

HISCOX

HISCOX HOLDINGS LIMITED

220352

REPORT AND ACCOUNTS
31 DECEMBER 2001



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06/06/02

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 TSB 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 2001.

Principal activity and business review

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

The profit for the year after taxation was £274,000 *(2000: loss £340,000)*. The directors recommend a final dividend of £nil *(2000: £nil)* leaving £274,000 to be transferred to the Company's reserves *(2000: £340,000 from reserves)*.

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 11 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:

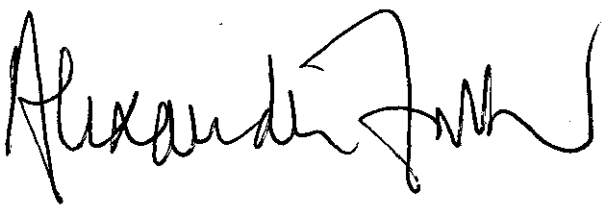
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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.

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



A N Foster
Director
1 Great St Helen's
London
EC3A 6HX

29 May 2002

HISCOX HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

To the members of Hiscox Holdings Limited

We have audited the financial statements on pages 4 to 10.

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 1985. 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 2001 and of its profit 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

31 May 2002

HISCOX HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2001

	Note	2001 £000	*2000 £000*
Operating expenses		(66)	*(443)*
Operating loss	3	(66)	*(443)*
Profit on sale of other fixed asset investments		322	*11*
Profit/(loss) on ordinary activities before taxation		256	*(432)*
Tax credit on profit/(loss) on ordinary activities	4	18	*92*
Profit/(loss) on ordinary activities after taxation		274	*(340)*
Dividends		-	*-*
Retained profit/(loss) for the year	10	274	*(340)*

All of the operations of the Company are continuing.

The notes on pages 6 to 10 form part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2001 £000	*2000 £000*
Profit/(loss) after tax	274	*(340)*
Unrealised gains/(losses) on investments	(492)	*7*
Total recognised gains and losses	(218)	*(333)*

HISCOX HOLDINGS LIMITED

BALANCE SHEET

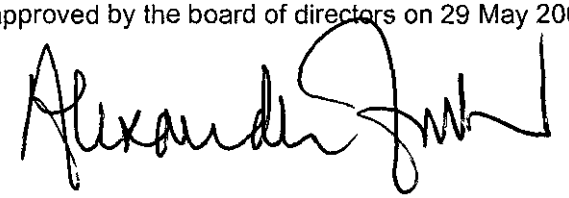
as at 31 December 2001

	Note	2001 £000	*2000 £000*
Fixed assets			
Intangible fixed assets	5	36	*37*
Investments	6	5,104	*6,603*
		5,140	*6,640*
Current assets			
Debtors	7	278	*374*
Cash at bank and in hand		4	*4*
		282	*378*
Creditors: amounts falling due within one year	8	(4,279)	*(5,657)*
Net current liabilities		(3,997)	*(5,279)*
Total assets less current liabilities		1,143	*1,361*
Capital and reserves			
Called up share capital:			
- Equity shareholders funds	9	102	*102*
- Non-equity shareholders funds	9	256	*256*
Share premium account	10	257	*257*
Revaluation reserve	10	453	*945*
Profit and loss account	10	75	*(199)*
		1,143	*1,361*

The notes on pages 6 to 10 form part of these accounts.

The accounts were approved by the board of directors on 29 May 2002.

A N Foster
Director



NOTES TO THE ACCOUNTS

1 Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards as at 31 December 2001 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 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 revaluation 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 Operating loss

	2001 £000	*2000 £000*
Operating loss is stated after charging:		
Auditor's remuneration:		
- Audit fees	2	*19*
- Other fees paid to the auditor and its associates	15	*12*
Amortisation of goodwill	2	*2*

No staff were employed by the Company during the year (2000:nil).

4 Taxation

	2001 £000	*2000 £000*
UK corporation tax credit at 30% *(2000: 30%)*	(18)	*(92)*

5 Intangible fixed assets : Goodwill

	£000
Cost:	
At 1 January 2001	39
Additions	-
At 31 December 2001	39
Amortisation:	
At 1 January 2001	(2)
Charge for year	(1)
At 31 December 2001	(3)
Net book value at 31 December 2001	**36**
Net book value at 31 December 2000	37

6 Investments

	Investments in subsidiary undertakings	*Other financial investments*	**Total**
	£000	*£000*	**£000**
Cost or valuation			
1 January 2001	3,611	2,992	6,603
Disposals	-	(1,007)	(1,007)
Unrealised loss	-	(492)	(492)
31 December 2001	3,611	1,493	5,104

Other financial investments relate to shares held in the ultimate holding company, Hiscox plc. These shares are stated at market value. They have a book cost of £1,039,478 *(2000: £2,046,758).*

	Country of registration of incorporation and operation	*Class of share*	*Proportion of voting rights held*	*Nature of business*
Subsidiary undertakings (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 holding company

**Held indirectly*

7 Debtors

	2001	*2000*
	£000	*£000*
Amounts owed by group undertakings	-	*240*
Corporation tax recoverable	234	90
Other debtors	44	*44*
	278	*374*

8 Creditors: amounts falling due within one year

	2001 £000	*2000 £000*
Amounts owed to group undertakings	4,239	*5,618*
Other creditors	40	*39*
	4,279	*5,657*

9 Called up share capital

	2001		*2000*	
	Number of shares	**£000**	*Number of Shares*	*£000*
Authorised share capital:				
Dollar deferred shares of US$0.01 each	3,100,000	20	*3,100,000*	*20*
Ordinary shares of 10p each	10,000,000	1,000	*10,000,000*	*1,000*
	13,100,000	1,020	*13,100,000*	*1,020*
Allotted, called up and fully paid share capital:				
Dollar deferred shares of US$0.01 each	2,584,874	17	*2,584,874*	*17*
Ordinary shares of 10p each	3,408,000	341	*3,408,000*	*341*
	5,992,874	358	*5,992,874*	*358*

The Dollar deferred shares have no voting rights. The Dollar deferred shareholders are not entitled to receive any dividends. On liquidation the Dollar deferred shareholder will only receive a return of their capital investment after the Ordinary shareholders have been repaid.

10 Reserves

	Share capital £000	*Share premium account £000*	*Revaluation reserve £000*	*Profit and loss account £000*	**Total £000**
At 1 January 2001	358	257	945	*(199)*	1,361
Unrealised gain/(loss) on investments	-	-	(492)	-	(492)
Retained profit	-	-	-	*274*	274
At 31 December 2001	358	257	453	*75*	1,143

11 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 2001 and at 1 January 2001, or date of appointment if later, were:

	31 December 2001		1 January 2001	
	5p Ordinary shares Number of shares Beneficial	5p Ordinary Shares Number of shares Non-beneficial	5p Ordinary shares Number of shares Beneficial	5p Ordinary Shares Number of shares Non-beneficial
I N Thomson	8,590,260	170,311*	8,590,260	170,311*
A N Foster	2,845,000	12,372,026*	3,047,150	12,372,026*

*Hiscox Trustees Limited is the trustee of the Hiscox plc group employee share ownership plan trust (ESOP) and at 31 December 2001 was interested in 170,311 *(2000: 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.

12 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.