Helios Underwriting plc
40 Gracechurch Street
London
EC3V 0BT

Helios Underwriting plc Annual report and financial statements 2018

Growth and returns from exposure to the Lloyd's market

Helios Underwriting plc
Annual report and financial statements 2018

HELIOS UNDERWRITING

Generating value from consolidation at Lloyd's

The vision

To grow our capacity fund

- Building stakes in the "best at Lloyd's"
- Continued participation on the better managed syndicates
- Continued outperformance of the Fund against Lloyd's market

The opportunity

- To be a consolidator of private capital at Lloyd's
- To have first mover advantage
- Ability to buy assets at below market value

Visit our investor website at **www.huwplc.com** for the latest Company news and announcements.

REGISTERED OFFICERS AND ADVISERS

Directors
Harold Michael Clunie Cunningham (Non-executive Chairman)
Nigel John Hanbury (Chief Executive)
Jeremy Richard Holt Evans (Non-executive Director)
Andrew Hildred Christie (Non-executive Director)
Arthur Roger Manners (Finance Director)
Edward Fitzalan-Howard (Non-executive Director)

Company secretary
Martha Bruce
Bruce Wallace Associates Limited
118 Pall Mall
London SW1Y 5ED

Company number
05892671

Registered office
40 Gracechurch Street
London EC3V 0BT

Statutory auditors
PKF Littlejohn LLP
1 Westferry Circus
Canary Wharf
London E14 4HD

Lloyd's members' agent
Hampden Agencies Limited
40 Gracechurch Street
London EC3V 0BT

Registrars
Neville Registrars Limited
Neville House
Steelpark Road
Halesowen B62 8HD

Nominated adviser and broker
Shore Capital and Corporate Limited
Bond Street House
14 Clifford Street
London W15 4JU

Public Relations Company
Buchanan Communications Limited
107 Cheapside
London EC2V 6DN

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Delivering on our strategy

Highlights

- 32% increase in the capacity portfolio from the six acquisitions of year 2018 and a further acquisition in year 2019 to date.
- Profit/(loss) before impairments and tax for the year of £608,000 (2017: £(406,000))
- Basic earnings/(loss) per share of 3.14p (2017: (4.75p))
- Helios retained capacity for 2019 open underwriting year of £15.8m (2018 year of account: £12.3m)
- 2016 underwriting year of account profit return on capacity of 8.6% (2015 underwriting year: 12.9%)
- Recommended total dividend for this year of 3.0p per share (2017: 1.5p per share)
- Adjusted net asset value of £1.90 per share (2017: £1.60 per share)
- The catastrophe losses in 2018 of £5.2m were reduced by reinsurance to £1.3m
- Stop loss in 2019 continues to protect the downside

Profit/(loss) before impairments and tax (£'000)

608

2018	**608**
2017	(406)
2016	1,334

Adjusted net asset value per share – basic (£)

1.90

2018	**1.90**
2017	1.60
2016	2.01

Dividends (p)

3.0

2018	**3.0**
2017	1.5
2016	5.5

Growth in capacity (£m)

52.6

2019	**52.6**
2018	41.0
2017	32.6

Value of capacity fund (WAV) (£m)

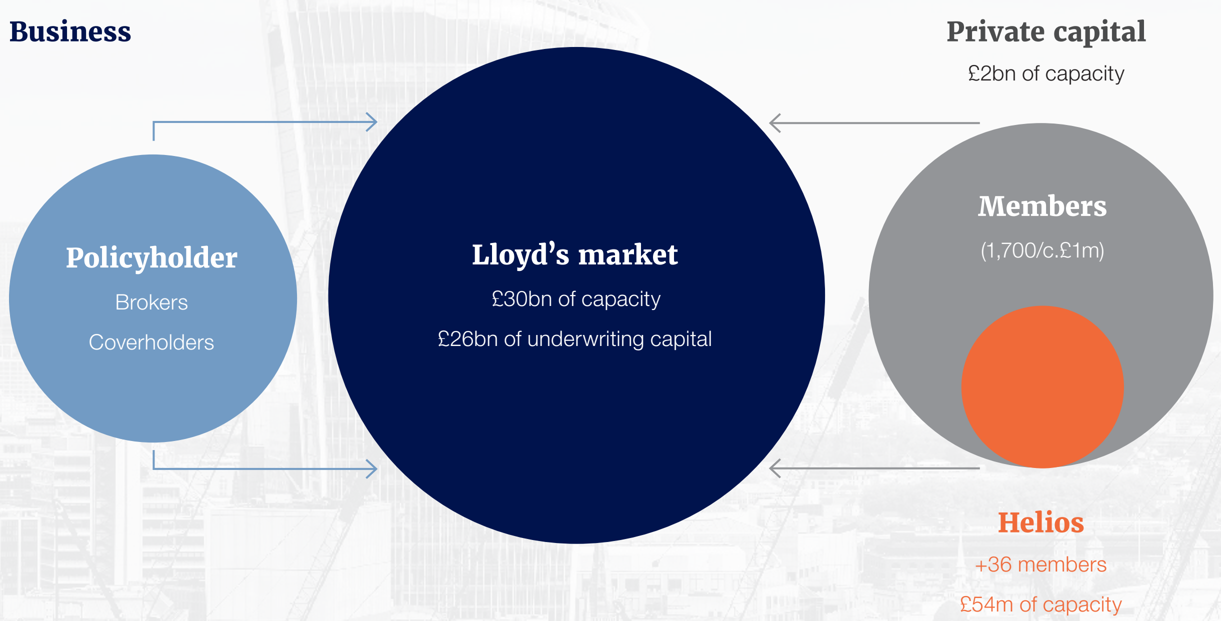
20.7

2018	**20.7**
2017	13.0
2016	14.9

AT A GLANCE

Window of opportunity in evolution of private capital at Lloyd's

Building a fund of capacity of leading syndicates at Lloyd's



- Helios is the only quoted professional corporate purchaser acquiring capacity from exiting names
- Limited window of opportunity
- Remaining members comprise £2bn of Lloyd's capacity
- Returns on average 5.4% better than the Lloyd's market over the last five years
- Significant barriers to entry for prospective competitors
- Unrivalled senior management contacts and experience

Market conditions

- 2017 and 2018 losses a reminder of potential downside
- Unprofitable lines of business at syndicate level subject to intense scrutiny from the Franchise Board at Lloyd's
- US$ exposure remain attractive
- Inheritance tax relief still important

Structural changes at Lloyd's

- Tier 1/2 capital rules
- Limited new opportunities for new syndicates reinforcing demand for existing capacity
- Lloyd's prospectus published 1 May 2019 – a positive step
- Increased pace of recovery in premium rates

The market backdrop

Favourable to our unique business model

Premium rates have partially recovered from five-year lows

Change of sentiment for owners of smaller LLVs

Bulk of this capacity will be available to buy over the next five years

Good flow of vehicles for sale

Helios summary profits

	2018 £'000	2017 £'000
Underwriting profits	**783**	183
Total other income	**1,879**	1,278
Total costs	**(2,054)**	(1,867)
Profit/(loss) before impairments and tax for the year	**608**	(406)
Profit/(loss) before tax	**327**	(1,305)
Earnings/(loss) per share –		
Basic	**3.14p**	(4.75)p
Diluted	**3.03p**	(4.75)p

Read more on page 14

Helios Capacity Fund

	Year of account			
Capacity acquired	2016	2017	2018	**2019**
Capacity at start of underwriting year – £m	28.1	32.6	41.0	**52.6**
% capacity retained at outset	30%	30%	30%	**30%**
Helios retained at inception	8.4	9.8	12.3	**15.8**
Acquired in year 1 – £m	5.6	4.4	14.7	**1.1**
Acquired in year 2 – £m	4.2	16.1	1.2	**–**
Acquired in year 3 – £m	16.1	1.2	–	**–**
Current capacity (including post balance sheet acquisitions of subsidiaries) – £m	53.9	54.3	56.9	**53.7**
Helios retained capacity at closure/current	34.0	28.9	18.7	**16.1**
Proportion retained – %	63%	53%	33%	**30%**

CHAIRMAN'S STATEMENT

Continuing to build portfolio of capacity

Pace of acquisition activity stepped up in 2018

Michael Cunningham
Non-executive Chairman

These results demonstrate the continued progress of our strategy.

Summary

- Profit before tax and impairments of £608,000 (2017 loss: £406,000)
- Adjusted net asset value at £1.90 per share (2017: £1.60)
- Seven acquisitions added £15.9m to the capacity fund for the 2018 underwriting year – 37% increase
- The value of the fund increased adding 24p per share to the adjusted net asset value
- The underwriting result impacted by the catastrophe losses in 2018
- Acquiring net assets of the subsidiaries acquired during the year 2017 as a gain on bargain purchases, at below their fair value, contributed £1.2m to operating profits
- 3p per share total dividend payable (2017: 1.5p)

Your Board announces the results for 2018 which demonstrated the continued progress of the Group's strategy. The pace of the acquisition activity stepped up in 2018 as the sentiment of the owners of Limited Liability Vehicles ("LLVs") was affected by the underwriting losses arising from natural catastrophes that occurred in 2017 and 2018. The profit before impairment for the year is £608,000 (2017 loss: £406,000), whilst the adjusted net asset value of the Group is £1.90 per share (2017: £1.60).

Again the full impact of the catastrophe losses on the Helios portfolio of £5.2m (2017: £5.8m) was mitigated by the use of quota share and stop loss reinsurance reducing the net loss for 2018 to £1.3m (2017: £1.3m).

Underwriting profits from the two older underwriting years, the "off-risk" years, made a good contribution but the 2018 underwriting year in its first 12 months recognised a significant loss following the series of natural catastrophes in the second half of 2018.

Other income arising from fees from reinsurers, recoveries from reinsurance policies and investment income have contributed to this year's results. Total costs of £2.0m included the expenditure on protecting the portfolio using stop loss reinsurance.

Strategy
The building of a portfolio of participations on leading Lloyd's syndicates remains the strategic objective of the Group. During 2018 the key developments were:

- building the portfolio of capacity to £54m for 2019 by acquiring six new subsidiaries in year 2018 and a further one LLV to date;
- maintaining the quality of the portfolio and the outperformance of the underwriting results average against the Lloyd's market as a whole; and
- continuing to use quota share reinsurance to reduce the risk from underwriting and to assist in the financing of the underwriting capital of the portfolio.

Capacity acquired
During 2018 a further six corporate members were acquired and a single LLV has been bought to date in 2019. The increase in the capacity for the 2016 to 2018 years of account is shown below.

	Year of account – £m		
	2016	2017	2018
Capacity at 1 January 2018	37.8	37.0	41.0
Acquired during 2018	16.1	16.1	14.7
Acquired in 2019 to date	1.1	1.2	1.2
Current capacity – to date	55.0	54.3	56.9
% increase	45%	47%	39%

The six acquisitions in 2018 were purchased for a total consideration of £12m, of which £4.3m was attributed to the value of capacity acquired. Since the beginning of 2019 the number of LLVs available for sale has increased as the effect of the losses in 2017 and 2018 feeds through to the necessary funding of losses by owners of LLVs.

With prospective 2017 and 2018 underwriting year losses, there is the prospect of acquiring further LLVs in the future at lower prices. We will continue to build on the quality of the capacity portfolio as it is essential to acquire and retain the participations on the better managed syndicates.

Adjusted net asset value per share

	2018 £'000	2017 £'000
Net assets less intangible assets	**4,994**	8,835
Group letters of credit	**1,744**	1,532
Fair value of capacity (NAV)	**20,638**	13,046
	27,376	23,412
Shares in issue (Note 21)	**14,441**	14,604
Adjusted net asset value per share (£)	**1.90**	1.60

The adjusted net asset value has increased by 19% as the value of capacity has increased and reflects the assets acquired below fair value. The value of capacity is subject to fluctuation and reflects the activity in the capacity actions held in the autumn of each year.

Dividend
The Board recommends a final dividend of 1.5p per share together with a special dividend of 1.5p per share, making a total of 3p per share (2017: final dividend of 1.5p). This dividend will be payable to shareholders on the register on 19 July 2019. If approved, the dividend will be paid in a single payment on 31 July 2019. The Board considers that the dividend policy should reflect the growth in the adjusted net asset value of the Group and the available cash resources depending on the opportunity to make acquisitions at favourable prices.

Outlook
Our strategy to build a fund of capacity on quality syndicates at Lloyd's continues to develop with the growth of the capacity portfolio by 32% in the year 2018.

The 2018 underwriting year was affected by the second year of catastrophe claims above the Lloyd's market long-term average. The losses in the year affected both the 2017 and 2018 underwriting years and have been fully recognised in these accounts so any improvement in the next two years will contribute to earnings. In addition firmer market conditions should be reflected in the underwriting returns in the future.

The strategy of building a capacity portfolio of the better available syndicates at Lloyd's should allow Helios to maintain its outperformance of returns on capacity against the Lloyd's market. The recent soft underwriting conditions will distinguish the better managed syndicates which will deliver top quartile performance within the Lloyd's market which will reinforce the demand for these syndicates and assist in the recovery of the auction values. We anticipate more opportunities to acquire LLVs at attractive prices.

Board
The 2018 underwriting year has again proved our strategy of reducing risk while producing additional underwriting capital to pursue acquisitions. I am pleased to say that we have proved to be successful in insulating the Company from severe losses. The Executive team is to be congratulated on achieving an excellent result in the circumstances.

Michael Cunningham
Non-executive Chairman
30 May 2019

CHIEF EXECUTIVE'S REVIEW

Attractive growth opportunities

Strategy creating value for shareholders

Nigel Hanbury
Chief Executive

Summary

- Adjusted net asset value at £1.90 per share (2017: £1.60), a 19% increase
- 32% increase in the capacity portfolio from acquisitions of year 2018
- Negative goodwill of £1.2m contributing to shareholder value
- 3.0p per share total dividend payable (2017: 1.5p)

The value of our capacity portfolio has increased to £21m, adding 24p to adjusted NAV.

Highlights

- The strategy of building a quality portfolio of syndicate capacity continues successfully as the portfolio increased from £41m to £54m – a 32% increase.
- Quota share reinsurance has provided finance for acquisitions and has mitigated the loss from catastrophe losses in 2017 and 2018.
- The value of the capacity portfolio has increased to £21m (2017: £13.0m) adding 24p to the adjusted net asset value.
- Helios' portfolio underwriting results for 2016 underwriting year outperformed Lloyd's return on capacity by a record 11.6% demonstrating the quality of the portfolio.
- Market conditions for underwriting continue to improve following 2017 and 2018 catastrophe losses.
- With the prospect of improving underwriting returns, together with the opportunity to continue to build the capacity portfolio, Helios is well placed to deliver value to shareholders in the future.

Building the capacity fund

The pace of building a portfolio of underwriting capacity at Lloyd's was stepped up in 2018 through the purchase of a further six corporate members. The flow of vehicles for sale increased as existing owners wish to cease underwriting due to a change of circumstances and as the impact from 2017 and 2018 losses started to be felt. During 2018 £14.7m (2017: £4.4m) of capacity was added. Already we have seen that the number of LLVs that are marketed for sale in 2019 has increased as the prospective 2017 and 2018 losses impact the owners of the LLVs. The assets were acquired at below fair value creating negative goodwill of £1.2m. Given the flow of LLVs for sale at the current time, the level of discount to current values should be able to be maintained.

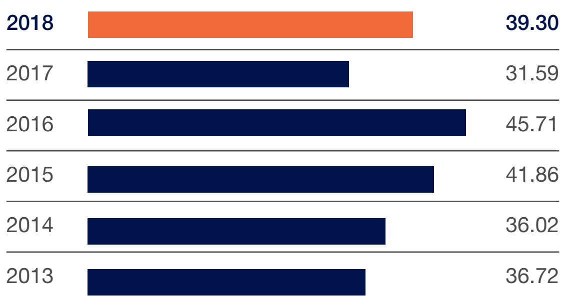
There remains a risk to the implementation of our strategy if suitable vehicles are not available at attractive prices.

Summary of acquisitions

	Cash consideration £m	Capacity £m	Humphrey value £m	Discount to Humphrey
Fyshe Underwriting LLP	0.1	0.5	0.1	40%
Nomina No 505 LLP	0.3	0.9	0.4	14%
Llewellyn House Underwriting Ltd	0.4	0.5	0.5	8%
Advantage DCP Limited	1.9	2.3	2.6	31%
Nomina No 321 LLP	0.1	0.4	0.1	—
Romsey Underwriting	9.4	10.0	10.4	10%
Total in 2018	**12.2**	**14.7**	**14.1**	**14%**

Value per £ of capacity (p)

39.30



Capacity value

The value of the portfolio of the syndicate capacity remains the major asset of the Group and an important factor in delivering overall returns to shareholders. The adjusted net asset value ("ANAV"), being the value of the net tangible assets of the Group, together with the current value of the portfolio capacity, is a key management metric in determining growth in value to shareholders.

The Board recognises that the average prices derived from the annual capacity auctions managed by the Corporation of Lloyd's could be subject to material change if the level of demand for syndicate capacity reduces or if the supply of capacity for sale should increase. In 2018, the average prices of capacity traded in the capacity auctions recovered to an average of 39p per £ of capacity.

Together with the capacity acquired with LLVs, the total value of the fund is now £20.7m as at 31 December 2018 (2017: £13.0m). The movement in the capacity and its value is as follows:

	2018 Capacity £m	2018 Fair value (WAV) £m
At 1 January	**41.0**	**13.1**
Capacity acquired with LLVs	**14.7**	**4.3**
Other capacity movements/change in value	**(3.1)**	**3.3**
At 31 December	**52.6**	**20.7**

As syndicate profitability resumes, the Board expects the projected cash flows will lead to higher valuations for capacity by stimulating the demand in the capacity auctions as some owners of the LLVs will wish to reinvest cash generated within the LLV in auction purchases.

We will continue to invest in the better managed syndicates at Lloyd's, to provide the outperformance of returns that justify the capacity values.

The accounting policy requires an assessment of the carrying value of each syndicate participation against the latest average auction prices. The impairment charge for this year of £281,000 (2017: £899,000) results in a reduction in the fair value of the syndicate capacity held on the balance sheet.

These movements in the carrying value of capacity have no impact on cash flow.

Underwriting result

The calendar year underwriting profit from the Helios retained capacity for 2018 has been generated from results recognised in the portfolio from the 2016 to 2018 underwriting years as follows:

Underwriting year contribution

Underwriting year	2018 £'000	2017 £'000
2015	**—**	1,295
2016	**1,580**	740
2017	**912**	(1,851)
2018	**(1,709)**	—
	783	184

During 2018, the 2016 underwriting year midpoint estimate increased from 5.0% return on capacity to a final result of 8.6%. The overall return on capacity for 2016 benefited from the below average loss activity. The midpoint estimate for the 2017 underwriting year at 31 December 2018 was a loss of 8.6% (2017: (9.0%)). The expected improvement in the midpoint estimate for 2017 was impacted by the 2018 losses as this underwriting year had some exposure to those events and by the deterioration of syndicate estimates of potential losses. Nevertheless, we would expect the 2017 underwriting year forecast to improve over the next 12 months to make a contribution to 2019 calendar year underwriting profits.

The level of major claims for the whole of Lloyd's during 2018 at £2.9bn (2017: £4.6bn) was the second consecutive year of major claims and was £1bn higher than the long-term average. These losses were incurred from smaller events – termed "secondary" perils rather than losses from larger primary perils. Consequently, the 2018 underwriting year result in the first 12 months retained by Helios made a significant negative contribution mainly arising from this attritional claims experience. The 2018 result at 12 months represents a loss of 8% (2017: 15%) on the retained capacity but we expect profits earned after January 2019 to reduce the 2018 underwriting year loss substantially.

Following the recent receipt of the first estimates of the 2018 year of account we are pleased that the Helios midpoint loss of 3.5% is outperforming Lloyd's by 40 basis points.

The underwriting environment is continuing to improve in 2019 following two years of significant losses within most classes of business.

Other income

Helios generates additional income at Group level from the following:

	2018 £'000	2017 £'000
Fees from reinsurers	**575**	426
Corporate reinsurance recoveries	**366**	629
Gain on bargain purchases	**1,184**	65
Investment income	**(246)**	158
Total other income	**1,879**	1,278

Fees from reinsurers continue to increase as the portfolio grows while the profit commission will reduce with two underwriting years now currently forecast to be loss making.

CHIEF EXECUTIVE'S REVIEW *CONTINUED*

Other income *continued*

The Group has reinsurance policies at member level where any expected underwriting year losses can be recovered up to the level of indemnity for the member. For the 2017 and 2018 years of account, an assessment has been made of the likely year of account loss and a potential reinsurance recovery of £1m has been made.

During the year the six acquisitions were acquired for a total consideration of £12.2m, a discount of 14% to the Humphrey valuations which generated negative goodwill of £1.2m in the year.

The Group Funds at Lloyd's are now invested in cash to reduce volatility.

Total costs

The costs of the Group comprise the operating expenses and the cost of the stop loss protection bought to mitigate the downside from large underwriting losses.

	2018 £'000	2017 £'000
Pre-acquisition	**56**	(38)
Stop loss costs	**296**	259
Operating costs	**1,702**	1,646
Total costs	**2,054**	1,867

Quality of portfolio

We continue to focus ruthlessly on the quality syndicates. In order to maintain the quality we strive to acquire LLVs with portfolios that comprise quality syndicates, thereby having to pay the average auction prices. Participations on weaker syndicates in acquired portfolios are sold to maintain the overall quality. The six largest participations with the leading managing agents at Lloyd's account for 77% of the portfolio. These participations in syndicates managed by these managing agents represent shares in the better managed businesses at Lloyd's.

The underwriting results of the Helios portfolio have on average outperformed the Lloyd's market average. Helios' average return on capacity over the last three closed years is 13.1% and is on average 8.5% higher than the average of the Lloyd's market. This material outperformance cannot be expected to be maintained.

The combined ratio of the portfolio (before Helios corporate costs) has been 5.5% lower than the Lloyd's market on average over the last three calendar years. These incremental returns demonstrate the diversity and breadth of underwriting expertise within the businesses comprising the portfolio of syndicate capacity.

Syndicate	Managing agent	Capacity £'000	Total
510	Tokio Marine Kiln Syndicates Ltd	9,352	17%
623	Beazley Furlonge Limited	8,037	15%
33	Hiscox Syndicates Limited	6,686	12%
2791	Managing Agency Partners Limited	5,254	9%
609	Atrium Underwriters Limited	4,778	8%
218	ERS Syndicate Management Ltd	4,368	8%
6117	Argo Managing Agency Limited	2,905	5%
Subtotal		**41,381**	**77%**
Other		**12,283**	**22%**
Total (includes the post balance sheet acquisition)		**53,664**	**100%**

Reinsurance quota share

The use of quota share reinsurance to provide access to the Lloyd's underwriting exposures for reinsurers and private capital has been expanded. The core of the panel of reinsurers remains XL Group plc and Everest Reinsurance Bermuda Limited.

This reinsurance reduces the exposure of the portfolio and assists in the financing of the underwriting capital. Helios will seek to reinsure a significant proportion of the capacity at the start of the underwriting year to mitigate the open-year underwriting exposures. For corporate members acquired during the year, a proportion of the "on-risk" capacity will be ceded to reinsurers whilst the capacity on older years will be retained 100% by Helios. Therefore, the proportion of the overall capacity that Helios retains is expected to rise as further corporate members are acquired in the future. The profits earned after the company has been acquired will be recognised by Helios.

The table shows that the Helios retained capacity increases significantly in years 2 and 3 as further LLVs are acquired and the older years are not reinsured. Capacity on underwriting years after 18 months of development is substantially "off risk" as the underlying insurance contracts have mostly expired. Further capacity was ceded to quota share reinsurers in 2018 from the capacity acquired during the year as the reinsurers provided their share of the necessary underwriting capital immediately; this assisted in the funding of the acquisitions made.

The profits from the capacity on the older years are retained 100% by Helios.

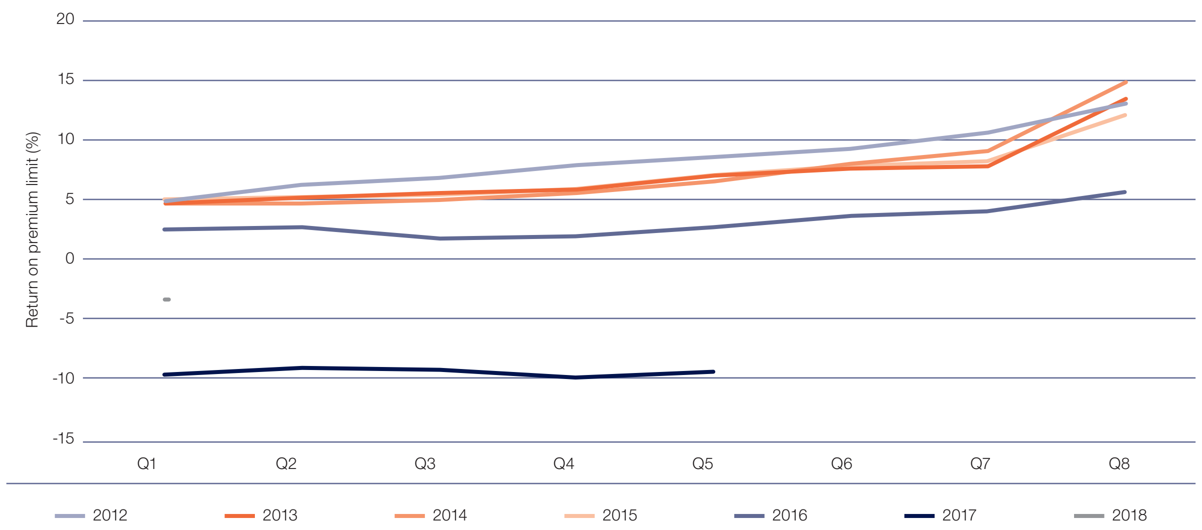
	Year of account – £m			
	2016	2017	2018	**2019**
Helios capacity at outset	8.4	9.9	12.3	**15.8**
Retained capacity in year 1	2.4	1.8	6.0	**0.3**
Retained capacity in years 2 and 3	23.1	17.3	0.4	**—**
Helios retained capacity	34.0	28.9	18.7	**16.1**
% of off-risk capacity				
Ceded capacity at outset	19.7	22.8	28.7	**36.8**
Further capacity ceded to QS	0.2	2.6	9.5	**0.7**
Total capacity ceded	19.9	25.4	38.2	**37.6**
Current total capacity	53.9	54.3	56.9	**53.7**
Helios share of total capacity	63%	53%	33%	**30%**

Development of profit estimates

As Helios has no active involvement in the underwriting or management of the syndicates in which it participates, it relies on information on forecast profitability of the portfolio that is released on a quarterly basis by the managing agents of the syndicates. The managing agents have traditionally been conservative in the estimation of the profitability of a year of account, waiting until the development of the underlying reserves for the claims can be assessed with greater certainty.

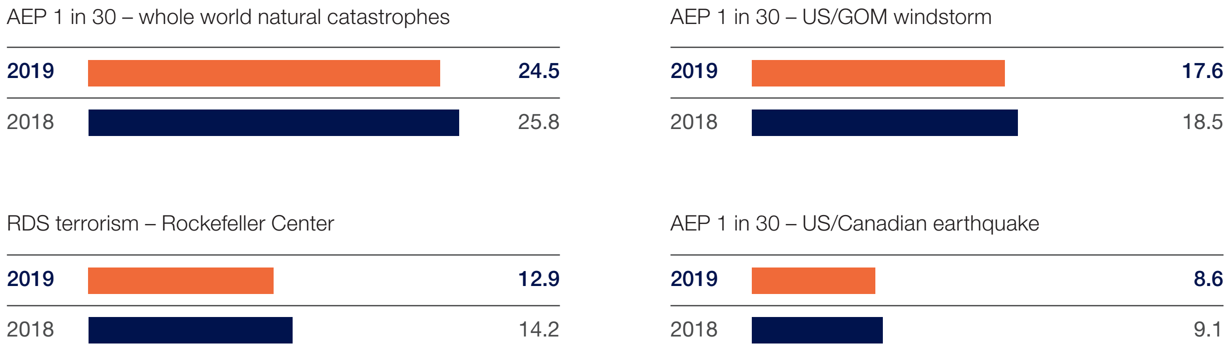
The capacity acquired on the "off-risk" years that is retained 100% by Helios contributes a significant part of the profits of the Group. The chart below indicates that a significant proportion of the improvement in the estimates of profitability of syndicates are declared by the managing agents in the last 12 months to the close of an underwriting year.

HUW's aggregate current and historical quarterly progression of midpoint estimates (%)



CHIEF EXECUTIVE'S REVIEW *CONTINUED*

Catastrophe risk scenarios ("CRS") – net of reinsurance (%)



Risk management

Helios continues to ensure that the portfolio is well diversified across classes of businesses and managing agents at Lloyd's.

The purchase of quota share reinsurance cedes 70% of the risk on the younger or "on-risk" years, which has remained consistent for the last three years.

Following the 2018 and 2017 losses there has been a change in pricing for most classes of business and the rate change data published shows increases on average of 5%.

The biggest single risk faced by insurers arises from the possibility of mispricing insurance on a large scale. This is mitigated by the diversification of the syndicate portfolio and by the depth of management experience within the syndicates that Helios supports. These management teams have weathered multiple market cycles and the risk management skills employed should reduce the possibility of substantial under-reserving of previous-year underwriting.

We assess the downside risk in the event of a major loss through the monitoring of the aggregate net losses estimated by managing agents to the catastrophe risk scenarios ("CRS") prescribed by Lloyd's.

The individual syndicate net exposures will depend on the business underwritten during the year and the reinsurance protections purchased at syndicate level.

The aggregate exceedance probability ("AEP") assesses the potential impact on balance sheet across the portfolio from either single or multiple large losses with a probability of occurring greater than once in a 30-year period.

In addition, Helios buys stop loss reinsurance that will mitigate the impact of a significant loss to the portfolio.

For 2018, the scope of the stop loss cover has been rationalised and terms have been included which will assist in funding a large loss.

Capital position

The underwriting capital for the Helios portfolio is supplied as follows:

Underwriting capital as at 31 December	2018 £m	2017 £m
Reinsurance panel	24.5	15.7
Helios own funds	8.3	10.5
Group letters of credit	2.2	2.1
Total	**35.0**	28.3

Helios has generated free cash of £1.6m in 2018 (2017: £1m) from the distribution of its share of the final underwriting profits of the 2015 underwriting year.

Corporate, social and environmental responsibility

Helios aims to meet its expectations of its shareholders and other stakeholders in recognising, measuring and managing the impacts of its business activities.

As Helios manages a portfolio of Lloyd's syndicate capacity, it has no direct responsibility for the management of those businesses. Each managing agent has responsibility for the management of those businesses, their staff and employment policies and the environmental impact.

Therefore, the Board does not consider it appropriate to monitor or report any performance indicators in relation to corporate, social or environmental matters.

Nigel Hanbury
Chief Executive
30 May 2019

LLOYD'S ADVISERS' REPORT – HAMPDEN AGENCIES

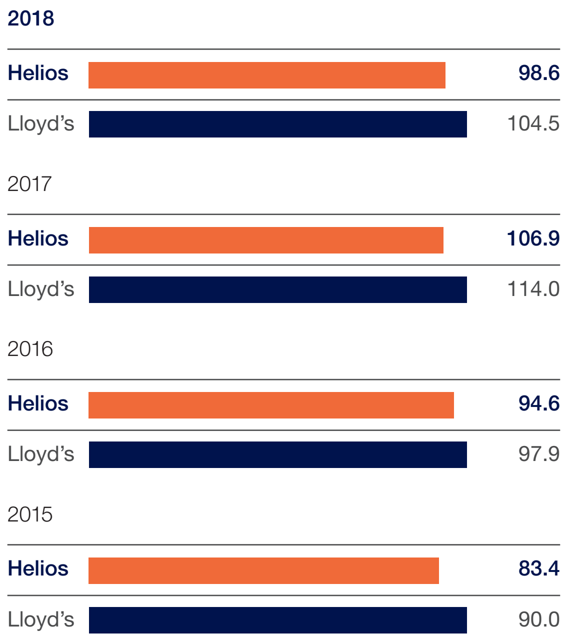
Helios continues to outperform Lloyd's with combined ratio of 98.6% in 2018

Insurance rate rises moving faster than reinsurance

The quality of the Helios portfolio syndicates was again demonstrated in 2018 with Helios reporting a combined ratio of 98.6% (2017: 106.9%) despite global insured losses from natural catastrophes being the fourth highest on record at $76bn according to Swiss Re. Helios' calendar year combined ratio (before corporate costs) in 2018 outperformed the Lloyd's combined ratio which was 104.5% in 2018 (2017: 114.0%).

Over the last four calendar years, the average combined ratio of the Helios portfolio was 95.9%, outperforming Lloyd's by 5.7 percentage points a year. The chart below shows the combined ratio of the Helios portfolio compared with Lloyd's from 2015 to 2018.

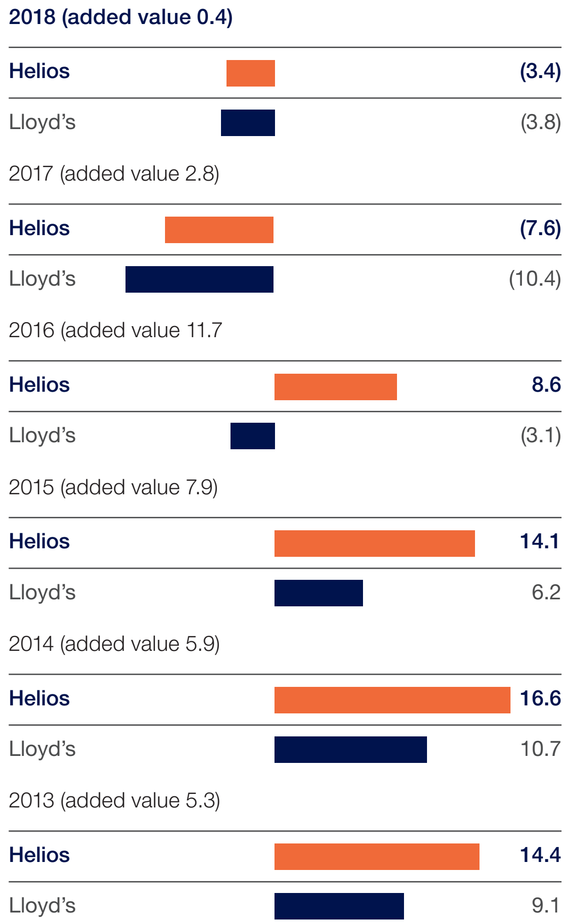
Helios combined ratio compared with Lloyd's: 2015–2018 (%)



With the closure of the 2016 account at 31 December 2018 the Helios portfolio has outperformed Lloyd's for the eighth successive three-year account result, reporting a profit of 8.6% on capacity compared with the Lloyd's market average result which was a loss of 2.9% on capacity. Lloyd's syndicate returns are highly dispersed with this dispersion increasing in the more difficult trading environment of 2016.

The chart below shows the return on capacity of the Helios portfolio compared with Lloyd's for the last four closed years from 2013 to 2016 and includes the open year estimates for 2017 and 2018 as at the end of Q1 2019. The open year estimates include the recent acquisition in 2019 of Nameco 409. For the 2017 account the estimate for the Helios portfolio is a midpoint 8.9% loss on capacity at Q9 (Lloyd's average is a loss of 10.4%) and for the 2018 account the estimate is a midpoint 3.5% loss on capacity at Q5 (Lloyd's average is a loss of 3.8%).

Helios return on capacity compared with Lloyd's: 2013–2016 and 2017/18 (est. at 2019 Q1)



LLOYD'S ADVISERS' REPORT – HAMPDEN AGENCIES *CONTINUED*

$76bn insured losses from natural catastrophes in 2018 were the fourth highest one-year total

The combined insurance losses from natural catastrophes in 2017 and 2018 were $219bn, the highest ever for a two-year period, according to Swiss Re Sigma. Unlike 2017, which was affected by three major natural catastrophe events, Hurricanes Harvey, Irma and Maria, 2018 was affected by the frequency of smaller and mid-sized events. The single largest insurance loss event of 2018 was the camp fire in California ($12bn), while the US was also affected by Hurricane Florence in September ($5.5bn) and Hurricane Michael in October ($11bn). Typhoon Jebi was the strongest typhoon to hit Japan in September 2018 since 1993 and, together with Typhoon Trami, caused insured losses of $12bn. A number of companies have announced deteriorations in their loss estimates from Jebi in Q1 2019.

In every ten-year period from 1851 to 2010 there was at least one category three or worse hurricane which made landfall in the US in every decade. Unique to the ten-year period 2007 to 2016, loss activity from hurricanes was light with the lowest number of hurricanes at five in a decade and not one being category three or worse. The ten-year average of insured major losses between 2007 and 2016 was $46bn but this has now increased by 54% in the latest ten-year period to 2018 to $71bn a year using 2018 prices.

Capital flow into reinsurance pauses

In the benign period for major losses between 2007 and 2016, alternative capital from pension funds and other institutional investors flowed into the reinsurance market searching for yield in a low interest rate environment providing cost-effective risk transfer for insurers to collateralised structures such as collateralised reinsurance or catastrophe bonds. Over this period total alternative capital grew fourfold and its market share increased from 5.4% to 13.6% of global reinsurance capital according to Aon Benfield.

2017 was the first test of the alternative market which reloaded successfully and at Q3 2018 reached a new peak of $99bn before falling back to $97bn at year end 2018. However, JLT Re estimates that around 20% of this capital is trapped in loss reserves/buffers and therefore cannot be used as collateral for 2019 reinsurance programmes retrocession. The market has begun to see significant dislocation which we see as a positive for market conditions although the impact on the reinsurance market has been more muted. A key reason for reinsurance rates falling for five successive years between 2013 and 2017 was the growth of alternative capital which was up by 78% over this period. There is no doubt that alternative capital has suppressed reinsurance rate rises in 2018 and 2019 such that the reinsurance market has not reacted to major losses to the same extent as in previous cycles.

Supply of capital remains close to all-time highs

Global reinsurer capital reduced by 3% to $585bn at year end 2018 although the reduction would have been 9.3% if JLT's estimate of trapped capital is deducted from the $97bn alternative capital component. The US property/casualty industry policyholders' surplus reduced by just over 1% to $742.2bn at year end 2018, a decline of $8.5bn from $750.7bn a year earlier.

How Lloyd's is responding

Lloyd's Performance Management Directorate has responded to the deterioration in Lloyd's performance compared with its competitors in the period 2016 to 2018 by placing a renewed focus on profitability over growth in its approved syndicate business plans for the 2019 year. At the same time Lloyd's is increasing its focus on reducing acquisition costs and the fees and commissions charged by brokers.

Lloyd's acquisition costs and administrative expenses as a percentage of net premium reduced marginally in 2018 to 39.2% compared with 39.5% in 2017. Lloyd's recently launched a Prospectus that highlighted its ambition to reduce the costs of doing business at Lloyd's with the aim to cut acquisition and administrative costs for the most common risks from 30%–40% today to 10%–20%.

The attritional loss ratio which excludes major losses deteriorated from 53.3% in 2016 financial year to 57.6% in 2018. This increase in the attritional loss ratio highlights the need for continued increases in rates combined with ensuring that the terms and conditions of cover are not too broad.

Lloyd's Performance Management Director, Jon Hancock, recognises the need to "close the performance gap" between Lloyd's and its competitors. In order to address performance, Lloyd's has reduced the amount of premium income syndicates are permitted to write based on the business plan approvals for 2019 by around £3bn from £35.5bn of gross written premium in 2018. Every syndicate has been required to provide a remediation plan for the worst performing portfolios at syndicate level, called Decile 10, while Lloyd's has also highlighted the need to address poor performance in eight specific classes at market level.

The Decile 10 portfolios were self-certified where syndicates were required to identify the worst performing 10% of business written and without a credible remediation plan required to place the portfolio into run-off. The eight specific classes of business at market level included three in the marine sector, cargo, yachts and hull, and also overseas motor, power generation, non-US professional indemnity and two non-US property classes being property direct and facultative open market and binder business.

The psychology of industry participants

Our view is that the psychology of industry participants has always been an important component of the market cycle as trends are reinforced over time. The mood of the market is beginning to change as more brokers and buyers expect rate increases, making it easier for underwriters to charge price increases. The factors that have contributed to this change in mood include concerns about the adequacy of industry reserves for the most recent accident years, low investment returns and deteriorating underwriting results.

The need for increased rates at Lloyd's is highlighted by the fact that if prior year releases and major losses are excluded the Lloyd's combined ratio for 2018 improved to 96.4% from 98.6% in 2017, showing that without prior year releases Lloyd's has insufficient premium to pay claims in an average major loss year.

Broader industry pressures are evident with the rating agency A M Best suggesting that US property and casualty insurers' reserves are currently deficient. If this analysis is correct, reserve erosion will increase pressure for rates to increase particularly on US liability business.

Twice a year, Barclays Research conducts a survey of 50 interviews with large company corporate risk managers in the US in order to assess the directional trend in property and casualty insurance pricing. In its most recent survey taken in January 2019, 70% of buyers are expecting rate increases in the highest levels since mid-2013 and this compares with only 12% of buyers expecting rate increases two years ago.

Willingness to deploy capital is contributing to improved market conditions

The availability of capital remains ample to satisfy insurance and reinsurance demands. However, it is the willingness to deploy capital which is contributing to improved market conditions. AIG, for example, is making fundamental changes to its underwriting strategy for 2019 including reducing its property gross limits from $2.5bn to $750m along with reducing casualty gross limits from $250m to $100m.

The insurance market in 2019

We are increasingly encouraged that underwriting discipline is returning to the market following the softening market conditions in both reinsurance and insurance during the 2013 and 2017 period. While rate rises in 2019 continue to be modest they are compounding on rate rises experienced in 2018 and in insurance, in particular the excess and surplus lines market, which is so important to Lloyd's, there are signs that the pace of rate rises is accelerating.

Rate rises have been compounding since Q4 2017

Hampden's latest survey of rate changes in Lloyd's in the first quarter of 2019 shows rate increases in all major classes averaging 2.5%; the lowest average rate increase is in reinsurance at 1.4%.

In the US, using data from the Council of Insurance Agents and Brokers ("CIAB"), property and casualty insurance rates have now increased for six successive quarters to Q1 2019 following a period of rate reductions for 13 quarters from Q3 2014. The average rate increase across all lines of business and sizes of account accelerated to 3.5% in Q1 2019 (2.4% in Q4 2018) compared with only 0.3% in Q4 2017.

US property catastrophe rate increases in contrast slowed in January 2019 according to reinsurance broker Guy Carpenter to 2.6% compared with 8.1% in 2018. However, we expect higher rate increases in loss affected Florida renewals in June 2019 following two years of losses on Florida reinsurance business. The 1 April Japanese wind renewals, which were impacted by losses from Typhoons Jebi and Trami, were up by 15% to 25% according to Willis Re.

Insurance classes are currently more attractive than reinsurance

Currently, market conditions in most insurance classes are more attractive compared with reinsurance. This is reflected in the share of insurance business in the Helios portfolio for 2019 which has increased to 74.2% (72.3% for 2018) compared with only 25.8% for reinsurance business (27.7% in 2017), based on syndicate business plans.

The economy drives the property casualty insurance industry with net written premiums, a proxy for demand, tracking nominal GDP growth fairly well other than in "hard markets". Full year US real GDP growth was strong in 2018 at 3%. While one in four economists are forecasting a recession in 2019/2020, the average forecast of economists by Blue Chip Economic Indicators is for GDP growth of 2.3% for 2019. In the US net written premium growth for insurers accelerated to 10.8% in 2018 from 4.6% in 2017. The main driver was organic growth in underlying direct written premiums combined with what is likely a one-off change owing to a reduction in reinsurance ceded to US affiliates prompted by US tax reforms. The increase in net written premiums is further evidence of improving market conditions.

Low investment returns reinforce the need for underwriting discipline

Investment returns remain low measured by the yields on government bonds and therefore reinforces the need for underwriting discipline. The average yield of US p/c insurers' investments was 3.4% in 2018, which is still more than 1% point lower than before the financial crisis of 2007/2008. While the US Federal Reserve increased interest rates four times in 2018, the yield curve flattened which, in our view, benefits Lloyd's syndicates compared with competitors owing to the short duration of syndicates' bond portfolios while competitors typically have longer durations. Between January 2018 and April 2019 the US Treasury five-year yield reduced from 2.4% to 2.3% while the two-year Treasury increased from 2% to 2.3%.

A continued focus on quality

Our focus in this market remains on quality syndicates with key success characteristics being conservative reserving with a focus on profit rather than growth.

The Helios portfolio for 2019 continues to provide a good spread of business across managing agents and classes of business. For 2019 48% of the portfolio measured by capacity is on syndicates graded "AA" or "A" by Hampden with the second and third largest participations at 15.1% and 12.4% respectively being on Beazley Syndicate 623 and Hiscox Syndicate 33.

Lloyd's has had a tough two years in 2017 and 2018 but we at Hampden are encouraged by the reaction of the syndicates, Lloyd's and the wider insurance market. The Helios portfolio has a strong record of outperformance of Lloyd's overall and therefore should benefit in the current market as underperforming syndicates in Lloyd's not backed by Helios re-underwrite their books of business. This is not a "hard market" but the rating momentum, particularly in insurance classes, is greater than in 2018, which suggests to us that the improved rating environment is sustainable, improving underwriting prospects for 2019 and beyond.

Hampden Agencies
30 May 2019

SUMMARY FINANCIAL INFORMATION

The information set out below is a summary of the key items that the Board assesses in estimating the financial position of the Group. Given the Board has no active role in the management of the syndicates within the portfolio, the following approach is taken:

A) It relies on the quarterly syndicate forecasts to assess its share of the underlying profitability of the syndicates within the portfolio.

B) It calculates the amounts due to/from the quota share reinsurers in respect of their share of the profits/losses as well as fees and commissions due.

C) An adjustment is made to exclude pre-acquisition profits on companies bought in the year.

D) Costs relating to stop loss reinsurance and operating costs are deducted.

	Year to 31 December 2018 £'000	2017 £'000
Underwriting profit	**783**	183
Other income:		
– fees from reinsurers	**575**	426
– corporate reinsurance policies	**366**	629
– goodwill on bargain purchase	**1,184**	65
– investment income	**(246)**	158
Total other income	**1,879**	1,278
Costs:		
– pre-acquisition	**(56)**	38
– stop loss costs	**(296)**	(259)
– operating costs	**(1,702)**	(1,646)
Total costs	**(2,054)**	(1,867)
Operating profit/(loss) before impairments of goodwill and capacity	**608**	(406)
Impairment charge – capacity	**(281)**	(899)
Tax	**129**	611
Profit/(loss) for the year	**456**	(694)

Year to 31 December 2018

Underwriting year	Helios retained capacity at 31 December 2018 £m	Portfolio midpoint forecasts	Total profit/(loss) currently estimated £'000	% earned in the 2018 calendar year	Helios profits £'000
2016	**33.9**	**8.6%**	**2,915**	**54%**	**1,580**
2017	**28.2**	**(8.2%)**	**(2,312)**	**39%**	**912**
2018	**18.3**	**N/A**	**—**	**—**	**(1,709)**
					783

Year to 31 December 2017

Underwriting year	Helios retained capacity at 31 December 2017 £m	Portfolio midpoint forecasts	Total profit currently estimated £'000	% earned in the 2017 calendar year	Helios profits £'000
2015	19.7	12.9%	2,547	51%	1,295
2016	18.3	3.5%	641	116%	740
2017	12.0	N/A	—	—	(1,851)
					184

Summary balance sheet

See Note 28 for further information.

	2018 £'000	2017 £'000
Intangible assets	**16,051**	12,175
Funds at Lloyd's	**8,388**	10,489
Other cash	**9,717**	1,078
Other assets	**10,156**	6,669
Total assets	**44,312**	30,411
Deferred tax	**2,569**	2,963
Borrowings	**9,196**	1,094
Other liabilities	**3,891**	4,391
Total liabilities	**15,656**	8,448
Total syndicate equity	**(7,611)**	(954)
Total equity	**21,045**	21,009

Cash flow

Helios has generated £1.6m of cash in 2018 after the repayment of the short term borrowings of £8.1m.

Analysis of free working capital	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Opening balance (free cash)	**1,078**	7,229
Income		
Cash acquired on acquisition	**1,057**	420
Distribution of profits (net of tax retentions)	**3,887**	4,064
Transfers from Funds at Lloyd's	**14,880**	2,211
Other income	**323**	300
Proceeds from the sale of capacity	**65**	—
Borrowings	**9,196**	1,081
Expenditure		
Operating costs	**(1,778)**	(1,281)
Payable funds for acquisitions	**(721)**	—
Payments to QS reinsurers	**(1,918)**	(550)
Acquisition of LLVs	**(10,859)**	(4,858)
Transfers to Funds at Lloyd's	**(3,212)**	(5,818)
Tax	**(766)**	(655)
Dividends paid	**(219)**	(803)
Revolving credit facility repayment	**(1,094)**	—
Share buy backs	**(202)**	—
Closing balance	**9,717**	1,078

Adjusted NAV	Year to 31 December 2018 £'000	Year to 31 December 2017 £'000
Net assets less intangible assets	**4,994**	8,835
Group letter of credit	**1,744**	1,532
Fair value of capacity (WAV)	**20,638**	13,046
	27,376	23,412
Shares in issue – on the market (Note 21)	**14,441**	14,604
Shares in issue – total of on the market and JSOP shares (Note 21)	**14,941**	15,104
Adjusted net asset value per share £ – on the market	**1.90**	1.60
Adjusted net asset value per share £ – on the market and JSOP shares	**1.83**	1.55

BOARD OF DIRECTORS

Experienced leadership

Committee membership

A Audit Committee N Nomination and Remuneration Committee ○ Chairman of Committee

Nigel John Hanbury, 62
(Chief Executive)

Nigel was appointed CEO in October 2012. He joined Lloyd's in 1979 as an external member and became a Lloyd's broker in 1982. He later moved to the members' Agency side, latterly becoming Chief Executive and then Chairman of Hampden Agencies Limited. He serves on the board of the Association of Lloyd's Members and was elected to the Council of Lloyd's for the "Working Names" constituency, serving on that body between 1999 and 2001 and then 2005 to 2008, as well as participating on the Market Board and other Lloyd's committees. In December 2009 he ceased being Chairman of Hampden and in 2011 acquired a majority stake in HIPCC, a Guernsey cell Company, formerly wholly owned by Hampden plc. Nigel and/or his direct family underwrite at Lloyd's through three LLVs.

Jeremy Richard Holt Evans, 61
(Non-executive Director)

Jeremy Evans joined Minories Underwriting Agencies in 1993, which was subsequently transferred to Aberdeen Underwriting Advisers Limited, with specific responsibility for its corporate capital plans, including the development of a conversion scheme for existing members. He is the CEO of Nomina plc as well as being a director of Hampden Capital plc.

Harold Michael Clunie Cunningham, 71
(Non-executive Chairman)

Michael Cunningham has worked in the investment management business for over 25 years. Within Rathbones he was an investment director with responsibility for the AIM-focused Venture Capital Trusts.

A N

Andrew Hildred Christie, 63
(Non-executive Director)

Andrew Christie is a founding partner of corporate finance advisory firm Smith Square Partners LLP and has nearly 30 years' experience in corporate finance. Prior to Smith Square Partners, he was a managing director in the investment banking division of Credit Suisse Europe and prior to that he was head of investment banking in Asia Pacific for Credit Suisse First Boston and Barclays de Zoete Wedd.

A N

Arthur Roger Manners, 59
(Finance Director)

Arthur has over 20 years' experience in the insurance industry. He has been a consultant to Helios since June 2015 and joined the Board in April 2016. His role as Finance Director at Helios is part time. He previously worked for Beazley Group plc from 1993 to 2009 as Finance Director and latterly as Company Secretary. He remains Chairman of the Trustees of the Beazley Furlonge Pension Scheme. Arthur and his family underwrite at Lloyd's through an LLV.

Edward Fitzalan-Howard, Duke of Norfolk, 62
(Non-executive Director)

Edward Fitzalan-Howard was educated at Oxford and in 1979 he set up an energy company, Sigas, which he sold in 1988 before starting Parkwood, a waste management business which he sold to Viridor in 2002. Since then his main focus has been the building up of his family estates. He has previously been a member of Lloyd's.

A N

CORPORATE GOVERNANCE STATEMENT – YEAR ENDED 31 DECEMBER 2018

Corporate governance

The Board provides leadership and is collectively responsible for the long-term success of the Group

The Company is incorporated in the UK and the Company's shares are traded on AIM Market of the London Stock Exchange. As a result, the Company is subject to the UK's City Code on Takeovers and Mergers.

The Board is committed to achieving a high standard of corporate governance within the Company and its subsidiaries, which it seeks to demonstrate by adopting and being compliant with the principles of the Quoted Companies Alliance's Corporate Governance Code (the "QCA Code"). The Board considers the QCA Code is relevant and appropriate for the Company as the ten principles of the QCA Code focus on "pursuit of medium to long-term value for shareholders without stifling the entrepreneurial spirit in which the company was created".

Accordingly, the Board ensures the Company has a strong governance framework embedded within its culture and applies the principles of the QCA Code. The Board requires that the Company's strategy of building a portfolio of underwriting capacity at Lloyd's through the purchase of corporate members is carried out in a manner that is ethical and sustainable. This is achieved by focusing on syndicate portfolios comprising quality syndicates which are managed by leading managing agents at Lloyd's. The Directors and the Board determine, support and will observe the Company's ethical values in order to promote and preserve the Company's reputation. The Board periodically reviews the governance framework and, as the Company evolves, will make such improvements and changes as considered necessary.

Michael Cunningham
Non-executive Chairman
30 May 2019

Board balance and independence

The Board consists of two Executive Directors and four Non-executive Directors including the Chairman. The Board considers that all the Non-executive Directors are independent in character and judgement and reviews on an ongoing basis whether there are relationships or circumstances which are likely to affect or could affect the independence of the Non-executive Directors.

Each of the Directors brings a mix of skills and experience and knowledge, the balance of which enables the Board to discharge its duties effectively. Upon joining the Board, Directors receive an induction on various aspects of the Company. The Company Secretary supports the Chairman in addressing the training and development needs of Directors to ensure they are kept up to date with changes to law, regulations and corporate governance best practice. The directors receive updates from the Company Secretary and other various external advisers on legal requirements and regulations, remuneration matters and corporate governance best practice.

All Directors have agreed in their terms of engagement to commit such time as is necessary to discharge their responsibilities to the Company effectively; to attend all scheduled Board, Committee, strategy, Non-executive Director (where applicable) and shareholder meetings; and to be available at all times to discharge their duties effectively. Details of attendance at Board and Committee meetings are set out on page 18.

The role of the Board

The Board is responsible for formulating, reviewing and approving the Company's strategy; determining the budget; approving corporate actions; monitoring performance and progress against plans and strategy, and for corporate governance within the Company. The Company holds Board meetings at least four times each financial year and at other times as and when required. The Board also holds dedicated strategy meetings and regular informal discussions are held between the Executive and Non-executive Directors. There is a formal schedule of matters reserved for the Board.

The Non-executive Chairman, Michael Cunningham, is responsible for running the Board effectively and ensuring the Company's approach to corporate governance is appropriate, with assistance from the Company Secretary.

The Executive Directors are responsible for day-to-day management of the Company, running the business and informing and consulting with the Board about any significant financial and operational matters. Key areas of responsibility for the Non-executive Directors include constructively challenging and helping to develop proposals on strategy; monitoring and scrutinising reporting of performance against agreed goals and objectives; determining the integrity of financial information and that financial controls and risk management systems are robust and defensible; and determining remuneration of the Executive Directors, appointing and removing Executive Directors and planning succession.

The Company Secretary ensures that all Directors receive regular and timely information about the Company's operational and financial performance and that all necessary information is circulated to the Directors sufficiently in advance of meetings to enable the Board to have meaningful discussions and make informed decisions. All Directors have access to advice and assistance from the Company Secretary and are permitted to obtain independent professional advice at the Company's expense where they consider it necessary for them to effectively discharge their duties. On an on going basis Directors are encouraged to raise any issues or concerns with the Chairman as soon as appropriate, as the Chairman will do in the event there are any matters causing the Company concern.

The Board agenda for each meeting is collated by the Chairman in conjunction with the Company Secretary. The agenda ensures that adequate time is spent on operational and financial matters. The Non-executive Chairman has been instrumental in formalising regular, dedicated strategy meetings. During the course of the year, the topics subject to Board discussion at formal scheduled Board meetings included:

- strategic planning;
- financial performance and budget;
- acquisitions and Group structure changes;
- share structure and capital; and
- approval of annual and half year reports.

Minutes of all board and committee meetings are recorded by the Company Secretary.

CORPORATE GOVERNANCE STATEMENT *CONTINUED* – YEAR ENDED 31 DECEMBER 2018

Committees

Audit Committee

The members of the Audit Committee are all Non-executive Directors, being Michael Cunningham, Edward Fitzalan-Howard and Andrew Christie, who chairs the Committee. The Committee met three times during the year to fulfil its duties and with auditors without management present.

The Committee is comprised of independent Non-executive Directors only. The major tasks undertaken by the Committee include monitoring the integrity of the Company's financial reporting, reviewing internal controls and risk management systems and oversight of the external audit process. The CEO and Finance Director are invited to attend the Audit Committee meetings if appropriate.

The Committee meets the auditors and reviews reports from the auditors relating to the accounting and internal control systems. It also oversees the relationship with the external auditors including reviewing the effectiveness of the audit and assessing annually their independence and objectivity, taking into account relevant UK professional and regulatory requirements; and the relationship with the auditors as a whole, including non-audit services and monitoring the auditors' compliance with relevant ethical and professional guidance. The Committee reviews the Company's compliance with accounting, legal and listing requirements.

During the year the Committee worked with the auditors, PKF Littlejohn, on audit planning and reviewed the findings from the final year audit and mid-year review and considered relevant significant accounting policies, particularly where judgement was required. Members of the Committee had separate discussions with the auditors without management being present on the adequacy of controls and any judgemental areas, as well as feedback on the 2018 audit.

Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are Andrew Christie, who chairs the Committee, Michael Cunningham and Edward Fitzalan-Howard, all of whom are independent Non-executive Directors.

The Committee met twice during the year to fulfil its duties. In respect of its remuneration duties, the Committee determines and agrees the Board policies for pay; bonuses; incentives and other rewards; employee benefits; and the conditions of employment. The Committee's terms of reference try to ensure that members of the executive management are provided with sufficient incentives to encourage enhanced performance and are in a fair and responsible manner rewarded for their individual contribution to the success of the Company. During the year the Committee considered the workings of the joint stock option plan as well as performance targets.

The Committee also has responsibility for periodically reviewing the structure, size and composition of the Board with a view to the Company's strategy and likely future requirements; considering succession planning; and identifying candidates and recommending new appointments to the Board. Any recommendations from such reviews are reported to the Board and, should they identify a need for training and development or indeed a change in composition of the Board, they would be actioned appropriately.

Relations with shareholders

The Board is committed to communicating effectively with the Company's shareholders and other stakeholders, and to understanding their needs and expectations. To achieve this the Board encourages two-way communication with investors and stakeholders and responds appropriately to ensure all questions or issues received from them are addressed in a timely manner.

The Chief Executive, Finance Director and Chairman have regular, direct contact with large shareholders and make sure that their opinions are communicated to the Board as needed. There have been regular dialogues with shareholders during the year including holding briefings with analysts and other investors. The Company also uses the Annual General Meeting as an opportunity to communicate with its shareholders. All Directors are expected to attend the Annual General Meeting with the Chair of the Audit and Remuneration Committees being available to answer shareholders' questions.

Notice of the date of the 2019 Annual General Meeting is included with this report. Separate resolutions on each substantially separate issue, in particular any proposal relating to the Annual Report and Accounts, will be made at the Annual General Meeting.

Board performance evaluation

The performance of all continuing Directors is considered before they are proposed for re-election at each AGM.

Earlier in 2019 the Board commenced a formal review of its own performance, the performance of the Board's Committees and of the Chairman. The review was conducted internally by the Company Secretary and consisted of written responses to a standard questionnaire. Views and recommendations were consolidated into a report which is due to be presented to the Board. It is intended that issues raised by the evaluation exercise will be used to improve the effectiveness of the Board and introduce improvements to Board processes.

Board and Committee meeting attendance

The Company holds Board meetings regularly throughout the year. Six scheduled Board meetings were held during the year, as well as three Audit Committee meetings and two Nomination and Remuneration Committee meetings.

	Board		Audit Committee		Nomination and Remuneration Committee	
Director	Possible number of meetings	Number of meetings attended	Possible number of meetings	Number of meetings attended	Possible number of meetings	Number of meetings attended
Michael Cunningham	6	6	3	3	2	2
Nigel Hanbury	6	6	—	—	—	—
Jeremy Evans	6	5	—	—	—	—
Andrew Christie	6	5	3	3	2	2
Edward Fitzalan-Howard [(1)]	6	6	1	1	1	1
Arthur Manners	6	6	—	—	—	—

(1) Edward Fitzalan-Howard joined the Audit Committee and the Nomination and Remuneration Committee during the year and was not therefore eligible to attend all of the meetings during 2018.

Subsidiary Board and Committees

Jeremy Evans, Nigel Hanbury and Nomina plc are directors of the following subsidiary companies:

	Jeremy Evans (appointed)	Nigel Hanbury (appointed)	Nomina plc (appointed)
Hampden Corporate Member Limited	31 May 2006	18 February 2013	31 May 2006
Nameco (No. 365) Limited	1 November 2001	18 February 2013	22 September 1999
Nameco (No. 605) Limited	1 November 2001	18 February 2013	25 September 2001
Nameco (No. 321) Limited	1 November 2001	18 February 2013	22 September 1999
Nameco (No. 917) Limited	9 January 2013	18 February 2013	17 September 2004
Nameco (No. 229) Limited	1 November 2001	21 November 2012	24 September 1998
Nameco (No. 518) Limited	1 November 2001	27 November 2012	20 September 2000
Nameco (No. 804) Limited	10 October 2003	16 October 2013	10 October 2003
Helios UTG Partner Limited	27 August 2013	Not a Director	27 August 2013
Halperin Underwriting Limited	20 February 2014	20 December 2013	9 July 2004
Bernul Limited	4 June 2014	27 March 2014	4 June 2014
Dumasco Limited	16 September 2014	24 September 2014	16 September 2014
Nameco (No. 311) Limited	1 November 2001	8 January 2015	22 September 1999
Nameco (No. 402) Limited	1 November 2001	20 February 2015	24 September 1999
Updown Underwriting Limited	24 March 2015	13 March 2015	31 December 2002
Nameco (No. 507) Limited	1 November 2001	12 June 2015	20 September 2000
Nameco (No. 76) Limited	1 November 2001	27 August 2015	2 October 2000
Kempton Underwriting Limited	15 October 2013	27 August 2015	15 October 2013
Devon Underwriting Limited	21 January 2016	21 January 2016	21 January 2016
Nameco (No. 346) Limited	1 November 2001	27 May 2016	22 September 1999
Pooks Limited	25 January 2017	1 August 2008	31 December 2002
Charmac Underwriting Limited	4 September 2013	3 April 2017	4 September 2013
Nottus (No 51) Limited	1 November 2001	8 June 2017	9 September 1997
Chapman Underwriting Company Limited	28 April 2017	20 November 2017	31 December 2002
Llewellyn House Underwriting Limited	19 October 2018	19 October 2018	19 October 2018
Advantage DCP Limited	11 March 2014	6 December 2018	11 March 2014
Romsey Underwriting Limited	10 December 2018	10 December 2018	10 December 2018

Conflict management

Jeremy Evans was a director of Hampden Agencies Limited until December 2007 and remains a director of Nomina plc as well as of the Company. Jeremy Evans is a director of Hampden Capital plc, which owns 100% of Hampden Agencies Limited and 99% of Nomina plc. The Articles of Association of the Company provide that Jeremy Evans will not vote in respect of arrangements relating to Hampden Agencies Limited's appointment as the Group's members' agent or to Nomina plc's appointment as provider of administrative and support services or any other arrangements or contracts where Hampden Agencies Limited or Nomina plc has an interest.

Nigel Hanbury, a Director of Helios Underwriting plc and its subsidiary companies, is also a director and majority shareholder in HIPCC Limited and a substantial shareholder in Helios Underwriting plc, is also the majority shareholder in HIPCC Limited.

HIPCC Limited acts as an intermediary for the reinsurance products purchased by Helios. An arrangement has been put in place so that 5% of the profits generated by HIPCC in the future relating to the business of Helios will be repaid to Helios.

DIRECTORS' RESPONSIBILITIES STATEMENT – YEAR ENDED 31 DECEMBER 2018

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company 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 Group and Company and of the profit or loss of the Group for that period.

In preparing these Financial Statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

The Company is compliant with AIM Rule 26 regarding the Company's website.

Nigel Hanbury
Chief Executive
30 May 2019

DIRECTORS' REPORT – YEAR ENDED 31 DECEMBER 2018

The Directors present their report and the audited Group and Parent Company Financial Statements for the year ended 31 December 2018.

General information

The Company is a public limited company listed on AIM. The Company was incorporated in England and is domiciled in the UK and its registered office is 40 Gracechurch Street, London EC3V 0BT. The Company participates in insurance business as an underwriting member at Lloyd's through its subsidiary undertakings.

Principal activity, review of the business and future developments

The Company's principal activity is to provide a limited liability investment for its shareholders in the Lloyd's insurance market.

The Group participates in the Lloyd's insurance market through its participation in a portfolio of Lloyd's syndicates.

A more detailed review of the business for the year and outlook for the future is included in the Chairman's Statement, the Chief Executive's Review and the Lloyd's Advisers' Report.

Results and dividends

The Group result for the year ended 31 December 2018 is shown in the consolidated statement of comprehensive income. The Group profit for the year after taxation was £456,000 (2017: loss £694,000).

A dividend of 1.5p per share was paid during calendar year 2018 totalling £219,000 (2017: £803,000).

Charitable and political donations

During the year, the Group made no political or charitable donations.

Directors and their interests

Under the Articles of Association, any Director appointed as a Director by the Board since the Company's last Annual General Meeting as well as one third of the remaining Directors are required to retire from the Board by rotation at the forthcoming Annual General Meeting and may offer themselves for re-election as Directors. Consequently, Michael Cunningham and Arthur Manners are retiring by rotation and offering themselves for re-election as Directors of the Company at the 2019 Annual General Meeting.

Policy and practice on the payment of creditors

It is the Group's policy to:

- agree the terms of payment at the commencement of business with suppliers;
- ensure that suppliers are aware of the terms of payment; and
- pay in accordance with contractual and other legal obligations.

The number of days' purchases outstanding at 31 December 2018 is nil (2017: nil).

Substantial shareholdings

The substantial shareholders shown below were as at 24 May 2019:

	Number of shares	% holdings
Will Roseff	3,711,542	25%
Nigel Hanbury (either personally or has an interest in)	2,736,871	18.43%
Hampden Capital plc	1,214,560	8.18%

Events after the reporting period

In respect of the year ended 31 December 2018 a total dividend of 3p per share being 1.5p final dividend and 1.5p special dividend, amounting to a total dividend of £433,000 is to be proposed at the Annual General Meeting on 28 June 2019 (Note 29).

Disclosure of information to auditors

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

Auditors and the Annual Report

PKF Littlejohn LLP have signified their willingness to continue in office as auditors.

A resolution to reappoint PKF Littlejohn LLP as auditors will be put to the members at the next Annual General Meeting to be convened at which the Annual Report will be laid before the members for consideration.

Approved by the Board of Directors and signed on behalf of the Board on 30 May 2019.

Nigel Hanbury
Chief Executive
30 May 2019

INDEPENDENT AUDITOR'S REPORT – TO THE MEMBERS OF HELIOS UNDERWRITING PLC

Opinion
We have audited the Financial Statements of Helios Underwriting plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's and Parent Company's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the 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 Group's or the Parent 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.

Our application of materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the financial statements line items and disclosures and in evaluating the effect of misstatements, both individually and in an aggregate on the Financial Statements as a whole, both at the Group level and at the individual Parent Company level. The application of these considerations gives rise to the following levels of materiality, the quantum and purpose of which is set out below.

Materiality Measure	Materiality	Clearly trivial threshold	Basis for materiality	Key considerations and benchmarks
Consolidated Financial Statements	£210,000	£10,500	In assessing the materiality, we have assessed a number of benchmarks based on the profit before tax, gross and net assets. We have concluded that a reasonable estimate of materiality should be 1% of the Group's net assets.	In determining our materiality, for both the consolidated Financial Statements and the Parent Company Statement of Financial Position, we have considered those matters which we believe are in the interest of the primary users of the Financial Statements. We have also taken into account that the Parent Company does not trade, and its only income is based on its investments in subsidiaries and hence a lower level of materiality was appropriate.
Parent Company	£140,000	£7,000	We have used a similar approach to assess the materiality to apply to the Parent Company. The net assets were used as the benchmark, however we concluded that a reasonable estimate of materiality should be 0.5% of the net assets.	

We have agreed with the Audit Committee that we would not report to them any misstatement below the trivial threshold levels.

Our application of materiality *continued*
We use a different level of materiality ("performance materiality") to determine the extent of our testing for the audit of the Financial Statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regards to the internal control environment. In this respect, performance materiality has been set to 80% of the above materiality levels, to £168,000 for the consolidation level and £112,000 for the Parent Company level.

An overview of the scope of our audit
Our audit approach was developed by obtaining an understanding of the Group's activities, the key subjective judgements used by the Directors, the inherent uncertainties and key audit risks in the business environment the Group operates in and the overall control environment established by management. Based on this understanding, we assessed those aspects of the Group's and Parent Company's transactions, year-end balances and disclosures which were most likely to give rise to a material misstatement and were most susceptible to irregularities, including fraud or error. Specifically, we identified what we considered to be our key audit matters and planned our audit accordingly.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit responded to the key audit matter
Preparation of Financial Statements (Group only)	
The Group's primary statements aggregate the results of its trading subsidiaries, which mainly consist of corporate members of Lloyd's of London (Lloyd's). The result of the subsidiaries' activities is largely derived by Returns prepared by Lloyd's which themselves are based on the syndicate audited financial statements. The Group Financial Statements aggregate the disclosed analysis from those subsidiaries to produce its primary statements and the necessary disclosures.	As Group auditors, we have reviewed the process adopted by management in order to collate and aggregate the data produced by Lloyd's and ensured that the data used by management agrees back to those Returns. The procedures we have adopted have enabled us to conclude whether sufficient appropriate audit evidence has been obtained to enable us to give the opinion expressed in this report.
Acquisition of new subsidiaries (Group only)	
The Parent Company has acquired six new subsidiaries during the year, the details of which are included in Note 22 of the Financial Statements.	Our work on the acquisition of these new subsidiaries included a review of the fair value of the net assets acquired and hence an assessment of the goodwill arising on the consolidation.
The net assets acquired have been fair valued at the date of acquisition by the Group and the resulting goodwill, both positive and negative, have been reflected in these Financial Statements.	This calculation, being the comparison of the cost of acquisition over the fair value of the Group's share of the net assets acquired, gave rise to a gain on bargain purchase (negative goodwill) of £1,184k, for five of the subsidiaries acquired. This is credited as revenue to the Consolidated Income Statement of the year. Based on the work performed we consider the calculation of goodwill is reasonable and correctly accounted for.

Other information
The other information comprises the information included in the Annual Report, other than the Financial Statements and our Auditor's Report thereon. The Directors are responsible for the other information. Our opinion on the Group and Parent Company Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT *CONTINUED* – TO THE MEMBERS OF HELIOS UNDERWRITING PLC

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group and Parent Company Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 Group and Parent Company Financial Statements, the Directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 Auditor's 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 Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Carmine Papa (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditors
30 May 2019

1 Westferry Circus
Canary Wharf
London E14 4HD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Gross premium written	6	**38,703**	34,701
Reinsurance premium ceded	6	**(7,675)**	(6,717)
Net premium written	6	**31,028**	27,984
Change in unearned gross premium provision	7	**(360)**	1,761
Change in unearned reinsurance premium provision	7	**284**	(319)
Net change in unearned premium provision	7	**(76)**	1,442
Net earned premium	5,6	**30,952**	29,426
Net investment income	8	**295**	1,010
Other underwriting income		**266**	267
Gain on bargain purchase	22	**1,184**	65
Other income		**(184)**	(35)
Revenue		**32,513**	30,733
Gross claims paid		**(23,631)**	(19,204)
Reinsurers' share of gross claims paid		**4,859**	4,905
Claims paid, net of reinsurance		**(18,772)**	(14,299)
Change in provision for gross claims	7	**(1,109)**	(8,761)
Reinsurers' share of change in provision for gross claims	7	**909**	5,028
Net change in provision for claims	7	**(200)**	(3,733)
Net insurance claims incurred and loss adjustment expenses	6	**(18,972)**	(18,032)
Expenses incurred in insurance activities		**(11,696)**	(11,819)
Other operating expenses		**(1,237)**	(1,288)
Operating expenses	9	**(12,933)**	(13,107)
Operating profit/(loss) before impairments of goodwill and capacity	6	**608**	(406)
Impairment of syndicate capacity	13	**(281)**	(899)
Profit/(loss) before tax		**327**	(1,305)
Income tax credit	10	**129**	611
Profit/(loss) for the year		**456**	(694)
Other comprehensive income			
Foreign currency translation differences		**—**	—
Income tax relating to the components of other comprehensive income		**—**	—
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**456**	(694)
Profit/(loss) for the year attributable to owners of the Parent		**456**	(694)
Total comprehensive income for the year attributable to owners of the Parent		**456**	(694)
Earnings/(loss) per share attributable to owners of the Parent			
Basic	11	**3.14p**	(4.75)p
Diluted	11	**3.03p**	(4.75)p

The profit/(loss) attributable to owners of the Parent, the total comprehensive income and the earnings per share set out above are in respect of continuing operations.

The notes are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – AT 31 DECEMBER 2018

	Note	31 December 2018 £'000	31 December 2017 £'000
Assets			
Intangible assets	13	**16,051**	12,175
Financial assets at fair value through profit or loss	15	**58,075**	48,074
Reinsurance assets:			
– reinsurers' share of claims outstanding	7	**22,698**	14,836
– reinsurers' share of unearned premium	7	**4,057**	2,354
Other receivables, including insurance and reinsurance receivables	16	**52,938**	32,949
Deferred acquisition costs	17	**6,782**	4,420
Prepayments and accrued income		**439**	268
Cash and cash equivalents		**12,202**	2,844
Total assets		**173,242**	117,920
Liabilities			
Insurance liabilities:			
– claims outstanding	7	**88,032**	59,833
– unearned premium	7	**24,772**	15,916
Deferred income tax liabilities	18	**2,635**	2,963
Borrowings	19	**9,196**	1,094
Other payables, including insurance and reinsurance payables	20	**25,321**	15,558
Accruals and deferred income		**2,241**	1,546
Total liabilities		**152,197**	96,910
Equity			
Equity attributable to owners of the Parent:			
Share capital	21	**1,510**	1,510
Share premium	21	**15,387**	15,387
Other reserves – treasury shares (JSOP)		**(50)**	(50)
Retained earnings		**4,198**	4,163
Total equity		**21,045**	21,010
Total liabilities and equity		**173,242**	117,920

The Financial Statements were approved and authorised for issue by the Board of Directors on 30 May 2019, and were signed on its behalf by:

Nigel Hanbury
Chief Executive
30 May 2019

The notes are an integral part of these Financial Statements.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION – AT 31 DECEMBER 2018

Company number: 05892671

	Note	31 December 2018 £'000	31 December 2017 £'000
Assets			
Investments in subsidiaries	14	**24,559**	15,456
Financial assets at fair value through profit or loss	15	**—**	1
Other receivables	16	**6,693**	9,446
Cash and cash equivalents		**8,430**	982
Total assets		**39,682**	25,885
Liabilities			
Borrowings	19	**9,196**	1,094
Other payables	20	**1,835**	182
Total liabilities		**11,031**	1,276
Equity			
Equity attributable to owners of the Parent:			
Share capital	21	**1,510**	1,510
Share premium	21	**15,387**	15,387
		16,897	16,897
Retained earnings:			
At 1 January		**7,712**	13,029
Profit/(loss) for the year attributable to owners of the Parent		**4,463**	(4,514)
Other changes in retained earnings		**(421)**	(803)
At 31 December		**11,754**	7,712
Total equity		**28,651**	24,609
Total liabilities and equity		**39,682**	25,885

The Financial Statements were approved and authorised for issue by the Board of Directors on 30 May 2019, and were signed on its behalf by:

Nigel Hanbury
Chief Executive
30 May 2019

The notes are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – YEAR ENDED 31 DECEMBER 2018

		Attributable to owners of the Parent				
	Note	Share capital £'000	Share premium £'000	Other reserves (JSOP) £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017		1,460	15,399	—	5,660	22,519
Total comprehensive income for the year:						
Loss for the year		—	—	—	(694)	(694)
Other comprehensive income, net of tax		—	—	—	—	—
Total comprehensive income for the year		—	—	—	(694)	(694)
Transactions with owners:						
Dividends paid	12	—	—	—	(803)	(803)
Treasury shares (JSOP)	23	—	—	(50)	—	(50)
Share issue, net of transaction costs	21	50	(12)	—	—	38
Total transactions with owners		50	(12)	(50)	(803)	(815)
At 31 December 2017		1,510	15,387	(50)	4,163	21,010
At 1 January 2018		1,510	15,387	(50)	4,163	21,010
Total comprehensive income for the year:						
Profit for the year		—	—	—	456	456
Other comprehensive income, net of tax		—	—	—	—	—
Total comprehensive income for the year		—	—	—	456	456
Transactions with owners:						
Dividends paid	12	—	—	—	(219)	(219)
Company buy back of ordinary shares	21, 23	—	—	—	(202)	(202)
Share issue, net of transaction costs	21	—	—	—	—	—
Total transactions with owners		—	—	—	(421)	(421)
At 31 December 2018		**1,510**	**15,387**	**(50)**	**4,198**	**21,045**

The notes are an integral part of these Financial Statements.

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY – YEAR ENDED 31 DECEMBER 2018

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017		1,460	15,399	13,029	29,888
Total comprehensive income for the year:					
Profit for the year		—	—	(4,514)	(4,514)
Other comprehensive income, net of tax		—	—	—	—
Total comprehensive income for the year		—	—	(4,514)	(4,514)
Transactions with owners:					
Dividends paid	12	—	—	(803)	(803)
Share issue, net of transaction costs	21	50	(12)	—	38
Total transactions with owners		50	(12)	(803)	(765)
At 31 December 2017		1,510	15,387	7,712	24,609
At 1 January 2018		1,510	15,387	7,712	24,609
Total comprehensive income for the year:					
Profit for the year		—	—	4,463	4,463
Other comprehensive income, net of tax		—	—	—	—
Total comprehensive income for the year		—	—	4,463	4,463
Transactions with owners:					
Dividends paid	12	—	—	(219)	(219)
Company buy back of ordinary shares	21, 23	—	—	(202)	(202)
Share issue, net of transaction costs		—	—	—	—
Total transactions with owners		—	—	(421)	(421)
At 31 December 2018		**1,510**	**15,387**	**11,754**	**28,651**

The notes are an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS – YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Cash flows from operating activities			
Profit/(loss) before tax		**327**	(1,305)
Adjustments for:			
– interest received	8	**(144)**	(126)
– investment income	8	**(841)**	(731)
– gain on bargain purchase	22	**(1,184)**	(65)
– impairment of goodwill	22	**—**	—
– profit on sale of intangible assets		**(125)**	(4)
– impairment of intangible assets	13	**281**	899
Changes in working capital:			
– change in fair value of financial assets held at fair value through profit or loss	8	**490**	426
– increase in financial assets at fair value through profit or loss		**10,585**	2,314
– (increase)/decrease in other receivables		**(7,113)**	2,921
– increase/(decrease) in other payables		**3,955**	(1,790)
– net increase/(decrease) in technical provisions		**2,162**	(2,801)
Cash generated from/(used in) operations		**8,393**	(262)
Income tax paid		**(962)**	(630)
Net cash from/(used in) operating activities		**7,431**	(893)
Cash flows from investing activities			
Interest received		**144**	126
Investment income		**841**	731
Purchase of intangible assets	13	**—**	(180)
Proceeds from disposal of intangible assets		**86**	28
Acquisition of subsidiaries, net of cash acquired		**(6,825)**	(3,471)
Net cash from/(used in) investing activities		**(5,754)**	(2,766)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**—**	—
Payment for Company buy back of shares	24	**(202)**	—
Proceeds from borrowings	19	**9,196**	1,094
Repayment of borrowings	19	**(1,094)**	—
Dividends paid to owners of the Parent	12	**(219)**	(803)
Net cash from financing activities		**7,681**	291
Net increase/(decrease) in cash and cash equivalents		**9,358**	(3,368)
Cash and cash equivalents at beginning of year		**2,844**	6,212
Cash and cash equivalents at end of year		**12,202**	2,844

Cash held within the syndicates' accounts is £2,522,000 (2017: £1,766,000) of the total cash and cash equivalents held at the year end of £12,202,000 (2017: £2,844,000). The cash held within the syndicates' accounts is not available to the Group to meet its day-to-day working capital requirements.

Cash and cash equivalents comprise cash at bank and in hand.

The notes are an integral part of these Financial Statements.

PARENT COMPANY STATEMENT OF CASH FLOWS – YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Cash flows from operating activities			
Profit/(loss) before tax		**4,204**	(4,672)
Adjustments for:			
– investment income		**—**	1
– dividends received		**(8,079)**	(4,361)
– impairment of investment in subsidiaries	14	**2,506**	8,099
Changes in working capital:			
– change in fair value of financial assets held at fair value through profit or loss		**—**	21
– decrease in financial assets at fair value through profit or loss		**1**	2,347
– (increase)/decrease in other receivables		**(601)**	163
– increase/(decrease) in other payables		**2,182**	(146)
Net cash from/(used in) operating activities		**213**	1,452
Cash flows from investing activities			
Investment income		**—**	(1)
Dividends received		**8,079**	4,361
Acquisition of subsidiaries	14, 22	**(12,142)**	(4,052)
Amounts owed by subsidiaries	25	**3,617**	(4,914)
Net cash used in investing activities		**(446)**	(4,606)
Cash flows from financing activities			
Payment for Company buy back of shares	24	**(202)**	—
Proceeds from borrowings	19	**9,196**	1,094
Repayment of borrowings	19	**(1,094)**	—
Dividends paid to owners of the Parent	12	**(219)**	(803)
Net cash from financing activities		**7,681**	291
Net increase/(decrease) in cash and cash equivalents		**7,448**	(2,863)
Cash and cash equivalents at beginning of year		**982**	3,845
Cash and cash equivalents at end of year		**8,430**	982

Cash and cash equivalents comprise cash at bank and in hand.

The notes are an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 DECEMBER 2018

1. General information

The Company is a public limited company listed on AIM. The Company was incorporated in England and is domiciled in the UK and its registered office is 40 Gracechurch Street, London EC3V 0BT. These Financial Statements comprise the Company and its subsidiaries (together referred to as the "Group"). The Company participates in insurance business as an underwriting member at Lloyd's through its subsidiary undertakings.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of the Group and Parent Company Financial Statements (the "Financial Statements") are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRIC") as adopted by the European Union ("EU"), and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

No statement of comprehensive income is presented for Helios Underwriting plc, as a Parent Company, as permitted by Section 408 of the Companies Act 2006.

The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss.

Use of judgements and estimates

The preparation of Financial Statements in conformity with IFRS requires the use of judgements, estimates and assumptions in the process of applying the Group's accounting policies that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results may ultimately differ from these estimates. Further information is disclosed in Note 3.

The Group participates in insurance business through its Lloyd's member subsidiaries. Accounting information in respect of syndicate participations is provided by the syndicate managing agents and is reported upon by the syndicate auditors.

Going concern

The Group and the Company have net assets at the end of the reporting period of £21,045,000 and £28,651,000 respectively.

The Company's subsidiaries participate as underwriting members at Lloyd's on the 2016, 2017 and 2018 years of account, as well as any prior run-off years, and they have continued this participation since the year end on the 2019 year of account. This underwriting is supported by Funds at Lloyd's totalling £10,578,000 (2017: £12,164,000), letters of credit provided through the Group's quota share reinsurance agreements totalling £24,544,000 (2017: £15,683,000) and solvency credits issued by Lloyd's totalling £nil (2017: £1,052,000).

The Directors have a reasonable expectation that the Group and the Company have adequate resources to meet their underwriting and other operational obligations for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

International Financial Reporting Standards

Adoption of new and revised standards

During the current year the Group and the Company adopted all the new and revised IFRS, amendments and interpretations that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018, apart from IFRS 9 "Financial Instruments", for which a temporary exemption has been applied by the Group, as explained further below. These are set out below and did not have a material impact on the accounting policies of the Group and the Company:

- IFRS 15 "Revenue from Contracts with Customers", issued on 28 May 2014, including amendments to IFRS 15, issued on 11 September 2015 (effective 1 January 2018).
- Clarifications to IFRS 15 "Revenue from Contracts with Customers", issued on 12 April 2014 (effective 1 January 2018).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions, issued on 20 June 2016 (effective 1 January 2018).
- Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts", issued on 12 September 2016 (effective 1 January 2018).
- IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration", issued on 8 December 2016 (effective 1 January 2018).
- Amendments to IAS 40: Transfers of Investment Property, issued on 8 December 2016 (effective 1 January 2018).
- Annual Improvements to IFRS 2014–2016 Cycle, issued on 8 December 2016 (effective 1 January 2018).

2. Significant accounting policies *continued*

International Financial Reporting Standards *continued*

Temporary exemptions from IFRS 9 "Financial Instruments", (effective 1 January 2018)

The effective date of IFRS 9 Financial Instruments is January 2018. An insurer that has not previously adopted any version of IFRS 9, including the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss and whose activities are predominantly connected with insurance as its annual reporting date that immediately precedes 1 April 2016 (or a later date as specified in paragraph 20G of IFRS 4), may apply IAS 39 – Financial Instruments: Recognition and Measurement, rather than IFRS 17 – Insurance Contracts.

The Group has applied the temporary exemption from IFRS 9 as its activities are predominately connected with insurance and it has not previously adopted any version of IFRS 9, including the requirements for the presentation of gains and losses on financial liabilities designated at fair value through profit or loss, for annual period beginning before 1 January 2022. Consequently, the Group has a single date of initial application for IFRS 9 in it's entirely, being 1 January 2022.

New standards, amendments and interpretations not yet adopted

At the date of authorisation of these Financial Statements, the following standards, amendments and interpretations were in issue but not yet effective:

(i) Adopted by the EU

- IFRS 16 "Leases", issued on 13 January 2016 (effective 1 January 2019).
- IFRS 23 "Uncertainty over Income Tax Treatments", issued on 7 June 2017, (effective date 1 January 2019).
- Amendments to IFRS 9: Prepayment Features with Negative Compensation, issued on 12 October 2017, (effective date 1 January 2019).
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures, issued on 12 December 2017, (effective date 1 January 2019).
- Annual improvements to IFRS 2015–2017 Cycle, issued on 12 December 2017, (effective date 1 January 2019).
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement, issued on 7 February 2017, (effective date 1 January 2019).

(ii) Not adopted by the EU

Standards:

- IFRS 17 "Insurance Contracts", issued on 18 May 2017, (effective date 1 January 2022).

Amendments:

- Amendments to References to the Conceptual Framework in IFRS, issued on 29 March 2017, (effective date 1 January 2020).
- Amendment to IFRS 3 Business Combinations, issued on 22 October 2018, (effective 1 January 2020).
- Amendments to IAS 1 and IAS 8: Definition of Material, issued on 31 October 2018, (effective 1 January 2020).

Principles of consolidation, business combinations and goodwill

(a) Consolidation and investments in subsidiaries

The Group Financial Statements incorporate the Financial Statements of Helios Underwriting plc, the Parent Company, and its directly and indirectly held subsidiaries being Hampden Corporate Member Limited, Nameco (No. 365) Limited, Nameco (No. 605) Limited, Nameco (No. 321) Limited, Nameco (No. 917) Limited, Nameco (No. 229) Limited, Nameco (No. 518) Limited, Nameco (No. 804) Limited, Halperin Underwriting Limited, Bernul Limited, Dumasco Limited, Nameco (No. 311) Limited, Nameco (No. 402) Limited, Updown Underwriting Limited, Nameco (No. 507) Limited, Nameco (No. 76) Limited, Kempton Underwriting Limited, Devon Underwriting Limited, Nameco (No. 346) Limited, Pooks Limited, Charmac Underwriting Limited, Nottus (No 51) Limited, Chapman Underwriting Limited, Llewellyn House Underwriting Limited, Advantage DCP Limited, Romsey Underwriting Limited, RBC CEES Trustee Limited (see Notes 14 and 23), Helios UTG Partner Limited, Nomina No 035 LLP, Nomina No 342 LLP, Nomina No 380 LLP, Nomina No 372 LLP, Salviscount LLP, Inversanda LLP, Fyshe Underwriting LLP, Nomina No 505 LLP and Nomina No 321 LLP (Note 14).

The Financial Statements for all of the above subsidiaries are prepared for the year ended 31 December 2018 under UK GAAP. Consolidation adjustments are made to convert the subsidiary Financial Statements prepared under UK GAAP to IFRS so as to align accounting policies and treatments.

No income statement is presented for Helios Underwriting plc as permitted by Section 408 of the Companies Act 2006. The profit after tax for the year of the Parent Company was £4,463,000 (2017: loss £4,514,000).

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding or partnership participation of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated.

In the Parent Company's Financial Statements, investments in subsidiaries are stated at cost and are reviewed for impairment annually or when events or changes in circumstances indicate the carrying value to be impaired.

2. Significant accounting policies *continued*

Principles of consolidation, business combinations and goodwill *continued*

(b) Business combinations and goodwill

The Group uses the acquisition method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition costs are expensed as incurred.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is capitalised and recorded as goodwill. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or if events or changes in circumstances indicate that the carrying value may be impaired and recognised directly in the consolidated income statement. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly as revenue in the consolidated income statement as a gain on bargain purchase. The gain on bargain purchase is recognised within the operating profit, as acquiring LLV's at a discount to their net asset fair value is an important part of the a predominant strategy for the Company.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Nigel Hanbury.

Foreign currency translation

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Statements are presented in thousands of pounds sterling, which is the Group's functional and presentational currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Foreign currency transactions and non-monetary assets and liabilities, including deferred acquisition costs and unearned premiums, are translated into the functional currency using annual average rates of exchange prevailing at the time of the transaction as a proxy for the transactional rates. The translation difference arising on non-monetary asset items is recognised in the consolidated income statement.

Certain supported syndicates have non-sterling functional currencies and any exchange movement that they would have reflected in other comprehensive income as a result of this has been included within profit before tax at consolidation level, to be consistent with the Group's policy of using sterling as the functional currency.

Monetary items are translated at period-end rates; any exchange differences arising from the change in rates of exchange are recognised in the consolidated income statement of the year.

Underwriting

Premiums

Gross premium written comprises the total premiums receivable in respect of business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and includes estimates of premiums due but not yet receivable or notified to the syndicates on which the Group participates, less an allowance for cancellations. All premiums are shown gross of commission payable to intermediaries and exclude taxes and duties levied on them.

Unearned premiums

Gross premium written is earned according to the risk profile of the policy. Unearned premiums represent the proportion of gross premium written in the year that relates to unexpired terms of policies in force at the end of the reporting period calculated on a time apportionment basis having regard, where appropriate, to the incidence of risk. The specific basis adopted by each syndicate is determined by the relevant managing agent.

Deferred acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned.

Reinsurance premiums

Reinsurance premium costs are allocated by the managing agent of each syndicate to reflect the protection arranged in respect of the business written and earned.

Reinsurance premium costs in respect of reinsurance purchased directly by the Group are charged or credited based on the annual accounting result for each year of account protected by the reinsurance.

Claims incurred and reinsurers' share

Claims incurred comprise claims and settlement expenses (both internal and external) occurring in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported ("IBNR") and settlement expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

The provision for claims outstanding comprises amounts set aside for claims notified and IBNR. The amount included in respect of IBNR is based on statistical techniques of estimation applied by each syndicate's in-house reserving team and reviewed, in certain cases, by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from the rating and other models of the business accepted, and assessments of underwriting conditions.

2. Significant accounting policies *continued*

Underwriting *continued*

Claims incurred and reinsurers' share *continued*

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to each syndicate's reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. Each syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly, the two most critical assumptions made by each syndicate's managing agent as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used, including pricing models for recent business, are reasonable indicators of the likely level of ultimate claims to be incurred.

The level of uncertainty with regard to the estimations within these provisions generally decreases with time since the underlying contracts were exposed to new risks. In addition, the nature of short-tail risks, such as property where claims are typically notified and settled within a short period of time, will normally have less uncertainty after a few years than long-tail risks, such as some liability business where it may be several years before claims are fully advised and settled. In addition to these factors if there are disputes regarding coverage under policies or changes in the relevant law regarding a claim this may increase the uncertainty in the estimation of the outcomes.

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. The provisions for gross claims and related reinsurance recoveries have been assessed on the basis of the information currently available to the directors of each syndicate's managing agent. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the Financial Statements for the period in which the adjustments are made. The provisions are not discounted for the investment earnings that may be expected to arise in the future on the funds retained to meet the future liabilities. The methods used, and the estimates made, are reviewed regularly.

Quota share reinsurance

Under the Group's quota share reinsurance agreements, 70% of the 2017, 2018 and 2019 underwriting year of insurance exposure is ceded to the reinsurers. Amounts payable to the reinsurers are included within "reinsurance premium ceded" in the consolidated income statement of the year and amounts receivable from the reinsurers are included within "reinsurers" share of gross claims paid" in the consolidated income statement of the year.

Unexpired risks provision

Provision for unexpired risks is made where the costs of outstanding claims, related expenses and deferred acquisition costs are expected to exceed the unearned premium provision carried forward at the end of the reporting period. The provision for unexpired risks is calculated separately by reference to classes of business that are managed together, after taking into account relevant investment return. The provision is made on a syndicate-by-syndicate basis by the relevant managing agent.

Closed years of account

At the end of the third year, the underwriting account is normally closed by reinsurance into the following year of account. The amount of the reinsurance to close premium payable is determined by the managing agent, generally by estimating the cost of claims notified but not settled at 31 December, together with the estimated cost of claims incurred but not reported ("IBNR") at that date and an estimate of future claims handling costs. Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring syndicate were unable to meet any obligations, and the other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle any outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote and consequently the reinsurance to close has been deemed to settle the liabilities outstanding at the closure of an underwriting account. The Group will include its share of the reinsurance to close premiums payable as technical provisions at the end of the current period and no further provision is made for any potential variation in the ultimate liability of that year of account.

Run-off years of account

Where an underwriting year of account is not closed at the end of the third year (a "run-off" year of account) a provision is made for the estimated cost of all known and unknown outstanding liabilities of that year. The provision is determined initially by the managing agent on a similar basis to the reinsurance to close. However, any subsequent variation in the ultimate liabilities for that year remains with the corporate member participating therein. As a result, any run-off year will continue to report movements in its results after the third year until such time as it secures a reinsurance to close.

Net operating expenses (including acquisition costs)

Net operating expenses include acquisition costs, profit and loss on exchange and other amounts incurred by the syndicates on which the Group participates.

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED* – YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies *continued*

Investment income

Interest receivable from cash and short-term deposits and interest payable are accrued to the end of the period.

Dividend income from financial assets at fair value through profit or loss is recognised in the income statement when the Group's right to receive payments is established.

Syndicate investments and cash are held on a pooled basis, the return from which is allocated by the relevant managing agent to years of account proportionate to the funds contributed by the year of account.

Other operating expenses

All expenses are accounted for on an accruals basis.

Intangible assets: syndicate capacity

Syndicate capacity is an intangible asset which represents costs incurred in the Corporation of Lloyd's auctions in order to acquire rights to participate on syndicates' years of account.

At the individual subsidiary company level, the syndicate capacity is stated at cost, less any provision for impairment at initial recognition, and amortised on a straight line basis over the useful economic life, which is estimated to be five years (up to 2014: estimated to be seven years). No amortisation is charged until the following year when underwriting commences in respect of the purchased syndicate participation.

At the consolidation level, the Group's accounting policy for the year 2014 was consistent with the accounting policy of the subsidiaries as described above. As of 1 January 2015, the Group changed its accounting policy for accounting for the intangible asset, syndicate capacity, as set out below:

The syndicate capacity represents the cost of purchasing the Group's participation in the combined syndicates. The capacity is capitalised at cost in the statement of financial position. It has an indefinite useful life and is carried at cost less accumulated impairment. It is annually tested for impairment for each syndicate by reference to the weighted average value at Lloyd's auctions and expected future profit streams to be earned by those syndicates in which the Group participates and provision is made for any impairment in the consolidated income statement.

Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group does not make use of the held-to-maturity and available-for-sale classifications.

(i) Financial assets at fair value through profit or loss

All financial assets at fair value through profit or loss are categorised as designated at fair value through profit or loss upon initial recognition because they are managed and their performance is evaluated on a fair value basis in accordance with the Company's documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the Group's key management.

The Group's investment strategy is to invest and evaluate their performance with reference to their fair values. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets, except for maturities greater than 12 months after the reporting period. The latter ones are classified as non-current assets.

The Group's loans and receivables comprise "other receivables, including insurance and reinsurance receivables" and "cash and cash equivalents".

The Parent Company's loans and receivables comprise "other receivables" and "cash and cash equivalents".

(b) Recognition, derecognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, being the date on which the Group commits to the purchase or sale of the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets has expired or are transferred and the Group has transferred substantially all its risks and rewards of ownership.

Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs incurred expensed in the income statement.

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost less any impairment losses.

2. Significant accounting policies *continued*

Financial assets *continued*

(b) Recognition, derecognition and measurement *continued*

Fair value estimation

The fair value of financial assets at fair value through profit or loss which are traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regular occurring market transactions on an arm's length basis. The quoted market price used for financial assets at fair value through profit or loss held by the Group is the current bid price.

The fair value of financial assets at fair value through profit or loss that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates.

Unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the income statement within "net investment income".

The fair values of short-term deposits are assumed to approximate to their book values. The fair values of the Group's debt securities have been based on quoted market prices for these instruments.

(c) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Asset carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Cash and cash equivalents

For the purposes of the statements of cash flows, cash and cash equivalents comprise cash and short-term deposits at bank.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services, and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs

Borrowing costs are recognised in income statement in the period in which they are incurred.

Joint Share Ownership Plan ("JSOP")

On 14 December 2017, the Company issued and allotted 500,000 new ordinary shares of £0.10 each ("ordinary shares"). The new ordinary shares have been issued at a subscription price of 133.5p per ordinary share, being the closing price of an ordinary share on 13 December 2017, pursuant to The Helios Underwriting plc Employees' Joint Share Ownership Plan (the "Plan").

The new ordinary shares have been issued into the respective joint beneficial ownership of (i) each of the participating Executive Directors as shown in Note 23 and (ii) the Trustee of RBC CEES Trustee Limited ("The Trust") and are subject to the terms of joint ownership agreements ("JOAs") respectively entered into between the Director, the Company and the Trustee. The nominal value of the new ordinary shares has been paid by the Trust out of funds advanced to it by the Company with the additional consideration of 123.5p left outstanding until such time as new ordinary shares are sold. The Company has waived its lien on the shares such that there are no restrictions on their transfer.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED* – YEAR ENDED 31 DECEMBER 2018

2. Significant accounting policies *continued*

Joint Share Ownership Plan ("JSOP") *continued*

The terms of the JOAs provide, inter alia, that if Jointly Owned Shares become vested and are sold, the proceeds of sale will be divided between the joint owners so that the participating Director receives an amount equal to any growth in the market value of the jointly owned ordinary shares above the greater of either:

(a) the initial market value (133.5p per share), less a "carrying cost" (equivalent to simple interest at 4.5% per annum on the initial market value accruing over the three years from the date of award) and the Trust receives the initial market value of the Jointly Owned Shares plus the carrying cost; or

(b) if higher, 150p (so that the participating Director will only ever receive value if the share sale price exceeds this).

The vesting of the award will be subject to performance conditions measured over the three calendar years from the award date.

A proportion of the Jointly Owned Shares shall vest pro rata to the percentage by which the average return on capacity of the last three closed underwriting years of account of the Helios Capacity Portfolio outperforms on average the return on capacity of the Lloyd's market (the "Performance Percentage") over the Performance Period such that:

(i) if the Performance Percentage is 4% or greater, all of the Jointly Owned Shares shall vest; and

(ii) if the Helios Capacity Portfolio fails to outperform the return on capacity of the Lloyd's market, none of the Jointly Owned Shares shall vest; but

(iii) if the Performance Percentage is between 0% and 4%, a proportion of the Jointly Owned Shares shall vest pro rata on a straight line basis.

The Plan was established and approved by resolution of the Remuneration Committee of the Company on 13 December 2017 and provides for the acquisition by employees, including Executive Directors, of beneficial interests as joint owners (with the Trust) of ordinary shares in the Company upon the terms of a JOA. The terms of the JOA provide that if the jointly owned shares become vested and are sold, the proceeds of sale will be divided between the joint owners on the terms set out above.

Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management establishes provisions when appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is provided in full, using the balance sheet 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 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 accounted for.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Other payables

These present liabilities for services provided to the Group prior to end of the financial year which are unpaid. These are classified as current liabilities, unless payment is not due within 12 months after the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Share capital and share premium

Ordinary shares are classified as equity.

The difference between the fair value of the consideration received and the nominal value of the share capital issued is taken to the share premium account. Incremental costs directly attributable to the issue of shares or options are shown in equity as a deduction, net of tax, from proceeds.

Where the Company buys back its own ordinary shares on the market, and these are held in treasury, the purchase is made out of distributable profits, hence shown as a deduction from the Company's retained earnings.

Dividend distribution policy

Dividend distribution to the Company's shareholders is recognised in the Group's and the Parent Company's Financial Statements in the period in which the dividends are approved by the Company's shareholders.

3. Key accounting judgements and estimation uncertainties

In applying the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. These judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

The measurement of the provision for claims outstanding is the most significant judgement involving estimation uncertainty regarding amounts recognised in these Financial Statements in relation to underwriting by the syndicates and this is disclosed further in Notes 4 and 7.

The management and control of each syndicate is carried out by the managing agent of that syndicate, and the Company looks to the managing agent to implement appropriate policies, procedures and internal controls to manage each syndicate.

The key accounting judgements and sources of estimation uncertainty set out below therefore relate to those made in respect of the Company only, and do not include estimates and judgements made in respect of the syndicates.

Purchased syndicate capacity

Estimating value in use

Where an indication of impairment of capacity values exists, the Directors will carry out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation requires an estimate of the future cash flows expected to arise from the capacity and a suitable discount rate in order to calculate present value.

Assessing indicators of impairment

In assessing whether there have been any indicators of impairment of assets, the Directors consider both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability.

Recoverability of receivables

The Company establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability, factors such as the ageing of the receivables, past experience of recoverability and the credit profile of individual or groups of customers are all considered.

4. Risk management

The majority of the risks to the Group's future cash flows arise from each subsidiary's participation in the results of Lloyd's syndicates. As detailed below, these risks are mostly managed by the managing agents of the syndicates. The Group's role in managing these risks, in conjunction with its subsidiaries and members' agent, is limited to a selection of syndicate participations, monitoring the performance of the syndicates and the purchase of appropriate member level reinsurance.

Risk background

The syndicates' activities expose them to a variety of financial and non-financial risks. The managing agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. For the purposes of setting capital requirements for the 2017 and subsequent years of account, each managing agent will have prepared a Lloyd's Capital Return ("LCR") for the syndicate to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the LCR and typically the majority of the total assessed value of the risks concerned is attributable to insurance risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance risk arises from the risk that a reinsurer fails to meet its share of a claim. The management of the syndicate's funds is exposed to investment risk, liquidity risk, credit risk, currency risk and interest rate risk (as detailed below), leading to financial loss. The syndicate is also exposed to regulatory and operational risks including its ability to continue to trade. However, supervision by Lloyd's and the Prudential Regulation Authority provides additional controls over the syndicate's management of risks.

The Group manages the risks faced by the syndicates on which its subsidiaries participate by monitoring the performance of the syndicates it supports. This commences in advance of committing to support a syndicate for the following year, with a review of the business plan prepared for each syndicate by its managing agent. In addition, quarterly reports and annual accounts, together with any other information made available by the managing agent, are monitored and if necessary enquired into. If the Group considers that the risks being run by the syndicate are excessive, it will seek confirmation from the managing agent that adequate management of the risk is in place and, if considered appropriate, will withdraw support from the next year of account. The Group also manages its exposure to insurance risk by purchasing appropriate member level reinsurance.

4. Risk management *continued*

Impact of Brexit vote

The Brexit vote will have an impact on various risk factors, including currency risks. The Lloyd's market is in the process of developing a strategy for dealing with Brexit and the Company will monitor these developments and identify whether it needs to modify its participation in the Lloyd's market.

(a) Syndicate risks

(i) Liquidity risk

The syndicates are exposed to daily calls on their available cash resources, principally from claims arising from its insurance business. Liquidity risk arises where cash may not be available to pay obligation when due, or to ensure compliance with the syndicate's obligations under the various trust deeds to which it is party.

The syndicates aim to manage their liquidity position so that they can fund claims arising from significant catastrophic events, as modelled in their Lloyd's realistic disaster scenarios ("RDS").

Although there are usually no stated maturities for claims outstanding, syndicates have provided their expected maturity of future claims settlements as follows:

2018	No stated maturity £'000	0–1 year £'000	1–3 years £'000	3–5 years £'000	>5 years £'000	Total £'000
Claims outstanding	**2**	**33,228**	**30,565**	**12,299**	**11,938**	**88,032**

2017	No stated maturity £'000	0–1 year £'000	1–3 years £'000	3–5 years £'000	>5 years £'000	Total £'000
Claims outstanding	132	21,004	22,546	8,192	7,959	59,833

(ii) Credit risk

Credit ratings to syndicate assets (Note 28) emerging directly from insurance activities which are neither past due nor impaired are as follows:

2018	AAA £'000	AA £'000	A £'000	BBB or lower £'000	Not rated £'000	Total £'000
Financial investments	**9,081**	**13,725**	**13,812**	**6,557**	**6,506**	**49,681**
Deposits with ceding undertakings	**—**	**—**	**—**	**—**	**6**	**6**
Reinsurers' share of claims outstanding	**1,225**	**4,453**	**14,818**	**19**	**2,063**	**22,578**
Reinsurance debtors	**27**	**170**	**871**	**1**	**251**	**1,320**
Cash at bank and in hand	**106**	**132**	**1,629**	**291**	**327**	**2,485**
	10,439	**18,480**	**31,130**	**6,868**	**9,153**	**76,070**

2017	AAA £'000	AA £'000	A £'000	BBB or lower £'000	Not rated £'000	Total £'000
Financial investments	6,245	10,294	11,104	5,262	4,675	37,580
Deposits with ceding undertakings	—	—	—	—	5	5
Reinsurers' share of claims outstanding	56	3,242	9,867	239	1,304	14,708
Reinsurance debtors	—	92	468	8	151	719
Cash at bank and in hand	318	143	1,051	234	20	1,766
	6,619	13,771	22,490	5,743	6,155	54,778

Syndicate assets (Note 28) emerging directly from insurance activities, with reference to their due date or impaired, are as follows:

		Past due but not impaired				
2018	Neither past due nor impaired £'000	Less than 6 months £'000	Between 6 months and 1 year £'000	Greater than 1 year £'000	Impaired £'000	Total £'000
Financial investments	**49,681**	**—**	**—**	**—**	**—**	**49,681**
Deposits with ceding undertakings	**6**	**—**	**—**	**—**	**—**	**6**
Reinsurers' share of claims outstanding	**22,578**	**123**	**—**	**—**	**(3)**	**22,698**
Reinsurance debtors	**1,320**	**538**	**12**	**14**	**—**	**1,884**
Cash at bank and in hand	**2,485**	**—**	**—**	**—**	**—**	**2,485**
Insurance and other debtors	**42,984**	**813**	**171**	**225**	**(6)**	**44,187**
	119,054	**1,474**	**183**	**239**	**(9)**	**120,941**

4. Risk management *continued*

Impact of Brexit vote *continued*

(a) Syndicate risks *continued*

(ii) Credit risk *continued*

		Past due but not impaired				
2017	Neither past due nor impaired £'000	Less than 6 months £'000	Between 6 months and 1 year £'000	Greater than 1 year £'000	Impaired £'000	Total £'000
Financial investments	37,580	—	—	—	—	37,580
Deposits with ceding undertakings	5	—	—	—	—	5
Reinsurers' share of claims outstanding	14,708	133	—	—	(5)	14,836
Reinsurance debtors	719	157	20	15	—	911
Cash at bank and in hand	1,766	—	—	—	—	1,766
Insurance and other debtors	26,205	573	154	271	(5)	27,198
	80,983	863	174	286	(10)	82,296

(iii) Interest rate equity price risk

Interest rate risk and equity price risk are the risks that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates and market prices, respectively.

(iv) Currency risk

The syndicates' main exposure to foreign currency risk arises from insurance business originating overseas, primarily denominated in US dollars. Transactions denominated in US dollars form a significant part of the syndicates' operations. This risk is, in part, mitigated by the syndicates maintaining financial assets denominated in US dollars against its major exposures in that currency.

The table below provides details of syndicate assets and liabilities (Note 28) by currency:

2018	GBP £'000 converted	USD £'000 converted	EUR £'000 converted	CAD £'000 converted	Other £'000 converted	Total £'000 converted
Total assets	**19,637**	**85,608**	**7,108**	**9,780**	**6,797**	**128,930**
Total liabilities	**(26,707)**	**(89,915)**	**(7,421)**	**(6,805)**	**(5,693)**	**(136,541)**
(Deficiency)/surplus of assets	**(7,070)**	**(4,307)**	**(313)**	**2,975**	**1,104**	**(7,611)**

2017	GBP £'000 converted	USD £'000 converted	EUR £'000 converted	CAD £'000 converted	Other £'000 converted	Total £'000 converted
Total assets	14,405	57,140	4,368	7,229	4,367	87,509
Total liabilities	(18,831)	(57,167)	(3,899)	(5,143)	(3,423)	(88,463)
(Deficiency)/surplus of assets	(4,426)	(27)	469	2,086	944	(954)

The impact of a 5% change in exchange rates between GBP and other currencies would be £27,000 on shareholders' funds (2017: £174,000).

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED* – YEAR ENDED 31 DECEMBER 2018

4. Risk management *continued*

Impact of Brexit vote *continued*

(a) Syndicate risks *continued*

(v) Reinsurance risk

Reinsurance risk to the Group arises where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated, result in coverage disputes or prove inadequate in terms of the vertical or horizontal limits purchased. Failure of a reinsurer to pay a valid claim is considered a credit risk, which is detailed separately below.

The Group currently has reinsurance programmes on the 2016, 2017 and 2018 years of account.

The Group has strategic collateralised quota share arrangements in place in respect of 70% of its underwriting business with XL Re Limited, Bermudan reinsurer Everest Reinsurance Bermuda Limited (part of global NYSE-quoted insurer Everest Re Group Limited), Guernsey reinsurer Polygon Insurance Co Limited and other private shareholders through HIPCC Limited – Cell 6.

(b) Group risks – corporate level

(i) Investment, credit, liquidity and currency risks

The other significant risks faced by the Group are with regard to the investment of funds within its own custody. The elements of these risks are investment risk, liquidity risk, credit risk, interest rate risk and currency risk. To mitigate this, the surplus Group funds are deposited with highly rated banks and fund managers. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the Group to meet the claim. In order to minimise investment risk, credit risk and liquidity risk, the Group's funds are invested in readily realisable short-term deposits. The Group's maximum exposure to credit risk at 31 December 2018 is £28.3m (2017: £18.2m), being the aggregate of the Group's insurance receivables, prepayments and accrued income, financial assets at fair value, and cash and cash equivalents, excluding any amounts held in the syndicates. The syndicates can distribute their results in sterling, US dollars or a combination of the two. The Group is exposed to movements in the US dollar between the balance sheet date and the distribution of the underwriting profits and losses, which is usually in the May following the closure of a year of account. The Group does not use derivative instruments to manage risk and, as such, no hedge accounting is applied.

As a result of the specific nature and structure of the Group's collateralised quota share reinsurance arrangements through Cell 6, the Group's Funds at Lloyd's calculation benefits from an aggregate £24.5m (2017: £15.7m) letter of credit ("LOC") acceptable to Lloyd's, on behalf of XL Re Limited, Everest Reinsurance Bermuda Limited, Polygon Insurance Co Limited (the reinsurers) and other private shareholders. The LOC is pledged in aggregate to the relevant syndicates through Lloyd's and thus Helios Underwriting plc is not specifically exposed to counterparty credit risk in this matter. Should the bank's LOC become unacceptable to Lloyd's for any reason, the reinsurer is responsible under the terms of the contract for making alternative arrangements. The contract is annually renewable and the Group has a contingency plan in place in the event of non-renewal under both normal and adverse market conditions.

(ii) Market risk

The Group is exposed to market and liquidity risk in respect of its holdings of syndicate participations. Lloyd's syndicate participations are traded in the Lloyd's auctions held in September and October each year. The Group is exposed to changes in market prices and a lack of liquidity in the trading of a particular syndicate's capacity could result in the Group making a loss compared to the carrying value when the Group disposes of particular syndicate participations.

(iii) Regulatory risks

The Company's subsidiaries are subject to continuing approval by Lloyd's to be a member of a Lloyd's syndicate. The risk of this approval being removed is mitigated by monitoring and fully complying with all requirements in relation to membership of Lloyd's. The capital requirements to support the proposed amount of syndicate capacity for future years are subject to the requirements of Lloyd's. A variety of factors are taken into account by Lloyd's in setting these requirements including market conditions and syndicate performance and, although the process is intended to be fair and reasonable, the requirements can fluctuate from one year to the next, which may constrain the volume of underwriting a subsidiary of the Company is able to support.

The Company is subject to the AIM Rules. Compliance with the AIM Rules is monitored by the Board.

Operational risks

As there are relatively few transactions actually undertaken by the Group, there are only limited systems and operational requirements of the Group and therefore operational risks are not considered to be significant. Close involvement of all Directors in the Group's key decision making and the fact that the majority of the Group's operations are conducted by syndicates provide control over any remaining operational risks.

Capital management objectives, policies and approach

The Group has established the following capital management objectives, policies and approach to managing the risks that affect its capital position:

- to maintain the required level of stability of the Group, thereby providing a degree of security to shareholders;
- to allocate capital efficiently and support the development of the business by ensuring that returns on capital employed meet the requirements of the shareholders; and
- to maintain the financial strength to support increases in the Group's underwriting through acquisition of capacity in the Lloyd's auctions or through the acquisition of new subsidiaries.

The Group's capital management policy is to hold a sufficient level of capital to allow the Group to take advantage of market conditions, particularly when insurance rates are improving, and to meet the Funds at Lloyd's ("FAL") requirements that support the corporate member subsidiaries' current and future levels of underwriting.

4. Risk management *continued*

Approach to capital management

The capital structure of the Group consists entirely of equity attributable to equity holders of the Company, comprising issued share capital, share premium and retained earnings as disclosed in the statements of changes in equity on pages 28 and 29.

At 31 December 2018 the corporate member subsidiaries had an agreed FAL requirement of £32,688,000 (2017: £28,699,000) to support their underwriting on the 2019 year of account (2018 year of account). The funds to support this requirement are held in short-term investment funds and deposits or provided by the quota share reinsurance capital providers by way of an LOC. The FAL requirements are formally assessed and funded twice yearly and must be met by the corporate member subsidiaries to continue underwriting. At 31 December 2018 the agreed FAL requirements for the Group were 62% (2017: 70%) of the capacity for the following year of account.

5. Segmental information

Nigel Hanbury is the Group's chief operating decision-maker. He has determined its operating segments based on the way the Group is managed, for the purpose of allocating resources and assessing performance.

The Group has three segments that represent the primary way in which the Group is managed, as follows:

- syndicate participation;
- investment management; and
- other corporate activities.

Year ended 31 December 2018	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	30,749	—	203	30,952
Net investment income	586	(291)	—	295
Other income	(330)	—	412	82
Net insurance claims and loss adjustment expenses	(18,972)	—	—	(18,972)
Expenses incurred in insurance activities	(11,359)	—	(337)	(11,696)
Other operating expenses	(302)	—	(935)	(1,237)
Gain on bargain purchase (Note 22)	—	—	1,184	1,184
Impairment of goodwill	—	—	—	—
Impairment of syndicate capacity (see Note 13)	—	—	(281)	(281)
Profit before tax	**372**	**(291)**	**246**	**327**

Year ended 31 December 2017	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	29,426	—	—	29,426
Net investment income	909	101	—	1,010
Other income	(169)	—	401	232
Net insurance claims and loss adjustment expenses	(19,621)	—	1,589	(18,032)
Expenses incurred in insurance activities	(11,543)	—	(276)	(11,819)
Other operating expenses	30	—	(1,318)	(1,288)
Goodwill on bargain purchase	—	—	65	65
Impairment of goodwill	—	—	—	—
Impairment of syndicate capacity (see Note 13)	—	—	(899)	(899)
Profit before tax	(968)	101	(438)	(1,305)

The Group does not have any geographical segments as it considers all of its activities to arise from trading within the UK.

No major customers exceed 10% of revenue.

Net earned premium within 2018 other corporate activities totalling £203,000 (net insurance claims and loss adjustment expenses within 2017: £1,589,000 – 2015, 2016 and 2017 years of account) presents the 2016, 2017 and 2018 years of account net Group quota share reinsurance premium recoverable to HIPCC Limited – Cell 6 (Note 25). This net quota share reinsurance premium payable is included within "reinsurance premium ceded" in the consolidated income statement of the year.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED* – YEAR ENDED 31 DECEMBER 2018

6. Operating profit before impairments of goodwill and capacity

Year ended 31 December 2018	Underwriting year of account* 2016 and prior £'000	2017 £'000	2018 £'000	Sub-total £'000	Pre-acquisition £'000	Corporate reinsurance £'000	Other corporate £'000	Total £'000
Gross premium written	**1,333**	**6,253**	**45,283**	**52,869**	**(14,166)**	**—**	**—**	**38,703**
Reinsurance ceded	**81**	**(954)**	**(9,840)**	**(10,713)**	**3,131**	**203**	**(296)**	**(7,675)**
Net premium written	**1,414**	**5,299**	**35,443**	**42,156**	**(11,035)**	**203**	**(296)**	**31,028**
Net earned premium	**4,912**	**19,457**	**18,903**	**43,272**	**(12,227)**	**203**	**(296)**	**30,952**
Other income	**335**	**(261)**	**(120)**	**(46)**	**94**	**575**	**938**	**1,561**
Net insurance claims incurred and loss adjustment expenses	**1,220**	**(11,035)**	**(16,204)**	**(26,019)**	**6,681**	**—**	**366**	**(18,972)**
Operating expenses	**(2,949)**	**(6,076)**	**(7,602)**	**(16,627)**	**5,396**	**—**	**(1,702)**	**(12,933)**
Operating profit before impairments of goodwill and capacity	**3,518**	**2,085**	**(5,023)**	**580**	**(56)**	**778**	**(694)**	**608**
Quota share adjustment	**(1,938)**	**(1,173)**	**3,314**	**203**	**—**	**(203)**	**—**	**—**
Operating profit before impairments of goodwill and capacity, after quota share adjustment	**1,580**	**912**	**(1,709)**	**783**	**(56)**	**575**	**(694)**	**608**

* The underwriting year of account results represent the Group's share of the syndicates' results by underwriting year of account before corporate member level reinsurance and members' agent's charges.

Year ended 31 December 2017	Underwriting year of account* 2015 and prior £'000	2016 £'000	2017 £'000	Sub-total £'000	Pre-acquisition £'000	Corporate reinsurance £'000	Other corporate £'000	Total £'000
Gross premium written	15	4,688	32,021	36,724	(2,023)	—	—	34,701
Reinsurance ceded	128	(789)	(6,244)	(6,905)	447	—	(259)	(6,717)
Net premium written	143	3,899	25,777	29,819	(1,576)	—	(259)	27,984
Net earned premium	1,974	15,063	14,151	31,188	(1,503)	—	(259)	29,426
Other income	211	313	233	757	(98)	425	223	1,307
Net insurance claims incurred and loss adjustment expenses	1,742	(8,524)	(14,458)	(21,240)	990	1,589	629	(18,032)
Operating expenses	(1,588)	(4,825)	(5,697)	(12,110)	649	—	(1,646)	(13,107)
Operating profit before impairments of goodwill and capacity	2,339	2,027	(5,771)	(1,405)	38	2,014	(1,053)	(406)
Quota share adjustment	(1,044)	(1,287)	3,920	1,589	—	(1,589)	—	—
Operating profit before impairments of goodwill and capacity, after quota share adjustment	1,295	740	(1,851)	184	38	425	(1,053)	(406)

* The underwriting year of account results represent the Group's share of the syndicates' results by underwriting year of account before corporate member level reinsurance and members' agent's charges.

Pre-acquisition relates to the element of results from the new acquisitions before they were acquired by the Group.

7. Insurance liabilities and reinsurance balances

Movement in claims outstanding

	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2017	50,087	9,674	40,413
Increase in reserves arising from acquisition of subsidiary undertakings	6,390	1,467	4,923
Movement of reserves	8,761	5,028	3,733
Other movements	(5,405)	(1,333)	(4,072)
At 31 December 2017	59,833	14,836	44,997
At 1 January 2018	59,833	14,836	44,997
Increase in reserves arising from acquisition of subsidiary undertakings	25,576	6,969	18,607
Movement of reserves	1,109	909	200
Other movements	1,514	(16)	1,530
At 31 December 2018	**88,032**	**22,698**	**65,334**

Included within other movements are the 2014 and prior years' claims reserves reinsured into the 2015 year of account on which the Group does not participate and currency exchange differences.

Movement in unearned premium

	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2017	16,821	2,548	14,273
Increase in reserves arising from acquisition of subsidiary undertakings	2,909	291	2,617
Movement of reserves	(1,761)	(319)	(1,442)
Other movements	(2,053)	(166)	(1,886)
At 31 December 2017	15,916	2,354	13,562
At 1 January 2018	15,916	2,354	13,562
Increase in reserves arising from acquisition of subsidiary undertakings	8,042	1,322	6,720
Movement of reserves	360	284	76
Other movements	454	97	357
At 31 December 2018	**24,772**	**4,057**	**20,715**

Assumptions, changes in assumptions and sensitivity

As described in Note 4, the majority of the risks to the Group's future cash flows arise from its subsidiaries' participation in the results of Lloyd's syndicates and are mostly managed by the managing agents of the syndicates. The Group's role in managing these risks, in conjunction with the Group's members' agent, is limited to a selection of syndicate participations and monitoring the performance of the syndicates and their managing agents.

The amounts carried by the Group arising from insurance contracts are calculated by the managing agents of the syndicates, derived from accounting information provided by the managing agents and reported upon by the syndicate auditors.

The key assumptions underlying the amounts carried by the Group arising from insurance contracts are:

- the claims reserves calculated by the managing agents are accurate; and
- the potential deterioration of run-off year results has been fully provided for by the managing agents.

There have been no changes in assumptions in 2018.

The amounts carried by the Group arising from insurance contracts are sensitive to various factors as follows:

- a 10% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the Group's pre-tax profits by £8,803,000 (2017: £5,983,000);
- a 10% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Group's pre-tax profits by £6,533,000 (2017: £4,500,000); and
- a 10% increase/decrease in the run-off year net claims reserves will decrease/increase the Group's pre-tax profits by £7,000 (2017: £9,000).

The 10% movement has been selected to give an indication of the possible variations in the assumptions used.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED* – YEAR ENDED 31 DECEMBER 2018

7. Insurance liabilities and reinsurance balances *continued*

Analysis of gross and net claims development

The tables below provide information about historical gross and net claims development:

Claims development – gross

Underwriting pure year*	After one year £'000	After two years £'000	After three years £'000	After four years £'000	After five years £'000	After six years £'000	After seven years £'000	After eight years £'000	Profit on RITC received £'000
2011	17,686	27,192	27,045	26,825	26,296	25,966	25,393	25,237	2,023
2012	18,641	26,402	25,951	25,253	25,055	24,484	24,224		2,629
2013	13,837	23,473	23,097	22,538	22,044	21,746			1,641
2014	14,081	23,696	24,470	23,887	24,223				2,785
2015	13,501	26,271	26,889	26,656					3,275
2016	17,554	33,451	34,240						
2017	29,768	43,429							
2018	**22,464**								

Claims development – net

Underwriting pure year*	After one year £'000	After two years £'000	After three years £'000	After four years £'000	After five years £'000	After six years £'000	After seven years £'000	After eight years £'000	Profit on RITC received £'000
2011	15,006	23,287	23,143	22,541	21,983	21,732	21,378	21,291	2,118
2012	15,406	22,491	22,139	21,377	20,981	20,702	20,532		2,488
2013	11,953	20,584	20,085	19,445	19,170	18,983			1,993
2014	11,723	20,458	21,112	20,624	20,880				2,171
2015	11,515	22,524	22,901	22,814					2,164
2016	14,209	26,920	28,473						
2017	20,926	31,783							
2018	**16,674**								

* Including the new acquisitions during 2018.

At the end of the three years syndicates are normally reinsured to close. Participations on subsequent years on syndicates may therefore change. The above table shows seven years of development and how the reinsurance to close received performed.

8. Net investment income

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Investment income	**841**	731
Realised losses on financial assets at fair value through profit or loss	**(145)**	652
Unrealised (losses) on financial assets at fair value through profit or loss	**(490)**	(426)
Investment management expenses	**(55)**	(73)
Bank interest	**144**	126
Net investment income	**295**	1,010

9. Operating expenses (excluding goodwill and capacity impairment)

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Expenses incurred in insurance activities:		
Acquisition costs	**8,231**	8,174
Change in deferred acquisition costs	**120**	207
Administrative expenses	**3,447**	3,539
Other	**(102)**	(101)
	11,696	11,819
Other operating expenses:		
Exchange differences	**(324)**	284
Directors' remuneration	**341**	196
Acquisition costs in connection with the new subsidiaries acquired in the year	**144**	64
Professional fees	**624**	402
Administration and other expenses	**353**	240
Auditor's remuneration:		
– audit of the Parent Company and Group Financial Statements	**33**	31
– audit of subsidiary company Financial Statements	**40**	33
– underprovision of prior year audit fee	**8**	16
– audit related assurance services	**18**	22
	1,237	1,288
Operating expenses	**12,933**	13,107

The Group has no employees other than the Directors of the Company.

Details of the Directors' remuneration are disclosed below:

Directors' remuneration	**Year ended 31 December 2018 £**	Year ended 31 December 2017 £
Sir Michael Oliver	**—**	12,000
Arthur Manners	**128,000**	61,000
Edward William Fitzalan Howard	**15,000**	—
Jeremy Evans	**15,000**	15,000
Michael Cunningham	**20,000**	18,000
Andrew Christie	**15,000**	15,000
Nigel Hanbury	**148,000**	75,000
Total	**341,000**	196,000

The Chief Executive, Nigel Hanbury, and the Finance Director, Arthur Manners, had a bonus incentive scheme during 2018 in addition to their basic remuneration. The above figures for Nigel Hanbury and Arthur Manners include an accrual for the year of £50,000 each (2017: £nil each for Nigel Hanbury and Arthur Manners) in respect of this scheme. However, during the year 2018, a bonus was paid to these two Directors, being £28,750 to Nigel Hanbury and £23,000 to Arthur Manners, in respect of year 2017.

The above remuneration excludes bonuses of £50,000 payable to both Nigel Hanbury and Arthur Manners in relation to the results for the calendar year 2018.

No other Directors derive other benefits, pension contributions or incentives from the Group. During 2017, a Joint Share Ownership Plan was implemented as an incentive scheme for the Chief Executive, Nigel Hanbury, and the Finance Director, Arthur Manners (see Note 23).

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED* – YEAR ENDED 31 DECEMBER 2018

10. Income tax charge

(a) Analysis of tax (credit) in the year

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Current tax:		
– current year	892	510
– prior year	50	43
– foreign tax paid	88	35
Total current tax	1,030	588
Deferred tax:		
– current year	(1,205)	(1,027)
– prior year	46	(172)
Total deferred tax	(1,159)	(1,199)
Income tax credit	**(129)**	(611)

(b) Factors affecting the tax (credit) for the year

Tax for the year is lower than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

The differences are explained below:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Profit/(loss) before tax	327	(1,305)
Tax calculated as profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	62	(251)
Tax effects of:		
Prior year adjustments	96	(129)
Rate change and other adjustments	(53)	(112)
Permanent disallowances	(322)	(154)
Goodwill on bargain purchase not subject to tax	—	—
Foreign taxes	88	35
Tax credit for the year	**(129)**	(611)

The results of the Group's participation on the 2016, 2017 and 2018 years of account and the calendar year movement on 2015 and prior run-offs will not be assessed for tax until the years ended 2019, 2020 and 2021 respectively, being the year after the calendar year result of each run-off year or the normal date of closure of each year of account. Full provision is made as part of the deferred tax provisions for underwriting profits/(losses) not yet subject to corporation tax.

The Group has £1,723,000 (2017: £1,205,000) taxable losses carried forward, to which £333,000 (2017: £336,000) has been recognised as a deferred tax asset and has been offset against deferred tax liabilities of the same nature as disclosed in Note 18.

The Company has £1,389,000 (2017: £869,000) of tax losses to carry forward to which no deferred tax asset has been recognised due to the uncertainty of the future taxable profits, as disclosed in Note 18.

11. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the Company after tax by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Earnings per share has been calculated in accordance with IAS 33 "Earnings per Share".

The earnings per share and weighted average number of shares used in the calculation are set out below:

	Year ended 31 December 2018	Year ended 31 December 2017
Profit/(loss) for the year after tax attributable to ordinary equity holders of the Parent	£456,000	£(694,000)
Basic – weighted average number of ordinary shares*	14,544,433	14,604,240
Adjustments for calculating the diluted earnings per share: Treasury shares (JSOP scheme), Note 21	500,000	23,288
Diluted – weighted average number of ordinary shares*	15,044,433	14,627,528
Basic earnings/(loss) per share	3.14p	(4.75)p
Diluted earnings/(loss) per share	3.03p	(4.75)p

The basic and diluted earnings per share for the year 2017 are the same. The issue of the 500,000 partly paid ordinary shares (Note 21) gave rise to an anti-dilutive element.

* Used as the denominator in calculating the basic earnings per share, and diluted earnings per share, respectively.

12. Dividends paid or proposed

A dividend of 1.5p per share was paid during the year totalling £219,000 (2017: £803,000). The dividend was settled in cash (2017: in cash). Future dividends are detailed in Note 29.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED* – YEAR ENDED 31 DECEMBER 2018

13. Intangible assets

	Goodwill £'000	Syndicate capacity £'000	Total £'000
Cost			
At 1 January 2017	493	11,081	11,574
Additions	263	180	443
Disposals	—	(90)	(90)
Impairment	—	—	—
Acquired with subsidiary undertakings	—	1,989	1,989
At 31 December 2017	756	13,160	13,916
At 1 January 2018	756	13,160	13,916
Additions	19	—	19
Disposals	—	(74)	(74)
Impairment	—	—	—
Acquired with subsidiary undertakings	—	4,212	4,212
At 31 December 2018	**775**	**17,298**	**18,073**
Impairment			
At 1 January 2017	—	842	842
Impairment for the year	—	899	899
Disposals	—	—	—
At 31 December 2017	—	1,741	1,741
At 1 January 2018	—	1,741	1,741
Impairment for the year	—	281	281
Disposals	—	—	—
At 31 December 2018	**—**	**2,022**	**2,022**
Net book value			
At 31 December 2017	756	11,419	12,175
At 31 December 2018	**775**	**15,276**	**16,051**

Note 22 sets out the details of the entities acquired by the Group during the year, the fair value adjustments and the goodwill arising.

14. Investments in subsidiaries

	31 December 2018 £'000	31 December 2017 £'000
Total	**24,599**	15,456

During the year 2018 an impairment charge of £2,506,000 was recognised on the cost of investments in subsidiaries and included in the Parent income statement.

At 31 December 2018 the Company owned 100% of the following companies and limited liability partnerships, either directly or indirectly. All subsidiaries are incorporated in England and Wales and their registered office address is at 40 Gracechurch Street, London EC3V 0BT, apart from RBC CEES Trustee Limited which is incorporated in Jersey and their registered office address is Gaspé House, 66-72 Esplanade, Jersey, JE2 3QT.

Company or partnership	Direct/indirect interest	**2018 ownership**	2017 ownership	Principal activity
Hampden Corporate Member Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 365) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 605) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 321) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 917) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 229) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 518) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 804) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Halperin Underwriting Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Bernul Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Dumasco Limited (Note 29)	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 311) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 402) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Updown Underwriting Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 507) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 76) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Kempton Underwriting Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Devon Underwriting Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 346) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Pooks Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Charmac Underwriting Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
RBC CEES Trustee Limited(ii)	Direct	**100%**	100%	Joint Share Ownership Plan
Nottus (No 51) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Chapman Underwriting Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Llewellyn House Underwriting Limited	Direct	**100%**	—	Lloyd's of London corporate vehicle
Advantage DCP Limited	Direct	**100%**	—	Lloyd's of London corporate vehicle
Romsey Underwriting Limited	Direct	**100%**	—	Lloyd's of London corporate vehicle
Helios UTG Partner Limited(i)	Direct	**100%**	100%	Corporate partner
Nomina No 035 LLP	Indirect	**100%**	100%	Lloyd's of London corporate vehicle
Nomina No 342 LLP	Indirect	**100%**	100%	Lloyd's of London corporate vehicle
Nomina No 380 LLP	Indirect	**—**	100%	Lloyd's of London corporate vehicle
Nomina No 372 LLP	Indirect	**100%**	100%	Lloyd's of London corporate vehicle
Salviscount LLP	Indirect	**100%**	100%	Lloyd's of London corporate vehicle
Inversanda LLP	Indirect	**100%**	100%	Lloyd's of London corporate vehicle
Fyshe Underwriting LLP	Indirect	**100%**	—	Lloyd's of London corporate vehicle
Nomina No 505 LLP	Indirect	**100%**	—	Lloyd's of London corporate vehicle
Nomina No 321 LLP	Direct	**100%**	—	Lloyd's of London corporate vehicle

For details of all new acquisitions made during the year 2018 refer to Note 22(a).

(i) Helios UTG Partner Limited, a subsidiary of the Company, owns 100% of Nomina No 035 LLP, Nomina No 342 LLP, Nomina No 372 LLP, Salviscount LLP, Inversanda LLP, Fyshe Underwriting LLP, Nomina No 505 LLP and Nomina No 321 LLP. The cost of acquisition of these LLPs is accounted for in Helios UTG Partner Limited, their immediate parent company.

On 20 November 2018 Helios UTG Partner Limited ceased its involvement in Nomina No 380 LLP.

(ii) RBC CEES Trustee Limited is a newly incorporated entity in year 2017 to satisfy the requirements of the Joint Share Ownership Plan (see Note 23).

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED* – YEAR ENDED 31 DECEMBER 2018

15. Financial assets at fair value through profit or loss

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded securities) is based on quoted market prices (unadjusted) at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data inputs, either directly or indirectly (other than quoted prices included within Level 1) and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities.

The Group held the following financial assets carried at fair value on the statement of financial position:

Group	Total 2018 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Shares and other variable yield securities and units in unit trusts	**7,806**	2,717	4,983	106
Debt securities and other fixed income securities	**40,797**	13,345	27,452	—
Participation in investment pools	**826**	304	282	239
Loans and deposits with credit institutions	**227**	168	10	50
Derivatives	**30**	24	6	—
Other investments	**6**	6	—	—
Funds at Lloyd's	**8,383**	8,383	—	—
Total – fair value	**58,075**	24,947	23,733	395

Group	Total 2017 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Shares and other variable yield securities and units in unit trusts	6,203	1,803	4,155	245
Debt securities and other fixed income securities	30,534	10,486	20,048	—
Participation in investment pools	638	86	225	327
Loans and deposits with credit institutions	150	111	3	36
Derivatives	59	25	34	—
Other investments	5	5	—	—
Funds at Lloyd's	10,485	10,485	—	—
Total – fair value	48,074	23,001	24,465	608

Funds at Lloyd's represent assets deposited with the Corporation of Lloyd's to support the Group's underwriting activities as described in the accounting policies. The Group entered into a Lloyd's Deposit Trust Deed which gives Lloyd's the right to apply these monies in settlement of any claims arising from the participation on the syndicates. These monies can only be released from the provision of this Deed with Lloyd's express permission and only in circumstances where the amounts are either replaced by an equivalent asset, or after the expiration of the Group's liabilities in respect of its underwriting.

In addition to funds held by Lloyd's shown above, letters of credit totalling £2,194,000 (2017: £2,130,000) are also held as part of the Group's Funds at Lloyd's.

The Directors consider any credit risk or liquidity risk not to be material.

Company

Financial assets at fair value through profit or loss are shown below:

	31 December 2018 £'000	31 December 2017 £'000
Holdings in collective investment schemes	**—**	1
Total – market value	**—**	1

Most of these investments were sold during the year 2017.

16. Other receivables

Group	31 December 2018 £'000	31 December 2017 £'000
Arising out of direct insurance operations	**12,082**	7,246
Arising out of reinsurance operations	**26,297**	18,542
Other debtors	**14,559**	7,161
Total	**52,938**	32,949

The Group has no analysis of other receivables held directly by the syndicates on the Group's behalf (see Note 27). None of the Group's other receivables are past their due date and all are classified as fully performing.

Included within the above receivables are amounts totalling £2,081,000 (2017: £1,842,000) which are not expected to be wholly recovered within one year.

Company	31 December 2018 £'000	31 December 2017 £'000
Receivables from subsidiaries (Note 25)	**5,668**	9,285
Other debtors	**1,025**	161
Prepayments	**—**	—
Total	**6,693**	9,446

All the Company receivables are due within one year.

17. Deferred acquisition costs

	31 December 2018 £'000	31 December 2017 £'000
At 1 January	**4,420**	4,255
Increase arising from acquisition of subsidiary undertakings (Note 22)	**3,003**	604
Movement in deferred acquisition costs	**(120)**	(207)
Other movements	**(521)**	(232)
At 31 December	**6,782**	4,420

18. Deferred tax

Group

Deferred tax is calculated in full on temporary differences using a tax rate of 17% on deferred tax assets and 19% on deferred tax liabilities (2017: 17% on deferred tax assets and 19% on deferred tax liabilities). The movement on the deferred tax liability account is shown below:

Deferred tax liabilities	Valuation of capacity £'000	Timing differences on underwriting results £'000	Total £'000
At 1 January 2017	2,155	1,426	3,581
On acquisition of subsidiary undertakings	406	175	581
Prior period adjustment	(172)	—	(172)
Credit for the year	(178)	(849)	(1,027)
At 31 December 2017	2,211	752	2,963
At 1 January 2018	2,211	752	2,963
On acquisition of subsidiary undertakings	801	30	831
Prior period adjustment	46	—	46
Credit for the year	(108)	(1,097)	(1,205)
At 31 December 2018	**2,950**	**(315)**	**2,635**

Company

The Company had no deferred tax assets or liabilities (2017: £nil), as disclosed in Note 10.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED* – YEAR ENDED 31 DECEMBER 2018

19. Borrowings

Group and Company	31 December 2018 £'000	31 December 2017 £'000
Secured – at amortised cost		
Bank revolving credit facility	**9,196**	1,094
	9,196	1,094
Current	**8,162**	—
Non-current	**1,034**	1,094
	9,196	1,094

Bank loan

(a) Revolving credit facility

On 21 April 2016, the Company registered a security charge with Companies House against a prospective Revolving Credit Facility ("RCF"). During the year ended 31 December 2017, the Company agreed an RCF with the National Westminster Bank Plc to the value of £2,000,000, secured against all of the assets of the Group. On 22 November 2017 £1,094,000 was drawn down and repaid in full on 22 June 2018.

On 27 September 2018 £1,034,000 was drawn down on the RCF. The maturity of the RCF is 22 months from the initial date of the drawdown, being 27 July 2020. The RCF incurs interest at the following rates:

- drawn amounts 2.5% per annum over LIBOR; and
- undrawn amount 1% fixed per annum.

An arrangement fee of £30,000 was paid during the year to December 2017 to the National Westminster Bank Plc.

(b) Bank loan

On 14 November 2018 the Company agreed a short-term loan with National Westminster Bank Plc. The maturity of the loan is the later of 31 January 2019 and two months after the loan is drawn. On 7 December 2018 £8,162,000 was drawn down. The loan was repaid in full on 1 January 2019. The short-term loan incurs interest on drawn amounts at 2.5% per annum over LIBOR.

An arrangement fee of £41,000 was paid during the year to the National Westminster Bank Plc.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Liabilities	Equity			
Group	Other loans and borrowings	Share capital/ premium	Other reserves	Retained earnings	Total
Balance at 1 January 2017	—	16,859	—	5,660	22,519
Changes from financing cash flows					
Proceeds from issue of share capital (Note 21)	—	50	(50)	—	—
Proceeds from loans and borrowings	1,094	—	—	—	1,094
Proceeds from exercise of treasury shares	—	—	—	—	—
Repayment of borrowings	—	—	—	—	—
Dividend paid	—	—	—	(803)	(803)
Total changes from financing cash flows	1,094	50	(50)	(803)	291
Effect of changes in foreign exchange rates	—	—	—	—	—
Changes in fair value	—	—	—	—	—
Other changes:					
Liability related	—	—	—	—	—
Other expense	—	—	—	—	—
Interest expense	—	—	—	—	—
Interest paid	—	—	—	—	—
Total liability related other changes	—	—	—	—	—
Total liability related other changes	—	—	—	—	—
Total equity related other changes*	—	(12)	—	(694)	(706)
Balance at 31 December 2017	1,094	16,897	(50)	4,163	22,104

* The equity related other changes relate to share issue costs and the consolidated loss for the year 2017.

19. Borrowings *continued*

Bank loan *continued*

(b) Bank loan *continued*

	Liabilities	Equity			
Group	Other loans and borrowings	Share capital/ premium	Other reserves	Retained earnings	Total
Balance at 1 January 2018	1,094	16,897	(50)	4,163	22,104
Changes from financing cash flows					
Proceeds from issue of share capital (Note 21)	—	—	—	—	—
Proceeds from loans and borrowings	9,196	—	—	—	9,196
Payments for Company buy back of ordinary shares (Note 24)	—	—	—	(202)	(202)
Repayment of borrowings	(1,094)	—	—	—	(1,094)
Dividend paid	—	—	—	(219)	(219)
Total changes from financing cash flows	8,102	—	—	(421)	7,681
Effect of changes in foreign exchange rates	—	—	—	—	—
Changes in fair value	—	—	—	—	—
Other changes:	—	—	—	—	—
Liability related	—	—	—	—	—
Other expense	—	—	—	—	—
Interest expense	—	—	—	—	—
Interest paid	—	—	—	—	—
Total liability related other changes	—	—	—	—	—
Total liability related other changes	—	—	—	—	—
Total equity related other changes*	—	—	—	456	456
Balance at 31 December 2018	**9,196**	**16,897**	**(50)**	**4,198**	**30,241**

* The equity related other changes relate to the consolidated profit for the year 2018.

19. Borrowings *continued*
Bank loan *continued*
(b) Bank loan *continued*

Company	Liabilities: Other loans and borrowings	Equity: Share capital/ premium	Equity: Retained earnings	Total
Balance at 1 January 2017	—	16,859	13,029	29,888
Changes from financing cash flows				
Proceeds from loans and borrowings	1,094	—	—	1,094
Proceeds from exercise of treasury shares	—	—	—	—
Repayment of borrowings	—	—	—	—
Dividend paid	—	—	(803)	(803)
Total changes from financing cash flows	1,094	—	(803)	291
Effect of changes in foreign exchange rates	—	—	—	—
Changes in fair value				
Other changes:				
Liability related	—	—	—	—
Other expense	—	—	—	—
Interest expense	—	—	—	—
Interest paid	—	—	—	—
Total liability related other changes	—	—	—	—
Total liability related other changes	—	—	—	—
Total equity related other changes*	—	38	(4,514)	(4,526)
Balance at 31 December 2017	1,094	16,897	7,712	25,703

* The equity related other changes relate to share issue and related costs and the Company's loss for the year 2017.

Company	Liabilities: Other loans and borrowings	Equity: Share capital/ premium	Equity: Other reserves	Equity: Retained earnings	Total
Balance at 1 January 2018	1,094	16,897	—	7,712	25,703
Changes from financing cash flows					
Proceeds from issue of share capital (Note 21)	—	—	—	—	—
Proceeds from loans and borrowings	9,196	—	—	—	9,196
Payments for Company buy back of ordinary shares (Note 24)	—	—	—	(202)	(202)
Repayment of borrowings	(1,094)	—	—	—	(1,094)
Dividend paid	—	—	—	(219)	(219)
Total changes from financing cash flows	8,102	—	—	(421)	7,681
Effect of changes in foreign exchange rates	—	—	—	—	—
Changes in fair value	—	—	—	—	—
Other changes:	—	—	—	—	—
Liability related	—	—	—	—	—
Other expense	—	—	—	—	—
Interest expense	—	—	—	—	—
Interest paid	—	—	—	—	—
Total liability related other changes	—	—	—	—	—
Total liability related other changes	—	—	—	—	—
Total equity related other changes*	—	—	—	4,463	4,463
Balance at 31 December 2018	**9,196**	**16,897**	**—**	**11,754**	**37,847**

* The equity related other changes relate to the Company's profit for the year 2018.

20. Other payables

Group	**31 December 2018 £'000**	31 December 2017 £'000
Arising out of direct insurance operations	**1,893**	1,413
Arising out of reinsurance operations	**12,451**	8,800
Corporation tax payable	**726**	465
Other creditors	**10,251**	4,880
	25,321	15,558

The Group has no analysis of other payables held directly by the syndicates on the Group's behalf (see Note 27).

Company	**31 December 2018 £'000**	31 December 2017 £'000
Other creditors	**1,466**	—
Accruals and deferred income	**369**	182
	1,835	182

All payables above are due within one year.

21. Share capital and share premium

	Number of shares (i)	Ordinary share capital £'000	Partly paid ordinary share capital £'000	Share premium £'000	Total £'000
Ordinary shares of 10p each and share premium at 1 January 2017	14,604,240	1,460	—	15,399	16,859
Treasury shares 14 December 2017 partially paid under the JSOP scheme (Note 23)	500,000	—	50	—	50
Less: transaction costs arising on share issues	—	—	—	(12)	(12)
Ordinary shares of 10p each and share premium at 31 December 2017	15,104,240	1,460	50	15,387	16,897
Ordinary shares of 10p each and share premium at 1 January 2018	15,104,240	1,460	50	15,387	16,897
Ordinary shares of 10p each and share premium at 31 December 2018	**15,104,240**	**1,460**	**50**	**15,387**	**16,897**

(i) Number of shares

	2018	2017
Allotted, called up and fully paid ordinary shares:		
– On the market	**14,440,962**	14,604,240
– Company buy back of ordinary share held in treasury (Note 24)	**163,278**	—
	14,604,240	14,604,240
Uncalled and partly paid ordinary shares under the JSOP scheme (ii) (Note 23)	**500,000**	500,000
	15,104,240	15,104,240

(ii) The partly paid ordinary shares are not entitled to dividend distribution rights during the year.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED* – YEAR ENDED 31 DECEMBER 2018

22. Acquisition of Limited Liability Vehicles

Acquisitions of Limited Liability Vehicles are accounted for using the acquisition method of accounting.

Where the comparison of the consideration paid to the fair value of net assets acquired gives rise to a negative goodwill this is recognised in the revenue, in the consolidated income statement as a gain on bargain purchase (negative goodwill). The below table shows the summary of the gain on bargain purchase and the impairment of goodwill as follows:

Company or partnership	2018 Gain on bargain purchase £'000	2018 Impairment of goodwill £'000	Total £'000	2017 Gain on bargain purchase £'000	2017 Impairment of goodwill £'000	Total £'000
Nottus (No 51) Limited	—	—	—	—	—	—
Chapman Underwriting Limited	—	—	—	65	—	65
Inversanda LLP	—	—	—	—	—	—
Fyshe Underwriting LLP	34	—	34	—	—	—
Nomina No 505 LLP	38	—	38	—	—	—
Llewellyn House Underwriting Limited	—	—	—	—	—	—
Advantage DCP Limited	474	—	474	—	—	—
Romsey Underwriting Limited	569	—	569	—	—	—
Nomina No 321 LLP	69	—	69	—	—	—
	1,184	—	1,184	65	—	65

Further details of individual acquisitions are shown below:

(a) 2018 acquisitions
Fyshe Underwriting LLP

On 31 August 2018, Helios UTG Partner Limited, a 100% subsidiary of the Company, became a 100% corporate partner in Fyshe Underwriting LLP for a total consideration of £68,000. Fyshe Underwriting LLP is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £102,000. Negative goodwill of £34,000 arose on acquisition and has been immediately recognised as goodwill on bargain purchase in the income statement. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	—	211	211
Financial assets at fair value through profit or loss	513	—	513
Reinsurance assets:			
– reinsurers' share of claims outstanding	261	—	261
– reinsurers' share of unearned premium	41	—	41
Other receivables, including insurance and reinsurance receivables	324	—	324
Deferred acquisition cost	65	—	65
Prepayments and accrued income	2	—	2
Cash and cash equivalents	90	—	90
Insurance liabilities:			
– claims outstanding	(929)	—	(929)
– unearned premium	(227)	—	(227)
Deferred income tax liabilities	—	(40)	(40)
Other payables, including insurance and reinsurance payables	(177)	—	(177)
Accruals and deferred income	(32)	—	(32)
Net assets acquired	**(69)**	**171**	**102**
Satisfied by:			
Cash and cash equivalents	68	—	68
Total consideration	**68**	**—**	**68**
Negative Goodwill	**137**	**(171)**	**(34)**

22. Acquisition of Limited Liability Vehicles *continued*
(a) 2018 acquisitions *continued*
Fyshe Underwriting LLP *continued*

	2016 year of account	2017 year of account	**2018 year of account**
Capacity acquired	495,450	486,014	**500,150**

The net earned premium and profit of Fyshe Underwriting LLP for the period since the acquisition date to 31 December 2018 are £133,000 and £6,000 respectively.

Negative goodwill has arisen on the acquisition of Fyshe Underwriting LLP as a result of the purchase consideration being at a discount to the fair value of net assets acquired.

Nomina No 505 LLP

On 25 September 2018, Helios UTG Partner Limited, a 100% subsidiary of the Company, became a 100% corporate partner in Nomina No 505 LLP for a total consideration of £302,000. Nomina No 505 LLP is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £340,000. Negative goodwill of £38,000 arose on acquisition and has been immediately recognised as goodwill on bargain purchase in the income statement. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	4	287	291
Financial assets at fair value through profit or loss	916	—	916
Reinsurance assets:			
– reinsurers' share of claims outstanding	427	—	427
– reinsurers' share of unearned premium	64	—	64
Other receivables, including insurance and reinsurance receivables	579	217	796
Deferred acquisition cost	133	—	133
Prepayments and accrued income	7	—	7
Cash and cash equivalents	130	—	130
Insurance liabilities:			
– claims outstanding	(1,529)	—	(1,529)
– unearned premium	(412)	—	(412)
Deferred income tax liabilities	—	(96)	(96)
Other payables, including insurance and reinsurance payables	(345)	—	(345)
Accruals and deferred income	(42)	—	(42)
Net assets acquired	**(68)**	**408**	**340**
Satisfied by:			
Cash and cash equivalents	302	—	302
Total consideration	**302**	**—**	**302**
Goodwill	**370**	**(408)**	**(38)**

	2016 year of account	2017 year of account	**2018 year of account**
Capacity acquired	796,755	852,255	**922,937**

The net earned premium and profit of Nomina No 505 LLP for the period since the acquisition date to 31 December 2018 are £195,000 and £33,000 respectively.

Negative goodwill has arisen on the acquisition of Nomina No 505 LLP as a result of the purchase consideration being at a discount to the fair value of net assets acquired.

22. Acquisition of Limited Liability Vehicles *continued*
(a) 2018 acquisitions *continued*
Llewellyn House Underwriting Limited

On 19 October 2018, Helios Underwriting plc acquired 100% of the issued share capital of Llewellyn House Underwriting Limited for a total consideration of £414,000. Llewellyn House Underwriting Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £395,000. Goodwill of £19,000 arose on acquisition which has been recognised as an intangible asset and will be assessed at each period end for impairment. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	48	161	209
Financial assets at fair value through profit or loss	498	—	498
Reinsurance assets:			
– reinsurers' share of claims outstanding	254	—	254
– reinsurers' share of unearned premium	35	—	35
Other receivables, including insurance and reinsurance receivables	191	—	191
Deferred acquisition cost	57	—	57
Prepayments and accrued income	4	—	4
Cash and cash equivalents	469	—	469
Insurance liabilities:			
– claims outstanding	(829)	—	(829)
– unearned premium	(221)	—	(221)
Deferred income tax liabilities	—	(31)	(31)
Other payables, including insurance and reinsurance payables	(207)	—	(207)
Accruals and deferred income	(34)	—	(34)
Net assets acquired	**265**	**130**	**395**
Satisfied by:			
Cash and cash equivalents	414	—	414
Loan paid on acquisition	—	—	—
Total consideration	**414**	**—**	**414**
Goodwill	**149**	**(130)**	**19**

	2016 year of account	2017 year of account	**2018 year of account**
Capacity acquired	520,004	537,937	**536,311**

The net earned premium and loss of Llewellyn House Underwriting Limited for the period since the acquisition date to 31 December 2018 are £77,000 and £2,000 respectively.

Goodwill has arisen on the acquisition of Llewellyn House Underwriting Limited as a result of the purchase consideration being in excess of the fair value of net assets acquired.

22. Acquisition of Limited Liability Vehicles *continued*
(a) 2018 acquisitions *continued*
Advantage DCP Limited

On 6 December 2018, Helios Underwriting plc acquired 100% of the issued share capital of Advantage DCP Limited for a total consideration of £1,795,000. Advantage DCP Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £2,269,000. Negative goodwill of £474,000 arose on acquisition which has been recognised as an intangible asset and will be assessed at each period end for impairment. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	89	127	216
Financial assets at fair value through profit or loss	2,341	—	2,341
Reinsurance assets:			
– reinsurers' share of claims outstanding	845	—	845
– reinsurers' share of unearned premium	249	—	249
Other receivables, including insurance and reinsurance receivables	4,771	—	4,771
Deferred acquisition cost	1,367	—	1,367
Prepayments and accrued income	30	—	30
Cash and cash equivalents	335	—	335
Insurance liabilities:			
– claims outstanding	(4,615)	—	(4,615)
– unearned premium	(2,275)	—	(2,275)
Deferred income tax liabilities	—	(23)	(23)
Other payables, including insurance and reinsurance payables	(843)	—	(843)
Accruals and deferred income	(129)	—	(129)
Net assets acquired	**2,165**	**104**	**2,269**
Satisfied by:			
Cash and cash equivalents	1,874	—	1,874
Loan paid on acquisition	(79)	—	(79)
Total consideration	**(1,795)**	**—**	**(1,795)**
Negative Goodwill	**(370)**	**(104)**	**(474)**

	2016 year of account	2017 year of account	**2018 year of account**
Capacity acquired	3,624,169	3,067,408	**2,320,000**

The net earned premium and loss of Advantage DCP Limited for the period since the acquisition date to 31 December 2018 are £226,000 and £34,000 respectively.

Negative goodwill has arisen on the acquisition of Advantage DCP Limited as a result of the purchase consideration being at a discount to the fair value of net assets acquired.

22. Acquisition of Limited Liability Vehicles *continued*

(a) 2018 acquisitions *continued*

Romsey Underwriting Limited

On 10 December 2018, Helios Underwriting plc acquired 100% of the issued share capital of Romsey Underwriting Limited for a total consideration of £9,400,000. Romsey Underwriting Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £9,969,000. Negative goodwill of £569,000 arose on acquisition which has been recognised as an intangible asset and will be assessed at each period end for impairment. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	27	3,213	3,240
Financial assets at fair value through profit or loss	16,928	—	16,928
Reinsurance assets:			
– reinsurers' share of claims outstanding	5,022	—	5,022
– reinsurers' share of unearned premium	908	—	908
Other receivables, including insurance and reinsurance receivables	5,960	—	5,960
Deferred acquisition cost	1,338	—	1,338
Prepayments and accrued income	71	—	71
Cash and cash equivalents	2,771	—	2,771
Insurance liabilities:			
– claims outstanding	(17,088)	—	(17,088)
– unearned premium	(4,751)	—	(4,751)
Deferred income tax liabilities	(60)	(611)	(671)
Other payables, including insurance and reinsurance payables	(3,343)	—	(3,343)
Accruals and deferred income	(416)	—	(416)
Net assets acquired	**7,367**	**2,602**	**9,969**
Satisfied by:			
Cash and cash equivalents	9,400	—	9,400
Loan paid on acquisition	—	—	—
Total consideration	**9,400**	**—**	**9,400**
Negative Goodwill	**2,033**	**(2,602)**	**(569)**

	2016 year of account	2017 year of account	**2018 year of account**
Capacity acquired	10,351,060	10,907,123	**10,041,348**

The net earned premium and loss of Romsey Underwriting Limited for the period since the acquisition date to 31 December 2018 are £478,000 and £1,000 respectively.

Negative goodwill has arisen on the acquisition of Romsey Underwriting Limited as a result of the purchase consideration being at a discount to the fair value of net assets acquired.

22. Acquisition of Limited Liability Vehicles *continued*

(a) 2018 acquisitions *continued*

Nomina No 321 LLP

On 28 December 2018, Helios UTG Partner Limited, a 100% subsidiary of the Company, became a 100% corporate partner in Nomina No 321 LLP for a total consideration of £84,000. Nomina No 321 LLP is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £153,000. Negative goodwill of £69,000 arose on acquisition and has been immediately recognised as goodwill on bargain purchase in the income statement. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	94	42	136
Financial assets at fair value through profit or loss	383	—	383
Reinsurance assets:			
– reinsurers' share of claims outstanding	159	—	159
– reinsurers' share of unearned premium	25	—	25
Other receivables, including insurance and reinsurance receivables	192	55	247
Deferred acquisition cost	43	—	43
Prepayments and accrued income	3	—	3
Cash and cash equivalents	58	—	58
Insurance liabilities:			
– claims outstanding	(586)	—	(586)
– unearned premium	(157)	—	(157)
Deferred income tax liabilities	—	(18)	(18)
Other payables, including insurance and reinsurance payables	(119)	—	(119)
Accruals and deferred income	(21)	—	(21)
Net assets acquired	**74**	**79**	**153**
Satisfied by:			
Cash and cash equivalents	84	—	84
Total consideration	**84**	**—**	**84**
Goodwill	**10**	**(79)**	**(69)**

	2016 year of account	2017 year of account	**2018 year of account**
Capacity acquired	287,188	335,353	**369,556**

The net earned premium and profit of Nomina No 321 LLP for the period since the acquisition date to 31 December 2018 are £3,000 and £nil respectively.

Negative goodwill has arisen on the acquisition of Nomina No 321 LLP as a result of the purchase consideration being at a discount to the fair value of net assets acquired.

Had the Limited Liability Vehicles been consolidated from 1 January 2018, the consolidated statement of comprehensive income would show net earned premium of £42,714,000 and a profit after tax of £125,000.

Costs incurred in connection with the six acquisitions totalling £144,000 (2017: £64,000) have been recognised in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED* – YEAR ENDED 31 DECEMBER 2018

22. Acquisition of Limited Liability Vehicles *continued*
(b) 2017 acquisitions
Pooks Limited

On 25 January 2017, Helios Underwriting plc acquired 100% of the issued share capital of Pooks Limited for a total consideration of £308,000. Pooks Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £279,000. Goodwill of £29,000 arose on acquisition which has been recognised as an intangible asset and will be assessed at each period end for impairment. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	—	516	516
Financial assets at fair value through profit or loss			
Reinsurance assets:	747	—	747
– reinsurers' share of claims outstanding	206	—	206
– reinsurers' share of unearned premium	38	—	38
Other receivables, including insurance and reinsurance receivables	914	—	914
Deferred acquisition cost	64	—	64
Prepayments and accrued income	5	—	5
Cash and cash equivalents	104	—	104
Insurance liabilities:			
– claims outstanding	(1,019)	—	(1,019)
– unearned premium	(327)	—	(327)
Deferred income tax liabilities	—	(98)	(98)
Other payables, including insurance and reinsurance payables	(839)	—	(839)
Accruals and deferred income	(32)	—	(32)
Net assets acquired	(139)	418	279
Satisfied by:			
Cash and cash equivalents	871	—	871
Loan paid on acquisition	(563)	—	(563)
Total consideration	308	—	308
Goodwill	447	(418)	29

	2015 year of account	2016 year of account	2017 year of account
Capacity acquired	749,927	756,697	784,666

The net earned premium and loss of Pooks Limited for the period since the acquisition date to 31 December 2017 are £531,000 and £15,000 respectively.

Goodwill has arisen on the acquisition of Pooks Limited as a result of the purchase consideration being in excess of the fair value of net assets acquired.

22. Acquisition of Limited Liability Vehicles *continued*
(b) 2017 acquisitions *continued*
Charmac Underwriting Limited

On 3 April 2017, Helios Underwriting plc acquired 100% of the issued share capital of Charmac Underwriting Limited for a total consideration of £2,240,000. Charmac Underwriting Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £2,138,000. Goodwill of £102,000 arose on acquisition which has been recognised as an intangible asset and will be assessed at each period end for impairment. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	37	642	679
Financial assets at fair value through profit or loss	1,692	—	1,692
Reinsurance assets:			
– reinsurers' share of claims outstanding	439	—	439
– reinsurers' share of unearned premium	123	—	123
Other receivables, including insurance and reinsurance receivables	2,085	277	2,362
Deferred acquisition cost	250	—	250
Prepayments and accrued income	9	—	9
Cash and cash equivalents	431	—	431
Insurance liabilities:			
– claims outstanding	(2,120)	—	(2,120)
– unearned premium	(832)	—	(832)
Deferred income tax liabilities	(74)	(175)	(249)
Other payables, including insurance and reinsurance payables	(574)	—	(574)
Accruals and deferred income	(72)	—	(72)
Net assets acquired	1,394	744	2,138
Satisfied by:			
Cash and cash equivalents	2,240	—	2,240
Total consideration	2,240	—	2,240
Goodwill	846	(744)	102

	2015 year of account	2016 year of account	2017 year of account
Capacity acquired	1,417,006	1,491,671	1,622,890

The net earned premium and loss of Charmac Underwriting Limited for the period since the acquisition date to 31 December 2017 are £1,005,000 and £(15,000) respectively.

Goodwill has arisen on the acquisition of Charmac Underwriting Limited as a result of the purchase consideration being in excess of the fair value of net assets acquired.

22. Acquisition of Limited Liability Vehicles *continued*
(b) 2017 acquisitions *continued*
Nottus (No 51) Limited

On 8 June 2017, Helios Underwriting plc acquired 100% of the issued share capital of Nottus (No 51) Limited for a total consideration of £965,000. Nottus (No 51) Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £962,000. Goodwill of £3,000 arose on acquisition which has been recognised as an intangible asset and will be assessed at each period end for impairment. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	—	370	370
Financial assets at fair value through profit or loss	1,061	—	1,061
Reinsurance assets:			
– reinsurers' share of claims outstanding	242	—	242
– reinsurers' share of unearned premium	49	—	49
Other receivables, including insurance and reinsurance receivables	813	—	813
Deferred acquisition cost	78	—	78
Prepayments and accrued income	4	—	4
Cash and cash equivalents	62	—	62
Insurance liabilities:			
– claims outstanding	(975)	—	(975)
– unearned premium	(300)	—	(300)
Deferred income tax liabilities	(62)	(71)	(133)
Other payables, including insurance and reinsurance payables	(276)	—	(276)
Accruals and deferred income	(33)	—	(33)
Net assets acquired	663	299	962
Satisfied by:			
Cash and cash equivalents	965	—	965
Total consideration	965	—	965
Goodwill	302	(299)	3

	2015 year of account	2016 year of account	2017 year of account
Capacity acquired	619,244	634,067	669,597

The net earned premium and profit of Nottus (No 51) Limited for the period since the acquisition date to 31 December 2017 are £296,000 and £6,000 respectively.

Goodwill has arisen on the acquisition of Nottus (No 51) Limited as a result of the purchase consideration being in excess of the fair value of net assets acquired.

22. Acquisition of Limited Liability Vehicles *continued*
(b) 2017 acquisitions *continued*
Chapman Underwriting Limited

On 20 November 2017, Helios Underwriting plc acquired 100% of the issued share capital of Chapman Underwriting Limited for a total consideration of £540,000. Chapman Underwriting Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £605,000. Negative goodwill of £65,000 arose on acquisition and has been immediately recognised as goodwill on bargain purchase in the comprehensive income statement. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	1	334	335
Financial assets at fair value through profit or loss	823	—	823
Reinsurance assets:			
– reinsurers' share of claims outstanding	269	—	269
– reinsurers' share of unearned premium	41	—	41
Other receivables, including insurance and reinsurance receivables	706	—	706
Deferred acquisition cost	97	—	97
Prepayments and accrued income	4	—	4
Cash and cash equivalents	150	—	150
Insurance liabilities:	—	—	—
– claims outstanding	(1,137)	—	(1,137)
– unearned premium	(309)	—	(309)
Deferred income tax liabilities	(40)	(63)	(103)
Other payables, including insurance and reinsurance payables	(235)	—	(235)
Accruals and deferred income	(36)	—	(36)
Net assets acquired	334	271	605
Satisfied by:			
Cash and cash equivalents	540	—	540
Total consideration	540	—	540
Negative Goodwill	206	(271)	(65)

	2015 year of account	2016 year of account	2017 year of account
Capacity acquired	624,208	635,331	670,327

The net earned premium and profit of Chapman Underwriting Limited for the period since the acquisition date to 31 December 2017 are £33,000 and £3,000 respectively.

Negative goodwill has arisen on the acquisition of Chapman Underwriting as a result of the purchase consideration being at a discount to the fair value of net assets acquired.

22. Acquisition of Limited Liability Vehicles *continued*

(b) 2017 acquisitions *continued*

Inversanda LLP

On 25 September 2017, Helios UTG Partner Limited, a 100% subsidiary of the Company, became a 100% corporate partner in Inversanda LLP for a total consideration of £235,000. Inversanda LLP is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £106,000. Goodwill of £129,000 arose on acquisition and has been immediately recognised as goodwill on bargain purchase in the income statement. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	214	—	214
Financial assets at fair value through profit or loss	485	—	485
Reinsurance assets:			
– reinsurers' share of claims outstanding	312	—	312
– reinsurers' share of unearned premium	44	—	44
Other receivables, including insurance and reinsurance receivables	446	—	446
Deferred acquisition cost	115	—	115
Prepayments and accrued income	5	—	5
Cash and cash equivalents	70	—	70
Insurance liabilities:			
– claims outstanding	(1,141)	—	(1,141)
– unearned premium	(274)	—	(274)
Deferred income tax liabilities	—	—	—
Other payables, including insurance and reinsurance payables	(141)	—	(141)
Accruals and deferred income	(29)	—	(29)
Net assets acquired	106	—	106
Satisfied by:			
Cash and cash equivalents	235	—	235
Total consideration	235	—	235
Goodwill	129	—	129

	2015 year of account	2016 year of account	2017 year of account
Capacity acquired	646,587	634,095	616,211

The net earned premium and loss of Inversanda LLP for the period since the acquisition date to 31 December 2017 are £77,000 and £1,000 respectively.

Goodwill has arisen on the acquisition of Inversanda LLP as a result of the purchase consideration being in excess of the fair value of net assets acquired.

Had the Limited Liability Vehicles been consolidated from 1 January 2017, the consolidated statement of comprehensive income would show net earned premium of £30,929,000 and a loss after tax of £720,000.

Costs incurred in connection with the three acquisitions totalling £64,100 have been recognised in the consolidated income statement.

23. Joint Share Ownership Plan ("JSOP")

No shares have been vested as at 31 December 2018.

Effect of the transactions

The beneficial interests of the Executives following the transaction will be as follows:

	2018			2017		
Director	**Interests in jointly owned ordinary shares issued under JSOP**	**Other interests in ordinary shares**	**Total shareholding**	Interests in jointly owned ordinary shares issued under JSOP	Other interests in ordinary shares	Total shareholding
Arthur Manners	**200,000**	**133,334**	**333,334**	200,000	133,334	333,334
Nigel Hanbury	**300,000**	**2,436,871**	**2,736,871**	300,000	2,436,871	2,736,871

The new ordinary shares will rank pari passu with the Company's existing issued ordinary shares. The Company's issued share capital following Admission will comprise 15,104,240 ordinary shares with voting rights and no restrictions on transfer and this figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the Disclosure Guidance and Transparency Rules.

The JSOP is to be accounted for as if it were a premium priced option, and therefore Black Scholes mathematics have been applied to determine the fair value. As the performance condition will eventually be trued up, a calculation of the fair value based on an algebraic Black Scholes calculation of the value of the "as if" option discounted for the risk of forfeiture or non-vesting is reasonable. The discount factors are for the risk that an employee leaves and forfeits the award or the failure to meet the performance condition with the result the JSOP awards do not vest in full or at all.

The basic Black Scholes calculation is based on the following six basic assumptions:

(a) market value of a share at the date of grant (133.5p);

(b) expected premium or threshold price of a share (141.4p);

(c) expected life of the JSOP award;

(d) risk-free rate of capital;

(e) expected dividend yield; and

(f) expected future volatility of a Helios share.

Date of grant	13.12.17
(a) Share price	133.5p
(b) Exercise price	141.4p
(c) Expected life (years)	3
(d) Risk-free rate	1.00%
(e) Expected dividend yield (continuous payout)	4.20%
(f) Volatility	20.00%
Exponential constant	2.72
Black Scholes option value	**9.3**

The fair value has been discounted by 50% for the risk that some of the awards will be forfeited and not vest, giving a fair value of 4.6p per share. The total fair value per share of 4.6p times the number of JSOP awards (500,000 being ordinary shares, Note 21) gives a total fair value of £23,150. The amount is to be charged as an expense and spread over three years, being the years 2018 to 2020.

24. Treasury shares: purchase of own shares

During the year, the Company bought back some of its own ordinary shares on the market and these are held in treasury, as detailed below:

Date	Number of shares	Market value consideration paid £	Market price per share £	Nominal value 10p each £
05/07/2018	10,000	12,250	1.225	1,000
11/07/2018	14,000	17,500	1.250	1,400
24/07/2018	50,000	62,500	1.250	5,000
27/07/2018	25,000	31,250	1.250	2,500
30/07/2018	10,000	12,500	1.250	1,000
14/08/2018	3,778	4,723	1.250	378
17/08/2018	24,000	30,000	1.250	2,400
17/12/2018	25,000	30,000	1.200	2,500
21/12/2018	1,500	1,875	1.250	150
	163,278	202,598		16,328

The retained earnings have been reduced by £202,000, being the consideration paid on the market for these shares, as shown in the Consolidated and Parent Company statements of changes in equity.

The Company cannot exercise any rights over these bought back and held in treasury shares, and has no voting rights. No dividend or other distribution of the Company's assets can be paid to the Company in respect of the treasury shares that it holds.

As at 31 December 2018, the 163,278 own shares bought back represent 1.12% of the total allotted, called up and fully paid ordinary shares of the Company of 14,604,240 (Note 21).

25. Related party transactions

Helios Underwriting plc has inter-company loans with its subsidiaries which are repayable on three months' notice provided it does not jeopardise each company's ability to meet its liabilities as they fall due. All inter-company loans are therefore classed as falling due within one year. The amounts outstanding as at 31 December are set out below:

Company	**31 December 2018 £'000**	31 December 2017 £'000
Balances due from/(to) Group companies at the year end:		
Hampden Corporate Member Limited	**265**	136
Nameco (No. 365) Limited	**(36)**	(50)
Nameco (No. 605) Limited	**(16)**	(64)
Nameco (No. 321) Limited	**4**	(10)
Nameco (No. 917) Limited	**3,812**	7,647
Nameco (No. 229) Limited	**3**	(7)
Nameco (No. 518) Limited	**20**	(9)
Nameco (No. 804) Limited	**(45)**	188
Halperin Underwriting Limited	**7**	(18)
Bernul Limited	**66**	10
Dumasco Limited	**38**	(44)
Nameco (No. 311) Limited	**20**	(34)
Nameco (No. 402) Limited	**(143)**	(191)
Updown Underwriting Limited	**(21)**	80
Nameco (No. 507) Limited	**91**	4
Nameco (No. 76) Limited	**(141)**	55
Kempton Underwriting Limited	**2**	154
Devon Underwriting Limited	**138**	47
Nameco (No. 346) Limited	**(263)**	(321)
Pooks Limited	**345**	346
Charmac Underwriting Limited	**(351)**	(513)
Nottus (No 51) Limited	**35**	230
Chapman Underwriting Limited	**383**	358
Llewellyn House Underwriting Limited	**63**	—
Advantage DCP Limited	**72**	—
Romsey Underwriting Limited	**459**	—
Nomina No 035 LLP	**—**	—
Nomina No 342 LLP	**—**	—
Nomina No 380 LLP	**—**	—
Nomina No 372 LLP	**—**	—
Salviscount LLP	**—**	—
Inversanda LLP	**—**	—
Helios UTG Partner Limited	**811**	1,241
RBC CEES Trustee Limited	**50**	50
Total (Note 16)	**5,668**	9,285

Helios Underwriting plc and its subsidiaries have entered into a management agreement with Nomina plc. Jeremy Evans, a Director of Helios Underwriting plc and its subsidiary companies, is also a director of Nomina plc. Under the agreement, Nomina plc provides management and administration, financial, tax and accounting services to the Group for an annual fee of £160,000 (2017: £146,000).

25. Related party transactions *continued*

The Limited Liability Vehicles have entered into a members' agent agreement with Hampden Agencies Limited. Jeremy Evans, a Director of Helios Underwriting plc and its subsidiary companies, is also a director of Hampden Capital plc, which controls Hampden Agencies Limited. Under the agreement the Limited Liability Vehicles will pay Hampden Agencies Limited a fee based on a fixed amount, which will vary depending upon the number of syndicates the Limited Liability Vehicles underwrite on a bespoke basis, and a variable amount depending on the level of underwriting through the members' agent pooling arrangements. In addition, the Limited Liability Vehicles will pay profit commission on a sliding scale from 1% of the net profit up to a maximum of 10%. The total fees payable for 2018 are set out below:

Company	31 December 2018 £'000	31 December 2017 £'000
Hampden Corporate Member Limited	—	—
Nameco (No. 365) Limited	—	—
Nameco (No. 605) Limited	—	—
Nameco (No. 321) Limited	—	—
Nameco (No. 917) Limited	57	70
Nameco (No. 229) Limited	—	—
Nameco (No. 518) Limited	—	—
Nameco (No. 804) Limited	—	—
Halperin Underwriting Limited	—	—
Bernul Limited	—	—
Dumasco Limited	—	—
Nameco (No. 311) Limited	—	13
Nameco (No. 402) Limited	—	14
Updown Underwriting Limited	—	—
Nameco (No. 507) Limited	—	24
Nameco (No. 76) Limited	—	13
Kempton Underwriting Limited	—	3
Devon Underwriting Limited	7	8
Nameco (No. 346) Limited	44	49
Pooks Limited	6	1
Charmac Underwriting Limited	22	25
Nottus (No 51) Limited	13	14
Chapman Underwriting Limited	13	15
Llewellyn House Underwriting Limited	8	—
Advantage DCP Limited	54	—
Romsey Underwriting Limited	35	—
Nomina No 035 LLP	—	—
Nomina No 342 LLP	—	—
Nomina No 380 LLP	—	19
Nomina No 372 LLP	—	15
Salviscount LLP	18	21
Inversanda LLP	6	9
Fyshe Underwriting LLP	8	—
Nomina No 505 LLP	14	—
Nomina No 321 LLP	8	—
Total	**313**	313

25. Related party transactions *continued*

The Group entered into quota share reinsurance contracts for the 2016, 2017, 2018 and 2019 years of account with HIPCC Limited – Cell 6. The Limited Liability Vehicles' underwriting year of account quota share participations are set out below:

Company or partnership	2016	2017	2018	2019
Hampden Corporate Member Limited	—	—	—	—
Nameco (No. 365) Limited	—	—	—	—
Nameco (No. 605) Limited	—	—	—	—
Nameco (No. 321) Limited	—	—	—	—
Nameco (No. 917) Limited	61%	70%	70%	70%
Nameco (No. 229) Limited	—	—	—	—
Nameco (No. 518) Limited	—	—	—	—
Nameco (No. 804) Limited	—	—	—	—
Halperin Underwriting Limited	—	—	—	—
Bernul Limited	—	—	—	—
Dumasco Limited	—	—	—	—
Nameco (No. 311) Limited	—	—	—	—
Nameco (No. 402) Limited	—	—	—	—
Updown Underwriting Limited	—	—	—	—
Nameco (No. 507) Limited	—	—	—	—
Nameco (No. 76) Limited	—	—	—	—
Kempton Underwriting Limited	—	—	—	—
Devon Underwriting Limited	61%	70%	70%	—
Nameco (No. 346) Limited	50%	70%	70%	70%
Pooks Limited	—	70%	70%	—
Charmac Underwriting Limited	—	70%	70%	—
Nottus (No 51) Limited	—	70%	70%	—
Chapman Underwriting Limited	—	—	70%	70%
Helios UTG Partner Limited	—	—	—	—
Nomina No 035 LLP	—	—	—	—
Nomina No 342 LLP	—	—	—	—
Nomina No 380 LLP	—	—	—	—
Nomina No 372 LLP	—	—	—	—
Salviscount LLP	—	70%	70%	—
Inversanda LLP	—	70%	70%	—
Fyshe Underwriting LLP	—	—	70%	—
Nomina No 505 LLP	—	—	70%	—
Llewellyn House Underwriting Limited	—	—	70%	—
Advantage DCP Limited	—	—	—	70%
Romsey Underwriting Limited	—	—	70%	70%
Nomina No 321 LLP	—	—	70%	70%

Nigel Hanbury, a Director of Helios Underwriting plc and its subsidiary companies, is also a director and majority shareholder in HIPCC Limited. Hampden Capital, a substantial shareholder in Helios Underwriting plc, is also a substantial shareholder in HIPCC Limited – Cell 6. Under the agreement, the Group accrued a net reinsurance premium recovery of £5,160,000 (2017: £2,329,000) during the year.

In addition HIPCC provide stop loss, portfolio stop loss and HASP reinforce policies for the company.

During the year, the following Directors received dividends, in line with their shareholdings held:

Director	Shareholding at date dividend declared 8 June 2018	Dividend received 6 July 2018 £	Shareholding at date dividend declared 8 June 2017	Dividend received 6 July 2017 £
Sir Michael Oliver (resigned 29 June 2017)	—	—	—	—
Nigel Hanbury (either personally or has an interest in)	2,436,871	36,553	1,663,016	91,466
Andrew Christie	12,166	182	12,156	669
Jeremy Evans	58,670	880	58,670	3,227
Arthur Manners	133,334	558	133,334	7,333
Edward Fitzalan-Howard (appointed 1 January 2018)	133,334	5,000	333,333	18,333
Michael Cunningham	37,167	2,000	37,167	2,044

26. Ultimate controlling party

The Directors consider that the Group has no ultimate controlling party.

27. Syndicate participations

The syndicates and members' agent pooling arrangements ("MAPA") in which the Company's subsidiaries participate as corporate members of Lloyd's are as follows:

		Allocated capacity per year of account			
Syndicate or MAPA number	Managing or members' agent	2019* £	2018 £	2017 £	2016 £
33	Hiscox Syndicates Limited	6,532,963	7,286,280	5,510,538	4,307,991
218	ERS Syndicate Management Limited	4,271,893	4,210,414	2,642,061	2,001,618
308	Tokio Marine Kiln Syndicates Limited	—	—	100,000	100,000
318	Beaufort Underwriting Agency Limited	836,250	866,250	866,250	866,250
386	QBE Underwriting Limited	1,154,385	1,100,894	1,057,052	1,312,789
510	Tokio Marine Kiln Syndicates Limited	9,176,653	9,022,881	8,716,209	8,078,432
557	Tokio Marine Kiln Syndicates Limited	650,201	650,201	830,415	1,028,547
609	Atrium Underwriters Limited	4,631,442	4,520,840	4,023,979	3,965,136
623	Beazley Furlonge Limited	7,961,931	7,562,957	6,378,576	5,152,418
727	S A Meacock & Company Limited	1,100,964	1,070,909	1,046,360	1,038,878
958	Canopius Managing Agents Limited	—	—	—	—
1176	Chaucer Syndicates Limited	949,535	949,535	722,837	661,905
1200	Argo Managing Agency Limited	—	—	77,143	267,554
1729	Asta Managing Agency Limited	—	213,686	38,020	257,786
1884	Charles Taylor Managing Agency Limited	—	—	17,500	325,000
1910	Asta Managing Agency Limited	—	—	—	1,282,653
1969	Apollo Syndicate Management Limited	—	—	200,000	423,530
1991	Covery's Managing Agency Limited	—	—	551,641	403,864
2010	Cathedral Underwriting Limited	1,902,715	1,854,765	1,778,009	1,782,548
2014	Pembroke Managing Agency Limited	—	330,000	2,039,613	2,644,849
2121	Argenta Syndicate Management Limited	920,833	920,833	920,833	731,250
2525	Asta Managing Agency Limited	416,764	322,991	236,624	234,480
2689	Asta Managing Agency Limited	—	350,000	1,432,508	—
2791	Managing Agency Partners Limited	5,138,620	5,041,624	4,830,567	4,779,860
2988	Brit Syndicates Limited	—	200,000	65,763	—
4444	Canopius Managing Agents Limited	—	1,093,635	678,397	735,429
5820	Amtrust Syndicate Limited Syndicates Limited	—	—	—	1,174,479
5886	Asta Managing Agency Limited	175,002	126,547	85,780	—
6103	Managing Agency Partners Limited	1,177,062	1,177,062	302,354	268,518
6104	Hiscox Syndicates Limited	975,474	971,655	967,820	1,792,224
6107	Beazley Furlonge Limited	1,180,999	957,286	641,390	602,183
6111	Catlin Underwriting Agencies Limited	—	249,065	278,279	2,528,243
6117	Argo Managing Agency Limited	2,905,074	3,081,000	2,924,651	1,923,344
7066	Members' agent pooling arrangement	—	983,154	890,580	810,356
7200	Members' agent pooling arrangement	—	—	163,920	204,504
7201	Members' agent pooling arrangement	—	—	866,838	1,046,079
7202	Members' agent pooling arrangement	—	—	313,269	378,539
7203	Members' agent pooling arrangement	—	—	97,098	101,811
7211	Members' agent pooling arrangement	—	—	192,184	175,265
7215	Members' agent pooling arrangement	—	—	164,129	150,917
7217	Members' agent pooling arrangement	250,000	348,378	288,521	274,095
7227	Members' agent pooling arrangement	—	4,817	5,521	81,978
7231	Members' agent pooling arrangement	286,665	240,000	240,000	—
Total		52,595,425	55,707,659	53,183,229	53,895,302

* Including the new acquisitions in 2018.

28. Group-owned net assets

The Group statement of financial position includes the following assets and liabilities held by the syndicates on which the Group participates. These assets are subject to trust deeds for the benefit of the relevant syndicates' insurance creditors. The table below shows the split of the statement of financial position between Group and syndicate assets and liabilities:

	31 December 2018			31 December 2017		
	Group £'000	Syndicate £'000	Total £'000	Group £'000	Syndicate £'000	Total £'000
Assets						
Intangible assets	16,051	—	16,051	12,175	—	12,175
Financial assets at fair value through profit or loss	8,388	49,687	58,075	10,489	37,585	48,074
Deferred income tax asset	—	—	—	—	—	—
Reinsurance assets:						
– reinsurers' share of claims outstanding	—	22,698	22,698	—	14,836	14,836
– reinsurers' share of unearned premium	—	4,057	4,057	—	2,354	2,354
Other receivables, including insurance and reinsurance receivables	10,156	42,782	52,938	6,669	26,280	32,949
Deferred acquisition costs	—	6,782	6,782	—	4,420	4,420
Prepayments and accrued income	—	439	439	—	268	268
Cash and cash equivalents	9,717	2,485	12,202	1,078	1,766	2,844
Total assets	44,312	128,930	173,242	30,411	87,509	117,920
Liabilities						
Insurance liabilities:						
– claims outstanding	—	88,032	88,032	—	59,833	59,833
– unearned premium	—	24,772	24,772	—	15,916	15,916
Deferred income tax liabilities	2,569	66	2,635	2,963	—	2,963
Borrowings	9,196	—	9,196	1,094	—	1,094
Other payables, including insurance and reinsurance payables	2,650	22,671	25,321	3,397	12,161	15,558
Accruals and deferred income	1,241	1,000	2,241	993	553	1,546
Total liabilities	15,656	136,541	152,197	8,447	88,463	96,910
Equity attributable to owners of the Parent						
Share capital	1,510	—	1,510	1,510	—	1,510
Share premium	15,387	—	15,387	15,387	—	15,387
Other reserves	(50)	—	(50)	(50)	—	(50)
Retained earnings	11,809	(7,611)	4,198	5,117	(954)	4,163
Total equity	28,656	(7,611)	21,045	21,964	(954)	21,010
Total liabilities and equity	44,312	128,930	173,242	30,411	87,509	117,920

Below is an analysis of the free working capital available to the Group:

Group	31 December 2018 £'000	31 December 2017 £'000
Funds at Lloyd's supplied by:		
Quota share reinsurers	24,544	15,683
Stop loss reinsurers	2,195	2,129
Group owned	8,383	10,485
Total Funds at Lloyd's supplied (excluding solvency credits)	35,122	28,297
Group funds available:		
Financial assets (Note 28)	8,388	10,489
Cash (Note 28)	9,717	1,078
Total funds	18,105	11,567
Less Group Funds at Lloyd's	(8,383)	(10,485)
Free working capital	9,722	1,082

NOTES TO THE FINANCIAL STATEMENTS *CONTINUED* – YEAR ENDED 31 DECEMBER 2018

29. Events after the financial reporting period

Future dividends

In respect of the year ended 31 December 2018 a total dividend of 3p per fully paid ordinary share (Note 21), being 1.5p final dividend and 1.5p special dividend, amounting to a total dividend of £433,000 is to be proposed at the Annual General Meeting on 28 June 2019. These Financial Statements do not reflect this dividend payable.

Share buy backs

Since the year ended 31 December 2018, the Company has repurchased a further 92,500 Ordinary 10p shares for a total consideration of £132,000.

Repayment of loan

In January 2019, the short term loan of £8.1m was repaid in full leaving free working capital of £1.6m.

Disposal of subsidiary

On 21 February 2018, the Company disposed of its subsidiary, Dumasco Limited for a total consideration of £1 giving rise to £nil gains or losses.

Acquisitions

Nameco (No 409) Limited

On 6 February 2019, Helios Underwriting plc acquired 100% of the issued share capital of Nameco (No 409) Limited for a total consideration of £1,525,000. Nameco (No 409) Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the provisional fair value of the net assets was £1,565,000. Giving rise to negative goodwill of £40,000 on acquisition. The following table explains the provisional fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	11	429	440
Financial assets at fair value through profit or loss	1,425	—	1,425
Reinsurance assets:			
– reinsurers' share of claims outstanding	634	—	634
– reinsurers' share of unearned premium	107	—	107
Other receivables, including insurance and reinsurance receivables	1,849	—	1,849
Deferred acquisition cost	146	—	146
Prepayments and accrued income	10	—	10
Cash and cash equivalents	352	—	352
Insurance liabilities:			
– claims outstanding	(2,223)	—	(2,223)
– unearned premium	(562)	—	(562)
Deferred income tax liabilities	(3)	(81)	(84)
Other payables, including insurance and reinsurance payables	(487)	—	(487)
Accruals and deferred income	(42)	—	(42)
Net assets acquired	1,217	348	1,565
Satisfied by:			
Cash and cash equivalents	1,346	—	1,346
Loan receivable on acquisition	179	—	179
Total consideration	1,525	—	1,525
Negative goodwill	308	(348)	(40)

	2017 year of account	2018 year of account	**2019 year of account**
Capacity acquired	1,194,112	1,230,299	**1,069,040**