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REPORT & ACCOUNTS 1990

HISCOX HOLDINGS LTD

HISCOX

COMPANIES HOUSE
-8 MAR 1990

HISCOX HOLDINGS LIMITED

DIRECTORS AND ADVISERS

Directors

Robert Ralph Scrymgeour Hiscox, M.A., A.C.I.I. *(Chairman)*
Ian Nicholas Thomson
Alexander Neil Foster
Timothy Maxwell Hunnam, A.C.I.I.
Clifford Richard Catt, F.C.A.
John William Charles Cleverley (Appointed 24th April 1990)

Secretary

Clifford Richard Catt, F.C.A.

Registered Office

Commercial Union Building
St Helen's
1 Undershaft
London EC3A 8LD

Auditors

KPMG Peat Marwick McLintock
1 Puddle Dock
Blackfriars
London EC4V 3PD

Bankers

Lloyds Bank Plc
113 116 Leadenhall Street
London EC3A 4AX

HISCOX HOLDINGS LIMITED

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Hiscox Holdings Limited will be held at Commercial Union Building, St Helen's, 1 Undershaft, London EC3A 8ED on 31st October 1990 at 11.00 am for the following purposes:

Ordinary Business

1 To receive, approve and adopt the Accounts of the Company for the year ended 30th June 1990 together with the directors' and auditors' reports thereon.

2 To re-appoint KPMG Peat Marwick McLintock as auditors and to authorise the directors to fix their remuneration.

3 To approve a final dividend of 7p (net) per ordinary share.

4 That the directors be and are hereby generally and unconditionally authorised to exercise all powers of the company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £67,600 provided that this authority shall expire on the date of the next Annual General Meeting after the passing of this resolution save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

By Order of the Board
C. P. Gatt
Secretary

28th September 1990

Note

A member entitled to attend and vote may appoint one or more proxies to attend and vote instead of him. The instrument of proxy must be in writing and specify whether the proxy is to vote for or against the specified resolutions except where such resolution is a motion for adjournment or for the appointment of a chairman.

A proxy need not also be a member.

HISCOX HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30th June 1990

Business Review

The company is a holding company for Lloyd's Underwriting Agency interests and a non Lloyd's Insurance Broker The capacity of our managed syndicates continued to increase as did the number of Names for which we act as members' agents On 2nd April 1990, the company acquired the whole of the issued capital of R K Harrison (Financial Planning) Ltd , a non Lloyd's Insurance Broker

Profit, Dividends and Appropriations

The profit for the year after taxation was £1,173,000 An interim dividend of 3 5p per share amounting to £114,240 was paid during the year and the directors recommend a final dividend of 7p per share amounting to £229,880, leaving £829,680 to be transferred to reserves

Directors

The names of the directors of the company at the date of this report are listed on page 1 Details of their interests in the shares of the company are set out in note 21 to the accounts

Future Developments

The overall capacity of our managed syndicates is likely to increase by approximately 20% during 1991 and we do not expect a material increase in the number of Names We will continue to look carefully at any available opportunities to develop our managing agency or other interests but will only make acquisitions if we can see that they contribution to earnings per share as future prospects

Fixed Assets

Details of changes in fixed assets are set out in note 10 to the accounts

For the purposes of the directors' disclosure of the market value of land and buildings in significantly less than the book value appearing in the accounts

DIRECTORS' REPORT *continued*

Charitable Donations

During the year the group made charitable donations of £5,075 *(1989 - £15,075)* and a contribution to the Conservative Party of £nil *(1989 - £100)*

Auditors

On 1st January 1990, our auditors changed their name to KPMG Peat Marwick McLintock. They have signed their audit report in their new name and offer themselves for re election as auditors of the company

By Order of the Board
C R Catt
Secretary

Commercial Union Building
St Helen's
1 Undershaft
London EC3A 8LD

28th September 1990

HISCOX HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30th June 1990

	Note	1990 £000	*1989 £000*
Turnover	2	4,320	*3,826*
Operating expenses	3	2,839	*2,219*
		1,481	*1,607*
Interest and other income receivable	5	320	*433*
Share of profit of related company		63	*50*
Profit on ordinary activities before taxation		1,864	*2,090*
Taxation on ordinary activities	6	675	*822*
Profit on ordinary activities after taxation		1,189	*1,268*
Minority interest in subsidiary		16	*12*
		1,173	*1,257*
Dividends	7	344	*269*
Retained profit for the year	8	829	*988*
Earnings per share	9	38.38p	*42.05p*

HISCOX HOLDINGS LIMITED

BALANCE SHEETS

at 30th June 1990

	Note	Group 1990 £000	Group 1989 £000	Company 1990 £000	Company 1989 £000
Fixed assets					
Tangible assets	10	1,709	953	-	-
Investments in group companies	11	-	-	2,959	354
Investments in related company	11	74	61	12	12
Other investments	11	1,429	1,248	1,395	-
		3,212	2,262	4,366	366
Current assets					
Debtors	12	1,640	410	38	93
Dividends receivable		-		1,749	429
Quoted investments	13	177	169		
Cash at bank and in hand		2,275	2,783	1,403	23
		4,092	3,362	3,190	545
Creditors: amounts falling due within one year	14	(3,579)	(2,506)	(3,381)	(243)
Net current assets		513	856	(191)	302
Total assets less current liabilities		3,725	3,118	4,175	668
Creditors: amounts falling due after more than one year	15	(2,263)	(559)	(2,003)	-
		1,462	2,559	2,172	668
Capital and reserves					
Called up share capital	16	328	299	328	299
Profit and loss account	8	1,061	2,213	1,811	369
Minority interest		73	47	-	-
		1,462	2,559	2,172	668

The accounts on pages 6 to 18 were approved by the board of directors on 28th September 1990

R R S Hiscox
C R Catt } Directors

K R C Hiscox

HISCOX HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended 30th June 1990

	1990	1989
	£000	£000
Sources of funds		
From operations		
Profit on ordinary activities before taxation	1,861	2,091
Items not involving the movement of funds:		
Depreciation	126	402
Share of related company's profits before taxation	(63)	(50)
Loss/(profit) on disposal of fixed assets	4	(250)
Loss/(profit) on disposal of investments	9	(46)
	2,240	2,207
Other sources		
Proceeds from bank loans	2,500	
Proceeds from disposal of fixed assets	15	250
Proceeds from disposal of investments	106	125
Proceeds from issue of shares	218	
Finance leases entered into		1
Dividend from related company	33	20
Investment by minority shareholders in subsidiary		15
	5,112	2,657
Application of funds		
Loans repaid - bank	(500)	
- other	(125)	
Dividends paid	(293)	(179)
Taxation paid	(710)	(648)
Additions to fixed tangible assets	(1,382)	(711)
Purchase of goodwill on acquisition of subsidiary*	(2,169)	(100)
Additions to investments	(123)	(261)
Reduction in finance leases	(161)	
	(5,463)	(1,902)
Increase in working capital		
Debtors	(1,290)	378
Creditors other than dividends and taxation	1,133	268
Net increase/(decrease) in liquid funds during the year	(508)	1,001

*Summary of the effects of the acquisition of R. K. Harrison (Financial Planning) Ltd

Net assets acquired		Discharged by	
Fixed assets	188	Cash paid	2,553
Goodwill	2,169		
Debtors	869		
Creditors	(1,054)		
Cash	981		
	2,553		2,553

The fair values of the assets and liabilities acquired were not materially different to the book values.

NOTES TO THE ACCOUNTS

1 Accounting Policies

Basis of accounting

The accounts have been prepared under the historical cost convention

Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiaries and include the group's share of post-acquisition retained profits and reserves in the related company. All companies within the group including the related company, make up their accounts to the same date. Goodwill is written off immediately against reserves. No profit and loss account is presented for Hiscox Holdings Ltd as permitted by S228(7) of the Companies Act 1985.

Turnover

Turnover represents salaries and profit commission derived from Underwriting Names at Lloyd's and insurance brokerage and fees.

Agency salaries represent net retained salaries in respect of one half of the 1989 Underwriting Account and one half of the 1990 Underwriting Account.

Profit commission has been included in respect of the 1987 Underwriting Account. Any profit commission relating to the 1988, 1989 and 1990 Underwriting Accounts will be credited in the group accounts for 1991, 1992 and 1993 respectively

Depreciation

Depreciation of fixed assets other than Freehold and Long leasehold buildings is calculated by reference to cost at rates estimated to write off the relevant assets over their expected useful lives, taking into account normal commercial and technical obsolescence. Depreciation of Freehold and Long leasehold buildings has been discontinued in view of the significant excess of market value over cost. The costs of the acquisition of Short leasehold premises are amortised over the period of the lease

The annual rates used are:

Furniture and equipment	20% on cost
Motor vehicles	25% on cost

Deferred Taxation

Deferred taxation is accounted for on all timing differences to the extent that it is considered such differences may reverse in the foreseeable future

2 Turnover and Profit

	1990	1989
	£000	£000
Underwriting agency salaries	1,660	1,497
Underwriting profit commission	2,264	2,329
Insurance brokerage and fees	396	
	4,320	3,826

NOTES TO THE ACCOUNTS *continued*

2 Turnover and Profit *continued*

Turnover and profit before taxation arise in the United Kingdom from business underwritten at Lloyd's on behalf of Names resident in the United Kingdom and overseas, and from insurance brokerage and fees

3 Operating Expenses

	1990 £000	*1989 £000*
Included in operating expenses are:		
Depreciation - owned assets	262	*321*
assets held under finance leases	164	*140*
Auditors' remuneration	22	*13*
Staff costs	1,775	*1,469*
Rental payments under operating leases - Buildings	204	*54*
Motor vehicles	27	*25*
Computer equipment	3	*7*
Interest payable - Finance charges payable under finance leases	4	*5*
Other interest	96	*18*

During the year expenses totalling £6,716,000 were incurred by the group and recharged to the managed syndicates *(1989 - £5,385,000)*

4 Staff Costs

a) The average number of persons, including directors, employed by the group during the year was:

	1990	*1989*
Agency and administration	29	*20*
Syndicate business	51	*46*
Insurance broking	17	
	97	*66*

b) The employment costs to the group of these persons were as follows:

	1990 £000	*1989 £000*
Salaries	1,380	*1,004*
Social security	86	*133*
Other pension costs	309	*332*
	1,775	*1,469*

4 Staff Costs *continued*

c) Directors' emoluments, including £118,000 (*1989 – £105,000*) recharged to the managed syndicates, were as follows

	1990 £000	*1989* *£000*
Management remuneration including pension contributions	1,106	*1,110*

Emoluments, excluding pension contributions, of directors were as follows

	1990 £	*1989* *£*
Chairman	162,000	*187,500*
Highest paid director (1989 – chairman)	185,000	
Other directors		
£20,001 – £25,000	1	
£110,001 – £115,000	1	
£135,001 – £140,000		*1*
£145,001 – £150,000	1	
£150,001 – £155,000		*1*
£165,001 – £170,000	1	*1*
£180,001 – £185,000		*1*

d) Senior employees

The number of employees who received remuneration from the company in the following ranges were

	1990	*1989*
£30,001 – £35,000	4	*2*
£35,001 – £40,000	2	*5*
£40,001 – £45,000	4	*2*
£45,001 – £50,000	1	*4*
£50,001 – £55,000		*2*
£55,001 – £60,000	3	*1*
£60,001 – £65,000	1	*2*
£70,001 – £75,000	1	*1*
£85,001 – £90,000	1	
£90,001 – £95,000	1	*1*
£95,001 – £100,000	1	
£100,001 – £105,000		*4*
£110,001 – £115,000		1
£120,001 – £125,000	2	
£125,001 – £130,000	1	
£130,001 – £135,000	1	
£140,001 – £145,000	1	

NOTES TO THE ACCOUNTS *continued*

5 Interest and Other Income Receivable

	1990 £000	*1989 £000*
Bank interest receivable	271	*98*
Dividends receivable	11	*3*
Management fees	42	*42*
Sundry commissions	5	*8*
Profit on sale of lease		*242*
(Loss)/profit on sale of investments	(9)	*51*
	320	*444*

6 Taxation

	1990 £000	*1989 £000*
Provision for U.K. Corporation Tax based on profit for year		
Profit commission arising from 1987 underwriting account at 35% *(1989 - 36.9%)*	520	*573*
Profit for the year at 35% *(1989 - 35%)*	127	*260*
Adjustment in respect of prior years	3	*(25)*
	650	*808*
Share of taxation of related company	25	*14*
	675	*822*

7 Dividends

	1990 £000	*1989 £000*
Ordinary shares of 10p each -		
Interim paid of 3.50p per share *(1989 - paid 3p)*	311	*91*
Final proposed of 7p per share *(1989 - paid 6p)*	200	*178*
	511	*269*

8 Profit and Loss Account

	Group		*Company*	
	1990 £000	*1989 £000*	1990 £000	*1989 £000*
At 1st July 1989	2,293	*1,325*	369	*102*
Goodwill adjustment	(80)			
At 1st July 1989 restated	2,213	1,325	369	102
Retained profit for year				
Group	826	*979*	1,475	*267*
Related company	13	*14*		
Goodwill written off	(1,981)	*(100)*		
At 30th June 1990	1,061	*2,213*	1,844	*369*

The accounting policy for goodwill was changed during the year as the directors consider that an immediate write off of goodwill in the group accounts gives a fairer view of the position of the group. Consequently the comparative figures for 1989 have been restated as if the policy had applied throughout the period concerned.

NOTES TO THE ACCOUNTS *continued*

8 Profit and Loss Account *continued*

Goodwill written off comprised:	£000
Net premium on issue of shares in subsidiary	188
Goodwill on acquisition of R. K. Harrison (Financial Planning) Limited	(2,169)
	(1,981)

9 Earnings per share

The calculation of earnings per share is based on earnings of £1,173,000 *(1989–£1,257,000)* and on the average number of shares in issue during the year 3,059,000 *(1989–2,989,000)*. Dilution of earnings per share is not material.

10 Tangible Fixed Assets

Group	Freehold land and buildings £000	Long leasehold buildings £000	Short leasehold buildings £000	Furniture equipment and motor vehicles £000	Total £000
Cost					
30th June 1989	106	6	199	1,411	1,622
Acquired with new subsidiary	–	–	–	136	136
Additions	127	–	97	789	1,013
Disposals	–	–	–	(561)	(561)
30th June 1990	233	6	296	2,180	3,015
Depreciation					
30th June 1989	7	–	199	463	669
Acquired with new subsidiary	–	–	–	248	248
Charge for the year	–	–	3	423	426
Disposals	–	–	–	(537)	(537)
30th June 1990	7	–	202	1,097	1,306
Net book amount					
30th June 1990	226	6	94	1,383	1,709

Included in furniture equipment and motor vehicles are assets at net book value £418,000 *(1989–£564,000)* held under finance leases.

NOTES TO THE ACCOUNTS *continued*

11 Fixed Asset Investments

	Group		*Company*	
	Investment in related company £000	Other Investments (Unlisted) £000	Investments in group companies £000	Investment in related company £000	Other Investments (Unlisted) £000
Cost or valuation 30th June 1989	61	1,248	354	12	-
Acquired during year		181	2,505	-	1,395
Disposals	-	-	-	-	-
Share of undistributed profit for the year	13	-	-	-	-
30th June 1990	74	1,429	2,959	12	1,395

	Country of registration or incorporation and operation	Class of share	Proportion held	Nature of business
Subsidiary companies (unlisted)				
Roberts & Hiscox Ltd	England	"A" & "B" Ordinary	100%	Lloyd's underwriting agents
Payne Hiscox Ltd	England	"A" & "B" Ordinary	55%	Lloyd's underwriting agents
Hiscox Insurance Agencies Ltd	England	Ordinary	100%	Underwriting Agency
R.K. Harrison (Financial Planning) Ltd	England	Ordinary	100%	Insurance Broker
R.K. Harrison (Insurance Brokers) Ltd	England	Ordinary	100%	Insurance Broker
Related company (unlisted)				
Beazley Furlonge & Hiscox Ltd	England	"B" Participating	50%	Lloyd's underwriting agents

12 Debtors

	Group		*Company*	
	1990 £000	*1989 £000*	1990 £000	*1989 £000*
Trade debtors	931	*78*		
Corporation tax recoverable			35	
Advance corporation tax recoverable		*60*		93
Other debtors	102	*30*	3	
Prepayments and accrued income	604	*242*	-	-
	1,640	*410*	38	93

13 Quoted Investments

The investments included at cost are listed on a recognised stock exchange and had a market value of £193,000 at the balance sheet date *(1989 - £181,000)*

14 Creditors: amounts falling due within one year

	Group		*Company*	
	1990	*1989*	1990	*1989*
	£000	*£000*	£000	*£000*
Trade creditors	969	*201*	-	*4*
Corporation tax	924	*1,003*	-	-
Advance corporation tax	27	*60*	-	*60*
Amount owed to group company	-		3,130	-
Obligations under finance leases	173	*147*	-	
Other taxes and social security	111	*114*		
Accruals and deferred income	1,145	*802*	94	-
Proposed dividend	230	*179*	230	*179*
	3,579	*2,506*	3,454	*243*

15 Creditors: amounts falling due after more than one year

	Group		*Company*	
	1990	*1989*	1990	*1989*
	£000	*£000*	£000	*£000*
Obligations under finance leases amounts falling due in second to fifth year	263	*424*	-	-
Bank Loan	2,000		2,000	-
Other creditors	-	*125*	-	-
	2,263	*549*	2,000	

The Bank Loan is repayable by 1st July 1994. Other creditors comprise a loan from the Roberts & Hiscox Limited Self Administered Scheme which was repaid during the period

16 Called up Share Capital

	1990 Number of shares	£000	*1989 Number of shares*	*£000*
Authorised Ordinary shares of 10p each	10,000,000	1,000	*10,000,000*	*1,000*
Allotted called up and fully paid Ordinary shares of 10p each	3,281,000	328	*2,989,000*	*299*

Hiscox Holdings Ltd issued 275,000 shares on 24th April 1990 in exchange for 275,000 'B' shares in Roberts & Hiscox Ltd held by employees who had exercised their options under the Roberts & Hiscox Ltd share option scheme. There are no further options outstanding under that scheme.

Hiscox Holdings Ltd established an Employee Share Option scheme on 30th May 1989 which has been approved by the Inland Revenue. Options on 79,000 shares were granted on 19th January 1990 which are exercisable between 1993 and 2000 at a price of 310p.

Hiscox Holdings Ltd also established an Unapproved Employee Share Option Scheme on 15th March 1990. Options on 290,000 shares were granted on 23rd April 1990 which are exercisable at any time until 1997 at a price of 10p. Options on 20,000 shares were exercised during the year leaving a balance of 270,000 outstanding at 30th June 1990.

17 Pension Commitments

The Group operates four non contributory pension schemes and two contributory pension schemes for the majority of its employees. The schemes' funds are administered by the trustees and are independent of the Group's finances. Payments made to the schemes and charged against profits are calculated with actuarial advice and represent a proper charge to cover payment of liabilities arising under the schemes. The adequacy of the pension funds is assessed by triennial valuations carried out by independent actuaries. Four of the schemes are defined contribution schemes and two are defined benefit schemes.

(a) Defined Contribution Schemes.

The pension cost charge represents contributions payable by the group and amounted to £267,000 *(1989 - £253,000)*. Outstanding contributions at 30th June 1990 were £190,000 *(1989 - £200,000)*.

(b) Defined Benefit Scheme

(i) Roberts & Hiscox Ltd

The latest valuation was at 1st January, 1989 using the Projected Accrued Benefit Method. It was assumed that the investment return would be 9%, that salary increases would average 8% per annum and that future pensions will increase at the rate of 5% per annum.

NOTES TO THE ACCOUNTS *continued*

The market value of the scheme assets at 1st January 1989 was £992,474 and the actuarial value of those assets represented 147.9% of the benefits that had accrued to members based on present salaries, and 54.3% based on projected future salaries. The contribution rate will continue at 26.5% of scheme earnings in accordance with the actuary's recommendations. The pension cost for the year was £54,000

(ii) R K Harrison (Financial Planning) Ltd and its subsidiaries.

These companies participate in a defined benefit scheme operated by their former Holding Company.

The latest actuarial valuation was at 1st January 1988 using the Attained Age Method. It was assumed that the investment return would be 9%, that the salary increases would average 8.5% per annum and the rate of dividend increase would be 5%.

At the date of the latest actuarial valuation, the market value of the scheme assets were £700,548 and the actuarial value of those assets was sufficient to cover 100.7% of the benefits that had accrued to members. The employer's and employee's contribution rate are 16.1% and 5% respectively of pensionable salary in accordance with the recommendation of the actuary. The pension cost for the period was £11,000

18 Contingent Liabilities and Financial Commitments

A subsidiary company in the ordinary course of business has given a counter guarantee to its bankers in respect of bank guarantees totalling £1[illegible] *(1989 £99,000)* issued to staff for membership of Lloyd's to support their underwriting. There is a charge registered against the freehold property of £18,000 to secure a liability of the co freeholder *(1989-£18,000)*

19 Capital Commitments

The aggregate amount of contracts for capital expenditure outstanding not provided for in these accounts amounted to £71,000 *(1989 £34,000)*

20 Lease Commitments

Operating lease payments due during the year ending 30th June 1991, the majority of which will be recharged to the managed syndicates as incurred, are under commitments expiring

	Group	
	Building	Other
	£000	£000
Within one year	218	1[illegible]
Between one and five years	9	26[illegible]
Over five years	692	
	919	281

NOTES TO THE ACCOUNTS *continued*

21 Directors' Interests

The interests of the directors, their wives and minor children, in the share capital of the Company as at 30th June 1990, with comparative figures at 1st July 1989 or date of appointment, if later, were, according to the register of directors' interests, as follows:

	Ordinary Shares		*Options*	
	1990	*1989*	*1990*	*1989*
Beneficial				
R R S Hiscox	665,000	*1,264,750*		
I N Thomson	747,250	*747,250*		
A N Foster	400,000	*400,000*		
T M Humm	400,000	*400,000*		
C R Catt	86,500	*86,500*	10,000	
J W C Cleverley	-		250,000	
As Trustee				
R R S Hiscox	59,780	*59,780*		
A N Foster	200,000	*799,750*		

Details of the Share Option schemes are shown in Note 16.

AUDITORS' REPORT

To the members of Hiscox Holdings Limited

We have audited the accounts on pages 6 to 18 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 30th June 1990 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London
28th September 1990

KPMG Peat Marwick McLintock
Chartered Accountants