NEWS RELEASE

2 August 2017 For immediate release

Novae Group plc

Interim results for the six months ended 30 June 2017

Novae Group plc ("Novae" or "the Group"), the specialty insurance group which has recently recommended an offer from AXIS Capital Holdings Limited ("AXIS"), today announces its interim results for the six months ended 30 June 2017.

- Gross written premium of £598.8 million (H1 2016: £513.1 million)
- Weighted average rates on renewal premium reduced by 1.8% (H1 2016: reduced by 3.9%)
- Combined ratio of 101.6% (H1 2016 restated: 95.7%)
- Combined ratio excluding our Exited Division 94.7% (H1 2016 restated: 89.3%)
- Net investment income of £17.3 million (H1 2016: £28.4 million)
- Loss before tax, foreign exchange and non-recurring items of £2.2 million (H1 2016 restated: profit of £39.4 million)
- Loss before tax of £14.0 million (H1 2016 restated: profit before tax of £65.3 million)
- The Board is not recommending payment of an interim dividend

Matthew Fosh, Chief Executive Officer, today said:

"Our strategy since 2015 has been to re-engineer our underwriting portfolio in the face of a deteriorating soft market which has tested even the largest industry players, and our result for H1 2017 should be seen in that context.

It has only been by Novae focussing on niche classes where it could demonstrate a sustainable competitive advantage that the long-term prospects of the business could best be served. Our specialist underwriting expertise is highly complementary with AXIS' own successful specialty franchise and has resulted in their offer to acquire the business. The proposed transaction will provide us with the increased scale and financial resources to better compete in current markets."

For further information:

Matthew Fosh/Reeken Patel	:	Novae Group plc	020 7050 9000
David Haggie	:	Haggie Partners	020 7562 4444

Interim results statement

In my year end results statement, I referred to the opportunities that exist for those who are first to market with innovative products and for those who have niche specialisms requiring high levels of expert knowledge. The industry continues to face challenges, with surplus capital at record levels and falling premium rates in most lines putting further pressure on underwriting margins.

In the first half of 2017, we continued to focus our underwriting on opportunities where we retain a demonstrable competitive advantage and away from those classes where we believe that future profitability is increasingly unlikely. Per the announcement on 10 May 2017, the Group completed its underwriting transformation with the announcement of its withdrawal from certain Casualty classes and the closure of its Casualty division. The Group's Cyber and US XS Casualty units are now reported as part of the expanded Marine, Aviation, Political Risk and Specialty Division ("MAPS"). The UK General Liability and Medical Malpractice units are now reported as part of the Property Division. All of the Group's exited classes are reported separately in this Report.

These changes enable us to focus on those classes where market leading expertise and capabilities are differentiators. Comparative information throughout this report has been restated where relevant for the new divisional structure and the restatement of deferred acquisition costs announced in the 2016 Annual Report.

The Group reported a loss before tax of £14.0 million (H1 2016 restated: profit of £65.3 million) including a loss on foreign exchange of £10.1 million (H1 2016: gain of £25.9 million). Non-recurring items of £1.7 million (H1 2016: £nil) are termination costs associated with the underwriting transformation.

The reported combined ratio of 101.6% (H1 2016 restated: 95.7%) was impacted by reserve deterioration in classes which the Group exited or placed in run-off over the last 12-18 months. The aggregate combined ratio for the Property and MAPS Divisions was 94.7% (H1 2016 restated: 89.3%) compared to the Exited Division which reported a combined ratio of 128.4% (H1 2016 restated: 98.8%). The attritional loss ratio of 52.0% (H1 2016: 47.9%) deteriorated as rates remained under pressure in a number of classes. Net investment income was £17.3 million (H1 2016: £28.4 million) representing a yield on average invested assets of 1.2% (H1 2016: 2.2%).

Net tangible asset value per share was 474.1p (December 2016: 507.9p), with the reduction reflecting performance in the period and the payment of a final dividend of 7.5p in May this year.

On 5 July 2017, AXIS Capital Holdings ("AXIS") announced a recommended cash offer for the business. We are making significant progress with respect to the transaction, with shareholder meetings expected to be held in late August 2017 and completion expected in Q4 of this year.

The Board is not proposing an interim dividend (H1 2016: 7.5p).

Underwriting performance overview

Premiums

Gross written premium for the first half of the year was £598.8 million (H1 2016: £513.1 million), an increase of 16.7% or 6.8% at constant rates of exchange.

Growth was achieved across the Property and MAPS divisions, particularly in those classes which have benefitted from investment by the Group over the last three years. This growth was offset by premium reductions from a number of poorer performing classes as the Group continued to reallocate capital to business which offers attractive returns for shareholders. Gross written premium from exited classes reduced by 36.7% at constant rates of exchange, although the full impact of reductions will not be realised until 2018.

The Property Division achieved strong growth of 15.3% at constant rates of exchange with reported gross written premium of £307.2 million (H1 2016: £247.4 million). Consistent with the Group's strategy in recent years this growth was centred in direct insurance classes and most notably within the US Excess & Surplus lines, supported by the Group's Special Purpose Arrangement ("SPA") with Securis Investment Partners LLP. This growth was in part offset by reductions in US and International property catastrophe treaty units.

Gross written premium in the MAPS Division was £226.2 million (H1 2016: £175.3 million) representing an increase of 17.2% at constant rates of exchange. Select classes within this division continued to achieve growth, notably in certain marine classes, credit business and cyber insurance. The Group has cut back and declined business where the rating environment renders the underwriting opportunity unattractive. The Group's Cyber unit continues to identify opportunities for profitable growth and represented 17.3% of the newly formed division (H1 2016: 11.2%).

As previously reported, the Group exited a number of classes towards the end of 2016 and in the first half of 2017 as part of the repositioning of its underwriting portfolio. These exited classes are reported as a separate division and produced gross written premium of £65.4 million for the first half of 2017 (H1 2016: £90.4 million) a reduction of 36.7% at constant rates of exchange. Most of the reductions were driven by the withdrawal from the International Direct and Facultative unit in January 2017 and closure of the Group's Zurich based Property per Risk unit in December 2016. The withdrawal from certain casualty classes in May 2017 also contributed to the reduction although the full impact of this change will not be realised until 2018.

Despite the increase in gross written premium, net written premium reduced to £351.1 million (H1 2016: £354.4 million). Outwards reinsurance spend in the first half of the year was £247.7 million (H1 2016: £158.7 million) producing a reinsurance spend ratio of 41.4% (H1 2016: 30.9%). The year on year increase is driven by premium ceded as part of the SPA structure and the strategic use of proportional reinsurance to facilitate profitable growth in lines such as Cyber. The Group has also increased the level of third party capital supporting its Corporate Member in order to facilitate profitable growth.

Rating environment

Weighted average rates on renewal business in 2017 continued to experience downward pressure and declined by 1.8% overall (H1 2016: reduced by 3.9%). While rate decreases persist in most classes, particularly those with more benign recent loss experience, a few classes have started to show an improving outlook with a flattening of rate reductions or small increases.

Claims

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
	%	%	%
Attritional claims	**52.0**	47.9	47.4
Catastrophe claims and large losses	**4.1**	8.9	10.4
Reserve movements	**0.5**	(4.0)	(0.8)
	56.6	52.8	57.0

Net claims incurred were £198.5 million (H1 2016: £168.0 million) producing a net claims ratio of 56.6% (H1 2016: 52.8%).

The Group's attritional claims ratio was 52.0%, a deterioration on that reported in the first half of 2016 (H1 2016: 47.9%). Whilst we remain focussed on disciplined underwriting, the Group is not immune to the continued downward pressure on rates affecting the market as a whole. The repositioning of the underwriting portfolio will enable the Group to reduce exposures where pricing is inadequate and take advantage of profitable growth opportunities where and when they arise.

The Group benefitted from a lack of significant catastrophe and large loss events in the first half of the year, contributing only 4.1% to the overall claims ratio (H1 2016: 8.9%). Notable losses included the Abu Dhabi National Oil Company refinery fire and Cyclone Debbie.

As previously reported, claims experience from classes exited or in run-off had an adverse impact on the Group's performance in the first half of the year. The most significant deteriorations were experienced in Financial Institutions, International Direct & Facultative and Credit and Surety Reinsurance units, which contributed to an overall adverse reserve development of 0.5% (H1 2016: favourable 4.0%). Reserve development from ongoing classes of business remains broadly in line with expectations.

In its assessment of the valuation of insurance liabilities, the Group targets a probability of sufficiency of net reserves of 70 to 80 per cent. As at 30 June 2017, the margin held above best estimate was £50.6 million (as at 31 December 2016: £54.3 million) representing a sufficiency of net reserves of 78%.

Acquisition costs & Operating expenses

Acquisition costs in the first half of the year were £129.4 million (H1 2016 restated: £109.8 million) producing an acquisition cost ratio of 38.4% (H1 2016 restated: 34.5%). This reflects the relative increases in the proportion of business derived from delegated underwriting arrangements over the last few years and the increased use of proportional reinsurance in certain classes.

Total operating expenses for the first half of the year were £24.7 million (H1 2016 restated: £26.8 million). Whilst the Group continues to invest to support growth, expense discipline remains paramount. The Group reports an operating expense ratio of 6.6% (H1 2016 restated: 8.4%), which excludes non-recurring items of £1.7 million (2016: £nil). Non-recurring items relate to termination costs paid as part of restructuring the Group's underwriting portfolio in the first half of the year.

Prior year acquisition costs and operating expenses have been re-presented on a basis consistent with the accounting approach adopted and disclosed in the 2016 Annual Report. The combined expense and acquisition costs ratio following the changes was 45.0% (H1 2016 restated: 42.9%). Further details on the restatement are included in the accounting policies section of this report.

Divisional performance

Six months ended 30 June 2017	**Property**	**MAPS[1]**	**Exited**	**Unallocated by segment**	**Subtotal**	**Impact of non-translation of non-monetary items**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Gross written premium	307.2	226.2	65.4	-	598.8	-	598.8
Net earned premium	167.5	124.5	58.8	-	350.8	(16.2)	334.6
Net claims incurred	(74.0)	(71.0)	(53.5)	-	(198.5)	-	(198.5)
Expenses for the acquisition of insurance contracts	(69.2)	(44.1)	(19.7)	(1.7)	(134.7)	5.3	(129.4)
Operating expenses	(10.4)	(7.9)	(2.4)	(2.3)	(23.0)	-	(23.0)
Underwriting contribution	13.9	1.5	(16.8)	(4.0)	(5.4)	(10.9)	(16.3)
Net investment income	2.3	3.4	7.0	4.6	17.3	-	17.3
Fees and commission income	-	-	-	0.3	0.3	-	0.3
Net foreign exchange (loss)/ gain	-	-	-	(21.0)	(21.0)	10.9	(10.1)
Financing costs	-	-	-	(3.5)	(3.5)	-	(3.5)
Non-recurring items				(1.7)	(1.7)	-	(1.7)
Profit/(loss) before income taxes	**16.2**	**4.9**	**(9.8)**	**(25.3)**	**(14.0)**	**-**	**(14.0)**
Claims ratio	44.1%	57.0%	90.9%	-	56.6%	-	59.3%
Expense ratio	47.4%	41.7%	37.5%	-	45.0%	-	45.4%
Combined ratio	91.5%	98.7%	128.4%	-	101.6%	-	104.7%

(1) Marine, Aviation, Political Risk & Specialty

Property Division

	Six months ended 30 June 2017 £m	Restated six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Gross written premium	**307.2**	247.4	436.4
Net earned premium	**167.5**	138.3	302.6
Net claims incurred	**(74.0)**	(61.6)	(137.6)
Acquisition costs	**(69.2)**	(50.9)	(120.5)
Operating expenses	**(10.4)**	(7.9)	(20.0)
Underwriting contribution	**13.9**	17.9	24.5
Claims ratio	***44.1%***	*44.6%*	*45.5%*
Expense ratio	***47.4%***	*42.6%*	*46.4%*
Combined ratio	***91.5%***	*87.2%*	*91.9%*

Following the changes announced to the divisional structure in the Group's first quarter trading update, the Property Division now includes the Group's Medical Malpractice and UK General Liability units. Combined these units represented 5.3% of the division's gross written premium in the first half of the year (H1 2016: 7.1%). Those units exited or in run-off, which were previously reported within the Property Division, are now included within the Exited Division.

The Property Division reported gross written premium of £307.2 million (H1 2016: £247.4 million), an increase of 15.3% at constant rates of exchange.

Growth within the division continued to be focussed in the established US Excess and Surplus lines portfolio which benefits from the SPA with Securis Investment Partners LLP. This unit contributed 45.9% of the division's premium income in the first half of 2017 (H1 2016: 32.4%). Growth was also achieved in the Accident & Health and Construction units following the investments made in both teams since 2016. Offsetting some of this growth were reductions in International and US property catastrophe treaty business as the division continues to focus more on specialty classes.

Rates on renewal business within the Property Division decreased by 2%. Rates in US treaty and catastrophe exposed direct & facultative business remain under most pressure, however direct business, mainly written across the US, UK and Europe, has been more stable. Rate changes for other lines within the division have been flat, while UK Liability rates have shown some increases mainly as a response to the Ogden discount rate change in February 2017.

The division reported an improved net claims ratio of 44.1% (H1 2016: 44.6%) for the first half of the year reflecting the relatively benign catastrophe and large loss experience when compared to 2016, which was impacted by the Alberta Wildfires and the Taiwan and Japanese earthquakes.

The reported expense ratio has increased on the same period last year to 47.4% (H1 2016 restated: 42.6%). This comes predominantly from acquisition costs which have increased as a result of the change in business mix towards delegated authorities and away from reinsurance, and the impact of the increasing use of proportional reinsurance in certain classes.

MAPS Division

	Six months ended 30 June 2017 £m	Restated six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Gross written premium	**226.2**	175.3	326.3
Net earned premium	**124.5**	104.7	224.1
Net claims incurred	**(71.0)**	(57.6)	(114.3)
Acquisition costs	**(44.1)**	(32.9)	(77.3)
Operating expenses	**(7.9)**	(6.2)	(14.5)
Underwriting contribution	**1.5**	8.0	18.0
Claims ratio	***57.0%***	*55.0%*	*51.0%*
Expense ratio	***41.7%***	*37.3%*	*41.0%*
Combined ratio	***98.7%***	*92.3%*	*92.0%*

Following the underwriting changes announced in the first quarter trading update, the MAPS Division now contains the Group's Cyber and US XS Casualty units. Combined these units represented 20.4% of the division's gross written premium in the first half of 2017 (H1 2016: 14.8%). Those units exited or in run-off, which were previously reported within the MAPS Division, are now included within the Exited Division.

Gross written premium in the MAPS Division was £226.2 million (H1 2016: £175.3 million) representing an increase of 17.2% at constant rates of exchange. Over the last 12 months, the division has invested in hiring lead underwriting talent in marine hull, cargo and political & credit risks and it is in these classes that the Group has experienced the strongest growth. This growth was offset by reductions in crisis management, energy and marine liability risks where underwriting discipline was maintained as rates remain under pressure.

The addition of the Cyber and US XS Casualty units enhanced the division's specialty liability offering with the Cyber unit delivering particularly strong growth in the first half of the year. The Group continues to invest heavily in people and initiatives to enhance its cyber capabilities including partnerships with technology firms and a leading academic institution.

The MAPS Division has experienced average rate reductions on renewals of 2.5% across the division. However, Cyber rates continue their upward trend, and increased between 3-4%. Excluding Cyber business, rates across the remaining units reduced by just over 3.5%.

The division produced a net claims ratio of 57.0% (H1 2016: 55.0%), reflecting downward rating pressure on renewal business noted above which contributed to a deterioration in the attritional loss ratio. The division avoided the severity of large losses experienced in the first half of 2016 which was impacted by the Jubilee oil field loss, a Latin American political risk loss, two product recall events and a marine liability loss.

The reported expense ratio for the MAPS Division of 41.7% has increased from the 37.3% reported for the same six month period last year. The increase is predominantly due to the cost of acquiring business, which has increased as a result of reduced exposure to reinsurance classes and the increased use of proportional reinsurance in classes such as Cyber and US XS Casualty.

Exited Division

	Six months ended 30 June 2017 £m	Restated six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Gross written premium	**65.4**	90.4	138.3
Net earned premium	**58.8**	75.4	144.3
Net claims incurred	**(53.5)**	(48.8)	(130.4)
Acquisition costs	**(19.7)**	(22.8)	(44.8)
Operating expenses	**(2.4)**	(3.0)	(7.4)
Underwriting contribution	**(16.8)**	0.8	(38.3)
Claims ratio	***90.9%***	*64.6%*	*90.3%*
Expense ratio	***37.5%***	*34.2%*	*36.1%*
Combined ratio	***128.4%***	*98.8%*	*126.4%*

This operating segment contains those classes that the Group has exited or placed into run-off. This includes the Casualty classes exited in the first quarter namely; Financial Institutions, Professional Indemnity, Motor Reinsurance and General Liability Reinsurance. In addition, this division comprises those units closed following action taken towards the end of 2016 such as International Liability and International Direct & Facultative property which were closed in January 2017.

Gross written premium in the first half of the year was £65.4 million (H1 2016: £90.4 million) a reduction of 36.7% at constant rates of exchange. Premium within the division is expected to reduce significantly over the next 12 months as facilities commenced in the first half of 2017 run down.

The division produced a net claims ratio of 90.9% (H1 2016: 64.6%) which was severely impacted by a number of adverse reserve developments particularly within the Financial Institutions, International Direct & Facultative and Credit & Surety reinsurance units which were reported in the first quarter of 2017. In total, reserve strengthening contributed 7.6% to the division's net claims ratio in the first half of the year compared to an 11.7% benefit in the first half of 2016.

The reported expense ratio for the division was 37.5% (H1 2016: 34.2%). In absolute terms the operating expense base reduced and is expected to trend down further as the full impact of management actions taken in the first half of the year are recognised. Redundancy costs associated with the changes made are not included in the above analysis and are reported separately as non-recurring items.

Investments

Investment return for the period was £17.3 million (H1 2016: £28.4 million), equivalent to a yield on average invested assets of 1.2% (H1 2016: 2.2%) on average investments of £1,455.2 million (H1 2016: £1,294.8 million).

Performance in the first half of 2017 has been positive and exceeded plan. Last year, the majority of the performance in the equivalent period came from government and investment grade bonds, due to large movements in government bond yield curves. However, our economic approach meant this return was available to offset an increase in our capital requirement due to a reduction in the effect of discounting, caused by the same yield curve movements.

This year yield curves have been more stable and therefore a far greater proportion of the result represents a real economic return, which generates additional capital for the Group. Corporate bonds outperformed government bonds strongly in both the UK and US and both our US dollar denominated emerging market debt and UK equity holdings have generated positive returns.

Both periods demonstrate the benefits of our economic driven approach to investment strategy and of our decision to redeploy risk from a short duration position to a more efficient diversified exposure to growth assets, such as equities and emerging market debt.

Our investment risk appetite has not changed during 2017. Portfolio risk levels have remained within our risk appetite range and towards the lower end of the range for most of the period. Hence, the strong returns over the period have been generated at the same time as we have consciously maintained a risk position towards the lower end of our risk appetite range, reflecting our cautious approach to the current macro-economic environment.

At 30 June 2017 the average duration across the Group's portfolio was 2.6 years (H1 2016: 2.4 years) which represents a liability-duration matched position.

The profile of the Group's investment portfolio at 30 June 2017 was as follows:

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Corporate bonds	**593.1**	307.4	595.0
Government bonds	**432.7**	575.2	429.6
Pooled equity fund	**62.6**	73.7	58.4
Covered bonds	**61.4**	30.0	91.2
Emerging Market Mutual Fund	**44.2**	39.8	43.2
Securitised RMBS / ABS	**40.6**	50.5	47.1
Government agencies	**32.5**	95.7	12.1
Fixed and floating rate deposits	**18.6**	-	18.5
Investment cash	**12.6**	19.4	6.5
Certificate of deposits / floating rate notes	**-**	1.4	-
Other	**3.8**	3.8	3.9
	1,302.1	1,196.9	1,305.5

Foreign exchange

Novae reported a loss on foreign exchange of £10.1 million (H1 2016: gain of £25.9 million). The gain in the prior year reflected the general weakening of sterling following the EU referendum in June 2016 whereas the loss in 2017 follows the strengthening of sterling in the first half of the year. The Group does not speculate on foreign exchange movements and as part of the investment strategy aims to maintain an economically neutral position and where practical seeks to maintain a broadly neutral foreign currency position from an accounting perspective.

The Group's principal trading exposure is to the US dollar, which represented 58% of gross written premium (H1 2016: 59%). Other significant trading exposures include the euro (5%), Australian dollar (2%) and Canadian dollar (2%).

Tax

From 1 April 2017, the standard rate of corporation tax in the UK changed to 19%. The Finance Act 2016 was enacted on 15 September 2016 and contained a further future reduction to the UK corporation rate to 17% from 1 April 2020.

Novae's income tax credit for the period is £2.2 million (H1 2016 restated: income tax expense of £7.0 million) has been estimated at a rate of 19.25% (H1 2016: 20%), the rate expected to be applicable for the full year. The carrying value of the Group's deferred tax asset is £9.7 million (H1 2016 restated: £2.7 million) and is valued at the enacted rate of 17%.

Deferred tax assets in respect of tax losses of £16.1 million (H1 2016 £20.3 million) have been recognised, as the Directors consider it probable that taxable profits will be available in the future against which the losses may be utilised.

Capital structure

Regulatory capital

The table below sets out the Group's sources and uses of capital:

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Cash and investments at Lloyd's	**342.1**	272.3	228.3
Free cash and investments at Group	**20.9**	72.9	114.3
Pipeline profits[1]	**(30.8)**	65.0	116.8
Uncollateralised letter of credit	**120.0**	94.0	120.0
Quota share reinsurer letters of credit	**71.7**	23.4	74.8
Revolving credit facility (undrawn)	**50.0**	30.0	50.0
Lloyd's economic capital assessment ("ECA")	**(455.9)**	(404.4)	(498.7)
Headroom[2]	**118.0**	153.2	205.5
Headroom %	**25.9%**	37.9%	41.2%

[1] Pipeline profits represent the Group's share of undistributed syndicate profits available for Lloyd's capital provision
[2] Headroom stated is exclusive of any distributions subsequent to the balance sheet date

The Group's available capital for 2017 includes letters of credit held as collateral under quota share reinsurance arrangements underwritten by several large international reinsurers.

As anticipated, the Group's capital headroom reduced to 25.9% at 30 June 2017 (H1 2016: 37.9%). The Board will continue to assess its options for maintaining the appropriate balance of capital resources in the context of the AXIS offer.

Debt structure

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Term loan facility	**49.5**	-	-
2017 Senior notes	**-**	49.8	49.9
2017 Subordinated notes	**-**	2.5	2.5
US $ 2034 Dekania notes	**27.7**	26.8	29.0
US $ letter of credit	**63.7**	94.0	44.3
€ letter of credit	**-**	-	38.5
Letter of credit and revolving credit facility	**106.3**	30.0	87.2
	247.2	203.1	251.4

As at 30 June 2017 the Group had gross debt and banking facilities of £247.2 million (H1 2016: £203.1 million).

In August 2016, the Group renegotiated its bank financing facility increasing the number of banks supporting the facility to four. The new facility provided a multi-option letter of credit ("LoC") and revolving credit facility ("RCF") of £170.0 million (H1 2016: LoC US $126.0 million and RCF £30.0 million), available until December 2018. This can be fully utilised as LoC or up to £50.0 million as RCF. In addition, the facility included a £50.0 million term loan. At 30 June 2017, the Group had utilised US $55.0 million and €24.4m million of the combined £170.0 million LoC and RCF facility.

On 27 April 2017, the senior and subordinated notes ("the Notes") were redeemed in full and ceased trading on the London Stock Exchange. The repayment of the Notes was facilitated by drawing on the Group's multi-currency £50.0 million term loan facility secured in August 2016.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group are discussed in further detail in the accounting policies section of these interim financial statements.

Outlook

As we move into the second half of 2017, the challenges facing the industry appear to show little sign of abating. Despite these challenges we remain focussed on our goal of being a leading specialty underwriting franchise, which delivers excellence in product and service.

The announced transaction with AXIS will allow Novae to continue its stated strategy as part of a much larger group underpinned by a common culture. We look forward to the closing of the transaction later this year and working together with the AXIS team on the next part of the journey for Novae.

Responsibility statement of the directors in respect of the interim financial report

The Directors' confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The Directors of Novae Group plc are listed in the Novae Group plc 2016 Annual Report. A list of current Directors is maintained on the Novae Group plc website at www.novae.com.

By order of the Board,

M K Fosh	**R Patel**
Chief Executive Officer	*Chief Financial Officer*
2 August 2017	2 August 2017

Condensed consolidated income statement

for the six months ended 30 June 2017

	Note	**Six months ended 30 June 2017 £m**	Restated six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Gross written premium		**598.8**	513.1	901.0
Outwards reinsurance premium		**(247.7)**	(158.7)	(237.0)
Net written premium		**351.1**	354.4	664.0
Change in gross provision for unearned premium		**(131.3)**	(113.8)	(48.6)
Reinsurers' share of change in the provision for unearned premium		**114.8**	77.8	29.4
Net earned premium		**334.6**	318.4	644.8
Net investment income	4	**17.3**	28.4	32.7
Fees and commission income		**0.3**	0.9	0.3
Total revenue (net of premium ceded to reinsurers)		**352.2**	347.7	677.8
Gross claims incurred	5	**(293.6)**	(217.0)	(494.4)
Reinsurers' share of claims incurred	5	**95.1**	49.0	112.1
Net claims incurred		**(198.5)**	(168.0)	(382.3)
Expenses for the acquisition of insurance contracts		**(129.4)**	(109.8)	(242.3)
Operating expenses	6	**(24.7)**	(26.8)	(64.8)
Foreign exchange (loss)/gain		**(10.1)**	25.9	43.0
Financing costs	7	**(3.5)**	(3.7)	(7.7)
(Loss)/Profit before income taxes		**(14.0)**	65.3	23.7
Income taxes	8	**2.2**	(7.0)	(2.1)
(Loss)/Profit for the period attributable to shareholders		**(11.8)**	58.3	21.6
Earnings per share				
Basic earnings per share	9	**(18.7)p**	92.6p	34.3p
Diluted earnings per share	9	**(18.7)p**	87.4p	32.4p

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2017

	Note	**Six months ended 30 June 2017 £m**	Restated six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
(Loss)/Profit for the period attributable to shareholders		**(11.8)**	58.3	21.6
Items that will not be reclassified to the income statement:				
Defined benefit pension fund actuarial gains		**-**	-	0.2
Items that may be reclassified subsequently to the income statement:				
Changes in fair value of cash flow hedges	15	**0.2**	(1.3)	0.1
Tax relating to equity incentive schemes		**-**	-	(0.9)
Other comprehensive income, net of tax		**0.2**	(1.3)	(0.6)
Total comprehensive income recognised		**(11.6)**	57.0	21.0

The attached notes form an integral part of these consolidated financial statements.

Condensed consolidated balance sheet
as at 30 June 2017

	Note	**30 June 2017 £m**	Restated 30 June 2016 £m	31 December 2016 £m
Assets				
Cash and cash equivalents	11	**155.5**	154.6	142.7
Financial assets	12,16	**1,302.1**	1,196.9	1,305.5
Reinsurance contracts	13	**519.3**	416.9	398.4
Insurance and other receivables		**426.5**	459.1	384.1
Deferred acquisition costs		**170.5**	148.5	136.5
Deferred tax assets		**9.7**	2.7	6.2
Property, plant and equipment		**13.1**	9.5	10.7
Intangible assets		**2.5**	2.9	2.7
Total assets		**2,599.2**	2,391.1	2,386.8
Liabilities				
Insurance contracts	13	**(1,995.1)**	(1,796.1)	(1,813.4)
Insurance and other payables	14	**(220.7)**	(155.8)	(168.6)
Current tax liabilities		**(3.1)**	(1.5)	(1.9)
Financial liabilities	15,16	**(77.2)**	(79.1)	(81.4)
Retirement benefit obligations		**-**	(0.1)	-
Total liabilities		**(2,296.1)**	(2,032.6)	(2,065.3)
Net assets		**303.1**	358.5	321.5
Shareholders' equity				
Share capital	17	**72.5**	72.5	72.5
Other reserves	17	**95.9**	95.9	95.9
Retained earnings		**134.7**	190.1	153.1
Total shareholders' equity		**303.1**	358.5	321.5

The attached notes form an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 2 August 2017 and were signed on its behalf by:

M K Fosh
Chief Executive Officer

R Patel
Chief Financial Officer

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2017

Six months ended 30 June 2017	**Share capital £m**	**Other reserves £m**	**Retained earnings £m**	**Total £m**
As at 31 December 2016	72.5	95.9	153.1	321.5
Total recognised loss for the period	-	-	(11.8)	(11.8)
Total recognised in other comprehensive income for the period	-	-	0.2	0.2
Total comprehensive income for the period	-	-	(11.6)	(11.6)
Transactions with owners recorded directly in equity				
- Movement in equity incentive reserves	-	-	(5.0)	(5.0)
- Movement in own share reserve	-	-	3.0	3.0
- Dividends paid	-	-	(4.8)	(4.8)
Net decrease in equity	-	-	(18.4)	(18.4)
As at 30 June 2017	**72.5**	**95.9**	**134.7**	**303.1**

Restated six months ended 30 June 2016	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
Reported as at 31 December 2015	72.5	95.9	181.9	350.3
- Impact of prior year restatement	-	-	(13.5)	(13.5)
Restated as at 31 December 2015	72.5	95.9	168.4	336.8
Total recognised profit for the period	-	-	58.3	58.3
Total recognised in other comprehensive income for the period	-	-	(1.3)	(1.3)
Total comprehensive income for the period	-	-	57.0	57.0
Transactions with owners recorded directly in equity				
- Movement in equity incentive reserves	-	-	(1.7)	(1.7)
- Movement in own share reserve	-	-	(6.2)	(6.2)
- Dividends paid	-	-	(27.4)	(27.4)
Net increase in equity	-	-	21.7	21.7
As at 30 June 2016	72.5	95.9	190.1	358.5

Year ended 31 December 2016	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
As at 31 December 2015	72.5	95.9	168.4	336.8
Total recognised profit for the year	-	-	21.6	21.6
Total recognised in other comprehensive income for the year	-	-	(0.6)	(0.6)
Total comprehensive income for the year	-	-	21.0	21.0
Transactions with owners recorded directly in equity				
- Movement in equity incentive reserves	-	-	3.8	3.8
- Movement in own share reserve	-	-	(8.0)	(8.0)
- Dividends paid	-	-	(32.1)	(32.1)
Net decrease in equity	-	-	(15.3)	(15.3)
As at 31 December 2016	72.5	95.9	153.1	321.5

The attached notes form an integral part of these consolidated financial statements.

Condensed consolidated cash flow statement

for the six months ended 30 June 2017

	Six months ended 30 June 2017	Restated six months ended 30 June 2016	Year ended 31 December 2016
	£m	£m	£m
(Loss)/Profit before tax	**(14.0)**	65.3	23.7
Adjustments for:			
Foreign exchange on financial assets	**20.7**	(67.4)	(109.7)
Financing costs	**3.5**	3.7	7.7
Amortisation charge	**0.2**	0.2	0.4
Investment income	**(17.3)**	(28.4)	(32.7)
Depreciation charge	**1.3**	1.0	2.1
Employee equity incentives charge	**1.4**	4.7	10.7
Changes in operating assets and liabilities			
Change in insurance contract liabilities	**181.7**	238.1	255.4
Change in insurance receivables	**(39.6)**	(114.0)	(28.0)
Change in other receivables	**(1.9)**	(1.3)	(11.3)
Change in deferred acquisition costs	**(34.0)**	(29.7)	(17.7)
Change in reinsurance contract assets	**(120.9)**	(103.9)	(85.4)
Change in insurance payables	**61.0**	98.8	79.9
Change in other/trade payables	**(2.7)**	(6.0)	3.8
Change in market value of financial liabilities	**(1.3)**	2.4	4.5
Change in market value of financial assets	**(4.9)**	(30.9)	(19.4)
Income taxes	**(0.1)**	0.4	1.6
Cash generated from operations	**33.1**	33.0	85.6
Cash flow (used in) / from investing activities:			
Purchase of tangible fixed assets	**(3.7)**	(1.2)	(3.5)
Interest received	**12.5**	10.8	23.2
Purchase of financial assets	**(915.0)**	(835.9)	(1,785.0)
Proceeds from sale of financial assets	**902.6**	848.4	1,730.5
Net cash (used in) / from investing activities	**(3.6)**	22.1	(34.8)
Cash flow used in financing activities:			
Interest paid	**(6.1)**	(5.8)	(10.4)
Repayment of borrowings	**(52.4)**	-	-
Term loan	**49.5**	-	-
Acquisition of own shares	**(2.5)**	(11.5)	(13.4)
Dividends paid	**(4.8)**	(26.7)	(31.4)
Net cash used in financing activities	**(16.3)**	(44.0)	(55.2)
Net increase / (decrease) in cash and cash equivalents	**13.2**	11.1	(4.4)
Opening cash and cash equivalents	**142.7**	137.1	137.1
Effect of exchange rates on cash and cash equivalents	**(0.4)**	6.4	10.0
Closing cash and cash equivalents	**155.5**	154.6	142.7

The attached notes form an integral part of these consolidated financial statements.

Notes to the interim financial information

1. Significant Accounting Policies

Novae Group plc (the "Company") is a company registered in England and Wales. The address of the registered office is 21 Lombard Street, London, EC3V 9AH.

The unaudited interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and on the basis of the accounting policies set out in the annual report of Novae Group plc for the year ended 31 December 2016.

The consolidated financial statements include the results of Novae Group plc and all its subsidiary undertakings made up to the same accounting date.

The financial information contained in these interim results does not constitute statutory accounts of Novae Group plc within the meaning of Section 435 of the Companies Act 2006. Statutory accounts for Novae Group plc for the year ended 31 December 2016 have been delivered to the Registrar of Companies. The auditors have reported on the accounts, their report was unqualified and did not constitute a statement under Section 498 (2) or (3) of the Companies Act 2006.

Basis of preparation

The financial statements are presented in pounds sterling unless otherwise stated. They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through the income statement.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these factors allow judgements to be made regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Uncertainties exist where current valuations are dependent on estimates of future cash flows. This applies to the share-based payment charge and financial assets and liabilities held at fair value. The accounting policies have been applied consistently to all periods presented in this report.

The Directors have a reasonable expectation, given the principal risks and uncertainties above, that the Group has adequate resources to enable it to continue in operational existence for the next 12 months. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated interim financial statements of the Group.

The Group's greatest area of uncertainty relates to insurance contract liabilities (see note 13). The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

The financial information presented within this document does not comprise statutory financial statements within the meaning of Companies Act 2006, or include all the disclosures typically required for full consolidated financial statements, these financial statements should be read in conjunction with the consolidated financial statements of Novae Group plc for the year ended 31 December 2016, included within the 2016 Annual Report.

Revised and new reporting standards

The accounting policies applied in the consolidated interim financial statements are the same as those applied on the Group's consolidated financial statements as at, and for, the year ended 31 December 2016. Any changes in the policies will be reflected in the financial statements as at, and for, the year ending 31 December 2017.

There are no new or amended EU endorsed standards that are effective from 1 January 2017.

Key estimates and accounting judgements

The key estimates and accounting judgements applied by management in the preparation of these financial statements are consistent with those stated on page 93 of the Group's 2016 Annual Report.

Prior year restatement

In 2016, the Group reviewed its accounting policy relating to the treatment of deferred acquisition costs and the associated recognition of acquisition costs in the income statement. As a result of this review, it was identified that there were certain operating expenses that were previously deferred that should have been charged directly to the income statement as incurred. In addition it was identified that the method by which deferred acquisition costs were released to the income statement did not appropriately match the related premium earning patterns.

This review resulted in a number of corrections by restating each of the affected financial statement line items for prior periods. This included an adjustment to the income tax and deferred tax asset of £0.1 million and £2.4 million respectively and an adjustment to insurance and other payables of £0.8 million to adjust the Group's obligations to third party providers. The tables below summarise the impact on the Group consolidated financial statements.

a) Consolidated statement of financial position

As at 30 June 2016	As previously reported £m	Adjustments £m	**As restated £m**
Deferred acquisition costs	163.8	(15.3)	**148.5**
Deferred tax asset	0.3	2.4	**2.7**
Others	2,239.9	-	**2,239.9**
Total assets	2,404.0	(12.9)	**2,391.1**
Insurance and other payables	156.6	(0.8)	**155.8**
Others	1,876.8	-	**1,876.8**
Total liabilities	2,033.4	(0.8)	**2,032.6**
Retained earnings	202.2	(12.1)	**190.1**
Others	168.4	-	**168.4**
Total shareholders' equity	370.6	(12.1)	**358.5**

b) Consolidated income statement and OCI

For the period ended 30 June 2016	As previously reported £m	Adjustments £m	**As restated £m**
Expenses for the acquisition of insurance contracts	(92.5)	(17.3)	**(109.8)**
Operating expenses	(45.6)	18.8	**(26.8)**
Income taxes	(6.9)	(0.1)	**(7.0)**
Others	201.9	-	**201.9**
Profit for the year attributable to shareholders	56.9	1.4	**58.3**

c) Consolidated cash flow statement

There was no impact on the total operating, investing or financing cash flows for the periods ended 31 December 2016 and 30 June 2016.

d) Key Performance Indicators

As at 30 June 2016	As previously reported	Adjustments	As restated
Return on Equity (%)	15.8	1.0	**16.8**
Net assets per share (pence)	590.2	(19.3)	**570.9**
Basic earnings per share (pence)	90.4	2.2	**92.6**
Diluted earnings per share (pence)	88.2	(0.8)	**87.4**
Combined ratio (%)	96.1	(0.4)	**95.7**

Principal risks and uncertainties

There are a number of risks and uncertainties which could impact upon the Group's performance over the remaining six months of the financial year and cause actual results to differ materially from current expectations, and from historical results. The Directors consider that the principal risks and uncertainties described on pages 32 to 33 and explained in detail in the risk disclosures note on pages 98 to 113 of the 2016 Annual Report continue to reflect the principal risks and uncertainties of the Group over the remaining six months of the financial year.

Novae categorises risks closely to those laid out by the PRA ("Prudential Regulatory Authority"). A summary of each of the Group's principal risks and uncertainties (as described in the Annual Report) is provided below:

- ***Underwriting risk – Catastrophe***: The potential for aggregated losses to arise from catastrophic events. The Group's largest catastrophe exposures are in respect of natural catastrophes, although exposures are also taken to non-natural catastrophe events (e.g. terrorism).

- ***Underwriting risk – Non-catastrophe***: The risk of adverse loss experience arising from small or large individual insurance claims. This includes the risk of mispricing underlying insurance contracts.

- ***Underwriting risk – Reserving***: The risk that claims reserves are materially different from the ultimate costs of settlement. This includes the risks relating to claims inflation and changes in legal interpretations of insurance contracts.

- ***Investment risk:*** The risk of economic losses arising from fluctuations in the value of our asset and liability portfolio driven by economic variables. The major investment risks faced by the Group are interest rate risk, currency risk, equity risk and credit spread risk. In addition, there is an element of operational risk that arises from the process of investment management.

- ***Credit risk:*** The risk arising from the potential failure of business counterparties to fulfil financial obligations to Novae Group. The Group is exposed to credit risk through most materially through its outwards reinsurance coverages, but also through contractual arrangements with policyholders and intermediaries relating to (re)insurance.

- ***Liquidity risk:*** The risk of not being able to meet our liabilities as they fall due, or incurring excessive costs to do so.

- ***Operational risk:*** The risk arising from inadequate or failed processes/systems, people or external events.

- ***Strategic risk:*** The risk that the strategy is not delivered against, not clearly communicated, or not appropriate for the changing business environment. This includes Reputational risk.

Whilst the definitions of the Group's principal risks and uncertainties listed above remain unchanged, the announcement of the transaction with AXIS has the potential to change the level and type of exposure underlying some of these.

Under certain conditions, the outcome with respect to one risk category can be expected to influence another. Novae monitors a number of specific interactions and considers the results of stress and scenario testing to ensure that these dependencies are managed.

Reporting of additional performance measures

The Directors consider that the claims ratio, expense ratio and combined ratio measures reported in respect of operating segments and the Group overall in note 2 provide useful information about the underlying performance of the Group's businesses. These measures are widely recognised by the insurance industry and are consistent with internal performance measures reviewed by the Chief Operating Decision Maker of the Group, namely its Executive Committee. However, these measures are not defined within the IFRS framework and body of standards and interpretations and therefore may not be directly comparable with similarly titled additional performance measures reported by other companies.

2. Segmental information

Segmental information is presented in respect of reportable segments. This is based on the Group's management and internal reporting structure and represents the level at which financial information is reported to the Executive Committee, being the chief operating decision maker as defined by IFRS 8.

Segment results, assets and liabilities include items that can be allocated on a reasonable basis. Unallocated items comprise certain employee incentive costs, foreign exchange movements, insurance working capital and the deferred tax asset.

As reported in the first quarter trading update, the Group's underwriting is now managed in three trading divisions: Property, MAPS and Exited. The specific changes and revised presentation of certain underwriting units is discussed in more detail in the divisional performance section of these interim financial statements. In accordance with IFRS 8, Operating segments, the Group now considers the three divisions to be the reportable segments of the Group, and the comparatives have been re-presented on this basis.

a) Segmental income statement

Six months ended 30 June 2017	**Property £m**	**MAPS £m**	**Exited £m**	**Unallocated by segment £m**	**Subtotal £m**	**Impact of non-translation of non-monetary items* £m**	**Total £m**
Gross written premium	**307.2**	**226.2**	**65.4**	**-**	**598.8**	**-**	**598.8**
Net earned premium	**167.5**	**124.5**	**58.8**	**-**	**350.8**	**(16.2)**	**334.6**
Net claims incurred	**(74.0)**	**(71.0)**	**(53.5)**	**-**	**(198.5)**	**-**	**(198.5)**
Expenses for the acquisition of insurance contracts	**(69.2)**	**(44.1)**	**(19.7)**	**(1.7)**	**(134.7)**	**5.3**	**(129.4)**
Operating expenses	**(10.4)**	**(7.9)**	**(2.4)**	**(2.3)**	**(23.0)**	**-**	**(23.0)**
Underwriting contribution	**13.9**	**1.5**	**(16.8)**	**(4.0)**	**(5.4)**	**(10.9)**	**(16.3)**
Net investment income	**2.3**	**3.4**	**7.0**	**4.6**	**17.3**	**-**	**17.3**
Fees and commission income	**-**	**-**	**-**	**0.3**	**0.3**	**-**	**0.3**
Net foreign exchange (loss)/gain	**-**	**-**	**-**	**(21.0)**	**(21.0)**	**10.9**	**(10.1)**
Financing costs	**-**	**-**	**-**	**(3.5)**	**(3.5)**	**-**	**(3.5)**
Non-recurring items	**-**	**-**	**-**	**(1.7)**	**(1.7)**	**-**	**(1.7)**
Profit/(loss) before income taxes	**16.2**	**4.9**	**(9.8)**	**(25.3)**	**(14.0)**	**-**	**(14.0)**
Claims ratio	**44.1%**	**57.0%**	**90.9%**	**-**	**56.6%**	**-**	**59.3%**
Expense ratio	**47.4%**	**41.7%**	**37.5%**	**-**	**45.0%**	**-**	**45.4%**
Combined ratio	**91.5%**	**98.7%**	**128.4%**	**-**	**101.6%**	**-**	**104.7%**

*Net unearned premiums and deferred acquisition costs are treated as non-monetary items in accordance with IFRS. As a result, a foreign exchange mismatch arises caused by these items being earned at historical rates of exchange prevailing at the original transaction date, whereas resulting claims are earned at the average rate for the period. The impact of this mismatch on the income statement is shown in the column titled "Impact of non-translation of non-monetary items" above. The June 2016 comparative has not been restated for the impact of non-translation of non-monetary items as the impact was not significant to the Group.

Restated six months ended 30 June 2016	Property £m	MAPS £m	Exited £m	Unallocated by segment £m	Subtotal £m	Impact of non-translation of non-monetary items £m	Total £m
Gross written premium	247.4	175.3	90.4	-	513.1	-	513.1
Net earned premium	138.3	104.7	75.4	-	318.4	-	318.4
Net claims incurred	(61.6)	(57.6)	(48.8)	-	(168.0)	-	(168.0)
Expenses for the acquisition of insurance contracts	(50.9)	(32.9)	(22.8)	(3.2)	(109.8)	-	(109.8)
Operating expenses	(7.9)	(6.2)	(3.0)	(9.7)	(26.8)	-	(26.8)
Underwriting contribution	17.9	8.0	0.8	(12.9)	13.8	-	13.8
Net investment income	3.4	5.4	11.5	8.1	28.4	-	28.4
Fees and commission income	-	-	-	0.9	0.9	-	0.9
Net foreign exchange gain	-	-	-	25.9	25.9	-	25.9
Financing costs	-	-	-	(3.7)	(3.7)	-	(3.7)
Non-recurring items	-	-	-	-	-	-	-
Profit/(loss) before income taxes	21.3	13.4	12.3	18.3	65.3	-	65.3
Claims ratio	44.6%	55.0%	64.6%	-	52.8%	-	52.8%
Expense ratio	42.6%	37.3%	34.2%	-	42.9%	-	42.9%
Combined ratio	87.2%	92.3%	98.8%	-	95.7%	-	95.7%

Year ended 31 December 2016	Property £m	MAPS £m	Exited £m	Unallocated by segment £m	Subtotal £m	Impact of non-translation of non-monetary items £m	Total £m
Gross written premium	436.4	326.3	138.3	-	901.0	-	901.0
Net earned premium	302.6	224.1	144.3	-	671.0	(26.2)	644.8
Net claims incurred	(137.6)	(114.3)	(130.4)	-	(382.3)	-	(382.3)
Expenses for the acquisition of insurance contracts	(120.5)	(77.3)	(44.8)	(5.2)	(247.8)	5.5	(242.3)
Operating expenses	(20.0)	(14.5)	(7.4)	(22.9)	(64.8)	-	(64.8)
Underwriting contribution	24.5	18.0	(38.3)	(28.1)	(23.9)	(20.7)	(44.6)
Net investment income	2.3	4.7	12.4	13.3	32.7	-	32.7
Fees and commission income	-	-	-	0.3	0.3	-	0.3
Net foreign exchange gain	-	-	-	22.3	22.3	20.7	43.0
Financing costs	-	-	-	(7.7)	(7.7)	-	(7.7)
Non-recurring items	-	-	-	-	-	-	-
Profit/(loss) before income taxes	26.8	22.7	(25.9)	0.1	23.7	-	23.7
Claims ratio	45.5%	51.0%	90.3%	-	57.0%	-	59.3%
Expense ratio	46.4%	41.0%	36.1%	-	46.6%	-	47.7%
Combined ratio	91.9%	92.0%	126.4%	-	103.6%	-	107.0%

The combined ratio is made up of the aggregation of the claims ratio and the expense ratio. The claims ratio is calculated as claims and claim adjustment expenses, net of reinsurance, as a proportion of net earned premiums. The expense ratio is calculated as expenses for the acquisition of insurance contracts, and operational expenses, as a proportion of net earned premium.

All revenues are from external customers.

b) Segmental balance sheet

30 June 2017	**Property £m**	**MAPS £m**	**Exited £m**	**Total reportable segments £m**	**Unallocated by segment £m**	**Total £m**
Total assets	**782.5**	**862.5**	**996.3**	**2,641.3**	**(42.1)**	**2,599.2**
Total liabilities	**(566.5)**	**(753.6)**	**(863.1)**	**(2,183.2)**	**(112.9)**	**(2,296.1)**
Net assets	**216.0**	**108.9**	**133.2**	**458.1**	**(155.0)**	**303.1**

30 June 2016	Property £m	MAPS £m	Exited £m	Total reportable segments £m	Unallocated by segment £m	Total £m
Total assets	638.4	747.6	1,012.3	2,398.3	(7.2)	2,391.1
Total liabilities	(428.2)	(616.9)	(883.0)	(1,928.1)	(104.5)	(2,032.6)
Net assets	210.2	130.7	129.3	470.2	(111.7)	358.5

31 December 2016	Property £m	MAPS £m	Exited £m	Total reportable segments £m	Unallocated by segment £m	Total £m
Total assets	513.8	893.0	984.3	2,391.1	(4.3)	2,386.8
Total liabilities	(314.0)	(789.0)	(841.3)	(1,944.3)	(121.0)	(2,065.3)
Net assets	199.8	104.0	143.0	446.8	(125.3)	321.5

3. Seasonality of operations

Gross written premium is recognised on the inception of insurance contracts. For many classes of business this has historically been weighted towards the first half of the year. Premium revenue is earned separately for each insurance contract in line with the risk exposure profile. Consequently for some catastrophe exposed contracts, for example those exposed to the US hurricane season, the majority of income is recognised in the second half of the year. There may also be a similar seasonal pattern to the incidence of claims, with the Group more likely to experience large catastrophe losses from the US hurricane season, which runs from June to November. This may materially affect the Group's result for the second half of the year.

Movements in foreign exchange rates may also affect seasonality. This may be accentuated as the Group's catastrophe exposed units transact business primarily in US dollars.

This seasonality can be assessed by reviewing the following performance measures:

	Gross written premium			Net earned premium			Claims ratio		
	H1	H2	Total	H1	H2	Total	H1	H2	Total
Calendar year	£m	£m	£m	£m	£m	£m	%	%	%
2014	362.6	275.9	638.5	217.0	266.2	483.2	48.9	49.3	49.1
2015	463.1	323.9	787.0	272.6	310.0	582.6	47.8	48.8	48.3
2016	513.1	387.9	901.0	318.4	326.4	644.8	52.8	65.7	57.0
2017	**598.8**	**n/a**	**n/a**	**334.6**	**n/a**	**n/a**	**56.6**	**n/a**	**n/a**

4. Net investment income

	Six months ended 30 June 2017 £m	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Interest income on financial investments at fair value through the income statement	**12.5**	10.8	23.2
Realised gains on financial investments at fair value through the income statement	**0.8**	3.2	8.5
Unrealised gains on financial investments at fair value through the income statement	**4.6**	14.9	2.7
Investment income from financial investments	**17.9**	28.9	34.4
Fair value gains/(losses) on derivative financial instruments	**0.1**	0.1	(0.1)
Investment income	**18.0**	29.0	34.3
Investment management expenses	**(0.7)**	(0.6)	(1.6)
	17.3	28.4	32.7

5. Net claims incurred

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
	£m	£m	£m
Claims paid	**244.6**	168.1	421.4
Movement in gross claims provision	**49.0**	48.9	73.0
Gross claims incurred	**293.6**	217.0	494.4
Reinsurers' share of claims paid	**(66.0)**	(26.5)	(81.2)
Movement in reinsurers' share of claims provision	**(29.1)**	(22.5)	(30.9)
Reinsurers' share of claims incurred	**(95.1)**	(49.0)	(112.1)
	198.5	168.0	382.3

6. Operating expenses

	Six months ended 30 June 2017	Restated six months ended 30 June 2016	Year ended 31 December 2016
	£m	£m	£m
Operating expenses	**23.0**	26.8	64.8
Non-recurring items	**1.7**	-	-
	24.7	26.8	64.8

Non-recurring items relate to termination costs paid as part of restructuring the Group’s underwriting portfolio in the first half of the year.

7. Financing costs

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
	£m	£m	£m
2017 Senior notes	**1.1**	1.7	3.4
2017 Subordinated notes	-	0.1	0.1
2034 Dekania notes	**0.9**	0.9	1.8
Letter of credit, fees and other bank charges	**1.2**	1.0	2.4
Term loan facility	**0.3**	-	-
	3.5	3.7	7.7

8. Income taxes

	Six months ended 30 June 2017 £m	Restated six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Current tax expense:			
Current year	**1.3**	0.3	0.1
Adjustments for prior years	**-**	-	-
Total current tax	**1.3**	0.3	0.1
Overseas tax expense:			
Current year	**-**	0.1	1.0
Adjustments for prior years	**-**	-	(1.3)
Total overseas tax	**-**	0.1	(0.3)
Deferred tax:			
Current year	**(4.0)**	7.3	3.0
Impact of rate change	**0.5**	(0.7)	-
Prior year adjustments	-	-	(0.7)
Total deferred tax	**(3.5)**	6.6	2.3
Total income tax (credit)/expense	**(2.2)**	7.0	2.1
Reconciliation of effective tax rate:			
(Loss)/profit before income taxes	**(14.0)**	65.3	23.7
Income tax at the standard UK corporation tax rate (19.25%) (June & December 2016: 20.0%)	**(2.7)**	13.1	4.7
Non-deductible or non-taxable items	**-**	(0.1)	(1.0)
Tax rate differences on foreign subsidiaries	**-**	(5.3)	0.4
Prior period adjustments	**-**	-	(2.0)
Impact of rate of change	**0.5**	(0.7)	-
	(2.2)	7.0	2.1

The standard rate of corporation tax in the UK is 19%. The effective tax rate for the period ended 30 June 2017 is 15.9%. The Finance Act 2016 was enacted on 15 September 2016 and contained further reductions to UK Corporation tax to 17% from 1 April 2020, the deferred tax asset reflects the impact of these future rate changes.

There were no amounts debited/credited directly to other comprehensive income (H1 2016: There were no amounts debited/credited directly to other comprehensive income) as follows:

	Six months ended 30 June 2017 £m	Restated six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Deferred tax on defined benefit pension fund actuarial gains/(losses)	-	-	-
Income tax on items that will not be reclassified to profit or loss	-	-	-
Current tax on changes in fair value of cash flow hedges	-	-	-
Deferred tax charged on other items within the other comprehensive income	-	-	(0.9)
Income tax on items that may be reclassified to profit or loss	**-**	-	(0.9)
Taxes charged to other comprehensive income	**-**	-	(0.9)

9. Earnings and net assets per share

a) Basic earnings per share

	Six months ended 30 June 2017	Restated six months ended 30 June 2016	Year ended 31 December 2016
(Loss)/profit attributable to equity shareholders of the parent company (£millions)	**(11.8)**	58.3	21.6
Weighted average number of shares in issue[1] (millions)	**63.0**	62.9	62.9
Basic earnings per share	**(18.7)p**	92.6p	34.3p

[1] Net of shares held in the employee benefit trust which are earmarked for the Group's LTIP, SESP and deferred bonuses payable in shares

b) Diluted earnings per share

Diluted earnings per share are calculated adjusting the weighted average number of shares outstanding to assume conversion of all potentially dilutive shares. Novae's potentially dilutive shares relate to LTIP awards, SESP awards and deferred bonuses payable in shares. The number of potential shares is calculated with reference to the current date as though it were the vesting date, excluding shares held by the employee benefit trust earmarked for these awards.

	Six months ended 30 June 2017	Restated six months ended 30 June 2016	Year ended 31 December 2016
(Loss)/profit attributable to equity shareholders of the parent company (£millions)	**(11.8)**	58.3	21.6
Weighted average number of shares in issue,excluding treasury shares (millions)	**63.0**	62.9	62.9
Adjustments for LTIPs and deferred bonuses payable in shares (millions)	**-**	3.8	3.7
Weighted average number of shares for diluted earnings per share (millions)	**63.0**	66.7	66.6
Diluted earnings per share [1]	**(18.7)p**	87.4p	32.4p

[1] The number of potentially dilutive LTIP, SESP and deferred bonus awards excluded from the above calculation of diluted earnings per share at 30 June 2017 is 3.4 million shares.

c) Net assets and net tangible assets per share

Net assets and net tangible assets per share are calculated on the number of shares in issue (excluding shares held by the employee benefit trust and earmarked for the Group's LTIP, SESP and deferred bonuses payable in shares) at 30 June 2017.

	30 June 2017	Restated 30 June 2016	31 December 2016
Net assets (£millions)	**303.1**	358.5	321.5
Intangible assets (£millions)	**(2.5)**	(2.9)	(2.7)
Net tangible assets (£millions)	**300.6**	355.6	318.8
Adjusted number of shares in issue (millions)	**63.4**	62.8	62.8
Net asset value per share	**478.1p**	570.9p	512.2p
Net tangible asset value per share	**474.1p**	566.2p	507.9p

10. Foreign exchange

The principal exchange rates applied in the period are shown below:

	Six months ended 30 June 2017		Six months ended 30 June 2016		Year ended 31 December 2016	
	Period average	**Period end**	Period average	Period end	Year average	Year end
US dollar	**1.26**	**1.30**	1.43	1.34	1.35	1.24
Euro	**1.16**	**1.14**	1.28	1.21	1.22	1.17
Canadian dollar	**1.68**	**1.69**	1.91	1.74	1.79	1.66
Australian dollar	**1.67**	**1.69**	1.95	1.80	1.82	1.71

11. Cash and cash equivalents

	30 June 2017	30 June 2016	31 December 2016
	£m	£m	£m
Cash	**62.1**	70.1	47.2
Money market deposits	**93.4**	76.1	95.5
Fixed and floating rate deposits	**-**	8.4	-
	155.5	154.6	142.7

12. Financial assets

	30 June 2017	30 June 2016	31 December 2016
	£m	£m	£m
Corporate bonds	**593.1**	307.4	595.0
Government bonds	**432.7**	575.2	429.6
Pooled equity fund	**62.6**	73.7	58.4
Covered bonds	**61.4**	30.0	91.2
Emerging Market Mutual Fund	**44.2**	39.8	43.2
Securitised RMBS / ABS	**40.6**	50.5	47.1
Government agencies	**32.5**	95.7	12.1
Fixed and floating rate deposits	**18.6**	-	18.5
Investment cash	**12.6**	19.4	6.5
Certificate of deposits / floating rate notes	**-**	1.4	-
Other	**3.8**	3.8	3.9
	1,302.1	1,196.9	1,305.5

With the exception of unlisted preference shares, all financial assets are held at fair value through the income statement and are measured using quoted prices in active markets or direct/indirect inputs based on observable market data.

The unlisted preference shares held by the Group at 30 June 2017 are held at fair value through the income statement and are included in “Other” in the above analysis. The fair value of this asset is assessed using a discounted cash flow forecast and reviewed for impairment at least annually.

13. Insurance contracts

30 June 2017	Gross £m	Reinsurance £m	Net £m
IBNR	**579.7**	**(155.8)**	**423.9**
Notified claims	**837.1**	**(197.5)**	**639.6**
Claims reserve	**1,416.8**	**(353.3)**	**1,063.5**
Unearned premiums	**578.3**	**(166.0)**	**412.3**
Total insurance liabilities	**1,995.1**	**(519.3)**	**1,475.8**

30 June 2016	Gross £m	Reinsurance £m	Net £m
IBNR	558.0	(106.3)	451.7
Notified claims	718.7	(196.0)	522.7
Claims reserve	1,276.7	(302.3)	974.4
Unearned premiums	519.4	(114.6)	404.8
Total insurance liabilities	1,796.1	(416.9)	1,379.2

31 December 2016	Gross £m	Reinsurance £m	Net £m
IBNR	593.4	(120.7)	472.7
Notified claims	773.4	(207.8)	565.6
Claims reserve	1,366.8	(328.5)	1,038.3
Unearned premiums	446.6	(69.9)	376.7
Total insurance liabilities	1,813.4	(398.4)	1,415.0

13. Insurance contracts (continued)

Whole account

Whole account Underwriting year	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	Total £m
Gross claims											
Estimate of ultimate gross claims:											
- at end of underwriting year	352.8	268.5	381.8	447.5	416.1	381.1	445.7	490.2	531.4	561.4	
- one year later	408.9	269.3	396.6	415.9	380.1	357.3	421.4	498.3	569.9		
- two years later	429.7	247.0	375.9	416.1	382.6	351.1	429.7	507.1			
- three years later	467.0	254.2	367.2	413.4	375.3	351.9	435.9				
- four years later	469.3	244.4	365.9	416.3	385.3	350.9					
- five years later	533.6	241.9	362.0	416.2	376.9						
- six years later	525.0	245.5	377.6	413.2							
- seven years later	494.7	238.9	385.2								
- eight years later	482.0	240.0									
- nine years later	466.7										
Gross paid claims position											
- at end of underwriting year	23.3	8.0	13.7	33.9	25.4	19.7	30.4	29.3	40.1	6.5	
- one year later	101.7	76.5	127.4	149.2	143.9	120.8	131.6	166.6	111.0		
- two years later	155.4	118.0	211.6	227.3	209.6	192.3	221.0	230.9			
- three years later	193.3	139.0	242.6	285.9	249.7	231.0	258.6				
- four years later	231.9	159.7	264.0	322.7	276.2	245.8					
- five years later	267.0	177.6	281.0	333.5	285.8						
- six years later	282.5	199.4	307.5	342.8							
- seven years later	311.4	196.0	325.9								
- eight years later	376.3	197.2									
- nine years later	375.7										
Gross ultimate claims reserve	91.0	42.8	59.3	70.4	91.1	105.1	177.3	276.2	458.9	554.9	1,927.0
2007 and prior YoA reserve											130.2
Gross unearned claims reserve											(640.4)
Gross claims reserve											1,416.8

13. Insurance contracts (continued)

Whole account

Whole account Underwriting year	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	Total £m
Net claims											
Estimate of ultimate net claims:											
- at end of underwriting year	244.2	211.8	335.9	402.6	381.7	352.4	408.2	442.8	418.3	352.7	
- one year later	274.9	194.4	361.7	379.1	360.1	328.5	385.9	449.9	441.7		
- two years later	267.3	179.1	347.9	380.1	357.3	321.5	389.9	461.0			
- three years later	276.4	172.1	338.7	378.2	352.0	324.7	387.6				
- four years later	281.6	166.4	336.9	377.2	361.6	323.1					
- five years later	283.4	163.0	329.0	377.8	353.5						
- six years later	282.7	161.3	336.1	375.0							
- seven years later	273.3	156.5	334.6								
- eight years later	266.2	157.3									
- nine years later	262.9										
Net paid claims position											
- at end of underwriting year	21.2	6.6	12.4	33.6	26.1	19.2	30.0	24.9	35.7	5.1	
- one year later	82.5	50.7	126.1	145.2	143.7	116.1	127.1	158.3	98.8		
- two years later	124.7	85.0	201.7	220.1	205.5	181.0	211.2	218.9			
- three years later	154.3	98.8	232.4	266.5	242.8	219.8	240.3				
- four years later	175.9	116.6	253.7	291.5	263.7	232.4					
- five years later	192.8	127.6	270.5	307.4	272.2						
- six years later	198.8	135.2	288.6	316.2							
- seven years later	217.9	136.1	295.6								
- eight years later	237.1	137.1									
- nine years later	226.1										
Net ultimate claims reserve	36.8	20.2	39.0	58.8	81.3	90.7	147.3	242.1	342.9	347.6	1,406.7
2007 and prior YoA reserve											80.9
Net unearned claims reserve											(424.1)
Net claims reserve											1,063.5

14. Insurance and other payables

	30 June 2017 £m	Restated 30 June 2016 £m	31 December 2016 £m
Arising from underwriting business	**198.8**	137.6	137.8
Arising from service companies and other subsidiaries	**20.4**	13.1	28.1
Interest rate swaps	**1.5**	5.1	2.7
	220.7	155.8	168.6

The carrying value of insurance and other payables is a reasonable approximation of their fair value.

15. Financial liabilities

Financial liabilities are initially recognised at fair value and thereafter stated at amortised cost. Transaction costs are amortised on an effective interest rate basis over the expected life of the instrument at initial recognition. At 30 June 2017 the Group had the following loan notes in issue:

	Currency	Issue date	Year of maturity	Interest rate payable per annum
Term loan	GBP	April 2017	2021	LIBOR + 2.25%
US $15m Dekania notes	USD	June 2004	2034	LIBOR + 3.50%
US $11m Dekania notes	USD	June 2004	2034	LIBOR + 4.05%
US $10m Dekania notes	USD	September 2004	2034	LIBOR + 3.50%

	30 June 2017		30 June 2016		31 December 2016	
	Carrying amount £m	**Fair value £m**	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Senior notes	**-**	**-**	49.8	51.9	49.9	53.7
Subordinated notes	**-**	**-**	2.5	2.5	2.5	2.5
Term loan facility	**49.5**	**50.0**	-	-	-	-
US $15m Dekania notes	**11.5**	**11.5**	11.1	11.1	12.1	12.1
US $11m Dekania notes	**8.5**	**8.4**	8.2	8.2	8.9	8.9
US $10m Dekania notes	**7.7**	**7.8**	7.5	7.5	8.0	8.0
Total	**77.2**	**77.7**	79.1	81.2	81.4	85.2

Senior and Subordinated notes

On 27 April 2017, the senior and subordinated notes (“the Notes”) were redeemed in full and ceased trading on the London Stock Exchange. The repayment of the Notes was facilitated by drawing on the Group’s multi-currency £50.0 million term loan facility secured in August 2016.

Term Loan facility

The term loan of £50.0 million was drawn in full on 24 April 2017 to facilitate the redemption of the Notes referred to above. The Group has the option to utilise the term loan in other currencies aside from pound sterling in the future. The term loan had associated issue costs of £0.5 million which are being amortised over the term of the facility.

Dekania loan notes

The notes are listed on the Irish Stock Exchange and are denominated in US dollars with the interest payable linked to the US dollar base rate. Issue costs of £0.6 million are fully amortised.

Swaps are used to match exposure to fluctuations in interest rates. The swaps, which mature on the same dates as the interest falls due for payment on the loans, have the effect of fixing the interest rate at 6.18% per annum until 15 August 2024. The gains on the hedging instruments, being the interest rate swaps, were £0.2 million in the period (six months to 30 June 2016: losses of £1.3 million; year to December 2016: gains of £0.1 million), which are recognised within other comprehensive income.

16. Financial instruments

The table below analyses recurring fair value measurement for financial assets and liabilities. The fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to the valuation techniques used. The different levels are defined as follows:

Level 1 - fair values measured using quoted prices (unadjusted) in active markets for identical instruments

Level 2 - fair values measured using directly or indirectly observable inputs or other similar valuation techniques for which all significant inputs are based on observable market data

Level 3 - fair values measured using valuation techniques for which all significant inputs are not based on observable market data

30 June 2017	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets measured at fair value				
Corporate bonds	**0.1**	**593.0**	**-**	**593.1**
Government bonds	**9.4**	**423.3**	**-**	**432.7**
Pooled equity fund	**-**	**62.6**	**-**	**62.6**
Covered bonds	**-**	**61.4**	**-**	**61.4**
Emerging Market Mutual Fund	**-**	**44.2**	**-**	**44.2**
Securitised RMBS / ABS	**-**	**40.6**	**-**	**40.6**
Government agencies	**-**	**32.5**	**-**	**32.5**
Fixed and floating rate deposits	**18.6**	**-**	**-**	**18.6**
Investment cash	**12.6**	**-**	**-**	**12.6**
Other	**-**	**-**	**3.8**	**3.8**
Total financial assets measured at fair value	**40.7**	**1,257.6**	**3.8**	**1,302.1**
Financial liabilities measured at fair value				
Forward exchange contracts used for hedging	**-**	**1.5**	**-**	**1.5**
Total financial liabilities carried at fair value	**-**	**1.5**	**-**	**1.5**
Financial liabilities not measured at fair value				
Term loan facility	**-**	**49.5**	**-**	**49.5**
US $15m Dekania notes	**-**	**11.5**	**-**	**11.5**
US $11m Dekania notes	**-**	**8.5**	**-**	**8.5**
US $10m Dekania notes	**-**	**7.7**	**-**	**7.7**
Total financial liabilities not measured at fair value	**-**	**77.2**	**-**	**77.2**

30 June 2016	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value				
Corporate bonds	14.6	292.8	-	307.4
Government bonds	47.7	527.5	-	575.2
Pooled equity fund	-	73.7	-	73.7
Covered bonds	-	30.0	-	30.0
Emerging Market Mutual Fund	-	39.8	-	39.8
Securitised RMBS / ABS	1.1	49.4	-	50.5
Government agencies	-	95.7	-	95.7
Investment cash	19.4	-	-	19.4
Certificate of deposits / floating rate notes	-	1.4	-	1.4
Other	-	-	3.8	3.8
Total financial assets measured at fair value	82.8	1,110.3	3.8	1,196.9
Financial liabilities measured at fair value				
Forward exchange contracts used for hedging	-	3.3	-	3.3
Total financial liabilities carried at fair value	-	3.3	-	3.3
Financial liabilities not measured at fair value				
Senior notes	-	49.8	-	49.8
Subordinated notes	-	2.5	-	2.5
US $15m Dekania notes	-	11.1	-	11.1
US $11m Dekania notes	-	8.2	-	8.2
US $10m Dekania notes	-	7.5	-	7.5
Total financial liabilities not measured at fair value	-	79.1	-	79.1

31 December 2016	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value				
Corporate bonds	0.1	594.9	-	595.0
Government bonds	9.1	420.5	-	429.6
Pooled equity fund	-	58.4	-	58.4
Covered bonds	-	91.2	-	91.2
Emerging Market Mutual Fund	-	43.2	-	43.2
Securitised RMBS / ABS	-	47.1	-	47.1
Government agencies	-	12.1	-	12.1
Fixed and floating rate deposits	18.5	-	-	18.5
Investment cash	6.5	-	-	6.5
Other	-	-	3.9	3.9
Total financial assets measured at fair value	34.2	1,267.4	3.9	1,305.5
Financial liabilities measured at fair value				
Forward exchange contracts used for hedging	-	2.7	-	2.7
Total financial liabilities carried at fair value	-	2.7	-	2.7
Financial liabilities not measured at fair value				
Senior notes	-	49.9	-	49.9
Subordinated notes	-	2.5	-	2.5
US $15m Dekania notes	-	12.1	-	12.1
US $11m Dekania notes	-	8.9	-	8.9
US $10m Dekania notes	-	8.0	-	8.0
Total financial liabilities not measured at fair value	-	81.4	-	81.4

The fair value of the Group's financial assets is based on prices provided by investment managers who obtain market data from numerous independent pricing services. The pricing services used by the investment manager obtain actual transaction prices for securities that have quoted prices in active markets.

During the period there were no significant transfers in either direction between Level 1 and Level 2, or Level 2 and Level 3 of the fair value hierarchy.

Level 3 valuation techniques and significant unobservable inputs

In August 2013, the Group invested in an unlisted insurance agency. Equity in the entity is not traded in an active market and as such there is no observable market data. The fair value of this asset is assessed using a discounted cash flow forecast and reviewed for impairment annually.

There are several variables on which the forecast is reliant which include, but are not limited to, discount factor and terminal value of the investment.

In addition, periodic management accounts are reviewed to mitigate any credit risk in the investment and ensure its ability to pay the coupon rate on the preference shares included in the above discounted cash flow forecast.

The table below shows a reconciliation between the opening and closing balance of level 3 investments during the year:

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Opening balance at 1 January	**3.9**	3.9	3.9
Total net losses recognised in the Income Statement	**(0.1)**	(0.1)	-
Closing balance at 30 June	**3.8**	3.8	3.9

There were no transfers in either direction between levels 1 and 2 and level 3 during the financial period ended 30 June 2017 (2016: none).

17. Capital and reserves

Share capital	**30 June 2017** No. of shares (m)	**£m**	30 June 2016 No. of shares (m)	£m	31 December 2016 No. of shares (m)	£m
Ordinary shares of £1.125 each						
Issued and fully paid	**64.4**	**72.5**	64.4	72.5	64.4	72.5
Balance at start of period	**64.4**	**72.5**	64.4	72.5	64.4	72.5
Balance at end of period	**64.4**	**72.5**	64.4	72.5	64.4	72.5

During the period, the Group had 64,425,640 ordinary shares in issue of £1.125 each.

Other reserves

A merger reserve of £69.6 million was created on 18 May 2006 following the scheme of arrangement whereby Novae Group plc was interposed as the new holding company of the Novae Group and relates to the valuation of the new shares issued in excess of their nominal value.

A capital redemption reserve of £32.1 million was created in January 2011 following return of capital elections. This was reduced to £26.3 million in 2012 following a reclassification from the capital redemption reserve to retained earnings to reflect the transfer from distributable to non-distributable reserves on redemption at the correct nominal value of 1.0p.

18. Dividends per share

Type of dividend	Per share amount	Record date	Payment date	**Six months ended 30 June 2017 £m**	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
2015 final	20.0p	22 Apr 2016	20 May 2016	**-**	12.9	12.9
2015 special	22.5p	22 Apr 2016	20 May 2016	**-**	14.5	14.5
2016 interim	7.5p	02 Sep 2016	03 Oct 2016	-	-	4.7
2016 final	7.5p	21 Apr 2017	19 May 2017	**4.8**	-	-
				4.8	27.4	32.1

A final dividend of 7.5p per ordinary share was paid on 19 May 2017 to shareholders on the register on 21 April 2017. The ex-dividend date was 20 April 2017. In light of the performance in the period and the transaction announced in July 2017, the Board are not proposing an interim dividend (H1 2016: 7.5p).

19. Related party transactions

Transactions with related parties during the period are consistent in nature and scope with those disclosed in note 30 of the 2016 Annual Report.

20. Post balance sheet events

On 5 July 2017, the Boards of Novae Group Plc and AXIS Capital Holdings Limited ("AXIS") announced that they had reached agreement on the terms of a recommended cash offer for the entire share capital of Novae Group plc by AXIS, to be effected by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act. Subject to shareholder and regulatory approval the transaction is expected to complete in the fourth quarter of 2017.

Glossary of terms

Acquisition cost
Acquisition costs comprise all commissions and other direct and indirect costs arising from the conclusion of insurance and reinsurance contracts, including a proportion of direct and indirect expenses

Actuarial best estimate
The result projected from a statistical model in which the intention is to be neither optimistic nor pessimistic.

Actuarial best estimate reserves should be enough to pay the expected average future liabilities but include no margin for the emergence of worse than expected experience

Aggregate/aggregations
Accumulations of insurance loss exposures which result from underwriting multiple risks that are exposed to common causes of loss

Attritional loss
Losses net of reinsurance and reinstatement premiums other than those in relation to catastrophe events and reserve movements

Claim
A demand by an insured for indemnity under an insurance contract

Claims ratio
The claims ratio is calculated as net claims incurred divided by net earned premium for the period. The claims ratio excludes the foreign exchange effect of the non-translation of non-monetary items

Combined ratio
The combined claims and expense ratios are a common measure that enable comparability across the insurance industry that measure the relevant underwriting profitability of the business by reference to its costs as a proportion of net earned premium

Constant rates of exchange

Constant rates of exchange are used to assess the underlying performance of certain items within the income statement between years, excluding the impact of movement in foreign exchange rates. In the case of gross written premium, constant rates of exchange are used to assess underlying premium growth

Deferred acquisition cost
Costs incurred for the acquisition or the renewal of insurance policies (e.g. brokerage and certain underwriting related costs) which are capitalised and recognised over the term of the contracts

Economic capital assessment ("ECA")
The amount of capital required by a member of Lloyd's to underwrite on a syndicate. This is set after an uplift, currently 35%, has been applied to the relevant syndicate SCR

Expense ratio
The expense ratio is calculated as acquisition costs and total operating expenses divided by net earned premium. The expense ratio excludes the foreign exchange effect of the non-translation of non-monetary items

Gross written premium
Amounts payable by the insured, excluding any taxes or duties levied on the premium, including any brokerage and commission deducted by intermediaries

The Group
Novae Group plc and all of its subsidiary undertakings

Incurred but not reported ("IBNR")
Claims which are anticipated or likely to be made, although no claims have been reported at the date to which accounts are prepared. Typically this also includes IBNER (incurred but not enough reported), whereby provision is made for the possibility of deterioration in the size or outcome of known claims

International financial reporting standards ("IFRS")
Standards formulated by the International Accounting Standards Board ("IASB") with the intention of achieving internationally comparable financial statements

Lloyd's
Lloyd's is the world's leading specialist insurance market

Net earned premium
Premiums received after the cost of reinsurance and adjustment for unearned premium. Unearned premium covers the future period for which an insurance policy remains in force

Net written premium
Net written premium is equal to gross written premium less outward reinsurance

Profit/(Loss) before tax, foreign exchange and non-recurring items
This represents the profit or loss before tax for the period after deducting foreign exchange gains or adding back foreign exchange losses and non-recurring items. This enables the Group to measure underlying profitability without the volatility associated with such items. To calculate this the reader of these financial statements should remove foreign exchange gains/(losses) and non-recurring items as identified in the income statement from the profit before tax for the period

Quota share reinsurance
A reinsurance contract where premiums and claims are ceded in the same proportions to the reinsurer

Reinsurance
Reinsurance is the means by which an insurer limits its financial exposure from inwards business. The insurer pays a premium to a reinsurer, which offers indemnity protection above an attachment point. Reinsurance is most commonly acquired though a treaty, which protects the whole of one or more specific classes of business. The reinsurance of a reinsurance account is known as retrocession

Reinsurance spend ratio
The reinsurance spend ratio is used by the Group to determine the amount of outwards reinsurance purchased by the Group as a percentage of gross written premium. To calculate this the user of these financial statements should divide outwards reinsurance premium by gross written premium as identified in the income statement for the period

Reserve movements
Reserve movements are a measure of favourable or adverse development on claims reserves that existed prior to the balance sheet date. It enables the Group to compare performance to relative peer companies. This is calculated as the movement in ultimate losses on prior accident years between the current and prior year balance as shown in note 13 of these financial statements

Return on equity ("ROE")
Profit expressed as a percentage of average equity. This demonstrates the efficiency of the Group's utilisation of shareholders' funds

Underwriting contribution
Net earned premium less net claims, acquisition costs and segmental and central operating expenses

Unearned premium reserve
The portion of premium income in any one period that is attributable to periods after the relevant accounting reference date

Weighted average rates on renewal business
The Group's rate change index is used by management to monitor changes in the relative strength of gross premium rates on business written from one year to the next. It is intended to capture the movement in premium rate on like-for-like renewal business between the expiring and incepting policies, stated relative to changes in the underlying risk exposure, policy coverage, wording, terms and structure

Year of account ("YoA")
The year to which risk is allocated and to which all premiums and claims in respect of that risk are attributed. The year of account for a risk is determined by the calendar year in which it incepts or, in the case of business written under binding authorities, the underwriting year into which the binding authority is written. Sometimes referred to as underwriting year

Yield on average invested assets
Yield on average invested assets is used by the Group to determine the investment return for the period after deducting investment management fees and expressed as a percentage of the average assets invested over the same period