HELIOS UNDERWRITING

Helios Underwriting plc

Annual report and financial statements 2013

Helios Underwriting plc provides access to a limited liability direct investment into the Lloyd's insurance market through listed securities.

Our strategic objective is to underwrite at Lloyd's with superior capital efficiency, lower risk and higher return.

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

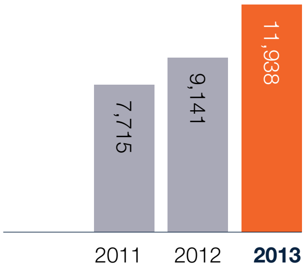
Highlights

Highlights in brief

- Premium written during the period totalled £11.9m
- Operating profit of £1,280,000
- Profit after tax, goodwill and amortisation of £731,000
- Earnings per share 8.57p
- Net asset value increase to £9.8m
- Growth in net asset value of 8.04%
- Net asset value per share of £1.15
- 2011 underwriting year of account profit return on capacity of 7.58%
- Operating profit return on net asset value of 13.03%
- New dividend policy of annual base plus specials
- Recommended total dividend for this year 4.5p per share
- Parent Company adjusted net assets plus Humphrey & Co valuation of the Group's underwriting subsidiaries of £14.7m or £1.72 per share

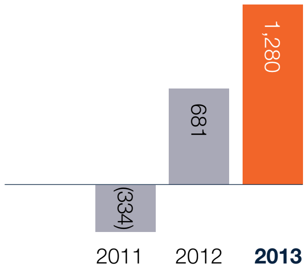
Gross premium written (£'000)

+31%



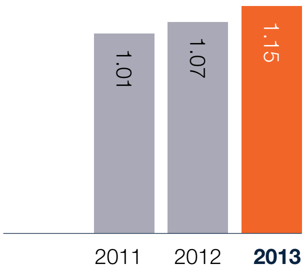
Operating profit/(loss) (£'000)

+88%



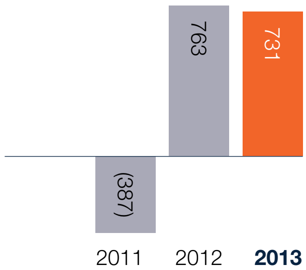
NAV per share (£)

+8p



Profit/(loss) after tax (£'000)

-4%



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Chairman's statement

> "The operating profit before tax for the year of £1,280,000 shows a significant improvement on 2012 and on this key measure 2013 is our best year to date."

Sir Michael Oliver
Non-executive Chairman

Your Board is pleased to report positive results for 2013 as Helios Underwriting plc ("HUW"). We continue to enjoy a close association with the Hampden Group of companies; however, as we enter this exciting stage in the Company's development we felt that the time was right for a more distinct identity under a new name. In Greek mythology, Helios was the sun god, the son of Hyperion, depicted as driving his chariot across the sky from east to west daily. Accordingly our new name emphasises our continued focus – to shine a light on the opportunities that exist within the Lloyd's market.

The profit after tax of £731,000 for the year ended 31 December 2013 compares with profit after tax of £763,000 for 2012. This result includes a net charge of £427,000 in respect of goodwill and amortisation. Excluding this, the operating profit before tax for the year of £1,280,000 shows a significant improvement on 2012 (£681,000) and on this key measure 2013 is our best year to date.

Net assets have increased to £9.8m which equates to £1.15 per share and when the unamortised value of capacity is added back it shows a value of £1.51 per share.

For the first time, we are pleased to have the ability to publish an independent valuation of the Group's Limited Liability Vehicles ("LLVs"). Humphrey & Co is the market's primary provider of vendor valuations of LLVs. The aggregate value as at 31 December 2013 of HUW's subsidiaries owned at that date is £7.6m. When combined with audited adjusted net assets of the holding company at the same date, we arrive at a total valuation of HUW of £14.7m or £1.72 per share.

During 2013 we acquired four LLVs at what we believe to be attractive prices. Already in 2014 we have made three more acquisitions and have identified significant scope for further growth.

In addition to increased underwriting, one of the key by-products of all these acquisitions was the increased exposure to their open years of 2011 (now closed), 2012 and 2013, which were at varying degrees of maturity at the time of purchase. While a price is paid for these open years, HUW benefits from any improvements between the acquisition date and closure, as well as affording us the opportunity to participate in future underwriting.

The total amount of premium limit purchased last year over the three open years was in excess of £11.6m. Furthermore some of the underwriting vehicles own significant Funds at Lloyd's. They may also have other assets which can be invested, or if surplus to underwriting requirements can be released to fund further purchases.

Our advisers expect that Lloyd's, as a whole, will continue to trade profitably in most years. Despite increased competition in most classes and the expectation of lower investment returns we will continue to seek to achieve our objective of market out-performance through a focus on quality syndicates, judicious use of reinsurance and continuing our acquisition strategy.

A major strategic development for HUW during the year was the introduction of our 50% quota share arrangement with XL Re. Not only does this help shape our risk/reward profile in a favourable direction, but the ability of HUW to attract a partner of the calibre and global scale of XL Re clearly reflects positively on our business, team, portfolio and prospects in general.

At this point, I would therefore like to thank Nigel for his crucial role in our achievements during 2013, his first full year with HUW as Chief Executive. His tireless efforts on behalf of the board and shareholders to drive the business forward lead me to have great confidence in our future prospects.

As the Group operates in the cyclical and volatile insurance market significant volatility in future results is to be expected. The Group manages its capital with a view to supporting the development of the business, including supporting increases in the Group's underwriting through the acquisition of further capacity, whilst maintaining the required level of stability of the Group to provide a degree of security to shareholders. We continue to support the principle of a share buy-back policy for occasions when the board feels it is prudent to do so, but it is not currently anticipated that the buy-back authority will be used at this time as the Group continues to focus on the growth of its underwriting business.

> **The Board is pleased to recommend a maiden final dividend for 2013 of 1.5p per share together with a special dividend of 3.0p per share.**
>
> **Sir Michael Oliver**
> Non-executive Chairman

Against the backdrop of this capital management policy and our significant progress over the past year, the Board has concluded that it is the right time to introduce the payment of a modest and sustainable base annual dividend, to be paid as a single final dividend. This base annual dividend, which is not expected to grow significantly, will be supplemented, when circumstances allow, by an annual special dividend which, when paid, will target an amount between 20% and 30% of cash received by the Group in relation to the most recently closed year of account, such profits normally being finalised and received by the Group approximately 30 months following the end of the relevant calendar year. Payment of any special dividend will be dependent on the performance of the Group's underlying business, any business requirements resulting from major market events in the intervening period, and on opportunities for growth through the acquisition of additional capacity.

The Board is pleased to recommend a maiden final dividend for 2013 of 1.5p per share together with a special dividend of 3.0p per share payable to shareholders on the register on 6 June 2014. Both are subject to shareholder approval at the AGM. The special dividend equates to approximately 20% of the £1.3m cash released from the 2011 year of account net of Hampden Agencies' fees and profit commission, including the cash released from the three acquisitions completed in 2014 from which HUW will benefit. These dividends amount to an aggregate payment of £384,000. If approved, it is expected that the final and special dividend will be paid to shareholders as a single payment on 4 July 2014.

Sir Michael Oliver
Non-executive Chairman
22 May 2014

> Our combined ratio for 2013 was a creditable 83.5% on this key measure, our best result to date.

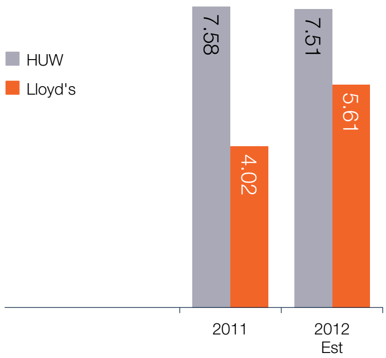
Nigel Hanbury
Chief Executive

Highlights

- 2011 year of account produced a profit of £1,207,000, representing a profit of 7.58% on 2011 capacity
- We ended the year with approximately 75% of our capacity supporting syndicates rated either A or B by Hampden Agencies Limited
- Helios Underwriting's combined ratio strongly outperformed both the Lloyd's market and a peer group of eleven competing companies
- Our two largest classes of business remain reinsurance and US dollar property insurance
- New dividend policy of annual base plus specials
- Recommended total dividend for this year 4.5p per share

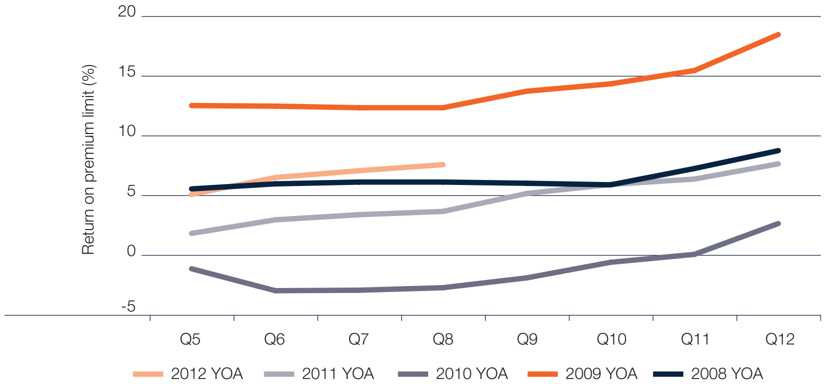
The 2011 underwriting year of account which closed at 31 December 2013 performed well, producing a profit of £1,207,000, compared to a profit of £401,000 for the 2010 year of account at 31 December 2012. This represents a profit of 7.58% on 2011 capacity (Lloyd's overall market result was 4.02%) compared to a profit of 2.55% for the 2010 account which was 0.06% above the Lloyd's market average result of 2.49%. The 2012 year of account is estimated to outperform Lloyd's with a profit of 7.51% at the mid-point estimate (Lloyd's 5.61%). As you will note from the chart, the final result typically represents an improvement over the initial estimates.

Helios Underwriting's 2011 account result and 2012 account estimate (%)

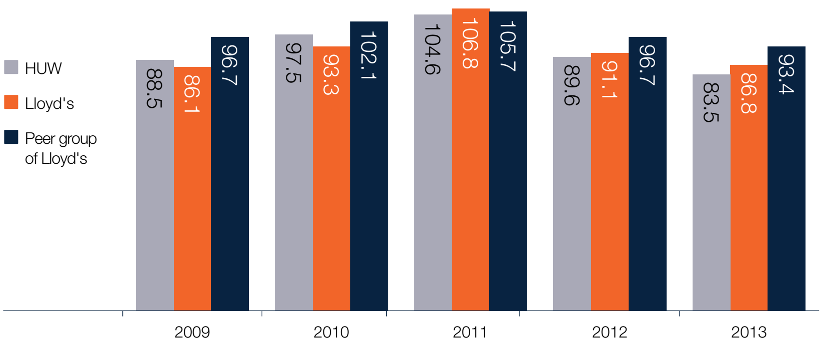


Source:
HUW & Lloyd's Stock exchange estimates at 2013 Q4 Result before member's agent's charges as a percentage of capacity

HUW's aggregate current and historic quarterly progression of mid-point estimates (%)

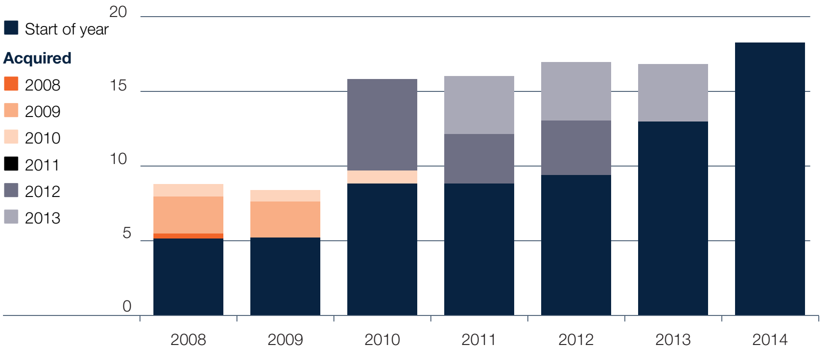


Combined ratio compared with Lloyd's and peer group: 2009–2013 (%)

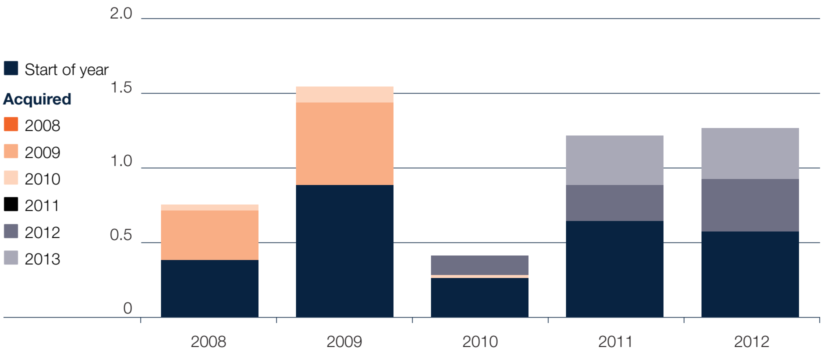


Source:
Lloyd's – Lloyd's pro forma Financial Statements December 2013
Peer group – Lloyd's 2013 year-end analyst presentation, formed of eleven companies operating in the US, European and Bermudian markets

Growth in premium capacity through acquisitions (£m)



Growth in profits by year of account through acquisitions (£m)



A complete set of published estimates is not available for the 2013 year of account until the end of May 2014, however, we have already received estimates accounting for 57% of HUW's capacity averaging a 6.1% mid-point profit. Hampden Agencies retains its forecast of a profit in the range of 2.5% to 7.5% for the 2013 account for Hampden Agencies clients on average.

The traditional method for comparing the performance of competing insurance business is an analysis of the combined ratio, which is the sum of net claims and expenses divided by net earned premiums. The combined ratio of HUW's portfolio for 2013 was a creditable 83.5% on this key measure, our best result to date, with the underwriting result benefiting from a benign year for catastrophe losses. HUW strongly outperformed both the Lloyd's market combined ratio of 86.8% and a peer group of eleven competing insurance and reinsurance companies whose average combined ratio was 93.4%.

Net tangible assets per share fell marginally by 4% during 2013, principally as a result of the four acquisitions made in the year. Year end net tangible assets were £6.897m with the balance of Lloyd's minimum capital requirement in November 2013 of £11.088m being supplied by Letters of Credit from quota share reinsurance capital providers from which we benefit from both a fee and profit commission.

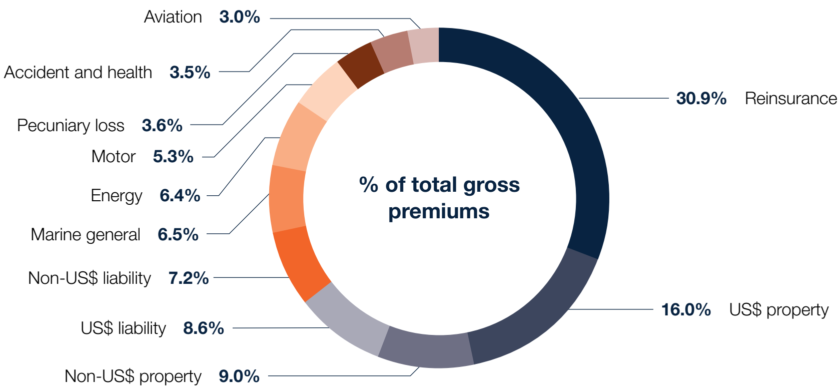
Our strategic objective is to underwrite at Lloyd's with superior capital efficiency, lower risk and higher return. Our quota share agreement with XL Re released over £4m from our Funds at Lloyd's ("FAL") to provide a modest war chest and during the year we acquired over £5m of underwriting capacity for the 2014 year of account through a series of transactions. We continue to see a strengthening flow of vehicles for sale at attractive prices. This is partly due to the age profile of the investor population, some of whom may wish to take profits after a long run of favourable results combined with tax benefits for those that wish to sell as going concerns. The two charts show how our capacity and underwriting profits by year of account have grown through our acquisitions to date.

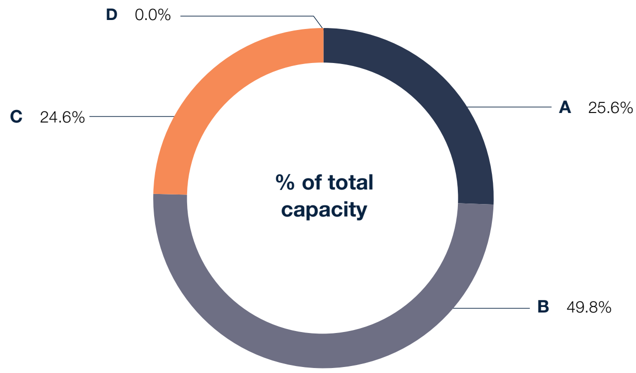
The quota share has also improved our risk/reward ratio since we retain the earnings for the more certain underwriting years prior to 2013. I am pleased to report that the agreement has been renewed for the 2014 account. Increasing our scale has also allowed us to negotiate our fees with some of our advisers and while some of the terms have a delayed effect they will significantly improve results over time.

Classes of business for 2014

Helios Underwriting's portfolio for 2014 continues to provide a good spread of business across managing agents and classes of business with motor and liability providing a balance to the catastrophe exposed reinsurance and property business, as well as contributing through diversification to lower capital requirements. The two largest classes of business remain reinsurance and US dollar property insurance.

We continue to actively increase our exposure to higher quality syndicates and ended the year with approximately 75% of our capacity supporting syndicates rated either A (superior) or B (above average) by Hampden Agencies. HUW's portfolio for 2014 continues to provide a good spread of business across managing agents and classes of business. 25.6% of the capacity is in the three syndicates rated "A" by Hampden Agencies, being Syndicates 386, 609 and 2791, with Kiln Syndicate 510 being the largest holding at 13.6% of capacity. The top ten syndicates comprise 78.5% of the portfolio. Two new syndicates were joined for 2014. The chart demonstrates how we have steadily improved our focus on our core six syndicate holdings whilst still maintaining appropriate diversification.





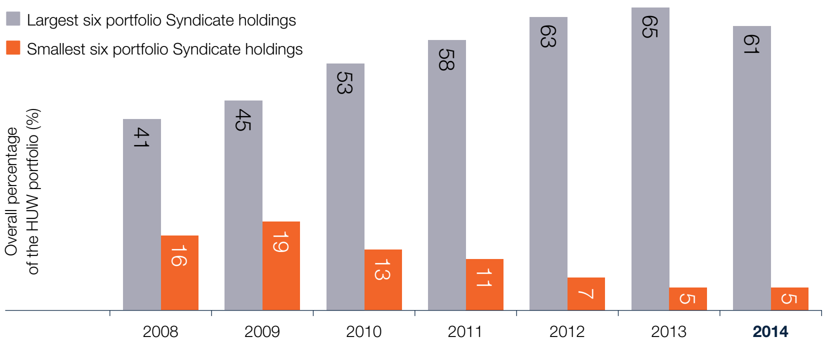
Top ten syndicates for 2014

Syndicate	Managing agent	2014 Syndicate capacity £'000s	2014 HUW portfolio capacity £'000s	2014 HUW portfolio % of total	Largest class
510	RJ Kiln & Co. Ltd	1,064,220	2,442	13.5	US$ property
2791	Managing Agency Partners Ltd	453,213	2,304	12.7	Reinsurance
623	Beazley Furlonge Ltd	243,000	1,976	10.9	US$ Non-marine liability
609	Atrium Underwriters Ltd	420,229	1,848	10.2	Energy
33	Hiscox Syndicates Ltd	1,000,000	1,397	7.7	Reinsurance
6111	Catlin Underwriting Agencies Ltd	106,000	992	5.5	US$ property
6117	Asta Managing Agents Ltd	58,000	868	4.8	Reinsurance
2014	Pembroke Managing Agency Ltd	74,967	845	4.7	Reinsurance
218	ERS Syndicate Management Ltd	437,624	803	4.4	Motor
6104	Hiscox Syndicates Ltd	72,104	748	4.1	Reinsurance
Subtotal			**14,223**	**78.5**	
Total 2014 HUW portfolio			**18,133**	**100.0**	

Source: 2014 Syndicate capacities sourced from Moody's

> **2013 has been a transformational year for HUW. We have redefined our strategy, refined our portfolio of existing syndicates, launched a 50% quota share with XL Re, made further acquisitions, implemented a new investment policy and strengthened the management and advisory teams. We look forward to the future with great enthusiasm.**
>
> **Nigel Hanbury**
> Chief Executive

A focussed quality portfolio with diversification (%)



We welcome Paul Lumbis to the management team. Paul joined us on a consultancy basis in July 2013 and has since been appointed as Group Chief Financial Officer. Paul's financial acumen, his expertise in the world of corporate finance and long association with the insurance markets equips him extremely well to be of significant value as we continue to grow.

As we have grown we have also improved the infrastructure supporting the day to day functioning of the Company. In March this year we announced the appointment of Westhouse Securities Limited as the Company's broker. We have also appointed a new Group Company Secretary and retained Haggie Partners to provide public relations support. Smith & Williamson Corporate Finance Limited continue to act as our nominated adviser, with Hampden Group continuing to provide back office support and Hampden Agencies acting as our members' agent and Lloyd's adviser, as well as providing syndicate research. With continued significant opportunities for growth ahead, we are pleased to have the support of a broader advisory team, all of whom have extensive expertise and experience in the Lloyd's market.

A by-product of the worsening conditions in the reinsurance market is that some traditional reinsurance products are now once again available on terms acceptable to HUW. We will investigate whether we wish to avail ourselves of such opportunities with a view to further increasing our capital efficiency.

Our investment strategy announced last year remains unchanged with the majority of our portfolio being split roughly half in the CF Ruffer Total Return Fund and the CF Ruffer Absolute Return Fund (both managed by Ruffer LLP) and half in the Trojan Fund (managed by Troy Asset Management Limited). The amount invested has reduced significantly as a result of the investment in acquisitions but over the period the total return from the two funds has been 3.4% which has significantly beaten cash.

The investment of these assets gives the shareholder the ability to obtain an investment return as well as a return from taking underwriting risk. Over many years this double use of assets has been one of the attractions of investing at Lloyd's.

Principal risks and uncertainties

The principal risks and uncertainties to the Group's future cash flows will arise from the Group's participation in the results of Lloyd's syndicates. These risks and uncertainties are mostly managed by the syndicate managing agents. The Group's role in managing these risks and uncertainties, in conjunction with Hampden Agencies Limited, is limited to a selection of syndicate participations, monitoring the performance of the syndicates and the purchase of appropriate member level reinsurance.

With effect from the 2013 year of account, the Group benefits from a strategic collateralised quota share arrangement with XL Re for 50% of its business. The Group anticipates this being a strategic long-term relationship. However, 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.

Further information on risk management is disclosed in Note 3 to the Financial Statements.

Principal risks and uncertainties continued

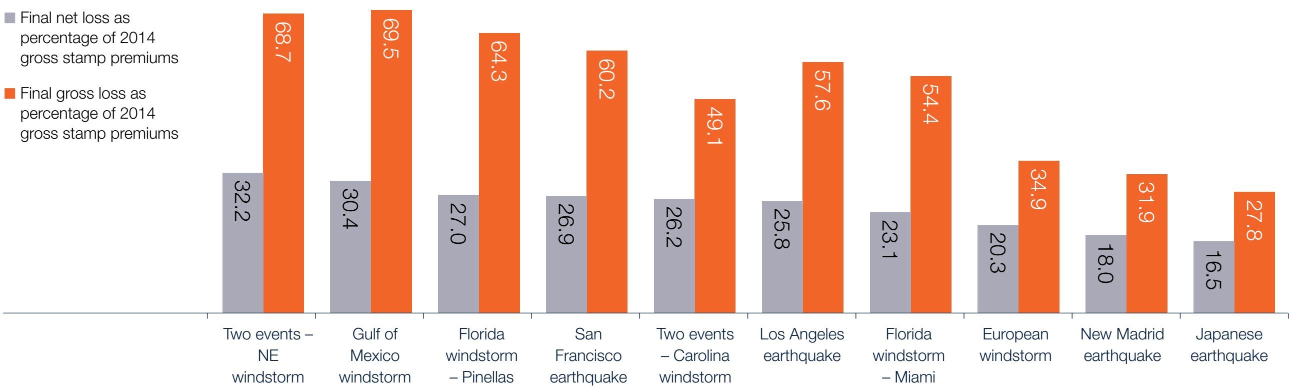
The two major risks faced by insurers and reinsurers are deficient loss reserves and inadequate pricing, which, taken together, account for 43.4% of insurer impairments according to A M Best. The pricing cycle is easier to identify in real time. The reserving cycle is more difficult to identify in real time as typically reserving standards slip after a period of reserve releases and there is a lag before this is recognized. HUW approaches the management of portfolio risk by diversifying across classes of business, syndicates and managing agents and with the advice of Hampden Agencies understanding the cycle management and reserving strategy of each syndicate as well as the rate environment.

We also assess the downside in the event of a major loss through monitoring the aggregate losses estimated by managing agents to realistic disaster scenarios (RDS's). Risk is assessed in the context of potential return with catastrophe exposure being actively managed dependent on market conditions.

The RDS events comprise 14 compulsory events including a Florida hurricane, Californian earthquake and Japanese earthquake, together with six scenarios subject to de minimis reporting of the more difficult to model liability or political risk scenarios. The largest losses modelled for 2014 remain $125bn for a Florida windstorm in both Miami Dade and Pinellas. The largest earthquake loss modelled remains in California with a $78bn industry loss for both Los Angeles and San Francisco.

HUW's largest modelled exposures net of reinsurance as a percentage of gross premiums are similar for 2014 compared with 2013. The largest for 2014 is the larger of Two Windstorm Events consisting of a North-East US hurricane, immediately followed by a South Carolina hurricane at 32.2% of gross premium, net of reinsurance (29.7% in 2013). The next largest is the Gulf of Mexico windstorm at 30.4% net (28.9% in 2013). Apart from the larger of Two Windstorm Events all RDS exposures as a percentage of gross premium remain for all scenarios within the 30% net of reinsurance Hampden Agencies guidelines.

Realistic disaster scenarios – gross and net reinsurance (%)



Excluding XL Re quota share reinsurance

Source: 2014 Syndicate Business Forecasts

Corporate, social and environmental responsibility

The Group aims to meet the expectations of its shareholders and other stakeholders in recognising, measuring and managing the impacts of its business activities. The majority of the Group's business activities are carried out by the syndicates in which activities, including employment of syndicate staff, are the responsibility of the syndicate managing agents. Each managing agent also has responsibility for the environmental activities of each syndicate although, by their nature, syndicates do not produce significant environmental emissions.

For the reasons described above, the Board of Directors does not consider it appropriate to monitor or report any performance indicators in relation to corporate, social or environmental matters.

Outlook

The underwriting environment in 2014 continues to be challenging. Opportunities remain, however, particularly for higher quality syndicates, not least in the more effective purchase of better priced outward reinsurance, but also for nimble underwriting to exploit the more profitable niche classes for which Lloyd's has such a well earned reputation. HUW's strategy and business model is based on backing the best underwriters and syndicates as we seek out-performance of the average market experience. We will continue to explore options for making capital available for acquisitions, both through further potential quota share arrangements and through other capital raising alternatives.

In summary, 2013 has been a transformational year for HUW. Over the past 12 months, we have redefined our strategy, refined our portfolio of existing syndicates, launched a 50% quota share with XL Re, made further acquisitions, implemented a new investment policy and strengthened the management and advisory teams. We look forward to the future with great enthusiasm.

Nigel Hanbury
Chief Executive
22 May 2014

2013 major losses at Lloyd's were £873m (15 year average: £1,572m)

According to the latest Swiss Re Sigma study, issued in March 2014, insured losses from natural catastrophes and man-made disasters in 2013 were around $45bn compared with $81bn in 2012. Major insured losses in 2013 were just under the ten year average of $48bn a year at 2012 prices.

The most costly insured losses in 2013 were the flooding in June affecting central and eastern Europe costing $4.1bn, and hailstorm Andreas in Germany and France costing $3.8bn the following month. Floods in Canada in June 2013 cost $1.9bn while a deadly tornado in Moore, Oklahoma, in May 2013 is estimated to have cost $1.8bn in insured claims, the most from a single weather event in the US in 2013. The largest loss of life was from Typhoon Haiyan in the Philippines in November, where 7,500 died or went missing but insured losses were modest at $1.5bn compared with $12.5bn of economic losses.

As a market, 2013 was a benign year for catastrophes with Lloyd's net ultimate claims at 31 December 2013 estimated at £873m (£1.8bn in 2012), which is significantly below the 15 year average of £1.572bn and a significant reduction on the record claims suffered in 2011 of £4.7bn.

US property/casualty industry made its first underwriting profit in 2013 since 2007

The underwriting results of the US property/casualty insurance industry improved in 2013 with the first underwriting profit being declared since 2007, benefiting from reduced catastrophe losses and increasing rates. Net insured losses from catastrophes fell to $14.1bn from $33.1bn in 2012. Net gains from underwriting were $15.5bn compared with net losses the previous year of $15.4bn. Net investment gains (income and realised capital gains) enabled an improved overall net profit after tax of $63.8bn compared with $35.1bn in 2012. The return on average policyholders' surplus was 10.3%, its highest level since the 12.4% return in 2007.

Capital levels ended 2013 at record highs for both insurers and reinsurers

Capital levels at year end 2013 were again at record highs for both insurers and reinsurers. At Lloyd's total net resources increased by 4% in 2013 to a record £21.2bn with the solvency surplus improving marginally to a record £3.1bn. The policyholders' surplus of the US property/casualty industry, a proxy for underwriting capacity, grew by 11.3% ($66.3bn) in 2013 to a record $653.3bn. Reinsurance capital also grew, but by a more modest 7% ($35bn) to a record $540bn at year end 2013, according to reinsurance broker Aon Benfield.

Influx of alternative capital adds to record capital

During 2013, industry capital was boosted by improved operating results, in part driven by a sharp fall in insured losses from natural catastrophes and man-made disasters. The most significant trend to affect the reinsurance market in 2012/2013 was the growing supply of alternative capital which is both a threat and an opportunity to the traditional reinsurance equity backed model. Alternative capital may be used as quasi capital by the reinsurance industry but may also compete with traditional equity backed reinsurance companies. Investor interest has been generated from a wide range of sources including pension funds, life assurers, endowments and high net worth family trusts.

Reinsurance broker Guy Carpenter estimates that between January 2012 and December 2013 approximately $15bn of new capital has entered the reinsurance market and now provides total alternative capital of $45bn or 15% of global property reinsurance limits.

Insurance industry has become more disciplined at deploying its capital

Historically, the industry has on average been unsuccessful in controlling the supply of capacity, which has contributed to cyclical downturns benefiting policyholders rather than shareholders. In recent years, a number of companies have shown a willingness to return excess capital to shareholders through share buy backs or special dividends, demonstrating a focus on shareholder value and mitigating the pressure to deploy excess capital by writing additional business, which is likely to be under-priced.

Demand – positive signs continue for US insurance marketplace

Insurance demand, measured by premium, has grown over the long term, being linked to growth in GDP and levels of insurance penetration. During the great recession of 2007–2009 US net written insurance premiums fell by an aggregate 6.8% the first three year decline since 1930–1933. Growth in overall net premiums, a proxy for demand, accelerated in the US to 4.6% in 2013 from 4.3% in 2012.

Premium growth in Q4 2013 was the 15th consecutive quarter of growth with average commercial lines rates up for the tenth consecutive quarter. However, reinsurance demand has been adversely affected at 1 January 2014 by the trend of major insurance groups to retain more premium volume and risk on their own growing balance sheets, according to Willis Re.

The demand component has been boosted by a combination of increasing premium rates and the recovering US economy contributing to organic growth. Encouragingly, net written premium has now overtaken its previous peak in 2006. While demand for insurance continues to be impacted by sluggish economic conditions, the benefits of even slow growth will compound over time. US real GDP growth was 1.8% in 2011, 2.2% in 2012 and 1.9% in 2013.

Organic growth opportunities which would ordinarily use up surplus capital have been limited in this cycle with GDP growth, whether measured in nominal or real terms, being the slowest of any expansion since 1948. The economy's capacity utilisation is still below pre-recession levels with the US operating at 79.2% of industrial capacity in December 2013, although well above the June 2009 low of 66.9%.

Lloyd's is well placed to take advantage of an improving excess and surplus lines (E&S) segment of the US insurance market. In 2012, according to AM Best, Lloyd's had an 18.0% (18.6% in 2011) share of the US E&S market with its next biggest competitor being AIG with 14.5% (17.2% in 2011). Lloyd's total E&S premium grew by 10% from $5.7bn in 2011 to $6.3bn in 2012, benefiting from a combination of GDP growth and an increased flow of business as admitted carriers moved away from underwriting more difficult risks.

The investment environment

The investment environment remains critical in order to understand the insurance industry, both from a balance sheet perspective (the asset side) and from a profit and loss perspective. In an era of low inflation and low interest rates, the only way for an insurer to make an acceptable return on equity for its investors is to make an underwriting profit and repay surplus capital to shareholders.

At previous cycle turning points, premium rates have turned up due to capital being depleted either through a period of reserve deteriorations or through significant "market changing" catastrophe losses. In this cycle, the upturn in US insurance rates has begun without either of these factors being present. In our view, the principal reason for the upturn in US insurance rates is the investment environment of low interest rates with the US Federal Reserve actively signalling that it is determined to keep interest rates low until unemployment drops below 6.5% or until inflation expectations exceed 2.5%.

Even with the recent rises in interest rates, the treasury yield curve remains close to its most depressed level in at least 45 years. A US Treasury five year bond bought at a yield of 1.55% on 31 December 2008 on reinvestment on 31 December 2013 would only yield 1.75%. The significance of this is not lost on insurance company management who realise that combined ratios must be lower in today's depressed investment environment to generate a risk appropriate return on equity. In 2012, the Insurance Information Institute calculated that a combined ratio of about 100%, i.e. a break even underwriting result, would generate a return on equity of around 7% which compares with 10% in 2005 and 16% in 1979 for the same 100% combined ratio.

The investment component of the return on equity by line of business is particularly important in capital intensive lines such as reinsurance, or casualty business where claims may not be paid out for a number of years. Apart from controlling expenses the main way for insurance company management to compensate for this "lost investment income" is to encourage their underwriters to put rates up.

The trend in declining yields from 2007 can be seen in the chart below which shows both the two year and five year US Treasury from 2005 to May 2013. As of 30 April 2014 the two year is yielding 0.42% and the five year 1.69%.

US treasury bond yields

Rating – 2013 was a tale of two halves in reinsurance – momentum slows down for US reinsurance

The principal driver of underwriting profitability is the level of premium rates combined with policy terms and conditions.

The surge in alternative reinsurance capital supplied by third party investors had a greater-than-expected impact at the mid-year 2013 renewals, particularly for Florida, with Guy Carpenter reporting 15% rate reductions while loss-free US property catastrophe programmes decreased by between 12.5% and 30% at 1 July. The mid-year renewals were in marked contrast to the stable rates seen earlier in the year. The weighted average rate change for US property catastrophe reinsurance business in 2013 was approximately 7%. Rate reductions continued at the 1 January 2014 US renewals averaging 15% (9% compared with 1 January 2013 rates) with competition being spurred by the absence of a major hurricane in 2013.

Rate reductions continued at the 1 April 2014 renewals which comprise the entire Japanese market and a few large US programmes. Willis Re estimated that excess of loss covers for Japanese earthquake risks fell by 12.5% to 17.5% with typhoon rates falling by 10% to 15%. US premiums paid by nationwide insurers fell by 10% to 20% for catastrophe loss-free accounts and by up to 10% for loss-hit renewals. In addition, terms and conditions have begun to be relaxed and multi-year contracts offered.

The impact of terms and conditions on prospective underwriting return is much more difficult to measure than that of rate. It is only after a loss that the impact of a broadening of cover is fully appreciated. The 1 January 2014 renewal season brought signs that underwriters are now prepared to broaden cover and increasingly offer multi-year contracts, expansion of hours clauses, less punitive reinstatement provisions and expanded coverage for terrorism, cyber and workers' compensation risk have been mentioned. Willis Re comments that "experienced reinsurers will remember that the relaxation of terms and conditions more so than price reduction caused the real damage in the last soft market cycle". However, while rate using Guy Carpenter's rate on line index for US business is 20% down on the average between 2006 and 2013 at 1 January 2014, it is still 14% above rates in 2005.

In contrast, we are now seeing a sustained upturn in property and casualty insurance rates in the United States, which does not suffer from the ease of entry of alternative sources of capital seen in the reinsurance sector. After nearly eight years of decreases, the first increase we saw was in the third quarter of 2011 and by the first quarter of 2013 rate increases had accelerated to 5.2% using data supplied by the Council of Insurance Agents and Brokers, the largest increase since 2003. Rate increases moderated over the course of 2013, to 4.3% at Q2, to 3.4% at Q3 and to 2.1% at Q4. This has continued in 2014 with rates increasing by 1.5% in Q1 2014.

Going forward, the US insurance pricing cycle, given the absence of reserve deteriorations from the prior years at a market aggregate level, may prove more muted than in the past.

The implications for a more muted pricing cycle are that the upward trend in rates could slow down further or potentially come to an end during 2014. Already we have seen rates reduce for larger insurance risks such as energy, large property and aviation. Outside of the US, rate competition has returned to the UK motor market following the introduction of new legislation implemented in July 2013 with rates for comprehensive private car business falling by 14.1% in the twelve months to December 2013, according to the AA. In the first quarter of 2014 rates private car comprehensive rates fell a further 5.6%.

Insurance broker Marsh reports that global insurance rates, as tracked by the Marsh Risk Management Global Insurance Index, continued their downward trend in the fourth quarter of 2013. The only exception to the global trend was the US where the composite index showed a modest increase for the eighth consecutive quarter.

At an aggregate level, industry results and Lloyd's results continued to benefit from favourable prior year releases which are proving to be more persistent and higher than was envisaged even twelve months ago. This evidence suggests that the insurance industry is better at using technology, historical data and modelling to price new business and estimate losses, which should inherently translate into more stable profitability and pricing cycles.

Prospects for 2014

Our formal profit target for the 2014 account (assuming an average year for catastrophe losses) is a range of 0% to 7.5% on capacity, for the average Hampden client, which is lower than the 2.5% to 7.5% we set for the 2013 account in September 2012, and reflects, in the main, the softening of reinsurance rates.

We expect rate increases to continue in 2014 for small and medium US property and casualty accounts but at a lower level of increase than seen in 2013. Risks to this expectation are if there is renewed economic weakness affecting demand compared with the current moderate GDP growth or if rate competition were to increase in part due to reductions in reinsurance pricing.

Overall we estimate that rates will reduce by 4.1% in 2014, which compares with our initial estimate of a reduction of 2.3% on average. Further reductions in reinsurance rates are expected in July following on from the reductions at mid-year in 2013, 1 January 2014 and the reductions at 1 January, 1 April, and 1 June 2014.

Since 2006 US reinsurance rates have been amongst the most attractive of any class of business and have made a significant contribution to Lloyd's profitability in this period. Despite rate reductions, there remains a reasonable technical margin on US business, albeit not the exceptional margin experienced between 2006 and 2009. The influx of alternative capital is not only squeezing margins on reinsurance business but also leading to pressure on signings and therefore adding to the potential for reduced income. The traditional reinsurance market has also responded to increasing competition by relaxing policy terms and conditions as well as being prepared to enter multi-year contracts. Due to reinsurance rate reductions, the balance of risk and reward on US business is beginning to shift from net sellers of reinsurance to net buyers of reinsurance.

Despite our continued optimism on the rate outlook for US insurance business, additional capital is being deployed by Berkshire Hathaway with its entry into the US excess and surplus lines market and its participation on 7.5% of Aon's retail placements with Lloyd's participation. Both moves have the potential to impact margins negatively in 2014 and beyond. The effect should be mitigated by Berkshire Hathaway's reputation for pricing discipline. As the reinsurance market softens more reinsurers are expected to follow Berkshire Hathaway's lead by allocating capital to insurance operations.

The strategic report on pages 1 to 11 was approved by the Board of Directors and signed on behalf of the Board on 22 May 2014.

Nigel Hanbury
Chief Executive

Sir James Michael Yorrick Oliver, aged 73
(Non-executive Chairman)
Sir Michael Oliver has been chairman and director of a number of investment funds. He was previously a director of investment funds at Hill Samuel Asset Management and of Scottish Widows Investment Partnership Limited. Prior to that he was a partner in stockbrokers Kitkat & Aitken for 20 years and subsequently managing director of Carr, Kitkat & Aitken.

Nigel John Hanbury, aged 57
(Chief Executive)
Nigel Hanbury 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 twice, serving on that body between 1999 and 2001 and then 2005 to 2008, as well as participating on the Market Board and other Lloyd's committees. In December 2009 he ceased being Chairman of Hampden Agencies Limited but in 2011 acquired a majority stake in HIPCC, a Guernsey insurance and protected cell Company, formerly wholly owned by Hampden Capital plc.

Jeremy Richard Holt Evans, aged 56
(Non-executive Director)
Jeremy Evans joined Minories Underwriting Agencies in 1993, which was subsequently transferred to Aberdeen Underwriting Advisers Limited, with specific responsibility for its corporate capital plans, including the development of a conversion scheme for existing members. He is the CEO of Nomina plc as well as being a director of Hampden Capital plc and Hampden Holdings Limited.

Harold Michael Clunie Cunningham,
aged 66
(Non-executive Director)
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. He is non-executive chairman of Hazel Renewable Energy VCT PLC.

Andrew Hildred Christie,
aged 58 (appointed 8 July 2013)
(Non-executive Director)
Andrew Christie is a founding partner of corporate finance advisory firm Smith Square Partners LLP and has nearly 30 years' experience in corporate finance. Prior to Smith Square Partners, he was a managing director in the investment banking division of Credit Suisse Europe and prior to that he was head of investment banking in Asia Pacific for Credit Suisse First Boston and Barclays de Zoete Wedd. Andrew is a non-executive director of FTSE 250 company Elementis plc.

The Directors present their report and the audited Group Financial Statements for the year ended 31 December 2013.

Change of name

The Company changed its name from Hampden Underwriting plc to Helios Underwriting plc on 22 January 2014.

Principal activities, 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 are included in the Chairman's Statement, the Chief Executive's Review and the Lloyd's Adviser's Report.

Results and dividends

The Group result for the year ended 31 December 2013 is shown in the Consolidated Income Statement. The Group profit for the year after taxation was £731,000 (2012: £763,000).

No dividend was paid during calendar year in 2013 (2012: £nil).

The new dividend policy is set-out in the Chairman's report and further information is set-out in "Future Dividends" in Note 24.

Charitable and political donations

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

Directors and their interests

Under the Articles of Association one Director is required to retire from the Board by rotation at the forthcoming Annual General Meeting and offer themselves for re-election as a Director. Sir Michael Oliver therefore retires by rotation and offers himself for re-election as a Director. Andrew Christie, a new Director during the year, is required to retire from the Board and offer himself for re-election as a Director.

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 2013 is nil (2012: nil).

Substantial shareholdings

The substantial shareholders shown below were as at 5 May 2014:

	Number of shares	% holdings
Nigel John Hanbury (either personally or has an interest in)	1,261,257	14.79%
Lynchwood Nominees Limited	1,095,000	12.84%
Hampden Capital plc	1,014,560	11.89%
Roy Nominees Limited	717,500	8.41%
Ferlim Nominees Limited	589,875	6.92%

In addition the following current TR-1 notifications have been received detailing shareholdings in excess of 3%.

	Shareholding	% of issued share capital
Smith & Williamson Nominees Limited	785,724	9.21%
Investec Wealth & Investment Limited	609,875	7.15%

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, formerly 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 22 May 2014.

Nigel Hanbury
Chief Executive
22 May 2014

The Company's shares are traded on the AIM Market of the London Stock Exchange. The Company is not required to report on compliance with the UK Corporate Governance Code ("the Code"), the Board of Directors acknowledges the importance of the principles of the code and also the recommendations of the Quoted Companies Alliance in its publication "Corporate Governance Guidelines for Small and Mid-size Quoted Companies" and seeks to apply them as appropriate to the Company given its nature and size.

Board
The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. The Company holds Board meetings at least four times each financial year and at other times as and when required.

Committees
The Audit Committee of the Company, comprising Michael Cunningham and Andrew Christie (both Non-executive Directors), is chaired by Andrew Christie. The Audit Committee is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. It also meets the auditors and reviews reports from the auditors relating to the accounting and internal control systems. The Audit Committee meets once a year with the auditors.

The Company established a Nomination and Remuneration Committee during the year comprising Sir Michael Oliver, Michael Cunningham and Andrew Christie (all Non-executive Directors), chaired by Michael Cunningham. Other than its Chief Executive, the Company has no employees.

The Company has adopted a model code for Directors' dealings which is appropriate for an AIM quoted company. The Directors will comply with Rule 21 of the AIM Rules relating to Directors' dealings.

Board and committee meeting attendance

	Board		Audit Committee	
Director	Possible number of meetings	Number of meetings attended	Possible number of meetings	Number of meetings attended
Sir Michael Oliver	6	6	—	—
Nigel Hanbury	6	6	—	—
Andrew Leslie (resigned 27 June 2013)	4	3	1	1
Jeremy Evans	6	6	—	—
Michael Cunningham	6	5	2	2
Andrew Christie (appointed 8 July 2013)	2	2	1	1
Average attendance (%)		93%		100%

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

	Jeremy Evans (appointed)	Nigel Hanbury (appointed)	Nomina plc (appointed)
Hampden Corporate Member Limited	31 May 2006	18 February 2013	31 May 2006
Nameco (No. 365) Limited	1 November 2001	18 February 2013	22 September 1999
Nameco (No. 605) Limited	1 November 2001	18 February 2013	25 September 2001
Nameco (No. 321) Limited	1 November 2001	18 February 2013	22 September 1999
Nameco (No. 917) Limited	9 January 2013	18 February 2013	17 September 2004
Nameco (No. 229) Limited	1 November 2001	21 November 2012	24 September 1998
Nameco (No. 518) Limited	1 November 2001	27 November 2012	20 September 2000
Nameco (No. 804) Limited	10 October 2003	16 October 2013	10 October 2003
Halperin Limited	20 February 2014	20 December 2013	9 July 2004
Helios UTG Partner Limited	27 August 2013	Not a director	27 August 2013

Conflict management
Jeremy Evans was a director of Hampden Agencies Limited until December 2007 and remains a director of Nomina plc as well as of the Company. Sir Michael Oliver was a director and 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 neither Director will 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.

The Directors are responsible for preparing the Strategic Report, Report of the Directors 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 ("IFRS") as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

» select suitable accounting policies and then apply them consistently;

» make judgements and accounting estimates that are reasonable and prudent; and

» state whether IFRS, adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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.

We have audited the Financial Statements of Helios Underwriting plc for the year ended 31 December 2013 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Cash Flow, the Consolidated and Parent Company Statements of Changes in Shareholders' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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.

Respective responsibilities of Directors and auditors
As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements
An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements
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 2013 and of the Group's profit for the year then ended;

» the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

» the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

» the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and Report of the Directors for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

» adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

» the Parent Company Financial Statements are not in agreement with the accounting records and returns; or

» certain disclosures of Directors' remuneration specified by law are not made; or

» we have not received all the information and explanations we require for our audit.

Ian Cowan (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor
22 May 2014

1 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated income statement • Year ended 31 December 2013

	Note	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Gross premium written		**11,938**	9,141
Reinsurance premium ceded		**(2,251)**	(1,820)
Net premium written		**9,687**	7,321
Change in unearned gross premium provision		**(29)**	(405)
Change in unearned reinsurance premium provision		**43**	52
	6	**14**	(353)
Net earned premium		**9,701**	6,968
Net investment income	7	**208**	429
Revenue		**9,909**	7,397
Gross claims paid		**(5,867)**	(4,685)
Reinsurers' share of gross claims paid		**1,134**	930
Claims paid, net of reinsurance		**(4,733)**	(3,755)
Change in provision for gross claims		**1,148**	229
Reinsurers' share of change in provision for gross claims		**(478)**	24
Net change in provision for claims	6	**670**	253
Net insurance claims and loss adjustment expenses		**(4,063)**	(3,502)
Expenses incurred in insurance activities		**(4,042)**	(2,743)
Other operating expenses		**(524)**	(471)
Operating expenses		**(4,566)**	(3,214)
Operating profit before goodwill and amortisation	5	**1,280**	681
Goodwill on bargain purchase	19	**133**	568
Impairment of goodwill	19	**(98)**	(81)
Amortisation of syndicate capacity	12	**(462)**	(314)
Profit before tax	8	**853**	854
Income tax charge	9	**(122)**	(91)
Profit attributable to equity shareholders	18	**731**	763
Earnings per share attributable to equity shareholders			
Basic and diluted	10	**8.57p**	9.92p

The profit attributable to equity shareholders and earnings per share set out above are in respect of continuing operations.

The accounting policies and notes are an integral part of these Financial Statements.

Consolidated statement of financial position • At 31 December 2013

	Note	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Assets			
Intangible assets	12	**2,929**	1,797
Reinsurance assets:			
– reinsurers' share of claims outstanding	6	**4,154**	4,323
– reinsurers' share of unearned premium	6	**800**	590
Other receivables, including insurance receivables	14	**11,554**	9,343
Prepayments and accrued income		**1,569**	1,216
Financial assets at fair value	15	**22,213**	20,978
Cash and cash equivalents		**1,066**	1,444
Total assets		**44,285**	39,691
Liabilities			
Insurance liabilities:			
– claims outstanding	6	**21,596**	19,814
– unearned premium	6	**5,968**	4,624
Deferred income tax liabilities	13	**1,656**	938
Other payables, including insurance payables	16	**4,116**	4,589
Accruals and deferred income		**1,123**	631
Total liabilities		**34,459**	30,596
Shareholders' equity			
Share capital	17	**853**	853
Share premium	17	**6,996**	6,996
Retained earnings	18	**1,977**	1,246
Total shareholders' equity		**9,826**	9,095
Total liabilities and shareholders' equity		**44,285**	39,691

The accounting policies and notes are an integral part of these Financial Statements.

Approved and authorised for issue by the Board of Directors on 22 May 2014.

Nigel Hanbury
Chief Executive

	Note	31 December 2013 £'000	31 December 2012 £'000
Assets			
Financial investments	15	**6,032**	3,261
Other receivables	14	**5,290**	7,350
Cash and cash equivalents		**22**	11
Total assets		**11,344**	10,622
Liabilities			
Other payables	16	**182**	59
Total liabilities		**182**	59
Shareholders' equity			
Share capital	17	**853**	853
Share premium	17	**6,996**	6,996
Retained earnings	18	**3,313**	2,714
Total shareholders' equity		**11,162**	10,563
Total liabilities and shareholders' equity		**11,344**	10,622

The accounting policies and notes are an integral part of these Financial Statements.

Approved and authorised for issue by the Board of Directors on 22 May 2014.

Nigel Hanbury
Chief Executive

Company number 05892671

Consolidated statement of cash flows • Year ended 31 December 2013

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Cash flows from operating activities		
Results of operating activities	**853**	854
Interest received	**(2)**	(27)
Investment income	**(381)**	(320)
Goodwill on bargain purchase	**(133)**	(568)
Impairment of goodwill	**98**	81
Loss on sale of intangible assets	**8**	1
Amortisation of intangible assets	**462**	314
Income tax paid	**(86)**	(179)
Change in fair value of investments	**137**	(128)
Changes in working capital:		
– decrease in other receivables	**2,687**	2,225
– decrease in other payables	**(1,336)**	(1,044)
– net decrease in technical provisions	**(3,273)**	(2,991)
Net cash outflow from operating activities	**(966)**	(1,782)
Cash flows from investing activities		
Interest received	**2**	27
Investment income	**381**	320
Purchase of intangible assets	**(3)**	(218)
Proceeds from disposal of intangible assets	**2**	51
Net inflow of financial assets at fair value	**3,276**	854
Acquisition of subsidiaries, net of cash acquired	**(3,070)**	(828)
Net cash inflow from investing activities	**588**	206
Net decrease in cash and cash equivalents	**(378)**	(1,576)
Cash and cash equivalents at beginning of year	**1,444**	3,020
Cash and cash equivalents at end of year	**1,066**	1,444

The accounting policies and notes are an integral part of these Financial Statements.

Cash held within the syndicates accounts is £980,000 (2012: £747,000) of the total cash and cash equivalents held at the year end of £1,066,000 (2012: £1,444,000). The cash held within the syndicates' accounts is not available to the Group to meet its day to day working capital requirements.

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Cash flows from operating activities		
Results of operating activities	**546**	1,795
Interest received	**—**	(25)
Dividend received	**(3,559)**	(2,100)
Impairment of financial investments	**2,441**	—
Change in fair value of investments	**4**	—
Changes in working capital:		
– decrease in other receivables	**1**	3
– increase in other payables	**123**	3
Net cash outflow from operating activities	**(444)**	(324)
Cash flows from investing activities		
Interest received	**—**	25
Dividend received	**3,559**	2,100
Purchase of subsidiary undertakings	**(5,216)**	(1,380)
Amounts owed by subsidiary undertakings	**2,112**	(2,873)
Net cash inflow/(outflow) from investing activities	**455**	(2,128)
Net increase/(decrease) in cash and cash equivalents	**11**	(2,452)
Cash and cash equivalents at beginning of year	**11**	2,463
Cash and cash equivalents at end of year	**22**	11

The accounting policies and notes are an integral part of these Financial Statements.

Statements of changes in shareholders' equity • Year ended 31 December 2013

	Attributable to owners of the parent			
Consolidated	Ordinary share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2012	741	6,261	483	7,485
Share issue	112	735	—	847
Profit for the year	—	—	763	763
At 31 December 2012	853	6,996	1,246	9,095
At 1 January 2013	853	6,996	1,246	9,095
Profit for the year	—	—	731	731
At 31 December 2013	**853**	**6,996**	**1,977**	**9,826**

Company	Ordinary share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2012	741	6,261	857	7,859
Share issue	112	735	—	847
Profit for the year	—	—	1,857	1,857
At 31 December 2012	853	6,996	2,714	10,563
At 1 January 2013	853	6,996	2,714	10,563
Profit for the year	—	—	599	599
At 31 December 2013	**853**	**6,996**	**3,313**	**11,162**

The accounting policies and notes are an integral part of these Financial Statements.

1. General information

The Company is a public limited company listed on AIM and incorporated and domiciled in the UK.

2. 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") as endorsed by the European Union ("EU"), IFRIC interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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. A summary of the more important Group accounting policies is set out below.

The preparation of Financial Statements in conformity with IFRS requires the use of estimates and assumptions 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 amount, event or actions, actual results may ultimately differ from these estimates.

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 Company have net assets at the end of the reporting period of £9,826,000 and £11,162,000 respectively.

The Company's subsidiaries participate as underwriting members at Lloyd's on the 2011, 2012 and 2013 years of account and they have continued this participation since the year end on the 2014 year of account. This underwriting is supported by funds at Lloyd's totalling £4,669,000 (2012: £7,173,000), and letters of credit provided by XL Re through the Group's quota share reinsurance agreement totalling £4,118,000 (2012: £nil).

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

International Financial Reporting Standards

The following are IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that had a material impact on the Group's Financial Statements.

» Amendment to IAS 1 "Financial Statement Presentation" regarding other comprehensive income became effective during the period. Items in the Consolidated Income Statement that may be reclassified to profit or loss in subsequently periods are now presented separately from items that will not be reclassified to profit or loss in subsequent periods.

» IFRS 13 "Fair Value Measurement" became effective during the period. The standard requires specific disclosures on fair values, some of which replace existing disclosure requirements in IFRS 7 "Financial Instruments: Disclosures". The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate to their book values due to the short maturity periods of these financial instruments. Available for sale financial assets consist of equity investments whose fair value is determined by reference to quoted market prices (level 1 in the fair value measurement hierarchy).

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2014 and have not been applied in preparing these Financial Statements. None of these are expected to have a significant effect on the Financial Statements of the Group. The Group intends to adopt these standards, if applicable, when they become effective.

» IAS 27 "Separate Financial Statements", replaces the current version of IAS 27 "Consolidated and Separate Financial Statements" as a result of the issue of IFRS 10. The revised standard includes the requirements relating to separate Financial Statements. The revised standard becomes effective for annual periods beginning on or after 1 January 2014.

» IAS 28 "Investments in Associates and Joint Ventures", replaces the current version of IAS 28 "Investments in Associates", as a result of the issue of IFRS 11. The revised standard includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 1. The Group is yet to assess full impact of the revised standard and intends to adopt IAS 28 (revised) no later than the accounting period beginning on or after 1 January 2014.

2. Accounting policies continued

International Financial Reporting Standards continued

- Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”, provides guidance added to IAS 19 “Employee Benefits” on accounting for contributions from employees or third parties set out in the formal terms of a defined benefit plan. The Directors do not believe that this will have an impact on the Group, however, and will be adopted no later than accounting period beginning on or after 1 January 2014, subject to endorsement, by the EU.
- Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”, adds application guidance to address inconsistencies identified in applying some of the criteria when offsetting financial assets and financial liabilities. This includes clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. The Group is yet to assess the full impact of the amendment to IAS 32 and intends to adopt the amended standard no later than the accounting period beginning on or after 1 January 2014.
- Amendment to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”, to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The Group is yet to assess full impact of the revised standard and intends to adopt the amendment to IAS 36 no later than the accounting period beginning on or after 1 January 2014.
- Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”, make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. The Group is yet to assess full impact and intends to adopt the amendment to IAS 39 no later than the accounting period beginning on or after 1 January 2014.
- IFRS 9 “Financial Instruments” addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics for the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9’s full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2014, subject to endorsement by the EU. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.
- IFRS 10 “Consolidated Financial Statements” builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated Financial Statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10’s full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2014.
- IFRS 11 “Joint Arrangements” provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group is yet to assess IFRS 11’s full impact and intends to adopt IFRS 11 no later than the accounting period beginning on or after 1 January 2014.
- IFRS 12 “Disclosures of Interests in Other Entities” includes the disclosure requirements for all forms of interests in entities, including joint arrangements, associates, special purpose vehicles and other off Statement of Financial Position vehicles. The Group is yet to assess IFRS 12’s full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2014.

2. Accounting policies continued

International Financial Reporting Standards continued

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" clarify the IASB's intention when first issuing the transition guidance in IFRS 10, provide similar relief in IFRS 11 and IFRS 12 from the presentation or adjustment of comparative information for periods prior to the immediately preceding period, and provide additional transition relief by eliminating the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied. The Group plans to adopt these amendments no later than the annual period beginning on or after 1 January 2014.
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27, "Separate Financial Statements", provide "investment entities" (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 "Financial Instruments: Recognition and Measurement". The Group is yet to assess the full impact of these amendments and intends to adopt the amended standards no later than the accounting period beginning on or after 1 January 2014.
- IFRIC 21 "Levies" provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and those where the timing and amount of levy is certain. It provides the following guidance on recognition of a liability to pay levies:
    - the liability is recognised progressively if the obligating event occurs over a period of time; and
    - if an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

  The Group is yet to assess the full impact and intends to adopt the standard no later than the accounting period beginning on or after 1 January 2014, subject to endorsement by the EU.

"Annual Improvements 2010–2012 Cycle" sets out amendments to various IFRS and provides a vehicle for making non-urgent but necessary amendments to IFRS:

- IFRS 2 "Share-based Payment": amendment to the definition of a vesting condition;
- IFRS 3 "Business Combinations": amendments to the accounting for contingent consideration in a business combination;
- IFRS 8 "Operating Segments": amendments to the aggregation of operating segments and the reconciliation of the total of the reportable segments' assets to the entity's assets;
- IFRS 13 "Fair Value Measurement": amendments to short-term receivables and payables;
- IAS 16 "Property, Plant and Equipment": amendments to the revaluation method in relation to the proportionate restatement of accumulated depreciation;
- IAS 24 "Related Party Disclosures": amendments regarding key management personnel; and
- IAS 38 "Intangible Assets": amendments to the revaluation method in relation to the proportionate restatement of accumulated depreciation.

The Group intends to adopt the amended standards no later than the annual period beginning on or after 1 July 2014, subject to EU endorsement.

"Annual Improvements 2011–2013 Cycle" sets out amendments to various IFRS and provides a vehicle for making non-urgent but necessary amendments to IFRS:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards": amendment to the meaning of "effective IFRSs";
- IFRS 3 "Business Combinations": amendments to the scope exceptions for joint ventures;
- IFRS 13 "Fair Value Measurement": amendments to the scope of paragraph 52 (portfolio exception); and
- IAS 40 "Investment Property": amendments clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The Group intends to adopt the amended standards no later than the annual period beginning on or after 1 July 2014, subject to EU endorsement.

2. Accounting policies continued

Consolidation

The Financial Statements incorporate the Financial Statements of Helios Underwriting plc, Hampden Corporate Member Limited, Nameco (No. 365) Limited, Nameco (No. 605) Limited, Nameco (No. 321) Limited, Nameco (No. 917) Limited, Nameco (No. 229) Limited, Nameco (No. 518) Limited, Nameco (No. 804) Limited, Halperin Limited, Nomina No 035 LLP, Nomina No 342 LLP and Helios UTG Partner Limited.

The Financial Statements of Hampden Corporate Member Limited, Nameco (No. 365) Limited, Nameco (No. 605) Limited, Nameco (No. 321) Limited, Nameco (No. 917) Limited, Nameco (No. 229) Limited, Nameco (No. 518) Limited, Nameco (No. 804) Limited, Halperin Limited, Nomina No 035 LLP and Nomina No 342 LLP ("Limited Liability Vehicles") and Helios UTG Partner Limited are prepared for the year ended 31 December 2013. Consolidation adjustments are made to convert the subsidiary Financial Statements prepared under UK GAAP to IFRS so as to align accounting policies and treatments.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

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 £599,000 (2012: £1,857,000).

Underwriting

Premiums

Gross premium written comprise 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 include 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 are earned according to the risk profile of the policy. Unearned premiums represent the proportion of gross premium written in the year that relate 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 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.

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

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

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

Quota share reinsurance
Under the Group's quota share reinsurance agreement, 50% of the 2013 underwriting year of account insurance exposure is ceded to the reinsurer. Amounts payable to the reinsurer are included within 'reinsurance premium ceded' in the Consolidated Income Statement. Amounts receivable from the reinsurer and included within 'reinsurers share of gross claims paid' in the Consolidated Income Statement.

Unexpired risks provision
Provisions for unexpired risks are 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 at that date and an estimate of future claims handling costs. Any subsequent variation in the ultimate liabilities of the closed year of account is borne by the underwriting year into which it is reinsured.

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

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

2. Accounting policies continued

Underwriting continued

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.

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.

Foreign currency transactions and non-monetary assets and liabilities, including deferred acquisition costs and unearned premiums, are translated into the functional currency using monthly 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.

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.

Investments

Investments in marketable securities are stated at their bid-market value at the end of the reporting period. The Group values its financial assets at fair value through the Consolidated Income Statement.

Purchases and sales of investments are recognised on the trade date, which is the date the Group commits to purchase or sell the assets.

Intangible assets

Intangible assets, which represents costs incurred in the Corporation of Lloyd’s auctions in order to acquire rights to participate on syndicates’ years of account, are stated at cost, less any provision for impairment, and amortised on a straight line basis over the useful economic life, which is estimated to be seven years. No amortisation is charged until the following year when underwriting commences in respect of the purchased syndicate participation.

Investment in subsidiaries

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.

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

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.

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 in the consolidated income statement. Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2. Accounting policies continued

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank.

Investment income

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

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 proportionately to the funds contributed by the year of account.

Dividend distribution policy

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

Other operating expenses

All expenses are accounted for on an accruals basis.

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit and loss and other 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.

(a) Financial assets at fair value through profit and loss

All financial assets are designated as fair value through profit and loss upon initial recognition because they are managed and their performance is evaluated on a fair value basis. 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 with 12 months, otherwise they are classified as non-current.

(b) Other loans and receivables

Other loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Other loans and receivables are carried at amortised cost less any impairment losses.

Fair value estimation

The fair value of financial instruments 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 held by the Group is the current bid price.

The fair value of financial instruments 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.

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.

Deferred taxation

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.

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.

3. 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 this risk, in conjunction with its subsidiaries and members' agent, is limited to selection of syndicate participations and monitoring performance of the syndicates and the purchase of appropriate member level reinsurance.

Syndicate risks

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 2013 and subsequent years of account, Lloyd's introduced the Lloyd's Capital Return ("LCR") which replaced the Individual Capital Assessment ("ICA"). Each managing agent will have prepared an 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 risks arise 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 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.

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 only has one reinsurance programme of its own. With effect from the 2013 year of account, the Group benefits from a strategic collateralised quota share arrangement in respect of 50% of its business with Bermudan reinsurer, XL Re Ltd ("XL Re", part of global NYSE quoted insurer XL Group plc) through Hampden Insurance PCC (Guernsey) Limited Cell 6 ("Cell 6"), a special purpose vehicle.

The board examines and approves all reinsurance contracts to ensure that they possess suitable security. Hampden Agencies Limited, the Group's Lloyd's Members' Agency, and Miller Insurance Services LLP, as the Group's reinsurance broker, ensure that market standard practice is followed, undertake the administration of reinsurance contracts and monitor and support the Group's response to any erosion of its reinsurance programmes.

3. Risk management continued

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, currency risk and interest rate 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, credit 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 2013 is £6.8m (2012: £8.6m), 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 arrangement with XL Re through Cell 6, the Group's Funds at Lloyd's calculation benefits from an aggregate £4.1m Letter of Credit ("LOC") acceptable to Lloyd's, on behalf of XL Re and from a global bank that is one of the primary providers of LOCs into the Lloyd's market. This LOC is pledged in aggregate to the relevant syndicates through Lloyd's and thus HUW is not specifically exposed to counter-party credit risk in this matter. Should the bank's LOC become unacceptable to Lloyd's for any reason, XL Re 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.

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 which could result in the Group making a loss compared to the carrying value when the Group disposes of particular syndicate participations.

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.

3. Risk management continued

Approach to capital management

The capital structure of the Group consists entirely of equity attributable to equity holders of the Company, comprising issued share capital, share premium and retained earnings as disclosed in the Statements of changes in shareholders' equity on page 23.

At 31 December 2013 the corporate member subsidiaries had an agreed FAL requirement of £11,088,000 (2012: £7,173,000) to support their underwriting on the 2014 year of account (2013 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 a letter of credit. 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 2013 the agreed FAL requirement for the Group was 61% (2012: 56%) of the capacity for the following year of account.

4. Segmental information

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

» syndicate participation;

» investment management; and

» other corporate activities.

Year ended 31 December 2013	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	9,723	—	(22)	9,701
Net investment income	247	(39)	—	208
Net insurance claims and loss adjustment expenses	(4,063)	—	—	(4,063)
Expenses incurred in insurance activities	(4,042)	—	—	(4,042)
Other operating expenses	51	—	(575)	(524)
Goodwill on bargain purchase	—	—	133	133
Impairment of goodwill	—	—	(98)	(98)
Amortisation of syndicate capacity (see Note 12)	—	—	(462)	(462)
Profit before tax	**1,916**	**(39)**	**(1,024)**	**853**

Year ended 31 December 2012	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	6,968	—	—	6,968
Net investment income	405	24	—	429
Net insurance claims and loss adjustment expenses	(3,502)	—	—	(3,502)
Expenses incurred in insurance activities	(2,743)	—	—	(2,743)
Other operating expenses	(111)	—	(360)	(471)
Goodwill on bargain purchase	—	—	568	568
Impairment of goodwill	—	—	(81)	(81)
Amortisation of syndicate capacity (see Note 12)	—	—	(314)	(314)
Profit before tax	1,017	24	(187)	854

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

No major customers exceed 10% of revenue.

Net earned premium within 2013 other corporate activities totalling £22,000 represents the 2013 underwriting year of account net Group quota share reinsurance premium payable to Hampden Insurance PCC (Guernsey) Limited – Cell 6 for Hampden Corporate Member Limited, Nameco (No. 365) Limited, Nameco (No. 605) Limited, Nameco (No. 321) Limited, Nameco (No. 917) Limited, Nameco (No. 229) Limited and Nameco (No. 518) Limited. This net quota share reinsurance premium payable is included within 'reinsurance premium ceded' in the Consolidated Income Statement.

All of the Group's limited liability vehicles have entered into a Group quota share reinsurance contract with Hampden Insurance PCC (Guernsey) Limited – Cell 6 for the 2014 underwriting year of account.

5. Operating profit before goodwill and amortisation

Year ended 31 December 2013	Underwriting year of account* 2010 and prior £'000	2011 £'000	2012 £'000	2013 £'000	Pre-acquisition £'000	Corporate reinsurance £'000	Other corporate £'000	Total £'000
Gross premium written	13	14	1,284	13,494	(2,867)	—	—	11,938
Net premium written	25	(33)	1,082	11,068	(2,346)	(109)	—	9,687
Net earned premium	94	427	5,465	6,257	(2,433)	(109)	—	9,701
Net investment income	—	132	53	24	(125)	—	124	208
Net insurance claims and loss adjustment expenses	10	788	(2,172)	(3,650)	961	—	—	(4,063)
Operating expenses	(78)	(481)	(1,920)	(2,410)	1,092	—	(769)	(4,566)
Operating profit before goodwill and amortisation	**26**	**866**	**1,426**	**221**	**(505)**	**(109)**	**(645)**	**1,280**

Year ended 31 December 2012	Underwriting year of account* 2009 and prior £'000	2010 £'000	2011 £'000	2012 £'000	Pre-acquisition £'000	Corporate reinsurance £'000	Other corporate £'000	Total £'000
Gross premium written	—	27	1,046	10,907	(2,839)	—	—	9,141
Net premium written	—	(224)	860	8,952	(2,171)	(96)	—	7,321
Net earned premium	—	155	3,826	5,213	(2,130)	(96)	—	6,968
Net investment income	5	278	94	40	(173)	—	186	429
Net insurance claims and loss adjustment expenses	14	1,072	(1,881)	(3,745)	1,037	—	—	(3,502)
Operating expenses	—	(418)	(1,287)	(1,771)	931	—	(669)	(3,214)
Operating profit before goodwill and amortisation	19	1,087	752	(263)	(335)	(96)	(483)	681

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

* 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' agents charges.

6. Insurance liabilities and reinsurance balances
Movement in claims outstanding

	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2012	14,234	3,044	11,190
Increase in reserves arising from acquisition of subsidiary undertakings	9,445	1,993	7,452
Movement of reserves	(229)	24	(253)
Other movements	(3,636)	(738)	(2,898)
At 31 December 2012	19,814	4,323	15,491
At 1 January 2013	19,814	4,323	15,491
Increase in reserves arising from acquisition of subsidiary undertakings	5,303	861	4,442
Movement of reserves	(1,148)	(478)	(670)
Other movements	(2,373)	(552)	(1,821)
At 31 December 2013	**21,596**	**4,154**	**17,442**

Included within other movements are the 2010 and prior years' claims reserves reinsured into the 2011 year of account on which the Group does not participate and currency exchange differences.

6. Insurance liabilities and reinsurance balances continued
Movement in unearned premium

	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2012	3,137	409	2,728
Increase in reserves arising from acquisition of subsidiary undertakings	1,285	171	1,114
Movement of reserves	405	52	353
Other movements	(203)	(42)	(161)
At 31 December 2012	4,624	590	4,034
At 1 January 2013	4,624	590	4,034
Increase in reserves arising from acquisition of subsidiary undertakings	1,352	175	1,177
Movement of reserves	29	43	(14)
Other movements	(37)	(8)	(29)
At 31 December 2013	**5,968**	**800**	**5,168**

Assumptions, changes in assumptions and sensitivity
As described in Note 3 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 Groups 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 and 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 2013.

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 £2,160,000 (2012: £1,981,000);

» a 10% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Group's pre-tax profits by £1,744,000 (2012: £1,549,000); and

» a 10% increase/decrease in the run-off year net claims reserves will decrease/increase the Group's pre-tax profits by £13,000 (2012: £12,000).

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

6. Insurance liabilities and reinsurance balances continued

Analysis of gross and net claims development

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

2013

Gross claims as a % of gross earned premium

Year of account	2011*	2012*	**2013**
12 months	72.3%	67.7%	**53.1%**
24 months	61.0%	54.9%	**—**
36 months	51.7%	—	**—**

Net claims as a % of net earned premium

Year of account	2011*	2012*	**2013**
12 months	77.0%	71.4%	**53.1%**
24 months	62.3%	57.3%	**—**
36 months	51.8%	—	**—**

* Including the new acquisitions during 2013.

2012

Gross claims as a % of gross earned premium

Year of account	2010*	2011*	2012
12 months	62.9%	72.1%	68.1%
24 months	81.9%	62.4%	—
36 months	70.1%	—	—

Net claims as a % of net earned premium

Year of account	2010*	2011*	2012
12 months	67.2%	76.7%	71.8%
24 months	77.2%	64.0%	—
36 months	63.2%	—	—

* Including the new acquisitions during 2012.

7. Net investment income

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Investment income	**381**	320
Realised gains on financial assets at fair value through profit or loss	**5**	3
Unrealised (losses)/gains on financial assets at fair value through profit or loss	**(137)**	128
Investment management expenses	**(43)**	(49)
Bank interest	**2**	27
Net investment income	**208**	429

8. Operating profit before tax

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit before tax is stated after charging/(crediting):		
Directors' remuneration	**236**	84
Exchange differences	**107**	125
Amortisation of syndicate capacity	**462**	314
Acquisition costs in connection with the new subsidiaries acquired in the year	**49**	45
Impairment of goodwill	**98**	81
Goodwill on bargain purchase	**(133)**	(568)
Auditors' remuneration:		
– audit of the Parent Company and Group Financial Statements	**25**	25
– audit of subsidiary company Financial Statements	**22**	14
– other services	**—**	—

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

Directors' remuneration	**Year ended 31 December 2013 £**	Year ended 31 December 2012 £
Sir Michael Oliver	**20,000**	20,000
Andrew Leslie (resigned 27 June 2013)	**14,600**	15,000
Jeremy Evans	**15,000**	15,000
Michael Cunningham	**15,000**	15,000
Andrew Christie (appointed 8 July 2013)	**7,500**	—
Nigel Hanbury	**164,000**	18,750
Total	**236,100**	83,750

The Chief Executive Nigel Hanbury has a bonus incentive scheme in addition to his basic remuneration. The above figures include an accrual for the year of £89,000 (2012: £nil) in respect of this scheme. No other Directors derive other benefits, pension contributions or incentives from the Group. At 31 December 2013 no share options were held by the Directors (2012: nil).

The Company established a Nomination and Remuneration Committee during the year.

9. Income tax charge

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

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Current tax:		
– current year	**(95)**	221
– prior year	**(5)**	16
– foreign tax paid	**22**	36
	(78)	273
Deferred tax:		
– current year	**315**	(201)
– prior year	**(115)**	19
	200	(182)
Tax on profit on ordinary activities	**122**	91

9. Income tax charge continued

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

Tax for the year is lower than (2012: lower than) the standard rate of corporation tax in the UK of 23.25% (2012: 24.50%).

The differences are explained below:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit on ordinary activities before tax	**853**	854
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012: 24.50%)	**199**	209
Prior year adjustments	**(5)**	16
Change in deferred tax rate	**(115)**	(19)
Permanent disallowances	**50**	27
Goodwill on bargain purchase not subject to tax	**(31)**	(116)
Relief for foreign taxation	**22**	36
Other	**2**	(62)
Tax charge for the year	**122**	91

The results of the Group's participation on the 2011, 2012 and 2013 years of account and the calendar year movement on 2010 and prior run-offs will not be assessed to tax until the year ended 2014, 2015 and 2016 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.

10. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

The Group has no dilutive potential ordinary shares.

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

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

	Year ended 31 December 2013	Year ended 31 December 2012
Profit for the year	**£731,000**	£763,000
Weighted average number of shares in issue	**8,526,948**	7,691,769
Basic and diluted earnings per share	**8.57p**	9.92p

11. Dividends

No equity dividends were proposed, declared or paid in the year (2012: £nil). Future dividends are detailed in Note 24.

12. Intangible assets

	Goodwill £'000	Syndicate capacity £'000	Total £'000
Cost			
At 1 January 2012	—	2,027	2,027
Additions	81	218	299
Disposals	—	(56)	(56)
Impairment	(81)	—	(81)
Acquired with subsidiary undertakings	—	1,032	1,032
At 31 December 2012	—	3,221	3,221
At 1 January 2013	—	3,221	3,221
Additions	98	3	101
Disposals	—	(37)	(37)
Impairment	(98)	—	(98)
Acquired with subsidiary undertakings	—	1,927	1,927
At 31 December 2013	—	5,114	5,114
Amortisation			
At 1 January 2012	—	975	975
Charge for the year	—	314	314
Disposals	—	(4)	(4)
Acquired with subsidiary undertakings	—	139	139
At 31 December 2012	—	1,424	1,424
At 1 January 2013	—	1,424	1,424
Charge for the year	—	462	462
Disposals	—	(28)	(28)
Acquired with subsidiary undertakings	—	327	327
At 31 December 2013	**—**	**2,185**	**2,185**
Net book value			
As at 31 December 2011	—	1,052	1,052
As at 31 December 2012	—	1,797	1,797
As at 31 December 2013	**—**	**2,929**	**2,929**

As set out in Note 19 the Group acquired four new limited liability vehicles for cash in the year. When the Group acquires new limited liability vehicles for cash it looks to acquire the vehicle for adjusted net assets, accordingly, the Directors do not expect any material amounts of positive or negative goodwill to arise. In the circumstances where small amounts of positive goodwill arise they are immediately impaired and written off through the Consolidated Income Statement.

13. Deferred tax

Deferred tax is calculated in full on temporary differences using a tax rate of 20% (2012: 23%). 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 2012	127	288	415
On acquisition of subsidiary undertakings	219	486	705
Prior period adjustment	—	19	19
Credit for the year	(38)	(163)	(201)
At 31 December 2012	308	630	938
At 1 January 2013	308	630	938
On acquisition of subsidiary undertakings	210	308	518
Prior period adjustment	(40)	(75)	(115)
Charge for the year	(50)	365	315
At 31 December 2013	**428**	**1,228**	**1,656**

Company

The Company had no deferred tax liabilities (2012: £nil).

14. Other receivables

Group	**31 December 2013 £'000**	31 December 2012 £'000
Arising out of direct insurance operations	**2,603**	2,424
Arising out of reinsurance operations	**5,415**	3,519
Other debtors	**3,536**	3,400
	11,554	9,343

Company	**31 December 2013 £'000**	31 December 2012 £'000
Amounts owed by subsidiary undertakings	**5,273**	7,332
Prepayments	**17**	18
	5,290	7,350

Included within other receivables are amounts totalling £581,000 (2012: £228,000) which are not expected to be wholly recovered within one year.

All other receivables are due within one year.

The Company has no analysis of other receivables held directly by the syndicates on the Group's behalf (see Note 22). None of the Group's other receivables are past their due date and are all classified as fully performing.

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: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Group has no level 3 investments.

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

As at 31 December 2013, the Group held the following financial assets carried at fair value on the statement of financial position:

Group	2013 £'000	Level 1 £'000	Level 2 £'000
Shares and other variable yield securities	**322**	322	—
Debt securities and other fixed income securities	**13,376**	13,376	—
Participation in investment pools	**907**	907	—
Loans guaranteed by mortgage	**64**	—	64
Holdings in collective investment schemes	**3,268**	—	3,268
Deposits with credit institutions	**19**	—	19
Funds held at Lloyd's	**3,969**	3,969	—
Other	**288**	—	288
Total – market value	**22,213**	18,574	3,639

Group	2012 £'000	Level 1 £'000	Level 2 £'000
Shares and other variable yield securities	391	391	—
Debt securities and other fixed income securities	10,864	10,864	—
Participation in investment pools	847	847	—
Loans guaranteed by mortgage	91	—	91
Holdings in collective investment schemes	1,211	—	1,211
Deposits with credit institutions	22	—	22
Funds held at Lloyd's	7,173	7,173	—
Other	379	—	379
Total – market value	20,978	19,275	1,703

Funds at Lloyd's represents assets deposited with the Corporation of Lloyd's ("Lloyd's") to support the Group's underwriting activities as described in the accounting policies. The Group has entered into a Lloyd's Deposit Trust Deed which gives the Corporation 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 £700,000 are also held as part of the Group's Funds at Lloyds.

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

Company
Financial investments

	31 December 2013 £'000	31 December 2012 £'000
Investment in subsidiary undertakings	**4,076**	3,261
Holdings in collective investment schemes	**1,956**	—
Total – cost	**6,032**	3,261

The Company owns 100% of the share capital of Hampden Corporate Member Limited, Nameco (No. 365) Limited, Nameco (No. 605) Limited, Nameco (No. 321) Limited, Nameco (No. 917) Limited, Nameco (No. 229) Limited, Nameco (No. 518) Limited, Nameco (No. 804) Limited and Halperin Limited, all of which trade as Lloyd's of London corporate vehicles. The Company also owns 100% of the share capital of Helios UTG Partner Limited. All subsidiary companies are incorporated in England and Wales.

During the year the Company acquired Nameco (No. 804) Limited and Halperin Limited and Helios UTG Partner Limited became the 100% corporate partner of Nomina No 035 LLP and Nomina No 342 LLP. The total cash consideration of these acquisitions was £3,927,000 (see Note 19).

16. Other payables

Group	31 December 2013 £'000	31 December 2012 £'000
Arising out of direct insurance operations	**358**	331
Arising out of reinsurance operations	**2,255**	2,146
Other creditors	**1,503**	2,112
	4,116	4,589

Company	31 December 2013 £'000	31 December 2012 £'000
Other creditors	**10**	—
Accruals and deferred income	**172**	59
	182	59

All other payables are due within one year.

The Company has no analysis of other payables held directly by the syndicates on the Group's behalf (see Note 22).

17. Share capital and share premium

Allotted, called up and fully paid	Ordinary share capital £'000	Share premium £'000	Total £'000
8,526,948 ordinary shares of 10p each and share premium at 1 January 2013	853	6,996	7,849
8,526,948 ordinary shares of 10p each and share premium at 31 December 2013	**853**	**6,996**	**7,849**

18. Retained earnings

Group	2013 £'000	2012 £'000
At 1 January	**1,246**	483
Profit attributable to equity shareholders	**731**	763
At 31 December	**1,977**	1,246

Company	2013 £'000	2012 £'000
At 1 January	**2,714**	857
Profit attributable to equity shareholders	**599**	1,857
At 31 December	**3,313**	2,714

19. Acquisition of limited liability vehicles

Nomina No 035 LLP

On 9 October 2013 Helios UTG Partner Limited, a 100% subsidiary of the Company, became a 100% corporate partner in Nomina No 035 LLP for a total consideration of £380,000. Nomina No 035 LLP is incorporated in England and Wales and is a member of Lloyd's.

The acquisition has been accounted for using the purchase 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 £419,000. Negative goodwill of £39,000 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	31	285	316
Reinsurance assets:			
– reinsurers' share of claims outstanding	230	—	230
– reinsurers' share of unearned premium	40	—	40
Other receivables, including insurance receivables	487	150	637
Prepayments and accrued income	72	—	72
Financial investments	756	—	756
Cash and cash equivalents	21	—	21
Insurance liabilities:			
– claims outstanding	(1,029)	—	(1,029)
– unearned premium	(286)	—	(286)
Deferred income tax liabilities	—	(87)	(87)
Other payables, including insurance payables	(235)	—	(235)
Accruals and deferred income	(16)	—	(16)
Net assets acquired	**71**	**348**	**419**
Satisfied by:			
Cash and cash equivalents	380	—	380
Negative goodwill	**309**	**(348)**	**(39)**

The net earned premium and profit of Nomina No 035 LLP for the period since the acquisition date to 31 December 2013 is £131,000 and £17,000 respectively.

19. Acquisition of limited liability vehicles continued

Nomina No 342 LLP

On 15 October 2013 Helios UTG Partner Limited, a 100% subsidiary of the Company, became a 100% corporate partner in Nomina No 342 LLP for a total consideration of £290,000. Nomina No 342 LLP is incorporated in England and Wales and is a member of Lloyd's.

The acquisition has been accounted for using the purchase 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 £301,000. Negative goodwill of £11,000 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	39	276	315
Reinsurance assets:			
– reinsurers' share of claims outstanding	202	—	202
– reinsurers' share of unearned premium	41	—	41
Other receivables, including insurance receivables	504	—	504
Prepayments and accrued income	66	—	66
Financial assets at fair value	745	—	745
Cash and cash equivalents	45	—	45
Insurance liabilities:			
– claims outstanding	(997)	—	(997)
– unearned premium	(289)	—	(289)
Deferred income tax liabilities	—	(55)	(55)
Other payables, including insurance payables	(259)	—	(259)
Accruals and deferred income	(17)	—	(17)
Net assets acquired	**80**	**221**	**301**
Satisfied by:			
Cash and cash equivalents	290	—	290
Negative goodwill	**210**	**(221)**	**(11)**

The net earned premium and profit of Nomina No 035 LLP for the period since the acquisition date to 31 December 2013 is £123,000 and £15,000 respectively.

19. Acquisition of limited liability vehicles continued

Nameco (No. 804) Limited

On 2 November 2013 Helios Underwriting plc acquired 100% of the issued share capital of Nameco (No. 804) Limited for a total consideration of £2,547,000. Nameco (No. 804) Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the purchase 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 £2,630,000. Negative goodwill of £83,000 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	61	662	723
Reinsurance assets:			
– reinsurers' share of claims outstanding	208	—	208
– reinsurers' share of unearned premium	52	—	52
Other receivables, including insurance receivables	2,544	—	2,544
Prepayments and accrued income	134	—	134
Financial assets at fair value	1,817	—	1,817
Cash and cash equivalents	611	—	611
Insurance liabilities:			
– claims outstanding	(2,225)	—	(2,225)
– unearned premium	(490)	—	(490)
Deferred income tax liabilities	(102)	(132)	(234)
Other payables, including insurance payables	(454)	—	(454)
Accruals and deferred income	(56)	—	(56)
Net assets acquired	**2,100**	**530**	**2,630**
Satisfied by:			
Cash and cash equivalents	2,547	—	2,547
Negative goodwill	**447**	**(530)**	**(83)**

The net earned premium and profit of Nameco (No. 804) Limited for the period since the acquisition date to 31 December 2013 is £171,000 and £42,000 respectively.

Halperin Limited

On 20 December 2013 Helios Underwriting plc acquired 100% of the issued share capital of Halperin Limited for a total consideration of £710,000. Halperin Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the purchase 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 £612,000. Goodwill of £98,000 arose on acquisition. 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.

19. Acquisition of limited liability vehicles continued
Halperin Limited continued

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	2	318	320
Reinsurance assets:			
– reinsurers' share of claims outstanding	221	—	221
– reinsurers' share of unearned premium	42	—	42
Other receivables, including insurance receivables	562	204	766
Prepayments and accrued income	83	—	83
Financial assets at fair value	841	—	841
Cash and cash equivalents	121	—	121
Insurance liabilities:			
– claims outstanding	(1,052)	—	(1,052)
– unearned premium	(287)	—	(287)
Deferred income tax liabilities	(31)	(104)	(135)
Other payables, including insurance payables	(289)	—	(289)
Accruals and deferred income	(19)	—	(19)
Net assets acquired	**194**	**418**	**612**
Satisfied by:			
Cash and cash equivalents	710	—	710
Goodwill	**516**	**(418)**	**98**

The net earned premium and profit of Halperin Limited for the period since the acquisition date to 31 December 2013 is £18,000 and £2,000 respectively.

Had the four Limited Liability Vehicles been consolidated from 1 January 2013, the Consolidated Income Statement would show net earned premium of £12,134,000 and a profit after tax of £1,138,000.

Costs incurred in connection with the four acquisitions totalling £49,000 have been recognised in the Consolidated Income Statement.

20. Related party transactions
Helios Underwriting plc has provided inter-company loans to its subsidiaries which are repayable on three months' notice provided it does not jeopardise each subsidiary'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 2013 £'000**	31 December 2012 £'000
Balances due from Group companies at the year end:		
Hampden Corporate Member Limited	**1,257**	3,537
Nameco (No. 365) Limited	**136**	350
Nameco (No. 605) Limited	**362**	1,306
Nameco (No. 321) Limited	**134**	350
Nameco (No. 917) Limited	**573**	1,431
Nameco (No. 229) Limited	**110**	358
Nameco (No. 518) Limited	**34**	—
Nameco (No. 804) Limited	**1,429**	—
Halperin Limited	**—**	—
Nomina No 035 LLP	**—**	—
Nomina No 342 LLP	**—**	—
Helios UTG Partner Limited	**1,238**	—
Total	**5,273**	7,332

20. Related party transactions continued

The Limited Liability Vehicles are 100% subsidiaries of the Company (either directly or indirectly) and have entered into a management agreement with Nomina plc. Jeremy Evans, a Director of Helios Underwriting plc and its subsidiary companies, is also a director of Nomina plc. Under the agreement, Nomina plc provides management and administration, financial, tax and accounting services to the Group for an annual fee of £42,750 (2012: £31,750).

The Limited Liability Vehicles have entered into a member's agent agreement with Hampden Agencies Limited. Jeremy Evans, a Director of Helios Underwriting plc and its subsidiary companies, is also a director of Hampden Capital plc, which controls Hampden Agencies Limited. Under the agreement the Limited Liability Vehicles will pay Hampden Agencies Limited a fee based on a fixed amount, which will vary depending upon the number of syndicates the Limited Liability Vehicles underwrites 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 2013 are set out below:

Company	**31 December 2013 £'000**	31 December 2012 £'000
Hampden Corporate Member Limited	**20**	51
Nameco (No. 365) Limited	**5**	9
Nameco (No. 605) Limited	**15**	50
Nameco (No. 321) Limited	**6**	16
Nameco (No. 917) Limited	**10**	3
Nameco (No. 229) Limited	**6**	6
Nameco (No. 518) Limited	**7**	23
Nameco (No. 804) Limited	**8**	—
Halperin Limited	**7**	—
Nomina No 035 LLP	**7**	—
Nomina No 342 LLP	**6**	—
Helios UTG Partner Limited	**—**	—
Total	**97**	158

During the year Helios Underwriting plc had a company secretarial agreement with Hampden Legal plc. Under the agreement, Hampden Legal plc provides company secretarial services to the Group for an annual fee of £35,000. Jeremy Evans is a director of Hampden Holdings Limited. Hampden Holdings Limited has a controlling interest in both Hampden Legal plc and Hampden Capital plc.

The Group has entered into a 50% quota share reinsurance contract for the 2013 underwriting year of account with Hampden Insurance PCC (Guernsey) Limited – Cell 6 for Hampden Corporate Member Limited, Nameco (No. 365) Limited, Nameco (No. 605) Limited, Nameco (No. 321) Limited, Nameco (No. 917) Limited, Nameco (No. 229) Limited and Nameco (No. 518) Limited. Nigel Hanbury, a Director of Helios Underwriting plc and its subsidiary companies, is also a director and majority shareholder in Hampden Insurance PCC (Guernsey) Limited – Cell 6. Hampden Capital, a substantial shareholder in Helios Underwriting plc is also a substantial shareholder in Hampden Insurance PCC (Guernsey) Limited – Cell 6. Under the agreement, the Group accrued a net reinsurance premium payable of £22,000 during the year.

All of the Group's Limited Liability Vehicles have entered into a Group 50% quota share reinsurance contract with Hampden Insurance PCC (Guernsey) Limited – Cell 6 for the 2014 underwriting year of account.

21. 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	2011* £	2012* £	2013* £	**2014 £**
33	Hiscox Syndicates Limited	616,717	568,645	568,645	**1,289,939**
218	Equity Syndicate Management Limited	503,431	254,285	359,285	**745,344**
386	QBE Underwriting Limited	117,581	135,136	135,136	**448,627**
510	R J Kiln & Co Limited	902,945	905,425	880,770	**2,238,439**
557	R J Kiln & Co Limited	508,445	697,973	263,474	**431,063**
570	Atrium Underwriters Limited	367,987	—	—	**—**
609	Atrium Underwriters Limited	489,106	867,730	817,120	**1,712,561**
623	Beazley Furlonge Limited	576,920	457,746	577,313	**1,798,439**
727	S A Meacock & Company Limited	286,333	286,333	286,333	**368,166**
779	ANV Syndicates Limited	30,554	20,000	20,000	**—**
807	R J Kiln & Co Limited	184,644	—	—	**—**
958	Canopius Managing Agents Limited	328,732	366,434	287,914	**435,630**
1176	Chaucer Syndicates Limited	103,056	204,874	251,818	**317,712**
1200	Argo Managing Agency Limited	260,541	240,542	63,551	**64,252**
2010	Cathedral Underwriting Limited	214,790	218,235	218,235	**479,010**
2014	Pembroke Managing Agency Limited	—	—	—	**845,079**
2121	Argenta Syndicate Management Limited	190,505	156,969	11,691	**—**
2525	Asta Managing Agency Limited	16,785	17,206	—	**96,690**
2791	Managing Agency Partners Limited	1,243,821	1,078,666	1,134,641	**2,134,400**
5820	ANV Syndicates Limited	—	—	47,754	**—**
6103	Managing Agency Partners Limited	132,500	332,500	392,390	**372,410**
6104	Hiscox Syndicates Limited	135,000	335,000	380,730	**745,730**
6105	Ark Syndicate Management Limited	108,065	108,065	60,002	**274,592**
6106	Amlin Underwriting Limited	248,251	298,251	256,170	**—**
6107	Beazley Furlonge Limited	85,000	135,000	10,000	**350,000**
6110	Pembroke Managing Agency Limited	—	372,655	819,892	**—**
6111	Catlin Underwriting Agencies Limited	—	411,954	489,808	**951,608**
6113	Barbican Managing Agency Limited	—	—	10,000	**—**
6117	Asta Managing Agency Limited	—	—	—	**862,595**
7200	Members' agents pooling arrangement	342,232	351,971	351,971	**48,325**
7201	Members' agents pooling arrangement	1,777,568	1,806,284	1,806,284	**249,501**
7202	Members' agents pooling arrangement	628,295	640,463	640,463	**87,799**
7203	Members' agents pooling arrangement	73,586	74,677	74,677	**14,053**
7208	Members' agents pooling arrangement	5,275,767	—	—	**—**
7209	Members' agents pooling arrangement	64,118	—	—	**—**
7210	Members' agents pooling arrangement	23,778	—	—	**—**
7211	Members' agents pooling arrangement	—	5,439,352	5,439,352	**687,750**
7217	Members' agents pooling arrangement	83,478	83,478	83,478	**83,478**
Total		15,920,531	16,865,849	16,738,897	**18,133,192**

* Including the new acquisitions in 2013.

22. 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 2013			31 December 2012		
	Group £'000	Syndicate £'000	Total £'000	Group £'000	Syndicate £'000	Total £'000
Assets						
Intangible assets	**2,929**	**—**	**2,929**	1,797	—	1,797
Reinsurance assets:						
– reinsurers' share of claims outstanding	**—**	**4,154**	**4,154**	—	4,323	4,323
– reinsurers' share of unearned premium	**—**	**800**	**800**	—	590	590
Other receivables, including insurance receivables	**793**	**10,761**	**11,554**	490	8,853	9,343
Prepayments and accrued income	**36**	**1,533**	**1,569**	62	1,154	1,216
Financial assets at fair value	**5,932**	**16,281**	**22,213**	7,354	13,624	20,978
Cash and cash equivalents	**86**	**980**	**1,066**	697	747	1,444
Total assets	**9,776**	**34,509**	**44,285**	10,400	29,291	39,691
Liabilities						
Insurance liabilities:						
– claims outstanding	**—**	**21,596**	**21,596**	—	19,814	19,814
– unearned premium	**—**	**5,968**	**5,968**	—	4,624	4,624
Deferred income tax liabilities	**1,656**	**—**	**1,656**	938	—	938
Other payables, including insurance payables	**34**	**4,082**	**4,116**	246	4,343	4,589
Accruals and deferred income	**866**	**257**	**1,123**	581	50	631
Total liabilities	**2,556**	**31,903**	**34,459**	1,765	28,831	30,596
Shareholders' equity						
Share capital	**853**	**—**	**853**	853	—	853
Share premium	**6,996**	**—**	**6,996**	6,996	—	6,996
Retained earnings	**(629)**	**2,606**	**1,977**	786	460	1,246
Total shareholders' equity	**7,220**	**2,606**	**9,826**	8,635	460	9,095
Total liabilities and shareholders' equity	**9,776**	**34,509**	**44,285**	10,400	29,291	39,691

23. Ultimate controlling party

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

24. Post balance sheet events

In order to increase the Group's underwriting capacity, the Company has, since the balance sheet date, acquired 100% of the voting rights (either directly or indirectly) of the following Limited Liability Vehicles:

Nomina No 380 LLP

On 16 January 2014 Helios UTG Partner Limited, a 100% subsidiary of the Company, became a 100% corporate partner in Nomina No 380 LLP for a total consideration of £557,000. Nomina No 380 LLP is incorporated in England and Wales and is a member of Lloyd's.

After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the provisional fair value of the net assets at the date of acquisition was estimated to be £581,000 giving rise to negative goodwill of £24,000 on acquisition. The following table explains the provisional fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition.

24. Post balance sheet events continued
Nomina No 380 LLP continued

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	28	496	524
Reinsurance assets:			
– reinsurers' share of claims outstanding	400	—	400
– reinsurers' share of unearned premium	63	—	63
Other receivables, including insurance receivables	803	—	803
Prepayments and accrued income	116	—	116
Financial assets at fair value	1,363	—	1,363
Cash and cash equivalents	90	—	90
Insurance liabilities:			
– claims outstanding	(1,861)	—	(1,861)
– unearned premium	(445)	—	(445)
Deferred income tax liabilities	—	(99)	(99)
Other payables, including insurance payables	(324)	—	(324)
Accruals and deferred income	(49)	—	(49)
Net assets acquired	**184**	**397**	**581**
Satisfied by:			
Cash and cash equivalents	557	—	557
Negative goodwill	**373**	**(397)**	**(24)**

Bernul Limited

On 27 March 2014 Helios Underwriting plc acquired 100% of the issued share capital of Bernul Limited for a total consideration of £823,000. Bernul Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the provisional fair value of the net assets at the date of acquisition was estimated to be £813,000 giving rise to goodwill of £10,000 on acquisition. The following table explains the provisional fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	1	323	324
Reinsurance assets:			
– reinsurers' share of claims outstanding	165	—	165
– reinsurers' share of unearned premium	36	—	36
Other receivables, including insurance receivables	817	—	817
Prepayments and accrued income	85	—	85
Financial assets at fair value	1,123	—	1,123
Cash and cash equivalents	84	—	84
Insurance liabilities:			
– claims outstanding	(1,122)	—	(1,122)
– unearned premium	(313)	—	(313)
Deferred income tax liabilities	(56)	(65)	(121)
Other payables, including insurance payables	(234)	—	(234)
Accruals and deferred income	(31)	—	(31)
Net assets acquired	**555**	**258**	**813**
Satisfied by:			
Cash and cash equivalents	823	—	823
Goodwill	**268**	**(258)**	**10**

24. Post balance sheet events continued

Nomina No 372 LLP

On 2 May 2014 Helios UTG Partner Limited, a 100% subsidiary of the Company, became a 100% corporate partner in Nomina No 372 LLP for £480,000. Nomina No 372 LLP is incorporated in England and Wales and is a member of Lloyd's.

After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the provisional fair value of the net assets at the date of acquisition was estimated to be £469,000 giving rise to goodwill of £11,000 on acquisition. The following table explains the provisional fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	3	439	442
Reinsurance assets:			
– reinsurers' share of claims outstanding	253	—	253
– reinsurers' share of unearned premium	48	—	48
Other receivables, including insurance receivables	497	—	497
Prepayments and accrued income	90	—	90
Financial assets at fair value	959	—	959
Cash and cash equivalents	80	—	80
Insurance liabilities:			
– claims outstanding	(1,216)	—	(1,216)
– unearned premium	(350)	—	(350)
Deferred income tax liabilities	—	(87)	(87)
Other payables, including insurance payables	(203)	—	(203)
Accruals and deferred income	(44)	—	(44)
Net assets acquired	**117**	**352**	**469**
Satisfied by:			
Cash and cash equivalents	480	—	480
Goodwill	**363**	**(352)**	**11**

Members' agents profit commission agreement

During the year the Company re-negotiated its Group fee arrangement with the Limited Liability Vehicles members' agent, Hampden Agencies Limited. Under this new agreement, the Group will pay a fixed fee per underwriting year of account, commencing with the 2014 underwriting year of account, of £50,000 plus an additional fee of 0.2% for underwriting capacity in excess of £10,000,000.

Future dividends

In respect of the year ended 31 December 2013 a final dividend of 1.5p per share together with a special dividend of 3.0p per share, amounting to a total dividend of £384,000 is to be proposed at the annual general meeting on 26 June 2014. These Financial Statements do not reflect this dividend payable.

Registered officers and advisers

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Nigel John Hanbury (Chief Executive)
Jeremy Richard Holt Evans (Non-executive Director)
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