

Registered Number 02203521



HISCOX HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2017

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HISCOX HOLDINGS LIMITED - ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

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COMPANY INFORMATION

Directors	Bronislaw Edmund Masojada (Chief Executive Officer) Hamayou Akbar Hussain (Group Chief Financial Officer) Richard Colin Watson (Group Chief Underwriting Officer)
Secretary	John Keith Taylor (resigned 3 April 2017) David Joseph Gormley (appointed 3 April 2017; resigned 23 March 2018) Bethany Francesca Emma Hunt (appointed 23 March 2018)
Registered Office	1 Great St Helen's London EC3A 6HX
Registered Number	02203521
Tax Advisors	KPMG Audit Plc 15 Canada Square Canary Wharf London E14 5GL
Independent Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
Bankers	Lloyds Banking Group Plc 113-116 Leadenhall Street London EC3A 4AX

STRATEGIC REPORT

Principal activities

The Company is a holding company for Lloyd's underwriting agency interests, the Group's US operations and for a UK insurance intermediary.

During the year the company made no capital contributions to its subsidiaries (2016: to Hiscox ASM Ltd of £2,000,000).

There have not been any significant changes in the Company's principal activities in the year under review and at the date of reporting, there are no significant changes expected in the Company's principal activities.

Business review and key performance indicators

The Company generated a loss before tax for the year of £4,431,000 (2016: loss before tax of £5,822,000). The loss for the year includes the following notable items:

Loan interest payable of £4,138,000 (2016: £3,858,000);

Foreign exchange losses of £442,000 (2016: losses of £2,269,000).

The shareholders' equity is £121,778,000 at December 2017 (2016: £125,285,000). The movement is as a result of the loss after tax for the year.

The directors consider the profit or loss before tax as the key performance indicator of the Company, with the understanding that the loan interest payable has a significant impact on the results of the Company and that any dividend income is the main source of income for the Company.

As the principal business of the Company is that of a holding company, there are no other specific key performance indicators to report.

Principal risks and uncertainties

The Company is an intermediate holding company in the Hiscox Group. The Company's primary source of revenue comprises dividend receipts from its subsidiaries, although none were paid during the year (2016: nil).

The Company's balance sheet includes significant investments in, and amounts receivable from, subsidiary companies. The recoverability of these balances is dependent on the continued solvency of these companies. The principal risks relating to each of these companies are outlined in their respective 31 December 2017 financial statements.

The Company's balance sheet also includes significant bond issuance to its ultimate parent company. One of these bonds is based in US Dollars, and is therefore exposed to foreign exchange fluctuations. This US Dollar bond has been utilised for investment in its parents subsidiaries in Asia. The Company is also exposed to interest rate risk as a result of issuing the bond.

Information on the Company's efforts to manage the general risks disclosed above is presented in note 3 to the financial statements.

Future developments

The Company will continue in operation as an intermediate holding company in the UK.

On behalf of the Board



H A Hussain
Director
1 Great St Helen's
London, EC3A 6HX

7 August 2018

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 December 2017.

The Company is a wholly owned subsidiary of Hiscox Ltd, a public company incorporated and domiciled in Bermuda whose ordinary share capital is listed on the London Stock Exchange. Hiscox Ltd is the company's ultimate parent company. Copies of its consolidated financial statements are available from the Company Secretary at Hiscox Ltd, 4th Floor, Wessex House, 45 Reid Street, Hamilton HM 12, Bermuda.

Dividends and transfers to reserves

The directors did not pay any dividends to the parent company, Hiscox plc during the year (2016: nil).

The loss for the financial year after tax of £3,507,000 (2016: loss after tax of £5,228,000) has been transferred from the Company's retained earnings (2016: from the Company's retained earnings).

Going concern

The Company has net current liabilities of £43,594,000 at 31 December 2017 (2016: net current assets £14,327,000). The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons. The Company is dependent for its working capital on funds provided to it by Hiscox plc, the Company's immediate parent. Hiscox plc has confirmed that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. Working capital forecasts have been prepared for the Group up to 31 December 2020, which demonstrate that the Group has sufficient resources to continue in operational existence for the foreseeable future.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue beyond at least 12 months from the date of approval of these financial statements although they have no reason to believe that it will not do so.

Directors

The names of the directors of the Company during the year of this report are listed on page 1 of these financial statements. 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 parent company, Hiscox Ltd. The interests of the directors in the ultimate parent company, who are also directors of the ultimate parent company, are shown in the consolidated financial statements of Hiscox Ltd.

Future developments and principal risks have been disclosed in the Strategic Report.

Indemnity insurance

A policy of indemnity insurance cover to the benefit of the directors of the company has been in force during the year ended 31 December 2017 and at the date of this report.

Political and Charitable Contributions

The Company did not make any political or charitable contributions during the year (2016: £nil).

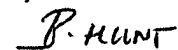
Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

It is the intention of the directors to reappoint the auditors PricewaterhouseCoopers LLP under the deemed appointment rules of Section 487 of the Companies Act 2006.

By order of the Board



B F E Hunt
Secretary
1 Great St Helen's
London, EC3A 6HX

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Independent auditors' report to the members of Hiscox Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Hiscox Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the statement of profit or loss and other comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality	• Overall materiality: £3.1 million (2016: £3.2 million), based on 1% of total assets.
Audit scope	• We performed a full scope audit of the company using the overall materiality of £3.1 million.
Key audit matters	• Carrying value of subsidiary undertakings and the loans & receivables.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<i>Carrying value of subsidiary undertakings and the loans & receivables</i> We identified the carrying value of subsidiary undertakings and the loans and receivables as a key audit matter. These balances are material to the Company and there is a risk that the carrying values could be impaired. We have duly considered whether management should impair the value of these assets as appropriate.	Our procedures in relation to management's assessment about the carrying value of subsidiary undertakings and the loans & receivables included examining and challenging an impairment assessment of these assets and any indicators of impairment, including key assumptions. Amounts due from Group undertakings, included within loans and receivables, were vouched to the books and records of the counterparty and an assessment of the counterparty's ability to settle the liability to the Company was performed. Sufficient audit evidence was obtained in regards the carrying value of subsidiary undertakings and the loans and receivables.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements have been made; for example, in respect of significant accounting estimates that involve making assumptions and considering events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£3.1 million (2016: £3.2 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	We believe that as the principal business of the company is that of a holding company, total assets is an appropriate measure to assess the financial performance and position of the entity, and is a generally accepted auditing benchmark.

We agreed that we would report misstatements identified during our audit above £155,000 (2016: £159,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

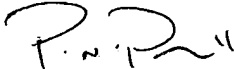
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.


Paul Pannell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
7 August 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Revenue			
Net fair value gains on financial assets at fair value through profit or loss		170	335
Total revenue		170	335
Expenses			
Loan interest payable	5	(4,138)	(3,858)
Administration expenses	4	(21)	(30)
Foreign exchange losses		(442)	(2,269)
Total expenses		(4,601)	(6,157)
Loss before tax		(4,431)	(5,822)
Tax credit	11	924	594
Loss for the year (all attributable to owners of the Company)		(3,507)	(5,228)

The Company did not recognise any other comprehensive income in the current or prior year.

The notes on pages 12 to 21 are an integral part of these financial statements.

BALANCE SHEET**AS AT 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Assets			
Investment in subsidiary undertakings	7	213,046	213,046
Financial assets	8	557	387
Loans and receivables	9	94,844	103,035
Cash and cash equivalents		1	-
Current tax		1,593	1,332
Total assets		310,041	317,800
Equity and liabilities			
Share capital	10	358	358
Share premium		93,452	93,452
Retained earnings		27,968	31,475
Total equity (all attributable to owners of the Company)		121,778	125,285
Deferred tax	12	83	57
Financial Liabilities	13	98,148	102,418
Trade and other payables	14	90,032	90,040
Total liabilities		188,263	192,515
Total equity and liabilities		310,041	317,800

The notes on pages 12 to 21 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 7 August 2018 and signed on its behalf by:



H A Hussain
Director

Hiscox Holdings Limited
Registration no. 02203521

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital £000	Share Premium £000	Retained Earnings £000	Total Equity (all attributable to owners of the Company) £000
Balance at 1 January 2016	358	93,452	36,703	130,513
Loss for the year being total comprehensive expense for the year	-	-	(5,228)	(5,228)
Balance at 31 December 2016 and 1 January 2017	358	93,452	31,475	125,285
Loss for the year being total comprehensive expense for the year	-	-	(3,507)	(3,507)
Balance at 31 December 2017	358	93,452	27,968	121,778

The notes on pages 12 to 21 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS**FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017	2016
	£000	£000
Loss before tax	(4,431)	(5,822)
Net fair value gains on financial assets	(170)	(335)
Changes in operational assets and liabilities:		
Other assets and liabilities	8,740	12,015
Interest paid	(4,138)	(3,858)
Net cash flows from operating activities	1	2,000
Cash outflow from investment in subsidiary	-	(2,000)
Net cash outflow from investing activities	-	(2,000)
Net increase in cash and cash equivalents	1	-
Cash and cash equivalents at 1 January	-	-
Net increase in cash and cash equivalents	1	-
Cash and cash equivalents at 31 December	1	-

The Company holds minimal cash and cash equivalents and its cash resources are managed centrally by an entity related by virtue of common ownership. All transactions are settled via intercompany balances and as such, the movement in these balances are classified as changes in operational assets and liabilities. Dividends to equity shareholders are also settled centrally.

The notes on pages 12 to 21 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Hiscox Holdings Limited (the "Company") is a company registered in England and Wales under the Companies Act 2006. The address of the registered office is provided on the company information page and the nature of the Company's operations and principal activities are included within the Strategic Report. All operations are continuing.

2 Significant accounting policies**2.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union (EU) and in accordance with the provisions of the Companies Act 2006.

Since 2002, the standards adopted by the IASB have been referred to as 'International Financial Reporting Standards' (IFRSs). The standards from prior years continue to bear the title 'International Accounting Standards' (IASs). Insofar as a particular standard is not explicitly referred to, the two terms are used in these financial statements synonymously. Compliance with IFRS includes the adoption of interpretations issued by the International Financial reporting Interpretations Committee.

The Company is exempt from preparing consolidated financial statements by virtue of the Companies Act 2006, as its ultimate parent company prepares publicly available consolidated financial statements that are deemed to satisfy the equivalence requirement of section 401 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking only and not about its group.

2.2 Basis of preparation

The financial statements are presented in Pounds Sterling and are rounded to the nearest thousand unless otherwise stated. They are compiled on a going concern basis and prepared on the historical cost basis except certain financial instruments that are measured at fair value. The balance sheet of the Company is presented in order of increasing liquidity.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The Company's cash resources are managed on a Group basis. Working capital forecasts have been prepared for the Group up to 31 December 2022, which demonstrate that the Group has sufficient resources to continue in operational existence for the foreseeable future.

Except as described below, the accounting policies presented in these Financial Statements are consistent with those of the previous financial year.

A number of new standards, amendments to standards and interpretations, as adopted by the European Union, are effective for annual periods beginning on or after 1 January 2017. They have been applied in preparing these financial statements. There were no new standards, amendments or interpretations that had a material impact on the Company.

The amendments included minor changes to the following standards:

- IAS 7: Statement of Cash Flows. Disclosure Initiative. The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. The Company has provided information for both the current and comparative period in the statement of cash flows.

- IAS 12: Income Taxes; Recognition of Deferred Tax Assets for Unrealised Losses. The amendments clarify the accounting for deferred tax assets on realised losses and state that deferred tax assets should be recognised when an asset is measured at fair value and that fair value is below the asset's tax base. It also provides further clarification on the estimation of probable future taxable profits that may support the recognition of deferred tax assets. The adoption of this amendment has no impact on the financial statements as the clarifications are consistent with our existing interpretation.

The following new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018 and have not been applied in preparing these financial statements.

- IFRS 15: Revenue from Contracts with Customers replaces IAS 18 and establishes principles for revenue recognition that apply to all contracts with customers except for insurance contracts, financial instrument and lease contracts. The Company will adopt this standard on 1 January 2018 and expects no significant impact on the Company's financial statements. IFRS 15 has been endorsed by the EU.

- IFRS 9: Financial Instruments incorporates new classification and measure requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39 and new hedge accounting requirements. The Company expects the adoption of IFRS 9 to result in recognising an earlier and higher loan impairment allowance. IFRS 9 has been endorsed by the EU.

NOTES TO THE FINANCIAL STATEMENTS *continued*

2.3 Foreign currency translation

The functional currency of the Company is Pound Sterling. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income. Non-monetary items carried at historical cost are translated in the balance sheet at the exchange rate prevailing on the original transaction date. Non-monetary items carried at historical cost are translated using the exchange rate ruling when the fair value was determined.

2.4 Investments in associates and subsidiary undertakings

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

2.5 Financial assets including loans and receivables

The Company has classified financial assets as a) financial assets at fair value through profit or loss and b) loans and receivables. Management determines the classification of its financial investments at initial recognition. The classification depends on the purpose for which the financial assets are acquired.

Fair value for securities quoted in active markets is the bid price exclusive of transaction costs. For the minority of instruments where no active market exists, fair value is determined by referring to recent transactions and other valuation factors including the discounted value of expected future cash flows. Fair value changes are recognised immediately within the investment result line in the income statement.

The financial asset in the financial statements relates to a holding of shares in the ultimate parent company, Hiscox Ltd. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables are carried at amortised cost less any provision for impairment in value.

2.6 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually or whenever there is an indication of impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(a) Non-financial assets

Objective factors that are considered when determining whether a non-financial asset (such as an intangible asset or item of property, plant and equipment) or group of non-financial assets may be impaired include, but are not limited to, the following:

- adverse economic, regulatory or environmental conditions that may restrict future cash flows and asset usage and/or recoverability;
- the likelihood of accelerated obsolescence arising from the development of new technologies and products; and
- the disintegration of the active market(s) to which the asset is related.

(b) Financial assets

Objective factors that are considered when determining whether a financial asset or group of financial assets may be impaired include, but are not limited to, the following:

- negative rating agency announcements in respect of investment issuers and debtors;
- significant reported financial difficulties of investment issuers and debtors;
- actual breaches of credit terms such as persistent late payments or actual default;
- the disintegration of the active market(s) in which a particular asset is traded or deployed; and
- adverse economic or regulatory conditions that may restrict future cash flows and asset recoverability

(c) Impairment loss

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

2.7 Financial liabilities

All borrowings are measured at amortised cost at each balance sheet date using the effective interest method. Any difference between the remeasured amortised cost carrying amount and the ultimate redemption amount is recognised in the income statement over the period of the borrowings.

NOTES TO THE FINANCIAL STATEMENTS *continued*

2.8 Revenue

Revenue predominantly comprises dividend income from subsidiary undertakings and is recognised when approved by the shareholders of the related undertaking.

2.9 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not recognised. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that the future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Company controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2.10 Dividend distribution

The dividend distribution to the Company's shareholder is recognised as a liability in the Company's financial statements in the period in which the dividend is approved.

2.11 Use of critical estimates, judgements and assumptions

The preparation of financial statements requires the use of significant estimates, judgements and assumptions. The directors consider the accounting policies for determining the carrying value of intangible assets and the determination of current and deferred tax assets and liabilities as being most critical to an understanding of the Company's result and position.

Determining the carrying value of investments in subsidiary undertakings is subject to judgement. The directors review the recoverability of the asset based on the expected future benefits including related future cash flows. Should it be considered that the asset will not generate sufficient present valued future benefits for the Company, the asset will be deemed impaired.

The Company carries its financial investments at fair value through profit or loss with fair value determined using published price quotations in the most active financial markets in which the assets trade. During periods of economic distress and diminished liquidity, the ability to obtain quoted bid prices may be reduced and as such a greater degree of judgment is required in obtaining the most reliable source of valuation note 3 to the financial statements discusses the reliability of the Company's fair values.

Legislation concerning the determination of taxation assets and liabilities is complex and continually evolving. In preparing the Company's financial statements, the directors estimate taxation assets and liabilities after taking appropriate professional advice. The determination and finalisation of agreed taxation assets and liabilities may not occur until several years after the balance sheet date and consequently the final amounts payable or receivable may differ from those presently recorded in these financial statements.

3 Management of risk**Overview of risk**

The Company is part of the Hiscox Group whose Board has developed a governance framework and set Group-wide risk management policies and procedures which cover specific areas such as risk identification, management and mitigation, and reporting. The overall appetite for accepting and managing varying classes of risk is defined by the Group's Board. The main sources of risk relevant to the Company's operations and its financial statements relate to financial risk. Note 3.1 onwards outlines the Company's sensitivity to financial risk generally. The Company is also exposed to the risk of continuing operations of its subsidiaries and the carrying value of its investment in them. The directors have an expectation that the Company's subsidiaries will continue in operation for the foreseeable future.

3.1 Financial risk**Overview**

The Company is exposed to financial risk through its ownership of financial assets including loans and receivables and financial liabilities. These items collectively represent a significant element of the Company's net shareholder funds.

The key financial risk is that the proceeds from its financial assets including loans and receivables are not sufficient to fund liabilities. The main risks that the Company is exposed to are interest rate risk, liquidity risk and currency risk. The Company's policies and procedures for managing these risks are detailed below.

NOTES TO THE FINANCIAL STATEMENTS *continued*

3.1 Financial risk continued

The Company is also exposed to the risk of continuing operations of its subsidiaries and the carrying value of its investment in them would be less than the recoverable value. In addition, the Company is exposed to credit risk of the parent company, due to a financial guarantee issuance is in the form of a pledge of shares to its subsidiary, Hiscox Insurance Company Ltd, in relation to a bank facility executed by the parent company. The directors have an expectation that the Company's subsidiaries will continue in operation for the foreseeable future.

(a) Interest rate risk

The Company has exposure to interest rate risk from certain of its loans which are floating;

- US Dollar Bond which accrues interest at the six month USD LIBOR rate plus 3.5%. Fluctuations in the USD LIBOR will therefore affect the interest charge to the Company. A 10% increase or decrease in the USD LIBOR rate for 2017 would have increased or decreased the interest expense charge by £77,000 (2016: £53,000).
- Intercompany loans outstanding with Hiscox Underwriting Limited accrue interest at the three month EURIBOR rate plus 3%. Fluctuations in the EURIBOR will therefore affect the interest charge to the Company. A 10% increase or decrease in the EURIBOR rate for 2017 would have increased or decreased the interest expense charge by £200 (2016: £1,000).

These are within the Company's interest risk appetite.

(b) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover maturities, claims and surrenders at unexpected levels of demand. Exposure to liquidity risk is considered to be minimal in the Company with all receivables and payables due from or to Group companies.

(c) Currency risk

The Company has a US Dollar bond and intercompany positions with associated companies in US Dollars and Euros, and therefore has exposure to currency risk. Currency risk is managed overall at the Hiscox Group level, with the Group's currency balance sheet being reviewed on a frequent basis.

The profile of the Company's assets and liabilities, categorised by currency at their translated carrying amount, at 31 December was as follows :

As at 31 December 2017

	Sterling £000	US Dollar £000	Euro £000	Total £000
Investment in subsidiary undertakings	18,511	169,210	25,325	213,046
Financial assets carried at fair value	557	-	-	557
Loans and receivables	49,093	45,751	-	94,844
Cash and cash equivalents	1	-	-	1
Current tax	1,593	-	-	1,593
Total assets	69,755	214,961	25,325	310,041
Deferred tax	83	-	-	83
Financial liabilities	50,000	48,148	-	98,148
Trade and other payables	80,826	8	9,198	90,032
Total liabilities	130,909	48,156	9,198	188,263

As at 31 December 2016 (restated[^])

Investment in subsidiary undertakings	18,511	169,210	25,325	213,046
Financial assets carried at fair value	387	-	-	387
Loans and receivables	50,617	52,418	-	103,035
Current tax	1,332	-	-	1,332
Total assets	70,847	221,628	25,325	317,800
Deferred tax	57	-	-	57
Financial Liabilities	50,000	52,418	-	102,418
Trade and other payables	69,485	8	20,547	90,040
Total liabilities	119,542	52,426	20,547	192,515

[^]The investments held in subsidiary undertakings are carried at historical exchange rates.

NOTES TO THE FINANCIAL STATEMENTS *continued*

3.1 Financial risk continued

Sensitivity analysis

The estimated impact of a 10% strengthening or weakening of the Euro and the US Dollar against the Pound Sterling occurring on total equity and on loss before tax is shown below. This analysis assumes all other variables remain constant and that the underlying valuation of assets in their base currency is unchanged.

	Effect on equity 2017 £000	Effect on loss before tax 2017 £000	Restated^ Effect on equity 2016 £000	Restated^ Effect on profit before tax 2016 £000
Strengthening of the US Dollar	(216)	(267)	(1)	(1)
Weakening of the US Dollar	177	219	-	1
Strengthening of the Euro	(825)	(1,022)	(1,826)	(2,283)
Weakening of the Euro	675	836	1,494	1,868

^ A US Dollar loan and receivable balance has been separated from the Sterling position in the prior year.

4 Administration expenses

	2017 £000	2016 £000
Auditors' remuneration	5	5
Professional fees	16	19
Other expenses	-	6
Total administration expenses	21	30

The Company does not employ any staff and no staff costs have been recharged to the Company for the year.

Fees payable to the Company's external auditor, PwC, its member firms and its associates (exclusive of VAT) have been paid by Hiscox Underwriting Group Services Limited. This is recharged to the various Group companies where applicable. Audit fees retained in the Company for the audit of these financial statements for the year was £5,000 (2016: £5,000). The total auditors remuneration for Hiscox Holdings Limited and its subsidiary companies was £247,000 (2016 : £173,000).

5 Loan interest payable

A breakdown of the loan interest payable in the year is as follows:

	2017 £000	2016 £000
Interest on loan due to Hiscox Underwriting Limited	139	131
Interest on Eurobond	1,500	1,500
Interest on Dollarbond	2,499	2,227
Total interest payable	4,138	3,858

6 Directors' remuneration

All the executive directors of the Company are employed by Hiscox Underwriting Group Services Limited. The Company has not been recharged for their services during the year (2016: £nil). The remuneration charge for the highest paid director as recharged to the Company was £nil (2016: £nil).

The directors may be members of a defined contribution scheme. Certain directors are members of a defined benefit scheme that closed to future accrual with effect from 31 December 2006. These details are shown in the table below, along with aggregate gains made on share options and performance share plan awards during the current and prior year.

	2017	2016
Deferred members of the defined benefit scheme	2	2
Deferred members of the defined contribution scheme	2	2
Aggregate gains made on share options and performance share plan awards (£000)	1,236	3,247

NOTES TO THE FINANCIAL STATEMENTS *continued*

7 Investment in subsidiary undertakings

	2017 £000	2016 £000
Cost		
At 1 January	213,046	211,046
Additions during the year – Hiscox ASM Limited	-	2,000
At 31 December	213,046	213,046

A full listing of the Company's investments in subsidiary undertakings is given in note 18.

8 Financial assets

	2017		2016	
	Number of shares	£000	Number of shares	£000
Equity securities	38,030	557	38,030	387
	38,030	557	38,030	387

The financial asset represents the holding of 38,030 shares in the ultimate parent company, Hiscox Ltd. The investment is classified as a Level 1 asset under the fair value hierarchy.

9 Loans and receivables

	2017 £000	2016 £000
Amounts due from Group undertakings	94,844	103,035
Total loans and receivables	94,844	103,035
	2017 £000	2016 £000
The amounts expected to be recovered before and after one year, are estimated as follows:-		
Within one year	94,844	103,035
After one year	-	-
Total	94,844	103,035

Amounts due from Group undertakings are repayable on demand, however repayment has not been requested.

10 Share capital

	2017		2016	
	Number of shares	£000	Number of shares	£000
Called up, allotted and fully paid shares of £1 each				
US Dollar deferred shares of US\$0.01 each	2,584,874	17	2,584,874	17
Ordinary shares of 10p each	3,409,000	341	3,409,000	341
	5,993,874	358	5,993,874	358

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

NOTES TO THE FINANCIAL STATEMENTS *continued***11 Tax credit**

The amounts credited in the statement of profit or loss comprise the following:

	2017 £000	2016 £000
Current tax		
Credit for the year	(777)	(816)
Adjustments in respect of prior years	(173)	165
Total current tax credit	(950)	(651)
Deferred tax		
Expenses for the year	33	67
Adjustments in respect of prior years	(3)	-
Effect of rate change	(4)	(10)
Total deferred tax expense	26	57
Total tax credit to the statement of profit or loss	(924)	(594)

The tax credit on the Company's (loss)/profit before tax differs from the theoretical amount that would arise using the average tax rate applicable to profits of the Company as follows:

	2017 £000	2016 £000
Loss before tax	(4,431)	(5,822)
Tax calculated at the standard corporation tax rate applicable in the UK of 19.25% (2016:20%)	(853)	(1,164)
Effects of:		
Non-taxable income	109	415
Prior year tax adjustments	(176)	165
Effect of rate change	(4)	(10)
Total tax credit for the year	(924)	(594)

The Company is part of a Group Payment Arrangement for corporation tax purposes and accordingly tax balances are settled by the UK parent company, Hiscox plc. The corporation tax balances disclosed above represent amounts surrendered or received from Group companies as part of this process.

Factors affecting tax charges in future years

Finance Act 2016, which received Royal Assent on 15 September 2016, reduced the main rate of corporation tax to 17% from 1 April 2020, superseding the 18% rate effective from that date introduced in Finance (No.2) Act 2015. The main UK rate has therefore reduced from 20% to 19% from 1 April 2017 and will reduce from 19% to 17% from 1 April 2020.

The impact of these changes in future periods will be dependent on the level of taxable profits in those periods.

12 Deferred tax

	2017 £000	2016 £000
At 1 January	57	-
Income statement expense	26	57
Total deferred tax liability	83	57

Deferred tax analysed by balance sheet headings

	2016 £000	Income statement charge £000	2017 £000
At 31 December			
Financial assets	57	26	8
Total deferred tax liability	57	26	

NOTES TO THE FINANCIAL STATEMENTS *continued***13 Financial Liabilities**

	2017 £000	2016 £000
Eurobond	50,000	50,000
Dollarbond	48,148	52,418
Total financial liabilities	98,148	102,418

The Company has issued a Dollarbond and a Eurobond which were both fully subscribed for by the Company's ultimate parent Hiscox Ltd. The loans pay interest at LIBOR + 3.5% per annum and 3 month Euribor + 3.0% per annum respectively and are repayable on 30 June 2019 and 10 December 2018 respectively. Both bonds are listed on the Channel Island Securities Exchange in Guernsey, now known as The International Stock Exchange.

14 Trade and other payables

	2017 £000	2016 £000
Amounts due to Group undertakings	90,032	90,040
Total trade and other payables	90,032	90,040

	2017 £000	2016 £000
The amounts expected to be recovered before and after one year, are estimated as follows:-		
Due within one year	90,032	90,040
Due after one year	-	-
	90,032	90,040

Amounts due to Group undertakings are repayable on demand, however repayment has not been requested. Included within amounts due to Group undertakings is a loan with Hiscox Underwriting Limited. During the year this was converted from a Euro position to a Sterling position of £5,154,000 at the 2017 closing rate of 1.13 (2016: €5,824,000) and attracts interest at 3 month Euribor + 3%. Also included is a loan with Hiscox plc for €4,760,000 (2016: €4,760,000) that attracts interest at Euribor + 1%.

15 Dividends paid to owners of the Company

There were no dividends declared during the year (2016: nil).

16 Ultimate parent company

The Company's immediate parent is Hiscox plc, incorporated in Great Britain.

The smallest and largest group in which the results of the Company are consolidated is that headed by Hiscox Ltd, Bermuda. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from Wessex House, 45 Reid Street, Hamilton, Bermuda.

NOTES TO THE FINANCIAL STATEMENTS *continued***17 Related party transactions**

The Company is part of the Hiscox Group and acts as an intermediate holding company for certain UK and US subsidiary companies. It receives dividends from these companies.

17.1 Transactions with the immediate and ultimate parent company

	2017		2016	
	Income/ (Expenses) £000	Receivable/ (Payable) £000	Income/ (Expenses) £000	Receivable/ (Payable) £000
Hiscox Ltd and Hiscox plc	(3,999)	32,333	(3,727)	39,813

The Company has a Eurobond and a Dollarbond outstanding with Hiscox Ltd. Loan interest is charged on these and is disclosed in notes 3.1(a) and 5. The Company also has a loan with Hiscox plc.

17.2 Transactions with subsidiary companies.

	2017		2016	
	Income/ (Expenses) £000	Receivable/ (Payable) £000	Income/ (Expenses) £000	Receivable/ (Payable) £000
Subsidiary companies	(139)	(24,087)	(131)	(22,780)

The Company has a loan with Hiscox Underwriting Ltd and pays interest on this loan, as disclosed in notes 3.1(a) and 5.

17.3 Transactions with associated companies

	2017		2016	
	Income/ (Expenses) £000	Receivable/ (Payable) £000	Income/ (Expenses) £000	Receivable/ (Payable) £000
Associated companies	(21)	594	(30)	615

The Company is recharged expenses from Hiscox Underwriting Group Services Ltd.

NOTES TO THE FINANCIAL STATEMENTS *continued*

18 Subsidiary companies of Hiscox Holdings Limited at 31 December 2017

The following subsidiaries all have their registered address as 1 Great St. Helen's, London, EC3A 6HX, United Kingdom.

Company	Nature of business
Amorphous Sugar Limited*	Non-trading Company
Expo-Sure Limited	Non-trading Company
Hiscox ASM Limited	Insurance intermediary
Hiscox Europe Services Limited	Service Company
Hiscox Europe Underwriting Limited	Insurance Intermediary
Hiscox Syndicates Limited	Lloyd's managing agent
Hiscox Underwriting Ltd	Lloyd's managing agent
Insurix-Exposure Limited	Non-trading Company
Roberts & Hiscox (Underwriting Agencies) Limited	Non-trading Company

Company	Nature of business	Registered office
ALTOHA Inc.*	Holding Company	520 Madison Ave., 32nd Floor, New York NY 10022, United States
Crystal Ridge Specialty Insurance Company Inc*	Surplus Lines Insurance Company	104 South Michigan Avenue Suite 600, Chicago, IL 60603 United States
Hiscox AG*	Underwriting agent	Arnulfstraße 31, 80636, Munich, Germany
Hiscox Holdings Inc.	Insurance holding company	520 Madison Ave., 32nd Floor, New York NY 10022, United States
Hiscox Inc.*	Underwriting agent	520 Madison Ave., 32nd Floor, New York City NY 10022, United States
Hiscox Insurance Company Inc.*	General Insurance	233 North Michigan Ave., Suite 1840, Chicago IL 60601, United States
Hiscox Insurance Services (Guernsey) Ltd	Underwriting Agent	Polygon Hall, Le Marchant Street, St Peter Port, Guernsey
Hiscox Insurance Services Inc.*	Insurance intermediary	233 North Michigan Ave., Suite 1840, Chicago IL 60601, United States
Hiscox Special Risks Agency (Americas) Inc.*	Underwriting Agent	2711 Centerville Road, Suite 400, Wilmington DE 19808, United States
Richmond Global Ventures Limited*	Non-trading Company	Sea Meadow House, Blackburne Highway, PO Box 116, Road Town, Tortola, British Virgin Islands

The proportion of voting rights of subsidiaries held as the same as the proportion of equity shares held.

*Held indirectly

GIE Holding Ltd, a non- trading subsidiary of the Company, was liquidated on 31 July 2017.