HELIOS UNDERWRITING

Providing access to Lloyd's

Helios Underwriting plc Annual report and financial statements 2017

Providing access to a global speciality insurance market

- Helios provides access to insurance exposures through underwriting syndicates in the Lloyd's of London insurance market.
- A quality portfolio of Lloyd's underwriting participations is being built through targeted acquisitions.
- Helios has expanded its portfolio of syndicate capacity from £12.9m in 2013 to £41.0m as at May 2018.
- 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 2018 underwriting year reduced to £12.3m.

Why us?

- Strong portfolio growth from £12.9m in 2013 to £41.0m for 2018
- Experienced management team
- Growth in capacity through targeted acquisitions, with 21 companies bought that own Lloyd's capacity since January 2013
- Helios manages the capacity portfolio to improve the quality and the balance of the portfolio whilst minimising the downside risk
- Future growth is expected to be supported by a steady flow of acquisition opportunities

Helios Capacity Fund

£41.0m of capacity for 2018

79% 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

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

Quality portfolio

Highlights

- Gross premium written during the period totalled £34.7m (2016: £31.3m)
- (Loss)/profit before impairment, goodwill and tax for the year of £(406,000) (2016: £1,334,000)
- (Loss)/earnings per share of (4.75)p (2016: 6.22p)
- Helios retained capacity for 2018 open underwriting year £12.3m (2017: £10.6m)
- 2015 underwriting year of account profit return on capacity of 12.9% (2014 underwriting year: 15.6%)
- Recommended total dividend for this year of 1.5p per share (2016: 5.5p per share)
- Adjusted net asset value per share £1.60 per share (2016: £1.96 per share)
- Record insured losses for natural catastrophes of $144bn in 2017
- Helios gross loss for the 2017 underwriting year of £5.8m reduced by reinsurance protection to £1.8m

Helios Group summary profits

	2017 £'000	2016 £'000
Underwriting profits	**183**	2,208
Total other income	**1,278**	904
Total costs	**(1,867)**	(1,778)
(Loss)/profit before impairment and tax for the year	**(406)**	1,334
(Loss)/profit before tax	**(1,305)**	779
(Loss)/earnings per share – basic & diluted	**(4.75)p**	6.22p

	Year of account			
Capacity acquired	2015	2016	2017	**2018**
Capacity at beginning of YOA – £m	20.5	28.1	32.6	**41.0**
Acquired in year 1 – £m	6.3	5.6	4.4	**–**
Acquired in year 2 – £m	5.4	4.1	–	**–**
Acquired in year 3 – £m	4.1	–	–	**–**
Final/current capacity – £m	36.3	37.8	37.0	**41.0**
Capacity reinsured – £m	16.6	23.2	25.4	**28.7**
Proportion reinsured	46%	61%	69%	**70%**
Helios retained capacity – £m	19.7	14.6	11.6	**12.3**
Helios proportion retained	54%	39%	31%	**30%**

Each LLV acquired increases capacity for three open underwriting years.
Position as at May 2018.

(Loss)/profit before impairment and tax (£'000)

(406)

2017	**(406)**
2016	1,334
2015	753

Adjusted net asset value per share – basic (£)

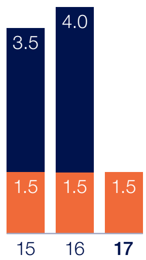
1.60

2017	**1.60**
2016	1.96
2015	2.01

Dividends (p)

1.5

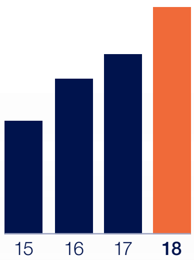
2017	**1.5**
2016	5.5
2015	5.0
Final dividend	
Special dividend	



Growth in capacity (£m)

41.0

2018	**41.0**
2017	32.6
2016	28.1
2015	20.5



Value of capacity fund (WAV) (£'000)

13,046

2017	**13,046**
2016	14,918
2015	11,762

Effective risk management

Improved pricing for insurance in 2018 should improve the prospects for underwriting profits

Michael Cunningham
Non-executive Chairman

> Lower capacity auction prices in 2017 will allow more effective use of available Helios funds.

Summary

- Loss before tax and impairment of £406,000 (2016 profit: £1,336,000)
- Adjusted net asset value at £1.60 per share (2016: £1.96)
- Five acquisitions in 2017 added £4.4m of capacity to 2017 underwriting year – 13% increase
- 1.5p per share total dividend payable (2016: 5.5p)

Your Board announces the results for 2017 which were affected by the underwriting losses arising from natural catastrophes that occurred in 2017 and by the reduction in the value of the syndicate portfolio of capacity. The loss before impairment for the year is £406,000 (2016 profit: £1,334,000), whilst the adjusted net asset value of the Group is £1.60 per share (2016: £1.96).

The full impact of the 2017 losses on the Helios portfolio of £5.8m was mitigated by the use of quota share and stop loss reducing the net loss for 2017 to £1.9m.

Underwriting profits from the two older underwriting years, the "off-risk" years, made a good contribution but the 2017 underwriting year in its first 12 months recognised a significant loss following the series of natural catastrophes in the second half of 2017.

Other income arising from fees from reinsurers, recoveries from reinsurance policies and investment income have contributed to this year results. Total costs of £1.8m included the expenditure on protecting the portfolio using stop loss reinsurance and foreign exchange losses from the strengthening of the US$.

Strategy

The building of a portfolio of participations on leading Lloyd's syndicates remains the strategic objective of the Group. During 2017 the key developments were:

- building the portfolio of capacity to £41m for 2018 by acquiring a further five limited liability vehicles ("LLVs");
- maintaining the quality of the portfolio and the outperformance of the underwriting results average against the Lloyd's market as a whole;
- continuing to use quota share reinsurance to reduce the risk from the underwriting and to assist in the financing of the underwriting capital of the portfolio; and
- broadening the access to the portfolio to private capital by using a protected cell reinsurance structure.

Capacity acquired

During 2017 a further five corporate members were acquired that increased the capacity for the 2015 to 2017 years of account as shown below.

	Year of account – £m			
	2015	2016	2017	**2018**
Capacity at 1 January 2017	32.2	33.7	32.6	**41.0**
Acquired during 2017	4.1	4.1	4.4	**–**
Capacity at 31 December 2017	36.3	37.8	37.0	**41.0**

These five acquisitions in 2017 were purchased for a total consideration of £4.8m, of which £2.1m was attributed to the value of capacity acquired. Given the uncertainty generated as to valuation of LLVs in the second half of the year arising from the natural catastrophes, the flow of potential acquisitions slowed.

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

Adjusted net asset value per share

	2017 £'000	2016 £'000
Net tangible assets	**8,835**	11,787
Group letters of credit	**1,532**	1,922
Value of capacity	**13,046**	14,918
	23,412	28,627
Shares in issue	**14,604**	14,604
Adjusted net asset value per share (£)	**1.60**	1.96

The Adjusted Net Asset Value has declined due to funding the loss and the fall in capacity value. In addition funds have been taken from tangible assets to pay for acquisitions which are reflected in the capacity value total. This portfolio value is subject to fluctuation and the value could recover when cash from underwriting activities becomes available at corporate member level. This basis of valuation is commonly used for the valuations of LLVs in Lloyd's market.

Dividend

The Board recommends that the final dividend remains the same as last year at 1.5p per share (2016: final dividend of 1.5p plus a special dividend 4.0p, a total for 2016 of 5.5p). This dividend will be payable to shareholders on the register on 8 June 2018. If approved, the dividend will be paid in a single payment on 6 July 2018. The board has considered the existing dividend policy which would in normal circumstances have paid a special dividend between 20-30% of the 2015 underwriting year profits received. In view of the opportunities for acquisitions at favourable prices and the possibility of share buybacks (see below) the board believes that it is prudent to retain the cash for these purposes and does not recommend a special dividend this year.

Share Buyback and Whitewash Resolution

The Directors are seeking authority to purchase up to a maximum of 1,510,424 ordinary shares (being equivalent to approximately 10% of the Company's issued share capital). The proposed buyback(s) would only be implemented if the Board believes that the purchase(s) would enhance net asset value per share and be in the best interests of shareholders generally.

As the proposed buyback would result in an increase of the proportionate voting interest of each shareholder who retains their full shareholding following such transaction, it gives rise to certain considerations under the City Code. Each of Nigel Hanbury, Hampden Capital Limited, Nicholas Wentworth-Stanley, Jeremy Evans, Sir Michael Oliver, Peter Nutting, Timothy Oliver and his immediate family members are considered by the Panel to be acting in concert, as the concert party, in respect of the Company and together, as the concert party are interested in 29.62% of the Company's issued share capital. Were the aggregate interests of the concert party in the voting rights of the Company to reach 30% or more as a result of the proposed buyback, the members of the concert party would be required to make a mandatory offer under Rule 9 of the City Code.

The Takeover Panel may waive the requirement for a general offer to be made in accordance with Rule 9 if, amongst other things, the shareholders of a company who are independent of the person who would otherwise be required to make an offer, and any person acting in concert with it, pass an ordinary resolution on a poll approving such a waiver.

Accordingly, the Company has prepared a circular and related resolutions for consideration by the independent shareholders at the Annual General Meeting, notice of which is being circulated with the Annual Report and financial statements.

Outlook

The objective to provide access to insurance exposures at Lloyd's on quality syndicates continues to develop with the growth of the capacity portfolio and the implementation of a protected cell reinsurance structure for participation by private capital.

The 2017 underwriting year was affected by the worst catastrophe losses for some years, in addition 2016 returns were lower due to softening market conditions. The 2017 losses have been fully recognised in these accounts so any improvement in the next two years will contribute to earnings. In addition firmer market conditions should be reflected in the underwriting returns in the future.

The strategy of building a capacity portfolio of the better available syndicates at Lloyd's should allow Helios to maintain its outperformance of returns on capacity against the Lloyd's market. The recent soft underwriting conditions will distinguish the better managed syndicates which will deliver top quartile performance within the Lloyd's market which will reinforce the demand for these syndicates and assist in the recovery of the auction values. We see the lower auction values and the prospective 2017 underwriting year losses as an opportunity to continue to build the portfolio of capacity by purchasing LLVs at lower values.

Board

This is my first report as your Chairman and I would like to pay tribute to my predecessor Sir Michael Oliver for his valuable contribution to the company since its inception. I would also like to welcome Edward Fitzalan-Howard to the board and look forward to working with him in the future. The 2017 underwriting year has fully tested our strategy and I am pleased to say that all the protections that have been developed and executed have proved to be successful in insulating the company from severe losses. In addition cash resources are available to take advantage of lower prices to enable the company to increase capacity in line with the existing strategy. The executive team are to be congratulated on achieving an excellent result in the circumstances.

Michael Cunningham
Non-executive Chairman
24 May 2018

Opportunities in the future

Acquisition strategy continues to build the fund of capacity

Nigel Hanbury
Chief Executive

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

Summary

- Adjusted net asset value at £1.60 per share (2016: £1.96)
- Five acquisitions in 2017 added £4.4m of capacity to 2017 underwriting year
- 1.5p per share total dividend payable (2016: 5.5p)

Highlights

- The strategy of building a quality portfolio of syndicate capacity continues successfully as the portfolio increased from £32.6m to £41.0m – a 26% increase
- The use of quota share has provided finance for acquisitions and has mitigated the loss from 2017 catastrophe losses
- The reduction of the value of the capacity portfolio to £13.0m (2016: £14.9m) will provide opportunities to acquire further LLVs at reduced prices
- Helios' portfolio underwriting results for 2015 underwriting year outperformed Lloyd's return on capacity by 6.6% demonstrating the quality of the portfolio
- Market conditions for underwriting are improving after the 2017 losses
- With the prospect of improving underwriting returns, together with the prospect of improving underwriting returns, together with the opportunity to acquire LLVs at lower values, Helios is well placed to deliver value to shareholders in the future

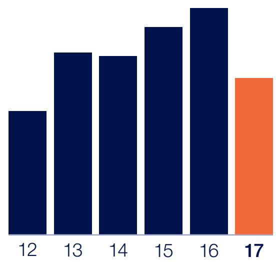
Capacity value

The value of the portfolio of the syndicate capacity remains the major asset of the Group and an important factor in delivering overall returns to shareholders. The 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.

Value per £ of capacity (p)

31.59

2017	**31.59**
2016	45.71
2015	41.86
2014	36.02
2013	36.72
2012	24.97



The Board had recognised that the average prices derived from the annual capacity auctions managed by the Corporation of Lloyd's could be subject to material change if the level of demand for syndicate capacity reduces or if the supply of capacity for sale should increase. In 2017 the supply of capacity increased due in the main to surplus pre-emption capacity being sold. Capacity traded increased to £181.3m compared with £66.7m a year earlier while. Subscription demand reduced as the cash available to LLVs was used to reserve for the losses from the significant catastrophes in 2017.

The fall in the weighted average prices for the 2017 auctions valued the Helios portfolio at 31 December 2017 at £13.0m (2016: £14.9m). The movement in the capacity and its value is as follows:

	2016		**2017**	
	Capacity £m	Value £m	**Capacity £m**	**Value £m**
At 1 January	28.1	11.8	**32.6**	**14.9**
Capacity acquired with LLVs	5.5	2.3	**4.4**	**2.1**
Other capacity movements/change in value	(1.0)	0.8	**4.0**	**(4.0)**
At 31 December	32.6	14.9	**41.0**	**13.0**

The weighted average price of capacity has now fallen back to just above levels last seen in 2012 – a time following a period of higher catastrophe loss activity when surplus cash in LLVs was reduced. Internal valuation assessments of capacity values have indicated the sensitivity to the expected values from the immediate expected profit distributions. As both 2016 and 2017 underwriting years in aggregate will have limited cash distributions to LLVs, this has implicitly been reflected in the price of syndicate capacity traded at auction. As syndicate profitability resumes, the Board expects the projected cash flows will lead to higher valuations for capacity by stimulating the demand in the capacity auctions as some owners of the LLVs will wish to reinvest cash generated within the LLV in auction purchases.

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

The accounting policy requires an assessment of the carrying value of each syndicate participation against the latest average auction prices. The impairment charge for this year of £899,000 (2016: £555,000) results in a reduction in the fair value of the syndicate capacity held on the balance sheet.

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

Underwriting result

The calendar year underwriting profit from the Helios retained capacity for 2017 has been generated from results recognised in the portfolio from the 2015 to 2017 underwriting years as follows:

Underwriting year contribution Helios retained profits

Underwriting year	2017 £'000	2016 £'000
2014	—	1,661
2015	**1,294**	1,031
2016	**741**	(484)
2017	**(1,852)**	—
	183	2,208

During 2017, the 2015 underwriting year midpoint estimate increased from 8.2% return on capacity to a final result of 12.9%. The overall return on capacity for 2015 benefited from the below average loss activity. The midpoint estimate for the 2016 underwriting year at 31 December 2017 was 3.5% (2016: 3.5%). The expected improvement in the midpoint estimate for 2016 has been impacted by the 2017 hurricane losses as this underwriting year had some exposure to those events. Nevertheless, we would expect the 2016 underwriting year forecast to improve over the next 12 months to make a contribution to 2018 calendar year underwriting profits.

The level of major claims for the whole of Lloyd's during 2017 at £4.5bn (2016: £2.2bn) was the third highest since the turn of the century and above the long-term average. These losses were incurred mainly as a result of the three hurricanes (Harvey, Irma and Maria) and the wild fires in California. Consequently, the 2017 underwriting year result in the first 12 months retained by Helios made a significant negative contribution mainly arising from this claims experience. The 2017 result at 12 months represents a loss of 15% of the retained capacity but we expect profits earned after January 2018 to reduce the 2017 underwriting year loss substantially; it is too early to forecast an expected result.

Following the recent receipt of the first estimates of the 2017 year of account we are pleased the Helios mid point loss of 8.4% is in line with the market figure of 8.0%.

The underwriting environment has improved in 2018 following these losses within most classes of business although the availability of additional capital has restricted the upwards price adjustment following the 2017 losses.

Other income

Helios generates additional income at Group level from the following:

	2017 £'000	2016 £'000
Fees from reinsurers	**426**	557
Corporate reinsurance recoveries	**629**	—
Goodwill on bargain purchases	**65**	—
Investment income	**158**	347
Total other income	**1,278**	904

Fees and profit commission from reinsurers have reduced as the profit commission falls with the level of underwriting profits recognised.

The Group has reinsurance policies as member level where any expected year losses can be recovered up the level of indemnity for the member. For the 2017 year of account, an assessment has been made of the likely year of account loss and a potential reinsurance recovery has been made.

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.

	2017 £'000	2016 £'000
Pre-acquisition	**(38)**	63
Stop loss costs	**259**	248
Operating costs	**1,646**	1,467
Total costs	**1,867**	1,778

The costs have increased as foreign exchange losses arising from the strengthening of the US$ have been incurred.

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. During 2017 £4.4m (2016: £5.6m) of capacity was acquired. We remained selective on the purchases and as the effect of the 2017 losses became apparent the discounts to the formal valuations increased. We would anticipate that the LLVs that are marketed for sale in 2018 will have lower values attributed as the average capacity prices are lower and as the prospective 2017 losses are factored into the valuations.

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
Pooks Limited	0.9	0.8	0.9	98%
Charmac Underwriting	2.2	1.6	2.3	96%
Nottus No 51 Limited	1.0	0.7	1.0	96%
Inversanda LLP	0.2	0.6	0.3	76%
Chapman Underwriting Limited	0.5	0.7	0.8	70%
Total since 1 January 2017	4.8	4.4	5.3	

Quality of portfolio

We continue to focus ruthlessly on the quality syndicates. In order to maintain the quality we strive to acquire LLVs with portfolios that comprise quality syndicates thereby having to pay the average auction prices. Participations on weaker syndicates in acquired portfolios are sold to maintain the overall quality. The six largest participations with the leading managing agents at Lloyd's account for 79% of the portfolio. These participations in syndicates managed by these managing agents represent shares in the better managed businesses at Lloyd's.

Quality of portfolio *continued*

The underwriting results of the Helios portfolio have on average outperformed the Lloyd's market average. Helios' average return on capacity over the last three closed years is 14.2% and is on average 5.4% 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 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	2018 Helios portfolio capacity £'000	2018 Helios portfolio % of total	Largest class
623/6107	Beazley Furlonge Ltd	7,098	17	Composite/reinsurance
510/557	Tokio Marine Kiln Syndicates Ltd	6,717	16	Composite/non-marine XL
33/6104	Hiscox Syndicates Ltd	6,252	15	Composite/reinsurance
2791/6103	Managing Agency Partners	5,558	14	Composite/reinsurance
609	Atrium Underwriters Ltd	3,906	10	Composite
6117	Argo Managing Agency	2,810	7	Reinsurance
Sub-total		**32,341**	**79**	
Other		**8,677**	**21**	
Total 2018 Helios portfolio		**41,018**	**100**	

Source: 2018 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 2016 and 2017 underwriting years is expected to increase to approximately 50% as further corporate members are acquired.

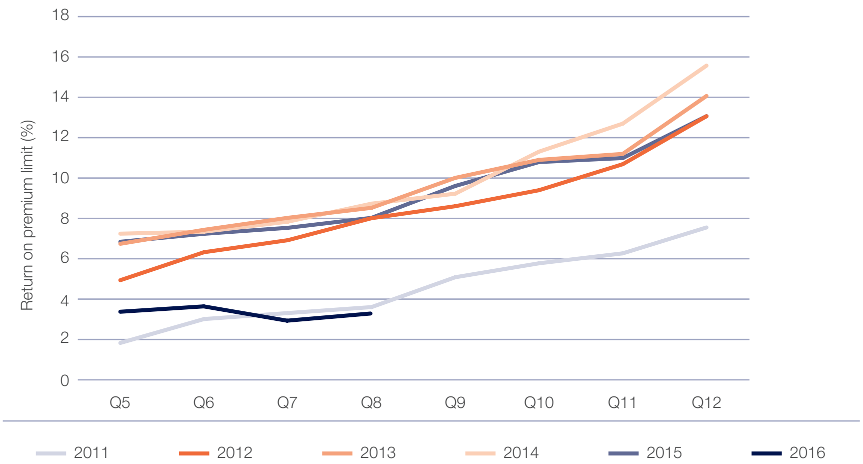
	Year of account – £m			
	2015	2016	2017	**2018**
Helios capacity at outset	20.5	28.1	32.6	**41.0**
Retained capacity in year 1	10.6	10.9	12.0	**12.3**
Retained capacity in years 2 and 3	9.1	7.7	—	**—**
Helios retained capacity	19.7	17.8	12.0	**12.3**
% of off-risk capacity				
Ceded capacity at outset	14.3	17.2	22.8	**28.7**
Further capacity ceded to QS	2.2	2.8	2.2	**—**
Total capacity ceded	16.5	20.0	25.0	**28.7**
Current total capacity	36.3	37.8	37.0	**41.0**
Helios share of total capacity	54%	47%	32%	**30%**

Development of profit estimates

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

The capacity acquired on the "off-risk" years that is retained 100% by Helios contributes a significant part of the profits of the Group. The chart below indicates that a significant proportion of the improvement in the estimates of profitability of syndicates are declared by the managing agents in the last 12 months to the close of an underwriting year. Even though the 2017 underwriting year has incurred significant catastrophe losses and is currently forecast to close at an overall loss for the underwriting year at 36 months, the loss recognised at 12 months for 2017 of approximately 15% of capacity is higher that the ultimate expected loss to be declared at 36 months. Therefore when Helios will benefit from profits recognised from the 12 month stage on 2017 underwriting year.

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



Risk management

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

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

Following the 2017 losses there has been a change in pricing for most classes of business and the rate change data published shows increases on average of 5 per cent. The 2017 losses from three hurricanes making landfall in the US were significant but the losses were absorbed by the strong capital position of the insurance industry. The high aggregation of coastal exposures in the US and other developed markets is one reason why further catastrophe losses and dislocations cannot be ruled out in the future.

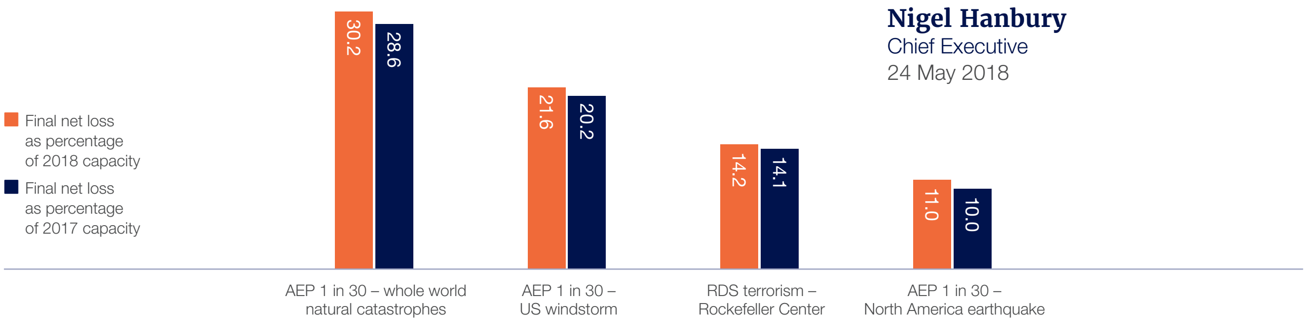
The biggest single risk faced by insurers arises from the possibility of mispricing insurance on a large scale. This is mitigated by the diversification of the syndicate portfolio and by the depth of management experience within the syndicates that Helios supports. These management teams have weathered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

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

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

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

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 syndicate's 1 in 30 projections which serves as a guide to the portfolio aggregate. The aggregate AEP also does not factor in diversification.

Source: 2017/18 syndicate business plans.

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

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

Capital position

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

Underwriting capital as at 31 December	2017 £m	2016 £m
Reinsurance panel	**15.7**	13.6
Helios own funds	**10.5**	4.1
Group letters of credit	**2.1**	1.9
Total	**28.3**	19.6

Helios has generated free cash of £1m in 2017 (2016: £3m) from the distribution of its share of the final underwriting profits of the 2015 underwriting year. During the year, the Group funded a 2017 solvency deficit in November 2017, contributing to the increase in Helios own funds used as underwriting capital. We anticipate that £3m of the Helios own funds will be released by Lloyd's in 2018, which together with the 2015 distribution of retained profits will provide free cash to Helios of £4m for acquisitions in 2018.

Corporate, social and environmental responsibility

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

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

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

Nigel Hanbury
Chief Executive
24 May 2018

Outperformance by quality syndicates increases compared with Lloyd's average

Market conditions improving with modestly positive rate increases in most classes 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. Helios' calendar year combined ratio (before corporate costs) was 106.9% in 2017 (94.6% in 2016) compared with the Lloyd's combined ratio which was 114% in 2017 (97.9% in 2016).

Over the last four calendar years, the average combined ratio of the Helios portfolio was 91.5%, outperforming Lloyd's by six 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 from 2012 to 2016.

With the closure of the 2015 Account at 31 December 2016 the Helios portfolio has outperformed Lloyd's for the seventh successive three-year account result, reporting a profit of 12.9% on capacity compared with the Lloyd's market average of 6.3% on capacity. The chart below shows the return on capacity of the Helios portfolio compared with Lloyd's for the last four closed years from 2012 to 2015 and includes the 3.5% on capacity midpoint estimated results for the 2016 Account at Q8 (Lloyd's average is a loss of 4%).

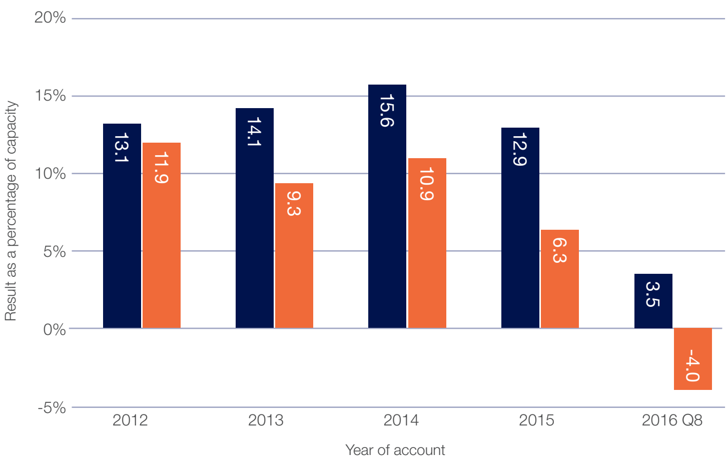
$144bn record insured losses from natural catastrophes in 2017

The increase in Helios' calendar year combined ratio in 2017 was driven in large part by record insured losses from natural catastrophes estimated at $144bn by Swiss Re Sigma. Insured claims were up from $56bn in 2016 and above the inflation-adjusted annual average of the previous ten years of $58bn a year. The largest losses were three major category four plus hurricanes (Harvey, Irma and Maria) which Swiss Re estimates will cost around $92bn with claims from the Caribbean Islands, Puerto Rico, Texas and parts of western Florida. Major losses included earthquakes in Mexico in September 2017 costing $1.6bn and a series of wildfires in California costing just over $12bn.

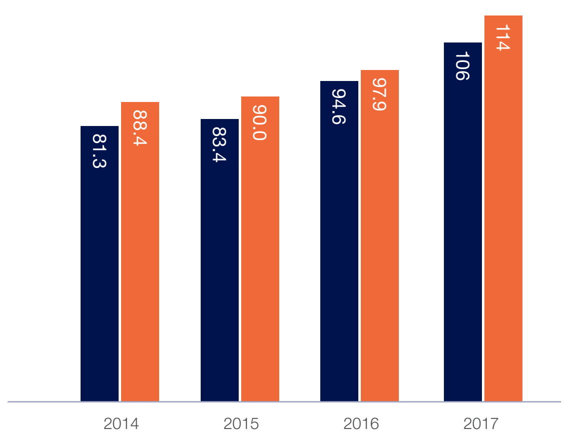
Supply of capital still at all time highs

Despite the hurricane losses at year end 2017 global reinsurer capital again reached a record high, according to Aon Benfield, of $605bn increasing by 2% on year end 2016. Alternative capital grew by 10% to $89bn principally reflecting additional deployment into collateralised reinsurance structures as investors "reloaded" capital following the hurricane losses. Alternative capital is now 15% of total reinsurance underwriting capital and continues to provide strong competition

Helios return on capacity compared with Lloyd's: 2012–2015 and 2016 (est. at Q8) (%)



Helios combined ratio compared with Lloyd's: 2014–2017 (%)



Notes to figures

1. Helios portfolio aggregates include all vehicles acquired prior to the declared result for each year of account.
2. Helios 2012–2015: Results at 36 months calculated from distribution files excluding any movement for run-off years.
3. Lloyd's 2012–2015: Results at 36 months calculated from Lloyd's Global Accounts/year-end QMR Returns. These exclude any movement for run-off years.
4. 2016 Q8 based on midpoint of the 2017 Q4 estimate ranges provided by syndicates.
5. All returns include standard personal expenses but are before members' agent's charges.

Source: Lloyd's – pro forma Financial Statements, 31 December 2017.

■ Helios ■ Lloyd's market

to traditional reinsurers as well as enabling traditional reinsurers to buy protection themselves from catastrophe bonds, collateralised reinsurance and (sidecar) reinsurers. Alternative capital has increased significantly in the past ten years with assets under management of the ILS fund managers increasing by 1,000%. Global reinsurance capital has increased by 78% since 2008.

Both individually and collectively measured as a percentage of US industry capital the 2017 hurricane losses were not as significant as previous major hurricane years such as 2005 (Katrina, Rita and Wilma) and 1992 (Andrew). Collectively Hurricanes Harvey, Irma and Maria cost 10.1% of US industry capital with Maria being the larger at 4.0%. Insurers benefited from the fact that much of the flood loss for Hurricane Harvey, around 70% according to CoreLogic, was not covered by insurance while a government entity, the National Flood Insurance Programme, is estimated to lose $8bn, although $1bn may be recoverable from reinsurers.

In 2005, Hurricanes Katrina, Rita and Wilma cost 15.9% of US industry capital with Katrina on its own amounting to 11.3%, while in 1992 Hurricane Andrew cost 9.5%. The strong capital position of both insurers and reinsurers has enabled the 2017 catastrophe losses to be absorbed with a much more muted impact on rates in 2018 than in 1993 or 2006.

The insurance market in 2018

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. Increasing broker power is a symptom of the soft market as are acquisition costs. However, Lloyd's acquisition costs and administrative expenses as a percentage of net premium reduced marginally to 39% in 2017 compared with 40% in 2016.

The start point for Lloyd's is challenging with the 2017 combined ratio excluding prior year releases and major losses being only marginally profitable at 98.4%. This demonstrates the compounding effect of rate reductions for the previous four to five years. On the same basis Lloyd's combined ratio was 87.8% in 2011 and 83.8% in 2005, the two most recent above average catastrophe loss years before 2017.

Analysis by leading US analyst VJ Dowling suggests that we are now in the "cheating phase" of the cycle over distribution from prior years. Despite this, AM Best reports that it expects US companies to release $4.6bn from reserves in 2017. The last period when US companies were boosting reserves declaring prior years' losses was 2000 to 2005. Commercial lines which include other liability are where reserve weakness is evident with Aon's annual Industry Reserve Study estimating that commercial lines had an overall reserve deficiency of $4.2bn at year end 2016 compared with its estimate of a $1.8bn reserve deficiency at year end 2015. Reserving concerns on US liability business is likely to be the reason for liability rate increases being higher than expected so far in 2018.

The rating environment

The final quarter of 2017 and the first quarter of 2018 has marked a change in trend with market conditions in most classes of business moving from a prolonged period of rate reductions to modestly positive rate increases combined with growing exposures benefiting in particular from a solid US economy. Across all classes of business, based on Hampden's rate index, risk-adjusted rate changes were up by 5% in January/February 2018.

At 1 January 2018, following five years of rate reductions for US reinsurance business, rates increased by 13% using Guy Carpenter's rate index and are now the same level as in 2014 and 2002. The rate index shows that rates are now down by 23% compared with rating levels in 2012 (the reduction was 31% a year ago in January 2017). While major losses in 2017 were concentrated on US business reinsurance, rating is also up for international business with the average rate online globally increasing by 6.1%, again using Guy Carpenter's rate index.

> "Rate increase of 5% in Jan/Feb 2018.

Despite reinsurance rate increases the level of reinsurance pricing continues to be at a level which enables cost-effective risk transfer for insurers to reinsurers; the change in trend in insurance rates is potentially more significant given that insurance business comprises 72.3% of Helios' portfolio for 2018 compared with only 27.7% of reinsurance business.

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 2017, 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 4.1% for the first three quarters of 2017, up from 2.8% in 2016.

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 2018 continues to provide a good spread of business across managing agents and classes of business. The two largest classes of business remain reinsurance at 27.7% (26.0% in 2017) where the Hampden Rate Index currently shows rate rises of 7.1% and US dollar property insurance at 18.2% (16.9% in 2016) where the Hampden Rate Index shows rate rises of 7.4%.

Capacity auction values

The Helios portfolio for 2018 continues to have an above average auction value for freehold tradable syndicates. The weighted average price of auction tradable syndicates was 37.5p per £ in 2017 (£34.8m of capacity) or 19.8% higher than the 31.3p per £ average for capacity by Third Party Members (unaligned to the managing agents). On the same basis in 2017 the Helios portfolio with £26.3m of auction tradable capacity was valued at 56.7p per £ of capacity or 42.1% higher than the 39.9p per £ average for Third Party Members. The fall in prices at the 2017 auctions was due to increased volumes of capacity traded which increased to £181m (£67m in 2016) as pre-emptions were offered on freehold tradable syndicates totalling £216m. Pre-emptions tend to reduce auction prices as the monetary goodwill is diluted by the increases capacity.

Most of the higher priced and higher graded syndicates have a history of conservative reserving which has boosted Helios' three year account results by an average of 4.8% of capacity for the last four closed years, 2012 to 2015 compared with the Lloyd's market average of 4.0% of capacity. Some syndicates also reserve at higher than the actuarial best estimate which gives rise to a capital credit within the Funds at Lloyd's requirement partially offsetting the auction value.

Hampden Agencies
24 May 2018

Summary financial information

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

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

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

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

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

	Year to 31 December	
	2017 £'000	2016 £'000
Underwriting profit	**183**	2,208
Other income:		
– fees from reinsurers	**426**	557
– corporate reinsurance recoveries	**629**	—
– goodwill on bargain purchase	**65**	—
– investment income	**158**	347
Total other income	**1,278**	904
Costs:		
– pre-acquisition	**38**	(63)
– stop loss costs	**(259)**	(248)
– operating costs	**(1,646)**	(1,467)
Total costs	**(1,867)**	(1,778)
Operating profit before impairment	**(406)**	1,334
Impairment charge	**(899)**	(555)
Tax	**611**	(66)
Profit for the year	**(694)**	713

Year to 31 December 2017

Underwriting year	**Helios retained capacity at 31 December 2017 £m**	**Portfolio midpoint forecasts**	**Total profit currently estimated £'000**	**% earned in the 2017 calendar year**	**Helios profits £'000**
2015	**19.7**	**12.9%**	**2,547**	**51%**	**1,294**
2016	**18.3**	**3.5%**	**641**	**116%**	**741**
2017	**12.0**	**N/A**	**—**	**—**	**(1,852)**
					183

Year to 31 December 2016

Underwriting year	Helios retained capacity at 31 December 2016 £m	Portfolio midpoint 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

Strategic report

Summary balance sheet

See Note 27 for further information.

	2017 £'000	2016 £'000
Intangible assets	**12,175**	10,732
Funds at Lloyd's	**10,489**	4,083
Other cash	**1,078**	7,229
Other assets	**6,669**	3,480
Total assets	**30,411**	25,524
Deferred tax	**2,963**	3,581
Borrowings	**1,094**	—
Other liabilities	**4,390**	4,618
Total liabilities	**8,447**	8,199
Total syndicate equity	**(954)**	5,194
Total equity	**21,010**	22,519

Cash flow

Helios has generated £1.3m of cash in 2018 from the distribution of the profits from the 2015 underwriting year.

Analysis of free working capital	Year to 31 December 2017 £'000	Year to 31 December 2016 £'000
Opening balance (free cash)	**7,229**	2,973
Income		
Cash acquired on acquisition	**420**	413
Distribution of profits (net of tax retentions)	**4,064**	3,378
Transfers from Funds at Lloyd's	**2,211**	3,775
Other income	**300**	271
Proceeds from the issue of shares	**—**	5,722
Transfers from PTF accounts (early release)	**1,081**	—
Expenditure		
Operating costs	**(1,281)**	(815)
Reinsurance cost	**(262)**	(237)
Payments to QS reinsurers	**(550)**	(741)
Acquisition of LLVs	**(4,858)**	(5,592)
Transfers to Funds at Lloyd's	**(5,818)**	(1,524)
Tax	**(655)**	(95)
Dividends paid	**(803)**	(299)
Closing balance	**1,078**	7,229

Adjusted NAV	Year to 31 December 2017 £'000	Year to 31 December 2016 £'000
Net tangible assets	**8,835**	11,787
Group letters of credit	**1,532**	1,922
Value of capacity (WAV)	**13,046**	14,918
	23,413	28,627
Shares in issue – basic & diluted	**14,604**	14,604
Adjusted net asset value per share £	**1.60**	1.96

Board of Directors

Experienced leadership

Nigel John Hanbury, 61

(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, 60

(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, 70

(Non-executive Chairman)

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

A N

Andrew Hildred Christie, 62

(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.

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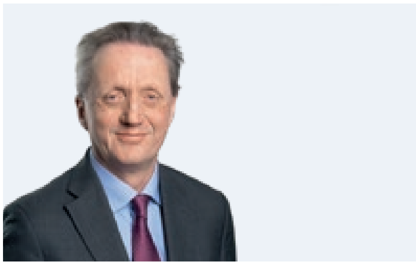

Arthur Roger Manners, 58

(Finance Director)

Arthur Manners has over 25 years' experience in the insurance industry and has, since June 2015, been working for 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 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.

Edward Fitzalan-Howard, Duke of Norfolk, 61

(Non-executive Director)

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

Committee membership

A Audit Committee

N Nomination and Remuneration Committee

Chairman of Committee

Corporate governance

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

The Company's shares are traded on AIM of the London Stock Exchange. Whilst the Company is not required to report on compliance with the UK Corporate Governance Code (the "Code"), the Board of Directors acknowledges the importance of the principles of the Code and of the Quoted Companies Alliance Code which the Board will seek to apply 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. The Board also holds dedicated strategy meetings.

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 Andrew Christie, who chairs the Committee, and Michael Cunningham, both of whom are independent Non-executive Directors.

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

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
Michael Cunningham	6	6	2	2	4	4
Nigel Hanbury	5	5	—	—	—	—
Sir Michael Oliver (resigned 29 June 2017)	2	2	—	—	—	—
Jeremy Evans	6	6	—	—	—	—
Andrew Christie	6	6	2	2	4	4
Arthur Manners	5	5	—	—	—	—
Edward Fitzalan-Howard (appointed 1 January 2018)	—	—	—	—	—	—
Average attendance		100%		100%		100%

Sir Michael Oliver resigned as a Director and Chairman on 29 June 2017 and The Duke of Norfolk was appointed as a Director on 1 January 2018, which affected the number of meetings it was possible for them to attend.

In addition, as one of the Board meetings concerned approval of short-term incentive arrangements for Nigel Hanbury and Arthur Manners, a matter in which they were interested, they were not required to attend.

Subsidiary Board and Committees

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

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

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.

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

HIPCC Limited provide a number of reinsurance services to the Group (see Note 2).

Directors' responsibilities statement – Year ended 31 December 2017

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

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

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

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
24 May 2018

Directors' report – Year ended 31 December 2017

The Directors present their report and the audited Group and Parent Company Financial Statements for the year ended 31 December 2017.

General information

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

Principal activity, review of the business and future developments

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

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

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

Results and dividends

The Group result for the year ended 31 December 2017 is shown in the consolidated statement of comprehensive income. The Group loss for the year after taxation was £694,000 (2016 profit: £713,000).

A dividend of 5.5p per share was paid during calendar year 2017 totalling £803,000 (2016: £525,000).

Charitable and political donations

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

Directors and their interests

Under the Articles of Association, any Director appointed as a Director by the Board since the Company's last Annual General Meeting as well as one third of the remaining Directors are required to retire from the Board by rotation at the forthcoming Annual General Meeting and may offer themselves for re-election as Directors. Consequently Edward Fitzalan-Howard, who was appointed as Director on 1 January 2018 and Jeremy Evans, are therefore retiring by rotation and offering themselves for re-election as Directors of the Company at the 2018 Annual General Meeting.

Policy and practice on the payment of creditors

It is the Group's policy to:

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

The number of days' purchases outstanding at 31 December 2017 is nil (2016: nil).

Substantial shareholdings

The substantial shareholders shown below were as at 18 May 2018:

	Number of shares	% holdings
Will Roseff	3,711,542	24.57%
Nigel Hanbury (either personally or has an interest in)	2,736,871	18.12%
Hampden Capital plc	1,214,560	8.04%

Events after the reporting period

In respect of the year ended 31 December 2017 a final dividend of 1.5p per share amounting to a total dividend of £219,000 is to be proposed at the Annual General Meeting on 27 June 2018 (Note 29).

Disclosure of information to auditors

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

Auditor and the Annual Report

PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

A resolution to reappoint PKF Littlejohn LLP as auditor 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 24 May 2018.

Nigel Hanbury
Chief Executive
24 May 2018

Opinion

We have audited the Financial Statements of Helios Underwriting plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's and Parent Company's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

Our application of materiality

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

Materiality Measure	Materiality	Clearly trivial threshold	Basis for materiality	Key considerations and benchmarks
Consolidated Financial Statements	£225,000	£11,250	In assessing the materiality, we have assessed a number of benchmarks based on the profit before tax, gross and net assets. We have concluded that a reasonable estimate of materiality should be a blended rate heavily weighted towards 1% of the Group's net assets.	In determining our materiality, for both the consolidated and Parent Company Financial Statements, we have considered those matters which we believe are in the interest of the primary users of the Financial Statements. We have also taken into account that the Parent Company does not trade, and its only income is based on its investments in subsidiaries.
Parent Company	£100,000	£7,500	We have used a similar approach to assess the materiality to apply to the Parent Company. However, in assessing the net and gross assets of the Parent Company, we have deducted the Parent Company investments in subsidiaries. We have concluded that a reasonable estimate of materiality for this purpose is again a blended rate heavily weighted to 1% of the Parent Company net assets after deducting investments in subsidiaries.	

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

Our application of materiality *continued*

We use a different level of materiality ("performance materiality") to determine the extent of our testing for the audit of the Financial Statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regards to the internal control environment. In this respect, performance materiality has been set to 80% of the above materiality levels, to £180,000 for the consolidation level and £80,000 for the Parent Company level.

An overview of the scope of our audit

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

Key audit matters

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

Key audit matter	How the scope of our audit responded to the key audit matter
Preparation of Financial Statements (Group only)	
The Group's primary statements aggregate the results of its trading subsidiaries, which mainly consist of corporate members of Lloyd's of London (Lloyd's). The result of the subsidiaries' activities is largely derived by Returns prepared by Lloyd's which themselves are based on the syndicate audited financial statements. The Group Financial Statements aggregate the disclosed analysis from those subsidiaries to produce its primary statements and the necessary disclosures.	As Group auditors, we have reviewed the process adopted by management in order to collate and aggregate the data produced by Lloyd's and ensured that the data used by management agrees back to those Returns. The procedures we have adopted have enabled us to conclude whether sufficient appropriate audit evidence has been obtained to enable us to give the opinion expressed in this report.
Valuation of investments in subsidiaries (Parent Company only)	
The Parent Company's Statement of Financial Position includes investments in subsidiaries, which are held at historical cost less impairment. Any impairment is primarily based on the fair value of Lloyd's syndicate capacity, which underpins the value at which these investments are carried forward, and forms a significant element of the Parent Company's assets.	We have reviewed the carrying value of these investments and the fair value of the syndicate capacity, as calculated by management, against the prices achieved for syndicate capacity at the annual Lloyd's auctions of syndicate capacity. Based on the work performed, we consider the assumptions used by management to assess the level of impairment against the carried investments as not unreasonable.

Other information

The other information comprises the information included in the Annual Report, other than the Financial Statements and our Auditor's Report thereon. The Directors are responsible for the other information. Our opinion on the Group and Parent Company Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group and Parent Company Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group and Parent Company Financial Statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

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

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

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

Carmine Papa (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditors
24 May 2018

1 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated statement of comprehensive income – Year ended 31 December 2017

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Gross premium written	6	**34,701**	31,307
Reinsurance premium ceded	6	**(6,717)**	(7,772)
Net premium written	6	**27,984**	23,535
Change in unearned gross premium provision	7	**1,761**	(826)
Change in unearned reinsurance premium provision	7	**(319)**	199
Net change in unearned premium provision	7	**1,442**	(627)
Net earned premium	5,6	**29,426**	22,908
Net investment income	8	**1,010**	885
Other underwriting income		**267**	—
Other income		**(35)**	2,134
Revenue		**30,668**	25,927
Gross claims paid		**(19,204)**	(13,355)
Reinsurers' share of gross claims paid		**4,905**	2,472
Claims paid, net of reinsurance		**(14,299)**	(10,883)
Change in provision for gross claims	7	**(8,761)**	(3,826)
Reinsurers' share of change in provision for gross claims	7	**5,028**	1,904
Net change in provision for claims	7	**(3,733)**	(1,922)
Net insurance claims incurred and loss adjustment expenses	6	**(18,032)**	(12,805)
Expenses incurred in insurance activities		**(11,819)**	(10,819)
Other operating expenses		**(1,288)**	(969)
Operating expenses	9	**(13,107)**	(11,788)
Operating (loss)/profit before goodwill and impairment	6	**(471)**	1,334
Goodwill on bargain purchase	22	**65**	—
Impairment of goodwill	13,22	**—**	—
Impairment of syndicate capacity	13	**(899)**	(555)
(Loss)/profit before tax		**(1,305)**	779
Income tax credit/(charge)	10	**611**	(66)
(Loss)/profit for the year		**(694)**	713
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 (loss)/income for the year		**(694)**	713
(Loss)/profit for the year attributable to owners of the Parent		**(694)**	713
Total comprehensive (loss)/income for the year attributable to owners of the Parent		**(694)**	713
(Loss)/earnings per share attributable to owners of the Parent			
Basic & diluted	11	**(4.75)p**	6.22p

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

The notes are an integral part of these Financial Statements.

Consolidated statement of financial position – At 31 December 2017

	Note	31 December 2017 £'000	31 December 2016 £'000
Assets			
Intangible assets	13	**12,175**	10,732
Financial assets at fair value through profit or loss	15	**48,074**	45,580
Reinsurance assets:			
– reinsurers' share of claims outstanding	7	**14,836**	9,674
– reinsurers' share of unearned premium	7	**2,354**	2,548
Other receivables, including insurance and reinsurance receivables	16	**32,949**	30,243
Deferred acquisition costs	17	**4,420**	4,255
Prepayments and accrued income		**268**	187
Cash and cash equivalents		**2,844**	6,212
Total assets		**117,920**	109,431
Liabilities			
Insurance liabilities:			
– claims outstanding	7	**59,833**	50,087
– unearned premium	7	**15,916**	16,821
Deferred income tax liabilities	18	**2,963**	3,581
Borrowings	19	**1,094**	—
Other payables, including insurance and reinsurance payables	20	**15,558**	14,708
Accruals and deferred income		**1,546**	1,715
Total liabilities		**96,910**	86,912
Equity			
Equity attributable to owners of the Parent:			
Share capital	21	**1,510**	1,460
Share premium	21	**15,387**	15,399
Other reserves - treasury shares		**(50)**	—
Retained earnings		**4,163**	5,660
Total equity		**21,010**	22,519
Total liabilities and equity		**117,920**	109,431

The Financial Statements were approved and authorised for issue by the Board of Directors on 24 May 2018, 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 2017

Company number: 05892671

	Note	31 December 2017 £'000	31 December 2016 £'000
Assets			
Investments in subsidiaries	14	**15,456**	19,503
Financial assets at fair value through profit or loss	15	**1**	2,380
Other receivables	16	**9,446**	4,488
Cash and cash equivalents		**982**	3,845
Total assets		**25,885**	30,216
Liabilities			
Borrowings	19	**1,094**	—
Other payables	20	**182**	328
Total liabilities		**1,276**	328
Equity			
Equity attributable to owners of the Parent:			
Share capital	21	**1,510**	1,460
Share premium	21	**15,387**	15,399
		16,897	16,859
Retained earnings:			
At 1 January		**13,029**	11,015
(Loss)/profit for the year attributable to owners of the Parent		**(4,514)**	2,539
Other changes in retained earnings		**(803)**	(525)
At 31 December		**7,712**	13,029
Total equity		**24,609**	29,888
Total liabilities and equity		**25,885**	30,216

The Financial Statements were approved and authorised for issue by the Board of Directors on 24 May 2018, 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 2017

	Note	Attributable to owners of the Parent				
		Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2016 as originally reported		1,050	9,901	121	5,351	16,423
Effect of reclassification*		—	—	(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)
Joint Share Ownership Plan		—	—	—	—	—
Share issue, net of transaction costs	21	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
At 1 January 2017		1,460	15,399	—	5,660	22,519
Total comprehensive income for the year:						
Loss for the year		—	—	—	(694)	(694)
Other comprehensive income, net of tax		—	—	—	—	—
Total comprehensive income for the year		—	—	—	(694)	(694)
Transactions with owners:						
Dividends paid	12	—	—	—	(803)	(803)
Treasury shares (JSOP)	23	—	—	(50)	—	(50)
Share issue, net of transaction costs	21	50	(12)	—	—	38
Total transactions with owners		50	(12)	(50)	(803)	(815)
At 31 December 2017		**1,510**	**15,387**	**(50)**	**4,163**	**21,010**

* The position as at 1 January 2016 was restated within the audited Financial Statements of the year ended 31 December 2016. This was necessary as the profit for the year 2015, the other comprehensive income for the year 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 consolidated income statement (refer to Note 28).

The notes are an integral part of these Financial Statements.

Parent Company statement of changes in equity – Year ended 31 December 2017

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
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	21	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
At 1 January 2017		1,460	15,399	13,029	29,888
Total comprehensive income for the year:					
Profit for the year		—	—	(4,514)	(4,514)
Other comprehensive income, net of tax		—	—	—	—
Total comprehensive income for the year		—	—	(4,514)	(4,514)
Transactions with owners:					
Dividends paid	12	—	—	(803)	(803)
Share issue, net of transaction costs	21	50	(12)	—	38
Total transactions with owners		—	(12)	(803)	(815)
At 31 December 2017		**1,510**	**15,387**	**7,712**	**24,609**

The notes are an integral part of these Financial Statements.

Consolidated statement of cash flows – Year ended 31 December 2017

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Cash flows from operating activities			
Profit before tax		**(1,305)**	779
Adjustments for:			
– interest received	8	**(126)**	(113)
– investment income	8	**(731)**	(594)
– goodwill on bargain purchase	22	**(65)**	—
– impairment of goodwill	22	**—**	—
– profit on sale of intangible assets		**(4)**	(94)
– impairment of intangible assets	13	**899**	555
Changes in working capital:			
– change in fair value of financial assets held at fair value through profit or loss	8	**426**	(256)
– decrease/(increase) in financial assets at fair value through profit or loss		**2,314**	(6,825)
– decrease/(increase) in other receivables		**2,920**	(3,848)
– (decrease)/increase in other payables		**(1,790)**	3,090
– net (decrease)/increase in technical provisions		**(2,801)**	8,361
Cash generated (used in)/from operations		**(262)**	1,055
Income tax paid		**(630)**	(15)
Net cash (used in)/from operating activities		**(893)**	1,040
Cash flows from investing activities			
Interest received		**126**	113
Investment income		**731**	594
Purchase of intangible assets	13	**(180)**	(6)
Proceeds from disposal of intangible assets		**28**	137
Acquisition of subsidiaries, net of cash acquired		**(3,471)**	(4,723)
Net cash used in investing activities		**(2,766)**	(3,885)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital*		**—**	5,722
Borrowings	19	**1,094**	—
Dividends paid to owners of the Parent	12	**(803)**	(299)
Net cash from financing activities		**291**	5,423
Net (decrease)/increase in cash and cash equivalents		**(3,368)**	2,578
Cash and cash equivalents at beginning of year		**6,212**	3,634
Cash and cash equivalents at end of year		**2,844**	6,212

* Net proceeds from issue of ordinary share capital excludes shares issued via a scrip dividend of £226,000 and accrued expenses incurred of £40,000.

Cash held within the syndicates' accounts is £1,766,000 (2016: £2,163,000) of the total cash and cash equivalents held at the year end of £2,844,000 (2016: £6,212,000). 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 2017

	Note	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Cash flows from operating activities			
Loss before tax		**(4,672)**	2,334
Adjustments for:			
– investment income		**1**	1
– dividends received		**(4,361)**	(3,226)
– impairment of investment in subsidiaries	14	**8,099**	—
Changes in working capital:			
– change in fair value of financial assets held at fair value through profit or loss		**21**	(19)
– decrease/(increase) in financial assets at fair value through profit or loss		**2,347**	(2,339)
– decrease in other receivables		**163**	5
– (decrease)/increase in other payables		**(146)**	215
Net cash from/(used in) operating activities		**1,452**	(3,029)
Cash flows from investing activities			
Investment income		**(1)**	(1)
Dividends received		**4,361**	3,226
Acquisition of subsidiaries	14,22	**(4,052)**	(4,797)
Amounts owed by subsidiaries	24	**(4,914)**	933
Net cash used in investing activities		**(4,606)**	(639)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**—**	5,722
Borrowings	19	**1,094**	—
Dividends paid to owners of the Parent	12	**(803)**	(299)
Net cash from financing activities		**291**	5,423
Net (decrease)/increase in cash and cash equivalents		**(2,863)**	1,755
Cash and cash equivalents at beginning of year		**3,845**	2,090
Cash and cash equivalents at end of year		**982**	3,845

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

The notes are an integral part of these Financial Statements.

1. General information

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

2. Significant accounting policies

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

Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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.

Use of judgements and estimates

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

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

Going concern

The Group and the Company have net assets at the end of the reporting period of £21,010,000 and £24,609,000 respectively.

The Company's subsidiaries participate as underwriting members at Lloyd's on the 2015, 2016 and 2017 years of account, as well as any prior run-off years, and they have continued this participation since the year end on the 2018 year of account. This underwriting is supported by Funds at Lloyd's totalling £12,164,000 (2016: £6,006,000), letters of credit provided through the Group's quota share reinsurance agreements totalling £15,683,000 (2016: £13,641,000) and solvency credits issued by Lloyd's totalling £1,052,000 (2016: £837,000).

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 2017. 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 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).
- Annual Improvements to IFRS 2014–2016 Cycle, issued on 8 December 2016 (effective 1 January 2018).

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 28 May 2014, including amendments to IFRS 15, issued on 11 September 2015 (effective 1 January 2018).
- IFRS 16 "Leases", issued on 13 January 2016 (effective 1 January 2019).
- Clarifications to IFRS 15 "Revenue from Contracts with Customers", issued on 12 April 2014 (effective 1 January 2018).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions, issued on 20 June 2016 (effective 1 January 2018).
- Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts", issued on 12 September 2016 (effective 1 January 2018).
- IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration", issued on 8 December 2016 (effective 1 January 2018).
- Amendments to IAS 40: Transfers of Investment Property, issued on 8 December 2016 (effective 1 January 2018).

2. Significant accounting policies *continued*
International Financial Reporting Standards *continued*
New standards, amendments and interpretations not yet adopted *continued*
(ii) Not adopted by the EU

Standards:

- IFRS 17 "Insurance Contracts", issued on 18 May 2017, (effective date 1 January 2021).
- IFRS 23 "Uncertainty over Income Tax Treatments", issued on 7 June 2017, (effective date 1 January 2019).

Amendments:

- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures, issued on 12 December 2017, (effective date 1 January 2019).
- Annual improvements to IFRS 2015–2017 Cycle, issued on 12 December 2017, (effective date 1 January 2019).
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement, issued on 7 February 2017, (effective date 1 January 2019).
- Amendments to References to the Conceptual Framework in IFRS, issued on 29 March 2017, (effective date 1 January 2020).

Principles of consolidation, business combinations and goodwill
(a) Consolidation and investments in subsidiaries
The Group Financial Statements incorporate the Financial Statements of Helios Underwriting plc, the Parent Company, and its directly and indirectly held subsidiaries being Hampden Corporate Member Limited, Nameco (No. 365) Limited, Nameco (No. 605) Limited, Nameco (No. 321) Limited, Nameco (No. 917) Limited, Nameco (No. 229) Limited, Nameco (No. 518) Limited, Nameco (No. 804) Limited, Halperin Underwriting Limited, Bernul Limited, Dumasco Limited, Nameco (No. 311) Limited, Nameco (No. 402) Limited, Updown Underwriting Limited, Nameco (No. 507) Limited, Nameco (No. 76) Limited, Kempton Underwriting Limited, Devon Underwriting Limited, Nameco (No. 346) Limited, Pooks Limited, Charmac Underwriting Limited, Nottus (No 51) Limited, Chapman Underwriting Limited, RBC CEES Trustee Limited (newly incorporated, see Notes 14 and 23), Helios UTG Partner Limited, Nomina No 035 LLP, Nomina No 342 LLP, Nomina No 380 LLP, Nomina No 372 LLP, Salviscount LLP and Inversanda LLP (Notes 4 and 14).

The Financial Statements for all of the above subsidiaries are prepared for the year ended 31 December 2017 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 loss after tax for the year of the Parent Company was £4,514,000 (2016: profit £2,539,000).

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.

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

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

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

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

2. Significant accounting policies *continued*

Foreign currency translation *continued*

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.

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 2016, 2017 and 2018 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.

2. Significant accounting policies *continued*

Underwriting *continued*

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.

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

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

Financial assets

(a) Classification

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

2. Significant accounting policies *continued*

Financial assets *continued*

(a) Classification *continued*

(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.

Cash and cash equivalents

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

Borrowings

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

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

2. Significant accounting policies *continued*

Borrowings *continued*

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

Borrowing costs

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

Joint Share Ownership Plan ("JSOP")

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

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

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

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

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

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

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

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

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

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

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

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.

2. Significant accounting policies *continued*

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 Notes 4 and 7.

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

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

Purchased syndicate capacity

Estimating value in use

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

Assessing indicators of impairment

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

Recoverability of receivables

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

4. Risk management

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

Risk background

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

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

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

4. Risk management *continued*

Impact of Brexit vote

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

(a) Syndicate risks

(i) Liquidity risk

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

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

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

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

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	7,469	50,087

(ii) Credit risk

Credit ratings to syndicate assets (Note 27) emerging directly from insurance activities which are neither past due nor impaired are as follows:

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

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

Syndicate assets (Note 27) emerging directly from insurance activities, with reference to their due date or impaired, are as follows:

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

4. Risk management *continued*
(a) Syndicate risks *continued*
(ii) Credit risk *continued*

2016	Neither past due nor impaired £'000	Past due but not impaired: 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	5	—	—	—	—	5
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
	78,880	1,187	180	284	7	80,538

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

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

The table below provides details of syndicate assets and liabilities (Note 27) by currency:

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

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	(16,289)	(50,164)	(3,950)	(4,828)	(2,943)	(78,714)
(Deficiency)/surplus of assets	(5,032)	7,418	481	2,048	280	5,195

The impact of a 5% change in exchange rates between GBP and other currencies would be £174,000 on shareholders' funds (2016: £511,000).

The Group currently has reinsurance programmes on the 2015, 2016 and 2017 years of account.

The 2015 year of account has strategic collateralised quota share arrangements 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 HIPCC 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 HIPCC Limited – Cell 6.

In addition, the Nameco (No. 346) Limited 2016 year of account has strategic collateralised quota share arrangements 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 HIPCC Limited – Cell 6.

The 2017 year of account (excluding Nameco (No. 917) Limited) has strategic collateralised quota share arrangements in respect of 50% of its business with XL Re Limited and 20% with Bermudan reinsurer Everest Reinsurance Bermuda Limited (part of global NYSE-quoted insurer Everest Re Group Limited) through HIPCC Limited – Cell 6.

In addition, the Nameco (No. 917) Limited 2017 year of account has strategic collateralised quota share arrangements in respect of 53% of its business with XL Re Limited, 11.45% with Bermudan reinsurer Everest Reinsurance Bermuda Limited (part of global NYSE-quoted insurer Everest Re Group Limited) and 5.55% with Guernsey reinsurer Polygon Insurance Co Limited through HIPCC Limited – Cell 6.

4. Risk management *continued*

(a) Syndicate risks *continued*

(v) Reinsurance risk

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

(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 2017 is £18.2m (2016: £14.8m), being the aggregate of the Group's insurance receivables, prepayments and accrued income, financial assets at fair value, and cash and cash equivalents, excluding any amounts held in the syndicates. The syndicates can distribute their results in sterling, US dollars or a combination of the two. The Group is exposed to movements in the US dollar between the balance sheet date and the distribution of the underwriting profits and losses, which is usually in the May following the closure of a year of account. The Group does not use derivative instruments to manage risk and, as such, no hedge accounting is applied.

As a result of the specific nature and structure of the Group's collateralised quota share reinsurance arrangements through Cell 6, the Group's Funds at Lloyd's calculation benefits from an aggregate £15.7m (2016: £13.6m) letter of credit ("LOC") acceptable to Lloyd's, on behalf of XL Re Limited, Everest Reinsurance Bermuda Limited, Polygon Insurance Co Limited (the reinsurers). The LOC is pledged in aggregate to the relevant syndicates through Lloyd's and thus Helios Underwriting plc is not specifically exposed to counterparty credit risk in this matter. Should the bank's LOC become unacceptable to Lloyd's for any reason, the reinsurer is responsible under the terms of the contract for making alternative arrangements. The contract is annually renewable and the Group has a contingency plan in place in the event of non-renewal under both normal and adverse market conditions.

(ii) Market risk

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

(iii) Regulatory risks

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

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

Operational risks

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

Capital management objectives, policies and approach

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

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

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

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 25 and 26.

At 31 December 2017 the corporate member subsidiaries had an agreed FAL requirement of £28,699,000 (2016: £19,632,000) to support their underwriting on the 2018 year of account (2017 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 2017 the agreed FAL requirements for the Group were 70% (2016: 60%) 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 2017	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	29,426	—	—	29,426
Net investment income	909	101	—	1,010
Other income	(169)	—	401	232
Net insurance claims and loss adjustment expenses	(19,621)	—	1,589	(18,032)
Expenses incurred in insurance activities	(11,543)	—	(276)	(11,819)
Other operating expenses	30	—	(1,318)	(1,288)
Goodwill on bargain purchase	—	—	65	65
Impairment of goodwill	—	—	—	—
Impairment of syndicate capacity (see Note 13)	—	—	(899)	(899)
Profit before tax	**(968)**	**101**	**(438)**	**(1,305)**

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

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

No major customers exceed 10% of revenue.

Net insurance claims and loss adjustment expenses within 2017 other corporate activities totalling £1,589,000 (net earned premium within 2016: £1,394,000 – 2014, 2015 and 2016 year of account) presents the 2015, 2016 and 2017 years of account net Group quota share reinsurance premium recoverable to HIPCC Limited – Cell 6 (Note 24). 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

Year ended 31 December 2017	Underwriting year of account* 2015 and prior £'000	2016 £'000	2017 £'000	Sub-total £'000	Pre-acquisition £'000	Corporate reinsurance £'000	Other corporate £'000	Total £'000
Gross premium written	15	4,688	32,021	36,724	(2,023)	—	—	34,701
Reinsurance ceded	128	(789)	(6,244)	(6,905)	447	—	(259)	(6,717)
Net premium written	143	3,899	25,777	29,819	(1,576)	—	(259)	27,984
Net earned premium	1,974	15,063	14,151	31,188	(1,503)	—	(259)	29,426
Other income	211	313	233	757	(98)	425	158	1,242
Net insurance claims incurred and loss adjustment expenses	1,742	(8,524)	(14,458)	(21,240)	990	1,589	629	(18,032)
Operating expenses	(1,588)	(4,825)	(5,697)	(12,110)	649	—	(1,646)	(13,107)
Operating profit before goodwill and impairment	**2,339**	**2,027**	**(5,771)**	**(1,405)**	**38**	**2,014**	**(1,118)**	**(471)**
Quota share adjustment	(1,044)	(1,287)	3,920	1,589	—	(1,589)	—	—
Operating profit before goodwill and impairment after quota share adjustment	**1,294**	**741**	**(1,852)**	**183**	**38**	**425**	**(1,118)**	**(471)**

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

Year ended 31 December 2016	Underwriting year of account* 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	3,035	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' agent's charges.

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

7. Insurance liabilities and reinsurance balances

Movement in claims outstanding

	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 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
At 1 January 2017	50,087	9,674	40,413
Increase in reserves arising from acquisition of subsidiary undertakings	6,390	1,467	4,923
Movement of reserves	8,761	5,028	3,733
Other movements	(5,405)	(1,333)	(4,072)
At 31 December 2017	**59,833**	**14,836**	**44,997**

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

Movement in unearned premium

	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 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
At 1 January 2017	16,821	2,548	14,273
Increase in reserves arising from acquisition of subsidiary undertakings	2,909	291	2,617
Movement of reserves	(1,761)	(319)	(1,442)
Other movements	(2,053)	(166)	(1,886)
At 31 December 2017	**15,916**	**2,354**	**13,562**

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 2017.

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 £5,983,000 (2016: £5,009,000);
- a 10% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Group's pre-tax profits by £4,500,000 (2016: £4,041,000); and
- a 10% increase/decrease in the run-off year net claims reserves will decrease/increase the Group's pre-tax profits by £9,000 (2016: £12,000).

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

7. Insurance liabilities and reinsurance balances *continued*

Analysis of gross and net claims development

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

Claims development – gross

Underwriting pure year*	After one year £'000	After two years £'000	After three years £'000	After four years £'000	After five years £'000	After six years £'000	After seven years £'000	Profit on RITC received £'000
2011	12,034	18,626	18,579	18,424	18,050	17,792	17,437	1,585
2012	12,371	17,515	17,446	16,927	16,745	16,407		1,967
2013	9,451	16,008	15,729	15,320	14,949			1,298
2014	9,403	16,023	16,517	16,129				2,373
2015	9,512	17,794	18,239					
2016	12,162	22,302						
2017	**19,335**							

Claims development – net

Underwriting pure year*	After one year £'000	After two years £'000	After three years £'000	After four years £'000	After five years £'000	After six years £'000	After seven years £'000	Profit on RITC received £'000
2011	10,206	15,993	15,884	15,478	15,086	17,651	14,677	1,581
2012	10,275	15,196	14,942	14,371	14,128	13,946		1,904
2013	8,147	14,012	13,621	13,154	12,937			1,298
2014	8,012	13,964	14,307	13,908				2,373
2015	8,206	15,305	15,563					
2016	9,750	17,845						
2017	**13,926**							

* Including the new acquisitions during 2017.

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

8. Net investment income

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Investment income	**731**	594
Realised losses on financial assets at fair value through profit or loss	**652**	(19)
Unrealised (losses)/gain on financial assets at fair value through profit or loss	**(426)**	256
Investment management expenses	**(73)**	(59)
Bank interest	**126**	113
Net investment income	**1,010**	885

9. Operating expenses (excluding goodwill and amortisation)

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Expenses incurred in insurance activities:		
Acquisition costs	**8,174**	7,052
Change in deferred acquisition costs	**207**	(49)
Administrative expenses	**3,539**	3,528
Other	**(101)**	288
	11,819	10,819
Other operating expenses:		
Exchange differences	**284**	(16)
Directors' remuneration	**196**	312
Acquisition costs in connection with the new subsidiaries acquired in the year	**64**	100
Professional fees	**402**	443
Administration and other expenses	**240**	10
Auditor's remuneration:		
– audit of the Parent Company and Group Financial Statements	**31**	31
– audit of subsidiary company Financial Statements	**33**	35
– underprovision of prior year audit fee	**16**	34
– audit related assurance services	**22**	20
	1,288	969
Operating expenses	**13,107**	11,788

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 2017 £	Year ended 31 December 2016 £
Sir Michael Oliver	**12,000**	20,000
Jeremy Evans	**15,000**	15,000
Michael Cunningham	**18,000**	15,000
Andrew Christie	**15,000**	15,000
Arthur Manners	**61,000**	118,000
Nigel Hanbury	**75,000**	129,000
Total	**196,000**	312,000

The Chief Executive, Nigel Hanbury, and the Finance Director, Arthur Manners, had a bonus incentive scheme during 2016 in addition to their basic remuneration. The above figures for Nigel Hanbury and Arthur Manners include an accrual for the year of £nil each (2016: £50,000 each for Nigel Hanbury and Arthur Manners) in respect of this scheme. No other Directors derive other benefits, pension contributions or incentives from the Group. During 2017, a Joint Share Ownership Plan was implemented as an incentive scheme for the Chief Executive, Nigel Hanbury, and the Finance Director, Arthur Manners (see Note 23).

10. Income tax charge

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Current tax:		
– current year	510	465
– prior year	43	1
– foreign tax paid	35	30
Total current tax	588	496
Deferred tax:		
– current year	(1,027)	(430)
– prior year	(172)	—
Total deferred tax	(1,199)	(430)
Income tax (credit)/charge	(611)	66

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

Tax for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%).

The differences are explained below:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
(Loss)/profit before tax	(1,305)	779
Tax calculated as profit before tax multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	(251)	156
Tax effects of:		
Prior year adjustments	(129)	1
Rate change and other adjustments	(112)	(166)
Permanent disallowances	(154)	45
Goodwill on bargain purchase not subject to tax	—	—
Foreign taxes	35	30
Other	—	—
Tax (credit)/charge for the year	(611)	66

The results of the Group's participation on the 2015, 2016 and 2017 years of account and the calendar year movement on 2014 and prior run-offs will not be assessed for tax until the years ended 2018, 2019 and 2020 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 £1,205,000 (2016: £1,069,000) taxable losses carried forward, to which £336,000 (2016: £134,000) 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 £869,000 (2016: £935,000) of tax losses to carry forward to which no deferred tax asset has been recognised due to the uncertainty of the future taxable profits, as disclosed in Note 18.

11. Earnings per share

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

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

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

11. Earnings per share *continued*

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

	Year ended 31 December 2017	Year ended 31 December 2016
(Loss)/profit for the year after tax attributable to ordinary equity holders of the Parent	**£(694,000)**	£713,000
Basic and diluted weighted average number of ordinary shares in issue	**14,604,240**	11,463,456
Basic and diluted (loss)/earnings per share	**(4.75)p**	6.22p

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

12. Dividends paid or proposed

A dividend of 5.5p per share was paid during the year totalling £803,000 (2016: £525,000). The dividend was settled in cash (2016: partly in cash and partly with issue of shares, Note 21). Future dividends are detailed in Note 29.

13. Intangible assets

	Goodwill £'000	Syndicate capacity £'000	Total £'000
Cost			
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
At 1 January 2017	493	11,081	11,574
Additions	263	180	443
Disposals	—	(90)	(90)
Impairment	—	—	—
Acquired with subsidiary undertakings	—	1,989	1,989
At 31 December 2017	**756**	**13,160**	**13,916**
Impairment			
At 1 January 2016	—	287	287
Impairment for the year	—	555	555
Disposals	—	—	—
At 31 December 2016	—	842	842
At 1 January 2017	—	842	842
Impairment for the year	—	899	899
Disposals	—	—	—
At 31 December 2017	**—**	**1,741**	**1,741**
Net book value			
At 31 December 2016	493	10,239	10,732
At 31 December 2017	**756**	**11,419**	**12,175**

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

14. Investments in subsidiaries

	31 December 2017 £'000	31 December 2016 £'000
Total	**15,456**	19,503

During the year 2017 an impairment charge of £8,099,000 was recognised on the cost of investments in subsidiaries and included in the Parent income statement.

At 31 December 2017 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	2017 ownership	2016 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%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 346) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Pooks Limited	Direct	**100%**	—	Lloyd's of London corporate vehicle
Charmac Underwriting Limited	Direct	**100%**	—	Lloyd's of London corporate vehicle
RBC CEES Trustee Limited	Direct	**100%**	—	Joint Share Ownership Plan
Nottus (No 51) Limited	Direct	**100%**	—	Lloyd's of London corporate vehicle
Chapman Underwriting 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%**	100%	Lloyd's of London corporate vehicle
Inversanda 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, Salviscount LLP and Inversanda LLP. The cost of acquisition of these LLPs is accounted for in Helios UTG Partner Limited, their immediate Parent Company.

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

For details of all new acquisitions made during the year 2017 refer to Note 22(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.

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

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

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

Group	**Total 2017 £'000**	Level 1 £'000	Level 2 £'000	Level 3 £'000
Shares and other variable yield securities and units in unit trusts	**6,202**	1,802	4,155	245
Debt securities and other fixed income securities	**30,534**	10,485	20,048	—
Participation in investment pools	**639**	86	225	327
Loans and deposits with credit institutions	**151**	11	3	36
Derivatives	**58**	25	34	—
Other investments	**5**	5	—	—
Funds at Lloyd's	**10,485**	10,485	—	—
Total – fair value	**48,074**	23,000	24,465	609

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

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

In addition to funds held by Lloyd's shown above, letters of credit totalling £2,130,000 (2016: £1,922,000) 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 2017 £'000	31 December 2016 £'000
Holdings in collective investment schemes	**1**	2,380
Total – market value	**1**	2,380

Most of these investments were sold during the year 2017.

16. Other receivables

Group	**31 December 2017 £'000**	31 December 2016 £'000
Arising out of direct insurance operations	**7,246**	7,237
Arising out of reinsurance operations	**18,542**	14,643
Other debtors	**7,161**	8,363
Total	**32,949**	30,243

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

Included within the above receivables are amounts totalling £1,842,000 (2016: £1,565,000) which are not expected to be wholly recovered within one year.

16. Other receivables *continued*

Company	31 December 2017 £'000	31 December 2016 £'000
Receivables from subsidiaries (Note 24)	**9,285**	4,272
Other debtors	**161**	205
Prepayments	**—**	11
Total	**9,446**	4,488

All the Company receivables are due within one year.

17. Deferred acquisition costs

	31 December 2017 £'000	31 December 2016 £'000
At 1 January	**4,255**	2,926
Increase arising from acquisition of subsidiary undertakings (Note 22)	**604**	850
Movement in deferred acquisition costs	**(207)**	49
Other movements	**(232)**	430
At 31 December	**4,420**	4,255

18. Deferred tax

Group

Deferred tax is calculated in full on temporary differences using a tax rate of 17% on deferred tax assets and 19% on deferred tax liabilities (2016: 19% for both deferred tax assets and liabilities). The movement on the deferred tax liability account is shown below:

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

Company

The Company had no deferred tax assets or liabilities (2016: £nil), as disclosed in Note 10.

19. Borrowings

Group and Company	31 December 2017 £'000	31 December 2016 £'000
Secured – at amortised cost		
Bank revolving credit facility	**1,094**	—
	1,094	—
Current	**—**	—
Non-current	**1,094**	—
	1,094	—

19. Borrowings *continued*

On 21 April 2016, the Company registered a security charge with Companies House against a prospective Revolving Credit Facility ("RCF"). During the year ended 31 December 2017, the Company agreed an RCF with the National Westminster Bank Plc to the value of £2,000,000, secured against all of the assets of the Group. On 22 November 2017 £1,094,000 was drawn down. The maturity of the RCF is 22 months from the initial date of the drawdown, being 22 September 2019. The RCF incurs interest at the following rates:

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

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

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

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

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

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19. Borrowings *continued*

Company	Liabilities: Other loans and borrowings	Equity: Share capital/ premium	Equity: Retained earnings	Total
Balance at 1 January 2017	—	16,859	13,029	29,888
Changes from financing cash flows				
Proceeds from issue of share capital (Note 21)	—	50	—	—
Proceeds from loans and borrowings	1,094	—	—	1,094
Proceeds from exercise of treasury shares	—	—	—	—
Repayment of borrowings	—	—	—	—
Dividend paid	—	—	(803)	(803)
Total changes from financing cash flows	1,094	50	(803)	291
Effect of changes in foreign exchange rates	—	—	—	—
Changes in fair value				
Other changes:				
Liability related	—	—	—	—
Other expense	—	—	—	—
Interest expense	—	—	—	—
Interest paid	—	—	—	—
Total liability related other changes	—	—	—	—
Total liability related other changes	—	—	—	—
Total equity related other changes*	—	(12)	(4,514)	(4,526)
Balance at 31 December 2017	**1,094**	**16,897**	**7,712**	**25,653**

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

20. Other payables

Group	31 December 2017 £'000	31 December 2016 £'000
Arising out of direct insurance operations	**1,413**	825
Arising out of reinsurance operations	**8,800**	8,397
Corporation tax payable	**465**	420
Other creditors	**4,880**	5,066
	15,558	14,708

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

Company	31 December 2017 £'000	31 December 2016 £'000
Other creditors	**—**	—
Accruals and deferred income	**182**	328
	182	328

All payables above are due within one year.

21. Share capital and share premium

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

(i) Number of shares

	2017	2016
Allotted, called up and fully paid ordinary shares	**14,604,240**	14,604,240
Uncalled and partly paid ordinary shares (Note 23)	**500,000**	—
	15,104,240	14,604,240

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

22. Acquisition of Limited Liability Vehicles

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

Where the comparison of the consideration paid to the fair value of net assets acquired gives rise to a negative goodwill this is recognised in the 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	**2017 Goodwill on bargain purchase £'000**	**2017 Impairment of goodwill £'000**	**Total £'000**	2016 Goodwill on bargain purchase £'000	2016 Impairment of goodwill £'000	Total £'000
Devon Underwriting Limited	**—**	**—**	**—**	—	—	—
Nameco (No. 346) Limited	**—**	**—**	**—**	—	—	—
Salviscount LLP	**—**	**—**	**—**	—	—	—
Pooks Limited	**—**	**—**	**—**	—	—	—
Charmac Underwriting Limited	**—**	**—**	**—**	—	—	—
Nottus (No 51) Limited	**—**	**—**	**—**	—	—	—
Chapman Underwriting Limited	**65**	**—**	**—**	—	—	—
Inversanda LLP	**—**	**—**	**—**	—	—	—
	65	**—**	**—**	—	—	—

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22. Acquisition of Limited Liability Vehicles *continued*

Further details of individual acquisitions are shown below:

(a) 2017 acquisitions

Pooks Limited

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

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

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

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

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

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

22. Acquisition of Limited Liability Vehicles *continued*

(a) 2017 acquisitions *continued*

Charmac Underwriting Limited

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

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

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	37	642	679
Financial assets at fair value through profit or loss	1,692	—	1,692
Reinsurance assets:			
– reinsurers' share of claims outstanding	439	—	439
– reinsurers' share of unearned premium	123	—	119
Other receivables, including insurance and reinsurance receivables	2,085	277	2,362
Deferred acquisition cost	250	—	250
Prepayments and accrued income	9	—	9
Cash and cash equivalents	431	—	431
Insurance liabilities:			
– claims outstanding	(2,120)	—	(2,120)
– unearned premium	(832)	—	(832)
Deferred income tax liabilities	(74)	(175)	(249)
Other payables, including insurance and reinsurance payables	(574)	—	(574)
Accruals and deferred income	(72)	—	(72)
Net assets acquired	**1,394**	**744**	**2,138**
Satisfied by:			
Cash and cash equivalents	2,240	—	2,240
Total consideration	**2,240**	**—**	**2,240**
Goodwill	**846**	**(744)**	**102**

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

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

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

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

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

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

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

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

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

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

22. Acquisition of Limited Liability Vehicles *continued*

(a) 2017 acquisitions *continued*

Chapman Underwriting Limited

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

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

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

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

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

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

22. Acquisition of Limited Liability Vehicles *continued*

(a) 2017 acquisitions *continued*

Inversanda LLP

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

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

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

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

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

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

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

Costs incurred in connection with the three acquisitions totalling £64,000 (2016: £100,000) have been recognised in the consolidated income statement.

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

	2015 year of account	2016 year of account	**2017 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.

22. Acquisition of Limited Liability Vehicles *continued*

(b) 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

	2015 year of account	2016 year of account	**2017 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.

22. Acquisition of Limited Liability Vehicles *continued*

(b) 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

	2015 year of account	2016 year of account	**2017 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.

23. Joint Share Ownership Plan ("JSOP")

No shares have been vested as at 31 December 2017.

Effect of the transactions

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

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

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

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

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

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

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

(c) expected life of the JSOP award;

(d) risk-free rate of capital;

(e) expected dividend yield; and

(f) expected future volatility of a Helios share.

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

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

24. 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 2017 £'000	31 December 2016 £'000
Balances due from/(to) Group companies at the year end:		
Hampden Corporate Member Limited	**136**	(82)
Nameco (No. 365) Limited	**(50)**	(34)
Nameco (No. 605) Limited	**(64)**	(164)
Nameco (No. 321) Limited	**(10)**	(43)
Nameco (No. 917) Limited	**7,647**	3,397
Nameco (No. 229) Limited	**(7)**	28
Nameco (No. 518) Limited	**(9)**	(35)
Nameco (No. 804) Limited	**188**	104
Halperin Underwriting Limited	**(18)**	(16)
Bernul Limited	**10**	28
Dumasco Limited	**(44)**	(37)
Nameco (No. 311) Limited	**(34)**	(29)
Nameco (No. 402) Limited	**(191)**	(181)
Updown Underwriting Limited	**80**	644
Nameco (No. 507) Limited	**4**	(80)
Nameco (No. 76) Limited	**55**	9
Kempton Underwriting Limited	**154**	128
Devon Underwriting Limited	**47**	110
Nameco (No. 346) Limited	**(321)**	(382)
Pooks Limited	**346**	—
Charmac Underwriting Limited	**(513)**	—
Nottus (No 51) Limited	**230**	—
Chapman Underwriting Limited	**358**	—
Nomina No 035 LLP	**—**	—
Nomina No 342 LLP	**—**	—
Nomina No 380 LLP	**—**	—
Nomina No 372 LLP	**—**	—
Salviscount LLP	**—**	—
Inversanda LLP	**—**	—
Helios UTG Partner Limited	**1,241**	907
RBC CEES Trustee Limited	**50**	—
Total (Note 16)	**9,285**	4,272

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 (2016: £146,000).

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24. 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 2017 are set out below:

Company	31 December 2017 £'000	31 December 2016 £'000
Hampden Corporate Member Limited	—	34
Nameco (No. 365) Limited	—	7
Nameco (No. 605) Limited	—	34
Nameco (No. 321) Limited	—	10
Nameco (No. 917) Limited	70	121
Nameco (No. 229) Limited	—	9
Nameco (No. 518) Limited	—	13
Nameco (No. 804) Limited	—	23
Halperin Underwriting Limited	—	10
Bernul Limited	—	—
Dumasco Limited	—	—
Nameco (No. 311) Limited	13	12
Nameco (No. 402) Limited	14	12
Updown Underwriting Limited	—	—
Nameco (No. 507) Limited	24	21
Nameco (No. 76) Limited	13	12
Kempton Underwriting Limited	3	—
Devon Underwriting Limited	8	9
Nameco (No. 346) Limited	49	51
Pooks Limited	1	—
Charmac Underwriting Limited	25	—
Nottus (No 51) Limited	14	—
Chapman Underwriting Limited	15	—
Nomina No 035 LLP	—	10
Nomina No 342 LLP	—	9
Nomina No 380 LLP	19	15
Nomina No 372 LLP	15	11
Salviscount LLP	21	20
Inversanda LLP	9	—
Total	**313**	443

24. Related party transactions *continued*

The Group entered into quota share reinsurance contracts for the 2015, 2016, 2017 and 2018 years of account with HIPCC Limited – Cell 6. The Limited Liability Vehicles' underwriting year of account quota share participations are set out below:

Company or partnership	2015	2016	2017	**2018**
Hampden Corporate Member Limited	70%	—	—	**—**
Nameco (No. 365) Limited	70%	—	—	**—**
Nameco (No. 605) Limited	70%	—	—	**—**
Nameco (No. 321) Limited	70%	—	—	**—**
Nameco (No. 917) Limited	70%	70%	70%	**70%**
Nameco (No. 229) Limited	70%	—	—	**—**
Nameco (No. 518) Limited	70%	—	—	**—**
Nameco (No. 804) Limited	70%	—	—	**—**
Halperin Underwriting Limited	70%	—	—	**—**
Bernul Limited	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%	**70%**
Nameco (No. 346) Limited	—	70%	70%	**70%**
Pooks Limited	—	—	70%	**70%**
Charmac Underwriting Limited	—	—	70%	**70%**
Nottus (No 51) Limited	—	—	70%	**70%**
Chapman Underwriting Limited	—	—	—	**70%**
Helios UTG Partner Limited	—	—	—	**—**
Nomina No 035 LLP	70%	—	—	**—**
Nomina No 342 LLP	70%	—	—	**—**
Nomina No 380 LLP	70%	—	—	**—**
Nomina No 372 LLP	70%	—	—	**—**
Salviscount LLP	—	—	70%	**70%**
Inversanda LLP	—	—	70%	**70%**

Nigel Hanbury, a Director of Helios Underwriting plc and its subsidiary companies, is also a director and majority shareholder in HIPCC Limited. Hampden Capital, a substantial shareholder in Helios Underwriting plc, is also a substantial shareholder in HIPCC Limited – Cell 6. Under the agreement, the Group accrued a net reinsurance premium payable of £2,329,000 (2016: £1,602,000) during the year.

Nigel Hanbury was also the sole shareholder and a Director of Pooks Limited, which was acquired by the Company on 25 January 2017 (see Note 22).

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

Director	**Shareholding at date dividend declared 8 June 2017**	**Dividend received 6 July 2017 £**	Shareholding at date dividend declared 10 June 2016	Dividend received 16 July 2016 £
Sir Michael Oliver (resigned 29 June 2017)	**—**	**—**	19,000	950
Nigel Hanbury (either personally or has an interest in)	**1,663,016**	**91,466**	1,370,872	68,544
Andrew Christie	**12,156**	**669**	5,500	275
Jeremy Evans	**58,670**	**3,227**	52,004	2,600
Arthur Manners	**133,334**	**7,333**	—	—
Edward Fitzalan-Howard (appointed 1 January 2018)	**333,333**	**18,333**	—	—
Michael Cunningham	**37,167**	**2,044**	20,500	1,025

25. Ultimate controlling party

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

26. 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	2015* £	2016* £	2017 £	**2018 £**
33	Hiscox Syndicates Limited	2,871,019	3,064,799	3,580,867	**5,297,171**
218	ERS Syndicate Management Limited	1,428,916	1,546,728	2,035,707	**3,620,710**
308	Tokio Marine Kiln Syndicates Limited	184,528	100,000	100,000	**—**
386	QBE Underwriting Limited	796,734	885,658	672,969	**747,513**
510	Tokio Marine Kiln Syndicates Limited	5,087,827	5,362,274	5,809,920	**6,116,592**
557	Tokio Marine Kiln Syndicates Limited	553,433	575,567	580,415	**600,201**
609	Atrium Underwriters Limited	3,142,475	3,365,822	3,422,705	**3,905,698**
623	Beazley Furlonge Limited	3,460,226	4,167,460	5,013,065	**6,147,506**
727	S A Meacock & Company Limited	1,011,479	1,038,878	1,046,360	**1,070,909**
958	Canopius Managing Agents Limited	268,646	—	—	**—**
1176	Chaucer Syndicates Limited	556,986	661,905	722,837	**949,535**
1200	Argo Managing Agency Limited	293,819	267,554	77,143	**—**
1729	Asta Managing Agency Limited	123,314	65,468	24,334	**—**
1884	Charles Taylor Managing Agency Limited	25,000	—	—	**—**
1910	Asta Managing Agency Limited	—	1,257,270	—	**—**
1991	Covery's Managing Agency Limited	89,245	26,001	—	**—**
2010	Cathedral Underwriting Limited	891,939	971,014	991,475	**1,068,231**
2014	Pembroke Managing Agency Limited	1,600,287	1,632,349	1,027,113	**—**
2121	Argenta Syndicate Management Limited	260,341	—	—	**—**
2525	Asta Managing Agency Limited	173,799	217,715	219,859	**301,196**
2689	Asta Managing Agency Limited	—	—	835,100	**—**
2791	Managing Agency Partners Limited	3,923,678	4,128,424	4,179,131	**4,390,188**
2988	Brit Syndicates Limited	—	—	47,511	**—**
4444	Canopius Managing Agents Limited	—	101,429	—	**548,447**
5820	Amtrust Syndicate Limited Syndicates Limited	331,535	154,479	—	**—**
5886	Asta Managing Agency Limited	—	—	—	**33,211**
6103	Managing Agency Partners Limited	237,410	265,895	299,357	**1,168,071**
6104	Hiscox Syndicates Limited	1,357,666	1,324,201	950,646	**954,481**
6105	Ark Syndicate Management Limited	695,838	—	—	**—**
6107	Beazley Furlonge Limited	453,737	453,737	635,222	**950,004**
6111	Catlin Underwriting Agencies Limited	1,659,850	1,902,876	—	**—**
6117	Argo Managing Agency Limited	948,091	1,885,281	2,649,897	**2,810,000**
7200	Members' agent pooling arrangement	372,157	204,504	163,920	**—**
7201	Members' agent pooling arrangement	1,896,583	1,046,079	866,838	**—**
7202	Members' agent pooling arrangement	674,602	378,539	313,269	**—**
7203	Members' agent pooling arrangement	218,791	101,811	97,098	**—**
7211	Members' agent pooling arrangement	272,262	175,265	192,184	**—**
7215	Members' agent pooling arrangement	150,468	150,917	164,129	**—**
7217	Members' agent pooling arrangement	246,987	260,707	274,428	**332,876**
7227	Members' agent pooling arrangement	42,705	80,070	3,613	**4,817**
Total		36,302,373	37,820,676	36,997,112	**41,017,357**

* Including the new acquisitions in 2017.

27. 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 2017			31 December 2016		
	Group £'000	**Syndicate £'000**	**Total £'000**	Group £'000	Syndicate £'000	Total £'000
Assets						
Intangible assets	**12,175**	**—**	**12,175**	10,732	—	10,732
Financial assets at fair value through profit or loss	**10,489**	**37,585**	**48,074**	7,263	38,317	45,580
Reinsurance assets:						
– reinsurers' share of claims outstanding	**—**	**14,836**	**14,836**	—	9,674	9,674
– reinsurers' share of unearned premium	**—**	**2,354**	**2,354**	—	2,548	2,548
Other receivables, including insurance and reinsurance receivables	**6,669**	**26,280**	**32,949**	3,480	26,763	30,243
Deferred acquisition costs	**—**	**4,420**	**4,420**	—	4,255	4,255
Prepayments and accrued income	**—**	**268**	**268**	—	187	187
Cash and cash equivalents	**1,078**	**1,766**	**2,844**	4,049	2,163	6,212
Total assets	**30,411**	**87,509**	**117,920**	25,524	83,907	109,431
Liabilities						
Insurance liabilities:						
– claims outstanding	**—**	**59,833**	**59,833**	—	50,087	50,087
– unearned premium	**—**	**15,916**	**15,916**	—	16,821	16,821
Deferred income tax liabilities	**2,963**	**—**	**2,963**	3,581	—	3,581
Borrowings	**1,094**	**—**	**1,094**	—	—	—
Other payables, including insurance and reinsurance payables	**3,397**	**12,161**	**15,558**	3,028	11,680	14,708
Accruals and deferred income	**993**	**553**	**1,546**	1,590	125	1,715
Total liabilities	**8,447**	**88,463**	**96,910**	8,199	78,713	86,912
Equity attributable to owners of the Parent						
Share capital	**1,510**	**—**	**1,510**	1,460	—	1,460
Share premium	**15,387**	**—**	**15,387**	15,399	—	15,399
Other reserves	**(50)**	**—**	**(50)**	—	—	—
Retained earnings	**5,117**	**(954)**	**4,163**	466	5,194	5,660
Total equity	**21,964**	**(954)**	**21,010**	17,325	5,194	22,519
Total liabilities and equity	**30,412**	**87,509**	**117,920**	25,524	83,907	109,431

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

Group	**31 December 2017 £'000**	31 December 2016 £'000
Funds at Lloyd's supplied by:		
Quota share reinsurers	**15,683**	13,641
Stop loss reinsurers	**2,129**	1,924
Group owned	**10,485**	4,082
Total Funds at Lloyd's supplied (excluding solvency credits)	**28,297**	19,647
Group funds available:		
Financial assets	**10,489**	7,263
Cash	**1,078**	4,049
Total funds	**11,567**	11,312
Less Group Funds at Lloyd's	**(10,485)**	(4,083)
Free working capital	**1,082**	7,229

28. Effects of a reclassification as at 1 January 2016

The equity position as at 1 January 2016, as shown in the consolidated statement of changes in equity in these Financial Statements, has been restated to 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 for the 2015 comparatives presentation within the consolidated Financial Statements for 2016, were reclassified into the consolidated income statement, within the other consolidated 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 within the consolidated Financial Statements for the year ended 31 December 2016. The effects of the reclassification within the consolidated Financial Statements of the year ended 31 December 2017 resulted in the restatements of the equity position as at 1 January 2016, within the statement of changes in equity as set out below:

(i) Effect on the consolidated statement of changes in equity

	Other reserves £'000	Restated 2015 retained earnings £'000
Equity reserves:		
At 1 January 2016 as originally reported	121	5,351
Effect of reclassification in foreign exchange differences from other comprehensive income into other income in the income statement	(121)	121
At 1 January 2016 as restated	—	5,472

29. Events after the financial reporting period

Future dividends

In respect of the year ended 31 December 2017 a final dividend of 1.5p per fully paid ordinary share (Note 21) amounting to a total dividend of £219,000 is to be proposed at the Annual General Meeting on 27 June 2018. These Financial Statements do not reflect this dividend payable.

Registered officers and advisers

Directors
Harold Michael Clunie Cunningham (Non-executive Chairman)
Nigel John Hanbury (Chief Executive)
Jeremy Richard Holt Evans (Non-executive Director)
Andrew Hildred Christie (Non-executive Director)
Arthur Roger Manners (Finance Director)
Edward Fitzalan-Howard (Non-executive Director) – appointed 1 January 2018

Company secretary
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