Providing access to Lloyd's

Helios Underwriting plc Annual report and financial statements 2016

HELIOS UNDERWRITING

Providing access to a global specialty insurance market

- Helios provides access to insurance exposures in the Lloyd's of London insurance market.
- A quality portfolio of Lloyd's underwriting participations is being built through targeted acquisitions.
- It has expanded its portfolio of syndicate capacity from £12.9m in 2013 to £35.0m as at May 2017.
- The capacity is capitalised by reinsurers, private capital and from Helios' resources.
- Active management of risk through use of quota share and stop loss reinsurance.
- Open exposure to 2017 underwriting year reduced to £10.5m.

Helios Capacity Fund

£35.0m of capacity for 2017

77% of the fund managed by leading managing agents at Lloyd's

Reinsurance Strategy

To provide access to Lloyd's exposures

To assist in the financing of the acquisitions

To mitigate the risk to capital from large losses

Helios Group summary profits

	2016 £'000	2015 £'000
Underwriting profits	**2,208**	2,218
Total other income	**904**	476
Total costs	**(1,778)**	(1,941)
Profit before impairment and tax for the year	**1,334**	753
Profit before impairment and tax for the year expressed per share	**11.64p**	8.00p
Profit before tax	**779**	798
Earnings per share	**6.22p**	9.67p

	Year of account			
Capacity acquired	2014	2015	2016	**2017**
Capacity at beginning of underwriting year – £m	18.2	20.5	28.1	**32.6**
Acquired in year 1 – £m	4.6	6.3	5.6	**2.4**
Acquired in year 2 – £m	6.4	5.4	2.2	**—**
Acquired in year 3 – £m	6.3	2.2	—	**—**
Final/current capacity – £m	35.5	34.4	35.9	**35.0**
Capacity reinsured – £m	14.9	16.6	23.2	**24.5**
Proportion reinsured	42%	48%	65%	**70%**
Helios retained capacity	20.6	17.8	12.7	**10.5**
Helios proportion retained	58%	52%	35%	**30%**

Each LLV acquired increases capacity for three open underwriting years.
Position as at May 2017.

Strategic report

Governance

Financial statements

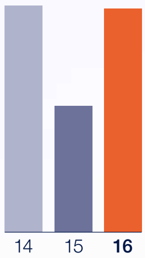
Visit our investor website at **www.huwplc.com** for the latest Company news and announcements.

Creating further growth

Profit before impairment and tax (£m)

1,334
+77%

2016	**1,334**
2015	753
2014	1,351



Adjusted net asset value per share (£)

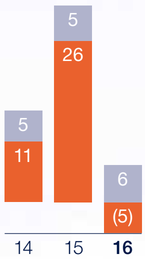
1.96
-2%

2016	**1.96**
2015	2.01
2014	1.75

Growth in shareholder value (p per share)

1

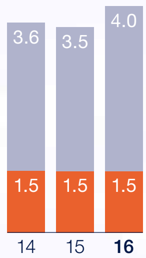
Total 2016	**1**
Total 2015	31
Total 2014	16
Adjusted net asset	
Dividend	



Dividends (p)

5.5
+10%

2016	**5.5**
2015	5.0
2014	5.1
Final dividend	
Special dividend	



Highlights

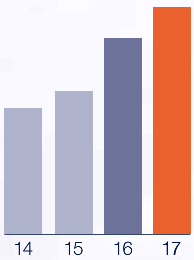
- Gross premium written during the period totalled £31.3m (2015: £21.5m)
- Profits before impairment, goodwill and tax for the year of £1,334,000 (2015: £753,000) 77% increase in profits
- Earnings per share of 6.22p (restated 2015: 9.67p)
- Helios retained capacity for 2017 open underwriting year £10.6 (2016: £9.8)
- 2014 underwriting year of account profit return on capacity of 15.6% (2013 underwriting year: 14.2%)
- Net proceeds from the issue of new shares – £5.7m
- Recommended total dividend for this year of 5.5p per share (2015: 5.0p per share)
- Adjusted net asset value per share – £1.96 per share (2015: £2.01 per share)

Growth in capacity (£m)

32.6

+16%

2017	**32.6**
2016	28.1
2015	20.5
2014	18.2



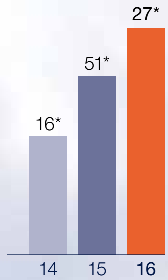
Value of capacity fund (WAV) (£'000)

14,918

+27%

2016	**14,918**
2015	11,762
2014	7,770

* Growth in value (%).



Positive results

Acquisition strategy continues to build the fund of capacity.

Summary

- Adjusted net asset value at £1.96 per share (2015: £2.01)
- Three acquisitions in 2016 added £5.6m of capacity to 2016 underwriting year – 20% increase
- Two acquisitions agreed in 2017 will add £2.4m of capacity to 2017 underwriting year – an additional 7% increase
- 5.5p per share total dividend payable (2015: 5.0p)

"

We have continued to implement our strategy of building the portfolio of syndicate capacity.

Sir Michael Oliver
Non-executive Chairman

Your Board is pleased to report a set of encouraging results for 2016 which reflects the continued progress in building the portfolio of capacity on syndicates at Lloyd's to generate profits for shareholders. The profits before goodwill and impairment for the year were £1,334,000 (2015: £753,000), whilst the adjusted net asset value of the Group is £1.96 per share (2015: £2.01).

Underwriting profits from the two older underwriting years, the "off-risk" years, made a good contribution but the 2016 underwriting year in its first 12 months recognised a loss.

Other income arising from fees from reinsurers and investment income has increased this year. Total costs reduced to £1.8m as the expenditure on protecting the portfolio using stop loss reinsurance was rationalised.

Strategy

We have continued to implement our strategy of building the portfolio of syndicate capacity. During 2016 the key developments were the:

» raising of £5.7m of new capital for the acquisition of further limited liability vehicles ("LLVs") and enabling the broadening of the shareholder base; and

» £3.9m of the funds raised have been utilised to date.

Underwriting result

The calendar year underwriting profits for 2016 have been generated from results recognised in the portfolio from the 2014 to the 2016 underwriting years as follows:

Underwriting year contribution Helios retained profits

Underwriting year	2016 £'000	2015 £'000
2013	–	1,274
2014	1,661	939
2015	1,031	5
2016	(484)	–
	2,208	2,218

During 2016, the 2014 underwriting year mid-point estimate increased from 8.7% return on capacity to a final result of 15.6%. The overall return on capacity for 2014 benefited from the weaker £/US$ exchange rate that weakened by 20% in 2016 and from below average loss activity. The mid-point estimate for the 2015 underwriting year at 31 December 2016 was 8.2%. This mid-point estimate for 2015 has improved to 9.8% with the release of updated estimates.

The level of major claims for the whole of Lloyd's during 2016 at £2.1bn was the fifth highest since the turn of the century and above the long-term average. These losses were incurred mainly as a result of Hurricane

Capacity acquired

During 2016 a further three corporate members were acquired that increased the capacity for the 2014 to 2016 years of account, and a further two corporate members have been bought since 31 December 2016. These companies have increased the capacity underwritten on the 2014 to 2017 underwriting years as shown below.

	Year of account – £m			
	2014	2015	2016	2017
Capacity at 1 January 2016	29.2	26.8	28.1	–
Acquired during 2016	6.3	5.4	5.6	–
Capacity at 31 December 2016	35.5	32.2	33.7	32.6
Acquired to date in 2017	–	2.2	2.2	2.4
Current total capacity	35.5	34.4	35.9	35.0

These five acquisitions in 2016 and 2017 to date were purchased for a total consideration of £8.7m, of which £3.9m was committed from the funds raised from shareholders.

Matthew, the earthquake in Japan in April 2016 and the Fort McMurray Wildfire in Canada. Consequently, the 2016 underwriting year result in the first 12 months retained by Helios made a negative contribution mainly arising from this claims experience. The underwriting environment remains competitive and pressure to reduce underwriting terms and conditions is prevalent within most classes of business. Nevertheless, we would expect the 2016 underwriting year to be profitable and early indications from the managing agents of the syndicates in the portfolio are currently forecasting a mid-point estimate of profit on capacity of 3.5%.

The underwriting results will remain exposed to movements in £/US$ exchange rate due to significant underlying US$ exposure.

Other income

Helios generates fees from the quota share reinsurers, investment income from the Group funds at Lloyd's and foreign exchange gains.

	2016 £'000	2015 £'000
Fees from reinsurers	**557**	385
Investment income	**347**	91
Total other income	**904**	476

Fees and profit commission from reinsurers have increased as the capital committed has risen to £13m and as the 2014/15 years are recognising increased profits. The Group Funds at Lloyd's are invested to produce consistent long-term returns.

Total costs

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

	2016 £'000	2015 £'000
Pre-acquisition	**63**	200
Stop loss costs	**248**	407
Operating costs	**1,467**	1,334
Total costs	**1,778**	1,941

The reduction in the stop loss costs reflects the rationalisation of the stop loss reinsurance policies acquired in 2016.

Adjusted net asset value per share

The Board views the adjusted net asset value per share ("ANAV") as the key metric to measure the success of the Group. It measures the combination of the net tangible asset value of Helios and the current market value of the portfolio of syndicate capacity. The building of a portfolio of participations on leading Lloyd's syndicates remains the strategic objective of the Group.

	2016 £'000	2015 £'000
Net tangible assets	**11,787**	7,912
Group letters of credit	**1,922**	1,447
Weighted average value of capacity	**14,918**	11,762
	28,627	21,121
Shares in issue	**14,604**	10,495
Adjusted net asset value per share (£)	**1.96**	2.01

The issue of shares in the year to raise additional funds has restricted the growth in ANAV per share. Previously the Board relied on the Humphrey's valuation that approached the valuation in a very similar way and the ANAV of £1.99 per share was published last year.

Dividend

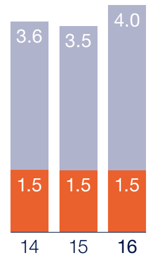
Following another successful year, the Board is pleased to recommend that the final dividend remains the same as last year at 1.5p per share which, together with a special dividend of 4.0p per share (2015: 3.5p), totals 5.5p per share (2015: 5.0p). The special dividend equates to approximately 20% of the £3m cash released from the 2014 year of account. These dividends will be payable to shareholders on the register on 9 June 2017. If approved, the dividend will be paid in a single payment on 7 July 2017.

Dividends (p)

5.5

+10%

2016	**5.5**
2015	5.0
2014	5.1
Final dividend	
Special dividend	



Outlook

Our strategy of providing access to insurance exposures at Lloyd's continues to develop. We see opportunities to both develop access to syndicates at Lloyd's and to build on the structure for participation by private capital.

Although the 2015 underwriting year is expected to produce a good result, early indications for the 2016 underwriting year show lower returns on capacity. We see lower expected profitability as an opportunity to continue to build the portfolio of capacity by purchasing LLUs at reduced prices.

Board

This is my final set of annual results as Chairman, and in the years since we launched the Company in 2007 we have substantially grown the portfolio of capacity and our financial strength. I am delighted that Michael Cunningham is taking over the role of Chairman.

Sir Michael Oliver
Non-executive Chairman
27 May 2017

Continuing to grow

Maintaining the quality of the portfolio.

Highlights

- 77% of the portfolio managed by leading managing agents at Lloyd's
- Helios portfolio underwriting results for 2014 underwriting year outperform Lloyd's average return on capacity by 4.7%
- Helios cedes 70% of portfolio at the start of the underwriting year
- Helios expects to retain over 50% of overall underwriting result by the close of the underwriting year

"

Helios return on capacity is on average 3.6% higher than the Lloyd's market over the last three closed years.

Nigel Hanbury
Chief Executive

Growth in capacity through acquisitions

The strategy of building a portfolio of underwriting capacity at Lloyd's has continued through the purchase of further corporate members. There remains a steady flow of vehicles for sale as existing owners wish to cease underwriting due to a change of circumstances. Since 1 January 2016 £7.9m of capacity has been acquired. We remain selective on the purchases and have encountered reticence from potential vendors as the prices offered do not match their expectations. Premiums over the Humphrey's value are no longer paid and as the soft market conditions are reflected in the profits generated and auction values, we would expect discounts on the Humphrey's value to increase.

Following the close of 2014 year of account, another very profitable year, further vehicles are expected to be marketed as the impact of the soft insurance market affects the future returns to be generated by LLVs. We continue to expect resistance from vendors regarding our value expectations. There remains a risk to the implementation of our strategy if suitable vehicles are not available at attractive prices.

Summary of acquisitions

	Cash consideration £m	Capacity £m	Humphrey value £m	Premium over Humphrey
Devon Underwriting Limited	1.1	1.2	1.0	115%
Nameco (No 346) Limited	3.7	3.3	3.4	109%
Pre-capital raise	4.8	4.5		
Salviscount LLP	0.8	1.0	0.8	101%
Pooks Limited	0.9	0.8	0.9	98%
Charmac Underwriting	2.2	1.6	2.3	96%
Post-capital raise	3.9	3.4		
Total since 1 January 2016	8.7	7.9		

Quality of portfolio

We continue to focus ruthlessly on the quality syndicates. So, participations on weaker syndicates in acquired portfolios are sold to maintain the overall quality. The six largest participations with the leading managing agents at Lloyd's account for 77% of the portfolio. These participations in syndicates managed by these managing agents represent shares in the better managed businesses at Lloyd's.

The underwriting results of the Helios portfolio have consistently outperformed the Lloyd's market average. Helios' average return on capacity over the last three closed years is 14.3% and is on average 3.69% higher than the average of the Lloyd's market.

The combined ratio of the portfolio (before Helios corporate costs) has been 5.79% lower on average over the last three calendar years. These incremental returns demonstrate the diversity and the breadth of underwriting expertise within the businesses comprising the portfolio of syndicate capacity.

Helios current portfolio
Top six holdings by managing agent

Syndicate	Managing agent	2017 Helios portfolio capacity £'000	2017 Helios portfolio % of total	Largest class
510/557	Tokio Marine Kiln Syndicates Ltd	6,400	18	Composite/Non-marine XL
623/6107	Beazley Furlonge Ltd	5,695	16	Composite/Reinsurance
2791/6103	Managing Agency Partners Ltd	4,456	13	Composite/Reinsurance
33/6104	Hiscox Syndicates Ltd	4,457	13	Composite/Reinsurance
609	Atrium Underwriters Ltd	3,395	10	Composite
6117	Argo Managing Agency	2,628	7	Reinsurance
Sub-total		**27,031**	**77**	
Other		**8,010**	**23**	
Total 2017 Helios portfolio		**35,041**	**100**	

Source: 2017 syndicate capacities sourced from Lloyd's.

Reinsurance quota share

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

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

The table shows that the Helios retained capacity increases significantly in years 2 and 3 as further corporate members are acquired and the older years are not reinsured. Capacity on underwriting years after 18 months of development is substantially "off risk" as the underlying insurance contracts have mostly expired.

Therefore, the profits from the capacity on the older years are retained 100% by Helios. The proportion of overall capacity retained by Helios for the 2015 and 2016 underwriting years is expected to increase to approximately 50% as further corporate members are acquired.

	Year of account – £m			
	2014	2015	2016	**2017**
Helios capacity at outset	5.4	6.1	8.4	**9.8**
Retained capacity in year 1	2.5	4.6	2.4	**0.7**
Retained capacity in years 2 and 3	12.7	7.2	1.9	**—**
Helios retained capacity	20.6	17.9	12.7	**10.5**
% of off-risk capacity	62%	31%	15%	**—**
Ceded capacity at outset	12.7	14.3	19.7	**22.8**
Further capacity ceded to QS	2.2	2.2	3.5	**1.7**
Total capacity ceded	14.9	16.5	23.2	**24.5**
Current total capacity	35.5	34.4	35.9	**35.0**
Helios share of total capacity	58%	52%	35%	**30%**

Development of profit estimates

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

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

Risk management

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

The purchase of quota share reinsurance cedes 70% of the risk on the younger or "on-risk" years, which has remained consistent for the last three years. The market conditions continue to soften even as the incidence of insured natural disasters and large loss events have been above normal expectations in 2016. This has allowed the insurance industry to generate adequate returns on capital and thereby attract new capital to the industry.

There is today a strong consensus in the insurance industry that the continued pressure on rates will have to slow shortly. It might take a catastrophe, or series of catastrophes, on a very large scale to materially turn the market for short-tail lines of business. The high aggregation of coastal exposures in the US and other developed markets is one reason why such massive dislocations cannot be ruled out.

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

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

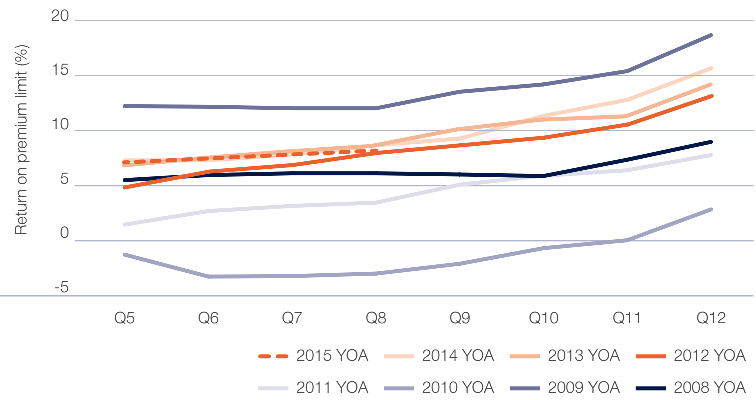
The individual syndicate net exposures will depend on the business underwritten during the year and the reinsurance protections purchased at syndicate level.

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

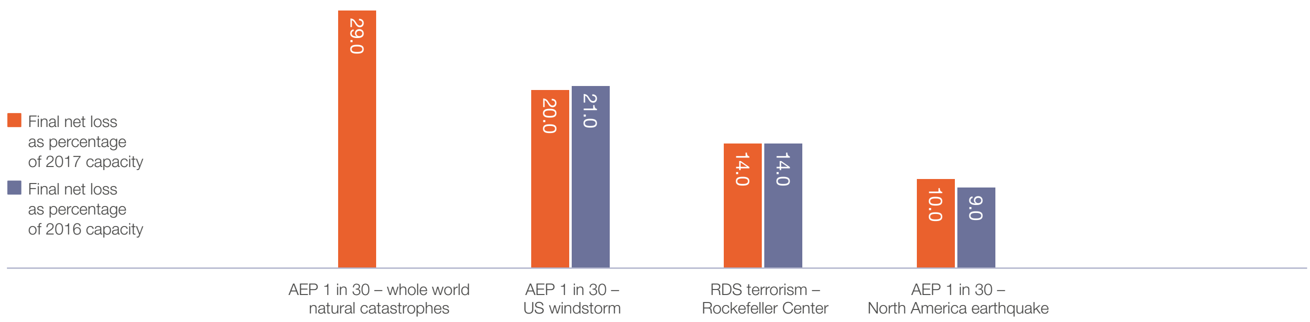
In addition, Helios buys stop loss reinsurance that will mitigate the impact of a significant loss to the portfolio.

For 2017, the scope of the stop loss cover has been rationalised and terms have been included which will assist in funding a large loss.

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



CRS (catastrophe risk scenarios) – gross and net reinsurance (%)



Note: The chart shows the new whole world AEP and the two other compulsory AEPs. It also shows one of the two terrorism RDSs, which are the only compulsory RDSs. The AEP 1 in 30 figure is the weighted average of each syndicates' 1 in 30 projections which serves as a guide to the portfolio aggregate. The aggregate AEP also does not factor in diversification.

Source: 2016/7 syndicate business plans.

Capacity value

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

The Board recognises that the average prices derived from the annual capacity auctions managed by the Corporation at Lloyd's could be subject to material change if the level of demand for syndicate capacity reduces. Notwithstanding the average prices derived from the auction process, each of the syndicates will have a track record of trading profitability and generating cash.

The 2016 auctions valued the Helios portfolio at 31 December 2016 at £14.9m. Applying the 2015 auction average prices to the same portfolio, the overall value was very similar at £14.9m. There were variations in the prices achieved by individual syndicates between the years.

The accounting policy requires an assessment of the carrying value of each syndicate participation against the latest average auction prices. The impairment charge for this year of £555,000 (2015: £63,000) results in a reduction in the fair value of the syndicate capacity held on the balance sheet. The two syndicates that mainly contributed to this impairment charge were Syndicate 2010 (Cathedral) and Syndicate 386 (QBE Liability). The excess supply of capacity over demand for these participations at the last auction, the Board believes, was due to circumstances peculiar to each syndicate. Should the average auction prices for these two syndicates exceed the current carrying value in the future; the impairment charge could be reversed.

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

For calculation of the ANAV, the carrying value of the capacity in the balance sheet is replaced by the total current portfolio value. Therefore, this impairment charge does not impact the ANAV of the Group.

Capital position

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

Underwriting capital as at 31 December	**2016 £m**	2015 £m
Reinsurance panel	**13.6**	10.8
Helios own funds	**4.1**	3.9
Group letters of credit	**1.9**	1.4
Total	**19.6**	16.1

Helios has generated free cash of £3m in 2016 (2015: £1.8m) from the distribution of its share of the final underwriting profits of the 2014 underwriting year. These profits have assisted in funding the recent acquisitions and will provide working capital for the next 12 months.

Corporate, social and environmental responsibility

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

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

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

Sir Michael Oliver has been our Chairman since the Company was created in 2007. Sadly he has decided that it is time to stand down at this year's AGM in June. His experience and wise counsel was invaluable when the Company was launched as a new spread underwriting vehicle and has continued to be through all stages of its development. I would like to take this opportunity to extend our heartfelt gratitude to him and wish him well for the future.

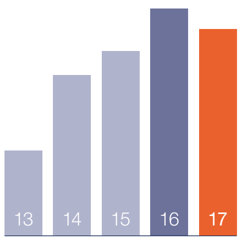
Nigel Hanbury
Chief Executive
26 May 2017

Capacity value per share (p)

102

-9%

2017	**102**
2016	112
2015	91
2014	79
2013	42



Note: Capacity value is derived from the weighted average of the prices at the capacity auction managed by Lloyd's.

Outperformance by syndicates continues to be expected

Market conditions remain competitive despite early signs of capacity withdrawals from some lines of business.

The underwriting results of the Helios portfolio of syndicates have consistently outperformed the Lloyd's market average both on an annually accounted basis measured by combined ratio and on a three-year account basis, measured by return on underwriting capacity.

The calendar year combined ratio of the portfolio (before Helios corporate costs) was 94.6% in 2016 (2015: 83.4%). The Helios portfolio continues to outperform the Lloyd's combined ratio, which was 97.9% in 2016. The increase in the calendar year combined ratio was driven in large part by a series of major losses. These losses included Hurricane Matthew and wildfires at Fort McMurray in Canada. Despite the major losses suffered during 2016, the 2016 three-year account is expected to remain profitable, although property reinsurance remains on risk until 30 June 2017, while other classes of business can be on risk until 31 December 2017.

Over the last three calendar years, the average combined ratio of the Helios portfolio was 86.4%, outperforming Lloyd's by 5.7 percentage points a year. These incremental returns compared with the Lloyd's market average demonstrate the quality of the syndicates in the Helios portfolio. The chart below shows the combined ratio of the Helios portfolio compared with Lloyd's for the last three calendar years from 2014 to 2016.

With the closure of the 2014 account at 31 December 2016 the Helios portfolio has outperformed Lloyd's for the sixth successive three-year account result, reporting a profit of 15.6% on capacity compared with the Lloyd's market average of 10.9% of capacity, an outperformance of 4.7% of capacity. The chart below shows the return on capacity of the Helios portfolio compared with Lloyd's for the last two closed years from 2013 to 2014 and includes the mid-point estimated results for the 2015 account at Q8.

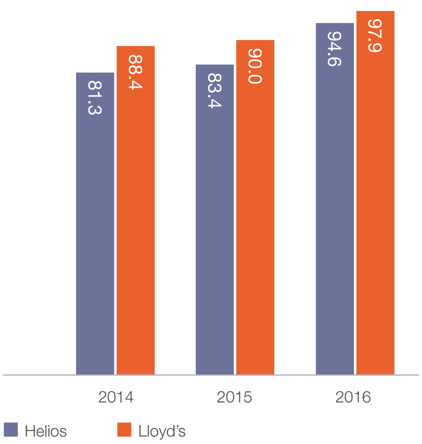
Underwriting profitability is set to continue for the 2015 account with the mid-point estimate for the Helios portfolio at Q8 in 2015 being 8.1% of capacity compared with the Lloyd's market average of 3.8% of capacity.

Global insured major losses, according to Swiss Re Sigma, were the highest since 2012 at $54bn in 2016, up from $38bn in 2015 and in line with the inflation adjusted annual average for the last ten years of $53bn a year.

The largest insured loss in 2016 was the earthquake in Japan in April, with claims of $4.9bn. The second costliest event was Hurricane Matthew, which resulted in insured losses of $4bn in the US and the Caribbean. Hurricane Matthew, made landfall in Haiti as a Category 4 storm on 4 October 2016, before following the US coastline for hundreds of miles until it made landfall again in South Carolina on 8 October 2016 after causing storm surge, wind and flood damage, beach erosion and infrastructure damage in Florida through to North Carolina.

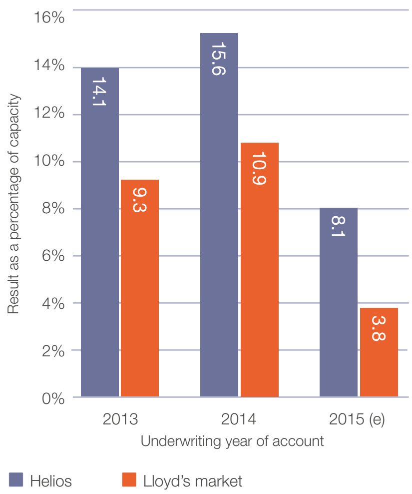
Hurricane Matthew was a reminder of the potential insurance and reinsurance exposures from a major hurricane. Research by insurance company Validus calculated that had Matthew tracked just 30 miles to the west the insured loss could have been nearly ten times greater than the actual loss at $38bn, while Lloyd's itself models a Florida windstorm landing in Miami-Dade County with total insured losses of $131bn. Insured losses of either magnitude would likely have had a significant impact on catastrophe reinsurance rates.

Helios combined ratio compared with Lloyd's: 2014–2016 (%)



Source:
Lloyd's – pro forma financial statements, 31 December 2016.

Helios return on capacity compared with Lloyd's: 2013–2014 and 2015 (est. at Q8) (%)



Notes to figures

1. Helios portfolio aggregates include all vehicles acquired prior to the declared result for each year of account.
2. Helios 2013 to 2014: Results at 36 months calculated from distribution files excluding any movement for run-off years.
3. Lloyd's 2013 to 2014: Results at 36 months calculated from Lloyd's global accounts/year-end QMR returns. These exclude any movement for run-off years.
4. 2015 Q8 based on mid-point of the 2016 Q4 estimate ranges provided by syndicates.
5. All returns include standard personal expenses but are before members' agents' charges.

Financial year results for 2016 reported by Lloyd's and its competitors highlight the challenge in an average year for major losses of producing an underwriting profit with limited support from investment yields and declining prior year releases.

The insurance market in 2017

Market conditions remain the most competitive in Lloyd's since the late 1990s when Lloyd's reported four consecutive years of underwriting losses on a three-year account basis. So far in 2017, the trend of rate reductions has continued in most classes of business other than motor. There are signs that the level of rate reductions is beginning to moderate both in insurance and reinsurance classes, prompted in some cases by withdrawals of capacity.

For 2017, Hampden has a target profit, excluding prior year loss reserve development, of 0% to 5% of capacity assuming a long-term average for catastrophe losses. Pure year profitability is becoming increasingly dependent on major loss experience. The balance of power continues to shift from net sellers of reinsurance to net buyers of reinsurance, with the traditional reinsurance market facing increasing competition from alternative capital. Guy Carpenter calculates that alternative capital's market share of global reinsurance capital has grown from 8% in 2008 to 19% in 2016.

The return expectations from many alternative capital investors are modest. In a 2016 survey, Clear Path Analysis spoke to 108 institutional asset managers in Europe and the United States asking what returns they looked for in Insurance Linked Securities. The most frequent target return expected by over 30% of those surveyed was in the range of 3% to 5%. Despite these modest return expectations institutional investors continue to be attracted by the low correlation of insurance returns to other financial assets.

Syndicates in the Helios portfolio are adapting to current market conditions by buying more reinsurance or retrocession protection. The reinsurance cession ratio of the Helios portfolio increased from 17.9% in 2015 to 20.2% in 2016. Part of the reason for this increase was due to portfolio composition – on a like-for-like basis the increase in the reinsurance cession ratio was from 17.6% to 18.9%.

> "Investment returns no longer provide a cushion to sub par underwriting.

The rating environment

Property catastrophe reinsurance rates at 1 January 2017 have now declined for five years in succession. Guy Carpenter's Global Rate on Line Index reduced by 3.7% at 1 January 2017, compared with reductions of 8.8% a year earlier.

Property and casualty insurance rates in the United States began to decline during the first quarter of 2015. Rates have continued to reduce for nine successive quarters with the Council of Insurance Agents and Brokers reporting rate reductions averaging 2.5% in Q1 2017, although the quantum of rate reductions is showing signs of moderating from reductions reported of 3.3% in Q4 2016.

The economy drives the property casualty insurance industry with net written premiums, a proxy for demand, tracking nominal GDP fairly well other than in "hard markets". For the full year 2016, US nominal GDP grew by 2.9%, down from 3.7% in 2015. Net written premium growth for all property/casualty insurers in the US was 2.8% for the first three quarters of 2016. Since the recession ended in Q2 2009 the economic recovery measured by real GDP growth has been muted compared with previous post-recession recoveries, only growing faster than 3% (at an annual rate) in a calendar quarter eight times out of 31 quarters and once in the last ten.

Supply of capital at all-time highs

Good underwriting results continue to attract capital to both the insurance industry and, in particular, the reinsurance industry searching for yield. Much of this is "alternative capital" and focused on reinsurance business through short-term structures such as catastrophe bonds and collateralised reinsurance. During 2016 global reinsurer capital again reached a record high, according to Aon Benfield, of $595bn, increasing by 5% at the 2015 year end. Alternative capital grew by 13% to $81bn principally reflecting additional deployment into collateralised reinsurance structure.

The insurance cycle is a classic supply-led cycle where pricing is driven more by changes in the supply of capital to the market than changes in demand for insurance and reinsurance. The growth in alternative capital has had a dramatic impact on pricing with Guy Carpenter assessing rate decreases on reinsurance cover bought through insurance-linked securities as high as 30% in the fourth quarter of 2016, which compares with much more modest rate reductions for global reinsurance at 1 January 2017 of 3.7%.

Global reinsurance capital has increased by 75% since 2008 while insurance capital measured by the United States property and casualty policyholders' surplus also reached a record high at the end of 2016 of $701bn, an increase of 54% on 2008.

In current market conditions profit-orientated organic growth is difficult and is the reason why many listed companies favour capital management with excess capital being repaid to shareholders through share buy-backs or special dividends. Capital repatriation is a reflection of underwriting discipline with Beazley, Lancashire and Hiscox ranked in the top four for capital repatriation out of 23 major reinsurers in the Aon Benfield Aggregate Report for 2016 measured by dividends and share buy-backs as a percentage of opening equity. It is no coincidence that syndicates managed by Beazley (Syndicate 623), Hiscox (Syndicate 33) and Lancashire (Syndicate 2010) comprise in total 27.5% of the Helios syndicate portfolio for 2017.

The investment environment

Declining bond yields in 2016 boosted investment returns with the US ten-year treasury yield declining from 2.2% on average in 2015 to 1.8% in 2016. The yield on the US ten-year treasury has been below 3% for over five years. As long as new money yields are below the embedded yield (purchase price) of maturing bonds, portfolio yields of insurers will continue to fall, putting upward pressure on premium rates. Research from the Insurance Information Institute suggests that US insurers at year-end 2016 were earning a pre-tax new money yield of 1.6% compared with a pre-tax embedded yield of 3.0% using the US-five year treasury note as a proxy for new money yield.

The importance of conservative reserving

Bottom-line results in the current rating environment continue to be reliant on conservative reserving, given Hampden's modest forecast for pure year underwriting return on the 2017 account in a range of 0% to 5% of capacity. We consider the Helios portfolio of syndicates to be conservatively reserved overall with the last three-year account closed result for 2014 including a prior release of 4.0% of capacity from the 2013 and prior years. Going forward, however, we see some moderation of reserve releases given that the "hard market" years of 2002–2006 reserves on liability business have now largely been distributed whilst market conditions have been more competitive since 2007.

A continued focus on quality

Our focus in this market is to focus syndicate portfolios on quality syndicates with key success characteristics, being conservative reserving and a focus on profit rather than growth.

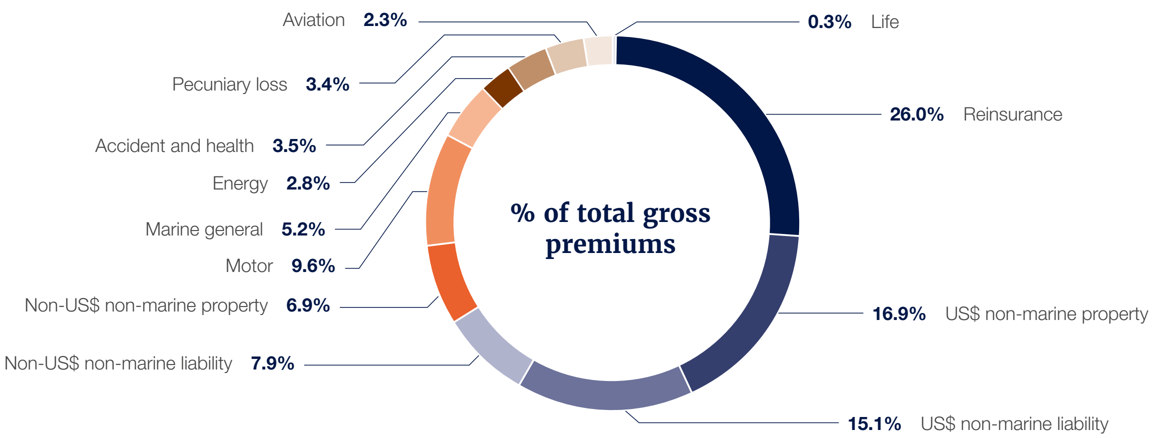
The Helios portfolio for 2017 continues to provide a good spread of business across managing agents and classes of business. The two largest classes of business remain reinsurance at 26.0% (2016: 28.6%) and US dollar property insurance at 16.9% (2016: 17.7%) shown in the first "doughnut" chart below.

The measure of quality assessed by Hampden is the grading we assign each year to syndicates. Syndicates graded "D" are not recommended for support while the four positive gradings range from "AA" (excellent), "A" (very good), "B" (good), "C" (market average).

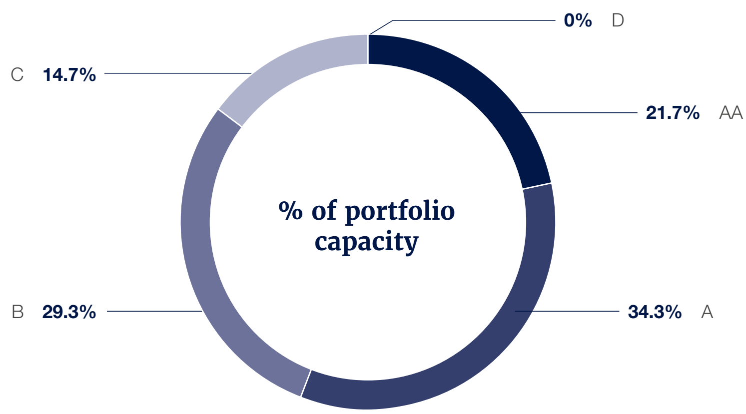
Helios continues to focus its portfolio on the quality syndicates which have traditionally outperformed the Lloyd's market result to a greater degree in "soft market" conditions compared with "hard market" conditions. The Helios portfolio split by Hampden grading for 2017 contains 56% (2016: 55.6%) underwriting capacity in syndicates graded "AA" and "A" by Hampden, as shown in the second "doughnut" chart below.

Hampden Agencies
26 May 2017

Classes of business for 2017 (%)



Helios syndicate capacity for 2017 by Hampden grading (%)



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

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

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

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

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

	Year to 31 December	
	2016 £'000	2015 £'000
Underwriting profit	**2,208**	2,218
Other income:		
– fees from reinsurers	**557**	385
– investment income	**347**	91
Total other income	**904**	476
Costs:		
– pre-acquisition	**(63)**	(200)
– stop loss costs	**(248)**	(407)
– operating costs	**(1,467)**	(1,334)
Total costs	**(1,778)**	(1,941)
Operating profit before goodwill and impairment	**1,334**	753
Goodwill on bargain purchase	**—**	244
Impairment charge	**(555)**	(199)
Tax	**(66)**	112
Profit for the year	**713**	910

Year to 31 December 2016

Underwriting year	**Helios retained capacity at 31 December 2016 £m**	**Portfolio mid-point forecasts**	**Total profit currently estimated £'000**	**% earned in the 2016 calendar year**	**Helios profits £'000**
2014	**20.6**	**15.5%**	**3,193**	**52%**	**1,661**
2015	**16.1**	**8.2%**	**1,314**	**79%**	**1,031**
2016	**10.8**	**N/A**			**(484)**
					2,208

Year to 31 December 2015

Underwriting year	Helios retained capacity at 31 December 2015 £m	Portfolio mid-point forecasts	Total profit currently estimated £'000	% earned in the 2015 calendar year	Helios profits £'000
2013	20.6	14.2%	2,925	44%	1,274
2014	14.3	8.9%	1,273	74%	939
2015	10.6	N/A			5
					2,218

Summary balance sheet

See Note 26 for further information.

	2016 £'000	2015 £'000
Intangible assets	**10,732**	8,511
Funds at Lloyd's	**4,083**	3,894
Other cash	**7,229**	2,973
Other assets	**3,480**	1,231
Total assets	**25,524**	16,609
Deferred tax	**3,581**	3,172
Other liabilities	**4,618**	3,163
Total liabilities	**8,199**	6,335
Total syndicate equity	**5,194**	6,149
Total equity	**22,519**	16,423

Cash flow

Helios has generated £3.4m of cash in 2016 from the distribution of the profits from the 2013 underwriting year.

Analysis of free working capital	Year to 31 December 2016 £'000	Year to 31 December 2015 £'000
Opening balance (free cash)	**2,973**	2,704
Income		
Cash acquired on acquisition	**413**	977
Distribution of profits (net of tax retentions)	**3,378**	2,510
Transfers from Funds at Lloyd's	**3,775**	1,167
Other income	**271**	437
Proceeds from the issue of shares	**5,722**	—
Transfers from PTF accounts (early release)	**—**	221
Expenditure		
Operating costs	**(815)**	(775)
Reinsurance cost	**(237)**	(275)
Payments to QS reinsurers	**(741)**	—
Acquisition of LLVs	**(5,592)**	(2,316)
Transfers to Funds at Lloyd's	**(1,524)**	(1,351)
Tax	**(95)**	(5)
Dividends paid	**(299)**	(321)
Closing balance	**7,229**	2,973

Experienced leadership

Sir James Michael Yorrick Oliver, 76

(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.

N

Nigel John Hanbury, 60

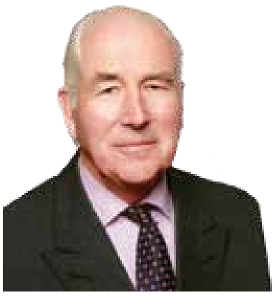
(Chief Executive)

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, 59

(Non-executive Director)

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



Harold Michael Clunie Cunningham, 69

(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.

A N

Andrew Hildred Christie, 61

(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.

A N

Arthur Roger Manners, 57

(Finance Director)

Arthur Manners has over 20 years' experience in the insurance industry and has, since June 2015, been acting as a consultant to the Company. The role at Helios Underwriting plc is part time and he is also finance director and compliance officer for insurance consultancy Total Risk Solutions (London) Limited, non-executive director of Gemini Insurance Brokers (Hong Kong) Limited and chairman of the trustees of Beazley Furlonge Pension Scheme. Prior to holding these positions, he was on the senior management team (including acting as finance director and group company secretary) at London Stock Exchange-listed insurer Beazley Group plc. Arthur Manners is a Chartered Accountant.

Committee membership

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

The Directors present their report and the audited Group and Parent Company Financial Statements for the year ended 31 December 2016.

Principal activity, review of the business and future developments

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

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

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

Results and dividends

The Group result for the year ended 31 December 2016 is shown in the Consolidated Statement of Comprehensive Income. The Group profit for the year after taxation was £713,000 (restated 2015 (Note 27): £910,000).

A dividend of 5.0p per share was paid during calendar year 2016 totalling £525,000 (2015: £457,000).

Charitable and political donations

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

Directors and their interests

Under the Articles of Association, one-third of the Directors are required to retire from the Board by rotation at the forthcoming Annual General Meeting and may offer themselves for re-election as Directors. As the Board consists of six Directors, two are required to retire by rotation. Nigel Hanbury and Andrew Christie therefore retire by rotation and offer themselves for re-election as Directors of the Company.

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 2016 is nil (2015: nil).

Substantial shareholdings

The substantial shareholders shown below were as at 19 May 2017:

	Number of shares	% holdings
Will Roseff	3,711,542	25.41%
Nigel John Hanbury (either personally or has an interest in)	1,663,016	11.39%
Hampden Capital plc	1,214,560	8.32%
Helium Special Situations Fund	866,667	5.93%

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 26 May 2017.

Nigel Hanbury
Chief Executive
26 May 2017

The Company's shares are traded on AIM 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.

Board balance, Independence and review

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

The Board continually considers its own performance and effectiveness and that of its Committees. Throughout the year the Board has continued to review and assess all policies and practices to comply wherever possible with corporate governance best practice.

Committees

Audit Committee

The members of the Audit Committee are Michael Cunningham and Andrew Christie, who chairs the Committee. The Committee met twice during the year to fulfil its duties and with auditors without management present.

The Committee is comprised of independent Non-executive Directors only. The major tasks undertaken by the Committee include monitoring the integrity of the Company's financial reporting, reviewing internal controls and risk management systems and oversight of the external audit process.

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

Nomination and Remuneration Committee

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

The full Committee met three times during the year to fulfil its duties. In respect of its remuneration duties, the Committee determines and agrees with the Board policies for pay; bonuses; incentives and other rewards; employee benefits; and the conditions of termination of employment. The Committees' terms of reference try to ensure that members of the executive management are provided with sufficient incentives to encourage enhanced performance and are in a fair and responsible manner rewarded for their individual contribution to the success of the Company.

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	8	7	—	—	3	3
Nigel Hanbury	8	8	—	—	—	—
Jeremy Evans	8	7	—	—	—	—
Michael Cunningham	8	6	2	2	3	3
Andrew Christie	8	7	2	2	3	3
Arthur Manners	7	7	—	—	—	—
Average attendance		89%		100%		100%

Arthur Manners was appointed as a Director on 8 April 2016 and was only able to attend a possible seven meetings.

Subsidiary Board and Committees

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

	Jeremy Evans (appointed)	Nigel Hanbury (appointed)	Nomina plc (appointed)
Hampden Corporate Member Limited	31 May 2006	18 February 2013	31 May 2006
Nameco (No. 365) Limited	1 November 2001	18 February 2013	22 September 1999
Nameco (No. 605) Limited	1 November 2001	18 February 2013	25 September 2001
Nameco (No. 321) Limited	1 November 2001	18 February 2013	22 September 1999
Nameco (No. 917) Limited	9 January 2013	18 February 2013	17 September 2004
Nameco (No. 229) Limited	1 November 2001	21 November 2012	24 September 1998
Nameco (No. 518) Limited	1 November 2001	27 November 2012	20 September 2000
Nameco (No. 804) Limited	10 October 2003	16 October 2013	10 October 2003
Helios UTG Partner Limited	27 August 2013	Not a director	27 August 2013
Halperin Underwriting Limited	20 February 2014	20 December 2013	9 July 2004
Bernul Limited	4 June 2014	27 March 2014	4 June 2014
Dumasco Limited	16 September 2014	24 September 2014	16 September 2014
Nameco (No. 311) Limited	1 November 2001	8 January 2015	22 September 1999
Nameco (No. 402) Limited	1 November 2001	20 February 2015	24 September 1999
Updown Underwriting Limited	24 March 2015	13 March 2015	31 December 2002
Nameco (No. 507) Limited	1 November 2001	12 June 2015	20 September 2000
Nameco (No. 76) Limited	1 November 2001	27 August 2015	2 October 2000
Kempton Underwriting Limited	15 October 2013	27 August 2015	15 October 2013
Devon Underwriting Limited	21 January 2016	21 January 2016	21 January 2016
Nameco (No. 346) Limited	1 November 2001	27 May 2016	22 September 1999

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 2016

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.

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

Nigel Hanbury
Chief Executive
26 May 2017

We have audited the Financial Statements of Helios Underwriting plc for the year ended 31 December 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and Auditors

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

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent 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 the Parent Company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the 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, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

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

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.

Neil Coulson (Senior statutory auditor)
For and on behalf of PKF Littlejohn LLP
Statutory auditors
26 May 2017

1 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated statement of comprehensive income – Year ended 31 December 2016

	Note	Year ended 31 December 2016 £'000	Restated* year ended 31 December 2015 £'000
Gross premium written	6	**31,307**	21,511
Reinsurance premium ceded	6	**(7,772)**	(5,582)
Net premium written	6	**23,535**	15,929
Change in unearned gross premium provision	7	**(826)**	(162)
Change in unearned reinsurance premium provision	7	**199**	93
Net change in unearned premium provision	7	**(627)**	(69)
Net earned premium	5,6	**22,908**	15,860
Net investment income	8	**885**	255
Other income		**2,134**	536
Revenue		**25,927**	16,651
Gross claims paid		**(13,355)**	(9,349)
Reinsurers' share of gross claims paid		**2,472**	1,650
Claims paid, net of reinsurance		**(10,883)**	(7,699)
Change in provision for gross claims	7	**(3,826)**	615
Reinsurers' share of change in provision for gross claims	7	**1,904**	(431)
Net change in provision for claims	7	**(1,922)**	184
Net insurance claims incurred and loss adjustment expenses	6	**(12,805)**	(7,515)
Expenses incurred in insurance activities		**(10,819)**	(7,571)
Other operating expenses		**(969)**	(812)
Operating expenses	9	**(11,788)**	(8,383)
Operating profit before goodwill and impairment	6	**1,334**	753
Goodwill on bargain purchase	21	**—**	244
Impairment of goodwill	13,21	**—**	(136)
Impairment of syndicate capacity	13	**(555)**	(63)
Profit before tax		**779**	798
Income tax (charge)/credit	10	**(66)**	112
Profit for the year		**713**	910
Other comprehensive income			
Foreign currency translation differences		**—**	—
Income tax relating to the components of other comprehensive income		**—**	—
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**713**	910
Profit for the year attributable to owners of the Parent		**713**	910
Total comprehensive income for the year attributable to owners of the Parent		**713**	910
Earnings per share attributable to owners of the Parent			
Basic and diluted	11	**6.22p**	9.67p

* Refer to Note 27 for details regarding the restatement of the profit for the year 2015 as a result of a reclassification.

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

The notes are an integral part of these Financial Statements.

Financial statements

Consolidated statement of financial position – At 31 December 2016

	Note	31 December 2016 £'000	Restated* 31 December 2015 £'000
Assets			
Intangible assets	13	**10,732**	8,511
Financial assets at fair value through profit or loss	15	**45,580**	31,797
Reinsurance assets:			
– reinsurers' share of claims outstanding	7	**9,674**	5,657
– reinsurers' share of unearned premium	7	**2,548**	1,501
Other receivables, including insurance and reinsurance receivables	16	**30,243**	20,427
Deferred acquisition costs	17	**4,255**	2,926
Prepayments and accrued income		**187**	144
Cash and cash equivalents		**6,212**	3,634
Total assets		**109,431**	74,597
Liabilities			
Insurance liabilities:			
– claims outstanding	7	**50,087**	32,985
– unearned premium	7	**16,821**	11,169
Deferred income tax liabilities	18	**3,581**	3,172
Other payables, including insurance and reinsurance payables	19	**14,708**	9,360
Accruals and deferred income		**1,715**	1,488
Total liabilities		**86,912**	58,174
Equity			
Equity attributable to owners of the Parent:			
Share capital	20	**1,460**	1,050
Share premium	20	**15,399**	9,901
Other reserves		**—**	—
Retained earnings		**5,660**	5,472
Total equity		**22,519**	16,423
Total liabilities and equity		**109,431**	74,597

* Refer to Note 27 for details regarding the restatement of the profit for the year 2015 and the other reserves, as a result of a reclassification.

The Financial Statements were approved and authorised for issue by the Board of Directors on 26 May 2017, and were signed on its behalf by:

Nigel Hanbury
Chief Executive

The notes are an integral part of these Financial Statements.

Parent Company statement of financial position – At 31 December 2016

Company number: 05892671

	Note	31 December 2016 £'000	31 December 2015 £'000
Assets			
Investments in subsidiaries	14	**19,503**	14,706
Financial assets at fair value through profit or loss	15	**2,380**	60
Other receivables	16	**4,488**	5,220
Cash and cash equivalents		**3,845**	2,090
Total assets		**30,216**	22,076
Liabilities			
Other payables	19	**328**	110
Total liabilities		**328**	110
Equity			
Equity attributable to owners of the Parent:			
Share capital	20	**1,460**	1,050
Share premium	20	**15,399**	9,901
Retained earnings:			
At 1 January		**11,015**	3,653
Profit for the year attributable to owners of the Parent		**2,539**	7,819
Other changes in retained earnings		**(525)**	(457)
As 31 December		**13,029**	11,015
Total equity		**29,888**	21,966
Total liabilities and equity		**30,216**	22,076

The Financial Statements were approved and authorised for issue by the Board of Directors on 26 May 2017, and were signed on its behalf by:

Nigel Hanbury
Chief Executive

The notes are an integral part of these Financial Statements.

Consolidated statement of changes in equity – Year ended 31 December 2016

		Attributable to owners of the Parent				
Consolidated	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2015 as originally reported	22	853	6,996	—	2,636	10,485
Effect of change in accounting policy (see note (i) below)	22	—	—	—	2,383	2,383
At 1 January 2015 as restated	22	853	6,996	—	5,019	12,868
Total comprehensive income for the year:						
Profit for the year – as restated (see note (ii) below)		—	—	—	910	910
Other comprehensive income, net of tax – as restated		—	—	—	—	—
Total comprehensive income for the year		—	—	—	910	910
Transactions with owners:						
Dividends paid	12	—	—	—	(457)	(457)
Share issue	20	197	2,905	—	—	3,102
Total transactions with owners		197	2,905	—	(457)	2,645
At 31 December 2015 – as restated		1,050	9,901	—	5,472	16,423
At 1 January 2016 as originally reported		1,050	9,901	121	5,351	16,423
Effect of reclassification (see note (ii) below)		—	—	(121)	121	—
At 1 January 2016 as restated		1,050	9,901	—	5,472	16,423
Total comprehensive income for the year:						
Profit for the year		—	—	—	713	713
Other comprehensive income, net of tax		—	—	—	—	—
Total comprehensive income for the year		—	—	—	713	713
Transactions with owners:						
Dividends paid	12	—	—	—	(525)	(525)
Share issue, net of transaction costs	20	410	5,498	—	—	5,908
Total transactions with owners		410	5,498	—	(525)	5,383
At 31 December 2016		**1,460**	**15,399**	**—**	**5,660**	**22,519**

(i) The retained earnings as at 1 January 2015 have been restated to reflect the effects of the change in the Group's accounting policy in accounting for intangible asset, syndicate capacity (refer to Note 22).
(ii) The profit for the year 2015, the other comprehensive income 2015 and the retained earnings as at 31 December 2015 have been restated to reflect the effects of the reclassification of foreign exchanges gains and losses, which were originally recognised within the other comprehensive income, to be reclassified and recognised in the underwriting profits in the income statement (refer to Note 27).

The notes are an integral part of these Financial Statements.

Parent Company statement of changes in equity – Year ended 31 December 2016

Company	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2015		853	6,996	—	3,653	11,502
Total comprehensive income for the year:						
Profit for the year		—	—	—	7,819	7,819
Other comprehensive income, net of tax		—	—	—	—	—
Total comprehensive income for the year		—	—	—	47,819	7,819
Transactions with owners:						
Dividends paid	12	—	—	—	(457)	(457)
Share issue	20	197	2,905	—	—	3,102
Total transactions with owners		197	2,905	—	(457)	2,645
At 31 December 2015		1,050	9,901		11,015	21,966
At 1 January 2016		1,050	9,901	—	11,015	21,966
Total comprehensive income for the year:						
Profit for the year		—	—	—	2,539	2,539
Other comprehensive income, net of tax		—	—	—	—	—
Total comprehensive income for the year		—	—	—	2,539	2,539
Transactions with owners:						
Dividends paid	12	—	—	—	(525)	(525)
Share issue, net of transaction costs	20	410	5,498	—	—	5,908
Total transactions with owners		410	5,498	—	(525)	5,383
At 31 December 2016		**1,460**	**15,399**	**—**	**13,029**	**29,888**

The notes are an integral part of these Financial Statements.

Consolidated statement of cash flows – Year ended 31 December 2016

	Note	Year ended 31 December 2016 £'000	Restated* Year ended 31 December 2015 £'000
Cash flows from operating activities			
Profit before tax		**779**	798
Adjustments for:			
– interest received	8	**(113)**	(60)
– investment income	8	**(594)**	(926)
– goodwill on bargain purchase	21	**—**	(244)
– impairment of goodwill	21	**—**	136
– profit on sale of intangible assets		**(94)**	(120)
– impairment of intangible assets	13	**555**	63
Changes in working capital:			
– change in fair value of financial assets held at fair value through profit or loss	8	**(256)**	360
– (increase)/decrease in financial assets at fair value through profit or loss		**(6,825)**	1,020
– (increase)/decrease in other receivables		**(3,848)**	709
– increase in other payables		**3,090**	11
– net increase/(decrease) in technical provisions		**8,361**	(50)
Cash generated from operations		**1,055**	1,697
Income tax paid		**(15)**	166
Net cash inflow from operating activities		**1,040**	1,863
Cash flows from investing activities			
Interest received		**113**	60
Investment income		**594**	926
Purchase of intangible assets	13	**(6)**	(2)
Proceeds from disposal of intangible assets		**137**	24
Acquisition of subsidiaries, net of cash acquired		**(4,723)**	(2,521)
Net cash outflow from investing activities		**(3,885)**	(1,513)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital (i)		**5,722**	—
Dividends paid to owners of the Parent	12	**(299)**	(321)
Net cash inflow/(outflow) from financing activities		**5,423**	(321)
Net increase in cash and cash equivalents		**2,578**	29
Cash and cash equivalents at beginning of year		**3,634**	3,605
Cash and cash equivalents at end of year		**6,212**	3,634

* Refer to Note 27 for details regarding the restatement of the profit for the year as a result of a reclassification.
(i) Net proceeds from issue of ordinary share capital excludes shares issued via a script dividend of £226,000 and accrued expenses incurred of £40,000.

Cash held within the syndicates' accounts is £2,163,000 (2015: £1,411,000) of the total cash and cash equivalents held at the year end of £6,212,000 (2015: £3,634,000). The cash held within the syndicates' accounts is not available to the Group to meet its day-to-day working capital requirements.

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

The notes are an integral part of these Financial Statements.

Parent Company statement of cash flows – Year ended 31 December 2016

	Note	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Cash flows from operating activities			
Profit before tax		**2,334**	7,818
Adjustments for:			
– investment income/(expenses)		**1**	(7)
– dividends received		**(3,226)**	(3,841)
– impairment of investment in subsidiaries		**—**	(4,987)
Changes in working capital:			
– change in fair value of financial assets held at fair value through profit or loss		**(19)**	—
– increase in financial assets at fair value through profit or loss		**(2,339)**	—
– (increase)/decrease in other receivables		**5**	1,277
– increase/(decrease) in other payables		**215**	(54)
Net cash (outflow)/inflow from operating activities		**(3,029)**	206
Cash flows from investing activities			
Investment (income)/expenses		**(1)**	7
Dividends received		**3,226**	3,841
Acquisition of subsidiaries	14,21	**(4,797)**	(3,263)
Amounts owed by subsidiaries	23	**933**	(165)
Net cash (ouflow)/inflow from investing activities		**(639)**	420
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**5,722**	—
Dividends paid to owners of the Parent	12	**(299)**	(321)
Net cash inflow/(outflow) from financing activities		**5,423**	(321)
Net increase in cash and cash equivalents		**1,755**	305
Cash and cash equivalents at beginning of year		**2,090**	1,785
Cash and cash equivalents at end of year		**3,845**	2,090

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

The notes are an integral part of these Financial Statements.

1. General information

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

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.

Change in accounting policy effected in the comparative year

As of 1 January 2015 the Group changed its accounting policy for the accounting for intangible assets, syndicate capacity. The new accounting policy has been applied retrospectively and first reflected in the Financial Statements of the year ended 31 December 2015. For details of this change, refer to this accounting policy as disclosed further below and Note 22.

Basis of preparation

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

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

The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss. A summary of the principal 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 amounts, events 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 £22,519,000 and £29,888,000 respectively.

The Company's subsidiaries participate as underwriting members at Lloyd's on the 2014, 2015 and 2016 years of account and they have continued this participation since the year end on the 2017 year of account. This underwriting is supported by Funds at Lloyd's totalling £6,006,000 (2015: £5,341,000), letters of credit provided through the Group's quota share reinsurance agreements totalling £13,641,000 (2015: £9,378,000) and solvency credits issued by Lloyd's totalling £837,000 (2015: £3,645,000).

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

International Financial Reporting Standards

Adoption of new and revised standards

During the current year the Group and the Company adopted all the new and revised IFRS, amendments and interpretations that are relevant to its operations and are effective for accounting periods beginning on 1 January 2016. These are set out below and did not have a material impact on the accounting policies of the Group and the Company:

- Amendments to IAS 27: Equity Method in Separate Financial Statements, issued on 12 August 2014 (effective 1 January 2016).
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception, issued on 18 December 2014 (effective 1 January 2016).
- Amendments to IAS 1: Disclosure Initiative, issued on 18 December 2014 (effective 1 January 2016).
- Annual improvements to IFRSs 2012–2014 Cycle, issued on 25 September 2014 (effective 1 January 2016).
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation, issued on 12 May 2014 (effective 1 January 2016).
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations, issued on 6 May 2014 (effective 1 January 2016).
- Amendments to IAS 16 and IAS 41: Bearer Plants, issued on 30 June 2014 (effective 1 January 2016).
- Amendments to IAS 19: Defined Benefit Plans Employee Contributions, issued on 21 November 2013 (effective 1 February 2015).
- Annual Improvements to IFRSs 2010–2012 Cycle, issued on 12 December 2013 (effective 1 February 2015).

2. Accounting policies *continued*

International Financial Reporting Standards *continued*

New standards, amendments and interpretations not yet adopted

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

(i) Adopted by the EU

- IFRS 9 "Financial Instruments", issued on 24 July 2014 (effective 1 January 2018).
- IFRS 15 "Revenue from Contracts with Customers", issued on 27 May 2014, including amendments to IFRS 15, issued on 11 September 2015 (effective 1 January 2018).

(ii) Not adopted by the EU

Standards:

- IFRS 14 "Regulatory Deferral Accounts", issued on 30 January 2014 (effective 1 January 2016).
- IFRS 16 "Leases", issued on 13 January 2016 (effective 1 January 2019).

Amendments:

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, issued on 11 September 2014 (effective date postponed indefinitely).
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses, issued on 19 January 2016 (effective 1 January 2017).
- Amendments to IAS 7: Disclosure Initiative, issued on 29 January 2016 (effective 1 January 2017).
- Clarifications to IFRS 15 "Revenue from Contracts with Customers", issued on 12 April 2014 (effective 1 January 2018).
- Amendments to IFRS 12: Classification and Measurement of Share-based Payment Transactions, issued on 20 June 2016 (effective 1 January 2018).
- Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts", issued on 12 September 2016 (effective 1 January 2018).
- Annual Improvements to IFRS Standards 2014–2016 Cycle, issued on 8 December 2016 (effective 1 January 2018).
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration, issued on 8 December 2016 (effective 1 January 2018).
- Amendments to IAS 40: Transfers of Investment Property, issued on 8 December 2016 (effective 1 January 2018).

Principles of consolidation, business combinations and goodwill

(a) Consolidation and investments in subsidiaries

The Group Financial Statements incorporate the Financial Statements of Helios Underwriting plc, the Parent Company, and its directly and indirectly held subsidiaries being Hampden Corporate Member Limited, Nameco (No. 365) Limited, Nameco (No. 605) Limited, Nameco (No. 321) Limited, Nameco (No. 917) Limited, Nameco (No. 229) Limited, Nameco (No. 518) Limited, Nameco (No. 804) Limited, Halperin Underwriting Limited, Bernul Limited, Dumasco Limited, Nameco (No. 311) Limited, Nameco (No. 402) Limited, Updown Underwriting Limited, Nameco (No. 507) Limited, Nameco (No. 76) Limited, Kempton Underwriting Limited, Devon Underwriting Limited, Nameco (No. 346) Limited, Helios UTG Partner Limited, Nomina No 035 LLP, Nomina No 342 LLP, Nomina No 380 LLP, Nomina No 372 LLP and Salviscount LLP (Note 4).

The Financial Statements for all of the above subsidiaries are prepared for the year ended 31 December 2016 under UK GAAP. Consolidation adjustments are made to convert the subsidiary Financial Statements prepared under UK GAAP to IFRS so as to align accounting policies and treatments.

No income statement is presented for Helios Underwriting plc as permitted by Section 408 of the Companies Act 2006. The profit after tax for the year of the Parent Company was £2,539,000 (2015: £7,819,000).

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

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

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

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

(b) Business combinations and goodwill

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

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is capitalised and recorded as goodwill. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or if events or changes in circumstances indicate that the carrying value may be impaired and recognised directly in the consolidated income statement. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement as a bargain purchase.

2. Accounting policies *continued*

Segmental reporting

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

Foreign currency translation

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Statements are presented in thousands of Pounds Sterling, which is the Group's functional and presentational currency.

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

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

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

Underwriting

Premiums

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

Unearned premiums

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

Deferred acquisition costs

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

Reinsurance premiums

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

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

Claims incurred and reinsurers' share

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

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

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

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

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

2. Accounting policies *continued*

Underwriting *continued*

Claims incurred and reinsurers' share *continued*

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

Quota share reinsurance

Under the Group's quota share reinsurance agreements, 70% of the 2014, 2015 and 2016 underwriting year of insurance exposure is ceded to the reinsurers. Amounts payable to the reinsurers are included within "reinsurance premium ceded" in the consolidated income statement of the year and amounts receivable from the reinsurers are included within "reinsurers share of gross claims paid" in the consolidated income statement of the year.

Unexpired risks provision

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

Closed years of account

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

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

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

Run-off years of account

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

Net operating expenses (including acquisition costs)

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

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

Investment income

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

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

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

Other operating expenses

All expenses are accounted for on an accruals basis.

Intangible assets: syndicate capacity

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

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

2. Accounting policies *continued*

Intangible assets: syndicate capacity *continued*

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

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

This change in accounting policy was applied retrospectively as if the new policy had always been in place. The effects of this change are disclosed in Note 22.

Financial assets

(a) Classification

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

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

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

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

(ii) Loans and receivables

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

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

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

(b) Recognition, derecognition and measurement

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

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

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

Fair value estimation

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

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

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

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

(c) Impairment

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

Asset carried at amortised cost

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

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

2. Accounting policies *continued*

Cash and cash equivalents

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

Current and deferred tax

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

Current tax

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

Deferred tax

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements.

However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

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

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

Other payables

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

Share capital and share premium

Ordinary shares are classified as equity.

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

Dividend distribution policy

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

3. Key accounting judgements and estimation uncertainties

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

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

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

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

Purchased syndicate capacity

Estimating value in use

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

Assessing indicators of impairment

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

Recoverability of receivables

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

4. Risk management

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

Risk background

The syndicates' activities expose them to a variety of financial and non-financial risks. The managing agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. For the purposes of setting capital requirements for the 2016 and subsequent years of account, each managing agent will have prepared a Lloyd's Capital Return ("LCR") for the syndicate to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the LCR and typically the majority of the total assessed value of the risks concerned is attributable to insurance risk.

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

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

Impact of Brexit vote

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

(a) Syndicate risks

(i) Liquidity risk

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

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

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

2016	**No stated maturity £'000**	**0–1 year £'000**	**1–3 years £'000**	**3–5 years £'000**	**> 5 years £'000**	**Total £'000**
Claims outstanding	**(30)**	**16,590**	**18,746**	**7,313**	**7,468**	**50,087**

2015	No stated maturity £'000	0–1 year £'000	1–3 years £'000	3–5 years £'000	> 5 years £'000	Total £'000
Claims outstanding	377	10,354	11,679	5,267	5,308	32,985

4. Risk management *continued*

(a) Syndicate risks *continued*

(ii) Credit risk

Credit ratings to syndicate assets (Note 26) emerging directly from insurance activities which are neither past due nor impaired, are as follows:

2016	**AAA £'000**	**AA £'000**	**A £'000**	**BBB or lower £'000**	**Not rated £'000**	**Total £'000**
Financial investments	6,759	11,734	10,416	5,141	4,262	38,312
Deposits with ceding undertakings	—	—	—	—	5	5
Reinsurers share of claims outstanding	(157)	2,576	6,325	125	289	9,158
Reinsurance debtors	78	154	270	20	16	538
Cash at bank and in hand	1	580	1,301	280	1	2,163
	6,681	**15,044**	**18,312**	**5,566**	**4,573**	**50,176**

2015	AAA £'000	AA £'000	A £'000	BBB or lower £'000	Not rated £'000	Total £'000
Financial investments	6,002	8,385	7,421	2,980	2,362	27,150
Deposits with ceding undertakings	—	—	—	—	3	3
Reinsurers share of claims outstanding	218	1,980	3,263	41	144	5,646
Reinsurance debtors	665	4,268	1,508	10	10	6,461
Cash at bank and in hand	568	67	607	166	3	1,411
	7,453	14,700	12,799	3,197	2,522	40,671

Syndicate assets (Note 26) emerging directly from insurance activities, with reference to their due date or impaired are as follows:

		Past due but not impaired				
2016	**Neither past due nor impaired £'000**	**Less than 6 months £'000**	**Between 6 months and 1 year £'000**	**Greater than 1 year £'000**	**Impaired £'000**	**Total £'000**
Financial investments	38,312	—	—	—	1	38,313
Deposits with ceding undertakings	4	—	—	—	—	4
Reinsurers share of claims outstanding	9,157	517	—	—	—	9,674
Reinsurance debtors	538	108	9	7	12	674
Cash at bank and in hand	2,163	—	—	—	—	2,163
Insurance and other debtors	28,705	562	171	277	(6)	29,709
	78,879	**1,187**	**180**	**284**	**7**	**80,537**

		Past due but not impaired				
2015	Neither past due nor impaired £'000	Less than 6 months £'000	Between 6 months and 1 year £'000	Greater than 1 year £'000	Impaired £'000	Total £'000
Financial investments	27,150	—	—	—	—	27,150
Deposits with ceding undertakings	3	—	—	—	—	3
Reinsurers share of claims outstanding	5,646	19	—	—	(8)	5,657
Reinsurance debtors	6,461	385	40	5	9	6,900
Cash at bank and in hand	1,411	—	—	—	—	1,411
Insurance and other debtors	8,315	252	66	98	(5)	8,726
	48,986	656	106	103	(4)	49,847

(iii) Interest rate equity price risk

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

4. Risk management *continued*
(a) Syndicate risks *continued*
(iv) Currency risk
The syndicates' main exposure to foreign currency risk arises from insurance business originating overseas, primarily denominated in US dollars. Transactions denominated in US dollars form a significant part of the syndicates' operations. This risk is, in part, mitigated by the syndicates maintaining financial assets denominated in US dollars against its major exposures in that currency.

The table below provides details of syndicate assets and liabilities (Note 26) by currency:

2016	**GBP £'000 converted**	**USD £'000 converted**	**EUR £'000 converted**	**CAD £'000 converted**	**Other £'000 converted**	**Total £'000 converted**
Total assets	11,797	57,582	4,431	6,876	3,223	83,909
Total liabilities	(16,829)	(50,164)	(3,950)	(4,828)	(2,943)	(78,714)
Surplus/(deficiency) of assets	**(5,032)**	**7,418**	**481**	**2,048**	**280**	**5,195**

2015	GBP £'000 converted	USD £'000 converted	EUR £'000 converted	CAD £'000 converted	Other £'000 converted	Total £'000 converted
Total assets	11,679	38,648	2,981	3,338	1,342	57,988
Total liabilities	(13,745)	(32,758)	(2,543)	(2,125)	(668)	(51,839)
Surplus/(deficiency) of assets	(2,066)	5,890	438	1,213	674	6,149

The impact of a 5% change in exchange rates between GBP and other currencies would be £511,000 on shareholders' funds (2015: £411,000).

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

The Group currently has reinsurance programmes on the 2014, 2015 and 2016 years of account.

The 2014 and 2015 years of account have strategic collateralised quota share arrangement in respect of 50% of their business with XL Re Limited, 12.45% with Bermudan reinsurer Everest Reinsurance Bermuda Limited (part of global NYSE-quoted insurer Everest Re Group Limited) and 7.55% with Guernsey reinsurer Polygon Insurance Co Limited, through Hampden Insurance Guernsey PCC Limited – Cell 6.

The 2016 year of account (excluding Nameco (No 346) Limited) has strategic collateralised quota share arrangements in respect of 44.84% of its business with XL Re Limited,11% with Bermudan reinsurer Everest Reinsurance Bermuda Limited (part of global NYSE-quoted insurer Everest Re Group Limited), 5.29% with Guernsey reinsurer Polygon Insurance Co Limited and 8.87% with private shareholders through Hampden Insurance Guernsey PCC Limited – Cell 6.

In addition, the Nameco (No 346) Limited 2016 year of account has strategic collateralised quota share arrangement in respect of 40% of its business with XL Re Limited,10% with Bermudan reinsurer Everest Reinsurance Bermuda Limited (part of global NYSE-quoted insurer Everest Re Group Limited) and 20% with private shareholders through Hampden Insurance Guernsey PCC Limited – Cell 6.

(b) Group risks – corporate level
(i) Investment, credit, liquidity and currency risks
The other significant risks faced by the Group are with regard to the investment of funds within its own custody. The elements of these risks are investment risk, liquidity risk, credit risk, interest rate risk and currency risk. To mitigate this, the surplus Group funds are deposited with highly rated banks and fund managers. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the Group to meet the claim. In order to minimise investment risk, credit risk and liquidity risk, the Group's funds are invested in readily realisable short-term deposits. The Group's maximum exposure to credit risk at 31 December 2016 is £14.8m (2015: £8.1m), 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 £13.6m (2015: £9.4m) letter of credit ("LOC") acceptable to Lloyd's, on behalf of XL Re Limited, Everest Reinsurance Bermuda Limited, Polygon Insurance Co Limited (the reinsurers) and the private shareholders. The LOC is pledged in aggregate to the relevant syndicates through Lloyd's and thus Helios Underwriting plc is not specifically exposed to counterparty credit risk in this matter. Should the bank's LOC become unacceptable to Lloyd's for any reason, the reinsurer is responsible under the terms of the contract for making alternative arrangements. The contract is annually renewable and the Group has a contingency plan in place in the event of non-renewal under both normal and adverse market conditions.

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

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

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

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

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

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

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

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

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

Approach to capital management
The capital structure of the Group consists entirely of equity attributable to equity holders of the Company, comprising issued share capital, share premium and retained earnings as disclosed in the Statements of Changes in Equity on pages 24 and 25.

At 31 December 2016 the corporate member subsidiaries had an agreed FAL requirement of £19,632,000 (2015: £16,844,000) to support their underwriting on the 2017 year of account (2016 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 LOC. The FAL requirements are formally assessed and funded twice yearly and must be met by the corporate member subsidiaries to continue underwriting. At 31 December 2016 the agreed FAL requirements for the Group were 60% (2015: 51%) of the capacity for the following year of account.

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

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

» syndicate participation;

» investment management; and

» other corporate activities.

Year ended 31 December 2016	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	24,302	—	(1,394)	22,908
Net investment income	663	222	—	885
Other income	643	—	1,491	2,134
Net insurance claims and loss adjustment expenses	(12,805)	—	—	(12,805)
Expenses incurred in insurance activities	(10,422)	—	(397)	(10,819)
Other operating expenses	884	—	(1,853)	(969)
Goodwill on bargain purchase	—	—	—	—
Impairment of goodwill	—	—	—	—
Impairment of syndicate capacity (see Note 13)	—	—	(555)	(555)
Profit before tax	**3,265**	**222**	**(2,708)**	**779**

5. Segmental information *continued*

Restated year ended 31 December 2015*	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	17,257	—	(1,397)	15,860
Net investment income	250	5	—	255
Other income	144	—	392	536
Net insurance claims and loss adjustment expenses	(7,515)	—	—	(7,515)
Expenses incurred in insurance activities	(7,178)	—	(393)	(7,571)
Other operating expenses	35	—	(847)	(812)
Goodwill on bargain purchase	—	—	244	244
Impairment of goodwill	—	—	(136)	(136)
Impairment of syndicate capacity (see Note 13)	—	—	(63)	(63)
Profit before tax	2,993	5	(2,200)	798

* Refer to Note 27 for details of the restatement of the profit for the year 2015 as a result of a reclassification.

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 2016 other corporate activities totalling £1,394,000 (2015: £1,397,000 – 2013, 2014 and 2015 year of account) presents the 2014, 2015 and 2016 years of account net Group quota share reinsurance premium payable to Hampden Insurance Guernsey PCC Limited – Cell 6. This net quota share reinsurance premium payable is included within "reinsurance premium ceded" in the consolidated income statement of the year.

6. Operating profit before goodwill and impairment

	Underwriting year of account*							
Year ended 31 December 2016	**2014 and prior £'000**	**2015 £'000**	**2016 £'000**	**Sub-total £'000**	**Pre-acquisition £'000**	**Corporate reinsurance £'000**	**Other corporate £'000**	**Total £'000**
Gross premium written	250	3,521	30,131	33,902	(2,595)	—	—	31,307
Reinsurance ceded	26	(487)	(6,244)	(6,705)	575	(1,394)	(248)	(7,772)
Net premium written	276	3,034	23,887	27,197	(2,020)	(1,394)	(248)	23,535
Net earned premium	1,679	11,986	12,676	26,341	(1,791)	(1,394)	(248)	22,908
Other income	1,566	543	82	2,191	(76)	557	347	3,019
Net insurance claims incurred and loss adjustment expenses	990	(6,196)	(8,680)	(13,886)	1,081	—	—	(12,805)
Operating expenses	(1,300)	(4,169)	(5,575)	(11,044)	723	—	(1,467)	(11,788)
Operating profit before goodwill and impairment	**2,935**	**2,164**	**(1,497)**	**3,602**	**(63)**	**(837)**	**(1,368)**	**1,334**
Quota share adjustment	(1,274)	(1,133)	1,013	(1,394)	—	1,394	—	—
Operating profit before goodwill and impairment after quota share adjustment	**1,661**	**1,031**	**(484)**	**2,208**	**(63)**	**557**	**(1,368)**	**1,334**

* 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. Operating profit before goodwill and impairment *continued*

Restated year ended 31 December 2015**	Underwriting year of account* 2013 and prior £'000	2014 £'000	2015 £'000	Sub-total £'000	Pre-acquisition £'000	Corporate reinsurance £'000	Other corporate £'000	Total £'000
Gross premium written	(25)	2,362	21,331	23,668	(2,157)	—	—	21,511
Reinsurance ceded	(123)	(353)	(3,723)	(4,199)	421	(1,397)	(407)	(5,582)
Net premium written	(148)	2,009	17,608	19,469	(1,736)	(1,397)	(407)	15,929
Net earned premium	712	9,092	9,475	19,279	(1,615)	(1,397)	(407)	15,860
Other income	246	147	15	408	(90)	382	91	791
Net insurance claims incurred and loss adjustment expenses	1,414	(4,190)	(5,468)	(8,244)	726	3	—	(7,515)
Operating expenses	(706)	(3,160)	(3,962)	(7,828)	779	—	(1,334)	(8,383)
Operating profit before goodwill and impairment	1,666	1,889	60	3,615	(200)	(1,012)	(1,650)	753
Quota share adjustment	(392)	(950)	(55)	(1,397)	—	1,397	—	—
Operating profit before goodwill and impairment after quota share adjustment	1,274	939	5	2,218	(200)	385	(1,650)	753

* 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.

** Refer to Note 27 for details of the restatement of the profit for the year 2015 as a result of a reclassification.

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

7. Insurance liabilities and reinsurance balances

Movement in claims outstanding

	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2015	26,179	4,682	21,497
Increase in reserves arising from acquisition of subsidiary undertakings	7,360	1,272	6,088
Movement of reserves	(615)	(431)	(184)
Other movements	61	134	(73)
At 31 December 2015	32,985	5,657	27,328
At 1 January 2016	32,985	5,657	27,328
Increase in reserves arising from acquisition of subsidiary undertakings	8,122	1,417	6,705
Movement of reserves	3,826	1,904	1,922
Other movements	5,154	696	4,458
At 31 December 2016	**50,087**	**9,674**	**40,413**

Included within other movements are the 2013 and prior years' claims reserves reinsured into the 2014 year of account on which the Group does not participate and currency exchange differences.

Movement in unearned premium

	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2015	8,005	1,014	6,991
Increase in reserves arising from acquisition of subsidiary undertakings	2,857	375	2,482
Movement of reserves	162	93	69
Other movements	145	19	126
At 31 December 2015	11,169	1,501	9,668
At 1 January 2016	11,169	1,501	9,668
Increase in reserves arising from acquisition of subsidiary undertakings	3,154	531	2,623
Movement of reserves	826	199	627
Other movements	1,672	317	1,355
At 31 December 2016	**16,821**	**2,548**	**14,273**

7. Insurance liabilities and reinsurance balances *continued*

Assumptions, changes in assumptions and sensitivity

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

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

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

» the claims reserves calculated by the managing agents are accurate; and

» the potential deterioration of run-off year results has been fully provided for by the managing agents.

There have been no changes in assumptions in 2016.

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 £5,009,000 (2015: £3,299,000);

» a 10% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Group's pre-tax profits by £4,041,000 (2015: £2,733,000); and

» a 10% increase/decrease in the run-off year net claims reserves will decrease/increase the Group's pre-tax profits by £12,000 (2015: £1,000).

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

Analysis of gross and net claims development

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

2016
Gross claims

Underwriting pure year*	After 12 months £'000	After 24 months £'000	After 36 months £'000	Profit/(loss) on RITC received £'000
2012	12,114	17,331	17,035	1,844
2013	9,041	15,370	15,133	1,484
2014	9,727	16,403	16,925	
2015	8,968	16,622		
2016	**11,470**			

Net claims

Underwriting pure year*	After 12 months £'000	After 24 months £'000	After 36 months £'000	Profit/(loss) on RITC received £'000
2012	10,049	14,763	14,614	1,782
2013	7,788	13,411	13,071	1,684
2014	8,272	14,227	14,616	
2015	7,735	14,281		
2016	**9,175**			

* Including the new acquisitions during 2016.

At the end of the 3 years syndicates are normally reinsured to close. Participations on subsequent years on syndicates may therefore change. The above table therefore only shows 3 years of development and how the reinsurance to close received performed in its fourth year.

8. Net investment income

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Investment income	**594**	926
Realised losses on financial assets at fair value through profit or loss	**(19)**	(327)
Unrealised gain/(losses) on financial assets at fair value through profit or loss	**256**	(360)
Investment management expenses	**(59)**	(44)
Bank interest	**113**	60
Net investment income	**885**	255

9. Operating expenses (excluding goodwill and amortisation)

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Expenses incurred in insurance activities:		
Acquisition costs	**7,052**	5,119
Change in deferred acquisition costs	**(49)**	(128)
Administrative expenses	**3,528**	2,476
Other	**288**	104
	10,819	7,571
Other operating expenses:		
Exchange differences	**(16)**	35
Directors' remuneration	**312**	195
Acquisition costs in connection with the new subsidiaries acquired in the year	**100**	91
Professional fees	**443**	405
Administration and other expenses	**10**	17
Auditors' remuneration:		
– audit of the Parent Company and Group Financial Statements	**31**	30
– audit of subsidiary company Financial Statements	**35**	19
– under provision of prior year audit fee	**34**	—
– audit related assurance services	**20**	20
	969	812
Operating expenses	**11,788**	8,383

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 2016 £	Year ended 31 December 2015 £
Sir Michael Oliver	**20,000**	20,000
Jeremy Evans	**15,000**	15,000
Michael Cunningham	**15,000**	15,000
Andrew Christie	**15,000**	15,000
Arthur Manners	**118,000**	—
Nigel Hanbury	**129,000**	130,050
Total	**312,000**	195,050

The Chief Executive, Nigel Hanbury and the Finance Director Arthur Manners have a bonus incentive scheme in addition to their basic remuneration. The above figures for Nigel Hanbury and Arthur Manners include an accrual for the year of £50,000 each (2015: £63,000 for Nigel Hanbury only) in respect of this scheme. No other Directors derive other benefits, pension contributions or incentives from the Group. At 31 December 2016 no share options were held by the Directors (2015: nil).

10. Income tax charge

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

	Year ended 31 December 2016 £'000	Restated* year ended 31 December 2015 £'000
Current tax:		
– current year	465	(11)
– prior year	1	(9)
– foreign tax paid	30	25
Total current tax	496	5
Deferred tax:		
– current year	(430)	18
– prior year	—	(135)
Total deferred tax	(430)	(117)
Income tax charge/(credit)	**66**	(112)

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

Tax for the year is lower than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%).

The differences are explained below:

	Year ended 31 December 2016 £'000	Restated* year ended 31 December 2015 £'000
Profit before tax	779	798
Tax calculated as profit before tax multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	156	161
Tax effects of:		
Prior year adjustments	1	(9)
Rate change and other adjustments	(166)	(249)
Permanent disallowances	45	(18)
Goodwill on bargain purchase not subject to tax	—	(22)
Foreign taxes	30	25
Other	—	—
Tax charge/(credit) for the year	**66**	(112)

* Refer to Note 27 for details of the restatement of the profit for the year 2015 as a result of a reclassification.

The results of the Group's participation on the 2014, 2015 and 2016 years of account and the calendar year movement on 2013 and prior run-offs will not be assessed for tax until the years ended 2017, 2018 and 2019 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.

New legislation was passed on 18 November 2015 to reduce the UK corporation tax rate to 19% from 1 April 2017 and 18% from 1 April 2020. The government further announced on 16 March 2016 as part of its Budget that a rate of 17% will apply from 1 April 2020 instead of 18%. This is not expected to have a material impact on the closing deferred tax liability.

The Group has £1,069,000 (2015: £2,184,000) taxable losses carried forward, to which £134,000 (2015: £1,009,000) has been recognised as a deferred tax asset and has been offset against deferred tax liabilities of the same nature as disclosed in Note 18.

The Company has £935,000 (2015: £1,175,000) of tax losses to carry forward to which no deferred tax asset has been recognised due to the uncertainty of the future taxable profits, as disclosed in Note 18.

11. Earnings per share

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

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

The Group has no dilutive potential ordinary shares.

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

11. Earnings per share *continued*

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

	Year ended 31 December 2016	Restated year ended 31 December 2015
Profit for the year after tax attributable to ordinary equity holders of the Parent	**£713,000**	£910,000
Weighted average number of ordinary shares in issue	**11,463,456**	9,411,794
Basic and diluted earnings per share	**6.22p**	9.67p

The basic and diluted earnings per share as originally reported for the year ended 31 December 2015 was 8.38p, based on profit for the year after tax attributable to ordinary shareholders as originally reported of £789,000. The weighted average number of shares in issue for the year ended 31 December 2015 remained unchanged. Refer to Note 27 for details regarding the restatement.

12. Dividends paid or proposed

A dividend of 5.0p per share was paid during the year totalling £525,000 (2015: £457,000). The dividend was settled partly in cash and partly with the issue of ordinary shares (Note 20). Future dividends are detailed in Note 28.

13. Intangible assets

	Goodwill £'000	Restated* syndicate capacity £'000	Total £'000
Cost			
At 1 January 2015	—	6,592	6,592
Additions	136	2	138
Disposals	—	(61)	(61)
Impairment	(136)	—	(136)
Acquired with subsidiary undertakings	—	2,265	2,265
At 31 December 2015	—	8,798	8,798
At 1 January 2016	—	8,798	8,798
Additions	493	6	499
Disposals	—	(87)	(87)
Impairment	—	—	—
Acquired with subsidiary undertakings	—	2,364	2,364
At 31 December 2016	**493**	**11,081**	**11,574**
Impairment			
At 1 January 2015	—	224	224
Impairment for the year	—	63	63
Disposals	—	—	—
At 31 December 2015	—	287	287
At 1 January 2016	—	287	287
Impairment for the year	—	555	555
Disposals	—	—	—
At 31 December 2016	**—**	**842**	**842**
Net book value			
As at 31 December 2014	—	6,368	6,368
As at 31 December 2015	—	8,511	8,511
As at 31 December 2016	**493**	**10,239**	**10,732**

* Refer to Note 22 for the details regarding the restatement of the syndicate capacity as a result of the change of the accounting policy for intangibles – syndicate capacity.

Note 21 sets out the details of the entities acquired by the Group during the year, the fair value adjustments and the goodwill arising.

Financial statements

14. Investments in subsidiaries

	31 December 2016 £'000	31 December 2015 £'000
Total	**19,503**	14,706

At 31 December 2016 the Company owned 100% of the following companies and limited liability partnerships, either directly or indirectly. All subsidiaries are incorporated in England and Wales and their registered office address is at 40 Gracechurch Street, London, EC3V 0BT.

Company or partnership	Direct/indirect interest	2016 ownership	2015 ownership	Principal activity
Hampden Corporate Member Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 365) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 605) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 321) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 917) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 229) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 518) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 804) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Halperin Underwriting Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Bernul Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Dumasco Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 311) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 402) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Updown Underwriting Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 507) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 76) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Kempton Underwriting Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Devon Underwriting Limited	Direct	**100%**	—	Lloyd's of London corporate vehicle
Nameco (No 346) Limited	Direct	**100%**	—	Lloyd's of London corporate vehicle
Helios UTG Partner Limited	Direct	**100%**	100%	Corporate partner
Nomina No 035 LLP	Indirect	**100%**	100%	Lloyd's of London corporate vehicle
Nomina No 342 LLP	Indirect	**100%**	100%	Lloyd's of London corporate vehicle
Nomina No 380 LLP	Indirect	**100%**	100%	Lloyd's of London corporate vehicle
Nomina No 372 LLP	Indirect	**100%**	100%	Lloyd's of London corporate vehicle
Salviscount LLP	Indirect	**100%**	—	Lloyd's of London corporate vehicle

Helios UTG Partner Limited, a subsidiary of the Company, owns 100% of Nomina No 035 LLP, Nomina No 342 LLP, Nomina No 380 LLP, Nomina No 372 LLP and Salviscount LLP. The cost of acquisition of these LLPs is accounted for in Helios UTG Partner Limited, their immediate parent company.

For details of all new acquisition made during the year 2016 refer to Note 21(a).

15. Financial assets at fair value through profit or loss

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

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

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

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

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

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

Group	**Total 2016 £'000**	Level 1 £'000	Level 2 £'000	Level 3 £'000
Shares and other variable yield securities and units in unit trusts	**6,968**	2,508	4,459	1
Debt securities and other fixed income securities	**30,810**	10,096	20,714	—
Participation in investment pools	**755**	125	259	371
Loans and deposits with credit institutions	**512**	337	162	13
Derivatives	**67**	45	22	—
Other investments	**2,385**	2,385	—	—
Funds at Lloyd's	**4,083**	4,083	—	—
Total – fair value	**45,580**	19,579	25,616	385

Group	Total 2015 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Shares and other variable yield securities and units in unit trusts	5,111	1,922	2,786	403
Debt securities and other fixed income securities	20,359	8,639	8,101	3,619
Participation in investment pools	484	48	134	302
Loans and deposits with credit institutions	1,878	1,307	313	258
Derivatives	8	1	—	7
Other investments	63	63	—	—
Funds at Lloyd's	3,894	3,894	—	—
Total – fair value	31,797	15,874	11,334	4,589

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

In addition to funds held by Lloyd's shown above, letters of credit totalling £1,922,000 (2015: £1,447,000) are also held as part of the Group's Funds at Lloyd's.

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

Company

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

	31 December 2016 £'000	31 December 2015 £'000
Holdings in collective investment schemes	**2,380**	60
Total – market value	**2,380**	60

16. Other receivables

Group	**31 December 2016 £'000**	31 December 2015 £'000
Arising out of direct insurance operations	**7,237**	4,930
Arising out of reinsurance operations	**14,643**	9,986
Other debtors	**8,363**	5,511
Total	**30,243**	20,427

The Group has no analysis of other receivables held directly by the syndicates on the Group's behalf (see Note 26). None of the Group's other receivables are past their due date and are all classified as fully performing.

16. Other receivables *continued*

Included within the above receivables are amounts totalling £1,565,000 (2015: £1,179,000) which are not expected to be wholly recovered within one year.

Company	31 December 2016 £'000	31 December 2015 £'000
Receivables from subsidiaries (Note 22)	**4,272**	5,205
Other debtors	**205**	—
Prepayments	**11**	15
Total	**4,488**	5,220

All the Company receivables are due within one year.

17. Deferred acquisition costs

	31 December 2016 £'000	31 December 2015 £'000
At 1 January	**2,926**	1,948
Increase arising from acquisition of subsidiary undertakings (Note 21)	**850**	697
Movement in deferred acquisition costs	**49**	128
Other movements	**430**	153
At 31 December	**4,255**	2,926

18. Deferred tax

Group

Deferred tax is calculated in full on temporary differences using a tax rate of 19% (2015: 19%). 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 2015	807	1,545	2,352
On acquisition of subsidiary undertakings	520	416	936
Prior period adjustment	—	(135)	(135)
Credit for the year	(40)	59	19
At 31 December 2015	1,287	1,885	3,172
At 1 January 2016	1,287	1,885	3,172
On acquisition of subsidiary undertakings	868	(29)	839
Prior period adjustment	—	—	—
Credit for the year	—	(430)	(430)
At 31 December 2016	**2,155**	**1,426**	**3,581**

Company

The Company had no deferred tax assets or liabilities (2015: £nil), as disclosed in Note 10.

19. Other payables

Group	31 December 2016 £'000	31 December 2015 £'000
Arising out of direct insurance operations	**825**	696
Arising out of reinsurance operations	**8,397**	5,672
Corporation tax payable	**420**	14
Other creditors	**5,066**	2,978
	14,708	9,360

The Group has no analysis of other payables held directly by the syndicates on the Group's behalf (see Note 26).

19. Other payables *continued*

Company	31 December 2016 £'000	31 December 2015 £'000
Other creditors	—	—
Accruals and deferred income	328	110
	328	110

All payables above are due within one year.

20. Share capital and share premium

Allotted, called up and fully paid	Number of shares	Ordinary share capital £'000	Share premium £'000	Total £'000
Ordinary shares of 10p each and share premium at 1 January 2015	8,526,948	853	6,996	7,849
Issued on 13 March 2015 – acquisition of subsidiary (Note 21(b))	429,839	43	559	602
Issued on 3 July 2015 – part settlement of dividends payable (Note 12)	84,027	8	128	136
Issued on 1 September 2015 – acquisition of subsidiaries (Note 21(b))	1,454,536	146	2,218	2,364
Ordinary shares of 10p each and share premium at 31 December 2015	10,495,350	1,050	9,901	10,951
Ordinary shares of 10p each and share premium at 1 January 2016	10,495,350	1,050	9,901	10,951
Issued on 6 July 2016 – part settlement of dividends payable (Note 12)	125,947	12	214	226
Issued on 6 October 2016 – Result of placing	3,500,000	350	4,900	5,250
Issued on 28 October 2016 – Result of placing	482,943	48	676	724
	14,604,240	**1,460**	**15,691**	**17,151**
Less: transaction costs arising on share issues			**(292)**	**(292)**
Ordinary shares of 10p each and share premium at 31 December 2016	**14,604,240**	**1,460**	**15,399**	**16,859**

21. Acquisition of Limited Liability Vehicles

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

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

Company or partnership	2016 Goodwill on bargain purchase £'000	2016 Impairment of goodwill £'000	Total £'000	2015 Goodwill on bargain purchase £'000	2015 Impairment of goodwill £'000	Total £'000
Nameco (No. 311) Limited	—	—	—	59	—	59
Nameco (No. 402) Limited	—	—	—	—	(30)	(30)
Updown Underwriting Limited	—	—	—	51	—	51
Nameco (No. 507) Limited	—	—	—	134	—	134
Nameco (No. 76) Limited	—	—	—	—	(52)	(52)
Kempton Underwriting Limited	—	—	—	—	(54)	(54)
Devon Underwriting Limited	—	—	—	—	—	—
Nameco (No. 346) Limited	—	—	—	—	—	—
Salviscount LLP	—	—	—	—	—	—
	—	—	—	244	(136)	108

Financial statements

21. Acquisition of Limited Liability Vehicles *continued*

Further details of individual acquisitions are shown below:

(a) 2016 acquisitions

Devon Underwriting Limited

On 21 January 2016, Helios Underwriting plc acquired 100% of the issued share capital of Devon Underwriting Limited for a total consideration of £1,070,000. Devon Underwriting Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £970,000. Goodwill of £100,000 arose on acquisition which has been recognised as an intangible asset and will be assessed at each period end for impairment. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	—	604	604
Financial assets at fair value through profit or loss	1,863	—	1,863
Reinsurance assets:			
– reinsurers' share of claims outstanding	332	—	332
– reinsurers' share of unearned premium	67	—	67
Other receivables, including insurance and reinsurance receivables	1,242	—	1,242
Deferred acquisition cost	152	—	152
Prepayments and accrued income	12	—	12
Cash and cash equivalents	104	—	104
Insurance liabilities:			
– claims outstanding	(2,121)	—	(2,121)
– unearned premium	(584)	—	(584)
Deferred income tax liabilities	(109)	(121)	(230)
Other payables, including insurance and reinsurance payables	(440)	—	(440)
Accruals and deferred income	(31)	—	(31)
Net assets acquired	**487**	**483**	**970**
Satisfied by:			
Cash and cash equivalents	1,070	—	1,070
Total consideration	**1,070**	**—**	**1,070**
Goodwill	**583**	**(483)**	**100**

	2014 year of account	2015 year of account	**2016 year of account**
Capacity acquired	1,866,053	1,298,575	**1,244,242**

The net earned premium and profit of Devon Underwriting Limited for the period since the acquisition date to 31 December 2016 are £1,011,000 and £118,000 respectively.

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

21. Acquisition of Limited Liability Vehicles *continued*
(a) 2016 acquisitions *continued*
Nameco (No 346) Limited

On 27 May 2016, Helios Underwriting plc acquired 100% of the issued share capital of Nameco (No 346) Limited for a total consideration of £3,728,000. Nameco (No 346) 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 £3,378,000. Goodwill of £350,000 arose on acquisition, which has been recognised as an intangible asset and will be assessed at each period end for impairment. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	3	1,300	1,303
Financial assets at fair value through profit or loss	3,598	—	3,598
Reinsurance assets:			
– reinsurers' share of claims outstanding	810	—	810
– reinsurers' share of unearned premium	384	—	384
Other receivables, including insurance and reinsurance receivables	4,502	—	4,502
Deferred acquisition cost	541	—	541
Prepayments and accrued income	17	—	17
Cash and cash equivalents	643	—	643
Insurance liabilities:			
– claims outstanding	(4,522)	—	(4,522)
– unearned premium	(2,032)	—	(2,032)
Deferred income tax liabilities	(271)	(260)	(531)
Other payables, including insurance and reinsurance payables	(1,130)	—	(1,130)
Accruals and deferred income	(205)	—	(205)
Net assets acquired	**2,338**	**1,040**	**3,378**
Satisfied by:			
Cash and cash equivalents	3,728	—	3,728
Total consideration	**3,728**	**—**	**3,728**
Goodwill	**1,390**	**(1,040)**	**350**

	2014 year of account	2015 year of account	**2016 year of account**
Capacity acquired	3,367,971	3,187,015	**3,320,877**

The net earned premium and profit of Nameco (No 346) Limited for the period since the acquisition date to 31 December 2016 are £1,728,000 and £217,000 respectively.

Goodwill has arisen on the acquisition of Nameco (No. 346) Limited as a result of the purchase consideration being in excess of the fair value of net assets acquired.

21. Acquisition of Limited Liability Vehicles *continued*
(a) 2016 acquisitions *continued*
Salviscount LLP

On 2 December 2016, Helios UTG Partner Limited, a 100% subsidiary of the Company, became a 100% corporate partner in Salviscount LLP for a total consideration of £795,000. Salviscount LLP is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £752,000. Goodwill of £43,000 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	443	14	457
Financial assets at fair value through profit or loss	1,160	—	1,160
Reinsurance assets:			
– reinsurers' share of claims outstanding	274	—	274
– reinsurers' share of unearned premium	80	—	80
Other receivables, including insurance and reinsurance receivables	714	387	1,101
Deferred acquisition costs	157	—	157
Prepayments and accrued income	5	—	5
Cash and cash equivalents	123	—	123
Insurance liabilities:			
– claims outstanding	(1,479)	—	(1,479)
– unearned premium	(538)	—	(538)
Deferred income tax liabilities	—	(108)	(108)
Other payables, including insurance and reinsurance payables	(446)	—	(446)
Accruals and deferred income	(34)	—	(34)
Net assets acquired	**459**	**293**	**752**
Satisfied by:			
Cash and cash equivalents	795	—	795
Total consideration	**795**	**—**	**795**
Goodwill	**336**	**(293)**	**43**

	2014 year of account	2015 year of account	**2016 year of account**
Capacity acquired	1,083,903	935,951	**1,008,257**

The net earned premium and Loss of Salviscount LLP for the period since the acquisition date to 31 December 2016 are £63,000 and £6,000 respectively.

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

Had the Limited Liability Vehicles been consolidated from 1 January 2016, the Consolidated Statement of Comprehensive Income would show net earned premium of £24,699,000 and a profit after tax of £776,000.

Costs incurred in connection with the three acquisitions totalling £100,000 have been recognised in the consolidated income statement.

21. Acquisition of Limited Liability Vehicles *continued*

(b) 2015 acquisitions

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.

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 £985,000. Negative goodwill of £59,000 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	5	327	332
Financial assets at fair value through profit or loss	1,308	—	1,308
Reinsurance assets:			
– reinsurers' share of claims outstanding	201	—	201
– reinsurers' share of unearned premium	60	—	60
Other receivables, including insurance and reinsurance receivables	656	172	828
Deferred acquisition costs	110	—	110
Prepayments and accrued income	4	—	4
Cash and cash equivalents	239	—	239
Insurance liabilities:			
– claims outstanding	(1,112)	—	(1,112)
– unearned premium	(439)	—	(439)
Deferred income tax liabilities	(74)	(95)	(169)
Other payables, including insurance and reinsurance payables	(331)	—	(331)
Accruals and deferred income	(46)	—	(46)
Net assets acquired	581	404	985
Satisfied by:			
Cash and cash equivalents	926	—	926
Total consideration	926	—	926
Negative goodwill	345	(404)	(59)

	2013 year of account	2014 year of account	2015 year of account
Capacity acquired	951,511	1,009,477	954,608

The net earned premium and profit of Nameco (No. 311) Limited for the period since the acquisition date to 31 December 2015 are £642,000 and £52,000 respectively.

Negative goodwill has arisen on the acquisition of Nameco (No. 311) Limited as a result of the purchase consideration being at a discount to the fair value of net assets acquired.

21. Acquisition of Limited Liability Vehicles *continued*

(b) 2015 acquisitions *continued*

Nameco (No. 402) Limited

On 20 February 2015, Helios Underwriting plc acquired 100% of the issued share capital of Nameco (No. 402) Limited for a total consideration of £823,000. Nameco (No. 402) 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 £793,000. Goodwill of £30,000 arose on acquisition, which has been assessed as impaired and written off in the consolidated income statement. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	1	346	347
Financial assets at fair value through profit or loss	1,114	—	1,114
Reinsurance assets:			
– reinsurers' share of claims outstanding	170	—	170
– reinsurers' share of unearned premium	49	—	49
Other receivables, including insurance and reinsurance receivables	576	265	841
Deferred acquisition costs	93	—	93
Prepayments and accrued income	5	—	5
Cash and cash equivalents	62	—	62
Insurance liabilities:			
– claims outstanding	(1,037)	—	(1,037)
– unearned premium	(388)	—	(388)
Deferred income tax liabilities	(78)	(116)	(194)
Other payables, including insurance and reinsurance payables	(222)	—	(222)
Accruals and deferred income	(47)	—	(47)
Net assets acquired	298	495	793
Satisfied by:			
Cash and cash equivalents	837	—	837
Less: loan to previous owner transferred on acquisition	(14)	—	(14)
Total consideration	823	—	823
Goodwill	525	(495)	30

	2013 year of account	2014 year of account	2015 year of account
Capacity acquired	825,496	870,437	815,675

The net earned premium and profit of Nameco (No. 402) Limited for the period since the acquisition date to 31 December 2015 are £455,000 and £31,000 respectively.

Goodwill has arisen on the acquisition of Nameco (No. 402) Limited as a result of the purchase consideration being in excess to the fair value of net assets acquired.

21. Acquisition of Limited Liability Vehicles *continued*

(b) 2015 acquisitions *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.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £1,253,000. Negative goodwill of £51,000 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	—	411	411
Financial assets at fair value through profit or loss	1,777	—	1,777
Reinsurance assets:			
– reinsurers' share of claims outstanding	196	—	196
– reinsurers' share of unearned premium	47	—	47
Other receivables, including insurance and reinsurance receivables	578	—	578
Deferred acquisition costs	78	—	78
Prepayments and accrued income	6	—	6
Cash and cash equivalents	150	—	150
Insurance liabilities:			
– claims outstanding	(1,174)	—	(1,174)
– unearned premium	(351)	—	(351)
Deferred income tax liabilities	(107)	(78)	(185)
Other payables, including insurance and reinsurance payables	(232)	—	(232)
Accruals and deferred income	(48)	—	(48)
Net assets acquired	920	333	1,253
Satisfied by:			
Cash and cash equivalents	600	—	600
429,839 ordinary 10p shares issued (Note 20)	602	—	602
Total consideration	1,202	—	1,202
Negative goodwill	282	(333)	(51)

	2013 year of account	2014 year of account	2015 year of account
Capacity acquired	926,849	926,541	864,578

The net earned premium and profit of Updown Underwriting Limited for the period since the acquisition date to 31 December 2015 are £485,000 and £84,000 respectively.

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

21. Acquisition of Limited Liability Vehicles *continued*

(b) 2015 acquisitions *continued*

Nameco (No. 507) Limited

On 12 June 2015, Helios Underwriting plc acquired 100% of the issued share capital of Nameco (No. 507) Limited for a total consideration of £900,000. Nameco (No. 507) Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £1,034,000. Negative goodwill of £134,000 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	26	463	489
Financial assets at fair value through profit or loss	1,662	—	1,662
Reinsurance assets:			
– reinsurers' share of claims outstanding	307	—	307
– reinsurers' share of unearned premium	103	—	103
Other receivables, including insurance and reinsurance receivables	1,366	161	1,527
Deferred acquisition costs	232	—	232
Prepayments and accrued income	9	—	9
Cash and cash equivalents	160	—	160
Insurance liabilities:			
– claims outstanding	(1,833)	—	(1,833)
– unearned premium	(853)	—	(853)
Deferred income tax liabilities	(132)	(119)	(251)
Other payables, including insurance and reinsurance payables	(455)	—	(455)
Accruals and deferred income	(63)	—	(63)
Net assets acquired	529	505	1,034
Satisfied by:			
Cash and cash equivalents	900	—	900
Total consideration	900	—	900
Negative goodwill	371	(505)	(134)

	2013 year of account	2014 year of account	2015 year of account
Capacity acquired	1,503,290	1,789,216	1,688,738

The net earned premium and profit of Nameco (No. 507) Limited for the period since the acquisition date to 31 December 2015 are £655,000 and £53,000 respectively.

Negative goodwill has arisen on the acquisition of Nameco (No. 507) Limited as a result of the purchase consideration being at a discount to the fair value of net assets acquired.

21. Acquisition of Limited Liability Vehicles *continued*

(b) 2015 acquisitions *continued*

Nameco (No. 76) Limited

On 28 August 2015, Helios Underwriting plc acquired 100% of the issued share capital of Nameco (No. 76) Limited for a total consideration of £747,000. Nameco (No. 76) 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 £695,000. Goodwill of £52,000 arose on acquisition, which has been assessed as impaired and written off in the consolidated 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	29	359	388
Financial assets at fair value through profit or loss	1,609	—	1,609
Reinsurance assets:			
– reinsurers' share of claims outstanding	211	—	211
– reinsurers' share of unearned premium	58	—	58
Other receivables, including insurance and reinsurance receivables	612	—	612
Deferred acquisition costs	87	—	87
Prepayments and accrued income	5	—	5
Cash and cash equivalents	84	—	84
Insurance liabilities:			
– claims outstanding	(1,182)	—	(1,182)
– unearned premium	(397)	—	(397)
Deferred income tax liabilities	(43)	(68)	(111)
Other payables, including insurance and reinsurance payables	(617)	—	(617)
Accruals and deferred income	(52)	—	(52)
Net assets acquired	404	291	695
Satisfied by:			
666,555 ordinary 10p shares issued (Note 20)	1,083	—	1,083
Less: loan to previous owner transferred on acquisition	(336)	—	(336)
Total consideration	747	—	747
Goodwill	343	(291)	52

	2013 year of account	2014 year of account	2015 year of account
Capacity acquired	872,590	849,496	952,361

The net earned premium and profit of Nameco (No. 76) Limited for the period since the acquisition date to 31 December 2015 are £218,000 and £28,000 respectively.

Goodwill has arisen on the acquisition of Nameco (No. 76) Limited as a result of the purchase consideration being in excess to the fair value of net assets acquired.

21. Acquisition of Limited Liability Vehicles *continued*

(b) 2015 acquisitions *continued*

Kempton Underwriting Limited

On 28 August 2015, Helios Underwriting plc acquired 100% of the issued share capital of Kempton Underwriting Limited for a total consideration of £267,000. Kempton Underwriting Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £213,000. Goodwill of £54,000 arose on acquisition, which has been assessed as impaired and written off in the consolidated 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	58	240	298
Financial assets at fair value through profit or loss	1,435	—	1,435
Reinsurance assets:			
– reinsurers' share of claims outstanding	188	—	188
– reinsurers' share of unearned premium	58	—	58
Other receivables, including insurance and reinsurance receivables	644	—	644
Deferred acquisition costs	97	—	97
Prepayments and accrued income	4	—	4
Cash and cash equivalents	47	—	47
Insurance liabilities:			
– claims outstanding	(1,022)	—	(1,022)
– unearned premium	(430)	—	(430)
Deferred income tax liabilities	—	(46)	(46)
Other payables, including insurance and reinsurance payables	(1,030)	—	(1,030)
Accruals and deferred income	(30)	—	(30)
Net assets acquired	19	194	213
Satisfied by:			
787,981 ordinary 10p shares issued (Note 20)	1,281	—	1,281
Less: loan to previous owner transferred on acquisition	(1,014)	—	(1,014)
Total consideration	267	—	267
Goodwill	248	(194)	54

	2013 year of account	2014 year of account	2015 year of account
Capacity acquired	732,981	967,444	1,034,681

The net earned premium and profit of Kempton Underwriting Limited for the period since the acquisition date to 31 December 2015 are £240,000 and £28,000 respectively.

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

Had the six Limited Liability Vehicles been consolidated from 1 January 2015, the Consolidated Statement of Comprehensive Income would show net earned premium of £17,475,000 and a profit after tax of £956,000.

Costs incurred in connection with the six acquisitions totalling £91,000 have been recognised in the consolidated income statement.

22. Change of accounting policy

Up to 31 December 2014 the Group's intangible asset, syndicate capacity, was stated at cost, less any provision for impairment at initial recognition, and amortised on a straight line basis over the useful economic life, estimated to be seven years.

As of 1 January 2015 the Group changed its accounting policy for intangible assets, syndicate capacity. The new accounting policy has been applied retrospectively, as if the policy had always been in place.

The new accounting policy adopted measures the intangible asset, syndicate capacity, at cost less any impairment. For more details, refer to Note 13.

The Financial Statements of the year ended 31 December 2015 reflected the restatement of the consolidated profit for the year 2014, the retained earnings, both as at 1 January 2014 and as at 31 December 2014, and the effect to the 'earnings per share' for the year 2014.

22. Change of accounting policy *continued*

The effects of the change of this accounting policy on the Group's Financial Statements for the year ended 31 December 2015 are set out below:

Effect on the consolidated statement of financial position – as at 1 January 2015

	Year ended 31 December 2015 £'000
Retained earnings as at 1 January 2015 as originally reported	2,636
Effect on profit of change in accounting policy: impairment of syndicate capacity:	
– effect on retained earnings as at 1 January 2014	1,370
– effect on profit for the year 2014	1,013
	2,383
Retained earnings as at 1 January 2015 as restated	5,019

23. 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 2016 £'000**	31 December 2015 £'000
Balances due from/(to) Group companies at the year end:		
Hampden Corporate Member Limited	**(82)**	327
Nameco (No. 365) Limited	**(34)**	(5)
Nameco (No. 605) Limited	**(164)**	(4)
Nameco (No. 321) Limited	**(43)**	9
Nameco (No. 917) Limited	**3,397**	1,451
Nameco (No. 229) Limited	**28**	58
Nameco (No. 518) Limited	**(35)**	14
Nameco (No. 804) Limited	**104**	274
Halperin Underwriting Limited	**(16)**	32
Bernul Limited	**27**	47
Dumasco Limited	**(37)**	177
Nameco (No. 311) Limited	**(29)**	37
Nameco (No. 402) Limited	**(181)**	(104)
Updown Underwriting Limited	**644**	713
Nameco (No. 507) Limited	**(80)**	660
Nameco (No. 76) Limited	**8**	393
Kempton Underwriting Limited	**128**	573
Devon Underwriting Limited	**110**	—
Nameco (No 346) Limited	**(382)**	—
Nomina No 035 LLP	**—**	—
Nomina No 342 LLP	**—**	—
Nomina No 380 LLP	**—**	—
Nomina No 372 LLP	**—**	—
Salviscount LLP	**—**	—
Helios UTG Partner Limited	**909**	553
Total (Note 16)	**4,272**	5,205

Helios Underwriting plc and its subsidiaries have entered into a management agreement with Nomina plc. Jeremy Evans, a Director of Helios Underwriting plc and its subsidiary companies, is also a director of Nomina plc. Under the agreement, Nomina plc provides management and administration, financial, tax and accounting services to the Group for an annual fee of £146,000 (2015: £112,000).

23. 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 2016 are set out below:

Company	31 December 2016 £'000	31 December 2015 £'000
Hampden Corporate Member Limited	34	43
Nameco (No. 365) Limited	7	11
Nameco (No. 605) Limited	34	36
Nameco (No. 321) Limited	10	13
Nameco (No. 917) Limited	121	7
Nameco (No. 229) Limited	9	10
Nameco (No. 518) Limited	13	18
Nameco (No. 804) Limited	23	32
Halperin Underwriting Limited	10	14
Bernul Limited	—	9
Dumasco Limited	—	—
Nameco (No. 311) Limited	12	17
Nameco (No. 402) Limited	12	18
Updown Underwriting Limited	—	1
Nameco (No. 507) Limited	21	26
Nameco (No. 76) Limited	12	16
Kempton Underwriting Limited	—	11
Devon Underwriting Limited	9	—
Nameco (No 346) Limited	51	—
Nomina No 035 LLP	10	14
Nomina No 342 LLP	9	14
Nomina No 380 LLP	15	13
Nomina No 372 LLP	11	16
Salviscount LLP	20	—
Helios UTG Partner Limited	—	—
Total	**443**	339

23. Related party transactions *continued*

The Group entered into quota share reinsurance contracts for the 2014, 2015, 2016 and 2017 years of account with Hampden Insurance PCC (Guernsey) Limited – Cell 6. The Limited Liability Vehicles' underwriting year of account quota share participations are set out below:

Company or partnership	2014	2015	2016	**2017**
Hampden Corporate Member Limited	70%	70%	—	**—**
Nameco (No. 365) Limited	70%	70%	—	**—**
Nameco (No. 605) Limited	70%	70%	—	**—**
Nameco (No. 321) Limited	70%	70%	—	**—**
Nameco (No. 917) Limited	70%	70%	70%	**70%**
Nameco (No. 229) Limited	70%	70%	—	**—**
Nameco (No. 518) Limited	70%	70%	—	**—**
Nameco (No. 804) Limited	70%	70%	—	**—**
Halperin Underwriting Limited	70%	70%	—	**—**
Bernul Limited	70%	70%	—	**—**
Dumasco Limited	—	—	—	**—**
Nameco (No. 311) Limited	—	70%	—	**—**
Nameco (No. 402) Limited	—	70%	—	**—**
Updown Underwriting Limited	—	70%	—	**—**
Nameco (No. 507) Limited	—	—	—	**—**
Nameco (No. 76) Limited	—	—	—	**—**
Kempton Underwriting Limited	—	—	—	**—**
Devon Underwriting Limited	—	—	70%	**70%**
Nameco (No 346) Limited	—	—	70%	**70%**
Helios UTG Partner Limited	—	—	—	**—**
Nomina No 035 LLP	70%	70%	—	**—**
Nomina No 342 LLP	70%	70%	—	**—**
Nomina No 380 LLP	70%	70%	—	**—**
Nomina No 372 LLP	70%	70%	—	**—**
Salviscount LLP	—	—	—	**—**

Nigel Hanbury, a Director of Helios Underwriting plc and its subsidiary companies, is also a director and majority shareholder in Hampden Insurance Guernsey PCC Limited – Cell 6. Hampden Capital, a substantial shareholder in Helios Underwriting plc, is also a substantial shareholder in Hampden Insurance Guernsey PCC Limited – Cell 6. Under the agreement, the Group accrued a net reinsurance premium payable of £1,602,000 during the year.

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

Director	**Shareholding at date dividend declared 10 June 2016**	**Dividend received 16 July 2016 £**	Shareholding at date dividend declared 5 June 2015	Dividend received 3 July 2015 £
Sir Michael Oliver	**19,000**	**950**	19,000	969
Nigel Hanbury (either personally or has an interest in)	**1,370,872**	**68,544**	1,298,445	66,221
Andrew Christie	**5,500**	**275**	5,500	280
Jeremy Evans	**52,004**	**2,600**	52,004	2,601
Arthur Manners	**—**	**—**	—	—
Michael Cunningham	**20,500**	**1,025**	20,500	1,045

24. Ultimate controlling party

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

25. 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	2014* £	2015* £	2016* £	**2017 £**
33	Hiscox Syndicates Limited	2,475,618	2,626,038	2,819,818	**3,299,138**
218	ERS Syndicate Management Limited	1,457,074	1,216,951	1,328,708	**1,790,933**
308	Tokio Marine Kiln Syndicates Limited	244,528	184,528	100,000	**100,000**
386	QBE Underwriting Limited	729,313	711,365	800,289	**596,204**
510	Tokio Marine Kiln Syndicates Limited	4,484,868	4,818,514	5,092,961	**5,521,755**
557	Tokio Marine Kiln Syndicates Limited	543,871	553,433	575,567	**580,415**
609	Atrium Underwriters Limited	2,744,234	2,905,377	3,128,724	**3,185,607**
623	Beazley Furlonge Limited	3,237,747	3,285,149	3,971,374	**4,781,292**
727	S A Meacock & Company Limited	896,256	943,679	971,078	**978,560**
958	Canopius Managing Agents Limited	721,004	268,646	—	**—**
1176	Chaucer Syndicates Limited	422,886	456,986	551,376	**604,413**
1200	Argo Managing Agency Limited	298,071	233,819	194,697	**—**
1729	Asta Managing Agency Limited	139,443	103,758	42,000	**—**
1884	Charles Taylor Managing Agency Limited	—	25,000	—	**—**
1910	Asta Managing Agency Limited	—	—	1,205,896	**—**
1991	R&O Managing Agency Limited	118,995	60,000	—	**—**
2010	Cathedral Underwriting Limited	818,022	792,006	871,081	**891,542**
2014	Pembroke Managing Agency Limited	1,494,054	1,484,840	1,516,902	**900,000**
2121	Argenta Syndicate Management Limited	160,341	260,341	—	**—**
2525	Asta Managing Agency Limited	116,690	134,698	171,414	**173,558**
2689	Asta Managing Agency Limited	—	—	—	**815,483**
2791	Managing Agency Partners Limited	3,884,990	3,650,489	3,855,235	**3,905,942**
4444	Canopius Managing Agents Limited	—	—	101,429	**—**
5820	ANV Syndicates Limited	369,348	269,738	109,479	**—**
6103	Managing Agency Partners Limited	562,334	226,476	253,649	**289,885**
6104	Hiscox Syndicates Limited	1,236,224	1,187,998	1,180,437	**870,875**
6105	Ark Syndicate Management Limited	617,738	638,070	—	**—**
6107	Beazley Furlonge Limited	423,737	423,737	423,737	**598,211**
6111	Catlin Underwriting Agencies Limited	1,568,175	1,628,877	1,868,500	**—**
6113	Barbican Managing Agency Limited	160,528	—	—	**—**
6117	Argo Managing Agency Limited	1,362,210	903,993	1,808,246	**2,495,000**
7200	Members' agent pooling arrangement	380,695	220,774	49,640	**—**
7201	Members' agent pooling arrangement	1,944,625	1,129,424	255,745	**—**
7202	Members' agent pooling arrangement	691,575	395,365	89,845	**—**
7203	Members' agent pooling arrangement	189,931	135,355	14,565	**—**
7211	Members' agent pooling arrangement	793,461	101,070	—	**—**
7217	Members' agent pooling arrangement	203,691	229,149	241,878	**254,608**
7227	Members' agent pooling arrangement	—	39,758	74,545	**—**
Total		35,492,277	32,245,401	33,668,815	**32,633,421**

* Including the new acquisitions in 2016.

26. 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 2016			Restated 31 December 2015		
	Group £'000	Syndicate £'000	Total £'000	Group £'000	Syndicate £'000	Total £'000
Assets						
Intangible assets	10,732	—	10,732	8,511	—	8,511
Financial assets at fair value through profit or loss	7,263	38,317	45,580	4,644	27,153	31,797
Reinsurance assets:						
– reinsurers' share of claims outstanding	—	9,674	9,674	—	5,657	5,657
– reinsurers' share of unearned premium	—	2,548	2,548	—	1,501	1,501
Other receivables, including insurance and reinsurance receivables	3,480	26,763	30,243	1,216	19,211	20,427
Deferred acquisition costs	—	4,255	4,255	—	2,926	2,926
Prepayments and accrued income	—	187	187	15	129	144
Cash and cash equivalents	4,049	2,163	6,212	2,223	1,411	3,634
Total assets	25,524	83,907	109,431	16,609	57,988	74,597
Liabilities						
Insurance liabilities:						
– claims outstanding	—	50,087	50,087	—	32,985	32,985
– unearned premium	—	16,821	16,821	—	11,169	11,169
Deferred income tax liabilities	3,581	—	3,581	3,172	—	3,172
Other payables, including insurance and reinsurance payables	3,028	11,680	14,708	1,586	7,774	9,360
Accruals and deferred income	1,590	125	1,715	1,577	(89)	1,488
Total liabilities	8,199	78,713	86,912	6,335	51,839	58,174
Equity attributable to owners of the Parent						
Share capital	1,460	—	1,460	1,050	—	1,050
Share premium	15,399	—	15,399	9,901	—	9,901
Other reserves	—	—	—	—	—	—
Retained earnings	466	5,194	5,660	(677)	6,149	5,472
Total equity	17,325	5,194	22,519	10,274	6,149	16,423
Total liabilities and equity	25,524	83,907	109,431	16,609	57,988	74,597

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

Group	31 December 2016 £'000	31 December 2015 £'000
Funds at Lloyd's supplied by:		
Quota share reinsurers	13,641	9,378
Stop loss reinsurers	1,924	1,447
Group owned	4,082	3,894
Total Funds at Lloyd's supplied (excluding solvency credits)	19,647	14,719
Group funds available:		
Financial assets	7,263	4,644
Cash	4,049	2,223
Total funds	11,312	6,867
Less Group Funds at Lloyd's	(4,083)	(3,894)
Free working capital	7,229	2,973

Financial statements

27. Effects of a reclassification in the year 2015 comparatives

The year 2015 comparatives, at consolidation level, in these Financial Statements include the effects of the reclassification of the foreign exchange differences, for the year 2015, originally included in the other comprehensive income, net of tax, amounting to £121,000, and now reclassified into the income statement, within the other income line.

These foreign exchange differences arose as a result of the retranslation of the syndicates' results whose functional currency is not the Pound Sterling, into the Pound Sterling as the reporting currency to Lloyd's. Hence, such foreign exchange differences were accounted for as other comprehensive income within the syndicates' reported results.

As the functional and presentation currency of the Helios Group is the Pound Sterling, such foreign exchange differences were accounted for as other income in the income statement in the consolidated Financial Statements of the year ended 31 December 2016.

As a result, to aid consistency in presentation, the comparative amount for the year ended 31 December 2015 of £121,000 has been reclassified and the effects of the reclassification resulted in the restatements as set out below:

(i) Effect on the Consolidated Income Statement

Profit for the year	Restated 2015 £'000
Profit for the year 2015 – as originally reported	789
Effect of reclassification of foreign exchange differences from other comprehensive income into other income in the income statement	121
Profit for the year 2015 – as restated	910

(ii) Effect on the Consolidated Statement of Financial Position

	Other reserves £'000	Restated 2015 retained earnings £'000
Equity reserves:		
At 31 December 2015 – as originally reported	121	5,351
Effect of reclassification in foreign exchange differences, as described above	(121)	121
At 31 December 2015 – as restated	—	5,472

(iii) Effect on the "earnings per share" (Note 11)

	As originally reported	Effect of reclassification	As restated
Profit for the year 2015 (£'000)	789	121	910
Weighted average number of ordinary shares in issue	9,411,794	—	9,411,794
Basic and diluted earnings per share	8.38p	1.29p	9.67p

28. Assets pledged as security

On 21 April 2016, the Company has registered a security charge with the Companies House against a prospective revolving credit facility (RCF) with its bank. The security charge is on all the assets of the Group.

The RCF is still not in place, and it will be a formally initiated and agreed upon, as and when the Group's management decides that additional funds are required to meet its strategic plans.

29. 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:

Pooks Limited

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

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 £262,000, giving rise to goodwill of £46,000 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	—	516	516
Financial assets at fair value through profit or loss	732	—	732
Reinsurance assets:			
– reinsurers' share of claims outstanding	206	—	206
– reinsurers' share of unearned premium	38	—	38
Other receivables, including insurance and reinsurance receivables	896	—	896
Deferred acquisition costs	63	—	63
Prepayments and accrued income	5	—	5
Cash and cash equivalents	102	—	102
Insurance liabilities:			
– claims outstanding	(1,019)	—	(1,019)
– unearned premium	(327)	—	(327)
Deferred income tax liabilities	—	(98)	(98)
Other payables, including insurance and reinsurance payables	(822)	—	(822)
Accruals and deferred income	(30)	—	(30)
Net assets acquired	**(156)**	**418**	**262**
Satisfied by:			
Cash and cash equivalents	871	—	871
Less: loan to previous owner transferred on acquisition	(563)	—	(563)
Total consideration	**308**	**—**	**308**
Goodwill	**464**	**(418)**	**46**

	2014 year of account	2015 year of account	**2016 year of account**
Capacity acquired	749,927	756,697	**784,666**

Pooks Limited was formally owned by Nigel Hanbury, a Director of the Company. The total consideration was established in the same way as any other acquisition, whereby the starting point was based on an independent Humphrey's valuation.

29. Events after the financial reporting period *continued*

Charmac Underwriting Limited

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

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 £2,142,000, giving rise to goodwill of £98,000 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	37	642	679
Financial assets at fair value through profit or loss	1,677	—	1,677
Reinsurance assets:			
– reinsurers' share of claims outstanding	439	—	439
– reinsurers' share of unearned premium	119	—	119
Other receivables, including insurance and reinsurance receivables	2,067	277	2,344
Deferred acquisition costs	248	—	248
Prepayments and accrued income	9	—	9
Cash and cash equivalents	428	—	428
Insurance liabilities:			
– claims outstanding	(2,120)	—	(2,120)
– unearned premium	(832)	—	(832)
Deferred income tax liabilities	(73)	(175)	(248)
Other payables, including insurance and reinsurance payables	(569)	—	(569)
Accruals and deferred income	(32)	—	(32)
Net assets acquired	**1,398**	**744**	**2,142**
Satisfied by:			
Cash and cash equivalents	2,240	—	2,240
Total consideration	**2,240**	**—**	**2,240**
Goodwill	**842**	**(744)**	**98**

	2014 year of account	2015 year of account	**2016 year of account**
Capacity acquired	1,417,006	1,491,671	**1,622,890**

Future dividends

In respect of the year ended 31 December 2016 a final dividend of 1.5p per share together with a special dividend of 4p per share, amounting to a total dividend of £803,000, is to be proposed at the Annual General Meeting on 28 June 2017. These Financial Statements do not reflect this dividend payable.

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)
Arthur Roger Manners (Finance Director)

Company secretary
Martha Bruce
Bruce Wallace Associates Limited
120 Pall Mall
London SW1Y 5EA

Company number
05892671

Registered office
40 Gracechurch Street
London EC3V 0BT

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

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

Registrars
Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen B63 3DA

Nominated adviser and broker
Stockdale Securities Limited
Beaufort House, 15 St. Botolph Street
London EC3A 7BB

Produced by
designportfolio

MIX
Paper from responsible sources
FSC® C011756
www.fsc.org

Helios Underwriting Plc commitment to environmental issues is reflected in this Annual Report which has been printed on Satimatt which are FSC® certified papers.

This document was printed by Park Communications using their environmental print technology, which minimises the impact of printing on the environment. 99% of all dry waste associated with this production is diverted from landfill.

HELIOS UNDERWRITING