



HISCOX HOLDINGS LIMITED

**REPORT AND ACCOUNTS
31 DECEMBER 2000**



HISCOX HOLDINGS LIMITED

DIRECTORS AND ADVISORS

Directors

Robert Ralph Scrymgeour Hiscox (*Chairman*)

Robert Simon Childs

Alexander Neil Foster

Stephen Hargreaves Hall (*non-executive*)

Bronislaw Edmund Masojada

Ian Nicholas Thomson

Secretary

Gavin Watson

Registered Office

1 Great St Helen's

London

EC3A 6HX

Registered Number:

2203521

Auditors

KPMG Audit Plc

8 Salisbury Square

London

EC4Y 8BB

Bankers

Lloyds Bank PLC

113-116 Leadenhall Street

London

EC3A 4AX

HISCOX HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their annual report and financial statements for the year ended 31 December 2000.

Principal activity and business review

The company is a holding company for Lloyd's underwriting agency interests.

Profit, dividends and appropriations

The loss for the year after taxation was £340,000 (1999: *profit* £741,000). The directors recommend a final dividend of £nil (1999: £750,000) leaving £340,000 to be transferred from the Company's reserves (1999: £9,000).

Directors

The names of the directors of the Company during the period of this report are listed on page 1 of these accounts. The directors have no interests in the shares of the Company, nor in any shares of any other Group company other than in the ultimate holding company. The interests of the directors in the ultimate holding company, who are also directors of the ultimate holding company, are shown in the consolidated financial statements of Hiscox plc. The interests of those directors who are not directors of the ultimate holding company, in the ordinary shares of the ultimate holding company are set out in note 14 to the accounts.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the provisions of the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HISCOX HOLDINGS LIMITED

DIRECTORS' REPORT *continued*

Auditors

A resolution is to be proposed at the forthcoming annual general meeting for the re-appointment of KPMG Audit Plc as auditors of the Company.

By order of the board



B E Masojada
Director

1 Great St Helen's
London
EC3A 6HX

29 May 2001

HISCOX HOLDINGS LIMITED

REPORT OF THE AUDITOR

To the members of Hiscox Holdings Limited

We have audited the financial statements on pages 5 to 12.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

London

29 May 2001

HISCOX HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2000

	Note	2000 £000	1999 £000
Operating expenses		(443)	(437)
Operating loss		(443)	(437)
Realised gain on shares in group undertakings	3	11	1,007
Profit/(loss) on ordinary activities before taxation	4	(432)	570
Tax on profit/(loss) on ordinary activities	5	92	171
Profit/(loss) on ordinary activities after taxation		(340)	741
Dividends	6	-	(750)
Retained loss for the year	11	(340)	(9)

All of the operations of the Company are continuing.

The notes on pages 7 to 12 form part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2000 £000	1999 £000
Profit/(loss) after tax	(340)	741
Unrealised gains/(loss) on investments	7	(1,047)
Total recognised gains and losses	(333)	(306)

HISCOX HOLDINGS LIMITED

BALANCE SHEET

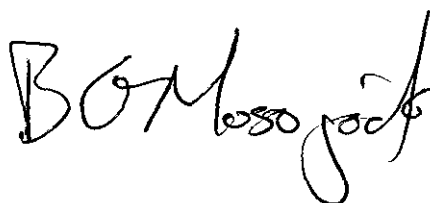
as at 31 December 2000

	Note	2000 £000	1999 £000
Intangible fixed assets			
Goodwill	7	37	39
Investments			
Investments in subsidiary undertakings	8	3,611	3,611
Other financial investments	8	2,992	3,035
		<u>6,640</u>	<u>6,685</u>
Current assets			
Debtors	9	374	12,994
Cash at bank and in hand		4	4
		<u>378</u>	<u>12,998</u>
Creditors: amounts falling due within one year	10	<u>(5,657)</u>	<u>(17,989)</u>
Net current liabilities		<u>(5,279)</u>	<u>(4,991)</u>
Total assets less current liabilities		<u>1,361</u>	<u>1,694</u>
Capital and reserves			
Called up share capital:			
- Equity shareholders funds	11	102	102
- Non-equity shareholders funds	11	256	256
Share premium account	12	257	257
Capital reserve	12	945	938
Profit and loss account	12	(199)	141
		<u>1,361</u>	<u>1,694</u>

The notes on pages 7 to 12 form part of these accounts.

The accounts were approved by the board of directors on 29 May 2001.

B E Masojada
Director



HISCOX HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

1 Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards as at 31 December 2000 and under the historical cost accounting rules, modified by the revaluation of investments.

2 Accounting policies

a) Consolidated financial statements

Consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary undertaking of Hiscox plc.

b) Cash flow statement

As the Company is a wholly owned subsidiary undertaking of Hiscox plc, the Company has taken advantage of the exemption contained in Financial Reporting Standard 1 "Cash Flow Statements", as revised, and therefore has not prepared a cash flow statement.

c) Related party transactions

As the Company is a wholly owned subsidiary undertaking of Hiscox plc, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 "Related Party Disclosures" and has therefore not disclosed transactions or balances with entities that form part of the Group. The consolidated financial statements of Hiscox plc can be obtained from the Company Secretary, Hiscox plc, 1 Great St Helen's, London, EC3A 6HX.

d) Investments

Investments are stated at their current value. Listed investments comprise those quoted on the London and other International Stock Exchanges. These investments are stated at mid-market prices on the balance sheet date, or on the last stock exchange trading day before the balance sheet date. Any unrealised profits and losses are taken directly to the capital reserve.

Investments in group undertakings and associates are stated at cost less provision for impairment in value.

e) Goodwill

In accordance with Financial Reporting Standard 10, goodwill arising on acquisition of a book of business is capitalised in the balance sheet and amortised on a straight line basis over 20 years.

3 Income from shares in group undertakings

	2000 £000	1999 £000
Dividends receivable	-	1,000
Realised gain on sale of investments	11	7
	<u>11</u>	<u>1,007</u>

HISCOX HOLDINGS LIMITED

NOTES TO THE ACCOUNTS *continued*

4 Operating loss

2000
£000 **1999**
£000

Operating loss is stated after charging:

Auditors' remuneration:

- Audit	19	2
- Other services	12	7
- Amortisation of Lloyd's capacity cost	2	-

5 Taxation

2000
£000 **1999**
£000

UK corporation tax (credit) at 30% (1999: 30.25%)	(92)	(171)
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6 Dividends

2000
£000 **1999**
£000

New 'A' shares of US\$0.01 per share and
'B' shares of 10p per share

- Final proposed	-	1,000
- Overstated 1998 dividend creditor	-	(250)
	-	750

7 Intangible assets

2000
£000 **1999**
£000

Cost:

At 1 January	39	-
Additions	-	39
At 31 December	39	39

Amortisation:

At 1 January	-	-
Charge for year	(2)	-
At 31 December	(2)	-
Net book value at 31 December	37	39

HISCOX HOLDINGS LIMITED

NOTES TO THE ACCOUNTS *continued*

8 Investments

	<i>Investments in subsidiary undertakings £000</i>	<i>Other investments £000</i>
Cost or valuation		
1 January 2000	3,611	3,035
Disposals	-	(50)
Unrealised gain	-	7
31 December 2000	<u>3,611</u>	<u>2,992</u>

The other investments above are stated at market value have a cost of £2,046,758 (1999: £2,096,626).

	<i>Country of registration or incorporation and operation</i>	<i>Class of share</i>	<i>Proportion held</i>	<i>Nature of business</i>
Subsidiary Company (unlisted)				
Hiscox Syndicates Ltd	England	Ordinary	100%	Lloyd's Underwriting agent
Hiscox Underwriting Ltd	England	"A" & "B" ordinary	100%	Underwriting agency
Hiscox International Holdings BV	Netherlands	Ordinary	100%*	Insurance holding company
Hiscox AG	Germany	Ordinary	100%*	Underwriting agency
Hiscox Assurances Services SARL	France	Ordinary	100%*	Underwriting agency
Hiscox Insurance Company (Guernsey) Ltd	Guernsey	Ordinary	100%*	Insurance Company
Hiscox Investment Holdings Ltd	England	Ordinary	100%*	Insurance Company

**Held indirectly*

9 Debtors

	2000 £000	1999 £000
Amounts owed by group undertakings	240	11,637
Corporation tax recoverable	90	339
Dividends receivable	-	1,000
Other debtors	44	18
	<u>374</u>	<u>12,994</u>

HISCOX HOLDINGS LIMITED

NOTES TO THE ACCOUNTS *continued*

10 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Amounts owed to group undertakings	5,618	16,979
Other creditors	39	10
Proposed dividend	-	1,000
	<u>5,657</u>	<u>17,989</u>

11 Called up share capital

	2000	1999
	Number of shares	Number of shares
	£000	£000
Authorised share capital:		
'New A' shares of US\$0.01 each	3,100,000	3,100,000
'B' shares of 10p each	846,626	846,626
'C' shares of 10p each	9,153,374	9,153,374
	<u>13,100,000</u>	<u>13,100,000</u>
Allotted, called up and fully paid share capital:		
'New A' shares of US\$0.01 each	2,584,874	2,584,874
'B' shares of 10p each	846,626	846,626
'C' shares of 10p each	2,561,374	2,561,374
	<u>5,992,874</u>	<u>5,992,874</u>

12 Reserves

	Capital reserve £000	Share premium account £000	Profit and loss account £000
At 1 January 2000	938	257	141
Unrealised gain/(loss) on investments	7	-	-
Retained loss	-	-	(340)
At 31 December 2000	<u>945</u>	<u>257</u>	<u>(199)</u>

HISCOX HOLDINGS LIMITED

NOTES TO THE ACCOUNTS *continued*

13 Reconciliation of movement in shareholders' funds

	2000 £000	1999 £000
Profit/(loss) for the financial year	(340)	741
Dividends proposed	-	(750)
Movement on capital reserve	7	(1,047)
Net reduction in shareholders' funds	(333)	(1,056)
Opening shareholders' funds	1,694	2,750
Closing shareholders' funds	1,361	1,694

14 Directors' interests

The interest of those directors who are not directors of the ultimate holding company, in the ordinary shares of the ultimate holding company as at 31 December 2000 and at 1 January 2000, or date of appointment if later, were:

Hiscox plc 5p ordinary shares

	2000	1 Jan 2000 <i>Restated</i>
Beneficial:		
A N Foster	3,047,150	2,895,000
Non-beneficial:		
A N Foster	12,372,026*	11,767,550*

*Hiscox Trustees Limited is the trustee of the Hiscox plc group employee share ownership plan trust (ESOP) and at 31 December 2000 was interested in 170,311 (1999: 170,311) ordinary shares of Hiscox plc. The directors are potential beneficiaries of the ESOP and are deemed to have an interest in these shares.

A N Foster's interests at 1 January 2000 have been restated for a reclassification between beneficial and non-beneficial holdings.

The interests of Directors as Names on Syndicates managed by Hiscox Syndicates Ltd are as follows:

	1994 £000	1995 £000	1996 £000	1997 £000	1998 £000	1999 £000
A N Foster	1,056	1,075	1,039	946	800	-

HISCOX HOLDINGS LIMITED

NOTES TO THE ACCOUNTS *continued*

15 Ultimate holding company

The ultimate holding company and controlling party which heads both the largest and smallest group of undertakings for which group financial statements are prepared is Hiscox plc, which is a limited company registered in England and Wales.

A copy of the consolidated financial statements of Hiscox plc may be obtained from the Company Secretary, Hiscox plc, 1 Great St Helen's, London, EC3A 6HX.