Registered Number 02590623

HISCOX

HISCOX SYNDICATES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2019

Contents

COMPANY INFORMATION

Directors

R S Childs (Non Executive Chairman)
A P Dolphin (Appointed 01 April 2020)
C J Foulger (Non Executive)
H A Hussain
H Kam
H C V Keeling (Non Executive)
P A Lawrence
K J M Markham
I J Martin (Resigned 31 December 2019)
B E Masojada
M H McConnell (Resigned 1 October 2019)
J Pinchin (Resigned 28 February 2019)
J R Musselle
R C Watson
A C Winther (Non Executive)

Registered Office

1 Great St Helen's
London
EC3A 6HX

Registered Number:

02590623

Independent Auditors

PricewaterhouseCoopers LLP
7 More London
Riverside
SE1 2RT

Bankers

Lloyds Bank plc
113 Leadenhall Street
London
EC3A 4AX

STRATEGIC REPORT

The directors present their annual report and financial statements for the year ended 31 December 2019.

Business review and principal activities

The principal activity of the Company is that of managing agent for Lloyd's Syndicates 33, 3624 and 6104. The Company received managing agency fees for the year of $11,057,000 (2018: $13,339,000) at a rate of 0.6% (2018: 0.6%) of the capacity for Syndicate 33 and 0.5% (2018: 0.5%) for Syndicate 6104. The Company also receives profit commission from Syndicate 33 at a standard rate of 12.5% and accrued on the basis of the results of Syndicate 33. An additional 2.5% profit commission is charged if target levels of profit are achieved over a rolling seven year period. A divisional profit related remuneration is charged to Syndicate 33 at a rate of 5% of divisional profit before profit commission. The Company charges no profit commission to Syndicates 3624 or 6104. The Company's retained earnings and dividend potential is dependent upon the profit commission charged to Syndicate 33. The Company will continue to manage Syndicates 33, 3624 and 6104 in 2020.

The Company manages capacity on the following Syndicates that underwrite at Lloyd's of London:

Year of account	2017	2018	2019	2020
	'000	'000	'000	'000
Syndicate 33 (£)	1,150,000	1,600,000	1,400,000	1,700,000
Syndicate 3624 (£)	460,000	400,000	360,000	400,000
Syndicate 6104 (Limited tenancy) (£)	56,000	56,000	57,000	44,000
TOTAL (£)	**1,666,000**	**2,056,000**	**1,817,000**	**2,144,000**
TOTAL ($)	**2,121,000**	**2,618,000**	**2,314,000**	**2,839,000**

The Directors review certain key performance indicators ("KPIs") in order to assess the performance of the Company. The KPIs used by the directors are as follows:

	2019	2018
	$'000	$'000
Revenue	17,440	35,370
Profit before tax	9,974	23,716
Total comprehensive income	7,860	19,371

The drop in revenue is due primarily to the fall in the profit commission payable by Syndicate 33 during 2019.

There were no dividends declared or paid during the year (2018: interim dividend was declared and paid of $66,667,000).

The Statement of Financial Position shows that the net assets of the Company at 31 December 2019 were $63,321,000 (2018: $55,461,000).

Due to the adoption of IFRS16 there has been an increase in lease liabilities of $12,288,000 and right of use asset of $12,144,000 as at 31 December 2019.

Principal risks and uncertainties

The Company is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and operates under the Lloyd's franchise. The principal risk to the Company is the loss of its regulatory approvals which would prohibit it from carrying on its business. The risk is mitigated by the existence of appropriate internal controls and management and governance structures that are sufficiently robust to manage the Company.

The Company is also required to ensure that it remains solvent in accordance with Lloyd's regulations and must ensure that it meets its solvency requirements on an ongoing basis. The assets of the Company are managed with the prime objective of ensuring that the Company remains solvent. During the current and prior financial periods, the Company complied with all external capital requirements which it is subject to.

Information on the management of financial risk by the Company is disclosed in note 3 to the financial statements. In particular, the Company's exposure to interest rate risk, credit risk, liquidity risk and currency risk are separately disclosed in that note.

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

The Board of Directors of Hiscox Syndicates Limited 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 2019, we would reference our approach to operating and the supporting control environment which deliver good outcomes for the company and wider stakeholders. In achieving this, the following areas are highlighted:

a) Our Company's plans were designed to have a long-term beneficial impact on the Company and to contribute to the success in delivering the business of the primary decision making body for Hiscox Syndicates Limited (HSL) which is the Managing Agent for Syndicate 33, 3624 and 6104. We continue to operate our business within a structured control environment. Hiscox values reiterate this longer term perspective and 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 sister Hiscox company (Hiscox Underwriting Group Services Limited). Hiscox wants to build teams that are as diverse as our customers and create a vibrant work environment where all employees can thrive. We have put steps in place for workforce engagement, training and development, employee networks, regular communication updates, launch events for major projects and Partners' events. In 2019 we became 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 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 are committed to delivering fair treatment of customers by delivering the good customer outcome principles set out by the FCA. We value our suppliers and have a Group Prompt Payment Policy which states our intention to pay what we owe, when it is owed.

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 Environmental, 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 focussed 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 for the first time in our 2019 climate report. For assets under management by the Company, 100% of Investment Managers were signed up to the UN Principles of Responsible Investments (UNPRI).

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. Our Company ensures that we meet standards expected by our Regulators in order to ensure that our license to operate is maintained. 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. The Audit Committee Chair is the Whistleblowing champion for the Company and the Audit Committee as a whole ensures that the processes in place are adequate.

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

COVID-19

During the finalisation of these accounts, the Coronavirus (COVID-19) outbreak has evolved into an unprecedented public health emergency in the UK and around the world, causing disruption to businesses and economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event.

The potential financial impact on the Company arising from COVID-19 mainly relates to the recoverability of the Company's balances due from subsidiary entities (held within financial assets at amortised cost). While there remains significant uncertainty regarding the potential financial impact of COVID-19 on the recoverability of these balances, the Company currently expects these balances to remain fully recoverable.

If the need arises the ultimate parent company is in a position of being able to make capital injections into the Company.

Future Developments

The Company will continue to act as the managing agent for Syndicate 33, 3624 and 6104.

On behalf of the board

Hamayou Akbar Hussain
Director
12 June 2020

DIRECTORS' REPORT

Directors

The names of the directors of the Company during the period and to the date of this report are listed on page 1 of these financial statements. None of the directors of the Company who served during the year ended 31 December 2019 were underwriting Names at Lloyd's for 2017, 2018, 2019 or 2020 years of accounts.

The directors have no interests in the shares of the Company, nor in any shares of any other Group company other than in the ultimate parent company, Hiscox Ltd.

Dividend

There were no interim dividends declared or paid during the year (2018: an interim dividend was declared and paid of $66,667,000). The amount that the directors recommend should be paid by way of final dividend is $Nil (2018: $Nil).

Disclosure of information to auditors

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

Going concern

The Company has net current assets of $42,755,000 (2018: net current assets $55,105,000). After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The Company's cash resources are managed by an entity related by virtue of common ownership. Working capital forecasts have been prepared for the Hiscox Ltd Group up to 31 December 2022, which demonstrate that the Group has sufficient resources to continue in operational existence for the foreseeable future.

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 2019 and at the date of this report.

Political and Charitable Contributions

The Company made no political contributions during the year (2018: $nil) and no charitable donations (2018: $nil).

Employees and pension arrangements

All employees are employed by Hiscox Underwriting Group Services Limited. Its management charge to the Company includes basic salary cost and employee benefits and pension expenses.

Independent Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

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. We have a responsibility to engage with our regulators and do so openly and proactively.

Our business relationships can be seen via the core themes in the Hiscox 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.

On behalf of the board

Hamayou Akbar Hussain
Director
12 June 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

The directors are 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.

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 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.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Robert Cordock (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 June 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	2019 $000	2018 $000
Revenue	4	**17,440**	35,370
Administration expenses	5	**(7,707)**	(9,926)
Foreign exchange Gains / (Losses)		**571**	(1,728)
Results of Operating Activities		**10,304**	23,716
Finance costs	6	**(330)**	-
Profit before tax		**9,974**	23,716
Tax expense	9	**(2,114)**	(4,345)
Profit for the year		**7,860**	19,371

There were no other items of other comprehensive income.

The notes on page 14 to 27 to the financial statements are an integral part of this document.

STATEMENT OF FINANCIAL POSITION

At 31 December

	Notes	2019 $000	(Restated)* 2018 $000
Assets			
Property: Right of use asset	10	**12,144**	-
Financial Assets at amortised cost	11	**83,421**	77,439
Cash and cash equivalents	12	**68**	64
Total assets		**95,633**	77,503
Equity and liabilities			
Shareholders' equity			
Share capital	13	**1,890**	1,890
Retained earnings		**61,431**	53,571
Total equity (all attributable to owners of the Company)		**63,321**	55,461
Financial Liabilities at amortised cost	14	**25,799**	10,259
Tax Liabilities	9	**6,513**	11,783
Total liabilities		**32,312**	22,042
Total equity and liabilities		**95,633**	77,503

* See note 2.3 for details

The notes on page 14 to 27 to the financial statements are an integral part of this document.

The financial statements were approved by the Board of Directors on 11 June 2020 and signed on its behalf by:

Hamayou Akbar Hussain
Director

Hiscox Syndicates Limited
Registered number 02590623

12 June 2020

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Notes	Share capital $000	Retained earnings $000	**Total** $000
Balance at 1 January 2018		1,890	100,867	102,757
Total comprehensive income		-	19,371	19,371
Dividends	16	-	(66,667)	(66,667)
Capital contribution relating to equity-settled share-based payments	8	-	738	738
Charge from parent for equity-settled share-based payment	8	-	(738)	(738)
Balance at 31 December 2018		**1,890**	**53,571**	**55,461**
Total comprehensive income		-	7,860	7,860
Dividends	16	-	-	-
Capital contribution relating to equity-settled share-based payments	8	-	(1,016)	(1,016)
Charge from parent for equity-settled share-based payment	8	-	1,016	1,016
Balance at 31 December 2019		**1,890**	**61,431**	**63,321**

The notes on page 14 to 27 to the financial statements are an integral part of this document.

STATEMENT OF CASH FLOWS

For the year ended 31 December

	Notes	2019 $000	(Restated)* 2018 $000
Profit before tax		**9,974**	23,716
Adjustments for:			
Interest Paid	6	**330**	-
Depreciation		**3,500**	-
Changes in operational assets and liabilities:			
(Increase) / Decrease in financial assets at amortised cost		**(18,127)**	33,976
Increase in financial liabilities at amortised cost		**10,270**	13,315
Cash generated from operations		**5,947**	71,007
Income taxes paid	9	**(2,114)**	(4,345)
Net cash flows generated from operating activities		**3,833**	66,662
Net cash flows generated from investing activities		**-**	-
Dividends	16	**-**	(66,667)
Principle elements of lease payments		**(3,829)**	-
Net cash flows generated from financing activities		**(3,829)**	(66.667)
Net movement in cash and cash equivalents		**4**	(5)
Cash and cash equivalents at 1 January		**64**	69
Net movement in cash and cash equivalents		**4**	(5)
Cash and cash equivalents at 31 December	12	**68**	64

* See note 2.3 for details

The Company holds minimal cash and cash equivalents and its cash resources are managed centrally by an entity related by virtue of common ownership. The majority of transactions including dividend payments are settled via intercompany balances and as such, the movement in these balances are classified as changes in operational assets and liabilities.

The notes on page 14 to 27 to the financial statements are an integral part of this document.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Hiscox Syndicates Limited (the Company) is a private 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 operations and principal activities are included within the report of the Directors.

2. Significant accounting policies

2.1 Statement of compliance

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

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(1). These financial statements, therefore, present information about the Company as an individual undertaking only and not about its group.

2.2 Basis of preparation

The financial statements have been prepared in US Dollars except for Syndicate capacity information and Note 8 (Share price information) which have been prepared in Sterling both of which are originally denominated in Sterling and rounded to the nearest thousand. Given that a significant majority of the Company's earnings are denominated in US Dollars, we believe that the presentation currency will give users of these financial statements a clear understanding of financial performance and financial position and stability over time.

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

A number of new standards, amendments to standards and interpretations, as adopted by the European Union, are effective for annual periods beginning on or after 1 January 2019. 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 new standards and interpretation include:

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment clarifies the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. The adoption of this standard does not have impact on the Company's financial statements on the basis that no tax treatments have been adopted where it is probable that there is uncertainty around the outcome.

<u>IFRS 16 *Leases*</u>

IFRS 16 supersedes IAS 17 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 requires lessees to account for leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the company is the lessor.

The Company has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.
On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using applicable incremental borrowing rates as of 1 January 2019. Lease liabilities amounts are presented in balance sheet under financial liabilities at amortised cost.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. Right-of-use assets are presented in balance sheet under property, plant and equipment.

2.2 Basis of preparation (continued)

The Company has elected not to reassess whether a contract is, or contains a lease, at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its previous application of IAS 17. As permitted by IFRS 16, the company also elected to use hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

In addition, the Company has opted to use the recognition exemptions for lease contracts that, at the commencement date:

- have a lease term of 12 months or less and do not contain a purchase option (short-term leases); and

- lease contracts for which the underlying asset is of low value (low-value assets).

Payments associated with short-term and low-value leases amounted to $NIL.

The impact on the balance sheet as at 1 January 2019 is shown below:

	$000
Assets	
Increase in property, plant and equipment	15,273
Liabilities	
Lease Liabilities	15,273
Analysed as right-of-use assets related to:	
Properties	15,273

The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.4%.

The undiscounted future minimum payments disclosed under the prior standard at 31 December 2018 were $16,080,754. The impact of discounting was $807,434. The resulting total lease liability recognised as at 1 January 2019 under IFRS 16 is $15,273,320.

Impact on the condensed consolidated income statement for the year ended 31 December 2019

The depreciation expenses from right-of-use assets (operating expenses) and interest expense on the lease liabilities (finance costs) under IFRS 16 in 2019 were $101,479 higher than the amount of operating lease expenses under IAS 17.

Impact on the condensed consolidated cash flow statement for the year ended 31 December 2019

Compared with the previous accounting for operating leases under IAS 17, the application of the new standard affects the classification of cash flows. In prior years, operating lease payments were presented as operating cash flows. Lease payments are now split into payments of principal that are presented as financing cash flows, and payments of interest that are presented as operating cash flows under interest expense.

Payments related to leases for 2019 amounting to $3,828,972, which under IAS 17 would be classified as operating leases, are presented under cash flows from financing activities. Additionally, the interest expense on the lease liabilities calculated under IFRS 16 amounting to $329,390 is presented under cash flows from financing activities.

The following new standards, and amendments to standards, that are relevant for the Company are effective for annual periods beginning after 1 January 2020 and have not been applied in preparing these financial statements:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: The changes relate to the definition of "material". Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of financial statements make on the basis of these financial statements. The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

- IFRS 3 Business Combinations: The amendments clarify the minimum requirements to be a business and are intended to help determine whether a transaction should be accounted for as a business combination or an asset acquisition. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

There were no further new standards, amendments or interpretations that had a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS continued

2.3 Changes to comparative amounts

Following a review of the Company's presentation of tax balances, adjustments to previous reported amounts on the balance sheet have been identified and comparative amounts have been restated. There has been no impact on the income statement or statement of changes in equity for any of the periods presented.

An amount of $11,783,000 relating to the Company's current tax payable position was presented as part of amounts due from an intermediate holding company (Financial Assets at amortised cost). As the amount has not been settled by Hiscox Plc. with the UK tax authority at the balance sheet date, the amount has been reclassified and presented as tax liabilities.

The impact on the balance sheet date:

	FY18			FY17		
Balance sheet	As reported previously $'000	Effect of prior-period adjustments at 31 December 2018 $'000	Restated $'000	As reported previously $'000	Effect of prior-period adjustments at 01 January 2018 $'000	Restated $'000
Total assets						
Effect analysed as adjustments to:						
Financial Assets at amortised cost	65,656	11,783	77,439	111,416	17,949	129,365
Total liabilities						
Effect analysed as adjustments to:						
Tax Liabilities	-	11,783	11,783	-	17,949	17,949

The amount of $11,783,000 was previously presented as part of the (increase)/decrease in financial assets at amortised cost within the Statement of Cash Flows. As this amount has not been settled by Hiscox Plc, the amount has been reclassified and presented within the increase in trade payables for the period.

	FY18			FY17		
Statement of Cash Flows	As reported previously $'000	Effect of prior-period adjustments at 31 December 2018 $'000	Restated $'000	As reported previously $'000	Effect of prior-period adjustments at 01 January 2018 $'000	Restated $'000
Profit before Tax	**23,716**	-	**23,716**	**29,458**	-	**29,458**
Net Foreign exchange (gains / Losses)	-	-		1,013	-	1,013
Effect analysed as adjustments to:						
(Increase) / Decrease in financial assets at amortised cost	45,759	(11,783)	33,976	(7,268)	(17,949)	(25,217)
Increase / (decrease) in financial liabilities at amortised cost	1,532	11,783	13,315	(15,470)	17,949	2,479
Cash generated from Operations	71,007	-	71,007	7,733	-	7,733

2.4 Functional currency

The functional currency of the Company is US Dollar. 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 income statement. Non-monetary items carried at historical cost are translated in the balance sheet at the exchange rate prevailing on the original transaction date (or the date at which the functional currency was changed to USD, whichever is later). Non-monetary items measured at fair value are translated using the exchange rate ruling when the fair value was determined.

2.5 Investments in associates and subsidiary undertakings

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

2.6 Financial assets at amortised cost

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. The Company initially measures all financial assets which are amounts due from contract holders, brokers, agents and intermediaries and Group undertakings and other debtors at amortised cost.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, 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 debtors.

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. Currently there are no financial assets classified into this category as the Company's business model for managing all financial assets is to hold and collect contractual cash flows and their cash flows represent SPPI.

The Company does not make an allowance for expected credit losses (ECLs) for financial assets at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

NOTES TO THE FINANCIAL STATEMENTS continued

2.7 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.

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

- negative rating agency announcements in respect of debtors;
- significant reported financial difficulties of debtors;
- actual breaches of credit terms such as persistent late payments or actual default;
- the disintegration of the active market(s) in which a particular asset is traded or deployed;
- adverse economic or regulatory conditions that may restrict future cash flows and asset recoverability; and
- the withdrawal of any guarantee from statutory funds or sovereign agencies implicitly supporting the asset.

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 only to the extent 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.

2.8 Cash and cash equivalents

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

2.9 Receivables and payables

Receivables and payables are recognised when due. These include amounts due to and from fellow subsidiaries and ultimate and intermediate holding companies and Lloyd's syndicates managed by the Company. If there is objective evidence that the receivable is impaired, the Company reduces the carrying value of the receivable accordingly and recognises the impairment loss in profit or loss.

2.10 Leases

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. Right-of-use assets are presented in the balance sheet as 'property, plant and equipment'.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs. Lease liabilities are included in 'lease liabilities' in the balance sheet.

2.10 Leases (continued)

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification that is not accounted for as a separate lease: future lease payments that are linked to a rate or index, a change in the lease term, a change in the in-substance fixed lease payments, a change in the assessment to purchase the underlying asset or a change in the amounts expected to be payable under a residual value guarantee.

The Company applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.11 Revenue

Income consists of managing agency fees and managing agent's profit commissions derived from the management of Lloyd's Syndicates. Profit-commission is determined based on a best estimate of the variable consideration. The income is recognised when the control of the goods or services are transferred to a customer, i.e. performance obligations are fulfilled and to the extent that it is highly probable that it will not be subject to significant reversal at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

2.12 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 date of the statement of financial position.

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 date of the statement of financial position 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.

2.13 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.

2.14 Use of critical estimates, judgements and assumptions

The Company receives profit commission as a percentage of the Syndicate 33 profit, which is subject to critical estimates, judgements and assumptions around claims reserves and reinsurance recoveries. These critical estimates are subject to actuarial review and sign-off by an independent actuarial opinion.

2.15 Profit remuneration bonus

The Company recognises a liability and expense related to bonuses based on a formula that takes into account profit on the Syndicates managed by the Company.

2.16 Share-based payments

The Company 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' funds.

NOTES TO THE FINANCIAL STATEMENTS continued

3. Management 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, risk management and mitigation, and risk reporting. The overall appetite for accepting and managing varying classes of risk is defined by the Group's Board.

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

The key area 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. Where required, a letter of support has been provided from another Group company expressing that it expected that support will be provided to enable the supported company to meet its liabilities as they fall due. As such, 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.

The Company has currency exposure related to debtors and creditors booked in Sterling. The Company is exposed to currency mis-match in the profit and loss as all of the Company's revenue is in USD, whereas expenses are predominantly in Sterling. The currency balance sheet is as follows:-

	Sterling	**2019 $000 US Dollar**	*Restated Sterling	*Restated 2018 $000 US Dollar
Financial Assets at amortised cost	**33,428**	**49,993**	40,868	36,569
Right of use asset : Property	**12,144**	**-**	-	-
Cash and cash equivalents	**68**	**-**	64	-
Financial Liabilities at amortised cost	**(29,605)**	**3,806**	(10,259)	-
Tax liabilities	**(6,513)**	**-**	(11,783)	-

*See note 2.3 for details

A 10% strengthening of the US Dollar against the Sterling at 31 December would have decreased the shareholders equity by $952,000 (2018: $1,889,000).

A 10% weakening of the US Dollar against the Sterling at 31 December would have increased the shareholders equity by $952,000 (2018: $1,889,000).

The Company has no significant exposure to interest rate risk as it has no investments in debt and other fixed income securities.

The Company has no significant exposure to liquidity risk as all expenses, taxes and liabilities are settled by an intermediate holding company as they fall due.

The Company is required by Lloyd's to maintain minimum capital resources under the capital and solvency requirements of the underwriting agents byelaw (no 2 of 2003). The Company complied with these requirements during 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS continued

4. Revenue

	2019 $000	2018 $000
Profit commission	**2,417**	22,031
Managing agency fees	**11,057**	13,339
Other income – Recharges in from group companies	**3,966**	-
Total revenue	**17,440**	35,370

All trading activity is related to the management of syndicates in the Lloyd's of London market.

5. Administration expenses

	2019 $000	2018 $000
Wages and salaries	**4,655**	8,621
Social security costs*	**(549)**	1,198
Depreciation of right of use assets	**3,601**	-
Recharges out to group companies	**-**	107
Administration expenses	**7,707**	9,926

*Social security costs has resulted in a £549,000 credit to the profit and loss due to a reduction in Share based payments.

The Company has not employed staff during the current or preceding financial period. The Company is charged for bonuses and share based payments of certain staff who provide services to the Syndicates it manages, upon which the Company earns profit commission. These staff are employed by a fellow subsidiary.

6. Finance costs

	2019 $000	2018 $000
Lease Interest	**(330)**	-
Finance costs	**(330)**	-

Finance costs relate to interest expense on lease liabilities.

7. Auditors' remuneration

The fees payable to the Company's external auditor, PricewaterhouseCoopers LLP, its member firms and its associates (exclusive of VAT) include the following amounts recorded as administration expenses in the statement of profit or loss and other comprehensive income:

	2019 $000	2018 $000
Fees payable to the Company's auditors and its associates for the audit of the financial statements:	**21**	21
Fees payable to the Company's auditor for other services pursuant to legislation:	**3**	3
	24	24

Other services pursuant to legislation are for the audit of the Annual Financial Return to Lloyd's.

NOTES TO THE FINANCIAL STATEMENTS continued

8. Remuneration

The executive directors are considered to be the key management personnel. All the executive directors of the Company are employed by Hiscox Underwriting Group Services Ltd. The Company has been recharged $nil for their services during the year (2018: $nil). The remuneration charge for the highest paid director as recharged to the Company was $nil (2018: $nil).

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

	2019	2018
Deferred members of the defined benefit scheme	**4**	4
Pensioner members of the defined benefit scheme	**1**	1
Active members of the defined contribution scheme	**3**	3
Deferred members of the defined contribution scheme	**6**	6
Aggregate gains made on performance share plan awards ($'000)	**5,248**	7,001

Share options and Performance Share Plan 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 Limited 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 Limited achieves its targets of return on equity or net asset value; the options have a contractual option term of ten years. Hiscox Limited 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 Limited through to the Company. The expense recognised in the income statement during the year was $1,016,056 (2018: income of $738,000). This comprises an expense of $802,066 (2018: income of $869,000) in respect of Performance Share Plan awards and an expense of $213,990 (2018: expense of $131,000) in respect of share option awards. Hiscox Limited 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 Limited in determining the fair value of share-based payment instruments granted during the year under review are:

Assumptions affecting inputs to fair value models	2019	2018
Annual risk-free rates of return and discount rates (%)	**0.42-0.68**	0.83-0.89
Long-term dividend yield (%)	**2.39**	3.05
Expected life of options (years)	**3.25**	3.25
Implied volatility of share price (%)	**21.0**	22.0
Weighted average share price (p)	**1,555.3**	1,497.8

The weighted average fair value of each share option granted during the year was 306.1p (2018: 302.5p). The weighted average fair value of each Performance Share Plan award granted during the year was 1,554.2p (2018: 1,492.9p).

NOTES TO THE FINANCIAL STATEMENTS continued

8. Remuneration (continued)

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

Date from which exercisable	1 January 2019	Number of awards granted	Number of options lapsed	Number of awards exercised	31 December 2019	Market price at exercise £
2 April 2012 – 8 April 2022	3,354,352	691,402	(482,914)	(530,421)	3,032,419	13.70 – 17.00

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

Date from which exercisable	1 January 2019	Number of awards granted	Number of awards lapsed	Number of awards exercised	31 December 2019	Option price £	Market price at exercise £
1 December 2018 – 1 December 2022	422,079	122,714	(56,049)	(107,507)	381,237	7.15 – 13.31	12.20 – 17.70

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 outstanding, as are charged to the Company, is 3,032,419 (2018: 3,354,352) of which 1,322,834 are exercisable (2018: 1,474,810). The total number of SAYE options outstanding is 381,237 (2018: 422,079).

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.

NOTES TO THE FINANCIAL STATEMENTS continued

9. Tax expense

The Company is subject to tax laws enacted in the United Kingdom.

The tax charged in the Statement of profit or loss and other comprehensive income comprises the following:

	2019 $000	2018 $000
Expense for the year	**2,172**	4,321
Adjustments in respect of prior years	**(58)**	24
Current tax expense	**2,114**	4,345

No movements in deferred tax arose in this or the comparative period.

Recent budgets have announced changes to the main rate of UK corporation tax. The current rate of 19% was enacted on 26 October 2015 and applied from 1 April 2017. Where relevant deferred tax balances have been remeasured.

The tax expense on the Company's profit before tax differs (2018: differs) from the theoretical amount that would arise using the average tax rate applicable to profits of the Company as follows:

	2019 $000	2018 $000
Profit before tax	**9,974**	23,716
Tax calculated at the standard corporation tax rate applicable in the UK of 19.00% (2018: 19.00%)	**1,895**	4,506
Effects of:		
Expenses not deductible	**277**	(185)
Adjustments in respect of prior years	**(58)**	24
Tax charge for the period	**2,114**	4,345

Tax Liabilities

	2019 $000	Restated* 2018 $000
Tax Liabilities	**6,513**	11,783
Total Tax Liabilities	**6,513**	11,783

*See note 2.3 for further details

The Company is part of a group payment arrangement for corporation tax purposes and accordingly tax balances are settled by Hiscox plc.

NOTES TO THE FINANCIAL STATEMENTS continued

10. Property: Right of use asset

	Right-of-use assets: Property $000
Year ended 31 December 2018	
Opening net book amount	-
Closing net book amount	-

	Right-of-use assets: Property $000
Year ended 31 December 2019	
Opening net book amount*	15,273
Depreciation charge	(3,601)
Foreign exchange movements	472
Closing net book amount	12,144

	Right-of-use assets: Property $000
Year ended 31 December 2019	
Cost*	15,745
Accumulated Depreciation	(3,601)
Net book amount	12,144

* See note 2.2 for further details

11. Financial Assets at amortised cost

	2019 $000	Restated* 2018 $000
Amounts due from intermediate holding company	78,034	50,655
Amounts due from ultimate parent company	2,572	3,562
Profit commission receivable	2,815	23,232
Total Financial assets at amortised cost	83,421	77,439

	2019 $000	Restated* 2018 $000
The amounts expected to be recovered before and after one year are estimated as follows:-		
Within one year	83,406	77,083
After one year	15	356
	83,421	77,439

*See note 2.3 for further details

The amount shown as due after one year, is accrued income rather than a debtor.

NOTES TO THE FINANCIAL STATEMENTS continued

12. Cash and cash equivalents

	2019 $000	2018 $000
Cash and cash equivalents	68	64

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

13. Share capital

	2019 Number of shares	2019 $000	2018 Number of shares	2018 $000
Called up, allotted and fully paid shares of $1.35 each				
Ordinary shares of £1 each	1,400,000	1,890	1,400,000	1,890
	1,400,000	1,890	1,400,000	1,890

14. Financial Liabilities at amortised cost

	2019 $000	2018 $000
Amounts due to fellow subsidiary	13,145	9,903
Lease Liability	12,288	-
Other Creditors	366	356
Total	25,799	10,259

All amounts shown above are due within one year.

Maturity analysis – contractual undiscounted cash flows:

2019

	2019 $000
Not later thán one year	3,829
Later than one year and not later than five years	8,615
Later than five years	-
Total undiscounted lease liabilities at 31 December	12,444

The cost relating to variable lease payments that do not depend on an index or a rate amounted to $nil in the year ended 31 December 2019 (2018: $nil).

There were no leases with residual values guarantees. The leases not yet commenced to which the Company is committed amounted to $nil (2018: $nil).

15. Dividends

There were no interim dividends declared and paid during the year (2018: An interim dividend was declared and paid of $66,667,000 during the year).

16. Ultimate parent company

The Company is a subsidiary undertaking of Hiscox Holdings Limited, a company registered in England and Wales.

The smallest and largest group in which the results of the Company are consolidated is that headed by Hiscox Ltd, Bermuda. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from Chesney House, 96 Pitts Bay Road, Pembroke HM 08, Bermuda.

NOTES TO THE FINANCIAL STATEMENTS continued

17. Related party transactions

Hiscox Syndicates Limited received management fees and profit commissions for providing a range of management services to Syndicate 33 and management fees from Syndicate 6104. Hiscox Syndicates Limited received underwriting agency fees and profit commissions for providing a range of management services to managed Syndicates as shown in note 4 and pays bonuses to staff who work on these syndicates as disclosed in note 5. All intragroup transactions involving the Company are made on an arm's length basis.

None of the Hiscox Group companies are obliged to place this business with any particular carrier.

Hiscox Ltd is the ultimate parent company and recharges expenses to Hiscox Syndicates Limited.

Hiscox Plc is the intermediate holding company and pays tax on behalf of Hiscox Syndicates Limited.

	2019 $000		*Restated 2018 $000	
	Income and (expenses) incurred	**Receivable/ (Payable)**	Income and (expenses) incurred	Receivable/ (Payable)
Syndicate 33	**13,116**	**2,815**	34,991	23,231
Syndicate 6104	**357**	**-**	379	-
Ultimate parent company	**-**	**2,572**	-	3,562
Other associated companies	**3,966**	**64,889**	-	40,743

*See note 2.3 for further details

Included in administration expenses is a recharge out from Hiscox Underwriting Group Services Limited of $nil (2018: recharge out of $107,000).

The Company's only subsidiary is Amorphous Sugar Limited, which is a limited company registered in England and Wales. The Company owns 96% of the share capital of Amorphous Sugar Limited, held at cost of $130 (2018: $130).

18. Post balance sheet events

During the finalisation of these accounts, the Coronavirus (COVID-19) outbreak has evolved into an unprecedented public health emergency in the UK and around the world, causing disruption to businesses and economic activity. The Company considers this outbreak to be a non-adjusting post balance sheet event.

The potential financial impact on the Company arising from COVID-19 mainly relates to the recoverability of the Company's balances due from subsidiary entities (held within financial assets at amortised cost). While there remains significant uncertainty regarding the potential financial impact of COVID-19 on the recoverability of these balances, the Company currently expects these balances to remain fully recoverable.

If the need arises the ultimate parent company is in a position of being able to make capital injections into the Company.