HELIOS UNDERWRITING

Acquisitive growth

Helios Underwriting plc
Annual report and financial statements 2020

Generating value from consolidation at Lloyd's

Helios Underwriting is acquiring and growing a portfolio of capacity at Lloyd's by acquiring Limited Liability Vehicles owned by private individuals. This portfolio offers investors income which is uncorrelated to equity and debt market cycles.

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

- Continue to build the capacity portfolio
- Take advantage of much improved market conditions

What sets us apart

- **Growth** – Addressable market of £1.5bn of LLVs for acquisition
- **First move advantage** – High barriers to entry
- **Expertise** – A management team deeply experienced and networked in Lloyd's
- **Uncorrelated to equity market movements** – Exposure to Lloyd's, the world's prime insurance market
- **Success to date** – Has outperformed Lloyd's by 6% over the last five years

Delivering our strategy

Highlights

- 60% increase in the capacity portfolio
- Profit before impairments and tax for the year of £336,000 (2019: £2,427,000)
- Basic earnings per share of 1.59p (2019: 25.64p)
- Helios retained capacity for 2021 open underwriting year of £58.7m (2020 year of account: £20.7m)
- Net tangible asset value of £1.51 per share (2019: £1.91 per share)
- Stop loss in 2021 continues to protect the downside and provides underwriting capital support

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

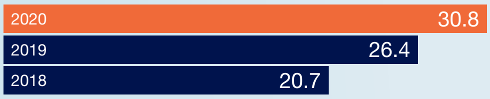
336

Net tangible asset value per share – basic (£)

1.51

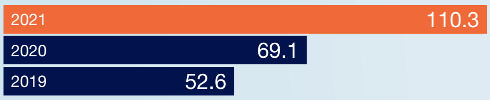
Value of capacity fund (WAV) (£m)

30.8



Growth in capacity (£m)

41.2

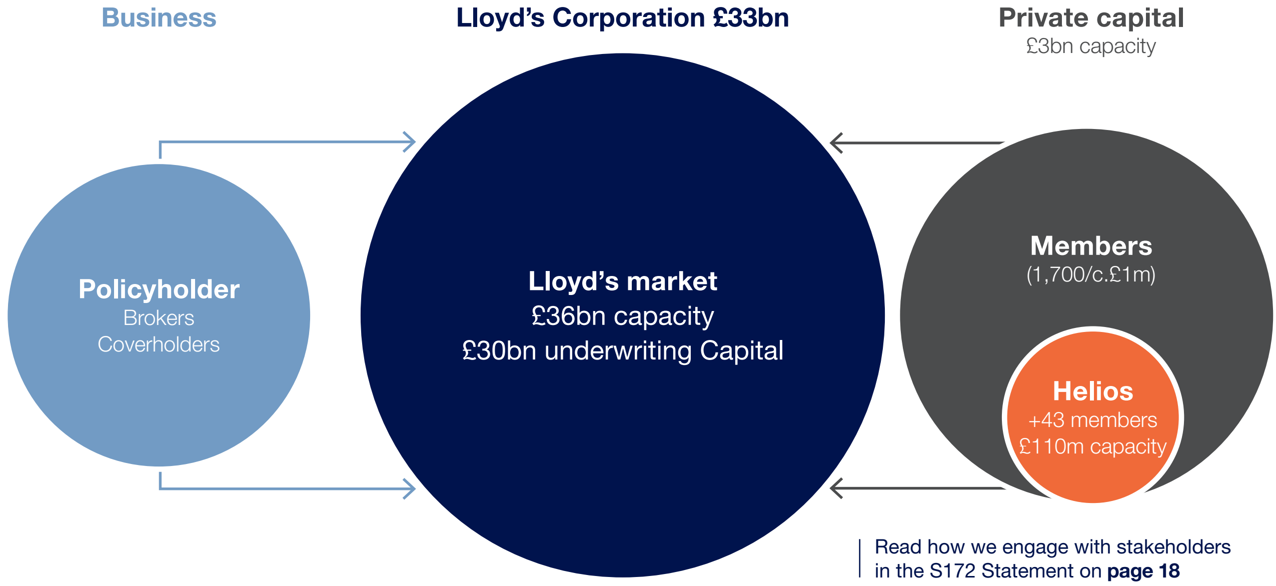


Visit our investor website at **huwplc.com** for the latest Company news and announcements.

Window of opportunity to take advantage of improved market conditions

Our unique business model

Capturing and simplifying capacity at Lloyd's



Read how we engage with stakeholders in the S172 Statement on **page 18**

£110m	**151p**	**6.0%**
Underwriting capacity of the current 2021 portfolio	Net tangible asset value	Outperformance against Lloyd's market

What sets us apart

- Helios is the only listed corporate purchaser acquiring capacity from exiting names
- Limited window of opportunity
- Remaining names comprise £2–3bn of Lloyd's capacity
- Returns on average 6.0% better than the Lloyd's market for last three years of account
- Requires deep knowledge of and contacts within Lloyd's
- Significant barriers to entry for prospective competitors
- Unrivalled senior management contacts and experience

Market conditions

- Three years of underwriting losses has accelerated improvement in terms and conditions
- Prospects for profitable underwriting improve
- Further pre-emptions expected as syndicates seek to take advantage of improved underwriting conditions

COVID-19

- Significant loss for the insurance industry
- Re-underwriting of portfolios by syndicate can mitigate exposures

The market backdrop

Favourable to our unique business model

Premium rate increases of over 30%

Retained capacity at £59m

Prospects for profitable underwriting are good

Helios Group summary profits

	2020 £'000	2019 £'000
Underwriting profits	**639**	3,261
Total other income	**2,887**	2,557
Total costs	**(3,190)**	(3,391)
Profit before tax for the year	**336**	2,427
Profit after tax	**301**	4,054
Earnings per share		
Basic	**1.59p**	25.64p
Diluted	**1.55p**	24.86p
Net tangible asset value per share	**1.51p**	1.91p

Helios capacity fund

	Year of account			
Capacity acquired	2018	2019	2020	**2021**
Capacity at start of underwriting year – £m	41.0	52.6	69.1	**110.3**
% capacity retained at outset	30%	30%	30%	**53%**
Helios retained at inception	12.3	15.8	20.7	**58.6**
Acquired in year 1 – £m	14.7	8.5	10.9	
Acquired in year 2 – £m	8.8	9.2		
Acquired in year 3 – £m	9.8			
Current capacity (including post-balance sheet acquisitions of subsidiaries) – £m	74.3	70.3	80.0	**110.3**
Helios retained capacity at closure/current	36.1	31.3	30.8	**58.6**
Proportion retained – %	49%	45%	39%	**53%**

Each LLV acquired increases capacity for three open underwriting years.

Position as at May 2021.

Acquisitions in the year

and capacity acquired

2020

March 2020

Nameco 408
£1.0m
2020 capacity

October 2020

L084
£3.30m
2020 capacity

Nameco 510
£1.08m
2020 capacity

Nameco 544
£1.41m
2020 capacity

NJH
£3.98m
2020 capacity

Improvement in market conditions continues

"Our Company has successfully navigated challenging periods before and we believe it will do so again, having learned and adapted we shall emerge stronger."

Michael Cunningham
Non-executive Chairman

In summary

- Profit before tax and impairments of £336,000 (2019: £2,427,000)
- Net tangible asset value at £1.51 per share (2019: £1.91)
- A final dividend of 3p per share is being recommended (2019: £nil)
- Capital employed per share of £1.70
- The capacity portfolio has been increased to £110m for 2021 year of account
- Five LLVs were acquired in 2020 (four in 2019) for a total consideration of £10m (£10m in 2019)
- Cumulative rate increases since 1 January 2018 in excess of 30% for the Helios portfolio
- The gain on bargain purchases, acquiring assets at below their fair value, contributed £1.3m to operating profits (2019: £1.7m)
- COVID-19 impact has added losses of 7% capacity but is expected to fall mainly on 2019 year of accounts
- Pre-emption capacity acquired for no cost increased the value of the portfolio by £2.4m

Summary

Your Board announces the results for 2020. The profit for the year is £336,000 (2019: £2,427,000), whilst the net tangible asset value of the Group is £1.51 per share (2019: £1.91). These figures have been significantly impacted by the poor underwriting conditions and by the impact of COVID-19 losses. In its wake, the expectation of improved underwriting margins has allowed the Group to raise £75m of new capital to take advantage of the better trading conditions. The Group's strategy of building a fund of capacity on the better syndicates at Lloyd's by acquiring LLVs and by taking up pre-emption capacity offered by our supported syndicates has been successfully achieved.

We are now three years into a market showing greater discipline, with rates rising steeply across many lines of business during 2020. Over the past 12 quarters, we have seen premium rates on renewal business rise cumulatively by more than 30% for the portfolio. Rate changes for the three months ended 31 March 2021 remained encouraging, with further average rate increase of 13%. This strong momentum is expected to continue through 2021 and should continue to enhance the underwriting performance in 2021 and 2022.

Following COVID-19 the global insurance industry has been undergoing a process of adjustment and modernisation, driven by the overriding need for sustainable and profitable growth. Despite this, several important challenges remain including the uncertainty over the ultimate costs of COVID-19 related claims, the pandemic's recessionary impact on the sector, and low investment yields. Lloyd's of London estimates that the global insurance industry will pay around US$203bn in claims. The assessment by our supported syndicates has identified those lines of business most likely to be impacted and these losses have been reserved as at December 2020.

Strategy

The building of a portfolio of participations on leading Lloyd's syndicates remains the strategic objective of the Group. During 2020 the key developments were:

- building the portfolio of capacity to £110m for 2021 by acquiring five LLVs in 2020, taking up freehold capacity offered for nil cost by way of pre-emptions amounting to £10.7m and building stakes on syndicates with good prospects offering tenancy capacity;
- maintaining the quality of the portfolio and the outperformance of the underwriting results average against the Lloyd's market as a whole;
- reducing the use of quota share reinsurance as the capital raised in November 2020 was used to re-finance the underwriting capital provided by the reinsurers;
- providing an income generating investment of Lloyd's underwriting capacity thereby generating returns in capital value and dividend income for shareholders; and
- providing a cost-efficient platform for participation at Lloyd's benefitting from no profit commission potentially payable to Lloyd's members' agent and taking advantage of increased scale and, therefore, cost efficiencies.

LLVs acquired

During 2020 a further five corporate members were acquired.

	Summary of acquisitions			
	Consideration £m	Capacity £m	Humphrey value £m	Discount to Humphrey
N408	1.1	1.1	1.3	23%
N544	1.6	1.4	1.9	16%
NJ Hanbury	4.7	4.0	6.1	23%
L084	2.2	3.3	3.0	27%
N510	0.7	1.1	0.9	22%
	10.2	**10.9**	**13.2**	**23%**

The five (four in 2019) acquisitions in 2020 were purchased for a total consideration of £10m (£10m in 2019), of which £4.7m (£3.6m in 2019) was attributed to the value of capacity acquired. The improved prospects for underwriting profitability after four years of marginal results at Lloyd's have increased the competition for the available LLVs. 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.

Net tangible asset value per share

The growth in the net asset value per share remains a key management metric for determining growth in value to shareholders.

	2020 £'000	2019 £'000
Net tangible	**18,948**	6,970
Fair value and capacity (WAV)	**30,826**	26,350
	49,774	33,320
Shares in issue (Note 21)	**33,012**	17,489
Net tangible asset value per share (£) (2019 restated)	**1.51**	1.91

The Board has decided that making "management adjustments" to the net asset value per share was no longer appropriate.

a) Value of capacity – the accounting policy has been changed so that the full fair value of the capacity fund has been included in the balance sheet as at 31 December 2020.

b) Group letters of credit – previously incorrectly included as a "management adjustment" as it was considered an "off-balance sheet" asset when a reserve was already held in the balance sheet.

Therefore the net tangible asset value per share as at 31 December 2019 has been restated to £1.91 – previously £2.07 per share. The capital raise and acquisition of an LLV for shares in November 2020 has increased the number of shares in issue and has reduced the net asset value per share.

The capital employed per share, the assets used to generate earnings which exclude the deferred tax liability on capacity value is as follows:

	2020 £'000
Net assets	**50,549**
Deferred tax provision	**5,559**
Capital employed	**56,108**
Shares in issue (Note 21)	**33,012**
Capital employed per share (£)	**1.70**

The deferred tax provision on capacity value could potentially be incurred should the entire portfolio be sold. Given the strategy of the Group to grow the capacity fund, there is no intention to realise the full value of the portfolio. The capital employed by share is 19p higher than the net asset value per share.

The value of capacity is subject to fluctuation and reflects the activity in the capacity auctions held in the autumn of each year.

Dividend

The Board is recommending the payment of a 3.0p final dividend for the year ended 31 December 2020 (2019: final dividend of £nil). The Company is implementing a new dividend policy where it intends to pay a sustainable annual ordinary dividend, of 3p per ordinary share, supplemented by special dividends from time to time. The Board continues to recognise the importance of income returns to shareholders.

Outlook

The COVID-19 coronavirus pandemic has been the catalyst for further pressure to increase the rates and improve underwriting discipline. The global pandemic impacted a number of lines of business, most notably the contingency book where claims that arose from cancelled or postponed events were quickly settled.

It should not be forgotten that the current turmoil is happening against the backdrop of the greatest momentum we have seen in (re)insurance pricing for many years. Recent events have accelerated the premium rate rises.

The importance of having sufficient diversification within the portfolio to absorb shock losses is critical to the success of the portfolio. We do this by being partnered with the highest quality underwriting businesses at Lloyd's.

Reflecting on 2020, we began the year on a strong footing, ready to respond to the improved rating environment and with the syndicates in our portfolio having remediated underperforming areas of their books. Further rating and underwriting actions were taken in March to respond to the economic effects of the pandemic, particularly in recession-exposed lines, as rates began to increase more sharply in almost every class of business.

The COVID-19 pandemic has tested the insurance industry and the insurers' role in protecting society against risk and unforeseen events. It has also demonstrated the need for collaboration across the industry and government to deliver solutions that protect populations from the biggest threats of our time, from pandemics to natural catastrophes, and from climate change to cyber-attack and terrorism.

We see opportunity for good growth in 2021 in classes where the strong stance taken by Lloyd's over several planning cycles has positively and materially impacted pricing. We expect to continue to take advantage of the improving market environment, while continuing to judiciously optimise the portfolio.

Board

2020 has, again, demonstrated that value can be created from implementing the strategy of building a capacity fund from the acquisition of LLVs at below fair value. The increase in the value of the capacity fund has contributed to the growth of the Company. Our strategy of reducing risk has been successful in insulating the Company from severe losses. The Executive team is to be congratulated on achieving an excellent result in the circumstances.

Throughout this year the Board and management have adapted well to working together in this virtual environment. I would like to thank my fellow Board members for their deep commitment to the business and our stakeholders. We have benefited from the expertise of Jeremy Evans since Helios was established in 2006 and we thank him for his valued contribution. In line with our Board composition strategy we have to ensure the Board has access to the relevant skills and experience to support and challenge management as it executes our growth strategy. We are pleased to have appointed Tom Libassi and Martin Reith to the Board, both of whom have a wealth of insurance industry expertise.

Michael Cunningham
Non-executive Chairman
27 May 2021

Continue to build a portfolio of capacity

> "Our reinsurance has mitigated the COVID-19 losses and has managed the volatility of the portfolio."

Nigel Hanbury
Chief Executive

In summary

- Net tangible asset value at £1.51 per share (2019: £1.91)
- 60% increase in the capacity portfolio to £110m of capacity for 2021 underwriting year
- 183% increase in retained capacity at the outset of the underwriting year to £58.7m
- Negative goodwill of £1.3m contributing to shareholder value
- The results of capacity portfolio have for the last three closed years of account outperformed the results of the Lloyd's market by an average of 6.0%

Highlights

- The strategy of building a quality portfolio of syndicate capacity continues successfully as the portfolio increased from £69m to £110m – a 60% increase.
- Quota share reinsurance has provided finance for acquisitions and has mitigated the loss from catastrophe losses and COVID-19 in 2018, 2019 and 2020. The capacity ceded to reinsurers for 2021 underwriting year is £52m – 47% of the overall portfolio, a reduction from the previous years where 70% of the risk was ceded.
- Consequently, the retained capacity increases at the outset of the underwriting year to £59m from £21m, an increase of 183%.
- Helios' portfolio underwriting results for 2018 underwriting year outperformed Lloyd's return on capacity by 5.6% and by an average of 6.0% for the last three closed underwriting years of account demonstrating the quality of the portfolio.
- The improvement in underwriting conditions is continuing into 2021 after 12 consecutive quarters of price increases. Producing overall rate increases in excess of 30% for syndicates within the capacity portfolio. The losses arising from COVID-19 and the frequency of catastrophe losses in 2020 have accelerated improvements in terms and conditions.
- 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.
- Discussions with the vendors are continuing and outline terms have been agreed with eight LLV's which in the aggregate own £10.9m capacity.
- The improvement in market conditions has resulted in a reduction in the discounts that are being achieved relative to the Humphrey valuation. Vendor expectations of value have increased and other purchasers have been encouraged to pay higher prices given the improved prospects.

Acquisition Strategy – Update

Helios has recently written to approximately 1,000 owners of LLVs asking them whether they would be interested in receiving an offer from Helios to buy their LLV. Helios has received indications of interest from over 100 such owners and discussions are continuing with 50 interested parties. Outline terms have been agreed with owners who own £10.9m of capacity and the legal process is continuing with these vendors.

This project to approach the owners of LLV's directly has the advantage of:

- Raising the profile of Helios as a potential purchaser of LLV's.
- Allowing owners of LLV's who were potentially considering ceasing underwriting at Lloyd's to have the opportunity to realise the value of their investment quickly.
- It will allow vendors a tax efficient exit if they wish to cease underwriting.
- It will be an on-going exercise to offer owners of LLV's an alternative to investing at Lloyd's by taking Helios shares as part of the consideration.

The price expectations of vendors has increased with the improved market conditions and the discounts achievable against the Humphrey valuations has narrowed. In addition, the potential increase in the rate of corporation tax to 25% will have to be applied to the capacity value within an LLV. This will reduce the accounting fair value for the acquisition and will reduce the negative goodwill booked in the future.

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 growth in the net asset value ("NAV"), 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.

	2020 £m	2019 £m
Freehold capacity with value	83.9	57.8
Relationship capacity	26.4	11.3
	110.3	69.1
Value of portfolio	30.8	26.4
Value per £ of freehold capacity	37p	46p

The average price per £ of freehold capacity fell to 37p per £ of capacity as capacity on higher value syndicates was sold and replaced by larger stakes on syndicates with lower prices. In addition, the relationship capacity on "nil value"/non-traded syndicates continued to grow with the participation on syndicates 4242, 5623 and 5886.

From 31 December 2020 the full value of capacity is carried in the balance sheet removing the need to make presentational adjustments to the capacity value shown in the statutory balance sheet.

	Capacity £m	Fair value (WAV) £m
At 1 January 2020	69.1	26.4
Capacity acquired with LLVs	10.9	4.9
Pre-emption capacity	10.7	2.4
Capacity sold at auction	(2.4)	(1.8)
Capacity purchased at auction	13.2	0.5
Tenancy capacity	8.0	0.0
Other capacity movements/change in value	0.9	(1.5)
At 31 December 2020	110.3	30.8
% growth	60%	17%

The portfolio's syndicates offered pre-emption increases in capacity totalling £10.7m (2019: £5.6m) for no cost to take advantage of the improving market conditions. This free capacity on syndicates that have values at auction increased the value of the fund by £2.4m (2019: £2.5m).

We again took advantage of the strong market in the capacity auctions and sold capacity on the higher value syndicates to balance the portfolio and to realise some additional cash of £1.8m (2019: £0.9m) and acquired capacity on lower priced syndicates such as syndicates 2010 and 2121 where capacity of £13.2m was acquired for £0.5m and which could increase in value in the future.

We continued to actively manage the syndicates' participations shedding participations on syndicates from LLVs acquired, taking a new participation of £8m on the Beat syndicate 4242 and increasing the participation on the Beazley Tracker syndicate 5623 by £2m and the Blenheim syndicate 5886 by £3m.

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.

A sensitivity analysis of the potential change to the NAV per share from changes to the value of the capacity portfolio is set out below:

	Capacity value	Revised NAV per share
Current value	30,827	1.51
Decrease of 10%	27,744	1.41
Increase of 10%	33,909	1.60

Each 10% reduction in the capacity values at the 2021 auctions will reduce the NAV by approx. 10p per share (2019: 15p per share). The increase in capital base has reduced the impact on NAV per share from changes in capacity value. Any reduction in the value will be mitigated by any pre-emption capacity on syndicates that have a value at auction.

Underwriting result

The calendar year underwriting profit from the Helios retained capacity for 2020 has been generated from the portfolio of syndicate results from the 2018 to 2020 underwriting years as follows:

Underwriting year contribution

Underwriting year	2020 £'000	2019 £'000
2017	—	2,726
2018	1,691	1,349
2019	339	(814)
2020	(1,391)	—
	639	3,261

While 2020 will forever be remembered as the "year of COVID-19", which incurred losses for Lloyd's of £3.4bn, the year was also the fifth largest catastrophe year on record, with 28 insured events costing the market £2.5bn (2019: £1.8bn) of claims net of reinsurance. By way of comparison, in 2017 (the year of Hurricanes Harvey, Irma and Maria), there were 18 of these insured events.

The COVID-19 losses of £3.4bn added 13.3% to the market's combined operating ratio of 110.3%. The investment return for the Lloyd's market was 2.9% (2018: 4.8%); 2020 was an overall positive year for investments despite the losses incurred in the first quarter. The Lloyd's market experienced a weighted average increase in prices on renewal business of approximately 10.8% in 2020 (2019: 5.4%). In addition, several syndicates exited or severely curbed their risk appetites in poor performing lines, as Lloyd's continued its activity to support the market in closing the performance gap.

Underwriting year contribution continued

During 2020, the 2018 underwriting year midpoint loss estimate reduced from 3.61% return on capacity to a final loss of 0.3% outperforming the average of the Lloyd's market by 5.6%. The midpoint estimate for the 2019 underwriting year at 31 December 2020 was a loss of 2.15% (2018: 3.6%). Given that losses from COVID-19 of 7% of capacity for the Helios portfolio have predominantly fallen on the 2019 underwriting year, the small improvement in the midpoint estimate is pleasing. There remains considerable uncertainty as to the final extent of the COVID-19 losses, not just from the possible extension of social restrictions adding to event cancellation and liability losses but also from ongoing discussions on coverage issues on insurance and reinsurance contracts.

The 2020 underwriting year result at 12 months represents an accounting loss of 4.6% (2019: loss 3%) on the retained capacity. Following the recent receipt of the first estimates of the 2020 year of account we are pleased that the Helios midpoint profit of 0.6% is outperforming Lloyd's by 25 basis points. The 2020 year is still on risk and events during the remaining months of 2021 will determine the overall result for the 2020 underwriting year.

Other income

Helios generates additional income at Group level from the following:

	2020 £'000	2019 £'000
Fees from reinsurers	**334**	235
Corporate reinsurance recoveries	**(282)**	(357)
Gain on bargain purchases	**1,260**	1,707
Investment income	**1,575**	972
Total other income	**2,887**	2,557

Fees from reinsurers reflect the fee payable on the Funds at Lloyd's provided but as the two open underwriting years are now currently recognising losses, no profit commission has been accrued.

The reinsurance recoveries accrued on the 2018 underwriting year proved to be higher than required as the 2018 underwriting year closed with a final result of 0.3%. No recoveries have been accrued for the 2019 underwriting year following the review of holding these intragroup reinsurance policies.

During the year the five LLVs were acquired for a total consideration of £10.2m (2019: £10.1m), a discount of 23% (2019:19%) to the Humphrey valuations which generated negative goodwill of £1.3m (2019: £1.7m) in the year.

Investment income includes the gain on the sale of capacity during the year of £1.4m. As the capacity portfolio is now held at full value in the balance sheet, any future disposals of capacity is likely only provide additional cash resources to the Group.

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.

	2020 £'000	2019 £'000
Pre-acquisition	**92**	859
Stop loss costs	**1,097**	200
Operating costs	**2,001**	2,332
Total costs	**3,190**	3,391

The profits that are recognised in the LLVs acquired in the year are included in the underwriting result and the pre-acquisition element is reversed out and is treated as an expense.

The increase in the stop loss costs reflects the larger portfolio reinsured and a provision for £0.3m relating to the value of the intragroup reinsurance policies. The corporate reinsurance policies include Group letters of credit relating to reinsurance policies of LLVs that have been acquired in the past. As at 31 December 2020, the value of these Group letters of credit was £7.0m. These reinsurance policies provide third party Funds at Lloyd's ("FAL") for certain LLVs which, as off-balance sheet items, are not included on the balance sheets of LLVs. On acquisition of these LLVs, an assessment of the fair value of the assets acquired was made, including the assets provided by these reinsurance policies and a reserve at consolidation level was made to reflect the value of the third party FAL provided. A further provision is required to reflect the fair value of these policies. These intragroup reinsurance policies do not provide an indemnity from outside the Group and therefore the benefit of these policies is being reassessed.

The operating costs remain at £2m and are not expected to materially increase with the increase in the size of the capacity portfolio.

Quality of portfolio

We continue to focus ruthlessly on the best syndicates. Therefore 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 or discarded. The ten largest participations with the leading managing agents at Lloyd's account for 75% of the portfolio. Participations in syndicates managed by these managing agents represent shares in the better managed businesses at Lloyd's.

		2020	
Syndicate	Managing agent	Capacity £'000	Total
510	Tokio Marine Kiln Ltd	**16,781**	**15%**
623	Beazley Furlonge Limited	**12,983**	**12%**
33	Hiscox Syndicates Limited	**8,702**	**8%**
2010	Lancashire	**8,095**	**7%**
4242	Beat/Asta	**8,014**	**7%**
609	Atrium Underwriters Limited	**6,779**	**6%**
218	ERS Syndicate Management Ltd	**6,479**	**6%**
2791	Managing Agency Partners Ltd	**5,845**	**5%**
2121	Argenta	**4,723**	**4%**
5623	Beazley	**4,688**	**4%**
Subtotal		**83,089**	**75%**
Other		**27,173**	**25%**
Total		**110,262**	**100%**

The underwriting results of the Helios portfolio have on average outperformed the Lloyd's market for the last three closed underwriting years by 6.0%. This material outperformance cannot be expected to be maintained.

The combined ratio for the Helios portfolio was 103.1% (2019: 95.6%) with the Lloyd's market as a whole reporting its fourth consecutive year of loss with a combined ratio of 110.3%. Over the past four years Helios' calendar year combined ratio (before corporate costs) has outperformed Lloyd's by 6.65 percentage points a year with an average combined ratio of 101.05% compared with 107.7% for the overall Lloyd's market. These incremental returns demonstrate the diversity and breadth of underwriting expertise within the businesses comprising the portfolio of syndicate capacity.

Reinsurance quota share

The use of quota share reinsurance to provide access to the Lloyd's underwriting exposures for reinsurers and private capital has not been expanded in 2021. The core of the panel of reinsurers remains XL Group plc and Everest Reinsurance Bermuda Limited.

This reinsurance has successfully reduced the exposure of Helios shareholders in recent years and assists in the financing of the underwriting capital. Helios has reduced the proportion of the capacity portfolio ceded for 2021 year of account. As market conditions continue to improve the Board will consider reducing the cession further thereby increasing the Group's share of the underwriting. The capital raised recently could be used to increase the Group's share of the overall portfolio in this way.

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.

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

	Year of account – £m			
Helios retained capacity	2018	2019	2020	**2021**
Helios capacity at outset	12.3	15.8	20.7	**58.7**
Retained capacity in year 1	6	6.4	10.1	**–**
Retained capacity in years 2 and 3	17.7	9.2	–	**–**
Helios retained capacity	36.0	31.3	30.8	**58.7**
% of off-risk capacity				
Ceded capacity at outset	28.7	36.8	48.4	**51.6**
Further capacity ceded to QS	9.5	2.1	0.8	**0.0**
Total capacity ceded	38.2	38.9	49.1	**51.6**
Current total capacity	74.3	70.3	80.0	**110.3**
Helios share of total capacity	48%	45%	39%	**53%**

Risk management

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

The biggest single risk faced by insurers arises from the possibility of mispricing insurance on a large scale. The past four underwriting years, 2017 to 2020, have demonstrated this material risk as the under-pricing has resulted in loss making or marginally profitable years. This mispricing risk is mitigated by the diversification of the syndicate portfolio and by the depth and diversity of management experience within the syndicates that Helios supports. The recent correction in terms and conditions and the actions of Lloyd's to force syndicates to remediate underperforming areas of their books demonstrate the mispricing that has prevailed over the past few years. 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 purchases stop loss reinsurance for its 53% (2020 YOA: 30%) share of the portfolio with an indemnity of 10% of its share of the capacity and a claim can be made if the loss for the year of account at 36 months exceeds 5% of capacity.

The impact on the net asset value of Helios from the disclosed large loss scenarios are as follows:

	Impact on Net Asset Value
AEP 1 in 30 – whole world natural catastrophe	(15.3)%
AEP 1 in 30 US/GOM windstorm	(8.0)%
Terrorism	(4.4)%
US / Canada Earthquake	(4.4)%

The assessment of the impact of the specified events is net of all applicable quota share and stop loss reinsurance contracts but before the likely profits to be generated from the balance of the portfolio in any year.

Capital position

The underwriting capital required by Lloyd's for the Helios portfolio comprises the funds to support the Economic Capital Requirement of the portfolio and the Solvency II adjustments is as follows:

Underwriting capital as at 31 December	**2020 £m**	2019 £m
Quota share reinsurance panel	**27.3**	26.7
Excess of loss reinsurance	**8.1**	–
Helios own funds	**27.6**	15.3
Total	**63.0**	42.0
Capacity as at 1 January	**110.3**	70.2
Economic Capital Requirement	**58.2**	35.2
Solvency II and other adjustments	**4.8**	6.8
	63.0	42.0

Capital position continued

The available funds to support Helios' share of the underwriting have been supplemented by the capital raised in November 2020 and by entering into an excess of loss reinsurance agreements for all trading Helios LLV. These policies provide £8.1m of FAL to Helios at a cost of £900k per year. The FAL provided by reinsurers will only be exposed to loss if all the Helios "own FAL" is eroded. Therefore this FAL sits on the top of the Helios capital stack has very limited exposure. This is a form of "non-recourse borrowing" as there is no contractual requirement to repay the reinsurers if a claim is made and their FAL is eroded.

In addition to the current funds lodged at Lloyd's, Helios has available the following facilities to provide additional resources to fund the necessary capital requirements:

- a bank revolving credit bank facility of £4m; and
- the stop loss reinsurance contracts for the 2019 and 2020 years of account could provide additional underwriting capital of approximately £11m.

Environmental, social and governance responsibility

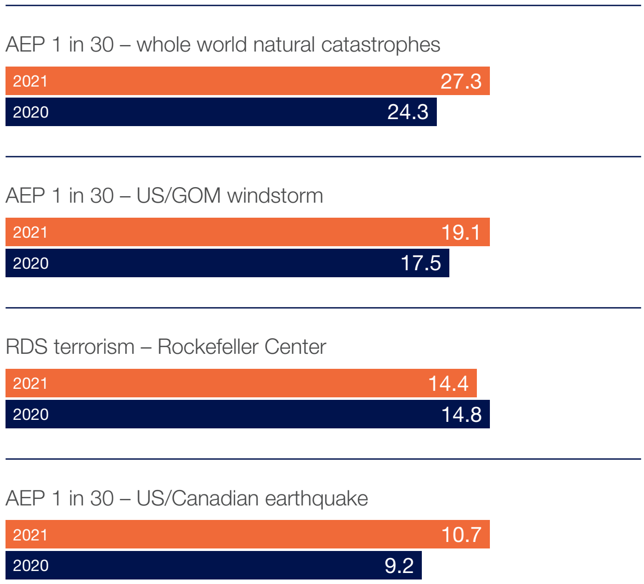
Helios aims to meet its expectations of its shareholders and other stakeholders in recognising, measuring and managing the impacts of its business activities. As Helios manages a portfolio of Lloyd's syndicate capacity, it has no direct responsibility for the management of those businesses. Each managing agent has responsibility for the management of those businesses, their staff and employment policies and the environmental impact.

We support the Environmental, Social and Governance (ESG) strategy of Lloyd's who have outlined their ambition to integrate sustainability into all of Lloyd's business activities. They have committed to engaging widely with stakeholders across the Lloyd's market to further develop and operationalise their ESG strategy, policies and processes. It is their intention to build a framework to help insurance businesses in the market to integrate ESG principles into their business activities over the next 18 months. Examples of the policies are to ask Lloyd's managing agents to provide no new insurance cover in respect of thermal coal-fired power plants, thermal coal mines, oil sands or new Arctic energy exploration activities from 1 January 2022.

The Board is committed to a high standard of corporate governance and is compliant with the principles of the Quoted Companies Alliance's Corporate Governance Code (the "QCA Code"). The Directors have complied with their responsibilities under Section 172 of the Companies Act 2006 which requires them to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. Further information is provided on pages 18 to 20 in these report and accounts.

Nigel Hanbury
Chief Executive
27 May 2021

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



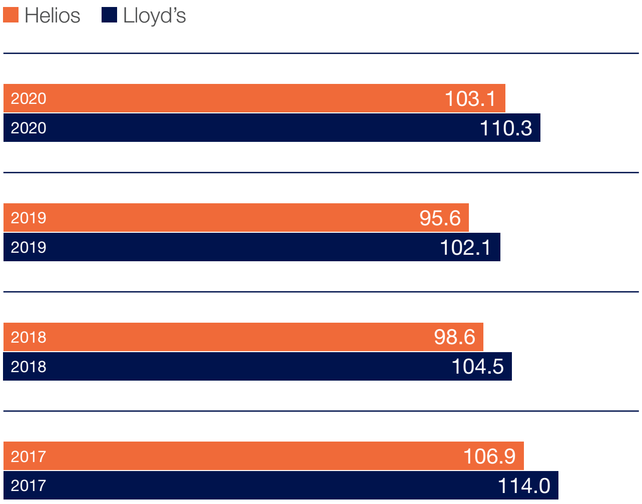
Lloyd's Adviser's report – Hampden Agencies

COVID-19 accelerates a "market hardening" in most lines of business and geographies

Helios outperforms Lloyd's with a combined ratio of 103.1% in 2020 (Lloyd's: 110.3%)

The quality of the Helios portfolio of syndicates was again demonstrated in 2020 with Helios reporting a combined ratio of 103.1% (2019: 95.6%) while the Lloyd's market as a whole reported its fourth consecutive year of loss with a combined ratio of 110.3%. Over the past four years, Helios' calendar year combined ratio (before corporate costs) has outperformed Lloyd's by 6.7 percentage points a year with an average combined ratio of 101.0% compared with 107.7% for the overall Lloyd's market. The chart below shows the combined ratio of the Helios portfolio compared with Lloyd's from 2017 to 2020.

Helios combined ratio compared with Lloyd's: 2017–2020 (%)



With the closure of the 2018 account at 31 December 2020 the Helios portfolio has outperformed Lloyd's for the tenth successive three-year account result, reporting a loss of 0.3% on capacity compared with the Lloyd's market average result which was a loss of 5.9% on capacity. The 2018 account improved by 3.3 percentage points from the estimate at Q4 2019 benefiting from prior year releases which totalled 3.5% of capacity.

Rates began to recover in 2018 from the "soft market" conditions of generally declining rates which had started in 2013 in most classes of property and casualty insurance and reinsurance. However, the level of rate rises was modest when set against the natural catastrophe losses from Hurricanes Harvey, Irma and Maria the previous year. The muted recovery in rates in 2018, particularly in insurance, is shown by Marsh's Global Insurance Index which increased by 2.1% at Q4 2018 and Guy Carpenter's US Property Catastrophe Rate-on-Line Index which increased by 7.5%, the first rate increase since 2012.

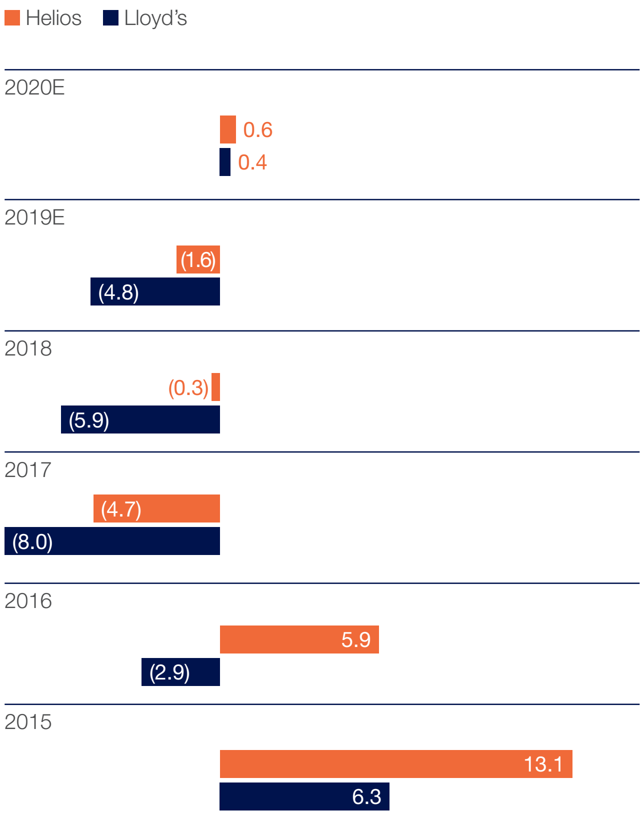
The 2018 account suffered from the fourth highest total of insured natural catastrophe losses estimated by Swiss Re Sigma at $94bn in 2020 dollars. Major losses in the year included Hurricanes Michael and Florence in the US and a record level of losses from wildfires in California as well as Typhoons Jebi and Trami in Japan. The main impact of COVID-19 is on the 2019 account but losses of 1.3% of capacity were included in the 2018 account result for Helios principally from UK property insurance business interruption claims from the Supreme Court judgment on business written in 2018 as well as some event cancellation claims. Argenta Syndicate 2121 is remaining open for the 2018 account due to uncertainty around the final outcome of COVID-19 claims and to maintain equity between years of account. Helios' share for 2018 of Syndicate 2121 is only 1.4% of the portfolio – the forecast loss is in a range of 5% to 15% of capacity on Syndicate 2121.

2019 was notable for an accelerating momentum of rate increases in most classes of the insurance market. Marsh's Global Insurance Index rose by 10.6% at Q4 2019 which at that time was the largest increase in the Index. However reinsurance rate increases moderated, with Guy Carpenter's US Property Rate-on-Line Index increasing by only 2.6%. Alternative capital which had increased in quantum by 78% between 2013 and 2017 continued to suppress the level of rate increases in the reinsurance sector.

Owing to the absence of severe hurricanes in the US, in contrast to the previous two years, insured major losses totalled $60bn in 2019, below the annual average of $75bn in the previous ten years. For the second year running Japan was struck by two severe typhoons, Hagibis and Faxai, with the largest insured loss totals of $8bn and $7bn respectively of all disaster events around the world, according to Swiss Re Sigma. Most of the insured losses from Typhoon Hagibis were due to flood. The 2019 hurricane season was notable for Hurricane Dorian which was the costliest natural disaster event ever for the Bahamas with total insured losses of $4.5bn in the Bahamas and North Carolina.

The chart below shows the return on capacity of the Helios portfolio compared with Lloyd's for the last four closed years from 2015 to 2018. The chart also includes the midpoint open year estimate for the 2019 year of account as at the end of Q1 2021. This open year estimate is a loss of 1.6% of capacity (Lloyd's market average is a loss of 4.8% of capacity) and includes estimates from five acquisitions made by Helios during 2020. We expect an improvement in this estimate when the result is declared as at the end of 2021, but do not expect prior year reserve releases or the investment return component to be as strong as for the 2018 account. The first set of estimates for the 2020 Account is a mid-point profit for the Helios portfolio of 0.6% of capacity. Lloyd's Market Average is a profit of 0.4% of capacity.

Helios return on capacity compared with Lloyd's: 2015–2018, 2019 and 2020 (est. at 2021 Q1)



The main impact of COVID-19 is on the 2019 account

The COVID-19 pandemic has caused insurance losses totalling 13.3 percentage points measured by combined ratio for Lloyd's in 2020. Much of these losses will fall on the 2019 year of account which for Helios is estimated at 7.0% of capacity. The 2019 year of account for Helios has been pushed into a loss because of COVID-19. Excluding COVID-19 the estimate for Helios at Q8 would have been a profit of 4.8% of capacity.

Lloyd's ultimate net loss from COVID-19 is estimated at £3.6bn although 67% of the losses at year end are IBNR reflecting clear uncertainty. This estimate has increased from the initial estimated range of £2.5bn to £3.5bn published in May 2020. If social distancing continues until June 2021 the net loss is estimated to increase further to £3.8bn. Gross ultimate losses are estimated at £6.2bn with added uncertainty on how insured losses will be treated for the purposes of reinsurance on UK exposed business following the UK's Supreme Court judgement.

The PRA stress tested the entire UK insurance sector in relation to COVID-19 and in a letter to CEOs dated 17 June 2020 stated that "our analysis showed that the sector was robust to downside stresses". Since March and April 2020, a series of wordings have been published by the Lloyd's Market Association for different classes of businesses making provision for communicable disease exposure to be excluded.

Almost 50% of Lloyd's losses relate to contingency (event cancellation). Syndicates have exposure to sports events, music concerts and trade conferences worldwide, but mainly in the UK, Europe and US. It is expected that losses will continue to be incurred on business written up to March 2020 as long as the pandemic continues (Aon estimates around 10% of policies did not have an exclusion). All new business in this class has the communicable disease exclusion and rates are rising from 25% up to 100%.

Lloyd's total exposure to UK business interruption claims on property policies is £530m with the UK Supreme Court ruling that in the majority of cases insurers were held liable to pay business interruption claims. However UK property is not a significant class of business for Lloyd's, accounting for only 2.6% of premiums, though there is exposure through property reinsurance. More significant is US property business which accounts for 18.5% of premiums. However the wordings are generally stronger with most small and middle market US commercial policies having a virus exclusion. Some policies give clear business interruption coverage and these are being settled. In others, policyholders are using filings in both Federal and State courts to determine claims coverage.

Although concerns remain, court decisions have largely favoured insurers with Federal courts dismissing 93% of 232 cases brought so far and State courts dismissing 52% of the 56 cases brought. Lloyd's syndicates have been involved in ten cases and have been successful in eight Federal cases although two State cases have been unfavourable. It is expected that litigation will take some time to conclude which could have an impact on some syndicates' ability to close their 2019 account. However, the uncertainty is another factor in maintaining the momentum of rate increases.

Risk is being repriced as fundamentals change

The turn in the market is unlike previous cycles where constraints in the supply of capital led to a repricing of business. The impact of COVID-19 has reinforced the market hardening and is expected to be significant and long lasting in all lines of business and geographies. We consider that the reason why rates are rising despite (i) demand being tempered by recession and (ii) the abundance of industry capital is due to a range of factors which has forced underwriters to reassess and reprice risk.

Global premiums grew by 4% in 2020

The world economy contracted by 5.2% in 2020, the largest decline since World War II with the US contracting slightly less at 4.9%. A sharp rebound in real GDP growth is projected for 2021 by 6.2%, which would be the highest level of growth since 1984 and possibly even 1950. While the economic recession constrained demand in certain classes of business, such as motor, workers' compensation, business interruption, contingency and travel, global premiums grew by 4% in 2020, according to Swiss Re, with rate rises more than compensating for reduced exposures due to COVID-19.

Industry capital remains abundant

The US property/casualty industry policyholders' surplus increased by 2.0% at Q3 2020 to a record high of $865.1bn. Global reinsurer capital, using data from the broker Aon, also rose by 4% to a record $650bn over the year to 31 December 2020 driven by a combination of (i) a capital market recovery following the COVID-19 shock to asset prices in Q1, (ii) new equity issuance from existing companies totalling $15bn and (iii) US dollar depreciation. The alternative capital sector of the market fell back by $1bn to $94bn comprising 13.8% of global reinsurer capital although deployable capital is somewhat lower due to the retention of collateral from large loss events. Guy Carpenter reported that excess reinsurance capacity rebounded to 2018 levels with roughly 12% coming from new entrants.

The accumulation of major losses in 2020 has added further pressure to rate increases

The accumulation of major losses in 2020 has added further pressure to rate increases with Swiss Re reporting that 2020 was the fifth worst year for global catastrophes with insured losses estimated at $89bn, which was above the ten-year average of $79bn a year. Secondary perils (such as severe convective storms or wildfires) are in the spotlight causing over 70% ($57bn) of insured natural catastrophe losses in 2020 and have been associated with an increase in frequency of losses with a new record of 28 events causing insured losses of $1bn or more in 2020.

In the US, insured natural catastrophe losses at $65bn were the third worst year after 2017 and 2005. The largest insured losses affecting Helios' 2020 account were from Hurricane Laura at 2.4% of capacity followed by a US Midwest Derecho storm at 1.9% of capacity and Hurricane Sally. COVID-19 losses on business written until March 2020 account for an estimated 2.3% of capacity. Some claims from the February 2021 Winter Storm Uri, estimated to have caused insured losses of between $10bn and $15bn mainly in Texas, will impact the 2020 account.

Momentum of insurance and reinsurance rate increases accelerated in 2020

The momentum of rate increases accelerated in 2020 and this has continued in the first quarter of 2021. In addition to rate increases there has been a heightened focus on restricting terms and conditions which had been broadened in the soft market years. This has included communicable disease exclusions and clarity in all policies as to whether coverage is provided for a cyber event to avoid "silent cyber" exposures. By 1 July 2021 all Lloyd's policies must either exclude or provide affirmative coverage for cyber. Willis Re reports that in some cases reinsurers are agreeing customised language to align with original policy language.

Lloyd's in its 2020 annual results reported 13 quarters of rate increases with double digit rate increases continuing in the first quarter of 2021. In 2020, risk adjusted rate increases on renewal business averaged 10.8% in all classes for the full year, an increase from the 8.7% reported for the first half in its interim results. In the two years since 2018, rates are up by 16.8% compound and combined with a remediation of underperforming business with volumes down by 19.8% over the same period the attritional loss ratio has improved by 5.7% points to 51.9% in 2020 and to 49% on continuing business only. Lloyd's has also succeeded in reducing acquisition costs by 2% points from 39.2% to 37.2% over the same period.

So far in 2021 we have seen rate increases in the reinsurance market at similar levels to 2020 with Guy Carpenter's Global Rate-on-Line Index rising by 4.5% at 1 January (5% at 1 January 2020) and its US Rate-on-Line Index by between 10% and 15% (compared with an average of 12% in 2020, which was the highest increase since 2006). US property catastrophe reinsurance rates are now at levels last seen in 2013 when the soft market began. At 1 April 2021 Guy Carpenter reports Japanese excess of loss wind rates up by between 5% and 12% with more limit being purchased and rates reaching a 25-year high. US reinsurance rates are on a par with rates in 2013 whilst global reinsurance rates require further increases of 24% to reach 2013 levels.

US commercial insurance pricing is rising at the fastest rate since 2003 measured by the CLIPS Index

We continue to view insurance rates as more attractive than reinsurance rates. US commercial insurance pricing is experiencing the highest annual rate increases in Q4 2020 averaging 11% since Willis Towers Watson launched its CLIPS Index in 2003. The CLIPS Index is based on both new and renewal business data from carriers. Large accounts showed rate increases well into double digits, middle sized accounts in double digits, while small accounts were more muted. The highest level of rate increases was in excess liability and directors and officers.

Broker Marsh estimates that global insurance rates rose by 22% in 2020 compared with 11% in the same quarter a year earlier. This is the largest increase in the Marsh Global Insurance Market Index since inception of the index in 2012. Momentum is being maintained in 2021 with rates having risen for 14 successive quarters and rate increases averaging 18% in Q1 2021. Global property insurance was up 15%, global financial and professional lines up 40%, while global casualty rates were up 6% on average.

Rate expectations for remainder of 2021

Our view is that the risk reward ratio continues to improve with most insurance and reinsurance classes benefiting from a market in which brokers and buyers are expecting to pay rate increases. Twice a year Willis Towers Watson publishes its Marketplace Realities Report which examines market conditions and its expectation of rate changes in 31 insurance classes of business. In its spring update published in April 2021, it predicts that not a single line of business is expected to show an overall decrease with a record 30 out of 31 classes showing rate increases. In comparison, in spring 2017 ten classes showed rate decreases. Seven classes were mix/flat and only six classes showed rate increases.

For the third report in succession, Willis Towers Watson has no line of business showing a rate decrease but there are signs that the quantum of rate increases is tapering with Willis Towers Watson commenting that: "A two-tiered market has emerged, one for better risks, one for poorer. Each tier can expect to pay more for insurance in 2021, but those in the better tier will suffer considerably less."

At a time of ultra-low interest rates, combined with uncertainty of reserve adequacy on the more recent accident years for Lloyd's US competitors, the only way to make an acceptable return on equity for investors is to make an underwriting profit. Our view therefore is that these two factors provide strong grounds for the current insurance market conditions to endure.

Investment yields are very low compared with historical levels

In March 2020 the US Federal Reserve made two emergency rate reductions in its Fed Funds Rate totalling 1.5% which is now targeted at 0% to 0.25% and has coincided with reductions in yield across all durations of the yield curve. As of 3 May 2020 the two-year Treasury Yield had reduced marginally to 0.16% from 0.19% a year ago with most insurers now having low yielding bonds for years to come on premiums received in 2020.

We consider that Lloyd's syndicates remain conservatively reserved benefiting from the annual external actuarial sign off that reserves are at a minimum, at a best estimate and on average materially higher. Lloyd's reported in its 2020 results that its reserve margin above actuarial best estimate increased by £200m in 2020 to a £2.8bn surplus. However, US industry reserves may now be deficient with "social inflation" eroding reserves as litigation costs rise due to increases in the largest US jury verdicts. US analyst VJ Dowling considers that more recent accident years may ultimately prove to be deficient maintaining pressure for higher rates suggesting that "if not already in the restoration phase of the reserving cycle where reserves are built up, the US property casualty industry will soon enter this phase". Aon's latest US P&C Industry Statutory Reserve Study estimated that commercial lines underwriting was under-reserved by $14.2bn at year end 2019, an increase compared with $8.5bn a year earlier.

Future prospects for the Helios portfolio

The Helios portfolio continues to focus on quality Lloyd's syndicates with a key success characteristic being managing the cycle. For 2021 35.5% of Helios' capacity is in syndicates graded AA or A by Hampden. In the more difficult soft market conditions during the period 2013 to 2019 this was evidenced by a focus on profit over growth. Quality syndicates which are able to conserve capital in soft market years are also in a better position to take maximum advantage of the current upturn in rates and expected profitability while being given greater freedom to do so by Lloyd's Performance Management Directorate.

In 2021 the Helios syndicates are in an excellent position to capitalise on hard market conditions in most of the insurance classes with growth in projected written premiums in the 2021 Syndicate Business Plans averaging 25%, reflecting the scale of the opportunity. What matters to profitability is the price of insurance per unit of exposure and this has been and is continuing to rise. The industry is resetting the clearing price for risk in both insurance and reinsurance which we expect will lead to a period of sustained profitability.

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	
	2020 £'000	2019 £'000
Underwriting profit	**639**	3,261
Other income:		
– fees from reinsurers	**334**	235
– corporate reinsurance policies	**(282)**	(357)
– goodwill on bargain purchase	**1,260**	1,707
– investment income	**1,575**	972
Total other income	**2,887**	2,557
Costs:		
– pre-acquisition	**(92)**	(859)
– stop loss costs	**(1,097)**	(200)
– operating costs	**(2,001)**	(2,332)
Total costs	**(3,190)**	(3,391)
Operating profit before impairments of goodwill and capacity	**336**	2,427
Impairment charge – capacity	**—**	1,860
Tax	**(35)**	(233)
Profit for the year	**301**	4,054

Year to 31 December 2020

Underwriting year	**Helios retained capacity at 31 December 2020 £m**	**Portfolio midpoint forecasts**	**Helios profits £'000**
2018	**36.1**	**(0.3)%**	**1,691**
2019	**31.3**	**(2.2)%**	**339**
2020	**30.8**	**N/A**	**(1,391)**
			639

Year to 31 December 2019

Underwriting year	Helios retained capacity at 31 December 2019 £m	Portfolio midpoint forecasts	Helios profits £'000
2017	36.2	(4.8)%	2,726
2018	21.0	(3.6)%	1,349
2019	18.3	N/A	(814)
			3,261

Summary financial information continued

Summary balance sheet

See Note 28 for further information.

	2020 £'000	2019 £'000
Intangible assets	**31,601**	21,178
Funds at Lloyd's	**19,713**	13,520
Other cash	**4,961**	3,028
Other assets	**12,731**	10,105
Total assets	**69,006**	47,831
Deferred tax	**6,492**	3,292
Borrowings	**4,000**	2,000
Other liabilities	**2,222**	6,145
Total liabilities	**12,714**	11,437
Total syndicate equity	**(5,743)**	(8,246)
Total equity	**50,549**	28,148

Cash flow

Analysis of free working capital	Year to 31 December 2020 £'000	Year to 31 December 2019 restated £'000
Opening balance (free cash)	**3,028**	9,717
Income		
Cash acquired on acquisition	**632**	2,045
Distribution of profits (net of tax retentions)	**120**	1,724
Transfers from Funds at Lloyd's	**4,901**	4,178
Other income	**248**	178
Proceeds from the sale of capacity	**1,649**	911
Proceeds from the issue of shares	**11,283**	2,014
Borrowings	**2,000**	2,000
Expenditure		
Operating costs	**(2,810)**	(2,377)
Payments to QS reinsurers	**—**	(465)
Acquisition of LLVs	**(6,075)**	(4,897)
Transfers to Funds at Lloyd's	**(9,733)**	(1,137)
Tax	**(282)**	(833)
Dividends paid	**—**	(529)
Repayment of borrowings	**—**	(9,214)
Share buybacks	**—**	(287)
Closing balance	**4,961**	3,028

Net tangible assets	Year to 31 December 2020 £'000	(Restated) Year to 31 December 2019 £'000
Net assets less intangible assets	**18,948**	6,970
Fair value of capacity (WAV)	**30,826**	26,350
	49,774	33,320
Shares in issue – on the market (Note 21)	**33,012**	17,489
Shares in issue – total of on the market and JSOP shares (Note 21)	**33,512**	17,989
Net tangible asset value per share £ – on the market	**1.51**	1.91
Net tangible asset value per share £ – on the market and JSOP shares	**1.49**	1.85

Experienced leadership

Nigel John Hanbury, 64
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 and 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 two LLVs.

Arthur Roger Manners, 61
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.

Martin Robert Davidson Reith, 56
appointed 20 April 2021
Non-executive Director
Martin has over 30 years' experience across underwriting, management and leadership. Most recently, he held board positions at Neon Underwriting Limited, as CEO from 2015 to 2019, and then assumed a non-executive role until 2020. He was the founder and CEO of Ascot Underwriting Limited, which he established in 2001 with the support and backing of AIG. Under Mr Reith's leadership, Ascot became one of the largest and top-performing businesses in Lloyd's with a network of overseas offices.

Harold Michael Clunie Cunningham, 73
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.

Andrew Hildred Christie, 65
Non-executive Director
Andrew Christie is a senior adviser 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.

Edward Fitzalan-Howard, Duke of Norfolk, 64
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.

Tom John Libassi, 62
appointed 20 April 2021
Non-executive Director
Tom is the co-founder and managing partner of ILS Capital Management, an investment firm specialising in insurance-linked securities, of which funds under management of, or associated with, participated in the Company's recent fundraising. Prior to founding ILS Capital, Mr Libassi was a managing director at Strategic Value Partners as well as holding the position of Chairman at Mach Gen LLC. From 2000 to 2007, Mr Libassi was a senior managing director at GSC Group where he founded the corporate lending group and served as a senior investment professional.

Committee membership
(A) Audit Committee
(N) Nomination and Remuneration Committee
Chair of Committee

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 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 the "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.

Section 172(1) Statement

The Directors have complied with their responsibilities under Section 172 of the Companies Act 2006 which requires them to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

In doing so, the Directors have had regard to the interests of stakeholders affected by the Company's activities and to the likely consequences of decisions in the long term. The Board has set a number of key strategic priorities for 2021, as detailed earlier in this report. These priorities reflect the need to consider the interests of our staff and the need to keep pace with market initiatives and technological changes so the business is appropriately positioned to take best advantage of market conditions. The strategic priorities are cascaded down by the Executive Directors through direct communication with those responsible for putting measures in place and taking action to achieve them.

The Board is committed to ensuring the Company's business remains sustainable, not only from the shareholders' perspective, but also for the environment, customers, suppliers and others affected by our activities. In so doing, the Board has regard to the following matters:

> The Company's Section 172(1) Statement is also available at https://www.huwplc.com/assets/huwplc-section-172-statement-200505.pdf

Interests of the Company's employees

Engaged, enabled and empowered employees who contribute to the best of their potential are fundamental to the long-term success of the business. We have three employees, including the Chief Executive and the Finance Director, and we actively seek to understand their values and what motivates them and to take this into account in the way we operate. In all instances, two-way communication is actively sought and encouraged. Oversight of performance is maintained through an annual performance and development review process conducted by the Nomination and Remuneration Committee and we seek to offer appropriate levels of remuneration and incentives, drawing on comparator benchmark surveys as appropriate.

Fostering business relationships with customers, suppliers and others

The Company's business model and strategy, as detailed earlier, is to build a portfolio of underwriting capacity at Lloyd's through the purchase of corporate members and to engage leading managing agents at Lloyd's to manage those businesses. The Lloyd's managing agents are in turn responsible for managing their staff and employment policies and dealing with customers, suppliers and others involved in their supply chain.

Input from the managing agents is important and, periodically, they provide market updates and information to the Board which is taken into account when making decisions about improvements to the Company's products or business, developing new products or exploring new opportunities.

Our relationships with managing agents, outsource providers and professional advisers or other providers of services to the Company, including reinsurers, are formally recorded in written contracts, engagement letters, service level agreements and terms of business. The Executive Directors monitor performance under these arrangements and pay our suppliers in accordance with the Company's agreed payment policy. Again, transparent two-way communication with our suppliers is actively sought and encouraged.

The impact of the Company's operations on the community and the environment

The Board is committed to ensuring the Company's business remains sustainable for the community, environment and others affected by the Company's activities and considers participation in quality syndicates, whose key characteristics are conservative reserving and a focus on profit rather than growth, is important in ensuring the Company's long-term success and sustainability. Whilst the managing agents have direct responsibility for managing the syndicates and the impact of their businesses on the environment and the community, the managing agents' performance in this respect is periodically reported to and reviewed by the Company's Executive Directors.

Maintaining a reputation for high standards of business conduct
The Board recognises the importance of the Company preserving and maintaining its long-established reputation for high standards of business conduct to ensure the business remains sustainable, maximises its competitive advantage over the longer term and builds value for shareholders.

The strategy of building a portfolio of underwriting capacity at Lloyd's through the purchase of corporate members is carried out in a manner that the Board considers is ethical and sustainable. This is achieved by focusing on quality syndicates that are then managed by leading managing agents at Lloyd's, who in turn are required to demonstrate high standards of business conduct.

These Lloyd's managing agents must comply with Lloyd's Minimum Standards as well as requirements of the Financial Conduct Authority and the Prudential Regulatory Authority, which together set a high bar for conduct and how relationships and business are managed. Notably, the Lloyd's Minimum Standards encompass matters such as claims management and treating customers fairly. The Chief Executive and Finance Director are in regular contact with the Research Team at Hampden Private Capital which liaises with the managing agents on a regular basis not only to review performance of the portfolio, but also to consider governance matters and compliance with Lloyd's Minimum Standards.

Acting fairly between shareholders of the Company
The support and engagement of our shareholders are imperative to the future success of the Company and the Board is committed to communicating effectively with all shareholders and to understanding their needs and expectations. To achieve this, the Board encourages two-way communication with shareholders 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 has been regular dialogue with shareholders during the year including holding briefings with analysts and other investors. Whilst the Company ordinarily uses the Annual General Meeting as an opportunity to communicate with its shareholders, this was unfortunately not possible in 2020 due to COVID-19 lockdown restrictions. In so far as is practicably possible, all Directors are expected to attend the Annual General Meeting, with the Chair of the Audit and Nomination and Remuneration Committees being available to answer shareholders' questions.

We also have an ongoing dialogue with shareholders through formal communication of financial results on a yearly and half yearly basis and provide periodic market updates and press releases to ensure compliance with the AIM Rules.

Material decisions impacting stakeholders which took place in the year ended 31 December 2020
When the Board makes decisions due regard is given to the matters listed above in varying degrees depending on their relevance. Notable examples include decisions made on fundraising, the sale of capacity at the Lloyd's auctions, and bank re-financing to enable the Company to pursue its acquisition strategy whilst at the same time allowing sufficient working capital for the business, relevant to employees and suppliers, and the dividend policy relevant directly to shareholders and indirectly impacting all stakeholders of the business.

Michael Cunningham
Non-executive Chairman
27 May 2021

Board balance and independence
The Board consists of two Executive Directors and five 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 21.

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 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 the 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; 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 ongoing 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 that there are any matters causing the Company concern.

The role of the Board continued

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.

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 2020 audit.

Nomination and Remuneration Committee

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

The Committee met three times 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 short-term incentives and remuneration, strategic objectives and performance targets and the workings of the joint stock option plan.

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 has been regular dialogue 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 Nomination and Remuneration Committees being available to answer shareholders' questions.

Notice of the date of the 2021 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.

During 2019 the Board commenced a formal review of its own performance and the performance of the Board's Committees and 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 was presented to the Board for review at the end of 2019 and into 2020. Matters requiring further consideration were either referred to the Nomination and Remuneration Committee or were allocated to the Board as a whole for further analysis, with a view to presenting proposals for how further improvements could be made to the Board during 2020. Issues raised by the evaluation exercise will be used to improve the effectiveness of the Board and introduce improvements to Board processes on an on-going basis through the current year.

Board and Committee meeting attendance

The Company holds Board meetings regularly throughout the year. Seven scheduled Board meetings were held during the year, as well as three Audit Committee meetings and three 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	7	7	3	3	3	3
Nigel Hanbury	7	7	—	—	—	—
Arthur Manners	7	7	—	—	—	—
Jeremy Evans (resigned 6 February 2021)	7	5	—	—	—	—
Andrew Christie	7	7	3	3	3	3
Edward Fitzalan-Howard	7	5	3	3	3	3
Martin Reith (appointed 21 April 2021)	—	—	—	—	—	—
Tom Libassi (appointed 21 April 2021)	—	—	—	—	—	—

Subsidiary board and committees

Jeremy Evans (resigned 6 February 2021), 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. 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
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
Nameco (No. 409) Limited	6 February 2019	6 February 2019	6 February 2019
Nameco (No. 1113) Limited	29 August 2013	19 December 2013	29 August 2013
Catbang 926 Limited	7 September 2006	19 December 2019	7 September 2006
Whittle Martin Underwriting	20 December 2019	20 December 2019	23 June 2016
Nameco (No. 408) Limited	27 October 1999	28 January 2020	27 October 1999
Nameco (No 510) Limited	9 November 2000	27 November 2020	9 November 2000
Nameco (No 544) Limited	7 November 2000	27 November 2020	7 November 2000
N J Hanbury Limited	27 November 2020	3 October 1998	31 December 2002

Conflict management

Jeremy Evans resigned as a Director of the Company on 6 February 2021. He was a director of Hampden Agencies Limited until December 2007 and remains a director of Nomina plc. 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 is a Director and substantial shareholder of Helios Underwriting plc and its subsidiary companies. He is also director and 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 51% of the profits generated by HIPCC in respect of the business relating to Helios will be repaid to Helios for the business transacted for the 2020 and subsequent underwriting years. The consideration paid to Nigel Hanbury of £100,000 reflects the HIPCC income that he is expected to forgo.

Directors’ responsibilities statement – Year ended 31 December 2020

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”). 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 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
27 May 2021

Directors' report – Year ended 31 December 2020

The Directors present their report and the audited Group and Parent Company Financial Statements for the year ended 31 December 2020.

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 2020 is shown in the consolidated statement of comprehensive income. The Group profit for the year after taxation was £301,000 (2019: £4,054,000).

No ordinary dividends were paid during calendar year 2020 (2019: £529,000).

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, Edward Fitzalan-Howard, Martin Reith and Tom Libassi are retiring by rotation and offering themselves for re-election as Directors of the Company at the 2021 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 2020 is nil (2019: nil).

Substantial shareholdings

The substantial shareholders shown below were as at 23 May 2021:

Substantial Shareholdings	Number of Shares	% Holding
ILS Capital & associated funds	13,000,000	19.2%
Hudson Structured Capital Management Funds	12,500,000	18.4%
Polar Capital Insurance Fund	9,588,235	14.2%
Nigel Hanbury (either personally or has an interest in)	9,227,294	13.6%
Will Roseff	5,187,695	7.7%

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 27 May 2021.

Nigel Hanbury
Chief Executive
27 May 2021

Independent auditors' 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 2020 which comprise the consolidated statement of comprehensive, the consolidated and Parent Company statement 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 200618.

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 2020 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 international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company Financial Statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for a period of at least 12 months from when the Financial Statements are authorised for issue.

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

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, either individually or in aggregate, could reasonably be expected to influence the economic decisions of users that are taken on the basis of the Financial Statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements. The application of these key considerations gives rise to the following level of materiality, the quantum and purpose of which is tabulated below.

Materiality measure	How we determined it	Key considerations and benchmarks	Quantum £
Consolidated Financial Statements	Based on 1% of net assets as shown by the interim Financial Statements extrapolated to 31 December 2020.	The interim Financial Statements were used as they represented the latest available management figures prior to the commencement of our audit. In assessing materiality we used a number of benchmarks such as the result before tax and gross and net assets before concluding that a reasonable estimate of materiality should be 1% of the Group's net assets.	£280,000 (2019: £210,000)
Parent Company	Based on 0.5% of net assets as shown by the interim Financial Statements extrapolated to 31 December 2020.	We have used a similar approach to assess the materiality to apply to the Parent Company; however, we concluded that a lower percentage as an estimate of materiality was appropriate.	£240,000 (2019: £140,000)

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £14,000 for the Consolidated Financial Statements and £12,000 for the Parent Company Financial Statements, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We used a different level of materiality (performance materiality) to determine the extent of our testing for the audit of the Group's and Parent Company's Financial Statements. The performance materiality was set at £224,000 (2019: £168,000) for the Group's and £192,000 (2019: £112,000) for the Parent Company's Financial Statements.

We reassessed materiality at the end of the audit and did not find it necessary to revise our planning materiality.

Our approach to the audit

Our audit approach was developed by obtaining an understanding of the Group's activities, such as the Group's reinsurance arrangements, the key subjective judgements made by the Directors (for example in respect of the estimated fair value of the assets and liabilities of the subsidiaries acquired during the year) and the overall control environment.

Based on this understanding we assessed those aspects of the Group's transactions and balances 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 key audit matters and planned our audit approach 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) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the Group auditors. 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.

Area	Reason this is an audit matter	How our scope addressed this matter
Preparation of Financial Statements	The Group's primary statements aggregate the results of its underwriting subsidiaries, which 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 syndicates' audited financial statements. The Group's Financial Statements aggregate the disclosure analysis from those subsidiaries to produce its primary statements and the necessary disclosure.	We obtained an understanding and evaluated the design and implementation of controls that have been established in relation to the preparation of the Financial Statements. We also performed the following procedures: • We have reviewed the process adopted by management in order to collate and aggregate the data produced by Lloyd's. • We have tested, on a sample basis, the data used by management to produce the Financial Statements back to the returns received from Lloyds. • We have reviewed the syndicate auditor's reports attached to the data produced by Lloyd's. Based on the procedures we performed, we have concluded that the Consolidated Financial Statements correctly reflect the aggregate of the subsidiaries' activities with the parent company activities.
Accounting for the acquisitions made in 2020 Refer to Note 22 to the Consolidated Financial Statements for disclosures of related accounting policies and balances.	The Group completed 5 business combinations during the year end 31 December 2020, giving rise to goodwill on bargain purchase of £1.260m. We focused our work on risk areas where management applies judgement in the accounting and valuation of the acquired assets and liabilities and to the calculation underlying the figures.	We carried out the following testing: • We walked through the controls in place within the accounting process and understood management's process to be in line with IFRS 3 "Business Combinations". • We read contracts, agreements and Board minutes relating to the acquisitions. • We corroborated management's assumptions by comparing them to relevant available information. • We validated and challenged key inputs and data used in valuation models by reference to available third-party data and our expectations. • We evaluated the adequacy of the business combination disclosures made in Note 22 to the requirements in IFRS 3. Based on the procedures we performed, we consider the calculation of the goodwill arising from the business acquisitions made during the year to be reasonable and has been correctly accounted for.

Other information

The other information comprises the information included in the Annual Report, other than the Financial Statements and our Auditors' Report thereon. The Directors are responsible for the other information contained within the annual report. Our opinion on the group and parent 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. 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 course of 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 themselves. 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.

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 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 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.

Auditors' responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

- We obtained an understanding of the Group and the insurance sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the Financial Statements. We obtained our understanding in this regard through discussions with management, industry research and the application of our cumulative audit knowledge and experience of the insurance sector.
- We determined the principal laws and regulations relevant to the Company in this regard to be those that relate to the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the Financial Statements included the prudential and supervisory requirements of the stock exchange and Lloyd's of London.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Company with those laws and regulations. These procedures included, but were not limited to, making enquiries of management and those responsible for legal and compliance matters. We also reviewed the minutes of the Board to identify any indications of non-compliance.
- We also identified possible risks of material misstatement of the Financial Statements due to fraud. We considered, in addition to the no-rebuttable presumption of a risk of fraud arising from management override of controls, that there was potential for management bias in the reporting of events and transactions in the Financial Statements relating to the fair value assessment of the assets and liabilities of the subsidiaries during the year. To address this, we challenged the assumptions and judgements made by management when auditing this significant accounting estimate.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to, the testing of journals and reviewing accounting estimates for evidence of bias and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business which comes to our attention.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the Financial Statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the Financial Statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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 Auditors' Report.

Use of our report

This report is made solely to the Parent 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 Parent Company's members those matters we are required to state to them in an auditors' 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
Chartered Accountants and Registered Auditors
27 May 2021

15 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated statement of comprehensive income – Year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Gross premium written	6	**68,263**	55,470
Reinsurance premium ceded	6	**(17,660)**	(13,210)
Net premium written	6	**50,603**	42,260
Change in unearned gross premium provision	7	**(2,481)**	(60)
Change in unearned reinsurance premium provision	7	**647**	488
Net change in unearned premium and reinsurance provision	7	**(1,834)**	428
Net earned premium	5,6	**48,769**	42,688
Net investment income	8	**2,006**	2,335
Other underwriting income		**420**	417
Gain on bargain purchase	22	**1,260**	1,707
Other income		**1,399**	432
Revenue		**53,845**	47,579
Gross claims paid		**(38,496)**	(34,107)
Reinsurers' share of gross claims paid		**9,967**	8,237
Claims paid, net of reinsurance		**(28,529)**	(25,870)
Change in provision for gross claims	7	**(8,255)**	(3,758)
Reinsurers' share of change in provision for gross claims	7	**2,704**	2,004
Net change in provision for claims	7	**(5,551)**	(1,754)
Net insurance claims incurred and loss adjustment expenses	6	**(34,080)**	(27,624)
Expenses incurred in insurance activities		**(17,916)**	(15,764)
Other operating expenses		**(1,522)**	(1,764)
Total expenses	9	**(19,438)**	(17,528)
Operating profit before impairments of goodwill and capacity	6	**336**	2,427
Impairment of syndicate capacity	13	**—**	1,860
Profit before tax		**336**	4,287
Income tax credit	10	**(35)**	(233)
Profit for the year		**301**	4,054
Other comprehensive income			
Foreign currency translation differences		**—**	—
Revaluation of syndicate capacity		**5,604**	—
Deferred tax relating to the components of other comprehensive income		**(1,622)**	—
Other comprehensive income for the year, net of tax		**3,982**	—
Total comprehensive income for the year		**4,283**	4,054
Profit for the year attributable to owners of the Parent		**301**	4,054
Total comprehensive income for the year attributable to owners of the Parent		**4,283**	4,054
Earnings per share attributable to owners of the Parent			
Basic	11	**1.59p**	25.64p
Diluted	11	**1.55p**	24.86p

The profit 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 2020

Company number 05892671

	Note	31 December 2020 £'000	31 December 2019 £'000
Assets			
Intangible assets	13	**31,601**	21,178
Financial assets at fair value through profit or loss	15	**85,277**	67,141
Deferred income tax asset		**—**	—
Reinsurance assets:			
– reinsurers' share of claims outstanding	7	**30,781**	25,760
– reinsurers' share of unearned premium	7	**6,028**	5,023
Other receivables, including insurance and reinsurance receivables	16	**58,348**	47,726
Deferred acquisition costs	17	**7,726**	6,641
Prepayments and accrued income		**1,176**	432
Cash and cash equivalents		**8,495**	6,037
Total assets		**229,432**	179,938
Liabilities			
Insurance liabilities:			
– claims outstanding	7	**113,371**	95,616
– unearned premium	7	**32,356**	26,522
Deferred income tax liabilities	18	**6,507**	3,292
Borrowings	19	**4,000**	2,000
Other payables, including insurance and reinsurance payables	20	**19,356**	18,040
Accruals and deferred income		**3,293**	6,320
Total liabilities		**178,883**	151,790
Equity			
Equity attributable to owners of the Parent:			
Share capital	21	**3,393**	1,839
Share premium	21	**35,525**	18,938
Revaluation reserve		**3,982**	—
Other reserves – treasury shares (JSOP)		**(50)**	(50)
Retained earnings		**7,699**	7,421
Total equity		**50,549**	28,148
Total liabilities and equity		**229,432**	179,938

The Financial Statements were approved and authorised for issue by the Board of Directors on 27 May 2021, and were signed on its behalf by:

Nigel Hanbury
Chief Executive
27 May 2021

The notes are an integral part of these Financial Statements.

Parent Company statement of financial position – At 31 December 2020

Company number: 05892671

	Note	31 December 2020 £'000	31 December 2019 £'000
Assets			
Investments in subsidiaries	14	**41,233**	33,329
Financial assets at fair value through profit or loss	15	**—**	—
Other receivables	16	**20,796**	11,704
Cash and cash equivalents		**4,106**	2,191
Total assets		**66,135**	47,224
Liabilities			
Borrowings	19	**4,000**	2,000
Other payables	20	**3,892**	7,735
Total liabilities		**7,892**	9,735
Equity			
Equity attributable to owners of the Parent:			
Share capital	21	**3,393**	1,839
Share premium	21	**35,525**	18,938
		38,918	20,777
Retained earnings:			
At 1 January		**16,712**	11,754
Profit for the year attributable to owners of the Parent		**2,636**	5,789
Other changes in retained earnings		**(23)**	(831)
At 31 December		**19,325**	16,712
Total equity		**58,243**	37,489
Total liabilities and equity		**66,135**	47,224

The Financial Statements were approved and authorised for issue by the Board of Directors on 27 May 2021, and were signed on its behalf by:

Nigel Hanbury
Chief Executive
27 May 2021

The notes are an integral part of these Financial Statements.

Consolidated statement of changes in equity – Year ended 31 December 2020

		Attributable to owners of the Parent					
	Note	Share capital £'000	Share premium £'000	Revaluation reserve	Other reserves (JSOP) £'000	Retained earnings £'000	Total equity £'000
At 1 January 2019		1,510	15,387	—	(50)	4,198	21,045
Total comprehensive income for the year:							
Profit for the year		—	—	—	—	—	—
Other comprehensive income, net of tax		—	—	—	—	4,054	4,054
Total comprehensive income for the year		—	—	—	—	4,054	4,054
Transactions with owners:							
Dividends paid	12	—	—	—	—	(529)	(529)
Company buyback of ordinary shares	21, 23	—	—	—	—	(302)	(302)
Share issue, net of transaction cost	21	329	3,551	—	—	—	3,880
Other comprehensive income, net of tax		—	—	—	—	—	—
Total transactions with owners		329	3,551	—	—	(831)	3,049
At 31 December 2019		1,839	18,938	—	(50)	7,421	28,148
At 1 January 2020		1,839	18,938	—	(50)	7,421	28,148
Total comprehensive income for the year:							
Profit for the year		—	—	—	—	301	301
Other comprehensive income, net of tax		—	—	3,982	—	—	3,982
Total comprehensive income for the year		—	—	3,982	—	301	4,283
Transactions with owners:							
Dividends paid	12	—	—	—	—	—	—
Company buyback of ordinary shares	21, 23	—	—	—	—	(23)	(23)
Share issue, net of transaction cost	21	1,554	16,587	—	—	—	18,141
Total transactions with owners		1,554	16,587	—	—	(23)	18,118
At 31 December 2020		**3,393**	**35,525**	**3,982**	**(50)**	**7,699**	**50,549**

The notes are an integral part of these Financial Statements.

Parent Company statement of changes in equity – Year ended 31 December 2020

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 January 2019		1,510	15,387	11,754	28,651
Total comprehensive income for the year:					
Profit for the year		—	—	5,789	5,789
Other comprehensive income, net of tax		—	—	—	—
Total comprehensive income for the year		—	—	5,789	5,789
Transactions with owners:					
Dividends paid	12	—	—	(529)	(529)
Company buyback of ordinary shares	21, 23	—	—	(302)	(302)
Share issue, net of transaction costs		329	3,551	—	3,880
Total transactions with owners		329	3,551	(831)	3,049
At 31 December 2019		1,839	18,938	16,712	37,489
At 1 January 2020		1,839	18,938	16,712	37,489
Total comprehensive income for the year:					
Profit for the year		—	—	2,636	2,636
Other comprehensive income, net of tax		—	—	—	—
Total comprehensive income for the year		—	—	2,636	2,636
Transactions with owners:					
Dividends paid	12	—	—	—	—
Company buyback of ordinary shares	21, 23	—	—	(23)	(23)
Share issue, net of transaction costs		1,554	16,587	—	18,141
Total transactions with owners		1,554	16,587	(23)	18,118
At 31 December 2020		**3,393**	**35,525**	**19,325**	**58,243**

The notes are an integral part of these Financial Statements.

Consolidated statement of cash flows – Year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash flows from operating activities			
Profit before tax		**336**	4,287
Adjustments for:			
– interest received	8	**(156)**	(235)
– investment income	8	**(1,318)**	(1,248)
– gain on bargain purchase	22	**(1,260)**	(1,707)
– impairment of goodwill	22	**—**	—
– profit on sale of intangible assets		**(1,775)**	(898)
– impairment of intangible assets	13	**—**	(1,860)
Changes in working capital:			
– change in fair value of financial assets held at fair value through profit or loss	8	**(297)**	(657)
– increase in financial assets at fair value through profit or loss		**(7,768)**	(3,010)
– decrease in other receivables		**4,491**	18,823
– decrease in other payables		**(4,706)**	(6,785)
– net decrease in technical provisions		**(650)**	(6,473)
Cash (used in)/from operations		**(13,103)**	237
Income tax paid		**(312)**	(1,119)
Net cash used in operating activities		**(13,415)**	(882)
Cash flows from investing activities			
Interest received	8	**156**	235
Investment income	8	**1,318**	1,248
Purchase of intangible assets	13	**(186)**	(22)
Proceeds from disposal of intangible assets		**1,779**	932
Acquisition of subsidiaries, net of cash acquired		**(364)**	(1,493)
Net cash from investing activities		**2,703**	900
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**11,193**	1,844
Payment for Company buyback of shares	24	**(23)**	(302)
Proceeds from borrowings	19	**2,000**	2,000
Repayment of borrowings	19	**—**	(9,196)
Dividends paid to owners of the Parent	12	**—**	(529)
Net cash from financing activities		**13,170**	(6,183)
Net increase/(decrease) in cash and cash equivalents		**2,458**	(6,165)
Cash and cash equivalents at beginning of year		**6,037**	12,202
Cash and cash equivalents at end of year		**8,495**	6,037

Cash held within the syndicates' accounts is £4,961,000 (2019: £3,009,000) of the total cash and cash equivalents held at the year end of £8,495,000 (2019: £6,037,000). 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 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash flows from operating activities			
Profit before tax		**2,490**	5,543
Adjustments for:			
– investment income		**28**	—
– dividends received		**(3,654)**	(8,336)
– impairment of investment in subsidiaries	14	**37**	1,394
Changes in working capital:			
– change in fair value of financial assets held at fair value through profit or loss		**—**	—
– decrease in financial assets at fair value through profit or loss		**—**	—
– increase in other receivables		**1,433**	925
– (decrease)/increase in other payables		**(3,618)**	2,346
Net cash from operating activities		**(3,284)**	1,872
Cash flows from investing activities			
Investment income		**(28)**	—
Dividends received		**3,654**	8,336
Acquisition of subsidiaries	14, 22	**(2,208)**	(8,128)
Amounts owed by subsidiaries	25	**940**	(2,136)
Net cash used in investing activities		**(7,971)**	(1,928)
Cash flows from financing activities			
Net proceeds from the issue of ordinary share capital		**11,193**	1,844
Payment for Company buyback of shares	24	**(23)**	(302)
Proceeds from borrowings	19	**2,000**	2,000
Repayment of borrowings	19	**—**	(9,196)
Dividends paid to owners of the Parent	12	**—**	(529)
Net cash from/(used in) financing activities		**13,170**	(6,183)
Net decrease/(increase) in cash and cash equivalents		**1,915**	(6,239)
Cash and cash equivalents at beginning of year		**2,191**	8,430
Cash and cash equivalents at end of year		**4,106**	2,191

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

The notes are an integral part of these Financial Statements.

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 £50,549,000 and £58,243,000 respectively.

The Company's subsidiaries participate as underwriting members at Lloyd's on the 2018, 2019 and 2020 years of account, as well as any prior run-off years, and they have continued this participation since the year end on the 2021 year of account. This underwriting is supported by Funds at Lloyd's totalling £26,440,000 (2019: £15,315,000), letters of credit provided through the Group's reinsurance agreements totalling £39,536,000 (2019: £26,742,000) and solvency credits issued by Lloyd's totalling £107,000 (2019: £80,000).

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. In arriving at this conclusion the Directors have taken into account the impact of COVID-19 both on the operating activities of the Group and on the Lloyd's market.

International Financial Reporting Standards

Adoption of new and revised standards

In the current year, the Group has applied new IFRSs and amendments to IFRSs issued by the IASB that are mandatory for an accounting period that begins on or after 1 January 2020.

IFRS 16 Amendments, Leases COVID 19 Related Rent Concessions: Lessees are provided with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The Group has not applied this exemption and the amendment has not had an impact on the Consolidated Financial Statements.

IFRS 3 Amendments, Business Combinations: The amendment is aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments provide further clarity on what constitutes an acquired business, and this clarification has not impacted the Group's recognition of acquired business in the year and has not had an impact on the Consolidated Financial Statements.

IFRS 9, IAS 39 and IFRS 7 Amendments, Interest Rate Benchmark Reform: The amendments deal specifically with interest rate hedge accounting and is the first phase of change relating to interest rate benchmark reform and the replacement of LIBOR. The Group has not been impacted by these amendments for hedge accounting.

IAS 1 and IAS 8 Amendments, Definition of Material: The amendments clarify the definition of "material" and align the definition used in the Conceptual Framework and the standards themselves. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Financial Statements have been prepared in accordance with this clarification.

2. Significant accounting policies continued

International Financial Reporting Standards continued

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments adopted by the EU, as well as standards and interpretations issued by the IASB but not yet adopted by the EU, have not been applied in preparing the Consolidated Financial Statements.

The Group does not plan to adopt these standards early; instead it will apply them from their effective dates as determined by their dates of EU endorsement. The Group continues to review the upcoming standards to determine their impact.

IFRS 9 “Financial Instruments” (IASB effective date 1 January 2018) has not been applied under the IFRS 4 amendment option to defer until IFRS 17 comes into effect on 1 January 2023.

IFRS 17 “Insurance Contracts” (IASB effective date 1 January 2023).

IFRS 9, IAS 39 and IFRS 7 Amendments, Interest Rate Benchmark Reform Phase 2 (IASB effective date 1 January 2021).

Amendments to IFRS 3 “Business Combinations”, IAS 16 “Property, Plant and Equipment” and IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” (IASB effective date 1 January 2022).

IAS 1 Presentation of Financial Statements Amendments, Classification of Liabilities as Current or Non-current (IASB effective date 1 January 2023).

IAS 8 Accounting Policies Amendments, Changes in Accounting Estimates and Errors (IASB effective date 1 January 2023).

IFRS 9 “Financial Instruments” (IASB effective date 1 January 2018) has not been applied under the IFRS 4 amendment option. IFRS 9 provides a reform of financial instruments accounting to supersede IAS 39 “Financial Instruments: Recognition and Measurement”. Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts” contained an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4. The Group meets the eligibility criteria and has taken advantage of this temporary exemption not to apply this standard until the effective date of IFRS 17.

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.

The Financial Statements for all of the above subsidiaries are prepared for the year ended 31 December 2020 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 £2,636,000 (2019: £5,789,000).

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.

(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 LLVs at a discount to their net asset fair value, as is an important part of the predominant strategy for the Company. Insurance liabilities are not discount on acquisition, when calculating their fair value, as these liabilities will likely all crystallise within three years due to the accounting framework Lloyd’s syndicates operate under. Accordingly, any discount applied to insurance liabilities will not be material.

2. Significant accounting policies continued

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.

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.

2. Significant accounting policies continued

Underwriting continued

Claims incurred and reinsurers' share continued

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 businesses 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 2019 and 2020 underwriting years, and an average of 47% of the 2021 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 was 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.

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.

2. Significant accounting policies continued

Other operating expenses

All expenses are accounted for on an accruals basis.

Intangible assets: syndicate capacity

For the year ended 31 December 2019 the cost of acquiring syndicate capacity was carried at cost less impairment as the directors considered that useful life of syndicate capacity was indefinite.

With effect from 31 December 2020, the Group has changed this policy so that syndicate capacity is revalued on a regular basis to its fair value which the directors believe to be the average weighted value achieved in the Lloyd's auction process. The increase in value of syndicate capacity between its fair value and its cost less impairment is taken to the revaluation reserve through the statement of comprehensive income net of any tax effect, as required by IAS 38.

In accordance IAS 8 this change in policy has been treated as a prospective change and the prior year comparison figures have not been altered.

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 is 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.

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.

2. Significant accounting policies continued

Financial assets continued

(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 the 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.

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.

2. Significant accounting policies continued

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 and 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.

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.

(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 obligations 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:

2020	No stated maturity £'000	0–1 year £'000	1–3 years £'000	3–5 years £'000	>5 years £'000	Total £'000
Claims outstanding	**72**	**40,003**	**38,451**	**18,340**	**16,505**	**113,371**

2019	No stated maturity £'000	0–1 year £'000	1–3 years £'000	3–5 years £'000	>5 years £'000	Total £'000
Claims outstanding	—	34,942	32,517	14,985	13,172	95,616

4. Risk management continued
Risk background continued
(a) Syndicate risks continued
(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:

2020	AAA £'000	AA £'000	A £'000	BBB or lower £'000	Not rated £'000	Total £'000
Financial investments	10,098	20,099	22,142	8,378	4,840	65,557
Deposits with ceding undertakings	—	—	—	—	7	7
Reinsurers' share of claims outstanding	1,204	8,240	18,217	531	2,538	30,730
Reinsurance debtors	12	450	1,277	169	408	2,316
Cash at bank and in hand	12	96	3,346	41	39	3,534
	11,326	28,885	44,982	9,119	7,832	102,144

2019	AAA £'000	AA £'000	A £'000	BBB or lower £'000	Not rated £'000	Total £'000
Financial investments	8,027	16,601	15,456	7,825	5,704	53,613
Deposits with ceding undertakings	—	—	—	—	8	8
Reinsurers' share of claims outstanding	1,328	5,459	16,603	38	2,227	25,655
Reinsurance debtors	15	306	1,037	32	822	2,212
Cash at bank and in hand	47	52	2,045	428	437	3,009
	9,417	22,418	35,141	8,323	9,198	84,497

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				
2020	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	65,557	—	—	—	—	65,557
Deposits with ceding undertakings	7	—	—	—	—	7
Reinsurers' share of claims outstanding	30,730	—	—	—	(10)	30,720
Reinsurance debtors	2,316	1,153	57	21	—	3,547
Cash at bank and in hand	3,534	—	—	—	—	3,534
Insurance and other debtors	49,373	1,453	458	300	(10)	51,574
	151,517	2,606	515	321	(20)	154,939

		Past due but not impaired				
2019	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	53,613	—	—	—	—	53,613
Deposits with ceding undertakings	8	—	—	—	—	8
Reinsurers' share of claims outstanding	25,655	49	—	—	(5)	25,699
Reinsurance debtors	2,212	575	45	23	—	2,855
Cash at bank and in hand	3,009	—	—	—	—	3,009
Insurance and other debtors	40,566	1,018	243	254	(6)	42,075
	125,063	1,642	289	277	(11)	127,259

(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.

4. Risk management continued

Risk background continued

(a) Syndicate risks continued

(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:

2020	GBP £'000 converted	USD £'000 converted	EUR £'000 converted	CAD £'000 converted	Other £'000 converted	Total £'000 converted
Total assets	**29,186**	**106,692**	**6,092**	**13,633**	**4,823**	**160,426**
Total liabilities	**(38,021)**	**(109,050)**	**(6,177)**	**(10,180)**	**(2,741)**	**(166,169)**
(Deficiency)/surplus of assets	**(8,835)**	**(2,358)**	**(85)**	**3,453**	**2,082**	**(5,743)**

2019	GBP £'000 converted	USD £'000 converted	EUR £'000 converted	CAD £'000 converted	Other £'000 converted	Total £'000 converted
Total assets	21,981	90,359	6,318	10,303	3,412	132,373
Total liabilities	(31,604)	(91,559)	(4,976)	(8,652)	(4,183)	(140,974)
(Deficiency)/surplus of assets	(9,623)	(1,200)	1,342	1,651	(771)	(8,601)

The impact of a 5% change in exchange rates between GBP and other currencies would be £153,000 on shareholders' funds (2019: £51,000).

(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 2018, 2019 and 2020 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.

(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 2020 is £37.4m (2019: £27.2m), 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 £39.5m (2019: £26.7m) 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.

4. Risk management continued

Risk background continued

(b) Group risks – corporate level continued

(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.

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 31 and 32.

At 31 December 2020, the corporate member subsidiaries had an agreed ECA requirement of £58.2m (2019: £39.4m) to support their underwriting on the 2021 year of account (2020 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 2020, the agreed ECA requirements for the Group were 53% (2019: 57%) 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 2020	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	48,769	—	—	48,769
Net investment income	2,126	(120)	—	2,006
Other income	101	—	1,718	1,819
Net insurance claims and loss adjustment expenses	(33,990)	—	(90)	(34,080)
Expenses incurred in insurance activities	(17,573)	—	(343)	(17,916)
Other operating expenses	203	—	(1,725)	(1,522)
Gain on bargain purchase (Note 22)	—	—	1,260	1,260
Impairment of goodwill	—	—	—	—
Impairment of syndicate capacity (see Note 13)	—	—	—	—
Profit before tax	(364)	(120)	820	336

5. Segmental information continued

Year ended 31 December 2019	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	42,688	—	—	42,688
Net investment income	2,387	(52)	—	2,335
Other income	254	—	595	849
Net insurance claims and loss adjustment expenses	(26,265)	—	(1,359)	(27,624)
Expenses incurred in insurance activities	(15,367)	—	(397)	(15,764)
Other operating expenses	(114)	—	(1,650)	(1,764)
Gain on bargain purchase (Note 22)	—	—	1,707	1,707
Impairment of goodwill	—	—	—	—
Impairment of syndicate capacity (see Note 13)	—	—	1,860	1,860
Profit before tax	3,583	(52)	756	4,287

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 insurance claims and loss adjustment expenses within 2020 other corporate activities totalling £90,000 (2019: £1,359,000 – 2017, 2018 and 2019 years of account) presents the 2018, 2019 and 2020 years of account net Group quota share reinsurance premium recoverable to HIPCC Limited (Note 25). This net quota share reinsurance premium recoverable is included within "net insurance claims incurred and loss adjustments expenses" in the consolidated income statement of the year.

6. Operating profit before impairments of goodwill and capacity

	Underwriting year of account*							
Year ended 31 December 2020	**2018 and prior £'000**	**2019 £'000**	**2020 £'000**	**Sub-total £'000**	**Pre-acquisition £'000**	**Corporate reinsurance £'000**	**Other corporate £'000**	**Total £'000**
Gross premium written	**348**	**6,105**	**69,693**	**76,146**	**(7,883)**	**—**	**—**	**68,263**
Reinsurance ceded	**202**	**(1,410)**	**(16,817)**	**(18,025)**	**1,462**	**—**	**(1,097)**	**(17,660)**
Net premium written	**550**	**4,695**	**52,876**	**58,121**	**(6,421)**	**—**	**(1,097)**	**50,603**
Net earned premium	**3,116**	**24,807**	**27,759**	**55,682**	**(5,816)**	**—**	**(1,097)**	**48,769**
Other income	**1,242**	**585**	**604**	**2,431**	**(515)**	**334**	**2,835**	**5,085**
Net insurance claims incurred and loss adjustment expenses	**579**	**(17,074)**	**(21,386)**	**(37,881)**	**4,174**	**(90)**	**(283)**	**(34,080)**
Operating expenses	**(1,473)**	**(7,373)**	**(10,657)**	**(19,503)**	**2,065**	**—**	**(2,000)**	**(19,438)**
Operating profit before impairments of goodwill and capacity	**3,464**	**945**	**(3,680)**	**729**	**(92)**	**244**	**(545)**	**336**
Quota share adjustment	**(1,773)**	**(606)**	**2,289**	**(90)**	**—**	**90**	**—**	**—**
Operating profit before impairments of goodwill and capacity, after quota share adjustment	**1,691**	**339**	**(1,391)**	**639**	**(92)**	**334**	**(545)**	**336**

* 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.

6. Operating profit before impairments of goodwill and capacity continued

Year ended 31 December 2019	Underwriting year of account* 2017 and prior £'000	2018 £'000	2019 £'000	Sub-total £'000	Pre-acquisition £'000	Corporate reinsurance £'000	Other corporate £'000	Total £'000
Gross premium written	1,031	5,891	54,656	61,578	(6,108)	—	—	55,470
Reinsurance ceded	(116)	(1,444)	(13,003)	(14,563)	1,553	—	(200)	(13,210)
Net premium written	915	4,447	41,653	47,015	(4,555)	—	(200)	42,260
Net earned premium	3,526	21,772	22,156	47,454	(4,566)	—	(200)	42,688
Other income	1,574	615	339	2,527	(550)	235	2,679	4,891
Net insurance claims incurred and loss adjustment expenses	893	(12,854)	(16,276)	(28,237)	2,329	(1,359)	(358)	(27,624)
Operating expenses	(1,535)	(6,823)	(8,767)	(17,125)	1,929	—	(2,332)	(17,528)
Operating profit before impairments of goodwill and capacity	4,458	2,710	(2,548)	4,620	(858)	(1,124)	(211)	2,427
Quota share adjustment	(1,733)	(1,361)	1,735	(1,359)	—	1,359	—	—
Operating profit before impairments of goodwill and capacity, after quota share adjustment	2,725	1,349	(813)	3,261	(858)	235	(211)	2,427

* 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 2019	88,032	22,698	65,334
Increase in reserves arising from acquisition of subsidiary undertakings	11,792	2,730	9,062
Movement of reserves	3,758	2,004	1,754
Other movements	(7,966)	(1,672)	(6,294)
At 31 December 2019	95,616	25,760	69,856
At 1 January 2020	95,616	25,760	69,856
Increase in reserves arising from acquisition of subsidiary undertakings	17,737	3,592	14,145
Movement of reserves	8,255	2,704	5,551
Other movements	(8,237)	(1,275)	(6,962)
At 31 December 2020	**113,371**	**30,781**	**82,590**

Included within other movements are the 2017 and prior years' claims reserves reinsured into the 2018 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 2019	24,772	4,057	20,715
Increase in reserves arising from acquisition of subsidiary undertakings	3,380	1,182	2,197
Movement of reserves	60	488	(428)
Other movements	(1,690)	(704)	(985)
At 31 December 2019	26,522	5,023	21,499
At 1 January 2020	26,522	5,023	21,499
Increase in reserves arising from acquisition of subsidiary undertakings	4,679	613	4,066
Movement of reserves	2,481	647	1,834
Other movements	(1,326)	(255)	(1,071)
At 31 December 2020	**32,356**	**6,028**	**26,328**

7. Insurance liabilities and reinsurance balances continued

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 2020.

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 £11,337,000 (2019: £9,562,000);
- a 10% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Group's pre-tax profits by £8,259,000 (2019: £6,986,000); and
- a 10% increase/decrease in the run-off year net claims reserves will decrease/increase the Group's pre-tax profits by £4,000 (2019: £nil).

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

Analysis of gross and net claims development

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

Claims development – gross

£m

Underwriting pure year*	After one year	After two years	After three years	After four years	After five years	After six years	After seven years	After eight years	After nine years	After ten years	Profit on RITC received
2011	22	34	34	34	33	33	32	32	31	31	2
2012	22	31	30	29	29	29	28	28	28		3
2013	16	27	27	26	25	25	24	24			2
2014	15	26	26	26	26	25	25				4
2015	14	27	27	26	26	26					4
2016	17	33	34	33	32						2
2017	35	50	52	51							3
2018	28	47	49								
2019	25	45									
2020	**28**										

Claims development – net

£m

Underwriting pure year*	After one year	After two years	After three years	After four years	After five years	After six years	After seven years	After eight years	After nine years	After ten years	Profit on RITC received
2011	19	30	30	29	28	28	27	27	27	27	3
2012	18	27	26	25	25	24	24	24	24		3
2013	14	24	23	23	22	22	21	21			3
2014	13	23	23	22	22	21	21				3
2015	13	23	23	23	23	22					3
2016	14	27	27	27	26						3
2017	25	37	39	38							2
2018	22	36	37								
2019	18	34									
2020	**20**										

* Including the new acquisitions during 2020.

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 nine years of development and how the reinsurance to close received performed.

8. Net investment income

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Investment income	**1,318**	1,248
Realised losses on financial assets at fair value through profit or loss	**288**	262
Unrealised losses on financial assets at fair value through profit or loss	**297**	657
Investment management expenses	**(53)**	(67)
Bank interest	**156**	235
Net investment income	**2,006**	2,335

9. Operating expenses (excluding goodwill and capacity impairment)

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Expenses incurred in insurance activities:		
Acquisition costs	**13,215**	11,238
Change in deferred acquisition costs	**(387)**	231
Administrative expenses	**5,039**	4,234
Other	**49**	61
	17,916	15,764
Other operating expenses:		
– exchange differences	**106**	125
– Directors' remuneration	**398**	414
– acquisition costs in connection with the new subsidiaries acquired in the year	**72**	156
– professional fees	**439**	530
– administration and other expenses	**395**	437
Auditors' remuneration:		
– audit of the Parent Company and Group Financial Statements	**47**	41
– audit of subsidiary company Financial Statements	**43**	42
– underprovision of prior year audit fee	**2**	—
– audit related assurance services	**20**	19
	1,522	1,764
Operating expenses	**19,438**	17,528

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 2020 £	Year ended 31 December 2019 £
Arthur Manners	**128,333**	154,167
Edward William Fitzalan-Howard	**18,000**	18,000
Jeremy Evans	**15,000**	15,000
Michael Cunningham	**20,000**	20,000
Andrew Christie	**15,000**	15,000
Nigel Hanbury	**201,667**	191,667
Total	**398,000**	413,834

The Chief Executive, Nigel Hanbury, and the Finance Director, Arthur Manners, had a bonus incentive scheme during 2020 in addition to their basic remuneration. The above figures for Nigel Hanbury and Arthur Manners include an accrual for the year of £116,500 and £58,500 respectively (2019: £112,500 for Nigel Hanbury and £90,000 Arthur Manners) in respect of this scheme.

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).

10. Income tax charge

(a) Analysis of tax credit in the year

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Current tax:		
– current year	(297)	497
– prior year	161	(76)
– foreign tax paid	45	33
Total current tax	(91)	454
Deferred tax:		
– current year	203	(169)
– prior year	(77)	(52)
Total deferred tax	126	(221)
Income tax expense	35	233

(b) Factors affecting the tax credit for the year

Tax for the year is the same as (2019: the same as) the standard rate of corporation tax in the UK of 19% (2019: 19%).

The differences are explained below:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Profit before tax	336	4,287
Tax calculated as profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	64	814
Tax effects of:		
– prior year adjustments	84	(128)
– rate change and other adjustments	(189)	(140)
– permanent disallowances	68	(346)
– goodwill on bargain purchase not subject to tax	—	—
– foreign taxes	45	33
– other	(37)	—
Tax credit for the year	35	233

The results of the Group's participation on the 2018, 2019 and 2020 years of account and the calendar year movement on 2017 and prior run-offs will not be assessed for tax until the years ended 2021, 2022 and 2023 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 £2,809,000 (2019: £1,551,000) taxable losses carried forward, to which £1,106,000 (2019: £289,000) 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 £1,302,000 (2019: £1,262,000) 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".

11. Earnings per share continued

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

	Year ended 31 December 2020	Year ended 31 December 2019
Profit for the year after tax attributable to ordinary equity holders of the Parent	**£301,000**	£4,054,000
Basic – weighted average number of ordinary shares*	**18,921,902**	15,809,376
Adjustments for calculating the diluted earnings per share: Treasury shares (JSOP scheme), Note 21	**500,000**	500,000
Diluted – weighted average number of ordinary shares*	**19,412,902**	16,309,376
Basic earnings/(loss) per share	**1.59p**	25.64p
Diluted earnings/(loss) per share	**1.55p**	24.86p

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

12. Dividends paid or proposed

No dividend was paid during the year (2019: £529,000).

A final dividend of 3p is being proposed in respect of the financial year ended 31 December 2020.

13. Intangible assets

	Goodwill £'000	Syndicate capacity £'000	Total £'000
Cost			
At 1 January 2019	775	17,298	18,073
Additions	—	21	21
Disposals	—	(352)	(352)
Impairment	—	—	—
Acquired with subsidiary undertakings	—	3,598	3,598
At 31 December 2019	775	20,565	21,340
At 1 January 2020	775	20,565	21,340
Additions	—	186	186
Disposals	—	(520)	(520)
Acquired with subsidiary undertakings	—	4,991	4,991
Revaluation	—	5,604	5,604
At 31 December 2020	**775**	**30,826**	**31,601**
Impairment			
At 1 January 2019	—	2,022	2,022
Impairment for the year	—	(1,860)	(1,860)
Disposals	—	—	—
At 31 December 2019	—	162	162
At 1 January 2020	—	162	162
Impairment for the year	—	(162)	(162)
Disposals	—	—	—
At 31 December 2020	**—**	**—**	**—**
Net book value			
At 31 December 2019	775	20,403	21,178
At 31 December 2020	**775**	**30,826**	**31,601**

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 2020 £'000	31 December 2019 £'000
Total	**41,233**	33,329

During 2019 an impairment charge of £1,394,000 was recognised on the cost of investments in subsidiaries and included in the Parent income statement.

At 31 December 2020, 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 its registered office address is Gaspé House, 66-72 Esplanade, Jersey JE2 3QT.

Company or partnership	Direct/indirect interest	2020 ownership	2019 ownership	Principal activity
Hampden Corporate Member 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%	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
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%	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%**	100%	Lloyd's of London corporate vehicle
Advantage DCP Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Romsey Underwriting Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Helios UTG Partner Limited(i)	Direct	**100%**	100%	Corporate partner
Nomina No 035 LLP	Indirect	**–**	100%	Lloyd's of London corporate vehicle
Nomina No 342 LLP	Indirect	**–**	100%	Lloyd's of London corporate vehicle
Nomina No 372 LLP	Indirect	**–**	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%**	100%	Lloyd's of London corporate vehicle
Nomina No 505 LLP	Indirect	**100%**	100%	Lloyd's of London corporate vehicle
Nomina No 321 LLP	Indirect	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 409) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 1113) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Catbang 926 Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Whittle Martin Underwriting	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No 408) Limited	Direct	**100%**	–	Lloyd's of London corporate vehicle
Nomina No 084 LLP	Indirect	**100%**	–	Lloyd's of London corporate vehicle
Nameco (No 510) Limited	Direct	**100%**	–	Lloyd's of London corporate vehicle
Nameco (No 544) Limited	Direct	**100%**	–	Lloyd's of London corporate vehicle
N J Hanbury Limited	Direct	**100%**	–	Lloyd's of London corporate vehicle

14. Investments in subsidiaries continued

For details of all new acquisitions made during the year 2020 refer to Note 22(a).

(i) Helios UTG Partner Limited, a subsidiary of the Company, owns 100% of Salviscount LLP, Inversanda LLP, Fyshe Underwriting LLP, Nomina No 505 LLP, Nomina No 321 LLP and Nomina No 084 LLP. The cost of acquisition of these LLPs is accounted for in Helios UTG Partner Limited, their immediate parent company. On 31 December 2020, Helios UTG Partner Limited sold 100% of is ownership in Nomina No 035 LLP, Nomina No 342 LLP and Nomina No 372 LLP for £nil gains or losses.

On 21 February 2019, the Company sold its shares in Dumasco Limited (a dormant company) for £nil gains or losses. On 27 November 2019, the Company sold its shares in Nameco (No. 321) Limited, Nameco (No. 365) Limited and Nameco (No. 605) Limited for £nil gains or losses. On 31 December 2020, the Company sold its share in Kempton Underwriting Limited and Nameco (No 804) Limited for £nil gains or losses.

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

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 2020 £'000**	Level 1 £'000	Level 2 £'000	Level 3 £'000
Shares and other variable yield securities and units in unit trusts	**11,104**	2,878	7,140	1,086
Debt securities and other fixed income securities	**53,950**	19,569	34,381	—
Participation in investment pools	**219**	43	134	42
Loans and deposits with credit institutions	**198**	87	105	6
Derivatives	**115**	77	38	—
Other investments	**7**	7	—	—
Funds at Lloyd's	**19,684**	19,684	—	—
Total – fair value	**85,277**	42,345	41,798	1,134

Group	Total 2019 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Shares and other variable yield securities and units in unit trusts	9,116	3,202	5,632	282
Debt securities and other fixed income securities	43,659	12,827	30,832	—
Participation in investment pools	621	156	358	107
Loans and deposits with credit institutions	201	106	90	5
Derivatives	47	13	34	—
Other investments	7	7	—	—
Funds at Lloyd's	13,490	13,490	—	—
Total – fair value	67,141	29,801	36,946	394

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 £6,971,000 (2019: £2,917,000) 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.

15. Financial assets at fair value through profit or loss continued

Company

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

	31 December 2020 £'000	31 December 2019 £'000
Holdings in collective investment schemes	—	—
Total – market value	—	—

16. Other receivables

Group	31 December 2020 £'000	31 December 2019 £'000
Arising out of direct insurance operations	15,280	13,171
Arising out of reinsurance operations	27,306	22,115
Other debtors	15,762	12,440
Total	58,348	47,726

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 £7,001,000 (2019: £3,164,000) which are not expected to be wholly recovered within one year.

Company	31 December 2020 £'000	31 December 2019 £'000
Receivables from subsidiaries (Note 25)	20,473	11,357
Other debtors	323	347
Prepayments	—	—
Total	20,796	11,704

Included within receivables are amounts totalling £100,000 (2019: £100,000), which are not expected to be recoverable within one year.

17. Deferred acquisition costs

	31 December 2020 £'000	31 December 2019 £'000
At 1 January	6,641	6,782
Increase arising from acquisition of subsidiary undertakings (Note 22)	1,018	2,532
Movement in deferred acquisition costs	387	(230)
Other movements	(320)	(2,443)
At 31 December	7,726	6,641

18. Deferred tax

Group

Deferred tax is calculated in full on temporary differences using a tax rate of 19% on deferred tax assets and deferred tax liabilities (2019: 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 2019	2,950	(315)	2,635
On acquisition of subsidiary undertakings	878	—	878
Prior period adjustment	(52)	—	(52)
Credit for the year	356	(525)	(169)
At 31 December 2019	4,132	(840)	3,292
At 1 January 2020	4,132	(840)	3,292
On acquisition of subsidiary undertakings	1,427	1,662	3,089
Prior period adjustment	(77)	—	(77)
Credit for the year	77	126	203
At 31 December 2020	**5,559**	**948**	**6,507**

Company

The Company had no deferred tax assets or liabilities (2019: £nil), as disclosed in Note 10.

19. Borrowings

Group and Company	**31 December 2020 £'000**	31 December 2019 £'000
Secured – at amortised cost		
Bank revolving credit facility	**4,000**	2,000
	4,000	2,000
Current	**4,000**	2,000
Non-current	**—**	—
	4,000	2,000

Bank loan

(a) Revolving credit/loan 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. The charge registered with National Westminster Bank Plc has now been fully satisfied.

A new sterling revolving loan facility ("RLF") was agreed with Barclays Bank Plc during the year ended 31 December 2019 to the value of £4m, of which £2m was available for general corporate purposes and acquisitions and the remaining £2m was available for use only in a large loss scenario, secured against all of the assets of Helios Underwriting plc.

On 19 December 2019, £2,000,000 was drawn down on the RLF. The maturity of the RLF was three months from the initial date of the drawdown, being 19 March 2020. On 19 March 2020, the RLF was extended by three months to 19 June 2020. On 29 July 2020, a further £2,000,000 was drawn down on the RLF. The RLF incurs interest at the following rates:

- drawn amounts: 3% per annum over LIBOR; and
- undrawn amount: 1% fixed per annum.

Total arrangement fees of £15,000 were paid to Barclays Bank Plc during the year for the creation of the RLF.

(b) Bank loan

On 14 November 2018, the Company agreed a short-term loan with National Westminster Bank Plc. The maturity of the loan was 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 incurred interest on drawn amounts at 2.5% per annum over LIBOR.

An arrangement fee of £41,000 was paid during the year 2018 to the National Westminster Bank Plc.

19. Borrowings continued

Bank loan continued

(b) Bank loan continued

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

	Liabilities	Equity			
Group	Other loans and borrowings £'000	Share capital/ premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2019	9,196	16,897	(50)	4,198	30,241
Changes from financing cash flows					
Proceeds from issue of share capital (Note 21)	—	3,880	—	—	3,880
Proceeds from loans and borrowings	2,000	—	—	—	2,000
Payments for Company buyback of ordinary shares (Note 24)	—	—	—	(302)	(302)
Repayment of borrowings	(9,196)	—	—	—	(9,196)
Dividend paid	—	—	—	(529)	(529)
Total changes from financing cash flows	(7,196)	3,880	—	(831)	(4,147)
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 equity related other changes*	—	—	—	4,054	4,054
Balance at 31 December 2019	2,000	20,777	(50)	7,421	30,148

* The equity related other changes relate to the consolidated profit for the year 2019.

	Liabilities	Equity			
Group	Other loans and borrowings £'000	Share capital/ premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020	2,000	20,777	(50)	7,421	30,148
Changes from financing cash flows					
Proceeds from issue of share capital (Note 21)	—	18,141	—	—	18,141
Proceeds from loans and borrowings	2,000	—	—	—	2,000
Payments for Company buyback of ordinary shares (Note 24)	—	—	—	(23)	(23)
Repayment of borrowings	—	—	—	—	—
Dividend paid	—	—	—	—	—
Total changes from financing cash flows	2,000	18,141	—	(23)	20,118
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 equity related other changes*	—	—	—	4,283	4,283
Balance at 31 December 2020	**4,000**	**38,918**	**(50)**	**11,681**	**54,549**

* The equity related other changes relate to the consolidated profit for the year 2020.

19. Borrowings continued

Bank loan continued

(b) Bank loan continued

Company	Liabilities Other loans and borrowings £'000	Equity Share capital/ premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2019	9,196	16,897	—	11,754	37,847
Changes from financing cash flows					
Proceeds from issue of share capital (Note 21)	—	3,880	—	—	3,880
Proceeds from loans and borrowings	2,000	—	—	—	2,000
Payments for Company buyback of ordinary shares (Note 24)	—	—	—	(302)	(302)
Repayment of borrowings	(9,196)	—	—	—	(9,196)
Dividend paid	—	—	—	(529)	(529)
Total changes from financing cash flows	(7,196)	3,880	—	(831)	(4,147)
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 equity related other changes*	—	—	—	5,789	5,789
Balance at 31 December 2019	2,000	20,777	—	16,712	39,489

* The equity related other changes relate to the Company's profit for the year 2019.

Company	Liabilities Other loans and borrowings £'000	Equity Share capital/ premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020	2,000	20,777	—	16,712	39,489
Changes from financing cash flows					
Proceeds from issue of share capital (Note 21)	—	18,141	—	—	18,141
Proceeds from loans and borrowings	2,000	—	—	—	2,000
Payments for Company buyback of ordinary shares (Note 24)	—	—	—	(23)	(23)
Repayment of borrowings	—	—	—	—	—
Dividend paid	—	—	—	—	—
Total changes from financing cash flows	2,000	18,141	—	(23)	20,118
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	—	—	—	2,636	2,636
Total equity related other changes*	—	—	—	—	—
Balance at 31 December 2020	**4,000**	**38,918**	**—**	**19,325**	**62,243**

* The equity related other changes relate to the Company's profit for the year 2020.

20. Other payables

Group	31 December 2020 £'000	31 December 2019 £'000
Arising out of direct insurance operations	2,752	2,090
Arising out of reinsurance operations	12,348	10,970
Corporation tax payable	288	545
Other creditors	3,968	4,435
	19,356	18,040

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

Company	31 December 2020 £'000	31 December 2019 £'000
Payable to subsidiaries	3,328	3,553
Accruals and deferred income	564	4,182
	3,892	7,735

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 31 December 2019	18,390,906	1,789	50	18,938	20,777
Ordinary shares of 10p each and share premium at 31 December 2020	**33,931,345**	**3,343**	**50**	**35,525**	**38,918**

During the year, the Company issued a further 15,540,439 shares and brought back 16,891 shares.

(i) Number of shares

	2020	2019
Allotted, called up and fully paid ordinary shares:		
– on the market	33,012,176	17,488,628
– Company buyback of ordinary shares held in treasury (Note 24)	419,169	402,278
	33,431,345	17,890,906
Uncalled and partly paid ordinary shares under the JSOP scheme (ii) (Note 23)	500,000	500,000
	33,931,345	18,390,906

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

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	2020 Gain on bargain purchase £'000	2019 Gain on bargain purchase £'000
Nameco (No. 409) Limited	—	214
Nameco (No. 1113) Limited	—	255
Catbang 926 Limited	—	1,036
Whittle Martin Underwriting	—	202
Nameco (No 408) Limited	167	—
Nomina No 084 LLP	374	—
Nameco (No 510) Limited	70	—
Nameco (No 544) Limited	127	—
N J Hanbury Limited	522	—
	1,260	1,707

Further details of individual acquisitions are shown on the next page:

22. Acquisition of Limited Liability Vehicles continued

(a) 2020 acquisitions

Nameco (No. 408) Limited

On 28 January 2020, Helios Underwriting plc acquired 100% of the issued share capital of Nameco (No. 408) Limited for a total consideration of £1,007,000. Nameco (No. 408) 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 provisional fair value of the net assets was £1,174,000. Negative goodwill of £167,000 arose on acquisition and has been immediately recognised as goodwill on bargain purchase in the income statement. 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	—	477	477
Financial assets at fair value through profit or loss	1,172	—	1,172
Reinsurance assets:			
– reinsurers' share of claims outstanding	504	—	504
– reinsurers' share of unearned premium	92	—	92
Other receivables, including insurance and reinsurance receivables	1,417	—	1,417
Deferred acquisition cost	137	—	137
Prepayments and accrued income	10	—	10
Cash and cash equivalents	390	—	390
Insurance liabilities:			
– claims outstanding	(2,035)	—	(2,035)
– unearned premium	(532)	—	(532)
Deferred income tax liabilities	—	(91)	(91)
Other payables, including insurance and reinsurance payables	(325)	—	(325)
Accruals and deferred income	(42)	—	(42)
Net assets acquired	**788**	**386**	**1,174**
Satisfied by:			
Cash and cash equivalents	1,007	—	1,007
Total consideration	**1,007**	**—**	**1,007**
Negative goodwill	**219**	**(386)**	**(167)**

	2018 year of account	2019 year of account	**2020 year of account**
Capacity acquired	1,304,321	1,142,830	**1,086,270**

The net earned premium and profit/(loss) of Nameco (No. 408) Limited for the period since the acquisition date to 31 December 2020 are £831,000 and £47,000, respectively.

Negative goodwill has arisen on the acquisition of Nameco (No. 408) 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) 2020 acquisitions continued

Nameco (No. 510) Limited

On 27 November 2020, Helios Underwriting plc acquired 100% of the issued share capital of Nameco (No. 510) Limited for a total consideration of £628,000. Nameco (No. 510) 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 £698,000. Negative goodwill of £70,000 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	—	662	662
Financial assets at fair value through profit or loss	2,067	—	2,067
Reinsurance assets:			
– reinsurers' share of claims outstanding	818	—	818
– reinsurers' share of unearned premium	179	—	179
Other receivables, including insurance and reinsurance receivables	1,769	—	1,769
Deferred acquisition cost	278	—	278
Prepayments and accrued income	15	—	15
Cash and cash equivalents	232	—	232
Insurance liabilities:			
– claims outstanding	(3,541)	—	(3,541)
– unearned premium	(1,145)	—	(1,145)
Deferred income tax liabilities	—	(126)	(126)
Other payables, including insurance and reinsurance payables	(449)	—	(449)
Accruals and deferred income	(61)	—	(61)
Net assets acquired	**162**	**536**	**698**
Satisfied by:			
Shares	657	—	657
Loan paid on acquisition	(29)	—	(29)
Total consideration	**628**	**—**	**628**
Negative goodwill	**466**	**(536)**	**(70)**

	2018 year of account	2019 year of account	**2020 year of account**
Capacity acquired	1,024,104	981,944	**1,087,690**

The net earned premium and profit/(loss) of Nameco (No. 510) Limited for the period since the acquisition date to 31 December 2020 are £86,000 and (£3,000), respectively.

Negative goodwill has arisen on the acquisition of Nameco (No. 510) 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) 2020 acquisitions continued

Nameco (No. 544) Limited

On 27 November 2020, Helios Underwriting plc acquired 100% of the issued share capital of Nameco (No. 544) Limited for a total consideration of £1,602,000. Nameco (No. 544) 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 £1,729,000. Negative goodwill of £127,000 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	1	679	680
Financial assets at fair value through profit or loss	2,437	—	2,437
Reinsurance assets:			
– reinsurers' share of claims outstanding	1,282	—	1,282
– reinsurers' share of unearned premium	221	—	221
Other receivables, including insurance and reinsurance receivables	3,675	227	3,902
Deferred acquisition cost	304	—	304
Prepayments and accrued income	25	—	25
Cash and cash equivalents	606	—	606
Insurance liabilities:			
– claims outstanding	(5,351)	—	(5,351)
– unearned premium	(1,343)	—	(1,343)
Deferred income tax liabilities	(2)	(172)	(174)
Other payables, including insurance and reinsurance payables	(780)	—	(780)
Accruals and deferred income	(80)	—	(80)
Net assets acquired	**995**	**734**	**1,729**
Satisfied by:			
Cash and cash equivalents	1,200	—	1,200
Shares	404	—	404
Loan paid on acquisition	(2)	—	(2)
Total consideration	**1,602**	**—**	**1,602**
Negative goodwill	**607**	**(734)**	**(127)**

	2018 year of account	2019 year of account	**2020 year of account**
Capacity acquired	1,691,130	1,683,122	**1,411,844**

The net earned premium and profit/(loss) of Nameco (No. 544) Limited for the period since the acquisition date to 31 December 2020 are £110,000 and (£4,000), respectively.

Negative goodwill has arisen on the acquisition of Nameco (No. 544) 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) 2020 acquisitions continued

Nomina No 084 LLP

On 27 November 2020, Helios UTG Partner Limited, a 100% subsidiary of the Company, became a 100% corporate partner in Nomina No 084 LLP for a total consideration of £2,207,000. Nomina No 084 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 £2,581,000. Negative goodwill of £374,000 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	1,371	—	1,371
Financial assets at fair value through profit or loss	1,541	314	1,855
Reinsurance assets:			
– reinsurers' share of claims outstanding	510	—	510
– reinsurers' share of unearned premium	83	—	83
Other receivables, including insurance and reinsurance receivables	1,192	1,243	2,435
Deferred acquisition cost	129	—	129
Prepayments and accrued income	15	—	15
Cash and cash equivalents	256	—	256
Insurance liabilities:			
– claims outstanding	(2,602)	—	(2,602)
– unearned premium	(679)	—	(679)
Deferred income tax liabilities	(3)	(236)	(239)
Other payables, including insurance and reinsurance payables	(486)	—	(486)
Accruals and deferred income	(67)	—	(67)
Net assets acquired	**1,260**	**1,321**	**2,581**
Satisfied by:			
Shares	2,207	—	2,207
Total consideration	**2,207**	**—**	**2,207**
Negative goodwill	**947**	**(1,321)**	**(374)**

	2018 year of account	2019 year of account	**2020 year of account**
Capacity acquired	2,206,124	1,936,166	**3,307,751**

The net earned premium and profit/(loss) of Nomina No 084 LLP for the period since the acquisition date to 31 December 2020 are £153,000 and (£6,000), respectively.

Negative goodwill has arisen on the acquisition of Nomina No 084 LLP 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) 2020 acquisitions continued

N J Hanbury Limited

On 27 November 2020, Helios Underwriting plc acquired 100% of the issued share capital of N J Hanbury Limited for a total consideration of £4,706,000. N J Hanbury 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 £5,228,000. Negative goodwill of £522,000 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	11	1,790	1,801
Financial assets at fair value through profit or loss	2,957	—	2,957
Reinsurance assets:			
– reinsurers' share of claims outstanding	478	—	478
– reinsurers' share of unearned premium	38	—	38
Other receivables, including insurance and reinsurance receivables	3,636	2,669	6,305
Deferred acquisition cost	170	—	170
Prepayments and accrued income	31	—	31
Cash and cash equivalents	359	—	359
Insurance liabilities:			
– claims outstanding	(4,208)	—	(4,208)
– unearned premium	(983)	—	(983)
Deferred income tax liabilities	(120)	(847)	(967)
Other payables, including insurance and reinsurance payables	(682)	—	(682)
Accruals and deferred income	(71)	—	(71)
Net assets acquired	**1,616**	**3,612**	**5,228**
Satisfied by:			
Repayment of loan	1,026	—	1,026
Shares	3,680	—	3,680
Total consideration	**4,706**	**—**	**4,706**
Negative goodwill	**3,090**	**(3,612)**	**(522)**

	2018 year of account	2019 year of account	**2020 year of account**
Capacity acquired	3,583,052	3,443,135	**3,981,639**

The net earned premium and profit/(loss) of N J Hanbury Limited for the period since the acquisition date to 31 December 2020 are £223,000 and £20,000, respectively.

Negative goodwill has arisen on the acquisition of N J Hanbury Limited 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 2020, the consolidated statement of comprehensive income would show net earned premium of £7,219,000 and a profit after tax of £135,000.

Costs incurred in connection with the five acquisitions totalling £114,000 (2019: £100,000) have been recognised in the consolidated income statement.

22. Acquisition of Limited Liability Vehicles continued

(b) 2019 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 £1,346,000. Nameco (No 409) 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 £1,561,000. Negative goodwill of £214,000 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	11	429	440
Financial assets at fair value through profit or loss	1,379	—	1,379
Reinsurance assets:			
– reinsurers' share of claims outstanding	621	—	621
– reinsurers' share of unearned premium	95	—	95
Other receivables, including insurance and reinsurance receivables	1,749	—	1,749
Deferred acquisition cost	141	—	141
Prepayments and accrued income	10	—	10
Cash and cash equivalents	341	—	341
Insurance liabilities:			
– claims outstanding	(2,148)	—	(2,148)
– unearned premium	(492)	—	(492)
Deferred income tax liabilities	(2)	(81)	(84)
Other payables, including insurance and reinsurance payables	(452)	—	(452)
Accruals and deferred income	(38)	—	(38)
Net assets acquired	1,213	347	1,561
Satisfied by:			
Cash and cash equivalents	1,346	—	1,346
Total consideration	1,346	—	1,346
Negative goodwill	133	(347)	(214)

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

The net earned premium and profit of Nameco (No 409) Limited for the period since the acquisition date to 31 December 2019 are £811,000 and £110,000, respectively.

Negative goodwill has arisen on the acquisition of Nameco (No 409) 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

(b) 2019 acquisitions continued

Nameco (No 1113) Limited

On 17 July 2019, Helios Underwriting plc acquired 100% of the issued share capital of Nameco (No 1113) Limited for a total consideration of £2,036,000. Nameco (No 1113) 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 £2,291,000. Negative goodwill of £253,000 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	7	1,105	1,112
Financial assets at fair value through profit or loss	1,191	—	1,191
Reinsurance assets:			
– reinsurers' share of claims outstanding	693	—	693
– reinsurers' share of unearned premium	70	—	70
Other receivables, including insurance and reinsurance receivables	1,985	1,083	3,068
Deferred acquisition cost	83	—	83
Prepayments and accrued income	18	—	18
Cash and cash equivalents	177	—	172
Insurance liabilities:			
– claims outstanding	(2,202)	—	(2,202)
– unearned premium	(647)	—	(647)
Deferred income tax liabilities	—	(416)	(416)
Other payables, including insurance and reinsurance payables	(755)	—	(755)
Accruals and deferred income	(102)	—	(102)
Net assets acquired	518	1,773	2,291
Satisfied by:			
Cash and cash equivalents	2,036	—	2,036
Total consideration	2,036	—	2,036
Negative goodwill	1,518	(1,773)	(255)

	2017 year of account	2018 year of account	2019 year of account
Capacity acquired	1,796,419	2,035,238	1,994,276

The net earned premium and profit of Nameco (No 1113) Limited for the period since the acquisition date to 31 December 2019 are £498,000 and £104,000, respectively.

Negative goodwill has arisen on the acquisition of Nameco (No 1113) 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

(b) 2019 acquisitions continued

Catbang 926 Limited

On 19 December 2019, Helios Underwriting plc acquired 100% of the issued share capital of Catbang 926 Limited for a total consideration of £5,575,000. Catbang 926 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 £6,611,000. Negative goodwill of £1,035,000 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	—	1,444	1,444
Financial assets at fair value through profit or loss	4,228	—	4,228
Reinsurance assets:			
– reinsurers' share of claims outstanding	840	—	840
– reinsurers' share of unearned premium	381	—	381
Other receivables, including insurance and reinsurance receivables	5,643	—	5,643
Deferred acquisition cost	466	—	466
Prepayments and accrued income	24	—	24
Cash and cash equivalents	2,261	—	2,261
Insurance liabilities:			
– claims outstanding	(5,310)	—	(5,310)
– unearned premium	(1,602)	—	(1,602)
Deferred income tax liabilities	(26)	(274)	(300)
Other payables, including insurance and reinsurance payables	(1,304)	—	(1,304)
Accruals and deferred income	(160)	—	(160)
Net assets acquired	5,441	1,170	6,611
Satisfied by:			
Cash and cash equivalents	5,575	—	5,575
Loan paid on acquisition	—	—	—
Total consideration	5,575	—	5,575
Negative goodwill	134	(1,170)	(1,036)

	2017 year of account	2018 year of account	2019 year of account
Capacity acquired	4,076,102	4,076,102	4,076,102

The net earned premium and loss of Catbang 926 Limited for the period since the acquisition date to 31 December 2019 are £94,000 and £17,000, respectively.

Negative goodwill has arisen on the acquisition of Catbang 926 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) 2019 acquisitions continued

Whittle Martin Underwriting

On 20 December 2019, Helios Underwriting plc acquired 100% of the issued share capital of Whittle Martin Underwriting for a total consideration of £1,207,000. Whittle Martin Underwriting 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 £1,409,000. Negative goodwill of £201,000 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	40	562	602
Financial assets at fair value through profit or loss	1,240	—	1,240
Reinsurance assets:			
– reinsurers' share of claims outstanding	574	—	574
– reinsurers' share of unearned premium	117	—	117
Other receivables, including insurance and reinsurance receivables	2,004	—	2,004
Deferred acquisition cost	188	—	188
Prepayments and accrued income	10	—	10
Cash and cash equivalents	256	—	256
Insurance liabilities:			
– claims outstanding	(2,132)	—	(2,132)
– unearned premium	(639)	—	(639)
Deferred income tax liabilities	—	(107)	(107)
Other payables, including insurance and reinsurance payables	(660)	—	(660)
Accruals and deferred income	(44)	—	(44)
Net assets acquired	954	455	1,409
Satisfied by:			
Cash and cash equivalents	1,207	—	1,207
Loan paid on acquisition	—	—	—
Total consideration	1,207	—	1,207
Negative goodwill	253	(455)	(202)

	2017 year of account	2018 year of account	2019 year of account
Capacity acquired	1,372,272	1,443,031	1,363,831

The net earned premium and loss of Whittle Martin Underwriting for the period since the acquisition date to 31 December 2019 are £38,000 and £4,000, respectively.

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

23. Joint Share Ownership Plan ("JSOP")

No shares have been vested as at 31 December 2020.

Effect of the transactions

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

	2020			2019		
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**	**162,292**	**909,868**	200,000	162,292	362,292
Nigel Hanbury	**300,000**	**4,027,640**	**9,227,294**	300,000	4,027,640	4,327,640

23. Joint Share Ownership Plan ("JSOP") continued

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 18,390,905 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 £
As at 1 January 2020	402,278	504,127		40,228
28 January 2020	10,600	14,151	1.335	1,060
27 November 2020	6,291	8,398	1.335	629
As at 31 December 2020	419,169	526,676		41,917

The retained earnings have been reduced by £527,000, 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 2020, the 419,169 own shares bought back represent 1.25% of the total allotted, called up and fully paid ordinary shares of the Company of 33,431,345 (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 2020 £'000	31 December 2019 £'000
Balances due from/(to) Group companies at the year end:		
Hampden Corporate Member Limited	82	154
Nameco (No. 917) Limited	6,589	3,855
Nameco (No. 229) Limited	2	(2)
Nameco (No. 518) Limited	11	8
Nameco (No. 804) Limited	—	(65)
Halperin Underwriting Limited	10	8
Bernul Limited	82	77
Nameco (No. 311) Limited	25	22
Nameco (No. 402) Limited	(134)	(135)
Updown Underwriting Limited	5	(1)
Nameco (No. 507) Limited	87	87
Nameco (No. 76) Limited	(129)	(130)
Kempton Underwriting Limited	(1)	(3)
Devon Underwriting Limited	27	29
Nameco (No. 346) Limited	(613)	(727)
Pooks Limited	167	163
Charmac Underwriting Limited	(429)	(369)
Nottus (No 51) Limited	(11)	(25)
Chapman Underwriting Limited	473	111
Llewellyn House Underwriting Limited	44	8
Advantage DCP Limited	(1,555)	(1,607)
Romsey Underwriting Limited	5,082	1,646
Nameco (No. 409) Limited	413	86
Nameco (No. 1113) Limited	(456)	(489)
Catbang 926 Limited	766	3,518
Whittle Martin Underwriting	479	776
Nameco (No. 408) Limited	469	—
Nameco (No. 510) Limited	689	—
Nameco (No. 544) Limited	637	—
N J Hanbury Limited	550	—
Helios UTG Partner Limited	3,784	759
RBC CEES Trustee Limited	—	50
Net amount	**17,145**	7,804
Receivable from subsidiaries	20,473	11,357
Payable from subsidiaries	(3,328)	(3,553)
	17,145	7,804

Helios Underwriting plc and its subsidiaries have entered into a management agreement with Nomina plc. Jeremy Evans, who resigned as a Director of the Company on 6 February 2021, is 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 £145,000 (2019: £146,000).

25. Related party transactions continued

The Limited Liability Vehicles have entered into a members' agent agreement with Hampden Agencies Limited. Jeremy Evans, who resigned as a Director of Helios Underwriting plc on 7 February 2021, is a director of the Company's subsidiary companies and 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 2020 are set out below:

Company	31 December 2020 £'000	31 December 2019 £'000
Nameco (No. 917) Limited	59	67
Nameco (No. 346) Limited	13	23
Charmac Underwriting Limited	—	2
Nottus (No 51) Limited	—	2
Chapman Underwriting Limited	20	22
Llewellyn House Underwriting Limited	—	—
Advantage DCP Limited	9	10
Romsey Underwriting Limited	22	35
Nameco (No. 409) Limited	6	8
Nameco (No. 1113) Limited	14	1
Catbang 926 Limited	14	31
Whittle Martin Underwriting	7	11
Nameco (No. 408) Limited	7	—
Nameco (No. 510) Limited	7	—
Nameco (No. 544) Limited	8	—
N J Hanbury Limited	1	—
Salviscount LLP	—	4
Inversanda LLP	—	—
Fyshe Underwriting LLP	—	—
Nomina No 505 LLP	—	2
Nomina No 321 LLP	5	6
Nomina No 084 LLP	1	—
Total	**193**	224

25. Related party transactions continued

The Group entered into quota share reinsurance contracts for the 2018, 2019, 2020 and 2021 years of account with HIPCC Limited. The Limited Liability Vehicles' underwriting year of account quota share participations are set out below:

Company or partnership	2018	2019	2020	2021
Hampden Corporate Member Limited	—	—	—	**–**
Nameco (No. 365) Limited	—	—	—	**–**
Nameco (No. 605) Limited	—	—	—	**–**
Nameco (No. 321) Limited	—	—	—	**–**
Nameco (No. 917) Limited	70%	70%	70%	**59%**
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	70%	—	—	**–**
Nameco (No. 346) Limited	70%	70%	70%	**60%**
Pooks Limited	70%	—	—	**–**
Charmac Underwriting Limited	70%	—	—	**–**
Nottus (No 51) Limited	70%	—	—	**–**
Chapman Underwriting Limited	70%	70%	70%	**68%**
Helios UTG Partner Limited	—	—	—	**–**
Nomina No 035 LLP	—	—	—	**–**
Nomina No 342 LLP	—	—	—	**–**
Nomina No 380 LLP	—	—	—	**–**
Nomina No 372 LLP	—	—	—	**–**
Salviscount LLP	70%	—	—	**–**
Inversanda LLP	70%	—	—	**–**
Fyshe Underwriting LLP	70%	—	—	**–**
Nomina No 505 LLP	70%	—	—	**–**
Llewellyn House Underwriting Limited	70%	—	—	**–**
Advantage DCP Limited	—	70%	70%	**54%**
Romsey Underwriting Limited	70%	70%	70%	**48%**
Nomina No 321 LLP	70%	70%	70%	**35%**
Nameco (No. 409) Limited	70%	70%	70%	**44%**
Nameco (No. 1113) Limited	—	70%	70%	**46%**
Catbang 926 Limited	—	—	70%	**60%**
Whittle Martin Underwriting	—	—	70%	**48%**
Nameco (No. 408) Limited	—	—	—	**53%**
Nameco (No. 510) Limited	—	—	—	**–**
Nameco (No. 544) Limited	—	—	—	**–**
N J Hanbury Limited	—	—	—	**–**
Nomina No 084 LLP	—	—	—	**–**

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 £4,741,000 (2019: £4,551,000) during the year.

In addition, HIPCC provides stop loss, portfolio stop loss and HASP reinforce policies for the Company.

25. Related party transactions continued

HIPCC Limited acts as an intermediary for the reinsurance products purchased by Helios. An arrangement has been put in place so that 51% of the profits generated by HIPCC in respect of the business relating to Helios will be repaid to Helios for the business transacted for the 2020 and subsequent underwriting years. The consideration paid to Nigel Hanbury of £100,000 reflects the HIPCC income that he is expected to forgo.

Nigel Hanbury was the sole shareholder of Nameco (No 1113) Limited, which was acquired by the Company on 17 July 2019 in exchange for 1,590,769 shares in the Company, a total consideration of £2,036,000 (see Note 22).

Nigel Hanbury was the majority shareholder of Upperton Limited, which in turn was the sole shareholder of N J Hanbury Limited, which was acquired by the Company on 27 November 2020 in exchange for 3,066,752 shares in the Company, a total consideration of £3,680,000 (see Note 22).

Nigel Hanbury was 40% owner of Nomina No 084 LLP, which was acquired by the Helios UTG Partner Limited (a subsidiary of the Company) on 27 November 2020 in exchange for 1,025,786 shares in the Company, a total consideration of £2,036,000 (see note 22).

Arthur Manners was the sole shareholder of Nameco (No 510) Limited, which was acquired by the Company on 27 November 2020 in exchange for 547,576 shares in the company, a total consideration of £657,000 (see note 22).

During 2019, the following Directors received dividends, in line with their shareholdings held:

Director	Shareholding at date dividend declared 28 June 2019	Dividend received 31 July 2019 £
Nigel Hanbury (either personally or has an interest in)	2,436,871	73,106
Andrew Christie	12,166	365
Jeremy Evans	58,670	1,760
Arthur Manners	133,334	4,000
Edward Fitzalan-Howard (appointed 1 January 2018)	333,333	10,000
Michael Cunningham	37,167	1,115

Related Party disclose the acquisition of SID Arthur Manners.

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	2021 £	2020* £	2019* £	2018 £
33	Hiscox Syndicates Limited	**8,701,668**	8,697,873	7,325,844	8,354,200
218	ERS Syndicate Management Limited	**6,478,828**	5,900,943	5,901,060	5,896,524
308	Tokio Marine Kiln Syndicates Limited	**—**	—	—	—
318	Beaufort Underwriting Agency Limited	**742,948**	150,000	836,250	866,250
386	QBE Underwriting Limited	**1,434,079**	1,365,177	1,365,180	1,360,797
510	Tokio Marine Kiln Syndicates Limited	**16,780,613**	13,642,803	12,379,884	12,364,816
557	Tokio Marine Kiln Syndicates Limited	**3,177,784**	2,969,384	2,122,922	2,136,776
609	Atrium Underwriters Limited	**6,779,365**	6,205,260	5,501,013	5,490,164
623	Beazley Furlonge Limited	**12,982,891**	10,685,023	9,456,718	9,041,504
727	S A Meacock & Company Limited	**1,048,498**	2,048,498	2,181,026	2,181,026
958	Canopius Managing Agents Limited	**—**	—	—	—
1176	Chaucer Syndicates Limited	**2,563,237**	2,563,238	2,593,236	2,592,140
1200	Argo Managing Agency Limited	**—**	—	57,397	58,111
1729	Asta Managing Agency Limited	**—**	4,096	90,318	360,221
1884	Charles Taylor Managing Agency Limited	**—**	—	—	—
1910	Asta Managing Agency Limited	**—**	—	—	—
1969	Apollo Syndicate Management Limited	**400,001**	—	—	131,082
1991	Covery's Managing Agency Limited	**—**	—	—	—
2010	Cathedral Underwriting Limited	**8,095,459**	2,635,873	2,589,260	2,586,521
2014	Pembroke Managing Agency Limited	**—**	—	184,534	644,994
2121	Argenta Syndicate Management Limited	**4,723,104**	1,503,868	1,003,093	1,003,093
2525	Asta Managing Agency Limited	**689,091**	637,609	512,869	475,051
2689	Asta Managing Agency Limited	**—**	2,377	145,853	586,706
2791	Managing Agency Partners Limited	**5,845,085**	6,695,085	6,892,527	6,877,501
2988	Brit Syndicates Limited	**—**	—	23,461	247,848
4242	Asta Managing Agency Limited	**8,013,778**	15,894	321,154	385,199
4444	Canopius Managing Agents Limited	**—**	—	—	1,205,277
5623	Beazley Furlonge Limited	**4,688,357**	2,839,943	—	—
5820	Amtrust Syndicate Limited Syndicates Limited	**—**	—	—	—
5886	Asta Managing Agency Limited	**11,047,742**	6,173,502	554,077	467,960
6103	Managing Agency Partners Limited	**2,290,041**	1,734,879	1,663,522	1,808,645
6104	Hiscox Syndicates Limited	**1,427,825**	1,427,825	1,522,434	1,647,436
6107	Beazley Furlonge Limited	**1,287,436**	1,287,435	1,482,427	1,169,554
6111	Catlin Underwriting Agencies Limited	**—**	—	—	249,065
6117	Argo Managing Agency Limited	**1,064,471**	803,055	3,573,409	4,100,230
6123	Asta Managing Agency Limited	**—**	—	6,406	12,369
Total		**110,262,301**	79,989,640	70,285,874	74,301,060

* Including the new acquisitions in 2019.

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 2020			31 December 2019		
	Group £'000	Syndicate £'000	Total £'000	Group £'000	Syndicate £'000	Total £'000
Assets						
Intangible assets	31,601	—	31,601	21,178	—	21,178
Financial assets at fair value through profit or loss	19,713	65,564	85,277	13,520	53,621	67,141
Deferred income tax asset	—	—	—	—	—	—
Reinsurance assets:						
– reinsurers' share of claims outstanding	61	30,720	30,781	61	25,699	25,760
– reinsurers' share of unearned premium	—	6,028	6,028	—	5,023	5,023
Other receivables, including insurance and reinsurance receivables	12,008	46,340	58,348	10,044	37,682	47,726
Deferred acquisition costs	—	7,726	7,726	—	6,641	6,641
Prepayments and accrued income	662	514	1,176	—	432	432
Cash and cash equivalents	4,961	3,534	8,495	3,028	3,009	6,037
Total assets	69,006	160,426	229,432	47,831	132,107	179,938
Liabilities						
Insurance liabilities:						
– claims outstanding	—	113,371	113,371	—	95,616	95,616
– unearned premium	—	32,356	32,356	—	26,522	26,522
Deferred income tax liabilities	6,492	15	6,507	3,292	—	3,292
Borrowings	4,000	—	4,000	2,000	—	2,000
Other payables, including insurance and reinsurance payables	364	18,992	19,356	1,051	16,989	18,040
Accruals and deferred income	1,858	1,435	3,293	5,094	1,226	6,320
Total liabilities	12,714	166,169	178,883	11,437	140,353	151,790
Equity attributable to owners of the Parent						
Share capital	3,393	—	3,393	1,839	—	1,839
Share premium	35,525	—	35,525	18,938	—	18,938
Other reserves	(50)	—	(50)	(50)	—	(50)
Retained earnings	17,424	(5,743)	11,681	15,667	(8,246)	7,421
Total equity	56,292	(5,743)	50,549	36,394	(8,246)	28,148
Total liabilities and equity	69,006	160,426	229,432	47,831	132,107	179,938

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

Group	31 December 2020 £'000	31 December 2019 £'000
Funds at Lloyd's supplied by:		
Quota share reinsurers	39,536	26,742
Stop loss reinsurers	6,971	1,826
Group owned	19,469	13,490
Total Funds at Lloyd's supplied (excluding solvency credits)	65,976	42,058
Group funds available:		
Financial assets (Note 28)	19,713	13,520
Cash (Note 28)	4,961	3,028
Total funds	24,674	16,548
Less Group Funds at Lloyd's	(19,469)	(13,490)
Free working capital	5,205	3,058

29. Events after the financial reporting period

Dividend

In respect of the year ended 31 December 2020 a final dividend of 3p per fully paid ordinary share (note 21) amounting to a total dividend of £2,033,000 is to be proposed at the Annual General Meeting on 29 June 2021. These Financial Statements do not reflect this dividend payable.

Fund raise

In April 2021 the Company issued 34,241,887 new ordinary shares to be admitted to trading on AIM comprising 6,037,625 placing shares, 27,375,000 subscription shares and the 829,262 open offer shares for which valid applications were received under an open offer.

Following the issue, the Company has 67,754,063 ordinary shares in issue admitted to trading on AIM (excluding the 419,169 ordinary shares held in treasury and which do not carry voting rights).

The total proceeds received for the issue of shares was £57,439,244. The costs incurred in the fund raise totalled £1,413,585.

Registered officers and advisers

Directors
Harold Michael Clunie Cunningham (Non-executive Chairman)
Nigel John Hanbury (Chief Executive)
Andrew Hildred Christie (Non-executive Director)
Arthur Roger Manners (Finance Director)
Edward Fitzalan-Howard (Non-executive Director)
Thomas John Libassi (Non-executive Director) appointed 21 April 2021
Martin Robert Davidson Reith (Non-Executive Director) appointed 21 April 2021
Jeremy Richard Holt Evans ((Non-Executive Director) resigned 6 February 2021

Company secretary
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London EC3V 0BT

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