

# Helios Underwriting plc

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**Interim Report and Financial Statements  
For the six months ended 30 June 2015**

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Six months ended 30 June 2015

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## Summary of results

### Six months ended 30 June 2015

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Helios Underwriting plc, which provides investors with a limited liability direct investment into the Lloyd's insurance market, announces its unaudited results for the six months ended 30 June 2015.

#### Financial results summary

	<b>6 months ended 30 June 2015 Unaudited £'000</b>	<b>6 months ended 30 June 2014 Unaudited £'000</b>	<b>12 months ended 31 December 2014 Audited £'000</b>
Gross premium written	11,942	10,183	17,062
Net earned premium	7,366	6,426	13,373
Net investment income	215	268	516
Other income	-	-	29
Net insurance claims and loss adjustment expenses	(4,469)	(3,490)	(5,915)
Operating expenses	(3,039)	(2,680)	(6,773)
Goodwill and amortisation	(325)	(328)	(96)
(Loss)/profit before tax	(252)	196	1,134
(Loss)/profit attributable to equity shareholders	(226)	156	1,043
(Loss)/earnings per share	(2.62p)	1.83p	12.23p

## **Chairman's Statement**

Six months ended 30 June 2015

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During the first half of 2015 we continued to implement our strategy of building our portfolio of capacity through the purchase of another four entities in exchange for cash and shares, plus two further entities which were acquired post June 2015 in exchange for shares. This brings our total 2015 acquisitions to six, increasing the portfolio capacity by £6.3m in 2015 to date, an increase of 31%. We will continue to retain the risk on the mature underwriting years on the capacity that we acquire in a financial year. We believe that we can benefit from the improvements in profit expectations by the underlying syndicates.

Our first half year figures have been affected by the increased reinsurance expenditure on Stop Loss policies incurred in the first half, which is consistent with our strategy of trading with lower risk on the most recent open underwriting years. This is intended to limit our exposure in the event of a major loss to less than 10% of shareholder equity. The Group retains full exposure to changes in open years of account on the entities acquired during the year, which should help advance second half year profits.

Our quota share arrangement whereby 70% of the risk on the most recent open years is ceded to reinsurers will continue into 2016 due to current market conditions. This provides the reinsurers with access to Lloyds' capacity and the capital provided gives Helios the flexibility to deploy its resources in building its portfolio.

Having acquired some 19 vehicles since inception the Board has examined the advantages of the consolidation of vehicles, and has decided that Helios would be well served with just one trading vehicle from the start of 2016. This will ease the administrative burden as well as improving our capital ratios.

The Parent Company's adjusted net assets plus Humphrey & Co valuation of the Group's underwriting subsidiaries at the period end is £16.4m, up from £14.7m at December 2014. This equates to £1.83 per share, up from £1.72.

Vehicles have recently sold at premiums to the Humphrey & Co valuations, but there are still a significant number for sale which may lead to more modest prices.

**Sir Michael Oliver**

Non-executive Chairman

September 2015

## Condensed Consolidated Income Statement

Six months ended 30 June 2015

		6 months ended 30 June 2015 Unaudited £'000	6 months ended 30 June 2014 Unaudited £'000	12 months ended 31 December 2014 Audited £'000
	Note			
Gross premium written		11,942	10,183	17,062
Reinsurance premium ceded		(3,125)	(2,008)	(3,418)
Net premiums written		8,817	8,175	13,644
Change in unearned gross premium provision		(2,369)	(2,435)	(243)
Change in unearned reinsurance premium provision		918	686	(28)
		(1,451)	(1,749)	(271)
<b>Net earned premium</b>	2	7,366	6,426	13,373
Net investment income	4	215	268	516
Other income		-	-	29
<b>Revenue</b>		7,581	6,694	<b>13,918</b>
Gross claims paid		(4,843)	(3,291)	(7,435)

Reinsurance share of gross claims paid		790	593	1,375
Claims paid, net of reinsurance		(4,053)	(2,698)	(6,060)
Change in provision for gross claims		403	(464)	464
Reinsurance share of change in provision for gross claims		(819)	(328)	(319)
Net change in provision for claims		(416)	(792)	145
<b>Net insurance claims and loss adjustment expenses</b>	2	(4,469)	(3,490)	(5,915)
Expenses incurred in insurance activities	2	(2,703)	(2,203)	(5,800)
Other operating expenses	2	(336)	(477)	(973)
<b>Operating expenses</b>		<b>(3,039)</b>	<b>(2,680)</b>	<b>(6,773)</b>
<b>Operating profit before goodwill</b>	2	73	524	1,230
Goodwill on bargain purchase	11	196	115	785
Impairment of goodwill	11	(45)	(5)	-
Amortisation of syndicate capacity		(476)	(438)	(881)
<b>(Loss)/profit before tax</b>		<b>(252)</b>	<b>196</b>	<b>1,134</b>
Income tax credit/(charge)	5	26	(40)	(91)
<b>(Loss)/profit attributable to equity shareholders</b>	10	<b>(226)</b>	<b>156</b>	<b>1,043</b>
<b>(Loss)/earnings per share attributable to equity shareholders</b>				
Basic and diluted	6	<b>(2.62p)</b>	<b>1.83p</b>	<b>12.23p</b>

The (loss)/profit and earnings per share set out above are in respect of continuing operations.

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

# Condensed Consolidated Statement of Financial Position

## At 30 June 2015

		30 June 2015	30 June 2014	31 December 2014
		Unaudited	Unaudited	Audited
	Note	£'000	£'000	£'000
<b>Assets</b>				
Intangible assets		4,868	3,828	3,770
Reinsurance share of assets				
- reinsurers' share of claims outstanding	3	4,851	4,221	4,682
- reinsurers' share of unearned premium	3	2,278	1,637	1,014
Other receivables, including insurance receivables		19,040	14,438	16,379
Prepayments and accrued income		3,114	2,307	2,067
Financial assets at fair value	8	25,388	21,909	22,977
Cash and cash equivalents		5,127	3,368	3,605
<b>Total assets</b>		<b>64,666</b>	<b>51,708</b>	<b>54,494</b>
<b>Liabilities</b>				
Insurance liabilities:				
- claims outstanding	3	28,258	23,668	26,179
- unearned premium	3	12,368	9,415	8,005
Deferred income tax liabilities		2,331	1,603	2,137
Other payables, including insurance payables		9,652	5,909	6,213
Accruals and deferred income		1,652	1,515	1,475
<b>Total liabilities</b>		<b>54,261</b>	<b>42,110</b>	<b>44,009</b>
<b>Shareholders' equity</b>				
Share capital	9	896	853	853
Share premium	9	7,556	6,996	6,996
Retained earnings	10	1,953	1,749	2,636
<b>Total shareholders' equity</b>		<b>10,405</b>	<b>9,598</b>	<b>10,485</b>
<b>Total liabilities and shareholders' equity</b>		<b>64,666</b>	<b>51,708</b>	<b>54,494</b>

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

Approved by the Board of Directors on 24 September 2015.

**Nigel Hanbury**  
Chief Executive Director

# Condensed Consolidated Statement of Cash Flows

## Six months ended 30 June 2015

	6 months ended 30 June 2015 Unaudited £'000	6 months ended 30 June 2014 Unaudited £'000	12 months ended 31 December 2014 Audited £'000
<b>Cash flow from operating activities</b>			
Results of operating activities	(252)	196	1,134
Interest received	(2)	(3)	(2)
Investment income	(191)	(240)	(435)
Goodwill on bargain purchase	(196)	(115)	(785)
Impairment of goodwill	45	5	-
Profit on sale of intangible assets	-	-	(36)
Amortisation of intangible assets	476	438	881
Change in fair value of investments	255	41	156
Changes in working capital:			
- Decrease/(increase) in other receivables	1,261	(1,214)	(706)
- Increase in other payables	1,883	978	1,164
- Net (decrease)/increase in technical provisions	(797)	274	(109)
Income tax paid	2	(49)	(33)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>2,484</b>	<b>311</b>	<b>(1,229)</b>
<b>Cash flows from investing activities</b>			
Interest received	2	3	2
Investment income	191	240	435
Purchase of intangible assets	-	-	(439)
Net inflow of financial assets at fair value	1,822	3,749	5,122
Acquisition of subsidiary, net of cash acquired	(2,657)	(1,617)	(3,930)
Proceeds from disposal of intangible assets	-	-	504
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(642)</b>	<b>2,375</b>	<b>1,694</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(320)	(384)	(384)
<b>Net cash outflow from financing activities</b>	<b>(320)</b>	<b>(384)</b>	<b>(384)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,522</b>	<b>2,302</b>	<b>2,539</b>
Cash and cash equivalents at beginning of period	3,605	1,066	1,066
<b>Cash and cash equivalents at end of period</b>	<b>5,127</b>	<b>3,368</b>	<b>3,605</b>

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

## Condensed Statement of Changes in Shareholders' Equity

### Six months ended 30 June 2015

For the six months ended 30 June 2015

	Ordinary share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2015	853	6,996	2,636	10,485
Loss for the period attributable to equity shareholders	-	-	(226)	(226)
Dividends paid	-	-	(457)	(457)
New ordinary shares issued	43	560	-	603
<b>At 30 June 2015</b>	<b>896</b>	<b>7,556</b>	<b>1,953</b>	<b>10,405</b>

For the six months ended 30 June 2014

	Ordinary share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2014	853	6,996	1,977	9,826
Profit for the period attributable to equity shareholders	-	-	156	156
Dividends paid	-	-	(384)	(384)
New ordinary shares issued	-	-	-	-
<b>At 30 June 2014</b>	<b>853</b>	<b>6,996</b>	<b>1,749</b>	<b>9,598</b>

For the twelve months ended 31 December 2014

	Ordinary share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At 1 January 2014	853	6,996	1,977	9,826
Profit for the year attributable to equity shareholders	-	-	1,043	1,043
Dividends paid	-	-	(384)	(384)
New ordinary shares issued	-	-	-	-
<b>At 31 December 2014</b>	<b>853</b>	<b>6,996</b>	<b>2,636</b>	<b>10,485</b>

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

# Notes to the Interim Financial Statements

## Six months ended 30 June 2015

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### 1. Accounting policies

#### Basis of preparation

The Condensed Consolidated Interim Financial Statements have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) and in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting.

The Condensed Consolidated Interim Financial Statements are prepared for the six months ended 30 June 2015.

The Condensed Consolidated Interim Financial Statements incorporate the results of Helios Underwriting plc, Hampden Corporate Member Limited, Nameco (No. 365) Limited, Nameco (No. 605) Limited, Nameco (No. 321) Limited, Nameco (No. 917) Limited, Nameco (No. 229) Limited, Nameco (No. 518) Limited, Nameco (No. 804) Limited, Halperin Limited, Bernul Limited, Dumasco Limited, Nameco (No. 311) Limited, Nameco (No. 402) Limited, Updown Underwriting Limited, Nameco (No. 507) Limited, Nomina No 035 LLP, Nomina No 342 LLP, Nomina No 380 LLP, Nomina No 372 LLP and Helios UTG Partner Limited.

The Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2015 and 2014 are unaudited, but have been subject to review by the Group's auditors. The Condensed Consolidated Interim Financial Statements have been prepared in accordance with the accounting policies adopted for the year ended 31 December 2014.

The underwriting data on which these Condensed Consolidated Interim Financial Statements are based upon has been supplied by the managing agents of those syndicates which the Group supports. The data supplied is the 100% figures for each syndicate. The Group has applied its share of the syndicate participations to the gross figures to derive its share of the syndicates transactions, assets and liabilities.

#### Significant accounting policies

The Condensed Consolidated Interim Financial Statements have been prepared under the historical cost convention. The same accounting policies, presentation and methods of computation are followed in these Condensed Consolidated Interim Financial Statements as were applied in the preparation of the Group Financial Statements for the year ended 31 December 2014. The new standards and amendments to standards and interpretations effective after 1 January 2015, as disclosed in the Annual Report for the year ended 31 December 2014, have not had a significant impact on the Condensed Consolidated Interim Financial Statements at 30 June 2015.

## Notes to the Interim Financial Statements (continued)

### Six months ended 30 June 2015

#### 2. Segmental information

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

- Syndicate participation;
- Investment management;
- Other corporate activities.

#### 6 months ended 30 June 2015 Unaudited

	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	8,166	-	(800)	7,366
Net investment income	206	9	-	215
Other income	-	-	-	-
Net insurance claims and loss adjustment expenses	(4,469)	-	-	(4,469)
Expenses incurred in insurance activities	(2,420)	-	(283)	(2,703)
Other operating expenses	-	-	(336)	(336)
Goodwill on bargain purchase	-	-	196	196
Impairment of goodwill	-	-	(45)	(45)
Amortisation of syndicate capacity	-	-	(476)	(476)
<b>Loss before tax</b>	<b>1,483</b>	<b>9</b>	<b>(1,744)</b>	<b>(252)</b>

#### 6 months ended 30 June 2014 Unaudited

	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	6,502	-	(76)	6,426
Net investment income	244	24	-	268
Other income	-	-	-	-
Net insurance claims and loss adjustment expenses	(3,490)	-	-	(3,490)
Expenses incurred in insurance activities	(2,030)	-	(173)	(2,203)
Other operating expenses	-	-	(477)	(477)
Goodwill on bargain purchase	-	-	115	115
Impairment of goodwill	-	-	(5)	(5)
Amortisation of syndicate capacity	-	-	(438)	(438)
<b>Profit before tax</b>	<b>1,226</b>	<b>24</b>	<b>(1,054)</b>	<b>196</b>

#### 12 months ended 31 December 2014 Audited

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

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

No major customers exceed 10% of revenue.

Net earned premium within 2015 other corporate activities totalling £800,000 (2014: £76,000) includes the net Group quota share reinsurance premium payable to Hampden Insurance PCC (Guernsey) Limited – Cell 6 for the 2013, 2014 and 2015 underwriting years of account of £400,000 (2014: £26,000). Also included is the stop loss premium payable to Hampden Insurance PCC (Guernsey) Limited – Cell 7 for the 2015 underwriting year of account of £181,000 (2014: £50,000), the Hampden aggregate stop loss policy premium payable to Hampden Insurance PCC (Guernsey) Limited – Cell 1 for the 2013, 2014 and 2015 underwriting years of account of £212,000 (2014: £nil) and Chaucer Syndicate 1176 premium for the 2015 underwriting year of account of £7,000 (2013: £nil).

Syndicate participation represents the Groups direct share of the underlying syndicate's results for the period.

**Notes to the Interim Financial Statements (continued)**  
**Six months ended 30 June 2015**

**3. Insurance liabilities and reinsurance balances**

**Movement in claims outstanding**

	<b>Gross £'000</b>	<b>Reinsurance £'000</b>	<b>Net £'000</b>
At 1 January 2015	26,179	4,682	21,497
Increase in reserves arising from acquisition of subsidiary undertaking	4,825	(845)	5,670
Movement of reserves	(403)	(819)	416
Other movements	(2,343)	1,833	(4,176)
<b>At 30 June 2015</b>	<b>28,258</b>	<b>4,851</b>	<b>23,407</b>

**Movement in unearned premium**

	<b>Gross £'000</b>	<b>Reinsurance £'000</b>	<b>Net £'000</b>
At 1 January 2015	8,005	1,014	6,991
Increase in reserves arising from acquisition of subsidiary undertaking	2,269	(421)	2,690
Movement of reserves	2,369	918	1,451
Other movements	(275)	767	(1,042)
<b>At 30 June 2015</b>	<b>12,368</b>	<b>2,278</b>	<b>10,090</b>

Included within other movements are the 2012 and prior years' reinsured into the 2013 year of account on which the Group does not participate and currency exchange differences.

**4. Net investment income**

	<b>6 months ended 30 June 2015 Unaudited £'000</b>	<b>6 months ended 30 June 2014 Unaudited £'000</b>	<b>12 months ended 31 December 2014 Audited £'000</b>
Investment income	191	240	435
Realised gains on financial investments at fair value through income statement	193	2	279
Unrealised (losses)/gains on financial investments at fair value through income statement	(171)	23	(156)
Investment management expenses	-	-	(44)
Bank interest	2	3	2
<b>Net investment income</b>	<b>215</b>	<b>268</b>	<b>516</b>

**5. Income tax expense**

	<b>6 months ended 30 June 2015 Unaudited £'000</b>	<b>6 months ended 30 June 2014 Unaudited £'000</b>	<b>12 months ended 31 December 2014 Audited £'000</b>
<b>Income tax credit/(expense)</b>	<b>26</b>	<b>(40)</b>	<b>(91)</b>

The income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 20% (2014: 21.49%). Material disallowed terms have been adjusted for in the income tax calculation.

## Notes to the Interim Financial Statements (continued)

### Six months ended 30 June 2015

#### 6. Earnings per share

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

The Group has no dilutive potential ordinary shares.

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

Reconciliation of the earnings and weighted average number of shares used in the calculation is set out below.

	6 months ended 30 June 2015 Unaudited	6 months ended 30 June 2014 Unaudited	12 months ended 31 December 2014 Audited
(Loss)/profit for the period	(£226,000)	£156,000	£1,043,000
Weighted average number of shares in issue	8,640,938	8,526,948	8,526,948
<b>Basic and diluted earnings per share (p)</b>	<b>(2.62p)</b>	<b>1.83p</b>	<b>12.23p</b>

#### 7. Dividends

During the period a dividend of 5.1p per share (2014: 4.5p per share) was paid totalling £457,000 (see note 10).

#### 8. Financial assets at fair value

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

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

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

As at 30 June 2015, the Group held £20,817,000 (31 December 2014: £19,742,000) Level 1 Financial Assets and £4,571,000 (31 December 2014: £3,235,000) Level 2 Financial Assets. The Group has no Level 3 investments (31 December 2014: £nil).

#### 9. Share capital and share premium

<b>Allotted, called up and fully paid</b>	<b>Ordinary share capital £'000</b>	<b>Share premium £'000</b>	<b>Total £'000</b>
8,526,948 ordinary shares of 10p each and share premium at 30 June 2014	853	6,996	7,849
8,526,948 ordinary shares of 10p each and share premium at 31 December 2014	853	6,996	7,849
<b>8,956,787 ordinary shares of 10p each and share premium at 30 June 2015</b>	<b>896</b>	<b>7,556</b>	<b>8,452</b>

#### 10. Retained earnings

	30 June 2015 Unaudited £'000	30 June 2014 Unaudited £'000	31 December 2014 Audited £'000
At 1 January	2,636	1,977	1,977
(Loss)/profit attributable to equity shareholders	(226)	156	1,043
Dividends paid	(457)	(384)	(384)
<b>At 30 June 2015</b>	<b>1,953</b>	<b>1,749</b>	<b>2,636</b>

## Notes to the Interim Financial Statements (continued)

### Six months ended 30 June 2015

#### 11. Acquisition of limited liability vehicles

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

##### **Nameco (No. 311) Limited**

On 8 January 2015 Helios Underwriting plc acquired 100% of the issued share capital of Nameco (No. 311) Limited for a total consideration of £926,000. Nameco (No. 311) Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

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 £982,000. Negative goodwill of £56,000 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	4	328	332
Reinsurance assets:			
- reinsurers' share of claims outstanding	190	-	190
- reinsurers' share of unearned premium	96	-	96
Other receivables, including insurance receivables	1,014	172	1,186
Prepayments and accrued income	112	-	112
Financial assets at fair value	907	-	907
Cash and cash equivalents	234	-	234
Insurance liabilities:			
- claims outstanding	(1,029)	-	(1,029)
- unearned premium	(506)	-	(506)
Deferred income tax liabilities	(72)	(100)	(172)
Other payables, including insurance payables	(323)	-	(323)
Accruals and deferred income	(45)	-	(45)
<b>Net assets acquired</b>	<b>582</b>	<b>400</b>	<b>982</b>
Satisfied by:			
Cash and cash equivalents	926	-	926
<b>Negative goodwill</b>	<b>344</b>	<b>(400)</b>	<b>(56)</b>

##### **Nameco (No. 402) Limited**

On 20 February 2015 Helios Underwriting plc acquired 100% of the issued share capital of Nameco (No. 402) Limited for a total consideration of £823,000. Nameco (No. 402) Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £778,000. Goodwill of £45,000 arose on acquisition. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	1	346	347
Reinsurance assets:			
- reinsurers' share of claims outstanding	166	-	166
- reinsurers' share of unearned premium	78	-	78
Other receivables, including insurance receivables	752	265	1,017
Prepayments and accrued income	95	-	95
Financial assets at fair value	881	-	881
Cash and cash equivalents	60	-	60
Insurance liabilities:			
- claims outstanding	(973)	-	(973)
- unearned premiums	(437)	-	(437)
Deferred income tax liabilities	(75)	(122)	(197)
Other payables, including insurance payables	(213)	-	(213)
Accruals and deferred income	(46)	-	(46)
<b>Net assets acquired</b>	<b>289</b>	<b>489</b>	<b>778</b>
Satisfied by:			
Cash and cash equivalents	823	-	823
<b>Goodwill</b>	<b>534</b>	<b>(489)</b>	<b>45</b>

## Notes to the Interim Financial Statements (continued)

### Six months ended 30 June 2015

#### 11. Acquisition of limited liability vehicles (continued)

##### **Updown Underwriting Limited**

On 13 March 2015 Helios Underwriting plc acquired 100% of the issued share capital of Updown Underwriting Limited for a total consideration of £1,202,000. Updown Underwriting Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £1,259,000. Negative goodwill of £57,000 arose on acquisition and has been immediately recognised as goodwill on bargain purchase in the income statement. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	-	411	411
Reinsurance assets:			
- reinsurers' share of claims outstanding	186	-	186
- reinsurers' share of unearned premium	76	-	76
Other receivables, including insurance receivables	1,307	-	1,307
Prepayments and accrued income	84	-	84
Financial assets at fair value	1,037	-	1,037
Cash and cash equivalents	149	-	149
Insurance liabilities:			
- claims outstanding	(1,111)	-	(1,111)
- unearned premiums	(414)	-	(414)
Deferred income tax liabilities	(106)	(82)	(188)
Other payables, including insurance payables	(230)	-	(230)
Accruals and deferred income	(48)	-	(48)
<b>Net assets acquired</b>	<b>930</b>	<b>329</b>	<b>1,259</b>
Satisfied by:			
Cash	600	-	600
Shares issued by the company	602	-	602
<b>Negative goodwill</b>	<b>272</b>	<b>(329)</b>	<b>(57)</b>

##### **Nameco (No. 507) Limited**

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

The acquisition has been accounted for using the acquisition method of accounting. After the alignment of accounting policies and other adjustments to the valuation of assets and liabilities to reflect their fair value at acquisition, the fair value of the net assets was £983,000. Negative goodwill of £83,000 arose on acquisition and has been immediately recognised as goodwill on bargain purchase in the income statement. The following table explains the fair value adjustments made to the carrying values of the major categories of assets and liabilities at the date of acquisition:

	Carrying value £'000	Adjustments £'000	Fair value £'000
Intangible assets	26	463	489
Reinsurance assets:			
- reinsurers' share of claims outstanding	303	-	303
- reinsurers' share of unearned premium	171	-	171
Other receivables, including insurance receivables	1,408	161	1,569
Prepayments and accrued income	226	-	226
Financial assets at fair value	1,429	-	1,429
Cash and cash equivalents	150	-	150
Insurance liabilities:			
- claims outstanding	(1,712)	-	(1,712)
- unearned premiums	(912)	-	(912)
Deferred income tax liabilities	(124)	(125)	(249)
Other payables, including insurance payables	(422)	-	(422)
Accruals and deferred income	(59)	-	(59)
<b>Net assets acquired</b>	<b>484</b>	<b>499</b>	<b>983</b>
Satisfied by:			
Cash and cash equivalents	900	-	900
<b>Negative goodwill</b>	<b>416</b>	<b>(499)</b>	<b>(83)</b>

**Notes to the Interim Financial Statements (continued)**  
**Six months ended 30 June 2015**

**12. Related party transactions**

Helios Underwriting plc has provided inter-company loans to its subsidiaries which are repayable on three months' notice provided it does not jeopardise each subsidiary's ability to meet its liabilities as they fall due. All inter-company loans are therefore classed as falling due within one year. The amounts outstanding as at 30 June 2015 are set out below:

<b>Company</b>	<b>30 June 2015 Unaudited £'000</b>	<b>30 June 2014 Unaudited £'000</b>	<b>31 December 2014 Audited £'000</b>
Balances due from/(to) Group companies at the period end:			
Hampden Corporate Member Limited	335	807	562
Nameco (No. 365) Limited	50	65	58
Nameco (No. 605) Limited	(118)	210	199
Nameco (No. 321) Limited	(35)	74	5
Nameco (No. 917) Limited	221	569	217
Nameco (No. 229) Limited	13	42	62
Nameco (No. 518) Limited	(33)	(17)	(5)
Nameco (No. 804) Limited	99	298	405
Halperin Limited	(48)	(184)	15
Bernul Limited	(33)	(263)	195
Dumasco Limited	(24)	-	472
Nameco (No. 311) Limited	(181)	-	-
Nameco (No. 402) Limited	(241)	-	-
Updown Underwriting Limited	(197)	-	-
Nameco (No. 507) Limited	-	-	-
Nomina No 035 LLP	-	-	-
Nomina No 342 LLP	-	-	-
Nomina No 372 LLP	-	-	-
Nomina No 380 LLP	-	-	-
Helios UTG Partner Limited	1,776	2,143	1,772
<b>Total</b>	<b>1,584</b>	<b>3,744</b>	<b>3,957</b>

The Limited Liability Vehicles are 100% subsidiaries of the Company (either directly or indirectly) and have entered into a management agreement with Nomina plc. Jeremy Evans, a Director of Helios Underwriting plc and its subsidiary companies, is also a Director of Nomina plc. Under the agreement, Nomina plc provides management and administration, financial, tax and accounting services to the Group for an annual fee of £108,000 (2014: £66,000).

## Notes to the Interim Financial Statements (continued)

Six months ended 30 June 2015

### 12. Related party transactions (continued)

The Limited Liability Vehicles have entered into a member's agent agreement with Hampden Agencies Limited. Jeremy Evans, a Director of Helios Underwriting plc and its subsidiary companies, is also a Director of Hampden Capital plc which controls Hampden Agencies Limited. Under the agreement the Limited Liability Vehicles will pay Hampden Agencies Limited a fee based on a fixed amount, plus a fee which will vary depending upon the total level of Group underwriting capacity. In addition, some 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 2015 and 2014 are set out below:

Company	30 June	30 June	31 December
	2015	2014	2014
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Hampden Corporate Member Limited	43	38	38
Nameco (No. 365) Limited	11	7	7
Nameco (No. 605) Limited	36	18	18
Nameco (No. 321) Limited	14	7	7
Nameco (No. 917) Limited	7	6	6
Nameco (No. 229) Limited	10	7	7
Nameco (No. 518) Limited	18	10	10
Nameco (No. 804) Limited	32	24	24
Halperin Limited	14	9	9
Bernul Limited	9	10	6
Dumasco Limited	-	-	11
Nameco (No. 311) Limited	17	-	-
Nameco (No. 402) Limited	18	-	-
Updown Underwriting Limited	1	-	-
Nameco (No. 507) Limited	26	-	-
Nomina No 035 LLP	14	9	9
Nomina No 342 LLP	14	9	9
Nomina No 380 LLP	13	14	14
Nomina No 372 LLP	16	12	12
Helios UTG Partner Limited	-	-	-
<b>Total</b>	<b>313</b>	<b>180</b>	<b>187</b>

The Group has entered into a 50% quota share reinsurance contract for the 2013 underwriting year of account and a 70% quota share reinsurance contract for the 2014 and 2015 underwriting years of account with Hampden Insurance PCC (Guernsey) Limited, a company registered in Guernsey.

Nigel Hanbury, a Director of Helios Underwriting plc and its subsidiary companies, is also a Director and majority shareholder in Hampden Insurance PCC (Guernsey) Limited. Hampden Capital Plc, a substantial shareholder in Helios Underwriting plc is also a substantial shareholder in Hampden Insurance PCC (Guernsey) Limited. Under the agreements, the Group accrued a net reinsurance premium payable of £400,000 during the period. A total cumulative amount owed to Hampden Insurance PCC (Guernsey) Limited of £886,000 (31 December 2014: £486,000) has been recognised in the balance sheet.

The underwriting year of account quota share reinsurance contract that each group subsidiary participates in is detailed below:

Company	2013	2014	2015
Hampden Corporate Member Limited	2013	2014	2015
Nameco (No. 365) Limited	2013	2014	2015
Nameco (No. 605) Limited	2013	2014	2015
Nameco (No. 321) Limited	2013	2014	2015
Nameco (No. 917) Limited	2013	2014	2015
Nameco (No. 229) Limited	2013	2014	2015
Nameco (No. 518) Limited	2013	2014	2015
Nameco (No. 804) Limited	-	2014	2015
Halperin Limited	-	2014	2015
Bernul Limited	-	2014	2015
Nomina No 035 LLP	-	2014	2015
Nomina No 342 LLP	-	2014	2015
Nomina No 380 LLP	-	2014	-
Nomina No 372 LLP	-	2014	2015
Dumasco Limited	-	-	-
Nameco (No. 311) Limited	-	-	2015
Nameco (No. 402) Limited	-	-	2015
Updown Underwriting Limited	-	-	2015
Nameco (No. 507) Limited	-	-	-

**Notes to the Interim Financial Statements (continued)**  
**Six months ended 30 June 2015**

**13. 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:

Syndicate or MAPA Number	Managing or Members' Agent	Allocated capacity Year of account		
		2013	2014	2015
33	Hiscox Syndicates Limited	1,017,000	1,801,387	2,006,809
218	Equity Syndicates Management Limited	770,066	1,156,125	1,000,192
308	R.J. Kiln & Co Limited	70,000	84,528	84,528
386	QBE Underwriting Limited	284,386	624,877	622,220
510	RJ Kiln & Co. Limited	2,363,455	3,671,124	4,009,770
557	RJ Kiln & Co. Limited	316,109	453,590	488,331
609	Atrium Underwriters Limited	1,129,982	2,030,088	2,276,231
623	Beazley Furlonge Limited	1,214,571	2,486,682	2,615,026
727	S.A. Meacock & Company Limited	519,378	601,211	628,634
779	ANV Syndicate Management Limited	20,000	-	-
958	Canopus Managing Agency Limited	474,378	583,955	123,765
1176	Chaucer Syndicates Limited	340,939	406,833	440,933
1200	Argo Managing Agency Limited	157,370	158,071	93,819
1729	Asta Managing Agency Limited	-	88,432	52,747
2010	Cathedral Underwriting Limited	442,247	703,022	691,381
2014	Pembroke Managing Agency Limited	-	1,152,199	1,051,182
2121	Argenta Syndicate Management Limited	67,037	96,415	96,415
2525	Asta Managing Agency Limited	-	96,690	114,698
2791	Managing Agency Partners Limited	2,446,787	3,289,868	3,153,582
5820	ANV Syndicate Management Limited	224,170	220,259	160,259
6103	Managing Agency Partners Limited	550,173	499,546	201,189
6104	Hiscox Syndicates Limited	591,224	1,016,224	1,017,998
6105	Ark Syndicate Management Limited	95,296	447,192	465,932
6106	Amlin Underwriting Limited	346,805	-	-
6107	Beazley Furlonge Limited	32,500	372,500	372,500
6110	Pembroke Managing Agency Limited	1,042,507	-	-
6111	Catlin Underwriting Agencies Limited	688,475	1,197,928	1,277,613
6113	Barbican Managing Agency Limited	67,328	67,328	-
6117	Asta Managing Agency Limited	-	1,122,567	745,785
7200	Members' Agents Pooling Arrangement	533,339	229,690	75,199
7201	Members' Agents Pooling Arrangement	2,721,726	1,164,942	384,686
7202	Members' Agents Pooling Arrangement	969,857	417,197	134,665
7203	Members' Agents Pooling Arrangement	206,642	146,016	93,572
7211	Members' Agents Pooling Arrangement	5,545,064	793,462	101,068
7217	Members' Agents Pooling Arrangement	177,460	177,460	199,640
7227	Members' Agents Pooling Arrangement	-	-	31,448
<b>Total</b>		<b>25,426,271</b>	<b>27,357,408</b>	<b>24,811,817</b>

## Notes to the Interim Financial Statements (continued)

### Six months ended 30 June 2015

#### 14. Group owned net assets

The Group balance sheet includes the following assets and liabilities held by the syndicates on which the Group participates. The syndicate assets are subject to trust deeds for the benefit of the relevant syndicates' insurance creditors. The table below shows the split of the Group balance sheet between Group and syndicate assets and liabilities.

	30 June 2015			30 June 2014			31 December 2014		
	Group	Syndicate Unaudited	Total	Group	Syndicate Unaudited	Total	Group	Syndicate Audited	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Assets</b>									
Intangible assets	4,868	-	4,868	3,828	-	3,828	3,770	-	3,770
Deferred income tax assets	-	-	-	-	-	-	-	-	-
Reinsurance share of insurance liabilities									
- Reinsurers' share of claims outstanding	-	4,851	4,851	-	4,221	4,221	-	4,682	4,682
- Reinsurers' share of unearned premium	-	2,278	2,278	-	1,637	1,637	-	1,014	1,014
Other receivables, including insurance receivables	1,245	17,795	19,040	774	13,664	14,438	2,193	14,186	16,379
Prepayments and accrued income	13	3,101	3,114	16	2,291	2,307	14	2,053	2,067
Financial assets at fair value	2,723	22,665	25,388	4,226	17,683	21,909	1,493	21,484	22,977
Cash and cash equivalents	2,752	2,375	5,127	1,055	2,313	3,368	2,546	1,059	3,605
<b>Total assets</b>	<b>11,601</b>	<b>53,065</b>	<b>64,666</b>	<b>9,899</b>	<b>41,809</b>	<b>51,708</b>	<b>10,016</b>	<b>44,478</b>	<b>54,494</b>
<b>Liabilities</b>									
Insurance liabilities									
- Claims outstanding	-	28,258	28,258	-	23,668	23,668	-	26,179	26,179
- Unearned premium	-	12,368	12,368	-	9,415	9,415	-	8,005	8,005
Deferred income tax liabilities	2,331	-	2,331	1,603	-	1,603	2,137	-	2,137
Other payables, including insurance payables	1,069	8,583	9,652	349	5,560	5,909	529	5,684	6,213
Accruals and deferred income	1,204	448	1,652	1,165	350	1,515	1,269	206	1,475
Current income tax liabilities	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>4,604</b>	<b>49,657</b>	<b>54,261</b>	<b>3,117</b>	<b>38,993</b>	<b>42,110</b>	<b>3,935</b>	<b>40,074</b>	<b>44,009</b>
<b>Shareholders' equity</b>									
Share capital	896	-	896	853	-	853	853	-	853
Share premium	7,556	-	7,556	6,996	-	6,996	6,996	-	6,996
Retained earnings	(1,455)	3,408	1,953	(1,066)	2,815	1,749	(1,768)	4,404	2,636
<b>Total shareholders' equity</b>	<b>6,997</b>	<b>3,408</b>	<b>10,405</b>	<b>6,783</b>	<b>2,815</b>	<b>9,598</b>	<b>6,081</b>	<b>4,404</b>	<b>10,485</b>
<b>Total liabilities and shareholders' equity</b>	<b>11,601</b>	<b>53,065</b>	<b>64,666</b>	<b>9,900</b>	<b>41,808</b>	<b>51,708</b>	<b>10,016</b>	<b>44,478</b>	<b>54,494</b>

#### 15. Events after the reporting period

##### Share issue

On 3 July 2015, 84,027 new shares were issued in settlement of the script dividend approved at the 2015 AGM.

##### Nameco (No 76 Limited)

On 27 August 2015 Helios Underwriting plc acquired 100% of the issued share capital of Nameco (No 76) Limited for a total consideration of £1,083,000. The consideration was satisfied by additional issued shares in the Company. No information is available at present to accurately determine the fair value of the net assets acquired. Nameco (No 76) Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

##### Kempton Underwriting Limited

On 27 August 2015 Helios Underwriting plc acquired 100% of the issued share capital of Kempton Underwriting Limited for a total consideration of £1,280,000. The consideration was satisfied by additional issued shares in the Company. No information is available at present to accurately determine the fair value of the net assets acquired. Kempton Underwriting Limited is incorporated in England and Wales and is a corporate member of Lloyd's.

## Directors, Registered Officers and Advisors

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### Directors

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

### Company Secretary

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

### Company Number

05892671

### Registered Office

85 Gracechurch Street  
London  
EC3V 0AA

### Auditors

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

### Solicitors

Jones Day  
21 Tudor Street  
London EC4Y 0DJ

### Bankers

Coutts & Co  
440 Strand  
London WC2R 0QS

### Nominated Adviser

Smith & Williamson Corporate Finance Limited  
25 Moorgate  
London EC2R 6AY

### Lloyd's Members' Agent

Hampden Agencies Limited  
85 Gracechurch Street  
London EC3V 0AA

### Registrars

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

### Broker

Westhouse Securities Limited  
110 Bishopsgate  
London EC2N 4AY

## Independent Review Report

### **Independent Review Report to Helios Underwriting plc for the six months ended 30 June 2015**

#### **Introduction**

We have been engaged by the Company to review the condensed consolidated interim financial information in the half yearly financial report for the six months ended 30 June 2015 which comprises the condensed consolidated income statement, condensed consolidated statement of financial position, condensed consolidated statement of cash flows, condensed consolidated statement of changes in shareholder equity and related notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial information.

#### **Directors' Responsibilities**

The half yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"), as adopted by the European Union and the AIM Rules for Companies. The annual Financial Statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial information included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

#### **Our Responsibility**

Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial information in the half yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information in the half yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules for Companies.

#### **PKF Littlejohn LLP**

Chartered Accountants  
1 Westferry Circus  
Canary Wharf  
London E14 4HD

September 2015