Registration number: 02837811

HISCOX PLC

Annual Report and Financial Statements

for the Year Ended 31 December 2022

HISCOX PLC

Contents

HISCOX PLC

Company Information

Directors	Hamayou Akbar Hussain Sally Victoria Campbell (appointed 1 January 2022, resigned 14 April 2023) Paul Cooper (appointed 30 June 2022) Clare Murray (appointed 5 May 2023) Ouliana O'Sullivan (appointed 5 May 2023)
Registered office	22 Bishopsgate London EC2N 4BQ
Registered Number	02837811
Tax advisors	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL
Bankers	Lloyds Bank Plc 113-116 Leadenhall Street London EC3A 4AX
Independent Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT

Strategic Report for the Year Ended 31 December 2022

The directors present their strategic report for the year ended 31 December 2022.

Principal activities

The principal activity of Hiscox plc ("the Company") is to act as a holding company for its subsidiaries which are insurance and insurance-related companies. In addition the Company invests surplus assets into a portfolio of investment funds to earn additional return, and it has issued a listed debt, details are disclosed in note 15.

Business review and key performance indicators

The Company generated a loss before tax for the year of £3,587,000 (2021: loss of £39,321,000). The loss for the year includes the following notable items:

- Dividend income from subsidiaries increased to £20,000,000 (2021: £192,000);
- Investment income increased to £14,116,000 (2021: £9,346,000);
- Salary and related costs increased to £17,627,000 (2021: £13,415,000);
- Finance costs of £27,670,000 (2021: £29,446,000);
- Losses on impairment of investments in subsidiaries and associates of £17,974,000 (2021: losses of £1,022,000) and
- Foreign exchange gains of £27,693,000 (2021: gains of £2,178,000). The weakening of the GBP against the USD (predominantly in the first three quarters of 2022) resulted in significant gains from non-GBP assets that PLC holds.

The shareholders' equity is £531,009,000 at year-end increasing from £489,998,000 in 2021. The movement is mainly a result of the additional capital injection from the parent company, Hiscox Ltd. The directors consider the profit or loss before tax as the key performance indicator of the Company, with the understanding that the long-term debt interest has a significant impact on the results of 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 Group). The Company's primary source of income comprises investment income receipts from financial instruments such as cash deposits, bonds and equities issued by external parties, and from dividends received on shareholdings in subsidiaries. Ancillary income is generated on occasion from commissions earned on Hiscox Art projects.

The Company's balance sheet includes significant investments in, and amounts receivable from, subsidiary companies. The recoverability of these balances is dependent on the liquidity within these companies. The principal risks relating to each of these companies are outlined in their respective 31 December 2022 financial statements. We review investments for any impairment, taking into account the business performance and wider economic uncertainty. The impairment review process involves the use of assumptions requiring estimation, which are used to calculate the recoverable amount. The Company's balance sheet also includes significant holdings in cash, equities and debt based financial instruments issued by external parties. Consequently, the Company has significant exposure to interest rate risk, credit risk, liquidity risk and currency risk.

The Company is financed largely by the equity investment from its parent together with retained earnings and a subordinated debt, which is traded on The International Stock Exchange (TISE) in Guernsey. The debt is fully subscribed by Hiscox Ltd (the ultimate parent company). In addition it can have short term borrowings and consequently bears a degree of interest rate and currency risk exposures in relation to these liabilities. Information on the Company's efforts to manage the general risks disclosed above is presented in note 3 to the financial statements.

HISCOX PLC

Strategic Report for the Year Ended 31 December 2022

Statement by the directors in performance of their statutory duties in accordance with s172 (1) Companies Act 2006

The Board of Directors of Hiscox plc both individually and collectively act in the way they consider in good faith would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and considerations set out in s172 (1) (a-f) of the Act). In decisions taken during the year ended 31 December 2022, we would reference our approach to the business plan and the supporting control environment which deliver good outcomes for the Company and wider stakeholders. Hiscox plc is part of the Hiscox Group and as such many of the stakeholder matters are also relevant to Hiscox plc. In achieving this, the following areas are highlighted:

a) Our Company's plan was designed to have a long-term beneficial impact on the Company and to contribute to the success in delivering the business of a holding Company. We continue to operate our business within a structured control environment. Hiscox values reiterate this longer term perspective with the desire to build a business that lasts and that everyone is proud to be part of.

b) The Company has no employees and staffing requirements are supplied via service agreements with a subsidiary company, Hiscox Underwriting Group Services Ltd ("HUGS"). Details of how the Directors have engaged with employees can be found in Hiscox Ltd Report and Accounts. Hiscox wants to build teams that are as diverse as our customers and create a vibrant work environment where all employees can thrive. Steps are in place for workforce engagement, training and development, employee networks, regular communication updates, launch events for major projects and partners' events. We are a Living Wage employer in the UK. Hiscox values reiterate that our growth and success has been built on teamwork, having shared goals and celebrating together when things go well and supporting each other when they do not go well.

c) Time is taken to get to know the people we work with and who work for our stakeholders. Throughout the Hiscox Group, we think about the implications of our decisions on everyone else in our Group, our industry and our community, because we are committed to building a sustainable business with a legacy we can all be proud of. Our success depends on our relationships with a network of experts beyond our business. All of our activities are informed by appropriate engagement with stakeholders to gain an understanding of our operating environment and the market in which we operate. We value our suppliers and have a Group Prompt Payment Policy which states our intention to pay what we owe, when it is owed. Hiscox's business relationships framework is disclosed in the Directors' Report.

d) Our plan takes into account the impact of the Company's operations on the community, the environment and wider societal responsibilities. As a key company within Hiscox, we are part of the Hiscox Economic, Social and Governance (ESG) approach framework and this ensures that we play a responsible part in society and our customers and society benefit when times are tough. Like others, we are responding to a changing climate, and are helping our customers and business partners to adapt through our products and services. We also evolve as regulation changes and public interest in emerging issues grows. ESG issues touch many different parts of our business - such as HR, risk, finance, underwriting, investments - and the Hiscox ESG framework we have developed helps us stay focused and make an impact. It ensures we are pragmatic and consistent, teaming Group-wide themes with local market relevance. Our ESG efforts are measured both internally and externally. Externally, we participate in a number of key ESG indices including CDP and FTSE4Good, and we have reported against TCFD-aligned principles since 2019.

e) The Board of Directors' intention is to behave responsibly and ensure that the business operates in a responsible manner within the high standards of business conduct and good governance. There is a clear policy in place for whistleblowing and this ensures that employees feel empowered to raise concerns in confidence and without fear of unfair treatment.

f) We aim to act fairly between members however note that the Company has a sole shareholder.

HISCOX PLC

Strategic Report for the Year Ended 31 December 2022

Future developments

The Company will continue to act as the holding company for the Hiscox Group.

Approved by the Board on 28th June 2023 and signed on its behalf by:

C. Murray

Clare Murray
Director

Directors' Report for the Year Ended 31 December 2022

The directors present their annual report and the audited financial statements for the year ended 31 December 2022.

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, Chesney House 96 Pitts Bay Road, Pembroke HM 08, Bermuda.

Dividends and transfers to reserves

The loss for the financial year after tax of £3,037,000 has been transferred to the Company's retained earnings (2021: loss after tax of £32,508,000 funded by the Company's retained earnings).

The directors did not pay any dividends to the parent Company, Hiscox Ltd (2021: £nil).

Going concern

The Group, being a regulated insurance group, manages capital on a consolidated basis. Working capital forecasts have been prepared for the Group up to 31 December 2025, which demonstrate that the Group has sufficient resources to continue in operational existence for the foreseeable future.

The Company defines capital as total shareholders' equity. The shareholders' equity at 31 December 2022 amounted to £531,509,000. The Directors believe that this amount of capital is sufficient to safeguard its ability to continue as a going concern and to provide returns for shareholders and benefits for other stakeholders, including supporting its subsidiaries by providing loans or capital injections. There were no changes to the Company's approach to capital management during the year. Note the Company is not a regulated entity.

The Company has £354,685,000 current assets including financial assets at amortised cost and cash and £343,079,000 of current financial liabilities comprising loans to affiliated Group undertakings that are due within a year. These assets are more than sufficient to meet the Company's liabilities as they fall due.

In December 2022, the Company received £44,548,000 capital injection from its parent Hiscox Ltd. The proceeds will be utilised to support subsidiary companies.

No material uncertainties that would require disclosure have been identified in relation to the ability of the Company to remain a going concern for at least the next twelve months from the date of the approval of the financial statements. It is therefore concluded that the going concern basis is appropriate for the preparation of the 2022 financial statements.

Directors

The names of the directors of the Company at the date 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 the shares of any other Group company other than in the ultimate parent company. The interests of the directors who are also directors of the ultimate parent company, is shown in the consolidated financial statements of Hiscox Ltd.

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 2022 and at the date of this report.

Political and charitable contributions

Donations payable to charitable organisations during the year amounted to £760,000 (2021: £18,000). The Company made no political contributions during the year (2021: £nil).

Employees and pension arrangements

The Company has no employees and staffing services for the Company and its UK affiliates are provided by one of the Company's subsidiary undertakings, HUGS. The Company has in place the Hiscox Group's defined benefit scheme which primarily provides benefits for UK employees. The Company is required to make contributions to the scheme and receives contributions from HUGS, by way of periodic recharges, towards the funding of this scheme.

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.

Business Relationships

As part of the Hiscox Group we have a diverse range of stakeholders whose engagement is critical to our continued success. We rely on our shareholders and provider of debt funding as essential sources of capital to further our business objectives. They rely on us to protect and manage their investments in a responsible and sustainable way that generate value for them. They have a wide range of choices so it is important for our future that we can consistently and continuously offer products that are attractive and add value. As such we engage with, consider and respond to our stakeholders' needs. Regulators, communities and the wider society expect us to act responsibly and minimise any adverse impact we might have on local communities and the environment. Our success depends on our relationships with a network of experts beyond our business. We have a responsibility to engage with our regulators and do so openly and proactively. Our business relationships can be seen via the core themes in the Hiscox ESG Framework:

Environmental - We carefully manage our environmental impact and work with our customers, suppliers and business partners to respond to the changing climate. For Hiscox, this means looking at our operations and how we can reduce waste - water, electricity and other consumption helped by our global network of green teams. It also means investing in areas such as research, catastrophe modelling and new technologies that improve our underwriting capabilities and benefit brokers and customers of the Group.

Social – as a Group, we strive to be a good employer, a trusted insurer and a good corporate citizen, recognising that there is not a 'one-size-fits-all' solution to such matters; no claim, person or plight is the same as another. We take our role in the world seriously and so our claims philosophy, our strategy for charitable giving and our employment practices all contribute to our social narrative. Hiscox's charitable foundation - The Hiscox Foundation - has been in place since 1987, along with Hiscox Gives which creates meaningful volunteering opportunities for employees. Our annual climate report sets out our approach to climate-related matters in every part of our business: governance, risk management, operations, underwriting, investments, and marketing. It is our richest source of climate-related information and expands on the information set out below, so for more information go to: https://www.hiscoxgroup.com/responsibility/environment

Governance - Good governance practices are essential to our day-to-day business of serving customers. Good governance encompasses not just having the appropriate internal controls, policies and procedures, and structures and oversight; it also requires our employees to be accountable for their actions and empowered to raise their hand if something goes wrong. Naturally it also means complying with the laws and regulations that are relevant to our Company.

Directors' Report for the Year Ended 31 December 2022 (continued)

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.

Task Force on Climate-Related Financial Disclosures (TCFD)

Reporting against the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) will become mandatory in the UK from 2025, and the Financial Conduct Authority (FCA) requires TCFD disclosure for UK premium-listed firms on a 'comply or explain' basis - effective from accounting periods beginning on or after 1 January 2021. The Company is not affected by this requirement however the Hiscox Group has been reporting against the TCFD-aligned ClimateWise Principles through our annual climate report since 2019 and are public supporters of TCFD.

The Group's climate report sets out the approach to climate-related matters in every part of our business: governance, risk management, operations, underwriting, investments, marketing and so on.
It is one of our richest sources of climate-related information and is available at:
https://www.hiscoxgroup.com/sites/group/files/documents/2022-08/2022_Hiscox_Climate_Report.pdf

In addition, the Hiscox Ltd Report and Accounts 2022 includes new disclosures against TCFD, in accordance with the FCA requirements. This can be found at https://www.hiscoxgroup.com/sites/group/files/documents/2023-03/Task%20Force%20on%20Climate-related%20Financial%20Disclosures.pdf

Streamlined Energy and Carbon Reporting (SECR)
The cornerstone of our climate-related metrics and targets is our GHG emission reduction targets. In 2021, we set new Group targets which have been created using SBTi methodologies and which align with a 1.5°C net-zero world by 2050. This is in keeping with our commitments as a signatory to the 2015 Paris Climate Agreement. More information on our new GHG emission reduction targets can be found on page 56 of the Hiscox Ltd Report and Accounts 2022: https://www.hiscoxgroup.com/sites/group/files/2023-03/Hiscox_report_and_accounts_2022_0.pdf

The Company has no employees and staffing services for the Company are provided by one of the company's subsidiary undertakings, HUGS, which also provides and manages the premises which the Company and its UK affiliates occupy. For the year ended 31 December 2022, the Company is not required to disclose the energy consumption and emissions between the Company and its UK affiliates so the amounts shown below are the totals incurred throughout the Hiscox Group.

Hiscox Group Streamlined Energy and Carbon Reporting (SECR) GHG emissions

	2022		2021		
Activity	**Energy kWh**	**Emissions tCO2e**	**Energy kWh**	**Emissions tCO2e**	**Year on year Year % change in tCO2e**
Scope 1 total		**786**		**678**	**16**
Natural gas	2,439,188	445	2,342,644	441	1
Company cars	1,048,235	250	377,056	87	189
Refrigerants		91		150	(39)
Scope 2 (market-based) total		**927**		**866**	**7**
Electricity (location- based)	5,311,279	1,313	5,603,303	1,484	(12)
Electricity (market-based)	5,311,279	874	5,603,303	847	3
District heating	307,720	53	108,999	19	182
Operational Scope 3 total		**19,298**		**17,116**	**13**
Total operational footprint(market-based)		**21,011**		**18,660**	**13**

Directors' Report for the Year Ended 31 December 2022 (continued)

GHG emissions are calculated according to the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition) and UK government SECR guidelines. Note some emissions totals may not tally due to rounding.

Future Developments
Please refer to the Strategic Report.

Approved by the Board on 28th June 2023 and signed on its behalf by:

......C. Murray..........
Clare Murray
Director

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 UK-adopted international accounting standards. In preparing the financial statements, the directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs as issued by IASB).

Under company law, 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 UK-adopted international accounting standards and IFRSs issued by IASB 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Directors' confirmations

Each of the directors, whose names and functions are listed on page 1 confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with UK-adopted international accounting standards and IFRSs issued by IASB, give a true and fair view of the assets, liabilities, financial position and profit of the company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors' report to the members of Hiscox Plc

Report on the audit of the financial statements

Opinion

In our opinion, Hiscox Plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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 2022; the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the financial statements, the company, in addition to applying UK-adopted international accounting standards, has also applied international financial reporting standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion, the company financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- We performed a full scope audit of the company in accordance with our risk assessment and materiality.

Key audit matters

- Valuation of investments in subsidiary undertakings

Materiality

- Overall materiality: £12,000,000 (2021: £11,210,000) based on 1% of total assets.
- Performance materiality: £9,000,000 (2021: £8,407,500).

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.

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.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of investments in subsidiary undertakings Refer to note 11 to the financial statements for disclosure of investments in subsidiary undertakings, and to note 2.10 and 2.18 for the related accounting policies. We identified the carrying amount of investments in subsidiary undertakings as a key audit matter. This balance is material to the company and management use significant estimates in determining the carrying value. There is a risk that the carrying value of the investments in subsidiary undertakings exceeds the recoverable amount and therefore an impairment should be recognised.	Our procedures in relation to management's assessment of the carrying value of investments in subsidiary undertakings included the following: • We assessed the completeness of impairment indicators noted by management; • Where an impairment was identified by management, we tested the mathematical accuracy of their impairment assessment and recoverable amount; • We tested the methodology used for the impairment assessments was in-line with the requirements of the relevant accounting standards; • We assessed the appropriateness of the data and assumptions used in management's impairment assessments. This included using our internal valuation experts in assessing the discount rates used and assumptions to support fair values. In addition we have tested the appropriateness of the future cash flows by agreeing them to Board approved plans where relevant; and • We have assessed the work of management's experts where relevant, including their competency and objectivity. Based on the procedures performed, the carrying value of the company's investments in subsidiary undertakings was supported by the evidence obtained.

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.

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 company materiality	£12,000,000 (2021: £11,210,000).
How we determined it	1% of total assets
Rationale for benchmark applied	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 use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £9,000,000 (2021: £8,407,500) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £600,000 (2021: £560,500) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's going concern assessment which considered the company's financial condition and liquidity position, including the ability to repay its financial liabilities as they fall due;
- Validating the reasonableness of management's analysis to supporting documentation;
- Assessing the reasonableness of management's cash flow analysis given our understanding of the company and challenging it accordingly; and
- Assessing the disclosures made by management in respect of going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 Director's Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Director's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Director's Report for the year ended 31 December 2022 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 Director's 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK company law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management override of controls, including the potential for management bias in significant accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with those charged with governance, management, the compliance function and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the company's whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- Reviewing relevant board meeting minutes;
- Testing, and challenging where appropriate, the assumptions and judgements made by management in their significant accounting estimates, particularly in relation to the carrying value of investments in subsidiary undertakings;
- Testing journal entries identified in accordance with our risk assessment; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 obtained 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.

Neil Riches

Neil Riches (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London
28 June 2023

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 £000	2021 £000
Revenue			
Income from subsidiary undertakings	4	20,000	192
Investment result	4	14,116	9,346
Other income	4	3,569	1,401
Total revenue		37,685	10,939
Expenses			
Administration expenses	5	(23,321)	(21,970)
Impairment Loss	11	(17,974)	(1,022)
Foreign exchange gains		27,693	2,178
Total expenses		(13,602)	(20,814)
Results of operating activities		24,083	(9,875)
Finance costs	6	(27,670)	(29,446)
Loss before tax		(3,587)	(39,321)
Tax credit	8	550	6,813
Loss for the year		(3,037)	(32,508)

The Company did not recognise any other comprehensive income during the current or prior year.
The above results were derived from continuing operations.

The notes on pages 19 to 41 form an integral part of these financial statements

Balance Sheet as at 31 December 2022

	Note(s)	2022 £000	2021 £000
Assets			
Intangible assets	9	1,477	2,216
Property, plant and equipment	10	12,769	12,122
Investments in subsidiary undertakings	11	398,449	410,146
Investment in associate	12	3,339	3,339
Financial assets carried at fair value through profit or loss	15, 17	8,501	8,501
Financial assets at amortised cost	16	702,057	553,504
Current tax		17,512	21,946
Cash and cash equivalents	13	45,373	88,006
Total assets		1,189,477	1,099,780
Equity and liabilities			
Equity			
Share capital	14	216,490	171,942
Retained earnings		315,019	318,056
Total equity (all attributable to owners of the Company)		531,509	489,998
Deferred tax liabilities	8	818	847
Long term debt and external borrowings	15,17	316,473	311,552
Trade and other payables	15,19	340,677	297,383
Total liabilities		657,968	609,782
Total equity and liabilities		1,189,477	1,099,780

The financial statements were approved by the Board of Directors on 28th June 2023 and signed on its behalf by:

C. Murray

Clare Murray
Director

The notes on pages 19 to 41 form an integral part of these financial statements

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £000	Retained earnings £000	Total £000
At 1 January 2021	1,000	350,564	351,564
Loss for the year	-	(32,508)	(32,508)
Income from parent for equity-settled share based payments	-	67	67
Capital contribution relating to equity-settled share based payments	-	(67)	(67)
Total comprehensive income	-	(32,508)	(32,508)
Increase to share capital "shares issued"	170,942	-	170,942
At 31 December 2021	171,942	318,056	489,998

	Share capital £000	Retained earnings £000	Total £000
At 1 January 2022	171,942	318,056	489,998
Loss for the year	-	(3,037)	(3,037)
Income from parent for equity-settled share based payments	-	150	150
Capital contribution relating to equity-settled share based payments	-	(150)	(150)
Total comprehensive income	-	(3,037)	(3,037)
Increase to share capital "shares issued"	44,548	-	44,548
At 31 December 2022	216,490	315,019	531,509

The notes on pages 19 to 41 form an integral part of these financial statements

HISCOX PLC

Statement of Cash Flows for the Year Ended 31 December 2022

	Note	2022 £000	2021 £000
Cash flows from operating activities			
Loss for the year before tax		(3,587)	(39,321)
Adjustments for:			
Foreign exchange gain		(27,693)	(2,178)
Depreciation expense	5	177	177
Amortisation expense	5	739	738
Impairment loss	5	17,974	1,022
Interest expense	6	27,670	29,446
Interest income received		(12,509)	(9,173)
Equity dividends income		(20,293)	(552)
Gain on disposal of PPE		(772)	-
Net realised gains on financial assets carried at fair value through profit or loss		-	214
Other assets and liabilities		(72,161)	24,865
Cash generated from operations		(90,455)	5,238
Cash flows from operating activities			
Interest received		7,392	9,173
Interest paid		(27,120)	(29,292)
Equity dividends received		20,293	552
Current tax received		4,955	5,589
Net cash flows from operating activities		(84,935)	(8,740)
Cash flows from investing activities			
Cash outflow for capital contribution or loan to a subsidiary undertaking	11	(6,360)	(6,497)
Movement in associates		-	(1)
Disposal of art (Proceeds)		832	-
Cash outflow from purchase of property, plant and equipment		(884)	(264)
Net cash flows from investing activities		(6,412)	(6,762)
Cash flows from financing activities			
Net repayments of financial liabilities	15	-	(139,988)
Capital injection of share capital		44,548	170,942
Net cash flows from financing activities		44,548	30,954
Cash and cash equivalents at 1 January		88,006	70,968
Net (decrease) / increase in cash and cash equivalents		(46,799)	15,452
Effect of exchange rate fluctuations on cash and cash equivalents		4,166	1,586
Cash and cash equivalents at 31 December	13	45,373	88,006

The notes on pages 19 to 41 form an integral part of these financial statements

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

Hiscox plc (the Company) is a public company limited by shares and incorporated 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.

2 Basis of preparation

2.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), UK-adopted international accounting standards and in conformity with the requirements of Companies Act 2006.

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 Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking only and not about its group.

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 including derivative instruments which 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 at least 12 months from the date of this report. For this reason they continue to adopt the going concern basis in preparing the financial statements.

2.2 New accounting standards, interpretations and amendments to published standard

New standards, amendments to standards and interpretations, as adopted by the UK, that are effective for annual periods beginning on 1 January 2022 have been applied in preparing these financial statements and had no material impact on the Company.

- IFRS 3 References to the Conceptual Framework (Amendments to IFRS 3)
- IAS 16 Proceeds before intended use and annual improvements
- IAS 37 Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37)

The following new standards, and amendments to standards, are effective for annual periods beginning after 1 January 2022 and have not been applied in preparing these financial statements:

- Amendments to IAS 1, IAS 8 and IAS 12 effective from 1 January 2023.

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 at the original translated date.

2 Significant accounting policies (continued)

2.4 Intangible assets

Intangible assets are recognised where they can be identified separately and measured reliably. They will be carried initially at cost, being the fair value of the consideration paid. Intangible assets with finite useful lives such as software are consequently carried at cost, less accumulated amortisation and impairment.

The useful life of the asset is reviewed annually. Any changes in estimated useful lives are accounted for prospectively with the effect of the change being recognised in the current and future periods, if relevant.

Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful lives of the intangible assets.

Subsequent expenditure on other intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated will then flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance items are charged to the income statement during the financial period in which they are incurred. Land and artwork assets are not depreciated as they are deemed to have indefinite useful economic lives. Depreciation on buildings is calculated using the straight-line method over 20-50 years to allocate the cost or revalued amounts, less the residual value, over the estimated useful life.

The assets' residual value and useful lives are reviewed at each balance sheet date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

2.6 Investment in associates and subsidiary undertakings

Subsidiaries are those entities controlled by the Company. Control exists when the Company has power over an entity, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

Associates are those entities in which the Company has significant influence but not control over the financial and operating policies. Significant influence is generally identified with a shareholding of between 20% and 50% of an entity's voting rights. Investments in subsidiary undertakings and associates are held at cost less accumulated impairment losses, calculated in accordance with 2.10.

2.7 Financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of amounts due from Group undertakings and other receivables, the Company classifies financial assets at its fair value through the profit or loss.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. In assessing whether contractual cash flows are SPPI compliant, interest is defined as consideration primarily for the time value of money and the credit risk of the principal outstanding.

2 Significant accounting policies (continued)

2.7 Financial assets (continued)

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. Information that is considered in determining the applicable business model includes (i) policies and objectives for the relevant portfolio, (ii) how the performance and risks of the portfolio are managed, evaluated and reported to management, and (iii) the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales.

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent SPPI. The Company's financial assets at amortised cost are amounts due from Group undertakings and other receivables.

Other financial assets with cash flows that are not solely payments of principal and interest are classified as and measured at fair value through profit or loss. These include equity investments. Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognised in the income statement.

2.8 Cash and cash equivalents

The Company has classified cash deposits and short-term highly liquid investments as cash and cash equivalents. These assets are readily convertible into known amounts of cash and are subject to inconsequential changes in value. Cash equivalents are financial investments with less than three months to maturity.

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 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 investment in subsidiary 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;

2 Significant accounting policies (continued)

2.10 Impairment of assets ((a) Non-financial assets continued)

- the likelihood of accelerated obsolescence arising from the development of new technologies and products;
- the disintegration of the active market(s) to which the asset is related.

Impairment losses are 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.

(b) Financial assets
The Company recognises an allowance for expected credit losses (ECLs) for all financial assets at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For short-term financial assets at amortised cost i.e. amounts due from Group undertakings, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

2.11 Financial liabilities at amortised cost

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

2.12 Revenue

Revenue predominantly comprises dividend income from subsidiary undertakings and is recognised when approved by the Board of the related undertaking. Other sources of revenue comprises investment income receipts from financial instruments. Other income is generated from a) recharge fees to other group entities based on the operating cost associated to those recharges b) dividend income from associates undertakings and c) other ancillary income generated on occasion from the sale of Hiscox Art.

2.13 Finance costs

Finance costs consist of interest charges accruing on the Company's borrowings and bank overdrafts together with commission fees charged in respect of interest on long-term debt.
Arrangement fees in respect of financing arrangements are charged over the life of the related facilities.

2 Significant accounting policies (continued)

2.14 Retirement benefit obligations

The Company operates a defined benefit pension scheme. The defined benefit scheme closed to future accrual with effect from 31 December 2006 and active members were offered membership of a defined contribution scheme from 1 January 2007.

The Company's subsidiary HUGS has been assessed as the sponsoring entity by virtue of it employing the members of the scheme. The liability for the defined benefit obligation is therefore assessed as belonging to HUGS and it recognises the amount on the balance sheet for the retirement benefit obligation in accordance with IAS 19.

The Company is recharged by HUGS for its share of the total pension expense for members of the scheme providing service to the Company

2.15 Dividend distribution

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.

2.16 Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the Company receives services from employees as consideration for equity instruments (options) of the ultimate holding company.

The awards are granted by Hiscox Ltd and the Company has no obligation to settle the awards. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. A credit is recognised directly in shareholders' equity.

2.17 Use of critical estimates, judgements and assumptions

The preparation of financial statements requires the Company to select accounting policies and make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses in the consolidated financial statements.

The directors consider the accounting policies for determining the valuation of investments in subsidiaries and financial investments as being most critical to an understanding of the Company's result and position.

2.18 Estimates and assumptions

The following accounting policies are those considered to have a significant impact on the amounts recognised in the financial statements, with those involving estimation summarised thereafter.

Estimates used to support the carrying value of investments in subsidiaries: Determining the carrying value of investments in subsidiary undertakings is subject to estimation and judgement. The Company reviews the investments in subsidiaries for impairment if there are any indications that the carrying value may not be recoverable. The carrying value of the investment is compared to the recoverable amount of the subsidiaries and where a deficiency exists, an impairment charge is booked in the statement of profit and loss. The recoverable amount is calculated using the higher of fair value less cost to sell and value in use. The fair value less cost to sell is based on a price that would be received from a market participant less any costs directly attributable to the disposal of subsidiary.

The Company uses judgement to determine an appropriate methodology for calculating a fair value for a subsidiary. This includes the use of multiples of book value, revenue or profit depending on the nature and activities of the subsidiary. Where revenue or profit is used, estimation is required to determine future amounts. Judgement is also used to determine an appropriate multiple, which are based on market data for listed peers.

2 Significant accounting policies (continued)

2.18 Estimates and assumptions (continued)

The value in use calculation is based on a Discounted Cash Flow (DCF) model derived from the approved business plan. Estimates are used to determine the future cash flows, which include revenue and costs. Estimates are also used to determine the discount rate and long term growth rate.

Assessing the recoverable amount therefore involves significant estimation and judgement and is sensitive to a number of assumptions and factors, where reasonable alternatives or adverse market movements in discount rate applied could result in an impairment. Further details are disclosed in note 11.

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 the 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

The Company is exposed to financial risk through its ownership of financial assets 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 are not sufficient to pay liabilities when they fall due. Other risks that the Company is exposed to are interest rate risk, liquidity risk, currency risk and credit risk. The Company's policies and procedures for managing these risks are detailed below.

The Company is exposed to financial risk through investments in subsidiaries. The key financial risk for the Company is that the proceeds from its investments result generated thereon are not sufficient to fund the Company's obligations. The most important elements and economic variables that could result in such an outcome relate to the revenue generated by the subsidiaries. The subsidiary undertakings are expected to be able to absorb any net losses arising from continued economic uncertainty.
The directors have an expectation that the Company's subsidiaries will continue in operation for the foreseeable future.

(a) Reliability of fair values
The financial investments held by the Company carried at fair value are a minority stake in an unlisted entity. The fair value of the unquoted equity investment has been determined using other observable inputs such as the most recent regular transaction of identical or closely related instruments occurring before the balance sheet date but updated for relevant perceived changes in market conditions. See further details in note 17 - Fair value measurement.

(b) Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will suffer a deterioration in solvency or be unable to pay amounts in full when due.

One of the key areas where the Company is exposed to credit risk is counterparty risk from other companies in the Hiscox Group. The Company evaluates the required allowance for credit losses on amounts due from the Group undertakings based upon the repayment terms, the interest rate payable on the balances and the ability of the Group Company to make the repayment in accordance with the terms of the arrangement.

3. Management of risk (continued)

3.1 Financial risk (continued)

(b) Credit risk (continued)

Hiscox Group largely centralises the treasury function for its subsidiaries and so repayment of balances from other Group companies may require the borrower to collect balances that it has owing from other Group companies. Management has determined that amounts due from the Group undertakings are low credit risk falling within 'stage 1' of IFRS 9's impairment model, and 12-month expected credit losses can be calculated.

In evaluating the probability of defaults on amounts due from the Group undertakings, Management has considered the credit rating of the Group as it provides central support for the funding of the subsidiaries. The Group's credit rating from S&P has been 'A' corresponding to a low probability of default. Considering the above, Management has concluded that the expected credit default related to amounts due from the Group undertakings is immaterial. Another key area where the Company is exposed to credit risk is to external counterparty risk with respect to cash and cash equivalents. The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or groups of counterparties. Such risks are subject to at least an annual review. Limits on the level of credit risk by category and territory are reviewed regularly by the Board of Directors.

Exposures to individual debtors and investment issuers are collected within the internal control programme. An analysis of the Company's exposures to credit risk for cash and cash equivalents are as follows:

	AAA	**A**	**Total**
As at 31 December 2022	**£000**	**£000**	**£000**
Cash and cash equivalents	45,087	286	45,373
Total	45,087	286	45,373
	AAA	A	Total
As at 31 December 2021	£000	£000	£000
Cash and cash equivalents	87,744	262	88,006
Total	87,744	262	88,006

(c) Interest rate risk
The Company has exposure to interest rate risk through its long term debt as outlined in note 15. The floating rate becomes effective from November 2025 which is within the Company's interest risk appetite. The Company has no other significant borrowings or other assets or liabilities carrying interest rate risk.

(d) 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. The Company's balance sheet contains both liquid and illiquid assets and liabilities. Of the Company's assets of £1,189,477,000 (2021: £1,099,780,000) assets falling due within one year are £354,685,000 (2021: £371,872,000). These assets are more than sufficient to meet the Company's liabilities as they fall due.
The Company's financial assets include highly liquid assets and could be converted into cash in a prompt fashion and at minimal expense. All of the cash and cash equivalents mature within one year of the balance sheet date. The Company maintains cash and cash equivalents to meet demands on a daily basis, with additional liquidity available via revolving credit facility (RCF) amounting to $600,000,000 (2021; £450,000,000). Further details of the maturity of the Company's assets and liabilities can be found in notes 16 and 19.

3 Management of risk (continued)

3.1 Financial risk (continued)

(d) Liquidity risk (continued)

As at 31 December 2022

	Less than one year £000	Between one and two years £000	Between two and five years £000	Over five years £000	2022 Total £000
Amounts due from group undertakings	283,675	-	418,382	-	**702,057**
Cash and cash equivalents	45,373	-	-	-	**45,373**
Long term debt payable	-	-	(316,473)	-	**(316,473)**
Trade and other payables	(340,677)	-	-	-	**(340,677)**

As at 31 December 2021

	Less than one year £000	Between one and two years £000	Between two and five years £000	Over five years £000	2021Total £000
Amounts due from group undertakings	261,920	-	291,584	-	553,504
Cash and cash equivalents	88,006	-	-	-	88,006
Long term debt payable	-	-	(311,552)	-	(311,552)
Trade and other payables	(297,383)	-	-	-	(297,383)

The Company's investment in bonds and fixed income holdings and equities and shares in investment funds amounting to £8,501,000 (2021: £8,501,000) have no contractual maturity terms but can be liquidated in an orderly manner for cash in a prompt and reasonable time frame within one year.

(e) Currency risk

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

	Sterling	US Dollar	Total
As at 31 December 2022	**£000**	**£000**	**£000**
Intangible assets	1,477	-	1,477
Property, plant and equipment	12,769	-	12,769
Investments in subsidiary undertakings and associates	351,909	49,879	401,788
Financial assets carried at fair value through profit or loss	8,501	-	8,501
Financial assets at amortised cost	315,935	386,122	702,057
Current tax	17,512	-	17,512
Cash and cash equivalents	23,241	22,132	45,373
Total assets	731,345	458,133	1,189,477
Deferred tax	818	-	818
Long term debt and external borrowings	276,615	39,858	316,473
Financial liabilities at amortised cost	340,677	-	340,677
Total liabilities	618,110	39,858	657,968

3 Management of risk (continued)

3.1 Financial risk (continued)

(e) Currency risk (continued)

As at 31 December 2021	Sterling £000	US Dollar £000	Total £000
Intangible assets	2,216	-	2,216
Property, plant and equipment	12,122	-	12,122
Investments in subsidiary undertakings and associates	362,777	50,708	413,485
Financial assets carried at fair value through profit or loss	8,501	-	8,501
Financial assets at amortised cost	283,070	270,434	553,504
Current tax	21,946	-	21,946
Cash and cash equivalents	47,100	40,906	88,006
Total assets	737,732	362,048	1,099,780
Deferred tax	847	-	847
Long term debt and external borrowings	276,615	34,937	311,552
Financial liabilities at amortised cost	297,383	-	297,383
Total liabilities	574,845	34,937	609,782

Sensitivity analysis
The estimated impact of a 10% strengthening or weakening of the US Dollar against the Pound Sterling on total equity and on profit/(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	**Effect on loss before tax**	Effect on equity	Effect on loss before tax
	2022	**2022**	2021	2021
	£000	**£000**	£000	£000
Strengthening of US Dollar	33,156	40,933	28,021	34,593
Weakening of US Dollar	(27,127)	(33,490)	(29,926)	(28,304)

3.2 Capital risk management

The Company's role is to facilitate the Group's primary objectives when managing its capital position by:

- safeguarding its own and its subsidiaries' ability to continue as a going concern
- maintaining an efficient cost of capital
- complying with all regulatory requirements by an appropriate margin
- maintaining financial strength ratings of A in each of its insurance entities

The Company can source additional funding from revolving credit and Letter of Credit ("LOC") facilities. Standby funding from these sources comprised $600,000,000 cash and $266,000,000 LOC at 31 December 2022 (2021: £450,000,000 cash and $266,000,000 LOC). These facilities include financial covenants that are standard in such arrangements, including certain Group balance sheet measures and are monitored on a regular basis, at least quarterly, but more frequently where necessary.

4 Revenue

(a) Income from subsidiary undertakings
During the year, the income from subsidiary undertakings was £20,000,000 (2021: £192,000).

(b) Investment income
The total income before taxation comprises:

	2022 £000	2021 £000
Investment income	1,622	409
Net realised losses on financial investments at fair value through profit or loss	-	(214)
Investment income	1,622	195
Loan interest	12,509	9,151
Investment expenses	(15)	-
Total income	14,116	9,346

(c) Analysis of return on financial investments
The weighted average return on financial investments for the year by currency was:

	2022 £000	**2022 %**	2021 £000	2021 %
Sterling	504	2.0	321	0.6
US Dollar	1,118	3.6	77	0.2
Euro	-	-	(203)	(51.5)
Total	1,622	2.9	195	0.2

The return on financial investments by asset class for the year was:

	2022 £000	**2022 %**	2021 £000	2021 %
Equities and shares in investment funds	-	-	173	1.9
Bonds and fixed income holdings	1,031	12.7	-	-
Deposits with credit institutions/cash and cash equivalents	591	1.2	22	0.0
Total	1,622	2.9	195	0.2

(d) Other income

	2022 £000	2021 £000
Dividend income from associates	292	165
Other income	3,277	1,236
Total other income	3,569	1,401

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

5 Administration expenses

	2022 £000	2021 £000
Fees payable to the company's auditors for the audit of the company's annual accounts	44	38
Fees payable to the company's auditors for the audit of the company's subsidiaries	48	951
Depreciation	177	177
Amortisation	739	738
Legal and professional fees	2,402	215
Salary and related costs	17,627	13,415
Other Expenses	2,284	6,436
Total administration expenses	23,321	21,970

Fees payable to the Company's external auditors, PricewaterhouseCoopers LLP, its member firms and its associates (exclusive of VAT) have been paid by HUGS. This is recharged to the various Group companies where applicable. Fees paid by the Company for the audit of these financial statements for the year were £44,000 (2021: £38,000). There were no non-audit fees paid during the year (2021; £nil).

All UK employees are employed by HUGS. The Company has been recharged for employee expenses in the current year of £13,520,000 (2021: £13,415,000). The Company is charged for a proportion of certain employees' time in relation to their time spent on behalf of the Company.

6 Finance costs

	2022 £000	2021 £000
Interest associated with long term debt	18,314	17,958
Interest and expenses associated with external borrowings	2,711	2,794
Interest and charges associated with Letters of Credit	6,645	8,694
Total finance costs	27,670	29,446

7 Directors' remuneration

All the executive directors of the Company are employed by HUGS. The Company was recharged £1,247,000 for their services during the year (2021: £1,107,000). The remuneration charge for the highest paid director as recharged to the Company was £573,000 (2021: £635,000). The highest paid director, as recharged to the Company, exercised share options during the year (2021: none) and was granted performance share awards during the current and prior year. The highest paid director's remuneration also includes shadow dividends received on share awards; none were charged during 2022 (2021: nil).

The directors may be members of a defined contribution scheme. In 2021 one director was a member 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 performance share plan awards during the current and prior year.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7 Directors' remuneration (continued)

	2022	2021
No. of deferred members of the defined benefit scheme	-	1
No. of active members of the defined contribution scheme	1	-
No. of deferred members of the defined contribution scheme	-	1
No. of directors who exercised performance share awards	3	-
Aggregate gains made on performance share plan awards (£'000)	626	-

8 Tax credit

Tax credited to the income statement

	2022	2021
Current taxation	**£000**	£000
UK corporation tax	(892)	(7,011)
UK corporation tax adjustment to prior periods	371	6
	(521)	(7,005)
Deferred taxation		
Arising from origination and reversal of temporary differences	(23)	(11)
Adjustment in respect of prior years	1	-
Arising from changes in tax rates and laws	(7)	203
Total deferred taxation	(29)	192
Tax credit in the income statement	(550)	(6,813)

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

	2022 £000	2021 £000
Loss before tax	(3,587)	(39,321)
Corporation tax at standard rate	(682)	(7,471)
Prior year adjustments	372	7
Effect of rate change	(7)	203
Non-taxable income	(3,863)	(68)
Other items not deductible for tax	3,629	516
Total tax credit	(550)	(6,813)

Factors affecting tax charges in future years

An increase to the UK corporate tax rate to 25% from 1 April 2023 was substantively enacted on 24 May 2021.This will have a consequential effect on the company's future tax charge and deferred tax liability in relation to the UK has increased by £7,200. The impact of these changes in future periods will be dependent on the level of taxable profits in those periods.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

8 Tax credit (continued)

Deferred tax	**2022 £000**	2021 £000
At 1 January	(847)	(653)
Income statement credit	29	(194)
Deferred tax liability at 31 December 2022	(818)	(847)

Movement in total deferred tax balance sheet headings	2021 £000	Income statement	**2022 £000**
Financial assets	(900)	-	(900)
Property, plant and equipment	2	(1)	1
General provisions	51	30	81
Deferred tax liability	(847)	29	(818)

9 Intangible assets

	Total £000
At 1 January 2021	
Cost	7,386
Accumulated amortisation	(4,432)
Opening net book amount	2,954
Additions	-
Amortisation charge	(738)
Closing net book amount at 31 December 2021	2,216
At 1 January 2022	
Cost	7,386
Accumulated amortisation	(5,170)
Opening net book amount	2,216
Additions	-
Amortisation charge	(739)
Closing net book amount at 31 December 2022	1,477
At 31 December 2022	
Cost	7,386
Accumulated amortisation	(5,909)
Net book amount	1,477

The remaining amortisation period is two years.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 Property, plant and equipment

	Land and buildings £000	Art £000	Total £000
At 1 January 2021			
Cost	7,149	6,253	13,402
Accumulated depreciation	(1,367)	-	(1,367)
Opening net book amount	5,782	6,253	12,035
Additions	-	264	264
Depreciation charge	(177)	-	(177)
Closing net book amount at 31 December 2021	5,605	6,517	12,122
At 1 January 2022			
Cost	7,149	6,517	13,666
Accumulated depreciation	(1,544)	-	(1,544)
Opening net book amount	5,605	6,517	12,122
Additions	-	884	884
Disposals	-	*(60)*	*(60)*
Depreciation charge	(177)	-	(177)
Closing net book amount at 31 December 2022	5,428	7,341	12,769
At 31 December 2022			
Cost	7,149	7,341	14,490
Accumulated depreciation	(1,721)	-	(1,721)
Net book amount	5,428	7,341	12,769

11 Investments in subsidiary undertakings

The principal subsidiary undertakings held directly by the Company are:	**2022 £000**	2021 £000
Hiscox Holdings Limited	286,332	286,332
Direct Asia Insurance (Holdings) Pte Limited	49,880	60,344
Hiscox Insurance Holdings Limited	54,983	54,983
Hiscox MGA Limited	3,778	4,649
Whitehall Insurance Services Limited	1,879	1,879
Event Assured Limited	-	81
Applewell Limited	-	279
Hiscox Dedicated Corporate member Limited	1,500	1,500
Hiscox Assure SAS	97	97
At 31 December	398,449	410,146

During the year the Company increased its capital contributions in Direct Asia Insurance (Holdings) Pte Limited by £6,360,000. *(In 2021 the Company increased its capital contributions in Direct Asia Insurance (Holdings) Pte Limited* by £6,497,000).

In the year, the Company performed an impairment test on the subsidiaries where impairment triggers were noted which resulted in a total impairment charge of £17,974,000 recognised in relation to Applewell Ltd, Hiscox MGA Limited and Direct Asia Insurance (Holdings) Pte Limited (2021: impairments of £1,022,000 in relation to Applewell Ltd, Event Assured Limited and Hiscox Underwriting Services Limited). Recoverable amounts of the subsidiaries are the higher of their fair value less cost to sell or value in use.

Value in use calculations are performed using cash flow projections based on financial forecasts covering a five-year period. A discount rate of 11% for GBP cash flows and of 11.5% for USD cashflows (2021: 8.0% and 8.5%) has been applied to the projections to determine the value in use. A rise in the discount rate in isolation by 1% will result in no additional impairment for the year (2021: £Nil). A 10% reduction in net cash flows in isolation will result in no additional impairment for the year (2021: £Nil).

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

11 Investments in subsidiary undertakings (continued)

Fair value less cost to sell is based on what the Company expects a market participant would be willing to pay for a subsidiary less the estimated costs of the transaction. This is based on multiples of forecast revenue or profit. A reduction in forecast revenue/profit and/or applied multiple would lead to further impairment charges.

12 Investment in associates

Movement in carrying value	**2022 £000**	2021 £000
Year ended 31 December		
At beginning of the year	3,339	3,338
Transfers during the year	-	1
Impairment during the year	-	-
At the end of the year	3,339	3,339

In the year, the Company performed an impairment test on the associates and as a result no impairments were required (2021 Nil). A value in use calculation was performed using cash flow projections based on financial forecasts covering a five-year period. A discount factor of 11% for GBP cashflows and 11.5% for USD cashflows (2021: 7.0% for GBP and 8.5% for USD) has been applied to the projections to determine the net present value.

The Company's interest in its principal associates, all of which are unlisted, were as follows:

	Interest held %	**Assets £000**	**Liabilities £000**	**Revenues £000**	**Profit after tax £000**
2022					
Associates incorporated in the UK	From 32 to 35	8,560	5,581	8,970	755
Associates incorporated in Europe	From 26 to 35	7,152	4,443	3,348	1,664
Total		15,712	10,024	12,318	2,419
2021					
Associates incorporated in the UK	From 29 to 35	14,950	12,558	10,274	160
Associates incorporated in Europe	26	4,109	2,577	1,817	840
Total		19,059	15,135	12,091	1,000

Table shows 100% of balance sheet and profit or loss items.

The equity interests held by the Company in respect of associates do not have quoted market prices and are not regularly traded in any active recognised market. The associates concerned have no material impact on the results of the Company.

13 Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank	45,373	88,006

The Company's cash and cash equivalents are held with financial institutions in the UK.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

14 Share capital

	2022		2021	
	Number of shares 000s	£000	Number of shares 000s	£000
Ordinary shares of £0.05 each	20,000	1,000	20,000	1,000
Ordinary shares of £1.00 each	215,490	215,490	170,942	170,942
	235,490	216,490	190,942	171,942

In December 2022, ordinary shares with a nominal value of £44,548,000 were allotted for a total consideration of £44,548,000. These shares were fully subscribed by Hiscox Ltd, the ultimate parent company.

15 Financial assets and liabilities

	2022	2021
Financial assets	**£000**	£000
Debt and fixed income holdings	8,126	-
Equities and shares in investment funds	375	8,501
Financial assets at amortised cost (note 16)	702,057	553,504
Total financial assets	710,558	562,005

The Company is exposed to cash flow interest rate risk on its long term debt. The long-term debt is issued on The International Stock Exchange in Guernsey.

	2022	2021
	£000	£000
Long term debt	314,071	309,700
Accrued interest on long-term debt	2,402	1,852
Long term debt and accrued interest	316,473	311,552
Trade and other payables	340,677	297,383
Total financial liabilities	657,150	608,935

On 24 November 2015, the Hiscox Group issued £275,000,000 at 6.125% fixed-to-floating rate callable subordinated notes due 2045, with a first call date of 2025. This financial liability was issued by Hiscox Ltd. A second £275,000,000 that mirrored the subordinated debt was issued by Hiscox plc on 29th April 2016 and is fully subscribed by Hiscox Ltd.

The notes bear interest from and including 24th November 2015 at a fixed rate of 6.125% per annum payable annually in arrears starting 24 November 2016 up until the first call date in November 2025, and thereafter at a floating rate of interest equal to the sum of the Sterling Overnight Index Average (SONIA), the reference rate adjustment of 0.1193% and a margin of 5.076% payable quarterly in arrears on each floating interest payment date.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

16 Financial assets at amortised cost

	2022 £000	2021 £000
Amounts due from Group undertakings	702,021	553,468
Other debtors	36	36
Total financial assets at amortised cost	702,057	553,504

	2022 £000	2021 £000
The amounts expected to be recovered before and after one year, are estimated as follows:-		
Within one year	291,800	261,920
After one year	410,257	291,584
Total	702,057	553,504

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

17 Fair value measurement

As at 31 December 2022	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Debt and fixed income holdings	-	-	8,126	8,126
Equities and shares in investment funds	-	-	375	375
Total	-	-	8,501	8,501
Financial liabilities				
Long-term debt	316,473	-	-	316,473
Total	316,473	-	-	316,473

As at 31 December 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Equities and shares in investment funds	-	-	8,501	8,501
Total	-	-	8,501	8,501
Financial liabilities				
Long term debt	311,552	-	-	311,552
Total	311,552	-	-	311,552

The levels of the fair value hierarchy are defined by UK-adopted International Accounting Standards and in conformity with the requirements of Companies Act 2006, as follows;
Level 1 - fair values measured using quoted prices (unadjusted) in active markets for identical instruments.
The fair value of the long-term debt that is carried at amortised cost, is estimated at £316,473,000 (2021: 311,552,000) and is considered as Level 1 in the fair value hierarchy.

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

Level 3 - contains investments in limited partnerships, unquoted equity securities and insurance-linked funds which have limited observable inputs on which to measure fair value. Unquoted equities, including equity instruments in limited partnerships, are carried at fair value. Fair value is determined to be net asset value for the limited partnerships, and for the equity holdings it is determined to be the latest available traded price.

The fair values of the Company's financial assets are based on prices provided by investment managers who obtain market data from numerous independent pricing services.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

17 Fair value measurement (continued)

The pricing services used by the investment manager obtain actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

Included within Level 1 of the fair value hierarchy would be Treasury bills and deposits with bank institutions which are measured based on quoted prices. There are currently no level 1 financial assets.

Level 2 of the hierarchy contains shares in unit trusts including positions in traditional long funds and long and short special funds. The fair value of these assets are based on the prices obtained from both investment managers and investment custodians as discussed above. The Company records the unadjusted price provided and validates the price through a number of methods including a comparison of the prices provided by the investment managers with the investment custodians and valuations provided by external parties to derive fair value.

Level 3 contains investments in unquoted equity securities which have limited observable inputs on which to measure fair value. Unquoted equities are initially carried at cost, which is deemed to be comparable to fair value, and revised when an observable transaction occurs providing new data for the fair value of the investment. The effect of changing one or more inputs used in the measurement of fair value of these instruments to another reasonably possible assumption would not be significant and no further analysis has been performed.

In certain cases, the inputs used to measure the fair value of a financial instrument may fall into more than one level within the fair value hierarchy. In this instance, the fair value of the instrument in its entirety is classified based on the lowest level of input that is significant to the fair value measurement.

During the year, there were no transfers made between Level 1 and Level 2 of the fair value hierarchy; under Level 3, financial instruments of £8,126,000 were reclassified from equities and investment funds to debt and fixed income holdings.

The following table sets forth a reconciliation of opening and closing balances for financial instruments classified under Level 3 of the fair value hierarchy:

			2022	2021
	Debt and fixed income holdings £000	**Equities and investment funds £000**	**Total financial assets £000**	Equities and investment funds £000
Balance at 1 January	-	8,501	8,501	8,948
Total losses through profit or loss	-	-	-	(214)
Transfers	8,126	(8,126)	-	-
Disposals	-	-	-	(233)
Closing balance	8,126	375	8,501	8,501

18 Share options and performance share awards

Performance Share Plan awards are granted to Directors and to senior employees. No exercise price is attached to performance plan awards, although their attainment is conditional on the employee completing three years' service (the vesting period) and Hiscox Ltd achieving net asset value targets for awards from 2018 to 2020. Awards granted in 2021 and 2022 require both net asset value and total shareholder return targets to be met. Share options are also conditional on the employees completing two or three years' service (the vesting period) or less under exceptional circumstances (death, disability, retirement or redundancy). The options are exercisable starting three years from the grant date only if Hiscox Ltd achieves its targets of return on equity or net asset value; the options have a contractual option term of ten years. Hiscox Ltd has no legal or constructive obligation to repurchase or settle the options in cash. Share awards (HSX:26) granted in 2022 are conditional upon employees completing their service and maintaining a satisfactory personal performance rating until vested. No other targets are required to be met.

In accordance with IFRS 2, the Company recognises an expense for the fair value of share options and Performance Share Plan award instruments issued to employees, over their vesting period through the income statement. The appropriate expense for the Company's directors and senior employees is recharged from Hiscox Ltd through to the Company. The expense recognised in the income statement during the year was £150,000 (2021: expense of £67,000). This comprises an expense of £72,000 (2021: expense of £33,000) in respect of Performance Share Plan awards, an expense of £28,000 (2021: expense of £34,000) in respect of share option awards and an expense of £50,000 (2021: £nil) in respect of employee share awards. Hiscox Ltd has applied the principles outlined in the Black-Scholes option pricing model when determining the fair value of each share option instrument. For the fair value pricing of performance share plans, Hiscox Ltd uses the share price on the date of grant of the options. For any options contingent on achieving targets linked to total shareholder returns, the fair value price on date of grant is adjusted to take account of the probability of achieving the performance targets.

The range of principal assumptions applied by Hiscox Ltd in determining the fair value of share-based payment instruments granted during the year under review are:

Assumptions affecting inputs to fair value models	**2022**	2021
Annual risk-free rates of return and discount rates (%)	1.36-3.00	0.18-0.26
Long-term dividend yield (%)	1.27	1.46
Expected life of options (years)	3.25	3.25
Implied volatility of share price (%)	49.2	46.2
Weighted average share price (p)	981.1	865.3

The weighted average fair value of each share option granted during the year was 418.3p (2021: 317.5p). The weighted average fair value of each Performance Share Plan award granted during the year was 983.0p (2021: 862.3p). The implied volatility assumption is based on historical data for periods of between five and ten years immediately preceding grant date.

The interests of employees under the Performance Share Plan and HSX:26 share awards of Hiscox Ltd are as follows :

Date from which exercisable	1 January 2022	Number of awards granted	Number of options lapsed	Number of awards exercised	31 December 2022	Market price of exercise £
17 March 2017 - 7 April 2026	58,897	31,262	(11,355)	(8,225)	70,579	8.27-10.63

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

18 Share options and performance share awards (continued)

The interests of employees under the Sharesave Scheme of Hiscox Ltd are as follows :

Date from which exercisable	1 January 2022	Number of awards granted	Number of awards lapsed	Number of awards exercised	31 December 2022	Option price £	Market price of exercise £
1 December 2022 to 1 December 2025	24,580	14,248	(5,048)	(439)	33,341	6.54 to 13.31	8.62 to 10.10

The Performance Share Plan awards have seven years in which to be exercised once vested. The Sharesave schemes have an expiry date six months after the date from which exercisable.

The total number of Performance Share Plan and HSX:26 awards, as charged to the Company, outstanding is 70,579 (2021: 58,897) of which 18,499 are exercisable (2021: 24,154). The total number of SAYE options outstanding is 33,341 (2021: 24,580).

19 Trade and other payables

	2022	2021
	£000	£000
Amount due to group undertakings	340,352	297,179
Accruals and deferred income	325	204
	340,677	297,383

All amounts are expected to be recovered within one year. Amounts due to Group undertakings are repayable on demand however, repayment has not been requested.

20 Dividends

Interim dividends declared during the year were £nil (2021: £nil).

21 Contingencies and guarantees

The Company's subsidiaries may from time to time be involved in legal proceedings, claims and litigation in the normal course of business. The Company does not believe that such actions will have a material effect on its profit and financial condition.

The Company renewed its LOC and revolving credit facility with Lloyds Banking Group, as agent for a syndicate of banks, which may be drawn in cash up to $600,000,000 under a revolving credit facility (2021: £450,000,000) or LOC up to $266,000,000 (2021: $266,000,000). The terms also provide that the facility may be drawn in USD,GBP or EUR, or another currency with the agreement of the banks. At 31 December 2022, $266,000,000 (2021: $266,000,000) was utilised by way of LOC to support the Funds at Lloyd's requirement of Hiscox Dedicated Corporate Member Limited (HDCM) and nil cash drawings were outstanding (2021: nil).

The Company has provided a guarantee to its subsidiary HUGS over the obligation due from another subsidiary company Hiscox Inc, however, this has not been provided for in the financial statements as the directors consider it highly unlikely that Hiscox Inc. will be unable to pay back the loan.

There is a contingent commitment of £75,000 (2021: £75,000) in respect of uncalled share capital of a subsidiary undertaking.

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

22 Related party transactions

The Company is part of the Hiscox Group and acts as a holding company for the Group's UK and US insurance companies. It receives dividends from these companies.

The Company is also the lead company in the UK Group companies Corporation Tax Group Payment Arrangement and pays and receives any tax balances due on behalf of the other UK Group companies.

Transactions with immediate and ultimate parent company

	2022 Expenses £000	**2022 Payable £000**	2021 Expenses £000	2021 Payable £000
Hiscox Ltd	(21,441)	(514,234)	(21,007)	(504,571)

The Company continued with its LOC and revolving credit facility with Lloyds Banking Group, as an agent for a syndicate of banks, for a total of $600,000,000 cash (2021: £450,000,000) and $266,000,000 LOC (2021: $266,000,000) which may be drawn in cash (under a revolving credit facility), LOC or combination thereof. The Company is liable for a 0.5% fee on the total charge incurred on the LOC and revolving credit facility with Lloyds Banking Group during the year, which acts as the guarantor for the LOC and revolving credit facility.

The Company has a long-term debt arrangement with Hiscox Ltd, as explained in note 15.

Transactions with subsidiary

	2022 Income £000	**2022 Receivable £000**	2021* Expenses £000	2021* Receivable £000
Subsidiary and fellow subsidiary companies	8,752	556,437	(3,248)	448,677

*2021 numbers have been restated to include loans and interest.

The Company charges its subsidiary HDCM a 0.5% fee on the utilised LOC facilities with Lloyds Banking Group. During the period the Company acted as the borrower for the LOC on behalf of HDCM. The Company's subsidiary, Hiscox Insurance Holdings Ltd, acts as a guarantor on the facility and a charge is made to the Company in relation to this.

HUGS recharges expenses to the Company on an arm's length basis as a service company in the UK. HUGS also recharges a proportion of the Hiscox defined benefit pension scheme deficit movement to the Company. All intragroup transactions involving the Company are made on an arm's length basis.

Transactions with associated companies

	2022 Income £000	**2022 Receivable £000**	2021 Income £000	2021 Receivable £000
Associates	293	0	165	0

Hiscox plc receives dividend income from the associates.

23 Parent and ultimate parent undertakings

The Company is a subsidiary of Hiscox Ltd.

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 Hiscox Ltd are available to the public and may be obtained from Chesney House, 96 Pitts Bay Road. Pembroke HM 08, Bermuda.

24 Subsidiary companies of the Company at 31 December 2022

The following subsidiaries all have their registered address as 22 Bishopsgate, London, EC2N 4BQ, United Kingdom.

Company	Nature of business
Applewell Limited *(in liquidation)*	Underwriting Agent
HIM Capital Limited	Dormant
Hiscox ASM Limited*	Insurance Intermediary
Hiscox Connect Limited	Online Intermediary
Hiscox Dedicated Corporate Member Limited	Lloyd's Corporate Name
Hiscox Holdings Limited	Insurance Intermediary
Hiscox Insurance Company Limited*	General Insurance
Hiscox Insurance Holdings Limited	Insurance Holding Company
Hiscox MGA Limited	Underwriting Agent
Hiscox Pension Trustees Limited	Pension Trustee
Hiscox Syndicates Limited*	Lloyd's Managing Agent
Hiscox Syndicates Trustees Limited	Non-insurance Undertaking
Hiscox Trustees Ltd	Non-insurance Undertaking
Hiscox Underwriting Group Services Limited	Service Company
Hiscox Underwriting Ltd*	Lloyd's Managing Agent
Hiscox Services (UK) Limited	Non-trading Company
Whitehall Insurance Service Ltd *(in liquidation)*	Investment Company

*Held indirectly

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

24 Subsidiary companies of the Company at 31 December 2022 (continued)

The following subsidiary companies have a registered office overseas.

Company	Nature of business	Registered office
ALTOHA Inc.*	Holding Company	104 South Michigan Ave, Suite 600, Chicago, IL, United States
Direct Asia (Thailand) Co Ltd*	Insurance Intermediary	173/21 Asia Centre Building, 20th Floor, South Sathorn Road, Khwaeng Thungmahamek, Khet Sathorn, Bangkok, 10120, Thailand
Direct Asia Holdings (Thailand) Co Ltd*	Holding Company	173/21 Asia Centre Building, 20th Floor, South Sathorn Road, Khwaeng Thungmahamek, Khet Sathorn, Bangkok, 10120, Thailand
Direct Asia Insurance (Holdings) Pte Limited	Insurance Holding Company	88 South Bridge Road, Singapore, 058716, Singapore
Direct Asia Insurance (Singapore) Pte Ltd*	Insurance Company	88 South Bridge Road, Singapore, 058716, Singapore
Direct Asia Management Services Pte Ltd*	Non-Insurance Undertaking	88 South Bridge Road, Singapore, 058716, Singapore
Direct Asia Services (Thailand) Co Ltd*	Non-Insurance Undertaking	173/21 Asia Centre Building, 20th Floor, South Sathorn Road, Khwaeng Thungmahamek, Khet Sathorn, Bangkok, 10120, Thailand
Hiscox Assure SAS	Insurance Intermediary	38 avenue de l'Opéra, 750002 Paris
Hiscox Holdings Inc.*	Insurance Holding Company	520 Madison Ave., 32nd Floor, New York NY 10022, United States
Hiscox Inc.*	Insurance Intermediary	5 Concourse Parkway, Suite 2150, Atlanta, GA, United States
Hiscox Insurance Company Inc.*	Underwriting Agent	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	1001 Brickell Bay Drive, Suite 1804, Miami, FL33131, United States
Hiscox Specialty Insurance Company Inc*,**	Domestic Surplus Lines Insurer	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

The proportion of voting rights of subsidiaries held are the same as the proportion of equity shares held.
*Held indirectly
** Incorporated in 2022

25 Post balance sheet events

During May 2023 the company received an interim dividend of £15,000,000 from its subsidiary, Hiscox Insurance Holdings Limited in respect of the financial year ending December 2023. There are no other events that are material to the operations of the Company that have occurred since the reporting date.