Registered Number 07720593

HISCOX

HISCOX MGA LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2022

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COMPANY INFORMATION

Directors	K J M Markham (Chair) P P C Lecointe M Williams H Rose (Appointed 13 April 2022)
Registered Office	22 Bishopsgate London EC2N 4BQ
Registered Number	07720593
Tax Advisors	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL
Independent Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT
Bankers	Lloyds Banking Group Plc 113-116 Leadenhall Street London EC3A 4AX

STRATEGIC REPORT

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

Principal activities

The principal activity of Hiscox MGA Ltd, the 'Company', is that of an underwriting agency administering insurance business on behalf of Hiscox and various other syndicates at Lloyd's of London.

At the date of reporting, there are no significant changes expected in the Company's principal activities.

Business review and key performance indicators

The Company generated a profit before tax for the year of £975,170 (2021: loss before tax on continued operations of £471,284, 2021: loss from discontinued operations of £984,080). The profit for the year includes the following notable items:

- Commission income received of £1,040,695 (2021: £1,124,218);
- Foreign exchange gain of £765,768 (2021: loss of £186,824);
- Administrative expenses of £1,302,305 (2021: £2,122,551).

The total equity is £3,484,126 at 31 December 2022 (2021: £2,910,291). The movement is as a result of the profit for the year.

The Directors consider the profit/(loss) before tax as the key performance indicator of the Company.

Principal risks and uncertainties

The Company is exposed to foreign exchange risk as it earns commission income in its capacity as an underwriting agency in mainly Euro's and US Dollar, but the large majority of operational expenses are paid in pounds. The exposure to foreign exchange risk therefore arises primarily with respect to fluctuations in the exchange rate of the Euro and the US Dollar.

The Company's balance sheet includes receivables over one year of £12.5m (2021: £13m), the majority due from insurance intermediaries. The risk associated with this is controlled internally by in-house Agency Analysts and overseen by the in-house Credit Control Manager. The majority of the Company's receivables are related to Space business, where the majority of premium is due relative to launch dates. Due to the nature of the Space business there can be a long time delay between the policy being written and incepted which in turn leads to higher debtors than for other types of business.

The Company's balance sheet also includes cash holdings which are exposed to credit risk and currency risk.
Information on the management of financial risk by the Company is disclosed in note 3 to these 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 MGA Ltd 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 2022, 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 being an underwriting agency administering insurance business on behalf of Hiscox and various other syndicates at Lloyd's of London. 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 another Hiscox Group entity (HUGS). Hiscox group 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. We are a Living Wage employer in the UK. Hiscox group 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 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 and Group's operations on the community, the environment and wider societal responsibilities. As a key company within Hiscox Group, 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. A key area of focus for the Board throughout the year has been climate change with the approval of the Responsible Investment Policy and ongoing embedding of the climate change review within the business.

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 licence 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 Group's Audit Committee Chair is the Whistleblowing champion for the Company and the Group Audit Committee and Company Board 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.

Future developments

The Company will continue in operation as an underwriting agency in the UK.

Approved by the Board and signed on its behalf by

Helen Rose
Director
12 September 2023

DIRECTORS' REPORT

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

The Company is a wholly owned subsidiary of Hiscox Ltd, a public company incorporated and domiciled in Bermuda whose ordinary share capital is listed on the London Stock Exchange. Hiscox Ltd is the Company's ultimate parent company. Copies of its consolidated financial statements are available from the Company Secretary at Hiscox Ltd, Chesney House, 96 Pitts Bay Road, Pembroke HM 08, Bermuda.

Dividends and Transfers to Reserves

The profit for the financial year after tax of £574,283 (2021: loss after tax £1,364,462) has been transferred to the Company's retained earnings.

The Company did not receive a capital contribution from the parent company, Hiscox plc, during the year (2021: £nil)

Going concern

The Directors of the Company have prepared the annual financial statements on a going concern basis. In adopting the going concern and consideration of key risks 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 Group up to 31 December 2024 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 who were in office during the year and up to the date of signing the financial statements are listed on page 1 of these financial statements. The directors have no interests in the shares of the Company, nor in any shares of any other Group company other than in the ultimate holding company.

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

Indemnity insurance

A policy of indemnity insurance cover to the benefit of the directors of the company has been in force during the year ended 31 December 2022 and at the date of this report.

Political and Charitable Contributions

The Company did not make any political or charitable contributions during the year (2021: £nil).

Disclosure of information to auditors

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

Independent Auditors

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. As part of the Hiscox Group, we have been reporting against the Task Force on Climate-Related Financial Disclosure (TCFD)-aligned ClimateWise Principles since 2019 and are public supporters of TCFD. Subsidiary level TCFD reporting is not yet available and therefore the Company aligns itself to the Group position. Our annual climate report sets out our approach to climate-related matters in every part of our business: governance, risk management, operations, underwriting, investments, and marketing. It is our richest source of climate-related information and expands on the information set out below, so for more information go to: https://www.hiscoxgroup.com/blog/hiscox/hiscox-climate-report-2022-year-pragmatism-and-progress. The Board are actively involved in the oversight of managing risks from climate change. The PRA focus on the financial risks associated with the transition to a low carbon economy and their expectations are set out in Supervisory Statement 3/19 (SS3/19) which have been addressed by the Company through a "Strategic (Climate) Action Plan". Each year, the Board reviews and agrees actions to help further embed ongoing activities in this area which are expected to continue in 2023 and in future years

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.

The financial statements on pages 10 to 24 were approved by the Board of Directors and signed on its behalf by

Helen Rose

Helen Rose
Director
12 September 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

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

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

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' confirmations

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 MGA Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the annual report and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2022; the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

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 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and 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 also considered those laws and regulations that have a direct impact on the financial statements such as the UK Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management override of controls, including the potential for bias in significant accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with those charged with governance, management, the compliance function and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of any matters reported on the company's whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- Reviewing relevant meeting minutes;
- Testing journal entries identified in accordance with our risk assessment; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Neil Riches

Neil Riches (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 September 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Income			
Commission income		1,041	1,124
Interest received		71	-
Other income		483	809
Total Income	4	1,595	1,933
Expenses			
Administration expenses	5	(1,302)	(2,123)
Foreign exchange gains / (losses)	3	766	(187)
Total expenses		(536)	(2,310)
Finance Costs		(84)	(95)
Profit/(Loss) before tax		975	(471)
Tax (Expense) / Credit	9	(401)	91
Profit / (Loss) from continuing operations		574	(380)
Loss from discontinued operations	16	-	(984)
Total comprehensive Income/Expense for the year (all attributable to owners of the Company)		574	(1,365)

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

The notes on pages 14 to 24 are an integral part of these financial statements.

BALANCE SHEET

AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Assets			
Non-Current Assets			
Deferred tax	10	**2**	16
Current Assets			
Current tax	9	**-**	280
Financial assets held at fair value through profit and loss	16	**460**	810
Financial assets at amortised cost	11	**20,219**	21,742
Cash and cash equivalents	12	**6,897**	9,683
Total assets		**27,578**	32,531
Equity and liabilities			
Share capital	13	**-**	-
Capital contribution	14	**2,750**	2,750
Retained earnings		**734**	160
Total equity (all attributable to owners of the Company)		**3,484**	2,910
Current Liabilities			
Financial liabilities at amortised cost	15	**23,895**	29,621
Current tax	9	**199**	-
Total liabilities		**24,094**	29,621
Total equity and liabilities		**27,578**	32,531

The notes on pages 14 to 24 are an integral part of these financial statements.

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

Helen Rose

Helen Rose
Director
12 September 2023

Hiscox MGA Ltd
Registration no. 07720593

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

		Share Capital	Capital Contribution	Retained earnings	Total Equity
	Note	£000	£000	£000	£000
Balance at 1 January 2021		-	2,750	1,525	4,275
Total comprehensive loss		-	-	(1,365)	(1,365)
Capital Contribution	14	-	-	-	-
Capital contribution relating to equity-settled share-based payments	8	-	-	22	22
Charge from parent for equity-settled share-based payments	8	-	-	(22)	(22)
Balance at 31 December 2021 and 1 January 2022		-	2,750	160	2,910
Total comprehensive income		-	-	574	574
Capital contribution	14	-	-	-	-
Capital contribution relating to equity-settled share-based payments	8	-	-	26	26
Charge from parent for equity-settled share-based payments	8	-	-	(26)	(26)
Balance at 31 December 2022		-	2,750	734	3,484

The notes on pages 14 to 24 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	£000	£000
Profit/(Loss) before tax	975	(1,455)
Adjustments for:		
Unrealised (gains) / losses	(748)	553
Changes in operational assets and liabilities	(3,688)	358
Cash (used in) operations	**(3,461)**	**(544)**
Interest received	71	-
Income tax (expense) / credit	(401)	91
Net cash (used in) operations	**(3,791)**	**(453)**
Finance cost	84	95
Net cash flows generated from financing activities	**84**	**95**
Net decrease in cash and cash equivalents	**(3,707)**	**(358)**
Cash and cash equivalents at 1 January 2022	9,683	10,153
Effect of exchange rate fluctuations on cash and cash equivalents	921	(112)
Cash and cash equivalents at 31 December	**6,897**	**9,683**

The notes on pages 14 to 24 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Hiscox MGA Ltd (the "Company") is a private company limited by shares and incorporated in England 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 and Directors' Report.

2. Basis of preparation

The financial statements have been prepared in accordance with UK-adopted international accounting standards and in accordance with the provisions of the Companies Act 2006.

The financial statements have been prepared under the historical cost modified by revaluation of financial assets and financial liabilities held at fair value through profit and loss.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence over a period of at least 12 months from the date of this report. For this reason, the Company continues to adopt the going concern basis in preparing the financial statements.

The financial statements are presented in Pounds Sterling thousands (£000) and rounded to the nearest thousand Pounds, unless otherwise stated.

The balance sheet of the Company is presented in order of increasing liquidity. All amounts presented in the statement of profit or loss and other comprehensive income relate to continuing operations.

The financial statements were approved for issue by the Board of Directors.

2.1 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Except as described below and overleaf, the accounting policies adopted are consistent with those of the previous financial year.

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

The following new standards, and amendments to standards, are effective for annual periods beginning after 1 January 2023 and have not been applied in preparing these financial statements:

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

2.2 Foreign currency translation

(a) Functional currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the Company being Sterling.

(b) Transactions and balances
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 on the balance sheet at the exchange rate prevailing on the original transaction date.

2.3 Financial assets and liabilities including loans and receivables

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

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

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, (ii)

2.3 Financial assets and liabilities including loans and receivables (continued)

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 includes 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 with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

Financial assets held at fair value through the profit and loss relates to the sale of the contingent consideration of the Marine business sold in 2020.

2.4 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.

2.5 Revenue

Revenue predominantly comprises commission received for business underwritten whilst the Company is acting as an intermediary agent. Commission income associated with the placement of an insurance contract is recorded as of the effective date of the applicable policy when control of the policy transfers to the clients and are earned immediately. The majority of business for the Company is due to Space and these risks generate 5% of commission income immediately, with the remaining being recognised upon the effective date of the policy. Also included are income streams from profit commissions. Profit commissions are variable income and recognised to the extent that it is highly likely that a significant reversal in the amount of cumulative revenue will not occur when the uncertainty associated with the revenue is subsequently resolved.

2.6 Taxation

Current 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, if any, 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

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 future taxable profit will be available against which the temporary differences can be utilised.

2.7 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.

2.8 Use of significant judgements, estimates and assumptions

The preparation of financial statements requires the Company to select accounting policies and make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses in the financial statements. The Company recognised an expense in the year relating to bonus, these are estimates that Hiscox Underwriting Group Services Limited provides to all company's based on actuarial estimates and audited methodology. The directors consider the accounting policy for the treatment of the 2020 sale of the Marine business to be critical to understanding the Company's result and position.

The directors review the reasonableness of critical judgements, estimates and assumptions applied and the appropriateness of significant accounting policies.

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.

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

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.

Key areas where the Company is exposed to credit risk are:

- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;
- counterparty risk of financial assets and cash and cash equivalents

The Company manages its exposure to credit risk by maintaining records of the payment history for brokers and contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right to offset where counterparties have both payables and receivables balances of the Company and through credit review meetings. The risk associated with this is controlled and reviewed by an in-house Credit Control Manager.

One of the other 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. 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.

The following table provides information regarding the carrying value of the Company's trade receivables, other than amounts due from the Group undertakings, exposed to credit risk:

Financial assets at amortised cost	Current £000	Up to 3 months £000	3 to 6 months £000	Greater than 6 months £000	Total £000
Due from contract holders, brokers, agents and intermediaries	10,226	477	307	285	11,295
Other receivables	485	-	-	-	485

An analysis of the Company's financial assets and cash and cash equivalents exposures to credit risk is as follows:

As at 31 December 2022	Credit Rating - A £000	Total £000
Cash and cash equivalents	6,897	6,897
Total	**6,897**	**6,897**

As at 31 December 2021	Credit Rating - A £000	Total £000
Cash and cash equivalents	9,683	9,683
Total	9,683	9,683

NOTES TO THE FINANCIAL STATEMENTS *continued*

Management of risk *continued*

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. This risk is mitigated by regular reviews of aged receivables and payables.

The profile of the Company's assets and liabilities, categorised by currency at their translated carrying amount, at 31 December 2022 was as follows:

As at 31 December 2022	Sterling £000	Euro £000	US Dollar £000	Other £000	Total £000
Deferred tax	2	-	-	-	2
Financial assets at fair value through profit and loss	460	-	-	-	460
Financial assets at amortised cost	428	5,427	14,342	22	20,219
Cash and cash equivalents	1,718	614	4,043	522	6,897
Total assets	**2,608**	**6,041**	**18,385**	**544**	**27,578**
Financial liabilities at amortised cost	2,666	5,358	15,326	545	23,895
Current tax	199	-	-	-	199
Total liabilities	**2,865**	**5,358**	**15,326**	**545**	**24,094**

As at 31 December 2021	Sterling £000	Euro £000	US Dollar £000	Other £000	Total £000
Deferred tax	16	-	-	-	16
Financial assets at amortised cost	644	6,609	14,489	-	21,742
Financial assets at fair value through profit and loss	810	-	-	-	810
Current tax	280	-	-	-	280
Cash and cash equivalents	1,884	2,636	4,544	619	9,683
Total assets	**3,634**	**9,245**	**19,033**	**619**	**32,531**
Financial liabilities at amortised cost	9,662	7,804	11,912	243	29,621
Current tax	-	-	-	-	-
Total liabilities	**9,662**	**7,804**	**11,912**	**243**	**29,621**

The exposure to foreign exchange risk arises primarily with respect to fluctuations in the exchange rate of the Euro and the US Dollar. Unrealised foreign exchange gains and losses arise from balance sheet assets and liabilities held in a non-Sterling currency, converted to period end rates. During 2022 the driver of unrealised gains and losses was predominantly from cash balances held in Euro and US Dollar.

During the year the Company had £766k of foreign exchange gains. The below table shows the sensitivities of fluctuations in foreign exchange.

NOTES TO THE FINANCIAL STATEMENTS *continued*

Sensitivity analysis
A 10% strengthening or weakening of the Pound Sterling against the Euro and US Dollar at 31 December would be estimated to have an impact on equity and profit or loss before tax by the approximate amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as in the prior year.

	Effect on equity	Effect on profit before tax	Effect on equity	Effect on loss before tax
	2022	**2022**	2021	2021
	£000	**£000**	£000	£000
Strengthening of US Dollar	**225**	**278**	524	647
Weakening of US Dollar	**(405)**	**(340)**	(941)	(791)
Strengthening of Euro	**50**	**62**	106	131
Weakening of Euro	**(90)**	**(76)**	(191)	(160)

3.2 Capital Management

The Company's objectives when managing capital are to:
- safeguard its ability to continue as a going concern so it can continue to provide returns for shareholders and benefits for other stakeholders; and
- meeting a regulatory capital requirement.

The Company considers total equity as capital. At 31 December 2022, it had £3.5 million (2021: £2.9 million) of total equity and complied with its capital requirement throughout the year.

In order to maintain the capital, the Company might request an additional funding from the parent company. The Company holds a letter of support to this effect.

4. Total Income

Insurance business passes through the Company to the respective underwriting entities and the Company receives a commission for underwriting and processing this business.

The commission received for the year was £1m (2021: £1.1m). In 2022 Hiscox MGA Ltd received a Profit Commission for Space business from the 2020 Year of Account.

	2022	2021
	£000	£000
Commission income	1,041	1,124
Total	**1,041**	**1,124**

Interest received for the year was £71k (2021: £nil). This relates to interest received from Lloyd's bank.

	2022	2021
	£000	£000
Interest received	71	-
Total	**71**	**-**

Other income relates to monthly fees from Syndicate 33 payable to Hiscox MGA Ltd for facilitating the placement and managing of administration and operational tasks of a US book of business.

	2022	2021
	£000	£000
Other income	483	809
Total	**483**	**809**

4. Total income *continued*

The Company receives profit commission from the underwriting entity contingent upon the profitability of the contracts underwritten. Due to the level of uncertainty around the profit commission due following some loss experience, the Company has decided it cannot reliably measure the level of profit commission, and has not yet recognised any on the 2021 or 2022 years of account.

5. Administration expenses

	2022 £000	2021 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**18**	16
Legal and professional	**104**	317
Staffing costs	**68**	429
Other administration expenses	**1,112**	1,361
Total	**1,302**	2,123

Administration expenses include overhead expenses recharged from Hiscox Underwriting Group Services Limited of £519k (2021: £1.3m) and from Hiscox Insurance Company Guernsey of £127k (2021:Nil)

Auditors' remuneration is payable to the Company's external auditors, PricewaterhouseCoopers LLP (exclusive of VAT) and are entirely for the audit of the financial statements. No non-audit services have been provided. Please see the signed Plc accounts.

6. Employees remuneration

UK based staff are employed by Hiscox Underwriting Group Services Limited. During the year employee costs attributable to the Company of £39k (2021: £295k) were charged. These costs are included within administration expenses.

7. Directors' emoluments

The Company has been recharged £0 (2021 : £0) for their services. The remuneration charge for the highest paid director as recharged to the Company was £0 (2021 : £0). The highest paid director did not exercise any share options whilst in their service.

The Directors may be members of a defined contribution scheme.

The following disclosures relate to the Hiscox Group: Hiscox MGA Ltd is not a participating employer of the defined benefit 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.

	2022 £'000	2021 £'000
Directors remuneration as charged to the legal entity	**0**	0
Highest paid director as charged to the legal entity	**0**	0
Contributions to defined contribution scheme	**0**	0
Highest paid directors defined contribution scheme charge	**0**	0
Deferred members of the defined benefit scheme	**0**	0
Pensioner members of the defined benefit scheme	**0**	0
Active members of the defined contribution scheme	**0**	3
Deferred members of the defined contribution scheme	**2**	1
Aggregate gains made on Performance share plan awards (£000)	**423**	250
No. of directors who exercised Performance share plan awards	**3**	4

Four unique directors are represented separately under both defined benefit scheme and defined contribution scheme.

8. Share options and Performance Share Plan awards

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

In accordance with IFRS 2, the Company recognises an expense for the fair value of shares, share options and Performance Share Plan award instruments issued to employees, over their vesting period through the statement of profit or loss and other comprehensive income. The appropriate expense for the Company's directors and senior employees is recharged from Hiscox Limited through to the Company. The amount recognised in the statement of profit or loss and other comprehensive income during the year was an expense of £25,788 (2021: expense of £21,703). This comprises an expense of £23,256 (2021: expense of £21,808) in respect of Performance Share Plan awards, an expense of £2,454 (2021: income of £105) in respect of share option awards and £78 (2021: £nil) in respect of employee share 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. For the fair value pricing of performance share plans, the Group uses the share price on the date of grant of the options. For any options contingent on achieving targets linked to total shareholder returns, the fair value price on date of grant is adjusted to take account of the probability of achieving the performance targets.

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

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

The weighted average fair value of each share option granted during the year was 418.3p(2021: 317.5p). The weighted average fair value of each Performance Share Plan award granted during the year was 983.0p (2021: 862.3p).

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

Date from which exercisable	1 January 2022	Number of awards granted	Number of options lapsed	Number of awards exercised	31 December 2022	Market price at exercise £
8 April 2019 – 8 April 2026	19,183	16,430	(10,227)	(951)	24,435	8.27 – 10.63

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

Date from which exercisable	1 January 2022	Number of awards granted	Number of awards lapsed	Number of awards exercised	31 December 2022	Option price £	Market price at exercise £
1 December 2022 – 1 December 2025	2,859	23	(718)	(21)	2,143	6.54 – 13.31	8.62 – 10.10

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

The total number of options and Performance Share Plan awards, as are charged to the Company, outstanding is 24,435 (2021: 19,183) of which 2,072 are exercisable (2021: 363). The total number of SAYE options outstanding is 2,143 (2021: 2,859).

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.

9. Tax expense/(credit)

The Company is subject to enacted laws in the UK. The amounts expensed/(credited) to the statement of profit or loss comprise the following:

	2022 £000	2021 £000
Expense/(Credit) for the year	200	(87)
Adjustments in respect of prior years	187	(2)
Total current tax Expense/(Credit)	**387**	**(89)**
Expense for the year	11	1
Adjustments in respect of prior years	-	1
Effect of rate change	3	(4)
Total deferred tax Expense/(Credit)	**14**	**(2)**
Total tax Expense/(Credit)	**401**	**(91)**

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

	2022 £000	2021 £000
Profit/(Loss) before tax	975	(471)
Tax calculated at the standard corporation tax rate applicable in the UK of 19%	185	(89)
Effects of:		
Expenses not deductible for tax purposes	26	4
Change in deferred tax rate	3	(4)
Prior year tax adjustment	187	(2)
Tax Expense/(Credit) for the year	**401**	**(91)**

Factors affecting tax charges in future years
An increase to the UK corporate tax rate to 25% from 1 April 2023 was substantively enacted on 24 May 2021. This will have a consequential effect on the company's future tax charge and deferred tax assets in relation to the UK have increased by £3k.

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

10. Deferred tax

	2022 £000	2021 £000
Deferred tax assets	-	16
Deferred tax liabilities	2	-
Total net deferred tax asset	2	16
At 1 January:	16	14
statement of profit or loss and other comprehensive income (charge)/credit	(14)	2
Transfer to current tax	-	-
Balance at 31 December	2	16

NOTES TO THE FINANCIAL STATEMENTS *continued*

10. Deferred tax *continued*

Deferred tax assets analysed by Balance Sheet headings

At 31 December:		
Provisions	2	16
Tax losses	-	-
Total deferred tax asset	2	16

11. Financial assets at amortised cost

	2022 £000	2021 £000
Due from contract holders, brokers, agents and intermediaries	11,295	11,304
Amounts due from Group undertakings	8,439	10,353
Other debtors	485	85
Total financial assets at amortised cost	20,219	21,742

	2022 £000	2021 £000
The amounts expected to be recovered before and after one year, are estimated as follows:-		
Within one year	7,683	8,262
After one year	12,536	13,480
Total financial assets at amortised cost	20,219	21,742

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

12. Cash and cash equivalents

	2022 £000	2021 £000
Cash and cash equivalents	6,897	9,683

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

13. Share capital

	2022 Number of shares	£	2021 Number of shares	£
Called up, allotted and fully paid shares of £1 each				
Ordinary A shares of £1 each	60	60	60	60
Ordinary B shares of £1 each	40	40	40	40
Total shares	100	100	100	100

The Ordinary A shares and Ordinary B shares rank pari passu.

14. Capital contribution

No capital contributions were made during the year (2021: nil) by the Company's parent Hiscox plc.

15. Financial liabilities at amortised cost

	2022 £000	2021 £000
Creditors arising out of insurance operations	13,909	14,433
Amounts due to Group undertakings	7,539	12,840
Accruals and deferred income	2,232	2,105
Other creditors	178	168
Withheld commission	37	75
Total liabilities at amortised cost	23,895	29,621

	2022 £000	2021 £000
The amounts expected to be settled before and after one year, are estimated as follows:-		
Within one year	9,080	11,256
After one year	14,815	18,365
Total liabilities at amortised cost	23,895	29,621

Amounts due to Group undertakings are payable on demand, however, reimbursement has not been sought.

16. Discontinued operations

16.1 Description

During 2020, the Company disposed of the Marine business and the associated intangible assets, with effective date of 31 December 2020. This was a transfer of renewal rights for the Year of Account 2021 and onwards, no financial assets or liabilities were transferred. The amounts due relating this this transactions are due over a 3 year period. Hiscox MGA Ltd has continued to manage the run-off for Year of Account 2020 and prior.

16.2 Financial Assets held at fair value through Profit and Loss

	2022 £000	2021 £000
Contingent Consideration	460	810
Total	460	810

	2022 £000	2021 £000
The amounts expected to be settled before and after one year, are estimated as follows:-		
Within one year	207	485
After one year	253	325
Financial assets held at fair value through profit and loss	460	810

Amounts due above relate to the sale of the Marine business in 2020, due over a 3 year period. The value of the total contingent consideration from the sale of Marine business has not changed since last year (2021 : impaired by £984,000) and is expected to settle by the end of 2023.

17. Ultimate holding company

The Company is a subsidiary undertaking of Hiscox plc, United Kingdom.

The smallest and largest group in which the results of the Company are consolidated is that headed by Hiscox Limited, Bermuda. No other group financial statements include the results of the Company. The consolidated financial statements of Hiscox Limited 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*

18. Related party transactions

The Company is part of the Hiscox Group and is charged for a number of expenses incurred on its behalf by fellow Companies within the Group. All intragroup transactions involving the Company are made on an arm's length basis.

18.1 Transactions with the immediate and ultimate parent company

	2022		2021	
	Expenses £000	Payable £000	Expenses £000	Payable £000
Hiscox Ltd	(26)	(229)	(22)	(203)
Hiscox plc	(84)	(194)	(95)	(4,291)

The Company is charged by its ultimate parent, Hiscox Limited, for services from employees as consideration for equity instruments (options) of the ultimate holding company.

18.2 Transactions with associated companies

	2022		2021	
	(Expenses) £000	Receivable £000	(Expenses) £000	Receivable £000
Associated companies	(12)	1,897	(817)	1,253

Transactions with associated companies includes expenses recharged by Hiscox Underwriting Group Services Limited, the UK employment service company which employs all UK Hiscox Group staff. Total recharges from Hiscox Underwriting Group Services Limited during the year were £519k (2021: £1.3m) relating to day to day operational expenses.

The Company received commission income from Hiscox managed Syndicate 33 of £102k in 2022 (2021: £584k).