Expanding opportunities through acquisitions

Helios Underwriting plc
Annual report and financial statements 2014

HELIOS UNDERWRITING

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

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

Acquisitions in 2014

16 January
Acquisition of Nomina No 380 LLP

27 March
Acquisition of Bernul Limited

2 May
Acquisition of Nomina No 372 LLP

16 September
Acquisition of Dumasco Limited

Highlights

Gross premium written during the period totalled £17.1m

Operating profit before tax of £1,230,000

Profit after tax of £1,043,000

Earnings per share of 12.23p

Net asset value increase to £10.5m

Net asset value per share of £1.23

2012 underwriting year of account profit return on capacity of 13.01%

Operating profit return on net asset value of 11.73%

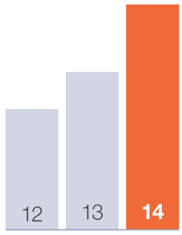
Recommended total dividend for this year of 5.1p per share

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)

+43%

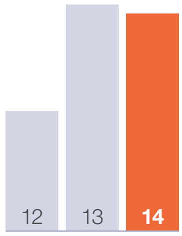
2014	**17,062**
2013	11,938
2012	9,141



Operating profit (£’000)

-4%

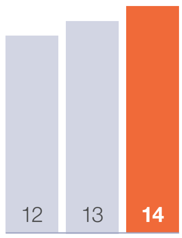
2014	**1,230**
2013	1,280
2012	681



NAV per share (£)

+7%

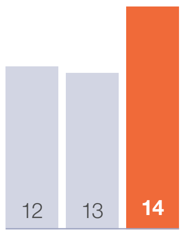
2014	**1.23**
2013	1.15
2012	1.07



Profit after tax (£’000)

+43%

2014	**1,043**
2013	731
2012	763



S Strategic report

G Governance

F Financial statements

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

Chairman's statement

Positive results

The profit after tax for the year of £1,043,000 shows a significant improvement on 2013 of £731,000 and represents our best year to date.

Sir Michael Oliver
Non-executive Chairman

Summary

- Profit after tax increase of 43%
- Group adjusted net assets at £1.72 per share
- Acquisition of four new vehicles during the year
- Three new acquisitions of vehicles in 2015
- Final dividend of 1.5p per share plus special dividend of 3.6p per share

Your Board is pleased to report another set of encouraging results for 2014. The profit after tax for the year of £1,043,000 shows a significant improvement on 2013 of £731,000 and represents our best year to date. Net assets have increased to £10.5m from £9.8m at 31 December 2013, a growth of 6.71%. The results were helped by an excellent result from the 2012 underwriting account of 13.01% on our net underwriting capacity of £21.1m compared to the 2011 account, which produced 7.58% on underwriting capacity of £15.9m.

Shareholders will note that the profit after tax is considerably greater than the previous year, but the operating profit was down by some 4%. This is largely due to negative goodwill emanating from our program of acquisitions which had a beneficial effect combined with increased operating costs (reduced for 2015). The Board recognises that it is important to grow and continues to explore various options. To do so does inevitably increase costs, such as professional and advisers fees, which accounts for much of the reduced operating profit.

Following the precedent set last year we are once again reporting the Parent Company's adjusted net assets, plus the independent valuation of the Group's Limited Liability Vehicles as produced by Humphrey & Co, which is the market's primary provider of vendor valuations. This has increased to £1.72 per share from £1.64 per share (restated) in 2013, or total net assets of £14.7m (2013: £14.0m).

During 2014 we acquired four vehicles at acceptable prices and have made a further three purchases already this year with one more still to complete. These all should show satisfactory results on the open years of 2013 and 2014.

Including the three new acquisitions in 2015, our gross premium income limit underwritten for the 2015 year of account is £23.0m compared to £25.6m for 2014, £23.9m for 2013 and £23.7m for 2012. The reduction is explained by the continuing programme of "quality control", compulsory de-emptions and syndicate cessations. We continue with our strategy of reinsuring a significant portion of the youngest, least mature year, such that reinsurance has now risen to 70% from 50%. The gross premium figure nets down, after reinsurance, to £6.9m for 2015, £10.7m for 2014, £17.5m for 2013 and £23.7m for 2012. However, we have a significant war chest which can be utilised to purchase more vehicles if they become available at reasonable prices. Should such purchases be achieved, the net underwriting figure will rise considerably on all accounts between now and the time they come to close.

The Board considers that the risks attaching to the open accounts of 2014 and prior are sufficiently well developed that no further protection is required. However, the market remains very competitive and we continue to take advantage of the availability of reasonably priced stop loss reinsurance to mitigate any losses that may arise on the 2015 account.

Following a successful year the Board is pleased to recommend a final dividend of 1.5p per share together with a special dividend of 3.6p per share payable to all shareholders on the register at 5 June 2015. In aggregate these amount to a total of £457,000, compared to £384,000 in 2014. Furthermore the Board also intends to put in place a Scrip Dividend Scheme to give shareholders the opportunity to elect to receive dividends in the form of new ordinary shares instead of cash and an appropriate resolution will be proposed at the 2015 Annual General Meeting to give the Board the requisite authority. The terms and conditions of the proposed Scrip Dividend Scheme will be set out in a circular to be sent to shareholders shortly.

If approved the dividend will be made in a single payment or share issue on 3 July 2015.

Sir Michael Oliver
Non-executive Chairman
22 May 2015

Following a successful year the board is pleased to recommend a final dividend of 1.5p per share together with a special dividend of 3.6p per share.

Chief Executive's review

Continuing to grow

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

Nigel Hanbury
Chief Executive

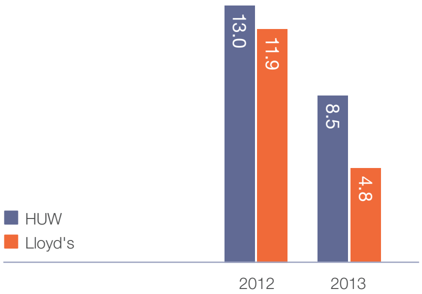
Highlights

- 2012 year of account produced a profit of £2,744,000, representing a profit of 13.01% on 2012 capacity
- Over 87% of capacity supporting syndicates rated either "AA", "A" or "B" by Hampden Agencies Limited
- Helios Underwriting's combined ratio outperformed both the Lloyd's market and a peer group
- Good news for buyers of reinsurance has enabled Helios Underwriting to buy more reinsurance while underlying catastrophe reinsurance exposures have reduced for 2015
- Recommended total dividend for this year of 5.1p per share

Syndicate profit distributions
Profit distributions from Helios Underwriting's ("HUW") portfolio of syndicates continue to be made by reference to the traditional three-year Lloyd's accounting. Using this measure of performance, Helios Underwriting's portfolio significantly outperformed the Lloyd's result as a percentage of capacity on the 2012 account at 31 December 2014 with a profit of 13.01% (Lloyd's: 11.93%) and is estimated to outperform Lloyd's on the 2013 account with a profit of 8.5% at the mid-point estimate after eight quarters (Lloyd's: 4.8%).

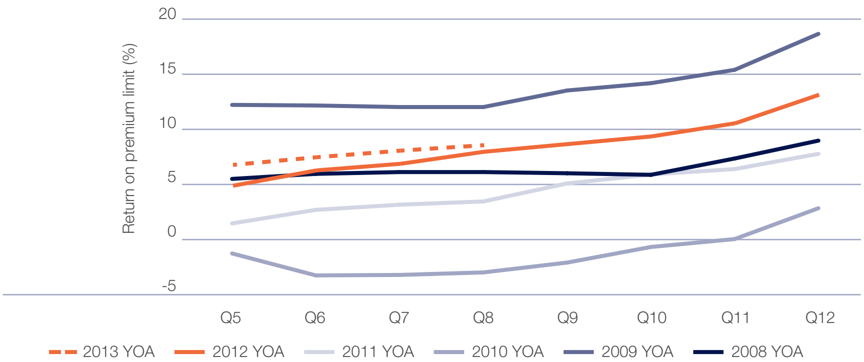
At this early stage of development on the 2014 account, a complete set of published estimates is not available until the end of May 2015. In March 2015 Hampden Agencies updated its forecast profit for the 2014 year from its initial range of 0%–7.5% to 2.5%–10% for clients of Hampden Agencies on average.

HUW's 2012 account result and 2013 account estimate compared with Lloyd's (%)



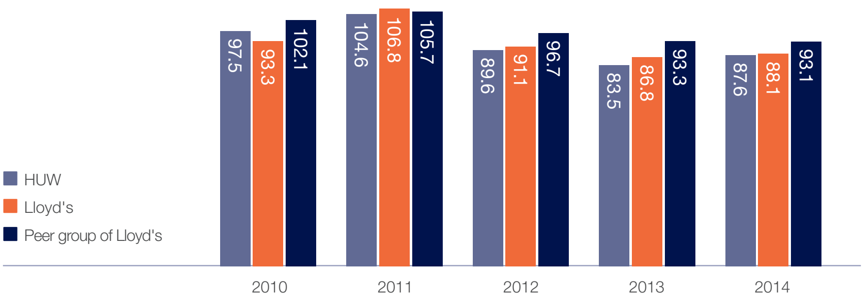
Source:
HUW & Lloyd's stock exchange estimates at 2014 Q4 result before members' agent's charges as a percentage of capacity.

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



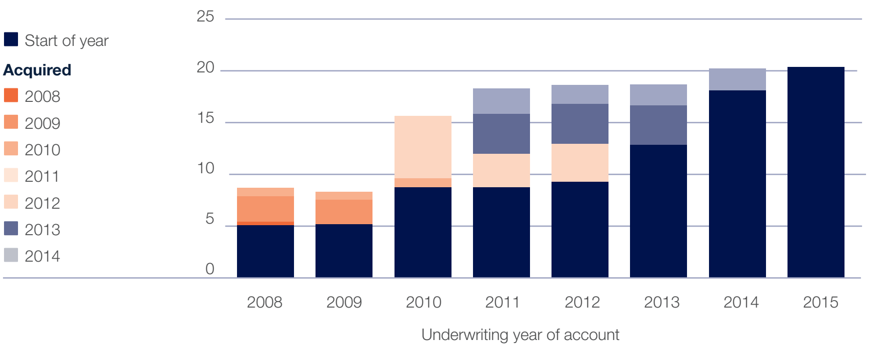
Chief Executive's review *continued*

Combined ratio compared with Lloyd's and peer group: 2010–2014 (%)



Source:
Lloyd's – Lloyd's pro forma Financial Statements 31 December 2014.
Competitor group formed of eleven companies operating in the US, European and Bermudan markets. These companies are Ace, AIG, Arch, Everest Re, Hannover Re, Mapfre, Munich Re, Partner Re, SCOR, Swiss Re and XL Re.

Growth in premium capacity through acquisitions (%)



HUW's 2014 underwriting result

The traditional method for comparing the performance of competing (re)insurance companies is an analysis of the combined ratio, which is the sum of net claims and expenses divided by net earned premium. I am delighted to report that the combined ratio of Helios Underwriting's portfolio for 2014 was 87.6% with the underwriting result benefiting from another benign year for catastrophe losses. Using this measure of performance, Helios Underwriting outperformed both the Lloyd's market combined ratio of 88.1% (by 0.5 percentage points) and a peer group of eleven competitor insurance and reinsurance companies whose average combined ratio was 93.1% (by 5.5 percentage points). Helios Underwriting has outperformed both the Lloyd's market and the competitor group in each of the past four financial years.

HUW's capital position

Net tangible assets per share fell marginally by 3% during 2014, principally as a result of the four acquisitions made in the year. Year-end net tangible assets were £6.7m (£6.9m at year end 2013) with the balance of Lloyd's minimum capital requirement in November 2014 of £13.1m (£11.1m in November 2013, being supplied by letters of credit from quota share reinsurance capital providers from which we benefit from both a fee and profit commission).

Strategic objective and risk management strategy

2014 has been a year during which we have carried through our stated strategy. The returns give us confidence that the strategy is working, under difficult market conditions, for the benefit of the shareholders.

During the year Helios successfully purchased four vehicles and, following the year end, were able to purchase three more with a fourth subject to completion. This succession of vehicles purchased exceeded our expectations. However at the time of going to press a quieter period seems to be upon us. Given the age profile of potential vendors it seems reasonable to assume that mortality will ensure further sales, although a satisfactory price can never be guaranteed. It is important to point out that the main threat to our strategy is that we are unable to secure sufficient purchases at acceptable prices.

Our strategic objective remains to underwrite at Lloyd's with superior capital efficiency, lower risk and higher return. In order to achieve this the Company announced in 2012 that it was purchasing quota share reinsurance. One of the reasons it did so was in response to deteriorating market conditions. These conditions have continued to worsen and we have re-examined our strategy to ensure that it remains appropriate. I am pleased to say that we believe that is the case. The essential features of the strategy constitute an increased purchase of quota share to 70%, from 50% initially, on the youngest year of account. The quota share cover is collateralised by letters of credit up to the amount of the indemnity.

“2014 has been a year during which we have carried through our stated strategy. The returns give us confidence that the strategy is working, under difficult market conditions, for the benefit of the shareholders.

Chief Executive's review *continued*

We retain the maximum possible exposure to older, more mature years of account which, generally speaking, show a consistent pattern of improvement and, in our view, have a lower risk attaching to them although, for example, at the time of going to press, 2014 still contains significant unprotected (by us) risk. Furthermore we will receive an annual fee from this arrangement as well as a profit commission if appropriate.

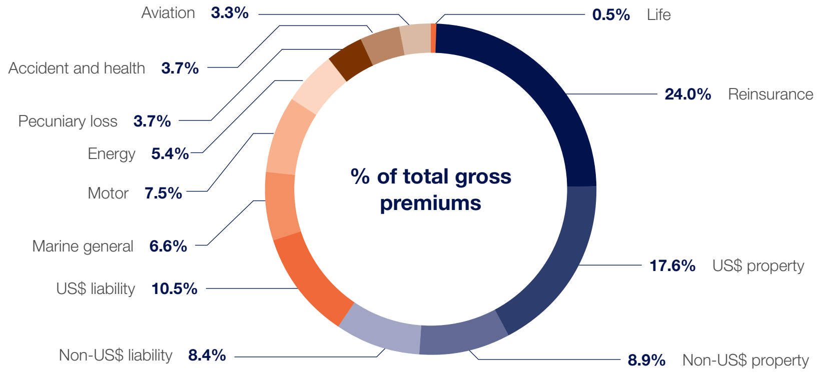
I am pleased to report that the quota share arrangement has been renewed for the 2015 account with all three reinsurers.

To further protect the Company from underwriting losses, Helios purchases regular stop loss reinsurance from Hampden Insurance PCC (Guernsey) Limited, a Guernsey Protected Cell which is reinsured 100% with a very large A+ rated international reinsurer.

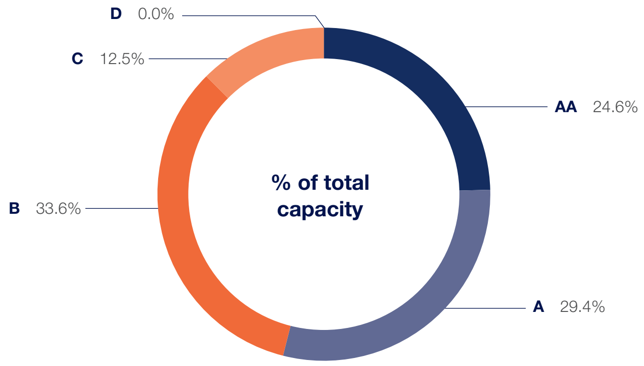
We buy the maximum available to us with the ultimate aim that all vehicles are covered, although for various reasons some are not covered in the short term; for example, quotes might not be available for a recent LLV purchase, in which case we will run that risk until such time as it can be included. We buy cover in excess of a 10% of overall premium limit ("OPL") deductible, which is designed to contain any possible loss at an acceptable figure.

It is our judgement that should a single loss or series of losses strike the insurance market then the strategy outlined above will position us satisfactorily for the opportunities which would no doubt become apparent. However, if the timing of those losses are further out than might be expected, this strategy should continue to produce satisfactory profits within an acceptable risk profile.

Classes of business for 2015 (%)



Syndicate rating for 2015 (%)



Classes of business for 2015

The final important piece of the risk management matrix is to ruthlessly focus on quality syndicates which have traditionally outperformed in difficult times.

Helios Underwriting's portfolio for 2015 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. Currently, the balance of risk and reward has now shifted from net sellers of reinsurance to net buyers of reinsurance. Reinsurance exposure based on syndicate business plans has therefore reduced for 2015 to 24.0% from 30.9% in 2014 while US$ property insurance exposure has increased to 17.6% from 16.0% in 2014.

We continue to actively increase our exposure to higher quality syndicates and ended the year with 54% of our capacity supporting syndicates rated either "AA" (excellent) or "A" (very good), the top two out of four syndicate ratings according to Hampden. HUW's portfolio for 2015 continues to provide a good spread of business across managing agents and classes of business. 24.6% of the capacity is in the two syndicates rated "AA" by Hampden Agencies, being Syndicates 609 and 2791, while Kiln Syndicate 510, rated "B", is the largest holding at 17.1% of capacity. The top ten syndicates comprise 82.5% of the portfolio. Apart from a small participation on a life syndicate through a Nameco acquisition, one new syndicate was joined for 2015 which writes catastrophe-exposed US middle market commercial insurance risks.

In our view there is a correlation between quality and the price these syndicates are likely to achieve at auction, which leaves us exposed to a drop in value which would certainly occur if there were a very significant, market-changing catastrophe. Our weighted average value of capacity is £7.8m and it is not inconceivable that this could reduce significantly in a major crisis. Shareholders should be aware that such a reduction would affect our adjusted net asset value at least in the short term.

Chief Executive's review *continued*

Top ten syndicates for 2015

Syndicate	Managing agent	2015 syndicate capacity £'000	2015 HUW portfolio capacity £'000	2015 HUW portfolio % of total	Largest class
510	Tokio Marine Kiln Syndicates Limited	1,064,046	3,510	17.1	US$ property
2791	Managing Agency Partners Limited	400,000	2,839	13.9	Reinsurance
623	Beazley Furlonge Limited	230,479	2,258	11.0	US$ non-marine liability
609	Atrium Underwriters Limited	420,863	2,194	10.7	US$ property
33	Hiscox Syndicates Limited	1,000,000	1,730	8.5	US$ property
6111	Catlin Underwriting Agencies Limited	104,365	1,148	5.6	Reinsurance
218	ERS Syndicate Management Limited	350,099	921	4.5	Motor
6104	Hiscox Syndicates Limited	65,210	863	4.2	Reinsurance
2014	Pembroke Managing Agency Limited	100,000	800	3.9	Reinsurance
6117	Asta Managing Agency Limited	38,290	641	3.1	Reinsurance
Subtotal			**16,904**	**82.5**	
Other			**3,556**	**17.5**	
Total 2015 HUW portfolio			**20,460**	**100.0**	

Source: 2015 syndicate capacities sourced from 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.

The Group benefits from strategic collateralised quota share arrangements on its 2013, 2014 and 2015 years of account.

The 2013 year of account arrangement is in respect of 50% of its business with Bermudan reinsurer XL Re Limited ("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 2014 year of account has a strategic collateralised quota share arrangement in respect of 50% of its business with XL Re, 12.45% with Bermudan reinsurer Everest Reinsurance Bermuda Limited ("Everest", part of global NYSE quoted insurer Everest Re Group, Ltd) and 7.55% with Guernsey reinsurer Polygon Insurance Co Limited ("Polygon") through Cell 6.

The Group anticipates these arrangements as strategic long-term relationships. However, the contracts are 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.

The biggest single risk faced by insurers is deficient loss reserves combined with inadequate pricing, which accounts for 44.3% of insurance failures according to AM Best in its latest review of insurer impairments in the US. Particularly for casualty business, where the period or "tail" for a claim to be paid may be many years after the receipt of premium, the feedback loop between reserving and pricing is critical. Under-reserving leads to inadequate pricing based on false profitability which then can be exacerbated by multiple years of underwriting losses before pricing can be corrected. Under-reserving usually arises due to unforeseen events such as legislative, social or economic changes but can also be due to risks which underwriters are aware of but which have not been fully priced into the premium charged.

Rapid growth is the third largest reason for insurer impairments, accounting for 12.3% of impairments, while investment problems (6.6%) and catastrophe losses (7.1%) play a much smaller role. Rapid growth can be associated with moving into new lines of business where there is limited or no prior experience and therefore could cause both increased pricing and reserving risk. Cyber liability has the potential to fall into this category if not managed carefully.

> "The final important piece of the risk management matrix is to ruthlessly focus on quality syndicates which have traditionally outperformed in difficult times.

Chief Executive's review *continued*

Excessive growth in a softening/soft market when compared with peers is usually a warning signal since that growth is usually, by definition, accompanied by underwriting business at a lower rate than the previous carrier.

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 ("RDSs") prescribed by Lloyd's. Risk is assessed in the context of potential return with catastrophe exposure being actively managed dependent on market conditions.

The RDS events comprise 16 compulsory events including a Florida hurricane, a Californian earthquake and a 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 2015 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. Syndicates are also required by Lloyd's to report two further realistic events (Alternative A and B) that represent potential material impact to the syndicate.

HUW's largest modelled exposures net of reinsurance at syndicate level as a percentage of gross premiums have reduced for 2015 compared with 2014 before taking into account HUW's stop loss reinsurance and quota share reinsurance protections. This reflects a reduced reinsurance exposure which is consistent with the reduction in margins for peak zone catastrophe exposures. The largest for 2015 is the larger of two windstorm events consisting of a north-east US hurricane, immediately followed by a South Carolina hurricane at 28.2% of gross premium, net of reinsurance (32.2% in 2014). The next largest is the Gulf of Mexico windstorm at 25.1% net (30.4% in 2014).

All RDS exposures as a percentage of gross premium are within the 30% net of reinsurance Hampden Agencies guidelines.

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.

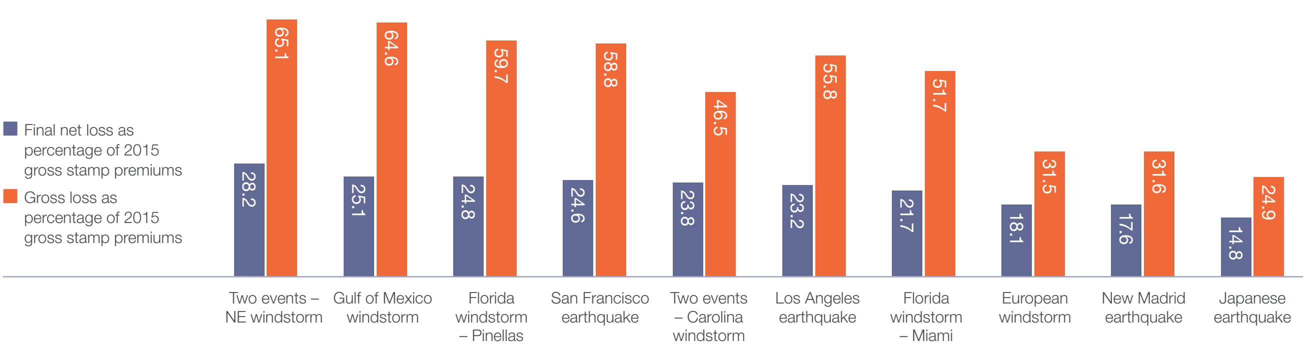
For the reasons described above, the Board of Directors does not consider it appropriate to monitor or report any performance indicators in relation to corporate, social or environmental matters.

Outlook

2014 has shown that our strategy works under current conditions. We aim to do more of the same for 2015. We can see encouraging possibilities under most circumstances, but the threat remains that the satisfactory flow of target vehicles either dries up or the price to acquire them becomes unaffordable. We believe neither is likely but the possibility remains.

Nigel Hanbury
Chief Executive
22 May 2015

Realistic disaster scenarios – gross and net reinsurance (%)



Note: The chart only shows the top ten net losses, not all RDSs.

Source: 2015 Syndicate Business Forecasts.

Lloyd's Advisers' report – Hampden Agencies

Good news for reinsurance buyers

We expect that Lloyd's will continue to underwrite profitably in 2015, although current competitive market conditions, particularly in reinsurance, make Lloyd's more vulnerable to above average catastrophe losses. Going forward, we forecast that the amplitude of the underwriting cycle will be lower than in previous cycles due to two factors. First, the claims paying ability of both insurers and reinsurers has seldom been stronger when capital is compared with premium income, which is likely to limit the upside in good years. Second, in an era of low investment returns and declining yields on the traditional bond investments favoured by insurers, the long-term loss of investment return remains a force for underwriting discipline and should limit the downside in each cycle trough.

However, the reduction in bond investment yields has contributed to a significant influx of alternative capital into the catastrophe reinsurance sector as institutional third party investors supply capital to the reinsurance sector in a "search for yield". Alternative capital has contributed to reduced rates for reinsurance and a consequent reduction in prospective underwriting returns from reinsurance. Today, the risk reward ratio favours net buyers of reinsurance as opposed to net sellers of reinsurance, with syndicates able to buy significantly better reinsurance cover and stop loss reinsurance being available again to clients of Hampden for the 2014 and 2015 accounts. Our target result for the 2015 three-year account is a modest profit in the range of 0% to 5% of capacity assuming an average year for major losses.

Lloyd's competitive position remains strong

Lloyd's competitive position remains strong as we enter 2015. Underwriting discipline is evidenced by the fact that 27.5% of syndicates have de-empted their underwriting capacity for 2015 compared with 12.6% of syndicates de-empting for 2014. Total market underwriting capacity at 1 January 2015 reduced by just under 1% to £26.2bn. In June 2014 Fitch Ratings upgraded Lloyd's to "AA-" (very strong) reflecting its expectation that Lloyd's future cross cycle underwriting performance will be more favourable than that achieved by Lloyd's historically, both in absolute terms and compared with peers.

Catastrophe losses have been benign in both 2013 and 2014

Reported financial results for both insurers and reinsurers in 2013 and 2014 have benefited from below average catastrophe losses with Swiss Re Sigma estimating total insured losses (natural catastrophe and man-made) of $35bn in 2014 compared with $45bn in 2013. Insured catastrophe losses in 2014 were 45% lower than the ten-year average to 2013 of $64bn a year and 22% lower than in 2013. Benign catastrophe losses have contributed to an artificially rosy picture of financial results and also played a part in increasingly competitive underwriting conditions, particularly in the reinsurance sector.

In 2014 the North Atlantic hurricane season was relatively mild with no major hurricane making landfall in the US, the ninth year running that this has happened. However, Mexico was impacted by $1.6bn of insured losses from Hurricane Odile in September 2014, making Odile the second most costly catastrophe event in Mexico after Hurricane Wilma in 2005. The largest losses for the year were a spate of strong storms with hailstones in mid-May hitting many parts of the US over a five day period, resulting in insured losses of $2.9bn. The next largest losses were in Europe in June with wind and Hailstorm Ela, which caused significant damage to properties and vehicles in France, Germany and Belgium, resulting in overall insured losses of $2.7bn.

Lloyd's net ultimate claims for 2014 major losses at 31 December 2014 were only £670m, which compares with Lloyd's 15-year average (excluding 2014) of £1,617m a year indexed for inflation to 2014. In 2014 Lloyd's issued ten major loss codes with three of those affecting the aviation war market where exposed policies were underwritten into the 2013 underwriting year of account. These aviation war losses included the Malaysia Airlines loss, MH370, on 8 March 2014 where the whole loss has been shared equally between the hull underwriters and the aviation war underwriters, and the second Malaysia Airlines loss, MH017, over Ukraine on 17 July 2014. The largest insured event was a terrorist attack at Tripoli Airport in Libya between 13 July and 22 July 2014 where various aircraft were damaged during fighting, with Willis reporting that the hull war reserve for the losses is estimated at $407m.

Late in the year, on 28 December 2014, the Air Asia loss led by Allianz is estimated at $100m to $140m and will affect the 2014 year of account. Aviation losses during 2014 dominated Lloyd's major losses on an annual accounting basis costing £310m, net of reinsurance out of a total of £670m of major losses.

Alternative capital is the most significant trend to affect the reinsurance market

The most significant trend to affect the reinsurance industry in recent years has been the development and growing acceptance of alternative "third party" sources of capital provided by institutional investors in the form of catastrophe bonds, "sidecars" and collateralised structures. During 2014 the growth in alternative capital accelerated compared with 2012 and 2013 with reinsurance broker Guy Carpenter estimating that a further $15bn of alternative capital was raised during the year. Total alternative capital is now $60bn, which is equivalent to 18% of total reinsurance capital compared with 15% at year end 2013. Aon Benfield estimates that $100bn of new alternative capital will have entered the market in the six years from 2013 to 2018. This would bring total alternative capital close to $150bn by year end 2018. As recently as 2008, alternative capital totalled only 8% of total reinsurance capital compared with 18% at year end 2014.

The impact of alternative capital on the property catastrophe sector of the reinsurance market has been dramatic. Its influence is particularly significant for low probability loss events such as one expected every 250 years, or a series of events with the same probability, where it now has a market share according to broker Aon Benfield of between 40% and 50%. The impact on pricing has been significant. Willis Re estimates that the expected return (the difference between the coupon and the expected loss from catastrophe bonds with US wind exposures) fell by 26% from 6.18% in 2013 to only 4.5% in 2014.

The balance of risk and reward has now shifted from net sellers of reinsurance to net buyers of reinsurance. The scale of the impact on traditional reinsurance profit margins is analysed by Dowling & Partners, which expects a 90% combined ratio (equivalent to a 10% underwriting profit) on Florida business at June 2015 compared with 60% in June 2012. This represents a 75% reduction in profits over three years.

Lloyd's Adviser's report – Hampden Agencies *continued*

Supply – continues to outpace demand
Reinsurance capital grew to $540bn by the end of 2013, an increase of 7% or $40bn since the end of 2012, according to reinsurance broker Aon Benfield. At the end of 2014 there was a further increase of 6% or $35bn to a record $575bn including $64bn of deployed alternative capacity. Reinsurance capital has increased by 70% since year end 2008 when it was $340bn. The policyholders' surplus of the US property casualty insurance industry, a proxy for underwriting capacity, grew by 11.3% to a record $653.3bn at year end 2013. At 30 September 2014 policyholders' surplus had grown by a further $20.6bn to $673.9bn, a rise of 3.2%. US insurers' capital has increased by 48% since year end 2008. The premium to surplus ratio, a measure of the claims paying ability of the industry, fell to a near record low of $1 of surplus for every $0.73 of net written premium (a ratio of 1 is strong; a lower ratio is even stronger).

Supply measured by excess capital presents a significant challenge to insurance and reinsurance company managements. Reinsurance companies are particularly challenged in today's environment by the commoditisation of the market for peak property catastrophe reinsurance. Barriers to entry are higher for insurance lines of business, particularly casualty, although Aon Benfield speculates that alternative capital's "next most likely disruptive move will be in property insurance and business interruption".

Choices faced by company managements are centred on four key strategies. Our favoured strategy is capital management with excess capital being repaid to shareholders through share buy-backs or special dividends. A second approach is organic growth but this is difficult to achieve in today's competitive rating environment other than in selected lines such as cyber liability. A third approach and an alternative to organic growth is to acquire, and in part this explains the increased merger and acquisition activity we have seen in the industry in 2014 and 2015. 2014 saw the first annual increase in transaction volume since 2011 with a 21% increase in mergers and acquisitions in the global insurance industry, rising from 319 transactions in 2013 to 384 in 2014. Like M&A in other sectors, insurance industry, M&A has had mixed results. A KPMG survey suggested that just 17% of M&A deals added value, 30% made no difference, while 53% destroyed values. The fourth approach is to be patient and wait for better underwriting opportunities.

Demand – opportunity to absorb risk from cyber liability
Insurance demand is a combination of two factors. First is exposure growth which is driven mainly by economic and demographic growth. 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, began to recover in 2010, accelerating to 4.6% in 2013. In the first nine months of 2014 US net written premiums rose by 3.9% over the same period in 2013. The second is rate. During calendar year 2014 US property and casualty rates stabilised with rates up marginally in the first and third quarters but down marginally in the second and fourth quarters. The main impetus for net written premium growth is the recovering US economy as the number and value of insurable interests such as property, employment and liability risks increase. However, the recovery from the 2007–2009 worldwide great recession has been weak with an annual average in the US of 2.3% real GDP gains from the trough in 2009. This is around half the level of economic growth which would normally occur after a recession.

US nominal GDP growth has averaged just 3.5% per annum in the last seven years which is well below its 6.6% per annum average since World War Two. With low inflation rates across the globe in 2015 nominal growth is not going to be boosted by inflation. As of January 2015 14 of the OECD list of 34 major economies have year-on-year consumer price inflation ("CPI") changes of zero or less while another 13 are less than 1%. Lloyd's remains heavily dependent on US income as a source of business with 44% of income being US and Canada domiciled and an estimated 60% of income being US dollar denominated in 2014 based on year and exchange rates.

Lloyd's is well placed to take advantage of its leading position in the excess and surplus ("E&S") lines segment of the US insurance market where non-standard insurance risks are placed. In 2013, according to A M Best, Lloyd's had an 18.8% share (18.0% in 2012) of the US E&S market with its next biggest competitor being AIG with 12.8% (14.5% in 2012). Lloyd's total E&S premium grew to $7.1bn in 2013, a rise of 13%, having benefited from a combination of GDP growth, reduced competition from AIG and an increased flow of business as admitted carriers moved away from underwriting more difficult risks. Lloyd's reports a further increase of 15% to over $8bn in 2014.

Lloyd's remains committed to developing its business in emerging markets, although income in many of these countries will be affected in sterling terms by depreciating currencies as well as the fact that the main engine for growth in insurance premiums in emerging countries remains auto insurance, where Lloyd's has limited involvement. One potential bright area of innovation where Lloyd's is a leading player is the market for cyber insurance. The leading player in the Lloyd's market is Beazley, whose Breach Response product is the fastest growing class of business for Beazley – Syndicate 623 is the third largest syndicate in Helios Underwriting's portfolio. While great care needs to be taken in managing exposures in a class of business where actuarial data is limited, US cyber insurance income for all carriers is estimated to have risen from $1.3bn in 2013 to $2bn in 2014 with further strong growth anticipated this year.

Lloyd's Adviser's report – Hampden Agencies *continued*

The investment environment – reinvestment yields continue to fall

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. The current era is one of low inflation and low interest rates. Already in 2015 a total of 24 central banks have reduced interest rates including India, Canada, Russia, Australia, Denmark, Sweden, Switzerland and China. In Denmark, Sweden and Switzerland central bank interest rates are negative. In 300 years, the Bank of England base rate has never been lower than the current 0.5%. The current government bond yield environment is described by Bank of America Merrill Lynch as “the death of zero” with 2015 having a theme of negative yield. This follows the story of no yield in 2014 and low yields in 2013. Ten countries now have negative yielding government bonds including €1.4 trillion in the Eurozone in January 2015 compared with almost zero in June 2014, and €2.4 trillion in Japan in January 2015 compared with zero in October 2014.

The yield on invested assets for insurers, which are typically focused on safe government and corporate bonds, continues to decline as the yield on maturing bonds generally exceeds yields on new investments. Asset managers Conning & Company estimate that US insurers’ book yield has reduced from 4.42% prior to the Great Recession to an estimated 3.28% in 2014, a fall of 114 basis points. The scenario of reducing investment yields continues to be a significant factor encouraging underwriting discipline. For every 1% reduction in investment yield an insurer wishing to maintain its return on equity for its shareholders must reduce its combined ratio by a certain percentage, which varies by line of business. The Insurance Information Institute estimates that the combined ratio for reinsurance business needs to fall by 7.3% compared with a fall of only 1.8% for personal lines business. However, low investment yields also raise the prospect of insurers making riskier investments on the asset side of their balance sheet with the objective of boosting returns through taking on more asset risk.

Reducing bond yields are symptomatic of a deflationary environment with 19 of the 34 OECD major countries having year-on-year declines in consumer prices as at January 2015. In the US, the Federal Reserve’s favoured measure of inflation/deflation (the PCE Deflator) fell by 0.2% in both November and December 2014. We view deflation as less of a threat to insurers than inflation, other than recession sensitive lines of business, should recession follow deflation. In particular, reserves may develop beneficially to become "redundant" as reserving trend assumptions prove pessimistic in direct contrast to deficiencies which follow unexpected bouts of inflation.

Current yields are the lowest since the 1950s

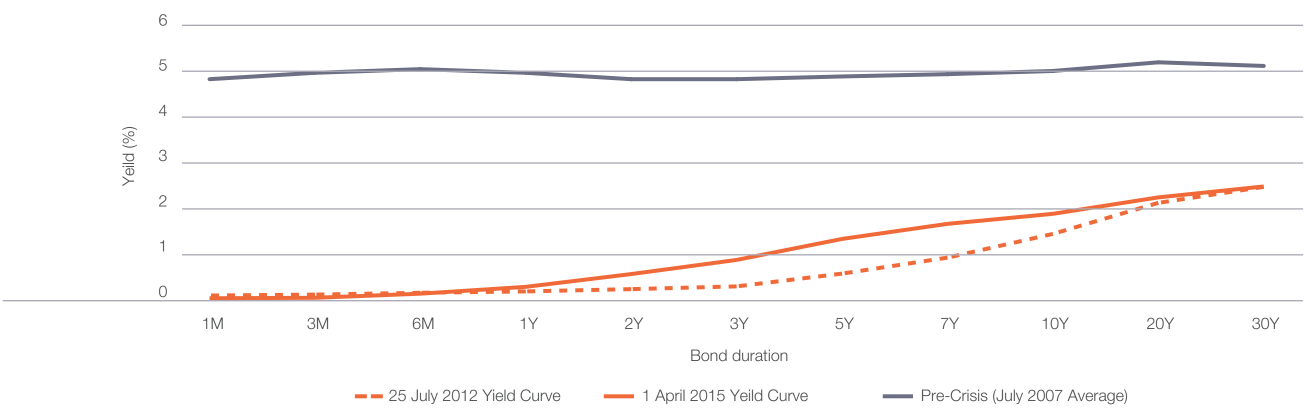
US Treasury yields have been falling in every decade since the 1980s. During the 1980s the average yield of the US Treasury ten-year note was 10.6%, falling to 6.7% during the 1990s. By the 2000s it was 4.5% and in this decade so far the average is 2.5%. The yield in this decade averaging 2.5% is consistent with the 1950s, when yields averaged 3.2%. That was a decade when the US P&C industry made an underwriting profit (a combined ratio of lower than 100%) in eight years out of ten. In periods when yields have been higher, the industry has tended to underwrite at a loss.

The Treasury yield curve is close to its most depressed level in 50 years with a three-year duration required to get a positive yield of at least 1%. The impact of the financial crisis on achievable investment returns across the yield curve can be seen in the chart below, which shows pre-crisis levels for bonds with a duration of one month right up to 30 years, which varied from 4.82% to 5.11%, an almost flat yield curve. Compare this to the yield curve today with higher yields for duration risk. Only 0.02% is earned on a one-month Treasury bill, while the 30 year maturity yields are currently 2.47% (as at 1 April 2015). We also show the yield curve in July 2012, when yields were the lowest since July 2007.

Rating – opportunities for buyers of reinsurance

2015 marks the third successive year of property catastrophe reinsurance rate reductions in Lloyd’s largest market, the US. The principal driver of underwriting profitability is the level of premium rates combined with policy terms and conditions. Reinsurance margins are under pressure, not just from reductions of rate which compound over time but also from a relaxation in terms and conditions whose effects are more difficult to measure. Reductions in reinsurance rates are bad news for net sellers of reinsurance but good news for net buyers of reinsurance who are able to take advantage of more cost effective outwards reinsurance and reduce their net exposures.

Treasury yield curves: pre-crisis (July 2007 versus 2012 low point and 1 April 2015)



Lloyd's Adviser's report – Hampden Agencies *continued*

Reinsurance rate decreases at 1 January 2015 averaged as much as or higher than the decreases experienced in 2014. Guy Carpenter's World Rate On Line Index fell by 11% in 2014 and is down by 11.4% at 1 January 2015 at a level of 195. Since its last peak in 2006 the World Rate On Line Index has fallen by 33.33%. Rate decreases at 1 January 2015 averaged as much as or more than the decreases experienced in 2014.

Apart from property catastrophe reinsurance, offshore energy rates are under the most pressure while aviation rates continue to fall despite an estimated $1.6bn of market losses in 2014. UK fleet motor rates continue to increase in contrast to private car, where the AA reports rates were down 10% in the year to 31 December 2014, despite marginal increases in both quarter three and quarter four, following three years of rate reductions. Most property and casualty insurance rates in the US were stable in 2014 apart from "big ticket" commercial property. Property underwriters have been able to take advantage of cheaper reinsurance.

The upturn in property and casualty insurance rates in the US began in the third quarter of 2011 following nearly eight years of rate decreases. During 2014 rates stabilised, ending the year up by 0.4%, with small increases in the first and third quarters compensated by small rate decreases in the second and fourth quarters, using data supplied by the Council of Insurance Agents and Brokers ("CIAB"). However, by Q1 2015 the CIAB reports that rate reductions across all accounts averaged 2.3%.

US pricing cycle likely to be more muted than in previous cycles

Our view is that the US insurance pricing cycle is likely to be more muted than it was in the past with a reduced amplitude of both rate peaks and rate troughs. It is also likely in the current low interest rate environment that the duration of cycles will be shorter with the industry becoming more efficient at analysing and pricing risks. Like rating, cash flow has also peaked but is also remaining stable, indicating that for 2015 and 2016 margins will remain acceptable with the added benefit of continued prior year releases. However, prior year releases are expected to reduce as soft market accident years since 2007 are not considered as well reserved as the hard market years between 2002 and 2006.

Prospects for 2015

Our formal profit target for the 2015 three-year account is a range of 0% to 5% of underwriting capacity, which is lower than the 0% to 7.5% on capacity range we set in advance for the 2014 account, which we have since upgraded to 2.5% to 10.0% due to the benign catastrophe losses in calendar year 2014. Each September we update our assessment of market conditions and in our forecast assume a level of major losses, such as catastrophes, which is equal to the long-term average of each of the syndicates within the Hampden Agencies portfolio, to arrive at a target underwriting result. So far in 2015 the assessment we made last September about the rating environment is proving correct in that the trend of rate reductions seen in most classes of business during 2014 is continuing into 2015.

In setting our profit target, we aim to be cautious in our forecasting. The profit target is for the pure year only and therefore excludes prior year reserve movements. Apart from 2010, which was affected by a series of earthquake and weather related catastrophe losses in each of the years 2008, 2009 and 2011 through to 2013, Hampden's pure year profit target set in advance of each underwriting year has been lower than the results and estimates for the Hampden portfolio.

Reduced profitability from underwriting reinsurance business is bad news for net sellers of reinsurance but good news for net buyers of reinsurance, who are now able to buy much more cost effective reinsurance to protect the downside in an increasingly challenging market. With income reducing, control of expenses becomes ever more important, particularly as it coincides with reducing investment returns. While Hampden's target profit does not include potential prior year releases, bottom line results in the current rating environment are becoming increasingly dependent on conservative reserving. Where reserving is merely adequate or worse the current environment leaves little room to hide.

Competitive market conditions also coincide with the balance of power shifting from underwriters to brokers. Today, the growing power of intermediaries is a theme which cannot be ignored as they seek to capture a larger share of the economic pie from transactions through fees for services. Time will tell whether broker facilities are simply another symptom of a soft market or a more permanent change which enables both brokers and underwriters to reduce costs and streamline the placement process. Such broker facilities are likely to favour the larger syndicates in the Lloyd's market, which are favoured by Helios Underwriting, with smaller syndicates being squeezed.

Hampden Agencies
22 May 2015

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 2015.

Nigel Hanbury
Chief Executive

Board of Directors

Our management

Sir James Michael Yorrick Oliver, 74
(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 Kitcat & Aitken for 20 years and subsequently managing director of Carr, Kitcat & Aitken.

Nigel John Hanbury, 58
(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, 57
(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, 67
(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, 59
(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.

Committee membership

- Audit Committee
- Nomination & Remuneration Committee
- Chairman of committee

Report of the Directors • *Year ended 31 December 2014*

The Directors present their report and the audited Group Financial Statements for the year ended 31 December 2014.

Principal activity, review of the business and future developments

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

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

A more detailed review of the business for the year and outlook for the future 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 2014 is shown in the Consolidated Income Statement. The Group profit for the year after taxation was £1,043,000 (2013: £731,000).

A dividend of 4.5p per share was paid during calendar year 2014 totalling £384,000 (2013: £nil).

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. Jeremy Evans therefore retires by rotation and offers 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 2014 is nil (2013: nil).

Substantial shareholdings

The substantial shareholders shown below were as at 12 May 2015:

	Number of shares	% holdings
Nigel John Hanbury (either personally or has an interest in)	1,298,445	14.50%
Will Roseff	1,120,699	12.51%
Hampden Capital plc	1,014,560	11.33%
Smith & Williamson Nominees Limited	785,724	8.77%
Roy Nominees Limited	717,500	8.01%
Lynchwood Nominees Limited	595,000	6.64%
Ferlim Nominees Limited	589,875	6.59%

Disclosure of information to auditors

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

Auditors and the Annual Report

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

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

Approved by the Board of Directors and signed on behalf of the Board on 22 May 2015.

Nigel Hanbury
Chief Executive
22 May 2015

Corporate governance statement • *Year ended 31 December 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"); however 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 twice per year and with the auditors without management present.

The Nomination and Remuneration Committee of the Company, comprising Sir Michael Oliver, Michael Cunningham and Andrew Christie (all Non-executive Directors), is 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 and the Directors comply with Rule 21 of the AIM Rules relating to Directors' dealings.

Board and committee meeting attendance

	Board		Audit Committee		Nomination and Remuneration Committee	
Director	Possible number of meetings	Number of meetings attended	Possible number of meetings	Number of meetings attended	Possible number of meetings	Number of meetings attended
Sir Michael Oliver	11	10	—	—	4	4
Nigel Hanbury	11	11	—	—	—	—
Jeremy Evans	11	9	—	—	—	—
Michael Cunningham	11	11	2	2	4	4
Andrew Christie	11	11	2	2	4	4
Average attendance (%)		95%		100%		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
Helios UTG Partner Limited	27 August 2013	Not a director	27 August 2013
Halperin Underwriting Limited	20 February 2014	20 December 2013	9 July 2004
Bernul Limited	4 June 2014	27 March 2014	4 June 2014
Dumasco Limited	16 September 2014	24 September 2014	16 September 2014

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.

Statement of Directors' responsibilities • *Year ended 31 December 2014*

The Directors are responsible for preparing the Strategic Report, the 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.

Independent auditors' report • *To the members of Helios Underwriting plc*

We have audited the Financial Statements of Helios Underwriting plc for the year ended 31 December 2014 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 auditor

As explained more fully in the Directors' Responsibilities Statement, 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 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 2014 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 the Report of the Directors' Report 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.

John Perry (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditor
22 May 2015

1 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated income statement • *Year ended 31 December 2014*

	Note	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Gross premium written		17,062	11,938
Reinsurance premium ceded		(3,418)	(2,251)
Net premium written		13,644	9,687
Change in unearned gross premium provision		(243)	(29)
Change in unearned reinsurance premium provision		(28)	43
	6	(271)	14
Net earned premium		13,373	9,701
Net investment income	7	516	208
Other income		29	—
Revenue		13,918	9,909
Gross claims paid		(7,435)	(5,867)
Reinsurers' share of gross claims paid		1,375	1,134
Claims paid, net of reinsurance		(6,060)	(4,733)
Change in provision for gross claims		464	1,148
Reinsurers' share of change in provision for gross claims		(319)	(478)
Net change in provision for claims	6	145	670
Net insurance claims and loss adjustment expenses		(5,915)	(4,063)
Expenses incurred in insurance activities		(5,800)	(4,042)
Other operating expenses		(973)	(524)
Operating expenses	8	(6,773)	(4,566)
Operating profit before goodwill and amortisation	5	1,230	1,280
Goodwill on bargain purchase	19	785	133
Impairment of goodwill	19	—	(98)
Amortisation of syndicate capacity	12	(881)	(462)
Profit before tax		1,134	853
Income tax charge	9	(91)	(122)
Profit attributable to equity shareholders	18	1,043	731
Earnings per share attributable to equity shareholders			
Basic and diluted	10	12.23p	8.57p

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 2014*

	Note	31 December 2014 £'000	31 December 2013 £'000
Assets			
Intangible assets	12	**3,770**	2,929
Reinsurance assets:			
– reinsurers' share of claims outstanding	6	**4,682**	4,154
– reinsurers' share of unearned premium	6	**1,014**	800
Other receivables, including insurance receivables	14	**16,379**	11,554
Prepayments and accrued income		**2,067**	1,569
Financial assets at fair value	15	**22,977**	22,213
Cash and cash equivalents		**3,605**	1,066
Total assets		**54,494**	44,285
Liabilities			
Insurance liabilities:			
– claims outstanding	6	**26,179**	21,596
– unearned premium	6	**8,005**	5,968
Deferred income tax liabilities	13	**2,137**	1,656
Other payables, including insurance payables	16	**6,213**	4,116
Accruals and deferred income		**1,475**	1,123
Total liabilities		**44,009**	34,459
Shareholders' equity			
Share capital	17	**853**	853
Share premium	17	**6,996**	6,996
Retained earnings	18	**2,636**	1,977
Total shareholders' equity		**10,485**	9,826
Total liabilities and shareholders' equity		**54,494**	44,285

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 2015.

Nigel Hanbury
Chief Executive

Parent Company statement of financial position • *At 31 December 2014*

Company number: 05892671

	Note	31 December 2014 £'000	31 December 2013 £'000
Assets			
Financial investments	15	**4,914**	6,032
Other receivables	14	**4,967**	5,290
Cash and cash equivalents		**1,785**	22
Total assets		**11,666**	11,344
Liabilities			
Other payables	16	**164**	182
Total liabilities		**164**	182
Shareholders' equity			
Share capital	17	**853**	853
Share premium	17	**6,996**	6,996
Retained earnings	18	**3,653**	3,313
Total shareholders' equity		**11,502**	11,162
Total liabilities and shareholders' equity		**11,666**	11,344

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 2015.

Nigel Hanbury
Chief Executive

Consolidated statement of cash flows • *Year ended 31 December 2014*

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Cash flows from operating activities		
Results of operating activities	**1,134**	853
Interest received	**(2)**	(2)
Investment income	**(435)**	(381)
Goodwill on bargain purchase	**(785)**	(133)
Impairment of goodwill	**—**	98
(Profit)/loss on sale of intangible assets	**(36)**	8
Amortisation of intangible assets	**881**	462
Income tax paid	**(33)**	(86)
Change in fair value of investments	**156**	137
Changes in working capital:		
– (increase)/decrease in other receivables	**(706)**	2,687
– increase/(decrease) in other payables	**1,164**	(1,336)
– net decrease in technical provisions	**(109)**	(3,273)
Net cash inflow/(outflow) from operating activities	**1,229**	(966)
Cash flows from investing activities		
Interest received	**2**	2
Investment income	**435**	381
Purchase of intangible assets	**(439)**	(3)
Proceeds from disposal of intangible assets	**504**	2
Net inflow of financial assets at fair value	**5,122**	3,276
Acquisition of subsidiaries, net of cash acquired	**(3,930)**	(3,070)
Net cash inflow from investing activities	**1,694**	588
Cash flows from financing activities		
Dividends paid	**(384)**	—
Net cash outflow from financing activities	**(384)**	—
Net increase/(decrease) in cash and cash equivalents	**2,539**	(378)
Cash and cash equivalents at beginning of year	**1,066**	1,444
Cash and cash equivalents at end of year	**3,605**	1,066

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

Cash held within the syndicates' accounts is £1,059,000 (2013: £980,000) of the total cash and cash equivalents held at the year end of £3,605,000 (2013: £1,066,000). The cash held within the syndicates' accounts is not available to the Group to meet its day-to-day working capital requirements.

Parent Company statement of cash flows • *Year ended 31 December 2014*

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Cash flows from operating activities		
Results of operating activities	724	546
Investment income	(7)	—
Dividend received	(4,140)	(3,559)
Impairment of financial investments	2,546	2,441
Change in fair value of investments	9	4
Changes in working capital:		
– (increase)/decrease in other receivables	(992)	1
– (decrease)/increase in other payables	(19)	123
Net cash outflow from operating activities	(1,879)	(444)
Cash flows from investing activities		
Investment income	7	—
Dividend received	4,140	3,559
Net cash outflow on financial investments	(1,437)	(5,216)
Amounts owed by subsidiary undertakings	1,316	2,112
Net cash inflow from investing activities	4,026	455
Cash flows from financing activities		
Dividends paid	(384)	—
Net cash outflow from financing activities	(384)	—
Net increase in cash and cash equivalents	1,763	11
Cash and cash equivalents at beginning of year	22	11
Cash and cash equivalents at end of year	1,785	22

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

Statements of changes in shareholders' equity • *Year ended 31 December 2014*

	Attributable to owners of the Parent			
Consolidated	Ordinary share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
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
At 1 January 2014	853	6,996	1,977	9,826
Dividends paid	—	—	(384)	(384)
Profit for the year	—	—	1,043	1,043
At 31 December 2014	**853**	**6,996**	**2,636**	**10,485**

Company	Ordinary share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
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
At 1 January 2014	853	6,996	3,313	11,162
Dividends paid	—	—	(384)	(384)
Profit for the year	—	—	724	724
At 31 December 2014	**853**	**6,996**	**3,653**	**11,502**

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

Notes to the financial statements • *Year ended 31 December 2014*

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 the Company have net assets at the end of the reporting period of £10,485,000 and £11,502,000 respectively.

The Company's subsidiaries participate as underwriting members at Lloyd's on the 2012, 2013 and 2014 years of account and they have continued this participation since the year end on the 2015 year of account. This underwriting is supported by funds at Lloyd's totalling £1,535,000 (2013: £4,669,000), letters of credit provided through the Group's quota share reinsurance agreements totalling £8,728,000 (2013: £4,118,000) and solvency credits issued by Lloyd's totalling £3,181,000 (2013: £2,729,000).

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

International Financial Reporting Standards
The following are IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014. These did not have a material impact on the Group's Financial Statements for the year under review.

» 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.

» IFRS 12 "Disclosures of Interests in Other Entities" includes the disclosure requirements for all forms of interests in entities, including joint arrangements, associates and special purpose vehicles.

» 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.

» 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.

» 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.

» 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.

2. Accounting policies continued

International Financial Reporting Standards continued

- 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".
- 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; to 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.
- "Annual Improvements 2010–2012 Cycle" sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:
  - 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.
  - IAS 38 "Intangible Assets": amendments to the revaluation method in relation to the proportionate restatement of accumulated depreciation.
- "Annual Improvements 2011–2013 Cycle" sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:
  - 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).
  - IAS 40 "Investment Property": amendments clarifying the inter-relationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015 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.

- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets": Clarification of Acceptable Methods of Depreciation and Amortisation. The amendments clarify that a deprecation method which is based on revenue that is generated by an activity which includes the use of an asset is not appropriate for property, plant and equipment. The amendments also introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances. Issued May 2014 and applies to annual periods beginning on or after 1 January 2016, subject to EU endorsement.
- Amendments to IAS 27 "Separate Financial Statements": Equity Method in Separate Financial Statements. The amendments to IAS 27 permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in the separate financial statements. Issued August 2014 and applies to annual periods beginning on or after 1 January 2016, subject to EU endorsement.
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" (2011) in order to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:
- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 "Business Combinations"); and
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. Issued September 2014 and applies to annual periods beginning on or after 1 January 2016, subject to EU endorsement.

Notes to the financial statements *continued* • *Year ended 31 December 2014*

2. Accounting policies continued

International Financial Reporting Standards continued

"Annual Improvements 2012–2014 Cycle" sets out amendments to the following IFRSs:

- IFRS 5 – Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
- IFRS 7 – Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.
- IAS 9 – "Clarifies" that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
- IAS 34 – "Clarifies" the meaning of "elsewhere in the interim report" and requires a cross-reference.

Issued September 2014 and applies to annual periods beginning on or after 1 July 2016, subject to EU endorsement.

Amendments to IAS 1 "Presentation of Financial Statements": Disclosure Initiative. The amendments to IAS 1 address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- clarification that information should not be obscured by aggregating or by providing immaterial information and materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure;
- clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and
- additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

Issued December 2014 and applies to annual periods beginning on or after 1 January 2016, subject to EU endorsement.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception. Amends IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

Issued December 2014 and applies to annual periods beginning on or after 1 January 2016, subject to EU endorsement.

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 Underwriting Limited, Bernul Limited, Dumasco Limited, Nomina No 035 LLP, Nomina No 342 LLP, Nomina No 380 LLP, Nomina No 372 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 Underwriting Limited, Bernul Limited, Dumasco Limited, Nomina No 035 LLP, Nomina No 342 LLP, Nomina No 380 LLP, Nomina No 372 LLP ("Limited Liability Vehicles") and Helios UTG Partner Limited are prepared for the year ended 31 December 2014. 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 £724,000 (2013: £599,000).

2. Accounting policies continued

Underwriting

Premiums

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

Unearned premiums

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

Deferred acquisition costs

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

Reinsurance premiums

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

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

Claims incurred and reinsurers' share

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

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

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

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

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 agreements, 50% of the 2013 underwriting year of account and 70% of the 2014 underwriting year of account insurance exposure is ceded to the reinsurers. Amounts payable to the reinsurers are included within "reinsurance premium ceded" in the Consolidated Income Statement. Amounts receivable from the reinsurers are included within "reinsurers' share of gross claims paid" in the Consolidated Income Statement.

Notes to the financial statements *continued* • *Year ended 31 December 2014*

2. Accounting policies continued

Underwriting continued

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.

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 represent 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.

2. Accounting policies continued

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.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and short-term deposits 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 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 within 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.

Notes to the financial statements *continued* • *Year ended 31 December 2014*

2. Accounting policies continued

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 2014 and subsequent years of account, each managing agent will have prepared a Lloyd's Capital Return ("LCR") for the syndicate to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the LCR and typically the majority of the total assessed value of the risks concerned is attributable to insurance risk.

The insurance risks faced by a syndicate include the occurrence of catastrophic events, downward pressure on pricing of risks, reductions in business volumes and the risk of inadequate reserving. Reinsurance 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 has reinsurance programmes on the 2013, 2014 and 2015 years of account.

The 2013 year of account has a strategic collateralised quota share arrangement in respect of 50% of its business with Bermudan reinsurer XL Re Limited ("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 2014 year of account has a strategic collateralised quota share arrangement in respect of 50% of its business with Bermudan reinsurer, XL Re Limited ("XL Re", part of global NYSE quoted insurer XL Group plc), 12.45% with Bermudan reinsurer Everest Reinsurance Bermuda Limited ("Everest", part of global NYSE quoted insurer Everest Re Group, Limited) and 7.55% with Guernsey reinsurer Polygon Insurance Co Limited ("Polygon") through Hampden Insurance Guernsey PCC Limited – Cell 6 ("Cell 6"), a special purpose vehicle.

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 2014 is £6.2m (2013: £6.8m), being the aggregate of the Group's insurance receivables, prepayments and accrued income, financial assets at fair value and cash and cash equivalents, excluding any amounts held in the syndicates. The syndicates can distribute their results in sterling, US dollars or a combination of the two. The Group is exposed to movements in the US dollar between the balance sheet date and the distribution of the underwriting profits and losses, which is usually in the May following the closure of a year of account. The Group does not use derivative instruments to manage risk and, as such, no hedge accounting is applied.

As a result of the specific nature and structure of the Group's collateralised quota share reinsurance arrangements through Cell 6, the Group's funds at Lloyd's calculation benefits from an aggregate £8.7m (2013: £4.1m) letter of credit ("LOC") acceptable to Lloyd's, on behalf of XL Re Limited, Everest Reinsurance Bermuda Limited and Polygon Insurance Co Limited (the reinsurers). The LOC is pledged in aggregate to the relevant syndicates through Lloyd's and thus HUW is not specifically exposed to counterparty credit risk in this matter. Should the bank's LOC become unacceptable to Lloyd's for any reason, the reinsurer is responsible under the terms of the contract for making alternative arrangements. The contract is annually renewable and the Group has a contingency plan in place in the event of non-renewal under both normal and adverse market conditions.

Market risk

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

Regulatory risks

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

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

Operational risks

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

Capital management objectives, policies and approach

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

» to maintain the required level of stability of the Group thereby providing a degree of security to shareholders;

» to allocate capital efficiently and support the development of the business by ensuring that returns on capital employed meet the requirements of the shareholders; and

» to maintain the financial strength to support increases in the Group's underwriting through acquisition of capacity in the Lloyd's auctions or through the acquisition of new subsidiaries.

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

Approach to capital management

The capital structure of the Group consists entirely of equity attributable to equity holders of the Company, comprising issued share capital, share premium and retained earnings as disclosed in the Statements of Changes in Shareholders' Equity on page 22.

At 31 December 2014 the corporate member subsidiaries had an agreed FAL requirement of £13,136,000 (2013: £11,088,000) to support their underwriting on the 2015 year of account (2014 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 2014 the agreed FAL requirement for the Group was 64% (2013: 61%) of the capacity for the following year of account.

Notes to the financial statements *continued* • *Year ended 31 December 2014*

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 2014	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	13,838	—	(465)	13,373
Net investment income	473	43	—	516
Other income	—	—	29	29
Net insurance claims and loss adjustment expenses	(5,915)	—	—	(5,915)
Expenses incurred in insurance activities	(5,800)	—	—	(5,800)
Other operating expenses	(87)	—	(886)	(973)
Goodwill on bargain purchase	—	—	785	785
Impairment of goodwill	—	—	—	—
Amortisation of syndicate capacity (see Note 12)	—	—	(881)	(881)
Profit before tax	**2,509**	**43**	**(1,418)**	**1,134**

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
Other income	—	—	—	—
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

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 2014 other corporate activities totalling £465,000 (2013: £22,000 – 2013 year of account only) presents the 2013 and 2014 years of account net Group quota share reinsurance premium payable to Hampden Insurance PCC (Guernsey) Limited – Cell 6. 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 Group quota share reinsurance contracts with Hampden Insurance PCC (Guernsey) Limited – Cell 6 for the 2015 underwriting year of account.

Notes to the financial statements *continued* • *Year ended 31 December 2014*

5. Operating profit before goodwill and amortisation

Year ended 31 December 2014	Underwriting year of account* 2011 and prior £'000	2012 £'000	2013 £'000	2014 £'000	Pre-acquisition £'000	Corporate reinsurance £'000	Other corporate £'000	Total £'000
Gross premium written	—	107	1,574	16,655	(1,274)	—	—	17,062
Net premium written	—	89	1,373	13,858	(1,049)	(627)	—	13,644
Net earned premium	—	744	6,603	7,707	(1,054)	(627)	—	13,373
Net investment income	—	256	110	47	(93)	—	196	516
Other income	—	—	—	—	—	—	29	29
Net insurance claims and loss adjustment expenses	—	980	(3,088)	(4,283)	476	—	—	(5,915)
Operating expenses	—	(532)	(2,206)	(3,105)	445	—	(1,375)	(6,773)
Operating profit before goodwill and amortisation	**—**	**1,448**	**1,419**	**366**	**(226)**	**(627)**	**(1,150)**	**1,230**

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
Other income	—	—	—	—	—	—	—	—
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

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 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
At 1 January 2014	21,596	4,154	17,442
Increase in reserves arising from acquisition of subsidiary undertakings	5,106	947	4,159
Movement of reserves	(464)	(319)	(145)
Other movements	(59)	(100)	41
At 31 December 2014	**26,179**	**4,682**	**21,497**

Included within other movements are the 2011 and prior years' claims reserves reinsured into the 2012 year of account on which the Group does not participate and currency exchange differences.

Notes to the financial statements *continued* • *Year ended 31 December 2014*

6. Insurance liabilities and reinsurance balances continued

Movement in unearned premium

	Gross £'000	Reinsurance £'000	Net £'000
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
At 1 January 2014	5,968	800	5,168
Increase in reserves arising from acquisition of subsidiary undertakings	1,691	216	1,475
Movement of reserves	243	(28)	271
Other movements	103	26	77
At 31 December 2014	**8,005**	**1,014**	**6,991**

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 2014.

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 £2,618,000 (2013: £2,160,000);

» a 10% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Group's pre-tax profits by £2,150,000 (2013: £1,744,000); and

» a 10% increase/decrease in the run-off year net claims reserves will decrease/increase the Group's pre-tax profits by £nil (2013: £13,000).

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

Notes to the financial statements *continued* • *Year ended 31 December 2014*

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:

2014

Gross claims as a percentage of gross earned premium

Year of account	2012*	2013	**2014**
12 months	67.7%	53.0%	**52.0%**
24 months	53.5%	49.7%	**—**
36 months	45.1%	—	**—**

Net claims as a percentage of net earned premium

Year of account	2012*	2013	**2014**
12 months	66.4%	58.2%	**55.6%**
24 months	58.7%	53.0%	**—**
36 months	48.9%	—	**—**

* Including the new acquisitions during 2014.

2013

Gross claims as a percentage 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 percentage 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.

7. Net investment income

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Investment income	**435**	381
Realised gains on financial assets at fair value through profit or loss	**279**	5
Unrealised losses on financial assets at fair value through profit or loss	**(156)**	(137)
Investment management expenses	**(44)**	(43)
Bank interest	**2**	2
Net investment income	**516**	208

Notes to the financial statements *continued* • *Year ended 31 December 2014*

8. Operating expenses (excluding goodwill and amortisation)

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Expenses incurred in insurance activities	**5,800**	4,042
Exchange differences	**22**	(116)
Directors' remuneration	**238**	236
Acquisition costs in connection with the new subsidiaries acquired in the year	**51**	49
Professional fees	**505**	206
Administration and other expenses	**75**	81
Auditors' remuneration:		
– audit of the Parent Company and Group Financial Statements	**32**	29
– audit of subsidiary company Financial Statements	**30**	22
– audit related assurance services	**20**	17
Operating expenses	**6,773**	4,566

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

Details of the Directors remuneration are disclosed below:

Directors' remuneration	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Sir Michael Oliver	**20,000**	20,000
Andrew Leslie (resigned 27 June 2013)	**—**	14,600
Jeremy Evans	**15,000**	15,000
Michael Cunningham	**15,000**	15,000
Andrew Christie (appointed 8 July 2013)	**15,000**	7,500
Nigel Hanbury	**173,250**	164,000
Total	**238,250**	236,100

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 £98,000 (2013: £89,000) in respect of this scheme. No other Directors derive other benefits, pension contributions or incentives from the Group. At 31 December 2014 no share options were held by the Directors (2013: nil).

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

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Current tax:		
– current year	**5**	(95)
– prior year	**12**	(5)
– foreign tax paid	**25**	22
	42	(78)
Deferred tax:		
– current year	**143**	315
– prior year	**(94)**	(115)
	49	200
Tax on profit on ordinary activities	**91**	122

Notes to the financial statements *continued* • *Year ended 31 December 2014*

9. Income tax charge continued

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

Tax for the year is lower than (2013: lower than) the standard rate of corporation tax in the UK of 21.49% (2013: 23.25%).

The differences are explained below:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Profit on ordinary activities before tax	**1,134**	853
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.49% (2013: 23.25%)	**244**	199
Prior year adjustments	**(82)**	(5)
Change in deferred tax rate	**—**	(115)
Permanent disallowances	**73**	50
Goodwill on bargain purchase not subject to tax	**(169)**	(31)
Relief for foreign taxation	**25**	22
Other	**—**	2
Tax charge for the year	**91**	122

The results of the Group's participation on the 2012, 2013 and 2014 years of account and the calendar year movement on 2011 and prior run-offs will not be assessed to tax until the years ended 2015, 2016 and 2017 respectively, being the year after the calendar year result of each run-off year or the normal date of closure of each year of account. Full provision is made as part of the deferred tax provisions for underwriting profits/(losses) not yet subject to corporation tax.

The Group has £1,270,000 (2013: £479,000) taxable losses carried forward, to which £660,000 has been recognised as a deferred tax asset and has been offset against deferred tax liabilities as disclosed in Note 13.

The Company had £610,00 of tax losses to carry forward to which no deferred tax asset has been recognised due to the uncertainty of the future taxable profits.

10. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders after tax 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 2014	Year ended 31 December 2013
Profit for the year after tax	**£1,043,000**	£731,000
Weighted average number of shares in issue	**8,526,948**	8,526,948
Basic and diluted earnings per share	**12.23p**	8.57p

11. Dividends

A dividend of 4.5p per share was paid during the year totalling £384,000 (2013: £nil). Future dividends are detailed in Note 24.

Notes to the financial statements *continued* • *Year ended 31 December 2014*

12. Intangible assets

	Goodwill £'000	Syndicate capacity £'000	Total £'000
Cost			
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
At 1 January 2014	—	5,114	5,114
Additions	—	439	439
Disposals	—	(724)	(724)
Impairment	—	—	—
Acquired with subsidiary undertakings	—	2,240	2,240
At 31 December 2014	**—**	**7,069**	**7,069**
Amortisation			
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
At 1 January 2014	—	2,185	2,185
Charge for the year	—	881	881
Disposals	—	(256)	(256)
Acquired with subsidiary undertakings	—	489	489
At 31 December 2014	**—**	**3,299**	**3,299**
Net book value			
As at 31 December 2012	—	1,797	1,797
As at 31 December 2013	—	2,929	2,929
As at 31 December 2014	**—**	**3,770**	**3,770**

Note 19 sets out the details of the four entities acquired by the Group during the year, the fair value adjustments and the negative goodwill arising.

Notes to the financial statements *continued* • *Year ended 31 December 2014*

13. Deferred tax

Deferred tax is calculated in full on temporary differences using a tax rate of 20% (2013: 20%). 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 2013	308	630	938
On acquisition of subsidiary undertakings	210	308	518
Prior period adjustment	(40)	(75)	(115)
(Credit)/charge for the year	(50)	365	315
At 31 December 2013	428	1,228	1,656
At 1 January 2014	428	1,228	1,656
On acquisition of subsidiary undertakings	250	182	432
Prior period adjustment	—	(94)	(94)
(Credit)/charge for the year	(86)	229	143
At 31 December 2014	**592**	**1,545**	**2,137**

Company

The Company had no deferred tax assets or liabilities (2013: £nil), as disclosed in Note 9.

14. Other receivables

Group	31 December 2014 £'000	31 December 2013 £'000
Arising out of direct insurance operations	**3,755**	2,603
Arising out of reinsurance operations	**7,897**	5,415
Other debtors	**4,727**	3,536
	16,379	11,554

The Group 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.

Included within other receivables are amounts totalling £581,000 (2013: £581,000) which are not expected to be wholly recovered within one year.

Company	31 December 2014 £'000	31 December 2013 £'000
Amounts owed by subsidiary undertakings	**3,957**	5,273
Other debtors	**996**	—
Prepayments	**14**	17
	4,967	5,290

All other Group and Company receivables are due within one year.

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.

Notes to the financial statements *continued* • *Year ended 31 December 2014*

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

As at 31 December 2014, the Group held the following financial assets carried at fair value on the statement of financial position:

Group	2014 £'000	Level 1 £'000	Level 2 £'000
Shares and other variable yield securities	**788**	788	—
Debt securities and other fixed income securities	**17,464**	17,464	—
Participation in investment pools	**565**	565	—
Loans guaranteed by mortgage	**34**	—	34
Holdings in collective investment schemes	**2,498**	—	2,498
Deposits with credit institutions	**41**	—	41
Funds held at Lloyd's	**925**	925	—
Other	**662**	—	662
Total – market value	**22,977**	19,742	3,235

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

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

In addition to funds held by Lloyd's shown above, letters of credit totalling £610,000 (2013: £700,000) are also held as part of the Group's funds at Lloyd's.

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

Company

Financial investments

	31 December 2014 £'000	31 December 2013 £'000
Investment in subsidiary undertakings	**4,854**	4,076
Holdings in collective investment schemes	**60**	1,956
Total – market value	**4,914**	6,032

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, Halperin Underwriting Limited, Bernul Limited and Dumasco 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 Bernul Limited and Dumasco Limited, and Helios UTG Partner Limited became the 100% corporate partner of Nomina No 380 LLP and Nomina No 372 LLP. The total cash consideration of these acquisitions was £4,360,000 (see Note 19).

Notes to the financial statements *continued* • *Year ended 31 December 2014*

16. Other payables

Group	31 December 2014 £'000	31 December 2013 £'000
Arising out of direct insurance operations	**512**	358
Arising out of reinsurance operations	**3,835**	2,255
Corporation tax payable	**36**	41
Other creditors	**1,830**	1,462
	6,213	4,116

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

Company	31 December 2014 £'000	31 December 2013 £'000
Other creditors	**—**	10
Accruals and deferred income	**164**	172
	164	182

All other payables are due within one year.

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 2014	853	6,996	7,849
8,526,948 ordinary shares of 10p each and share premium at 31 December 2014	**853**	**6,996**	**7,849**

18. Retained earnings

Group	2014 £'000	2013 £'000
At 1 January	**1,977**	1,246
Dividends paid	**(384)**	—
Profit attributable to equity shareholders	**1,043**	731
At 31 December	**2,636**	1,977

Company	2014 £'000	2013 £'000
At 1 January	**3,313**	2,714
Dividends paid	**(384)**	—
Profit attributable to equity shareholders	**724**	599
At 31 December	**3,653**	3,313

Notes to the financial statements *continued* • *Year ended 31 December 2014*

19. Acquisition of 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.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £625,000. Negative goodwill of £68,000 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	441	83	524
Reinsurance assets:			
– reinsurers' share of claims outstanding	292	—	292
– reinsurers' share of unearned premium	65	—	65
Other receivables, including insurance receivables	740	—	740
Prepayments and accrued income	106	—	106
Financial investments	1,252	—	1,252
Cash and cash equivalents	82	—	82
Insurance liabilities:			
– claims outstanding	(1,530)	—	(1,530)
– unearned premium	(502)	—	(502)
Deferred income tax liabilities	—	(56)	(56)
Other payables, including insurance payables	(298)	—	(298)
Accruals and deferred income	(50)	—	(50)
Net assets acquired	**598**	**27**	**625**
Satisfied by:			
Cash and cash equivalents	557	—	557
Negative goodwill	**(41)**	**(27)**	**(68)**

The net earned premium and profit of Nomina No 380 LLP for the period since the acquisition date to 31 December 2014 is £820,000 and £106,000 respectively.

Negative goodwill has arisen on the acquisition of Nomina No 380 LLP as a result of the cash consideration being at a discount to the fair value of net assets acquired.

Notes to the financial statements *continued* • *Year ended 31 December 2014*

19. Acquisition of Limited Liability Vehicles continued

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.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £829,000. Negative goodwill of £6,000 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	2	322	324
Reinsurance assets:			
– reinsurers' share of claims outstanding	157	—	157
– reinsurers' share of unearned premium	36	—	36
Other receivables, including insurance receivables	776	—	776
Prepayments and accrued income	81	—	81
Financial assets at fair value	1,071	—	1,071
Cash and cash equivalents	80	—	80
Insurance liabilities:			
– claims outstanding	(1,014)	—	(1,014)
– unearned premium	(311)	—	(311)
Deferred income tax liabilities	(53)	(64)	(117)
Other payables, including insurance payables	(218)	—	(218)
Accruals and deferred income	(36)	—	(36)
Net assets acquired	**571**	**258**	**829**
Satisfied by:			
Cash and cash equivalents	823	—	823
Negative goodwill	**252**	**(258)**	**(6)**

The net earned premium and profit of Bernul Limited for the period since the acquisition date to 31 December 2014 is £436,000 and £59,000 respectively.

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

Notes to the financial statements *continued* • *Year ended 31 December 2014*

19. Acquisition of Limited Liability Vehicles 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 a total consideration of £480,000. Nomina No 372 LLP is incorporated in England and Wales and is a member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £513,000. Negative goodwill of £33,000 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	401	41	442
Reinsurance assets:			
– reinsurers' share of claims outstanding	233	—	233
– reinsurers' share of unearned premium	46	—	46
Other receivables, including insurance receivables	519	—	519
Prepayments and accrued income	94	—	94
Financial assets at fair value	1,001	—	1,001
Cash and cash equivalents	84	—	84
Insurance liabilities:			
– claims outstanding	(1,213)	—	(1,213)
– unearned premium	(393)	—	(393)
Deferred income tax liabilities	—	(42)	(42)
Other payables, including insurance payables	(212)	—	(212)
Accruals and deferred income	(46)	—	(46)
Net assets acquired	**514**	**(1)**	**513**
Satisfied by:			
Cash and cash equivalents	480	—	480
Negative goodwill	**(34)**	**1**	**(33)**

The net earned premium and loss of Nomina No 372 LLP for the period since the acquisition date to 31 December 2014 is £444,000 and £3,000 respectively.

Negative goodwill has arisen on the acquisition of Nomina No 372 LLP as a result of the cash consideration being at a discount to the fair value of net assets acquired.

Notes to the financial statements *continued* • *Year ended 31 December 2014*

19. Acquisition of Limited Liability Vehicles continued

Dumasco Limited

On 16 September 2014 Helios Underwriting plc acquired 100% of the issued share capital of Dumasco Limited for a total consideration of £2,500,000. Dumasco Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £3,178,000. Negative goodwill of £678,000 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	—	442	442
Reinsurance assets:			
– reinsurers' share of claims outstanding	265	—	265
– reinsurers' share of unearned premium	69	—	69
Other receivables, including insurance receivables	2,068	—	2,068
Prepayments and accrued income	131	—	131
Financial assets at fair value	1,129	—	1,129
Cash and cash equivalents	1,481	—	1,481
Insurance liabilities:			
– claims outstanding	(1,348)	—	(1,348)
– unearned premium	(485)	—	(485)
Deferred income tax liabilities	(95)	(88)	(183)
Other payables, including insurance payables	(384)	—	(384)
Accruals and deferred income	(7)	—	(7)
Net assets acquired	**2,824**	**354**	**3,178**
Satisfied by:			
Cash and cash equivalents	2,500	—	2,500
Negative goodwill	**(324)**	**(354)**	**(678)**

The net earned premium and profit of Dumasco Limited for the period since the acquisition date to 31 December 2014 is £270,000 and £55,000 respectively.

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

Had the four Limited Liability Vehicles been consolidated from 1 January 2014, the consolidated income statement would show net earned premium of £14,427,000 and a profit after tax of £1,198,000.

Costs incurred in connection with the four acquisitions totalling £51,000 have been recognised in the consolidated income statement.

Notes to the financial statements *continued* • *Year ended 31 December 2014*

20. Related party transactions

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

Company	31 December 2014 £'000	31 December 2013 £'000
Balances due from/(to) Group companies at the year end:		
Hampden Corporate Member Limited	**562**	1,257
Nameco (No. 365) Limited	**58**	136
Nameco (No. 605) Limited	**199**	362
Nameco (No. 321) Limited	**5**	134
Nameco (No. 917) Limited	**217**	573
Nameco (No. 229) Limited	**62**	110
Nameco (No. 518) Limited	**(5)**	34
Nameco (No. 804) Limited	**405**	1,429
Halperin Underwriting Limited	**15**	—
Bernul Limited	**195**	—
Dumasco Limited	**472**	—
Nomina No 035 LLP	**—**	—
Nomina No 342 LLP	**—**	—
Nomina No 380 LLP	**—**	—
Nomina No 372 LLP	**—**	—
Helios UTG Partner Limited	**1,772**	1,238
Total	**3,957**	5,273

Helios Underwriting plc and its subsidiaries have entered into a management agreements 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 £79,000 (2013: £42,750).

Notes to the financial statements *continued* • *Year ended 31 December 2014*

20. Related party transactions continued

The Limited Liability Vehicles have entered into a members' agent agreement with Hampden Agencies Limited. Jeremy Evans, a Director of Helios Underwriting plc and its subsidiary companies, is also a director of Hampden Capital plc, which controls Hampden Agencies Limited. Under the agreement the Limited Liability Vehicles will pay Hampden Agencies Limited a fee based on a fixed amount, which will vary depending upon the number of syndicates the Limited Liability Vehicles 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 2014 are set out below:

Company	31 December 2014 £'000	31 December 2013 £'000
Hampden Corporate Member Limited	38	20
Nameco (No. 365) Limited	7	5
Nameco (No. 605) Limited	18	15
Nameco (No. 321) Limited	7	6
Nameco (No. 917) Limited	6	10
Nameco (No. 229) Limited	7	6
Nameco (No. 518) Limited	10	7
Nameco (No. 804) Limited	24	8
Halperin Underwriting Limited	9	7
Bernul Limited	6	—
Dumasco Limited	11	—
Nomina No 035 LLP	9	7
Nomina No 342 LLP	9	6
Nomina No 380 LLP	14	—
Nomina No 372 LLP	12	—
Helios UTG Partner Limited	—	—
Total	**187**	97

The Group entered into a 50% quota share reinsurance contract for the 2013 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.

The Group also entered into three quota share reinsurance contracts totalling 70% for the 2014 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 Nameco (No. 518) Limited, Nameco (No. 804) Limited, Halperin Underwriting Limited, Bernul Limited, Nomina No 035 LLP, Nomina No 342 LLP, Nomina No 380 LLP and Nomina No 372 LLP.

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 £465,000 during the year.

All of the Group's Limited Liability Vehicles have entered into three quota share reinsurance contracts totalling 70% with Hampden Insurance PCC (Guernsey) Limited – Cell 6 for the 2015 underwriting year of account.

During the year, the following Directors received dividends:

Director	Shareholding at date dividend declared 6 June 2014	Dividend received 4 July 2014
Sir Michael Oliver	19,000	855
Nigel Hanbury (either personally or has an interest in)	1,261,257	56,757
Andrew Christie	5,500	248
Jeremy Evans	51,002	2,295
Michael Cunningham	20,500	923

No dividends were paid in 2013.

Notes to the financial statements *continued* • *Year ended 31 December 2014*

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	2012* £	2013* £	2014 £	**2015 £**
33	Hiscox Syndicates Limited	754,377	754,377	1,524,940	**1,730,362**
218	ERS Syndicate Management Limited	591,736	670,621	1,056,680	**920,636**
308	Tokio Marine Kiln Syndicates Limited	73,125	70,000	84,528	**84,528**
386	QBE Underwriting Limited	179,894	179,894	493,385	**509,981**
510	Tokio Marine Kiln Syndicates Limited	1,887,911	1,863,256	3,170,925	**3,509,571**
557	Tokio Marine Kiln Syndicates Limited	767,556	308,582	446,063	**480,804**
609	Atrium Underwriters Limited	1,098,065	1,047,455	1,947,561	**2,193,704**
623	Beazley Furlonge Limited	727,450	859,960	2,103,700	**2,258,082**
727	S A Meacock & Company Limited	375,222	375,222	457,055	**484,478**
779	ANV Syndicates Limited	20,000	20,000	—	**—**
958	Canopius Managing Agents Limited	416,434	327,200	466,880	**—**
1176	Chaucer Syndicates Limited	214,874	261,818	327,712	**361,812**
1200	Argo Managing Agency Limited	240,542	63,551	64,252	**—**
1729	Asta Managing Agency Limited	—	—	35,685	**—**
2010	Cathedral Underwriting Limited	249,769	249,769	510,544	**522,963**
2014	Pembroke Managing Agency Limited	—	—	925,079	**800,014**
2121	Argenta Syndicate Management Limited	156,969	11,691	—	**—**
2525	Asta Managing Agency Limited	17,206	—	96,690	**114,698**
2791	Managing Agency Partners Limited	1,986,595	2,042,570	2,933,917	**2,839,424**
5820	ANV Syndicates Limited	—	107,754	60,000	**—**
6103	Managing Agency Partners Limited	375,251	448,058	424,738	**171,061**
6104	Hiscox Syndicates Limited	345,000	465,730	860,730	**862,504**
6105	Ark Syndicate Management Limited	116,569	64,724	350,592	**369,332**
6106	Amlin Underwriting Limited	308,251	271,170	—	**—**
6107	Beazley Furlonge Limited	135,000	10,000	350,000	**350,000**
6110	Pembroke Managing Agency Limited	393,302	879,892	—	**—**
6111	Catlin Underwriting Agencies Limited	428,894	589,808	1,066,267	**1,147,983**
6113	Barbican Managing Agency Limited	—	30,000	20,000	**—**
6117	Asta Managing Agency Limited	—	—	963,112	**640,516**
7200	Members' agent pooling arrangement	455,336	455,336	151,690	**—**
7201	Members' agent pooling arrangement	2,318,986	2,318,986	762,203	**—**
7202	Members' agent pooling arrangement	828,132	828,132	275,468	**—**
7203	Members' agent pooling arrangement	108,304	108,304	47,680	**—**
7211	Members' agent pooling arrangement	5,439,352	5,439,352	687,750	**—**
7217	Members' agent pooling arrangement	95,913	95,913	95,913	**107,901**
Total		21,106,015	21,219,125	22,761,739	**20,460,354**

* Including the new acquisitions in 2014.

Notes to the financial statements *continued* • *Year ended 31 December 2014*

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 2014			31 December 2013		
	Group £'000	Syndicate £'000	Total £'000	Group £'000	Syndicate £'000	Total £'000
Assets						
Intangible assets	3,770	—	3,770	2,929	—	2,929
Reinsurance assets:						
– reinsurers' share of claims outstanding	—	4,682	4,682	—	4,154	4,154
– reinsurers' share of unearned premium	—	1,014	1,014	—	800	800
Other receivables, including insurance receivables	2,193	14,186	16,379	793	10,761	11,554
Prepayments and accrued income	14	2,053	2,067	36	1,533	1,569
Financial assets at fair value	1,493	21,484	22,977	5,932	16,281	22,213
Cash and cash equivalents	2,546	1,059	3,605	86	980	1,066
Total assets	10,016	44,478	54,494	9,776	34,509	44,285
Liabilities						
Insurance liabilities:						
– claims outstanding	—	26,179	26,179	—	21,596	21,596
– unearned premium	—	8,005	8,005	—	5,968	5,968
Deferred income tax liabilities	2,137	—	2,137	1,656	—	1,656
Other payables, including insurance payables	529	5,684	6,213	34	4,082	4,116
Accruals and deferred income	1,269	206	1,475	866	257	1,123
Total liabilities	3,935	40,074	44,009	2,556	31,903	34,459
Shareholders' equity						
Share capital	853	—	853	853	—	853
Share premium	6,996	—	6,996	6,996	—	6,996
Retained earnings	(1,768)	4,404	2,636	(629)	2,606	1,977
Total shareholders' equity	6,081	4,404	10,485	7,220	2,606	9,826
Total liabilities and shareholders' equity	10,016	44,478	54,494	9,776	34,509	44,285

23. Ultimate controlling party

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

Notes to the financial statements *continued* • *Year ended 31 December 2014*

24. Events after the financial reporting period

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:

Nameco (No. 311) Limited

On 8 January 2015 Helios Underwriting plc acquired 100% of the issued share capital of Nameco (No. 311) Limited for a total consideration of £926,000. Nameco (No. 311) 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 £1,012,000, giving rise to negative goodwill of £86,000 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	5	327	332
Reinsurance assets:			
– reinsurers' share of claims outstanding	216	—	216
– reinsurers' share of unearned premium	49	—	49
Other receivables, including insurance receivables	1,007	172	1,179
Prepayments and accrued income	111	—	111
Financial assets at fair value	899	—	899
Cash and cash equivalents	232	—	232
Insurance liabilities:			
– claims outstanding	(1,115)	—	(1,115)
– unearned premium	(385)	—	(385)
Deferred income tax liabilities	(36)	(100)	(136)
Other payables, including insurance payables	(325)	—	(325)
Accruals and deferred income	(45)	—	(45)
Net assets acquired	**613**	**399**	**1,012**
Satisfied by:			
Cash and cash equivalents	926	—	926
Negative goodwill	**313**	**(399)**	**(86)**

Notes to the financial statements *continued* • *Year ended 31 December 2014*

24. Events after the financial reporting period continued

Nameco (No. 402) Limited

On 2 February 2015 Helios Underwriting plc acquired 100% of the issued share capital of Nameco (No. 402) Limited for a total consideration of £837,000. Nameco (No. 402) 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 £815,000, giving rise to goodwill of £22,000 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	346	347
Reinsurance assets:			
– reinsurers' share of claims outstanding	197	—	197
– reinsurers' share of unearned premium	40	—	40
Other receivables, including insurance receivables	764	265	1,029
Prepayments and accrued income	96	—	96
Financial assets at fair value	894	—	894
Cash and cash equivalents	61	—	61
Insurance liabilities:			
– claims outstanding	(1,083)	—	(1,083)
– unearned premium	(337)	—	(337)
Deferred income tax liabilities	(40)	(122)	(162)
Other payables, including insurance payables	(220)	—	(220)
Accruals and deferred income	(47)	—	(47)
Net assets acquired	**326**	**489**	**815**
Satisfied by:			
Cash and cash equivalents	837	—	837
Goodwill	**511**	**(489)**	**22**

Notes to the financial statements *continued* • *Year ended 31 December 2014*

24. Events after the financial reporting period continued

Updown Underwriting Limited

On 13 March 2015 Helios Underwriting plc acquired 100% of the issued share capital of Updown Underwriting Limited for a total consideration of £1,202,000. Updown Underwriting 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 £1,282,000, giving rise to negative goodwill of £80,000 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	—	411	411
Reinsurance assets:			
– reinsurers' share of claims outstanding	208	—	208
– reinsurers' share of unearned premium	41	—	41
Other receivables, including insurance receivables	1,300	—	1,300
Prepayments and accrued income	83	—	83
Financial assets at fair value	1,030	—	1,030
Cash and cash equivalents	148	—	148
Insurance liabilities:			
– claims outstanding	(1,198)	—	(1,198)
– unearned premium	(330)	—	(330)
Deferred income tax liabilities	(46)	(82)	(128)
Other payables, including insurance payables	(235)	—	(235)
Accruals and deferred income	(48)	—	(48)
Net assets acquired	**953**	**329**	**1,282**
Satisfied by:			
Cash and cash equivalents	600	—	600
429.839 ordinary 10p shares issued	602	—	602
Negative goodwill	**249**	**(329)**	**(80)**

Acquisitions for completion

As announced on 17 February 2015, the acquisition of Nameco (No. 507) Limited, for cash consideration of £900,000, is due for completion after the approval of these financial statements.

Future dividends

In respect of the year ended 31 December 2014 a final dividend of 1.5p per share together with a special dividend of 3.6p per share, amounting to a total dividend of £457,000, is to be proposed at the Annual General Meeting on 25 June 2015. These Financial Statements do not reflect this dividend payable.

Issued share capital

On the 13 March 2015 the Company issued 429,839 ordinary 10p shares as part of the acquisition settlement of Updown Underwriting Limited, taking the total shares in issue in the Company to 8,956,787.

Registered officers and advisers

Directors
Sir James Michael Yorrick Oliver (Non-executive Chairman)
Nigel John Hanbury (Chief Executive)
Jeremy Richard Holt Evans (Non-executive Director)
Harold Michael Clunie Cunningham (Non-executive Director)
Andrew Hildred Christie (Non-executive Director)

Company secretary
Martha Bruce
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