361,295</b>	<b>413,746</b>
Net asset per share		US\$1.92	US\$1.72	US\$1.80

## Condensed consolidated statement of changes in equity

Six months ended 30 June 2007

	Share capital	Share premium	Contributed surplus	Own shares	Foreign exchange reserve	Profit and loss	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance at 1 January 2007</b>	<b>14,736</b>	<b>247,641</b>	<b>-</b>	<b>(98)</b>	<b>1,162</b>	<b>1,960</b>	<b>265,401</b>
Currency translation differences	-	-	-	-	541	-	541
Tax on items taken directly to or transferred from equity	-	-	-	-	-	469	469
<b>Total income and expense for the period recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>541</b>	<b>469</b>	<b>1,010</b>
Profit for the period	-	-	-	-	-	16,262	16,262
<b>Total income and expense for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>541</b>	<b>16,731</b>	<b>17,272</b>
Vesting of own shares	-	-	-	49	-	(49)	-
Issue of new share capital	23	576	-	-	-	-	599
Share based payments	-	-	-	-	-	896	896
Conversion of share premium	-	(100,000)	100,000	-	-	-	-
Reorganisation and listing costs	-	(523)	-	-	-	-	(523)
<b>Balance at 30 June 2007</b>	<b>14,759</b>	<b>147,694</b>	<b>100,000</b>	<b>(49)</b>	<b>1,703</b>	<b>19,538</b>	<b>283,645</b>

Six months ended 30 June 2006 (restated)

	Share capital	Share premium	Own shares	Foreign exchange reserve	Profit and loss	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance at 1 January 2006</b>	<b>10,392</b>	<b>170,471</b>	<b>(127)</b>	<b>-</b>	<b>14,391</b>	<b>195,127</b>
Currency translation differences	-	-	-	2,712	-	2,712
<b>Total income and expense for the period recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,712</b>	<b>-</b>	<b>2,712</b>
Profit for the period	-	-	-	-	6,559	6,559
<b>Total income and expense for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,712</b>	<b>6,559</b>	<b>9,271</b>
Vesting of own shares	-	-	42	-	(42)	-
Share based payments	-	-	-	-	1,174	1,174
<b>Balance at 30 June 2006</b>	<b>10,392</b>	<b>170,471</b>	<b>(85)</b>	<b>2,712</b>	<b>22,082</b>	<b>205,572</b>

## Condensed consolidated statement of changes in equity

Year ended 31 December 2006 (restated)

	Share capital	Share premium	Merger reserve	Own shares	Foreign exchange reserve	Profit and loss	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance at 1 January 2006</b>	<b>10,392</b>	<b>170,471</b>	-	<b>(127)</b>	-	<b>14,391</b>	<b>195,127</b>
Currency translation differences	-	-	-	-	5,166	-	5,166
<b>Total income and expense for the year recognised directly in equity</b>	-	-	-	-	<b>5,166</b>	-	<b>5,166</b>
Profit for the year	-	-	-	-	-	15,491	15,491
<b>Total income and expense for the year</b>	-	-	-	-	<b>5,166</b>	<b>15,491</b>	<b>20,657</b>
Vesting of own shares	-	-	-	42	-	(42)	-
Issue of new share capital	2,493	63,308	-	-	-	-	65,801
Costs of issue	-	(3,808)	-	-	-	-	(3,808)
Share based payments	-	-	-	-	-	2,158	2,158
Special interim dividend of 4.1 pence per ordinary share	-	-	-	-	-	(9,337)	(9,337)
Group reorganisation	(12,885)	(229,971)	-	85	-	242,771	-
Establishment of Omega Insurance Holdings Limited	14,736	393,329	(140,491)	(98)	(4,004)	(263,472)	-
Reorganisation and listing costs	-	(5,197)	-	-	-	-	(5,197)
Transfer merger reserve	-	(140,491)	140,491	-	-	-	-
<b>Balance at 31 December 2006</b>	<b>14,736</b>	<b>247,641</b>	-	<b>(98)</b>	<b>1,162</b>	<b>1,960</b>	<b>265,401</b>

# Condensed Consolidated cash flow statement

Six months ended 30 June 2007

	Notes	Six months to 30 June 2007 US\$'000	Six months to 30 June 2006 US\$'000 (restated)	Year to 31 December 2006 US\$'000 (restated)
<b>Cash flows from operating activity</b>				
<b>Cash generated from operations</b>	9	29,568	(27,091)	47,399
Interest paid		-	-	(455)
Income tax paid		(1,308)	(184)	(1,547)
<b>Net cash inflows/(outflows) from operating activities</b>		<b>28,260</b>	<b>(27,275)</b>	<b>45,397</b>
<b>Cash flow from investing activities</b>				
Net proceeds of investments		232	16,425	-
Net purchase of investments		(15,106)	-	(173,900)
Purchase of tangible fixed assets		(64)	-	(193)
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(14,938)</b>	<b>16,425</b>	<b>(174,093)</b>
<b>Cash flows from financing activities</b>				
Equity dividends paid		-	-	(9,337)
Issue of share capital		599	-	65,801
Costs of issue		-	-	(3,808)
Reorganisation and listing costs		(523)	-	(5,197)
<b>Net cash inflow from financing activities</b>		<b>76</b>	<b>-</b>	<b>47,459</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>13,398</b>	<b>(10,850)</b>	<b>(81,237)</b>
Cash and cash equivalents at start of period		81,348	156,929	156,929
Foreign exchange currency movements		776	2,760	5,656
<b>Cash and cash equivalents at end of period</b>		<b>95,522</b>	<b>148,839</b>	<b>81,348</b>

## Notes to the interim financial statements

### 1. Basis of Preparation

For the year ended 31 December 2007, the Group will be adopting IFRS for its consolidated financial statements and consequently this condensed interim Report has been prepared in accordance with accounting policies that are to be used in the Annual Report. These accounting policies have been published on the Group's website ([www.omegauw.com](http://www.omegauw.com)).

The financial information for the year ended 31 December 2006 in this condensed Interim Report does not constitute statutory accounts for that period. These have been restated for the adoption by the Group of International Financial Reporting Standards ("IFRS") and therefore differ from the results reported in the Group's published statutory accounts. The independent auditors have reported on the Statutory Report and Accounts for the year ended 31 December 2006 prepared under UK GAAP, their report was not qualified. The auditors have also audited the restatement of these figures under IFRS and issued a special purpose audit report. Their report was included in the restated financial information that was published on 19 July 2007 and is available on the Group's website [www.omegauw.com](http://www.omegauw.com).

The interim consolidated financial statements for the 2007 and 2006 half years are unaudited but have been subject to a review by the independent auditors.

Omega Insurance Holdings Limited was formed in August 2006 and became the new parent company of the Group as a result of the Group reorganisation in November 2006. Comparative figures for the six months ended 30 June 2006 incorporate the accounts of the previous Group parent company, Omega Underwriting Holdings PLC, and all its subsidiary undertakings.

### 2. Other income

	Six months ended 30 June 2007 US\$'000	Six months ended 30 June 2006 US\$'000	Year ended 31 December 2006 US\$'000
Profit commission	6,550	3,365	7,588
Fees	2,911	2,581	3,218
Management charges to Syndicate	615	346	967
Miscellaneous	112	-	61
Foreign exchange	-	(47)	(47)
Total other income	10,188	6,245	11,787

### 3. Net insurance claims

	Six months ended 30 June 2007 US\$'000	Six months ended 30 June 2006 US\$'000	Year ended 31 December 2006 US\$'000
Claims paid	19,466	21,598	41,311
Reinsurers' share of claims paid	(9,600)	(19,389)	(34,975)
Net claims paid	9,866	2,209	6,336
Movement in insurance liabilities	17,631	4,122	11,049
Reinsurers' share of movement in insurance liabilities	8,177	8,148	14,767
Net movement in insurance liabilities	25,808	12,270	25,816
Net insurance claims	35,674	14,479	32,152

### 4. Income tax

	Six months ended 30 June 2007 US\$'000	Six months ended 30 June 2006 US\$'000	Year ended 31 December 2006 US\$'000
Current tax:			
On profits subject to UK tax	8,857	2,924	2,675
Deferred tax:			
Origination and reversal of temporary differences	(4,674)	(191)	4,423
Total tax charged to income statement	4,183	2,733	7,098

### 5. Dividends

Amounts recognised as distributions to equity shareholders in the period:

	Six months ended 30 June 2007 US\$'000	Six months ended 30 June 2006 US\$'000	Year ended 31 December 2006 US\$'000
2006 special interim dividend of 4.1pence per ordinary share	-	-	9,337

## 6. Earnings per share

Earnings per share are based on the profit attributable to shareholders and the weighted average number of shares in issue during the period. For the diluted earnings per share the weighted average number of shares in issue is adjusted to reflect the dilutive effect of the future exercise of share options.

	Six months ended 30 June 2007	Six months ended 30 June 2006	Year ended 31 December 2006
Profit for the period in US\$'000	16,262	6,559	15,491
Weighted average number of shares in issue	146,626,728	119,602,451	124,817,278
Dilutive average number of shares in issue	150,904,756	122,539,650	127,868,344
Earnings per share:			
Basic (US\$)	0.11	0.05	0.12
Diluted (US\$)	0.11	0.05	0.12

## 7. Other Debtors

	As at 30 June 2007 US\$'000	As at 30 June 2006 US\$'000	As at 31 December 2006 US\$'000
Syndicate loan	-	50,000	-
Other debtors	11,272	5,559	16,294
Total other debtors	<u>11,272</u>	<u>55,559</u>	<u>16,294</u>

The Syndicate loan was made from Omega Specialty to Syndicate 958 for the 2005 year of account. The loan was made under normal commercial terms and was repayable on demand.

## 8. Insurance Contracts

	As at 30 June 2007 US\$'000	As at 30 June 2006 US\$'000	As at 31 December 2006 US\$'000
Unearned premium	134,304	60,339	33,630
Loss reserve	105,037	58,448	69,525
Total insurance contracts	<u>239,341</u>	<u>118,787</u>	<u>103,155</u>

## 9. Cash generated from operations

	Six months ended 30 June 2007 US\$'000	Six months ended 30 June 2006 US\$'000	Year ended 31 December 2006 US\$'000
Profit before taxation	20,445	9,292	22,589
Adjustments for non cash items			
- Depreciation of tangible assets	32	10	69
- Realised and unrealised gains and losses	(36)	(351)	(461)
- Charge in relation to financing	522	310	1,104
- Foreign exchange adjustments	(177)	(47)	(423)
- Charge in relation to share option awards	896	1,174	2,158
Changes in operating assets and liabilities			
- (Increase) in deferred acquisition costs	(17,136)	(7,714)	(3,882)
- (Increase) in reinsurance assets	(115,392)	(35,912)	(19,176)
- (Increase) in insurance receivables	(20,054)	(8,756)	(782)
- (Increase) in prepayments and accrued income	(8,490)	(3,815)	(1,032)
- Decrease/(increase) in other debtors	5,022	(42,769)	(3,504)
- Increase in insurance payables	136,186	48,945	33,623
- Increase in trade and other payables	27,750	12,542	17,116
<b>Cash generated from operations</b>	<b>29,568</b>	<b>(27,091)</b>	<b>47,399</b>

## 10. Interim report

Copies of this interim statement are available from the Company's registered office at Clarendon House, Church Street, Hamilton HM11, Bermuda, and on the Company's web-site ([www.omegauw.com](http://www.omegauw.com)).

## 11. Explanation of transition to IFRS

A statement on the transition to IFRS was issued on 19 July 2007. This statement provided detailed adjustments for the Group's balance sheet and income statement for the year ended 31 December 2006. It is published on the Group's website ([www.omegauw.com](http://www.omegauw.com)).

The following tables show the detailed adjustments that have been made to the Group's UK GAAP balance sheet as at 30 June 2006 and to the income statement for the six months ended 30 June 2006. The financial statements for 30 June 2006 were originally published in £ under UK GAAP. These statements were restated into a US\$ functional and presentational currency to provide the opening UK GAAP columns in the tables below.

**Detailed reconciliation of the consolidated balance sheet as at 30 June 2006 from UK GAAP to IFRS**

	UK GAAP	Investment valuation	Derivative financial instruments	Syndicate capacity	Foreign currency	Tax	IFRS
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>ASSETS</b>							
Cash and cash equivalents	148,839						148,839
Financial investments	32,781	(13)	83				32,851
Deferred acquisition costs	12,469				(67)		12,402
Reinsurance assets	78,285				(69)		78,216
Insurance receivables	23,662						23,662
Prepayments and accrued income	8,775						8,775
Other debtors	55,559						55,559
Current income tax assets	392						392
Deferred tax assets	510					(133)	377
Property and equipment	73						73
Intangible assets	16			133			149
<b>Total assets</b>	<b>361,361</b>	<b>(13)</b>	<b>83</b>	<b>133</b>	<b>(136)</b>	<b>(133)</b>	<b>361,295</b>
<b>EQUITY</b>							
Called up share capital	10,392						10,392
Share premium account	170,471						170,471
Own shares	(85)						(85)
Foreign exchange reserve	2,712						2,712
Profit and loss account	21,757	(4)	83	133	246	(133)	22,082
<b>Total equity and reserves</b>	<b>205,247</b>	<b>(4)</b>	<b>83</b>	<b>133</b>	<b>246</b>	<b>(133)</b>	<b>205,572</b>
<b>LIABILITIES</b>							
Insurance contracts	119,206				(419)		118,787
Trade and other payables	33,283	(9)			37		33,311
Current income tax liabilities	3,503						3,503
Deferred tax liabilities	122						122
<b>Total liabilities</b>	<b>156,114</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>(382)</b>	<b>-</b>	<b>155,723</b>
<b>Total liabilities and equity</b>	<b>361,361</b>	<b>(13)</b>	<b>83</b>	<b>133</b>	<b>(136)</b>	<b>(133)</b>	<b>361,295</b>

**Detailed reconciliation of the consolidated income statement for the six months ended 30 June 2006 from UK GAAP to IFRS**

	<b>UK GAAP</b>	Investment valuation	Derivative financial instruments	Syndicate capacity	Foreign currency	<b>IFRS</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Income</b>						
Gross premiums written	81,309					81,309
Outward reinsurance premiums	(12,355)					(12,355)
<b>Net premiums written</b>	<b>68,954</b>	-	-	-	-	<b>68,954</b>
Change in gross provision for unearned premiums	(46,454)				526	(45,928)
Reinsurers share of change in the provision for unearned premiums	2,044				(201)	1,843
<b>Net earned premium</b>	<b>24,544</b>	-	-	-	<b>325</b>	<b>24,869</b>
Investment return	4,518	3	351			4,872
Other income	6,245					6,245
<b>Net revenue</b>	<b>35,307</b>	<b>3</b>	<b>351</b>	-	<b>325</b>	<b>35,986</b>
<b>Expenses</b>						
Insurance claims	(25,720)					(25,720)
Insurance claims recoverable from reinsurers	11,241					11,241
<b>Net insurance claims</b>	<b>(14,479)</b>	-	-	-	-	<b>(14,479)</b>
Net Acquisition costs	(4,497)				(65)	(4,562)
Other underwriting operating expenses	(2,391)					(2,391)
Other corporate expenses	(4,955)			13		(4,942)
Finance costs	(308)				(12)	(320)
<b>Total expenses</b>	<b>(26,630)</b>	-	-	<b>13</b>	<b>(77)</b>	<b>(26,694)</b>
<b>Profit before tax</b>	<b>8,677</b>	<b>3</b>	<b>351</b>	<b>13</b>	<b>248</b>	<b>9,292</b>
Income tax	(2,553)	(1)	(105)	(4)	(70)	(2,733)
<b>Total recognised profit for the period</b>	<b>6,124</b>	<b>2</b>	<b>246</b>	<b>9</b>	<b>178</b>	<b>6,559</b>

## **INDEPENDENT REVIEW REPORT TO OMEGA INSURANCE HOLDINGS LIMITED**

### **Introduction**

We have been instructed by the company to review the financial information for the six months ended 30 June 2007 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Cash Flow Statement and the related notes 1 to 11. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company having regard to guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report as required by the AIM Rules issued by the London Stock Exchange.

As disclosed in note 1, the next annual financial statements of the group will be prepared in accordance with IFRSs. This interim report has been prepared in accordance with the requirements of IFRS 1, "First Time Adoption of International Financial Reporting Standards" relevant to interim reports.

The accounting policies are consistent with those that the directors intend to use in the next financial statements.

### **Review work performed**

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

### **Review conclusion**

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

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17 September 2007