Registration number: 02837811

HISCOX PLC

Annual Report and Financial Statements

for the Year Ended 31 December 2020

HISCOX PLC

Contents

HISCOX PLC

Company Information

Directors	Bronislaw Edmund Masojada (Group Chief Executive Officer) Hamayou Akbar Hussain (Group Chief Financial Officer)
Registered office	1 Great St Helen's London EC3A 6HX
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

The directors present their strategic report for the year ended 31 December 2020.

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.

Business review and key performance indicators

The Company generated a profit before tax for the year of £32,241,000 (2019: profit of £4,946,000). The profit for the year includes the following notable items:

- Underlying investment returns from invested assets decreased to a gain of £1,190,000 during the year (2019: gain of £1,901,000);
- Dividend income from subsidiaries increased to £87,007,000 (2019: £40,000,000);
- Salary and related costs increased to £5,839,000 (2019: £1,722,000);
- Foreign exchange gains of £520,000 (2019: losses of £3,076,000);
- Finance costs of £31,723,000 (2019: £23,480,000)
- Losses on impairment of assets of £16,901,000 (2019: losses of £5,619,000)

The shareholders' equity is £351,564,000 at year-end increased from £312,777,000 in 2019. The movement is as a result of the profit for the year. The directors consider the profit or loss before tax as the key performance indicator of the Company, with the understanding that the 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 Company's primary source of revenue 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 continued solvency of these companies. The principal risks relating to each of these companies are outlined in their respective 31 December 2020 financial statements. 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. It can, however 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.

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 to the year ended 31 December 2020, we would reference our approach to the business plan and the supporting control environment which deliver good outcomes for the Company and wider stakeholders. In achieving this, the following areas are highlighted:

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

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) Our employees are fundamental to the delivery of our business and staff are supplied via service agreements with a subsidiary Hiscox company Hiscox Underwriting Group Services Ltd ("HUGS"). 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 team work, 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 work for - our customers. 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 reported against TCFD-aligned principles in our 2020 climate report.

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.

Future developments

The Company will continue to act as the holding company for UK and USA based companies in the Hiscox Group.

Approved by the Board on 9th July 2021 and signed on its behalf by:

H.A.Hussain

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Hamayou Akbar Hussain
Director

Directors' Report for the Year Ended 31 December 2020

The directors present their annual report and the audited financial statements for the year ended 31 December 2020.

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 profit for the financial year after tax of £38,787,000 has been transferred to the Company's retained earnings (2019: profit after tax of £14,530,000 transferred to the Company's retained earnings).

The directors did not pay any dividends to the parent Company, Hiscox Ltd (2019: £8,954,000).

Going concern

The Coronavirus (COVID-19) outbreak has continued to evolve as an unprecedented public health emergency in the UK and around the world, causing disruption to businesses and economic activity. Although the situation remains dynamic as governments around the globe take unprecedented measures to slow the spread and mitigate the human tragedy, management do not consider it practicable to provide a quantitative measure of the potential impacts on the Company.

The potential financial impact to the Company arising from COVID-19 mainly relates to the recoverability of the Company's investment in its subsidiary undertakings and balances due from these entities (held within financial assets at amortised cost). While there remains significant uncertainty regarding any further potential financial impact of COVID-19 on the Company's subsidiary undertakings, and in particular its insurance subsidiary undertakings, which could affect the recoverability of these balances, the Company currently expects these balances to remain fully recoverable. The subsidiary undertakings are expected to be able to absorb any net losses arising from COVID-19. If the need arises the Company is in a position of being able to make capital injections into the underlying subsidiary undertakings. The Company has drawn on its revolving credit facility and letter of credit to enhance the Company's liquidity position and support the Company's subsidiary undertakings as required. This is disclosed further in note 21 Contingencies and guarantees and note 25 Post balance sheet events.

The Company has net current liabilities of £25,193,000 (2019: net current assets £176,952,000). After making enquiries and having consideration of the key risks (including risks relating to COVID-19) the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The Company's cash resources are managed on a Group basis. Working capital forecasts have been prepared for the Group up to 31 December 2023, which demonstrate that the Group has sufficient resources to continue in operational existence for the foreseeable future.

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 all directors of the ultimate parent company, are 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 2020 and at the date of this report.

Political and Charitable Contributions

Donations payable to charitable organisations during the year amounted to £3,769,450 (2019: £nil). The Company made no political contributions during the year (2019: £nil).

Employees and pension arrangements

All of the employees of the company and its UK affiliates are employed by HUGS. Hiscox plc 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

We have a diverse range of stakeholders whose engagement is critical to our continued success. We engage with, consider and respond to our stakeholders' needs at various levels and as part of the Hiscox Group. Our success depends on our relationships with a network of experts beyond our business. Our business relationships can be seen via the core themes in the Hiscox Environmental, Social and Governance 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 our brokers and customers.

Social - 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.

Governance - Good governance practices are essential to our day-to-day business of serving customers and paying claims. 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.

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.

Streamlined Energy and Carbon Report (SECR)

All of the employees of the company and its UK affiliates are employed by HUGS, which also provides and manages the premises which the company and its UK affiliates occupy. No meaningful split of the energy consumption and emissions between the Company and its UK affiliates is currently possible so the amounts shown below are the totals incurred through Hiscox Ltd.

Throughout the Hiscox Group, we carefully manage our environmental impact and work with our customers, suppliers and business partners to respond to the changing climate. This means looking at our operations and how we can reduce waste – water, electricity and other consumption. It also means investing in areas such as research, catastrophe modelling and new technologies that improve our underwriting capabilities and benefit our brokers and customers.

Streamlined Energy and Carbon Report (SECR) (continued)

The Hiscox Group energy and carbon footprint covers Scope 1, 2 and selected Scope 3 emissions in 2020. The footprint is calculated in accordance with the Greenhouse Gas (GHG) Protocol. Scope 1, 2 and 3 emissions reduced by 45% in 2020 to 2.01 tCO2e per full-time employee (FTE). 2020 was our sixth year as a carbon-neutral business. Hiscox Group targeted a 15% real-term reduction in our Scope 1, 2 and 3 carbon emissions per FTE by the end of 2020, relative to 2014. While we have achieved this target, having completed a 45% real-term reduction in Scope 1, 2 and 3 carbon emissions per FTE over that period, some of this achievement is as a result of the positive impact that Covid-19 has had on reducing business travel, which is currently the biggest contributor to our emissions.

Activity	Energy kWh	Emissions tCO2e
Scope 1 total		**467**
Natural gas	1,710,200	316
Company cars	560,441	151
Scope 2 total (location-based)		**1,565**
Electricity	5,176,116	1,565
Scope 3 total		**231**
Personal vehicles	899,189	231
Total	**8,345,946**	**2,263**

Intensity Ratio result for 2020: 2.01 tCO2e per full-time employee (FTE)

We continue to invest in our in-house capabilities around climate change. We are creating a new climate change research role to further our understanding of climate-related threats and opportunities, which will contribute to the ongoing development of the Hiscox view of risk from a climate change perspective, and also to business and portfolio insights from a risk management perspective. We are also establishing a new climate implementation group to increase our focus on climate related developments and drive climate-related innovation particularly in our underwriting, research and modelling.

The Company relies on the Group view for energy and carbon reporting. A specific review will be carried out in 2021 to establish whether a meaningful basis of reporting can be established for UK specific and/or Company specific information.

Future Developments

Please refer to the Strategic Report.

Approved by the Board on 9th July 2021 and signed on its behalf by:

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Hamayou Akbar Hussain
Director

HISCOX PLC

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 regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and also the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as issued by the International Accounting Standards Board (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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

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 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 2020; the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, 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 international accounting standards in conformity with the requirements of the Companies Act 2006, 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

- The carrying value of investments in subsidiary undertakings
- The carrying value of financial assets at amortised cost
- The impact of COVID-19 on the company

Materiality

- Overall materiality: £11,740,000 (2019: £9,850,000) based on 1% of total assets.
- Performance materiality: £8,805,000.

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
The carrying value of investments in subsidiary undertakings Refer to note 11 to the financial statements for disclosure of investments in subsidiary undertakings, and to note 2.7 and 2.18 for the related accounting policies. We identified the carrying amount of investments in subsidiary undertakings as a key audit matter. These balances are material to the company and management exercise judgement 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. We have undertaken work to challenge management as it relates to the carrying value of investments in subsidiary undertakings.	Our procedures in relation to management's assessment of the carrying value of investments in subsidiary undertakings as at 31 December 2020 included the following: • We agreed the carrying value of the investments to the underlying books and records of the company; • We tested the completeness of the company's investments in subsidiary undertakings; • We agreed the net asset value (NAV) for each subsidiary to that subsidiary's trial balance and/or management accounts; • Where the NAV of a subsidiary undertaking exceeded the carrying value of the subsidiary undertaking management asserted that the recoverable amount of that subsidiary undertaking exceeded the carrying value. We assessed this analysis as appropriate; and • Where the NAV of a subsidiary undertaking was lower than the carrying value of the subsidiary undertaking management undertook an analysis of the recoverable amount of the subsidiary undertaking. • We obtained the recoverable amount calculations and tested them. This included assessing management's methodology, testing the underlying data and assumptions. Based on the procedures performed, the carrying value of the company's investments in subsidiary undertakings was supported by the evidence we obtained.

The carrying value of financial assets at amortised cost Refer to note 16 to the financial statements for disclosure of financial assets at amortised cost, and to *notes 2.8, 2.10 and 2.18 for the related accounting* policies. We identified the carrying amount of financial assets at amortised cost as a key audit matter. These balances are material to the company and there is a risk that management's impairment analysis and assessment of the expected credit losses (ECL's) under IFRS 9 is inaccurate or incomplete.	Our procedures in relation to management's impairment analysis and their related assessment of ECL's in relation to the *carrying value of financial assets at amortised cost* as at 31 December 2020 included the following: • We obtained a listing of the financial assets held at amortised cost, which principally comprises amounts due from Group undertakings, and vouched the amounts due the company to the books and records of the group undertakings; • We understood management's impairment process and the appropriateness of the corresponding ECL analysis as it related to applying IFRS 9; and • We tested management's ECL analysis, considering in particular, the ability of the Group undertakings to settle amounts due, including the probability and the rate of default based on past history, and considering the intent of the Group undertakings to settle amounts as they fall due. We also considered the fungibility of liquid assets within the Hiscox Group (or access to them) to settle amounts due to Group undertakings.
We have undertaken work to challenge management as it relates to the calculation of the ECL's and the final carrying value of financial assets at amortised cost.	Based on the procedures performed, the carrying value of assets at amortised cost were supported by the evidence we obtained.
The impact of COVID-19 on the company Refer to note 2.18 and 3, to the financial statements for related disclosures. The impact of COVID-19 on the company has been significant and wide ranging. In addition to responding to the operational challenges brought about by remote working, the company has assessed the impact of COVID-19 on the company's ability to continue as a going concern.	The procedures performed in respect of going concern, and the results of those procedures, are set out in the "Conclusion relating to going concern" section below.

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	£11,740,000 (2019: £9,850,000).
How we determined it	1% of total assets
Rationale for benchmark applied	We believe that as the principal business of the company is that of a holding company, total assets is an appropriate measure to assess the financial performance and position of the company, 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% of overall materiality, amounting to £8,805,000 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 £587,000 (2019: £492,000) 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;
- Validating management's analysis to supporting documentation;
- Assessing the reasonableness of management's 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 Directors' 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 Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements, 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 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 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 whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- Reviewing relevant 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 and financial assets at amortised cost;
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations or posted by unexpected users;
- Testing transactions entered into outside of the normal course of the company's business; 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.

Paul Pannell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 July 2021

HISCOX PLC

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 £000	2019 £000
Revenue			
Income from subsidiary undertakings	4	87,007	40,000
Investment income	4	7,003	7,016
Other income	4	1,271	231
Total revenue		95,281	47,247
Expenses			
Administration expenses	5	(31,837)	(15,745)
Finance costs	6	(31,723)	(23,480)
Foreign currency (losses)/gains		520	(3,076)
Total expenses		(63,040)	(42,301)
Results of operating activities		32,241	4,946
Profit before tax		32,241	4,946
Tax credit	8	6,546	9,584
Profit for the year		38,787	14,530

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 18 to 39 form an integral part of these financial statements

HISCOX PLC

(Registration number: 02837811)
Balance Sheet as at 31 December 2020

	Note	2020 £000	2019 £000 *Restated
Assets			
Intangible assets	9	2,954	3,694
Property, plant and equipment	10	12,035	11,851
Investments in subsidiary undertakings	11	404,671	381,161
Investment in associate	12	3,338	5,757
Financial assets carried at fair value through profit or loss	13, 17	8,948	8,924
Financial assets at amortised cost	13, 16	635,354	501,545
Current tax		32,440	14,932
Cash and cash equivalents	14	70,968	60,745
Total assets		1,170,708	988,609
Equity and liabilities			
Equity			
Share capital	15	1,000	1,000
Retained earnings		350,564	311,777
Total equity (all attributable to owners of the Company)		351,564	312,777
Deferred tax liabilities	8	663	560
Financial liabilities*	13,17	452,498	314,451
Trade and other payables*	19	365,983	360,821
Total liabilities		819,144	675,832
Total equity and liabilities		1,170,708	988,609

The financial statements were approved by the Board of Directors on 9th July 2021 and signed on its behalf by:

....
Hamayou Akbar Hussain
Director

*See note 2.3

The notes on pages 18 to 39 form an integral part of these financial statements

HISCOX PLC

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	1,000	306,201	307,201
Profit for the year	-	14,530	14,530
Income from parent for equity-settled share based payments	-	29	29
Capital contribution relating to equity-settled share based payments	-	(29)	(29)
Total comprehensive income	-	14,530	14,530
Dividends	-	(8,954)	(8,954)
At 31 December 2019	1,000	311,777	312,777

	Share capital £000	Retained earnings £000	Total £000
At 1 January 2020	1,000	311,777	312,777
Profit for the year	-	38,787	38,787
Income from parent for equity-settled share based payments	-	1	1
Capital contribution relating to equity-settled share based payments	-	(1)	(1)
Total comprehensive income	-	38,787	38,787
Dividends	-	-	-
At 31 December 2020	1,000	350,564	351,564

The notes on pages 18 to 39 form an integral part of these financial statements

HISCOX PLC

Statement of Cash Flows for the Year Ended 31 December 2020

	Note	2020 £000	2019 £000 *Restated
Cash flows from operating activities			
Profit for the year before tax		32,241	4,946
Adjustments for:			
Depreciation expense	5	177	177
Amortisation expense	5	739	738
Impairment loss	5	16,901	5,619
Finance costs - net	4,6	31,186	22,906
Equity dividends received	4	(652)	(516)
Net fair value gains on financial assets carried at fair value through profit or loss	4	-	(493)
Net realised gains on financial assets carried at fair value through profit or loss	4	-	(318)
Other assets and liabilities		(126,127)	128,790
Cash generated from operations		(45,535)	161,849
Cash flows from operating activities			
Interest received	4	537	574
Interest paid	6	(31,723)	(23,480)
Equity dividends received	4	652	516
Current tax (paid)/received		(16,779)	5,924
Net cash flows from operating activities		(92,848)	145,383
Cash flows from investing activities			
Cash outflow for capital contribution or loan to a subsidiary undertaking	11	(38,011)	(168,982)
Cash inflow from reclassification of associate to equity investment		19	403
Cash outflow from purchase of property, plant and equipment		(362)	(625)
Net cash flows from investing activities		(38,354)	(169,204)
Cash flows from financing activities			
Proceeds from borrowings	13	141,425	-
Dividends paid	20	-	(8,954)
Net cash flows from financing activities		141,425	(8,954)
Cash and cash equivalents at 1 January		60,745	93,520
Net increase/(decrease) in cash and cash equivalents		10,223	(32,775)
Cash and cash equivalents at 31 December		70,968	60,745

*See note 2.3

The notes on pages 18 to 39 form an integral part of these financial statements

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 Significant accounting policies

2.1 Statement of compliance

The financial statements have been prepared in accordance with the international accounting standards in conformity with the requirements of Companies Act 2006, and also the international financial reporting standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

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 are measured at fair value. The balance sheet of the Company is presented in order of increasing liquidity. All amounts presented in the statement of profit or loss and statement of other comprehensive income ("OCI") relate to continuing operations.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In adopting the going concern basis, the board has reviewed the Company's current and forecast solvency and liquidity positions for the next twelve months and beyond. The Company's cash resources are managed on a Group basis.

2.2 New accounting standards, interpretations and amendments to published standard

A number of new standards, amendments to standards and interpretations, are effective for annual periods beginning on or after 1 January 2020. They have been applied in preparing these financial statements. There were no new standards, amendments or interpretations that had a material impact on the Company.

The amendments to published standards include:

- Amendments to IFRS 3 *Definition of a Business*

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the Company's financial statements, but may impact future periods should the Company enter into any business combinations.

- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the Company's financial statements as it does not have any interest rate hedge relationships.

- Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'. The amendments

2 Significant accounting policies (continued)

2.2 New accounting standards, interpretations and amendments to published standard (continued)
clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the Company's financial statements of, nor is there expected to be any future impact to, the Company.

- Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the Company's financial statements. No new standards, amendments to standards and interpretations effective for annual periods beginning on or after 1 January 2021 are expected to have a material impact on the financial statements and have not been applied in preparing these financial statements. The principle accounting policies adopted are listed below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.3 Prior year restatement

Cashflow

Following a review of the Company's presentation of its cash flow statement, the disclosure has been restated to correct an error in the presentation of finance costs as well as other related line items in the cash flow statement. There has been no change to the income statement, balance sheet or statement of changes in equity. Net cash flows from operating activities, net cash flows from investing activities and net cash flows from financing activities were all unchanged.

The presentation of finance costs were previously included within net cash flow from operating activities, with no split being disclosed for cash generated from operations. Finance costs have been adjusted under cash generated from operations and added back within cash flow from operating activities, to be in line with IAS 7. As a result, the following lines were impacted:.

	2019 £000 Restated	2019 £000 As reported previously
Finance costs – net	22,906	-
Equity dividends received	(516)	-
Changes in operational assets and liabilities	128,790	127,591
Cash generated from operations (only including line items above)	**151,180**	**127,591**
Cash flows from operating activities		
Interest paid	(23,480)	23,480
Interest received	574	574
Equity dividends received	516	516
Interest and equity dividend income	-	(1,090)
Financial assets carried at fair value	-	602
Interest expense	-	(22,884)
Net cash flow from operating activities (only including line items above)	**128,790**	**128,790**

2 Significant accounting policies (continued)

2.3 Prior year restatement (continued)

Long term debt

Following a review of the Company's presentation of its financial liabilities, the disclosure of financial liabilities and trade and other payables have been restated to correct their disclosure on the balance sheet. There has been no change to the application of accounting policy, with no impact to the total liabilities balance on the balance sheet, the following lines of the balance sheet were impacted:

	2019 £000 Restated	2019 £000 As reported previously
Financial liabilities	314,451	291,798
Trade and other payables	360,821	383,474
	675,272	675,272

£22,653,000 of long term debt was incorrectly included within trade and other payables, the underlying transaction relates to USD $30,000,000 fixed rate unsecured loan notes issued by Hiscox plc and subscribed by Hiscox Ltd during December 2019, as disclosed in note 13. Note 3.1 (f) has been restated as follows:

As at 31 December 2019	**2019 Sterling £000 Restated**	2019 Sterling £000 As reported previously	**2019 US Dollar £000 Restated**	2019 US Dollar £000 As reported previously
Financial liabilities	268,771	268,771	45,680	23,027
Trade and other payables	360,821	383,474	-	-
Total liabilities	629,592	652,245	45,680	23,027

Previously the £22,653,000 of long term debt was disclosed as being an amount due to group undertakings and therefore included within trade and other payables rather than financial liabilities. There is no impact to the opening balances as a result of this restatement. The following notes were also impacted as a result of the restatement:

Note	**2019 £000 Restated**	2019 £000 As reported previously
13 Financial assets and liabilities		
Long term debt	297,653	275,000
Accrued interest on long-term debt	16,798	16,798
Trade and other payables	360,821	383,474
17 Fair value measurement		
Long term debt	314,451	291,799
19 Trade and other payables		
Amount due to group undertakings	360,529	383,182

2.4 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)

2.5 Intangible assets
Intangible assets are recognised where they can be identified separately, measured reliably and that 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.

2.6 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.

2.7 Investment in associates and subsidiary undertakings
Investments in associates and subsidiary undertakings are carried at cost less impairment.

2.8 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 Group 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 or fair value through OCI, 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.

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 derivative instruments that are not designated as hedging instruments, and equity investments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

2 Significant accounting policies (continued)

2.9 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 at the date of acquisition.

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 intangible asset or item of property, plant and equipment) or group of non-financial assets may be impaired include, but are not limited to, the following:

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

(b) Financial assets
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 Group 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).

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

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

2.11 Financial liabilities at amortised cost
All borrowings are initially recognised at fair value. Subsequent to initial recognition, 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 shareholders of the related undertaking.

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 letters of credit and 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 this entity 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 its share of the total pension expense for members of the scheme providing service to the Company.

2.15 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.

2.16 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.

2.17 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.

2.18 Use of critical estimates, judgements and assumptions
The preparation of financial statements requires the use of significant estimates, judgements and assumptions. The directors consider the accounting policies for the valuation of investments in subsidiaries, financial assets at amortised cost and financial assets measured at fair value and the determination of current and deferred tax assets and liabilities as being most critical to an understanding of the Company's result and position.

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

As the Company carries its loans and receivables as financial assets at amortised cost less any ECL allowance, the directors exercise judgment in whether to impair these assets based on their assessment of the level of credit risk. Consideration is given to whether there has been any change based on past and forward-looking information, where there is a significant increase leading to a material reduction in the expected receivables, an impairment would need to occur. The directors have taken the view that any such adjustment to the assets would be immaterial.

2 Significant accounting policies (continued)

2.18 Use of critical estimates, judgements and assumptions (continued)

The Company carries its financial investments at fair value through profit or loss with fair value determined using published price quotations in the most active financial markets in which the assets trade. During periods of economic distress and diminished liquidity, the ability to obtain quoted bid prices may be reduced and as such a greater degree of judgment is required in obtaining the most reliable source of valuation. In addition the Company has an equity investment in a private company. Valuation of these shares is subject to judgement and includes the use of assumptions, some of which are unobservable. Note 3 to the financial statements discusses the reliability of the Company's fair values.

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

In 2020, the Covid-19 pandemic has had a significant impact on market conditions and the business. Estimates and their underlying assumptions continue to be reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

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 to the Company arising from COVID-19 relate to the recoverability of the Company's investment in its subsidiary undertakings and balances due from these entities (held within financial assets at amortised cost). While there remains significant uncertainty regarding any further potential financial impact of COVID-19 on the Company's subsidiary undertakings, and in particular its insurance subsidiary undertakings, which could affect the recoverability of these balances, the Company currently expects these balances to remain fully recoverable. The subsidiary undertakings are expected to be able to absorb any net losses arising from COVID-19. If the need arises the Company is in a position of being able to make capital injections into the underlying subsidiary undertakings.

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 including loans and receivables and financial liabilities. These items collectively represent a significant element of the Company's net shareholder funds.

The key financial risk is that the proceeds from its financial assets are not sufficient to fund liabilities. The most important economic variables that could result in such an outcome relate to the following risk factors; the reliability of fair value measurement, equity price risk, credit risk, liquidity risk and currency risk. The Company's policies and procedures for managing these risks are detailed below.

(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 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.

3 Management of risk (continued)

3.1 Financial risk (continued)

(b) Equity price risk
The Company is exposed to equity price risk through its holdings of equity and investment funds, however this is limited as the portfolio is well diversified over a number of companies and industries. The allocation of equity risk is not heavily confined to any one market index so as to reduce the Company's exposure to individual sensitivities. A 10% downward correction in equity prices at 31 December 2020 would have been expected to reduce Company equity and profit after tax for the year by approximately £0.7 million (2019: £0.8 million) assuming that the only area impacted was equity financial assets. A 10% upward movement is estimated to have an equal but opposite effect.

(c) 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. The Covid-19 pandemic has caused economic disruption around the world with many businesses and individuals forced to alter, reduce or cease business activity in light of government lockdowns. As a result, the risk that counterparties fail to meet their financial obligations as they fall due, for whatever reason, has increased.

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.

The 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. Accordingly, no loss allowance has been made for impairment.

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 major exposures to credit risk for rated assets is as follows:

	AAA	A	Total
As at 31 December 2020	**£000**	**£000**	**£000**
Cash and cash equivalents	70,573	395	70,968
Total	70,573	395	70,968
	AAA	A	Total
As at 31 December 2019	£000	£000	£000
Cash and cash equivalents	44,533	16,212	60,745
Total	44,533	16,212	60,745

3 Management of risk (continued)

3.1 Financial risk (continued)

(d) Interest rate risk
The Company has exposure to interest rate risk through its long term debt as outlined in note 17. 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, other than the facilities and Letters of Credit outlined in note 21.

(e) 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 £1,174 million (2019: £988 million) assets falling due within one year are £706 million (2019: £562 million). 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. Further details of the maturity of the Company's assets and liabilities can be found in notes 16 and 19.

(f) 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	Euro	Total
As at 31 December 2020	**£000**	**£000**	**£000**	**£000**
Intangible assets	2,954	-	-	2,954
Property, plant and equipment	12,035	-	-	12,035
Investments in subsidiary undertakings and associates	352,282	55,727	-	408,009
Financial assets carried at fair value through profit or loss	8,948	-	-	8,948
Financial assets at amortised cost	422,302	213,052	-	635,354
Current tax	32,440	-	-	32,440
Cash and cash equivalents	40,289	30,679	-	70,968
Total assets	871,251	299,458	-	1,170,708
Deferred tax	654	-	-	654
Tax liabilities	-	-	9	9
Financial liabilities	276,615	175,883	-	452,498
Trade and other payables	365,983	-	-	365,983
Total liabilities	643,252	175,883	9	819,144

	Sterling	US Dollar	Euro	Total
	£000	**£000**	**£000**	**£000**
As at 31 December 2019	***Restated**	***Restated**		***Restated**
Intangible assets	3,694	-	-	3,694
Property, plant and equipment	11,851	-	-	11,851
Investments in subsidiary undertakings and associates	350,921	35,997	-	386,918
Financial assets carried at fair value through profit or loss	8,500	-	424	8,924
Financial assets at amortised cost	376,834	124,706	5	501,545
Current tax	14,932	-	-	14,932
Cash and cash equivalents	26,143	34,602	-	60,745
Total assets	792,875	195,305	429	988,609
Deferred tax	560	-	-	560
Financial liabilities (*Restated)	268,771	45,680	-	314,451
Trade and other payables (*Restated)	360,821	-	-	360,821
Total liabilities	630,152	45,680	-	675,832

*See note 2.3

3 Management of risk (continued)

3.1 Financial risk (continued)

(f) Currency Risk (continued)

Sensitivity analysis
The estimated impact of a 10% strengthening or weakening of the US Dollar against the Pound Sterling occurring 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 profit before tax**	Effect on equity	Effect on profit before tax
	2020	**2020**	2019	2019
	£000	**£000**	£000	£000
Strengthening of US Dollar	21,936	27,081	14,338	17,700
Weakening of US Dollar	(17,947)	(22,157)	(11,731)	(14,483)

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 £450 million cash and $266 million LOC at 31 December 2020 (2019: $800 million aggregate). 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 £87,007,000 (2019: £40,000,000).

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

	2020	2019
	£000	£000
Investment income	1,190	1,090
Net realised gains on financial investments at fair value through profit or loss	-	627
Net unrealised gains on financial investments at fair value through profit or loss	-	184
Investment income	1,190	1,901
Loan interest	5,838	5,163
Investment expenses	(25)	(48)
Total income	7,003	7,016

4 Revenue (continued)

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

	2020	**2020**	2019	2019
	£000	**%**	£000	%
Sterling	879	0.5	1,174	2.9
US Dollar	301	0.3	727	2.1
Euro	11	2.4	-	-
Total	1,190	0.4	1,901	2.5

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

	2020	**2020**	2019	2019
	£000	**%**	£000	%
Equities and shares in investment funds	652	7.3	834	8.5
Deposits with credit institutions/cash and cash equivalents	537	0.2	1,067	1.6
Total	1,190	0.4	1,901	1.9

(d) Other income

	2020	2019
	£000	£000
Dividend income from associates	177	231
Other income	1,093	-
Total other income	1,271	231

5 Administration expenses

	2020	2019
	£000	£000
Fees payable to the company's auditor for the audit of the company's annual accounts	36	33
Fees payable to the company's auditor for the audit of the company's subsidiaries	951	882
Depreciation	177	177
Amortisation	739	738
Legal fees	729	3,941
Losses on impairment of investment in subsidiaries	14,501	5,619
Losses on impairment of investment in associates	2,400	-
Salary and related costs	5,839	1,722
Other expenses	6,466	2,633
Total administration expenses	31,837	15,745

Fees payable to the Company's external auditor, 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 £36,000 (2019: £33,000). The total auditors remuneration for Hiscox plc and its subsidiary companies was £987,000 (2019: £915,000).

All UK employees are employed by HUGS. The Company has been recharged for employee expenses in the current year of £5,839,000 (2019: £1,722,000). 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

	2020	2019
	£000	£000
Interest associated with long term debt	18,261	16,798
Interest and expenses associated with bank borrowings	3,624	2,557
Interest and charges associated with Letters of Credit	9,838	4,125
Total finance costs	31,723	23,480

7 Directors' remuneration

All the executive directors of the Company are employed by HUGS. The Company was recharged £19,000 for their services during the year (2019: £183,000). The remuneration charge for the highest paid director as recharged to the Company was £11,000 (2019: £103,000). The highest paid director, as recharged to the Company, did not exercise share options during the year, but 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 2020.

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

	2020	2019
No. of deferred members of the defined benefit scheme	-	1
No. of deferred members of the defined contribution scheme	-	1
No. of directors who exercised performance share awards	-	1
Aggregate gains made on performance share plan awards (£'000)	-	592

8 Tax credit

Tax credited to the income statement

	2020	2019
	£000	£000
Current taxation		
UK corporation tax	(6,950)	(5,835)
UK corporation tax adjustment to prior periods	312	(3,276)
	(6,638)	(9,111)
Deferred taxation		
Arising from origination and reversal of temporary differences	23	(767)
Arising from changes in tax rates and laws	69	295
Total deferred taxation	92	(472)
Tax credit in the income statement	(6,546)	(9,584)

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: (2019 - 19%). The differences are reconciled below:

	2020	2019
	£000	£000
Profit before tax	32,241	4,946
Corporation tax at standard rate	6,126	940
Prior year adjustments	315	(3,048)
Effect of rate change	66	65
Non-taxable income	(16,565)	(8,275)
Other items not deductible for tax	3,512	1,247
Permanent difference on investment disposals	-	(513)
Total tax credit	(6,546)	(9,584)

8 Tax credit (continued)

Factors affecting tax charges in future years

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, however, the 11 March 2020 Budget announced that the UK tax rate would remain at a rate 19% and the deferred tax balance has been calculated at this rate.

It was further announced in the Budget held on 3 March 2021 that the corporate tax rate would rise to 25% from 1 April 2023. The impact of this rate change would be to increase the deferred tax liability by circa £207,000. As the rate has not been substantively enacted this has not been reflected in the balance sheet position.

Deferred taxation liability	**2020** **£000**	2019 £000
At 1 January	(560)	(1,032)
Income statement credit	(94)	472
Total deferred tax liability	(654)	(560)

Deferred tax analysed by balance sheet headings	2019 £000	Income statement	**2020** **£000**
Financial assets	(562)	(92)	(654)
Property, plant and equipment	2	(2)	-
Total deferred tax liability	(560)	(94)	(654)

9 Intangible assets

	Total **£000**
At 1 January 2019	
Cost	7,386
Accumulated amortisation	(2,954)
Opening net book amount	4,432
Additions	-
Amortisation charge	(738)
Closing net book amount at 31 December 2019	3,694
At 1 January 2020	
Cost	7,386
Accumulated amortisation	(3,692)
Opening net book amount	3,694
Additions	-
Amortisation charge	(740)
Closing net book amount at 31 December 2020	2,954
At 31 December 2020	
Cost	7,386
Accumulated amortisation	(4,432)
Net book amount	2,954

The remaining amortisation period is five years.

10 Property, plant and equipment

	Land and buildings £000	Art £000	Total £000
At 1 January 2019			
Cost	7,149	5,267	12,416
Accumulated depreciation	(1,013)	-	(1,013)
Opening net book amount	6,136	5,267	11,403
Additions	-	625	625
Depreciation charge	(177)	-	(177)
Closing net book amount at 31 December 2019	5,959	5,892	11,851
At 1 January 2020			
Cost	7,149	5,892	13,041
Accumulated depreciation	(1,190)	-	(1,190)
Opening net book amount	5,959	5,892	11,851
Additions	-	362	362
Depreciation charge	(177)	-	(177)
Closing net book amount at 31 December 2020	5,782	6,254	12,035
At 31 December 2020			
Cost	7,149	6,254	13,403
Accumulated depreciation	(1,367)	-	(1,367)
Net book amount	5,782	6,254	12,035

11 Investments in subsidiary undertakings

The principal subsidiary undertakings of the Company are:	**2020 £000**	2019 £000
Hiscox Holdings Limited	286,332	286,332
Direct Asia Insurance (Holdings) Pte Limited	53,847	46,353
Hiscox Insurance Holdings Limited	54,983	29,983
Hiscox MGA Limited	4,649	12,000
Hiscox Underwriting Services Limited	432	1,037
Whitehall Insurance Services Limited	1,881	1,881
Event Assured Limited	342	342
Applewell Limited	607	1,636
Hiscox Dedicated Corporate member Limited	1,500	1,500
Hiscox Assure SAS	97	97
At 31 December	404,671	381,161

During the year the Company increased their capital contributions in Hiscox Insurance Holdings Limited by £25,000,000 and in Direct Asia Insurance (Holdings) Pte Limited by £13,010,000. (In 2019 the Company increased its capital contributions in Hiscox Holdings Limited by £154,490,000, in Direct Asia Insurance (Holdings) Pte Limited by £14,396,000, and in Hiscox Assure SAS by £96,000).

In the year, the Company performed an impairment test on the subsidiaries which resulted in an impairment in Applewell Ltd of £1,029,000, Direct Asia Insurance (Holdings) Pte Limited of £5,516,000, Hiscox MGA Ltd of £7,351,000 and Hiscox Underwriting Services Limited of £605,000. (In 2019 the Company performed an impairment test on the subsidiaries which resulted in an impairment in Direct Asia Insurance (Holdings) Pte Limited of £2,161,000 and Hiscox Underwriting Services Limited of £3,458,000). Recoverable values of the subsidiaries are the higher of their fair value less cost to sell and value in use.

Value in use calculations are performed using cash flow projections based on financial forecasts covering a five-year period. A discount factor of 7.0% for GBP cashflows and 8.5% for USD cashflows (2019: 7.0% both GBP and USD) has been applied to the projections to determine the net present value. Fair value less cost to sell is estimated based on trading multiples of comparable companies or recent market transactions. The outcome of the recoverable value is compared against the carrying value of the asset and where the carrying value is in excess of the value in use, the asset is written down to this amount.

12 Investment in associates

Movement in carrying value	2020 £000	2019 £000
Year ended 31 December		
At beginning of the year	5,757	6,160
Transfers during the year	(19)	(403)
Impairment during the year	(2,400)	-
At the end of the year	3,338	5,757

In the year, the Company performed an impairment test on the associates and as a result an impairment of £2,400,000 for Whiteoak was required (2019: 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 7.0% for GBP cashflows and 8.5% for USD cashflows (2019: 7.0% both GBP and USD) has been applied to the projections to determine the net present value. The outcome of the value in use calculation is measured against the carrying value of the asset and, where the carrying value is in excess of the value in use, the asset is written down to this amount.

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
2020					
Associates incorporated in the UK	From 29 to 35	13,599	11,650	9,519	(1,640)
Associates incorporated in Europe	From 26	3,248	1,702	1,986	934
Total		16,847	13,352	11,505	(706)
2019					
Associates incorporated in the UK	From 29 to 35	15,382	11,037	9,754	(139)
Associates incorporated in Europe	From 26	2,025	1,454	1,863	556
		17,407	12,491	11,617	417

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 Financial assets and liabilities

	2020	2019
Financial assets at fair value through profit or loss	£000	£000
Equities and shares in investment funds	8,948	8,924
Financial assets at amortised cost (note 16)	635,354	501,545
Total financial assets	644,302	510,469

On 24 November 2015, the Hiscox Group issued £275.0 million 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 £275.0 million 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 three-month LIBOR plus 5.076% payable quarterly in arrears on each floating interest payable date.

On 12 December 2019, USD $100.0 million fixed rate unsecured loan notes were issued by Hiscox plc, USD $30.0 million has been subscribed to by Hiscox Ltd with the remainder being unsubscribed as at 31 December 2020. The notes bear interest from and including December 2020 at a fixed rate of 3.85% per annum payable annually in arrears until maturity in December 2024.

13 Financial assets and liabilities (continued)

The group 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.

	2020	2019
	£000	£000
		*Restated
Long term debt	309,376	297,653
Accrued interest on long-term debt	1,697	16,798
External borrowing	141,425	-
Trade and other payables	365,983	360,821
Financial liabilities at amortised cost	507,408	675,272
Total financial liabilities	818,481	675,272

*See note 2.3

The external borrowing of £141,425,000 ($193,400,000) is disclosed separately in note 21.

14 Cash and cash equivalents

	2020	2019
	£000	£000
Cash at bank	70,968	60,745

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

15 Share capital

	2020		2019	
	Number of shares 000s	**£000**	Number of shares 000s	£000
Ordinary of £0.05 each	20,000	1,000	20,000	1,000

16 Financial assets at amortised cost

	2020	2019
	£000	£000
Amounts due from Group undertakings	634,710	500,829
Other debtors	644	716
Total financial assets at amortised cost	635,354	501,545

	2020	2019
	£000	£000
The amounts expected to be recovered before and after one year, are estimated as follows:-		
Within one year	380,504	500,950
After one year	254,850	595
Total	635,354	501,545

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

17 Fair value measurement

As at 31 December 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Equities and shares in investment funds	-	-	8,948	8,948
Total	-	-	8,948	8,948
Financial liabilities				
Long-term debt	311,073	-	-	311,073
Total	311,073	-	-	311,073

As at 31 December 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Equities and shares in investment funds	-	-	8,924	8,924
Total	-	-	8,924	8,924
Financial liabilities				
Long term debt (*Restated)	314,451	-	-	314,451
Total (*Restated)	314,451	-	-	314,451

*See note 2.3

The levels of the fair value hierarchy are defined by IFRSs as issued by the IASB, as follows

Level 1 - fair values measured using quoted prices (unadjusted) in active markets for identical instruments,

The fair value of long-term debt that is carried at amortised cost, is estimated at £311,073 (2019 restated: 314,451) 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 - fair values measured using valuation techniques for which significant inputs are not based on market observable data.

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.

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 and 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.

17 Fair value measurement (continued)

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.

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

		2020		2019
	Equity and shares in unit trusts	**Total**	Equity and shares in unit trusts	Total
	£000	**£000**	£000	£000
Balance at 1 January	8,924	8,924	9,526	9,526
Total gains or losses through profit or loss *	24	24	184	184
Additions and disposals	-	-	(786)	(786)
Closing balance	8,948	8,948	8,924	8,924

*Total gains/(losses) are included within the investment result in the income statement

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 targeted levels of returns on equity for pre-2018 awards and net asset value targets for awards from 2018. 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.

In accordance with IFRS 2, the Company recognises an expense for the fair value of share option 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 £1,140 (2019: income of £28,728). This comprises an income of £6,896 (2019: expense of £18,321) in respect of Performance Share Plan awards and an expense of £5,756 (2019: expense of £10,407) in respect of share option 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.

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	**2020**	2019
Annual risk-free rates of return and discount rates (%)	(0.12)-0.08	0.42-0.68
Long-term dividend yield (%)	2.19	2.39
Expected life of options (years)	3.25	3.25
Implied volatility of share price (%)	41.0	21.0
Weighted average share price (p)	819.7	1,555.3

The weighted average fair value of each share option granted during the year was 225.1p (2019: 306.1p). The weighted average fair value of each Performance Share Plan award granted during the year was 836.5p (2019: 1,554.2p).

18 Share options and performance share awards (continued)

The interests of employees under the Performance Share Plan of Hiscox Ltd are as follows :

Date from which exercisable	1 January 2020	Number of awards granted	Number of options lapsed	Number of awards exercised	31 December 2020	Market price of exercise £
7 April 2014 - 6 April 2023	75,866	14,565	(20,537)	(4,025)	65,869	7.58-12.47

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

Date from which exercisable	1 January 2020	Number of awards granted	Number of awards lapsed	Number of awards exercised	31 December 2020	Option price £	Market price of exercise £
1 December 2018 to 1 December 2022	36,325	35,449	(32,127)	(7,459)	32,187	6.54-13.31	8.96-11.43

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 options and Performance Share Plan awards, as charged to the Company, outstanding is 65,869 (2019: 75,866) of which 28,324 are exercisable (2019: 32,328). The total number of SAYE options outstanding is 32,187 (2019: 36,325).

The implied volatility assumption is based on historical data for periods of between five and ten years immediately preceding grant date. For options issued after 1 January 2006 the assumptions regarding long-term dividend yield have been aligned to the progressive dividend policy announced during the 2005 Rights Issue.

19 Trade and other payables

	2020 £000	2019 £000 *Restated
Amount due to group undertakings	365,789	360,529
Accruals and deferred income	194	292
	365,983	360,821

*See note 2.3

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 (2019: £8,954,000).

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.

Hiscox plc continued with 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 £450 million under a revolving credit facility or LOC up to $266 million (2019: $800 million aggregate facility). The terms also provide that the facility may be drawn in USD,GBP or EUR, or another currency with the agreement of banks. At 31 December 2020, $266.0 million (2019: $50.0 million) was utilised by way of LOC to support the Funds at Lloyd's requirement and $193.4 million cash drawings were outstanding (2019: £ 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.

21 Contingencies and guarantees (continued)

During 2020, a subsidiary of the Company, Hiscox Insurance Holdings Ltd ("HIH") sold an option to its subsidiary Hiscox Insurance Company Ltd ("HIC") over HIC's unissued share capital. HIH agreed to enter into this contingent equity option agreement subject to an overall maximum liability of £100,000,000 with a long stop date of 13th August 2021. To ensure that HIH has the funding to acquire HIC's shares in the event HIC exercises the option, HIH would enter into a loan facility with the Company at the time the option is exercised. The loan facility was made available to HIH from 13th August 2020 for a period of one year.

There is a contingent commitment of £75,000 (2019: £75,000) in respect of uncalled share capital of a subsidiary undertaking.

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

	2020 Income/ (expenses) £000	**2020 receivable/ (payable) £000**	2019 Income/ (expenses) £000	2019 receivable/ (payable) £000
Hiscox Ltd	(20,902)	(500,845)	(19,979)	(541,903)

Hiscox plc continued with its LOC and revolving credit facility with Lloyds Banking Group, as an agent for a syndicate of banks, for a total of £450 million cash and $266 million LOC (2019: $800 million aggregate facility) which may be drawn in cash (under a revolving credit facility), LOC or combination thereof.

Hiscox plc 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 to Hiscox Ltd, which acts as the guarantor for the LOC and revolving credit facility.

Hiscox plc has a long-term debt arrangement with Hiscox Ltd, as explained in note 13.

Transactions with subsidiary

	2020 Income/ (expenses) £000	**2020 receivable/ (payable) £000**	2019 Income/ (expenses) £000	2019 receivable/ (payable) £000
Subsidiary companies	91,350	199,772	(13,629)	235,178

Hiscox plc charges its subsidiary Hiscox Dedicated Corporate Member Limited a 0.5% fee on the utilised LOC facilities with Lloyds Banking Group. During the period Hiscox plc acted as the borrower for the LOC on behalf of Hiscox Dedicated Corporate Member Limited. Hiscox Insurance Holdings Ltd acts as a guarantor on the facility and a charge is made to Hiscox plc in relation to this.

Hiscox plc charges its subsidiary Hiscox Insurance Holdings Ltd a fee of 1% per annum, calculated in respect of the availability period only, of amounts undrawn under the loan facility. If drawn the loan will bear interest at a rate equal to 3.25% per annum.

HUGS recharges expenses to Hiscox plc 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 Hiscox plc. All intragroup transactions involving the Company are made on an arm's length basis.

22 Related party transactions (continued)

Transactions with associated companies

	2020 Income/ (expenses) £000	2020 receivable/ (payable) £000	2019 Income/ (expenses) £000	2019 receivable/ (payable) £000
Associates	(2,223)	300	231	500

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 Hiscox plc at 31 December 2020

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

Company	Nature of business
Amorphous Sugar Limited*	Non-trading Company
Applewell Limited	Underwriting Agent
Event Assured Limited	Non-trading Company
Event Insurance Direct Limited*	Dormant
Event Insurance Online Limited*	Dormant
Expo-Sure Limited*	Non-trading Company
HIM Capital Limited	Dormant
Hiscox 2004 UK Limited	Non-insurance Undertaking
Hiscox ASM Limited*	Insurance Intermediary
Hiscox Connect Limited	Online Intermediary
Hiscox Dedicated Corporate Member Limited	Lloyd's Corporate Name
Hiscox EBT Trustees Limited	Non-insurance Undertaking
Hiscox Europe Services Limited *	Service Company
Hiscox Holdings Limited	Insurance Intermediary
Hiscox Insurance Company Limited*	General Insurance
Hiscox Insurance Holdings Limited	Insurance Holding Company
Hiscox Investment Holdings Limited	Non-trading Company
Hiscox MGA Limited	Underwriting Agent
Hiscox Pension Trustees Limited	Pension Trustee
Hiscox Qualifying Employees Share Ownership Trustees Limited	Share Scheme Trustee
Hiscox SIP Ltd	Non-insurance Undertaking
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 Underwriting Services Limited	Non-trading Company
Insurex Limited*	Non-trading Company
Insurex-Exposure Limited*	Non-trading Company

24 Subsidiary companies of Hiscox plc at 31 December 2020 (continued)

Company	Nature of business
Roberts & Hiscox (Underwriting Agencies) Limited*	Non-trading Company
Whitehall Insurance Service Ltd	Investment Company

The following subsidiary companies have a registered office overseas.

Company	Nature of business	Registered office
ALTOHA Inc.*	Holding Company	520 Madison Ave., 32nd Floor, New York NY 10022, United States
CGGI Ltd*	Non-trading Company	72 Northumberland Road, Ballsbridge, Dublin 4, Ireland
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
Crystal Ridge Specialty Insurance Company Inc*	Surplus Lines Insurance Company	104 South Michigan Avenue
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.*	Underwriting Agent	520 Madison Ave., 32nd Floor, New York NY 10022, United States
Hiscox Insurance Company Inc.*	Insurance Intermediary	233 North Michigan Ave., Suite 1840, Chicago IL 60601, United States
Hiscox Insurance Services (Guernsey) Ltd	Underwriting Agent	Polygon Hall, Le Marchant Street, St Peter Port, Guernsey
Hiscox Insurance Services Inc*	Insurance Intermediary	233 North Michigan Ave., Suite 1840, Chicago IL 60601, United States
Hiscox Special Risks Agency (Americas) Inc.*	Underwriting Agent	2711 Centerville Road, Suite 400, Wilmington DE 19808, United States

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

25 Post balance sheet events

On 13th May 2021, the Company received a £170,942,000 capital injection from its immediate and ultimate parent, Hiscox Ltd. The Company will utilise this additional capital to repay its revolving credit facility and to supplement operational cashflow.