

Helios Underwriting plc

Interim Report and Financial Statements

For the six months ended 30 June 2019

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Six months ended 30 June 2019

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Chairman's statement

Six months ended 30 June 2019

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 2019.

The highlights are as follows:

- The operating profits before goodwill and impairment are £753,000 (30 June 2018 - £153,000)
- The increase in underwriting profits from the syndicate participations reflects the improved underwriting conditions and the investment returns at syndicate level generated from the reduction in bond yields.
- 61% increase in the retained capacity on 2017 and 2018 underwriting years have contributed to the increase in profitability.
- Two acquisitions have been completed in 2019 with capacity of £3.0m. There are now 25 Limited Liability Vehicles (LLV's) for sale (Sept 2018 – 15 for sale). There have been 45 (2018 – 35) LLV's offered for sale so far in 2019 of which 25 (2018 – 15) remain unsold.
- 2019 to date has experienced lower than average loss activity which has benefited the result for the half year.
- The premium rate increases achieved by underwriters over the last 18 months together with greater discipline encouraged by the Franchise Board at Lloyds in underwriting profitable portfolios should improve profitability in the future.
- Basic Earnings per share is 4.51p per share (30 June 2018 – 1.25p)
- The Adjusted Net Asset Value per share is £1.91 per share (31st December 2018 - £1.90p per share)

SUMMARY FINANCIAL INFORMATION

	6 months to 30th June		Year to 31 st December
	2019	2018	2018
	£000's	£000's	£000's
Underwriting profits	1,610	741	783
Other income	469	18	1,879
Costs	(1,326)	(606)	(2,054)
Operating profit for the period before impairment of goodwill and capacity	753	153	608
Profit after tax	648	182	456
Earnings per share	4.51p	1.20p	3.14p
Adjusted Net Asset Value per Share	£1.91	£1.61	£1.90
Proforma Net Asset Value per Share following equity raise	£1.80	-	-

A window of opportunity has been opened which is exciting for Helios. Smaller investors are finding their costs increasing which, when combined with an expectation of lower returns which can partially explain the increased flow of LLV's for sale. There are no accurate statistics as to the age of the 'decision makers' within the community of LLV owners but the directors feel that many are aged and executor sales are a common feature. The complexity inherent in the business of running an LLV, more onerous regulatory requirements, rising costs and falling profits is a powerful incentive to put a vehicle up for sale.

Helios remains one of very few 'consolidators' of LLV's in the Lloyds market and the only one quoted on The London Stock Exchange. To date we have bought 36 such vehicles over a number of years. However, we are now seeing a significantly increased flow of attractive targets. The lack of buyers and increased supply is leading to prices that are more competitive.

Underwriting Profits

The underwriting profits generated from the proportion of the capacity portfolio retained by Helios reflects the results of the underlying syndicates. The profitability of the syndicates have recovered as:

- The loss activity has been muted in the first half of the year
- The premium rate increases that have been achieved are being reflected in the underlying results
- The investment returns at syndicate level have benefitted from the fall in bond yields and a benign equity market in the first six months of the year.
- The increase in costs reflects the foreign exchange losses on the United States Dollars held in the LLV's in the first six months to June 2019 as opposed to the foreign exchange gains in the first six months to June 2018.

Chairman's statement continued

Six months ended 30 June 2019

Increase in Retained Capacity

Over the last 12 months we have taken advantage of this opportunity by acquiring a further 8 LLV's increasing the Capacity Fund to £55m. The additional capacity acquired on the "older" underwriting years has increased the capacity retained by Helios by over 60%. This increase in the retained capacity has made a significant contribution to the underwriting profits recognised on these older years. Although both 2017 and 2018 underwriting years are forecast to be loss making, both these years will contribute to profits in this calendar year.

	Year of account - £m		
	Year 3 £m	Year 2 £m	Year 1 £m
Helios Retained Capacity at 30th June 2019	28.9	18.7	16.1
Helios Retained Capacity at 30th June 2018	17.9	11.6	12.3
Year on Year Increase	11.0	7.1	3.8
% Increase	61%	61%	31%

Capacity acquired

Since the beginning of 2019, two corporate members have been acquired to date, and this has increased the capacity for the 2017 to 2019 years of account as follows:

	Year of account - £m		
	2017	2018	2019
Capacity at 1 January 2019	53.1	55.7	52.6
Acquired during 2019	3.0	3.3	3.1
Capacity at 26 th September 2019	56.1	59.0	55.7
Helios Retained Capacity	30.7	20.7	16.7
Proportion of Capacity retained	55%	35%	30%

Our strategy of building a portfolio of syndicate capacity continues to rely on the flow of LLV's for sale at reasonable prices. We continue to remain selective on the vehicles acquired and several have been sold recently at prices that were unattractive to us.

We continue to reduce our exposure by 70% on the open underwriting year 2018 through quota share reinsurance. The quota share reinsurers fund their share of the capital requirements and pay Helios a fee and a profit commission. Stop loss reinsurance is bought for the remaining 30% to limit the Group's exposure in the event of large underwriting losses. As the size of our capacity fund increases more reinsurance can be ceded which in turn should increase our flow of fees and profit commission. Our costs should not increase at the same pace.

The Pro-forma Adjusted Net Asset Value per share is £1.80 per share (Dec 2018 - £1.90 per share) reflecting the Placing and Open Offer that was completed in July 2019 and the acquisition for shares of Nameco (No. 1113) Limited. Following the raise of £3.3m new Ordinary Shares, it is expected that there will continue to be demand for the top syndicates that make up a significant proportion of the Helios Capacity Fund at the Lloyds Capacity Auctions that take place later this year.

In August 2019, the company commenced a program of buying back its own shares and to date has acquired 124,500 shares at an average price of 112.7p, a 40% discount to Adjusted Net Asset Value. We expect to continue this share buyback program.

The Board currently expects that the syndicate results for the 2017 and 2018 underwriting years will exceed current mid-point forecasts published by the managing agents, which should make a meaningful contribution to the Helios full year result.

The total ordinary shares issued through the capital raise and acquisition, being 3,286,666 shares, were issued at a share price of £1.28 each, raising a total amount of £4,206,932. This will allow Helios to continue to acquire LLV's selectively as well as fund the additional capacity that will be available from syndicate pre-emptions for 2020 underwriting year.

Chairman's statement continued

Six months ended 30 June 2019

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Financial results summary

Six months ended 30 June 2019

	6 months to 30 June 2019	6 months to 30 June 2018	Year to 31 December 2018
Underwriting profits	1,610	741	783
Other Income			
Fees from reinsurers	249	400	575
Corporate reinsurance recoveries	(205)	(179)	366
Goodwill on bargain purchase	285	-	1,184
Investment income	140	(203)	(246)
Total Other Income	469	18	1,879
Costs			
Pre - acquisition	(2)	-	(56)
Stop loss costs	(182)	(30)	(296)
Operating costs	(1,142)	(576)	(1,702)
Total Costs	(1,326)	(606)	(2,054)
Operating profit before impairments of goodwill and capacity	753	153	608
Impairment charge for capacity	-	82	(281)
Tax	(105)	(53)	129
Profit for the period/year	648	182	456

Period to 30th June 2019

Underwriting Year	Helios retained capacity at 30 June 2019 £m	Portfolio mid point forecasts	Total profit/(loss)t currently estimated £'000	Earned profit/(loss) at 31 December 2018	Helios Profits £'000
2017	28.9	(7.4%)	(2,139)	(3,753)	1,048
2018	18.7	(3.6%)	(673)	(2,624)	681
2019	16.1	-	-	-	(119)
					1,610

Period to 30th June 2018

Underwriting Year	Helios retained capacity at 30 June 2017 £m	Portfolio mid point forecasts	Total profit currently estimated £'000	Earned profit/(loss) at 31 December 2017	Helios Profits £'000
2016	17.8	5.40%	952	142	366
2017	12	(7.4)%	(888)	(1,797)	510
2018	12.3	N/A	-	-	(135)
					741

Year to 31 December 2018

Underwriting Year	Helios retained capacity at 31 December 2017 £m	Portfolio mid point forecasts	Total profit currently estimated £'000	Earned profit/(loss) at 31 December 2017	Helios Profits £'000
2016	33.9	8.6%	2,915	(429)	1,580
2017	28.2	(8.2)%	(2,312)	(4,539)	912
2018	18.3	-	-	-	(1,709)
					783

Financial results summary *continued*

Six months ended 30 June 2019

Summary Balance Sheet

The summary Group balance sheet excludes items relating to syndicate participations. See Note 15 for further information.

	6 Months to June 2019 £'000	6 Months to June 2018 £'000	Year to 31 December 2018 £'000
Intangible assets	16,490	12,257	16,051
Funds at Lloyd's	10,850	7,785	8,388
Other cash	2,018	4,480	9,717
Other assets	8,391	4,479	10,156
Total assets	37,749	29,001	44,312
Deferred tax	2,134	2,094	2,569
Borrowings	1,034	-	9,196
Other liabilities	4,865	2,504	3,891
Total liabilities	8,033	4,598	15,656
Syndicate equity	(8,648)	(3,430)	(7,611)
Total equity	21,068	20,973	21,045

Summary Group Cash Flow

The summary group cash flow sheet excludes items relating to syndicate participations. See Note 15 for further information.

	6 months to 30 June 2019 £'000	6 months to 30 June 2018 £'000	Year to 31 December 2018 £'000
Opening Balance (free cash)	9,717	1,078	1,078
Income			
Acquired on acquisition	119	-	1,057
Distribution of profits (net of tax retentions)	1,165	3,177	3,887
Transfers from Funds at Lloyds'	1,512	3,887	14,880
Investment income	43	8	-
Other income	-	-	323
Sale of investments	-	-	65
Borrowings	(8,162)	(1,094)	9,196
Expenditure			
Operating costs (inc Hampden / Nomina fees)	(469)	(447)	(1,778)
Reinsurance Cost	(531)	(122)	-
Payable funds for acquisitions	-	-	(721)
Payments to QS reinsurers	-	(1,279)	(1,918)
Acquisition of LLV's	(428)	-	(10,859)
Transfers to Funds at Lloyds'	(778)	(728)	(3,212)
Tax	(37)	-	(766)
Dividends paid	-	-	(219)
Revolving credit facility repayment	-	-	(1,094)
Share buy backs	(133)	-	(202)
Closing balance	2,019	4,480	9,717

Financial results summary *continued*

Six months ended 30 June 2019

Adjusted NAV

	Proforma June 2019 – after Equity Raise	Equity Raise and Acquisition Adjustments	6 months to 30 June 2019 £'000	6 months to 30 June 2018 £'000	Year to 31 December 2018 £'000
Net tangible assets	6,800	2,222	4,578	8,716	4,994
Group letters of credit	2,845	1,083	1,762	1,711	1,744
Value of capacity (WAV)	22,182	1,105	21,077	13,046	20,638
	31,827	4,410	27,417	23,473	27,376
Share in issue – on the market	17,635	-	14,348	14,604	14,441
Shares in issue – total of on the market and JSOP shares	-	-	14,848	-	14,941
Adjusted net asset value per share £ - on the market	1.80	-	1.91	1.61	1.90
Adjusted net asset value per share £ - on the market and JSOP shares	-	-	1.85	-	1.83

Interim condensed consolidated statement of comprehensive income

Six months ended 30 June 2019

	Note	6 months ended 30 June 2019 Unaudited £'000	6 months ended 30 June 2018 Unaudited £'000	12 months ended 31 December 2018 Audited £'000
Gross premium written	4	29,552	20,647	38,703
Reinsurance premium ceded		(9,380)	(6,043)	(7,675)
Net premium written	4	20,172	14,604	27,984
Change in unearned gross premium provision	5	(4,625)	(3,793)	(360)
Change in unearned reinsurance premium provision	5	2,767	1,946	284
	5	(1,858)	(1,847)	(76)
Net earned premium	3,4	18,314	12,757	30,952
Net investment income	6	1,491	(87)	295
Other underwriting income		252	-	266
Gain on bargain purchase	12	285	-	1,184
Other income		13	344	(184)
Revenue		20,355	13,014	32,513
Gross claims paid		(17,242)	(10,543)	(23,631)
Reinsurers' share of gross claims paid		3,890	2,083	4,859
Claims paid, net of reinsurance		(13,352)	(8,460)	(18,772)
Change in provision for gross claims	5	1,337	4,255	(1,109)
Reinsurers' share of change in provision for gross claims	5	(1,036)	(4,320)	909
Net change in provision for claims	5	301	(65)	(200)
Net insurance claims and loss adjustment expenses	4	(13,051)	(8,525)	(18,972)
Expenses incurred in insurance activities		(5,786)	(3,992)	(11,696)
Other operating expenses		(765)	(344)	(1,237)
Operating expenses		(6,551)	(4,336)	(12,933)
Operating profit before impairments of goodwill and capacity	4	753	153	608
Impairment of goodwill		-	-	-
Impairment of syndicate capacity		-	82	(281)
Profit before tax		753	235	327
Income tax charge	7	(105)	(53)	129
Profit for the period		648	182	456
Other comprehensive income				
Foreign currency translation differences		-	-	-
Income tax relating to the components of other comprehensive income		-	-	-
Other comprehensive income for the period, net of tax		-	-	-
Total other comprehensive income for the period		648	182	456
Profit for the period attributable to owners of the Parent		648	182	456
Total comprehensive income for the period attributable to owners of the Parent		648	182	456
Earnings per share attributable to owners of the Parent				
Basic	8	4.51p	1.25p	3.14p
Diluted	8	4.36p	1.20p	3.03p

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

The notes are an integral part of these Financial Statements.

Interim condensed consolidated statement of financial position

Six months ended 30 June 2019

	Note	6 months ended 30 June 2019 Unaudited £'000	6 months ended 30 June Unaudited £'000	12 months ended 31 December Audited £'000
Assets				
Intangible assets		16,490	12,257	16,051
Financial assets at fair value through profit or loss		56,507	41,711	58,075
Reinsurance assets:				
– reinsurers' share of claims outstanding	5	21,233	14,164	22,698
– reinsurers' share of unearned premium	5	7,163	4,791	4,057
Other receivables, including insurance and reinsurance receivables		50,717	36,179	52,938
Deferred acquisition costs		6,228	4,382	6,782
Prepayments and accrued income		701	642	439
Cash and cash equivalents		6,997	8,039	12,202
Total assets		166,036	122,165	172,242
Liabilities				
Insurance liabilities:				
– claims outstanding	5	80,204	55,685	88,032
– unearned premium	5	30,631	20,773	24,772
Deferred income tax liabilities		2,134	2,094	2,635
Borrowings		1,034	-	9,196
Other payables, including insurance and reinsurance payables		27,468	21,509	25,321
Accruals and deferred income		3,497	1,131	2,241
Total liabilities		144,968	101,192	152,197
Equity				
Equity attributable to owners of the Parent:				
Share capital	11	1,510	1,510	1,510
Share premium	11	15,387	15,387	15,387
Other reserves – treasury shares	11	(50)	(50)	(50)
Retained earnings		4,221	4,126	4,198
Total equity		21,068	20,973	21,045
Total liabilities and equity		166,036	122,165	173,242

The Financial Statements were approved and authorised for issue by the Board of Directors on 26 September 2019, and were signed on its behalf by:

Nigel Hanbury
Chief Executive

The notes are an integral part of these Financial Statements.

Interim condensed consolidated statement of changes in equity

Six months ended 30 June 2019

Consolidated	Note	Attributable to owners of the Parent				Total £'000
		Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	
At 1 January 2019		1,510	15,387	(50)	4,198	21,045
Total comprehensive income for the year:						
Profit for the year		-	-	-	648	648
Other comprehensive income, net of tax		-	-	-	39	39
Total comprehensive income for the year		-	-	-	687	687
Transactions with owners:						
Dividends paid	9	-	-	-	(530)	(530)
Company buy back of shares	11	-	-	-	(134)	(134)
Total transactions with owners		-	-	-	(664)	(664)
At 30 June 2019		1,510	15,387	(50)	4,221	21,068
At 1 January 2018		1,510	15,387	(50)	4,163	21,010
Total comprehensive income for the year:						
Profit for the year		-	-	-	182	182
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income for the year		-	-	-	182	182
Transactions with owners:						
Dividends paid		-	-	-	(219)	(219)
Share issue		-	-	-	-	-
Total transactions with owners		-	-	-	(219)	(219)
At 30 June 2018		1,510	15,387	(50)	4,126	20,973
At 1 January 2018		1,510	15,387	(50)	4,163	21,010
Total comprehensive income for the year:						
Profit for the year		-	-	-	456	456
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income for the year		-	-	-	456	456
Transactions with owners:						
Dividends paid		-	-	-	(219)	(219)
Company buy back of shares	11	-	-	-	(202)	(202)
Share issue	11	-	-	-	-	-
Total transactions with owners		-	-	-	(421)	(421)
At 31 December 2018		1,510	15,387	(50)	4,198	21,045

The notes are an integral part of these Financial Statements.

Interim condensed consolidated statement of cash flows

Six months ended 30 June 2019

	6 months ended 30 June 2019 Unaudited £'000	6 months ended 30 June 2018 Unaudited £'000	12 months ended 31 December 2018 Audited £'000
Cash flows from operating activities			
Profit before tax	753	235	327
Adjustments for:			
- Other comprehensive income, gross of tax	-	-	-
- Interest received	(39)	(6)	(144)
- Investment income	6 (1,416)	(100)	(841)
- Recognition of negative goodwill	(285)		
- Goodwill on bargain purchase	-	-	(1,184)
- Impairment of goodwill	-	-	-
- (Profit)/loss on sale of intangible assets	-	-	(125)
- Impairment of intangible assets	-	(82)	281
- Goodwill on acquisition	-	-	-
Changes in working capital:			
- change in fair value of financial assets held at fair value through profit or loss	17	(46)	490
- (increase)/decrease in financial assets at fair value through profit or loss	2,928	7,248	10,585
- (increase)/decrease in other receivables	5,278	(3,566)	(7,113)
- (increase)/decrease in other payables	1,240	3,775	3,955
- net (increase)/decrease in technical provisions	(5,504)	(1,056)	2,162
Cash generated/(utilised) from operations	2,972	6,402	8,393
Income tax paid	-	-	(962)
Net cash inflow from operating activities	2,972	6,402	7,431
Cash flows from investing activities			
Interest received	39	6	144
Investment income	1,416	100	841
Purchase of intangible assets	-	-	-
Proceeds from disposal of intangible assets	-	-	86
Acquisition of subsidiaries, net of cash acquired	(806)	-	(6,825)
Net cash inflow from investing activities	649	106	(5,754)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	-	-	-
Buy back of ordinary share capital	(134)	-	-
Payment for company buy back of shares	-	-	(202)
Proceeds from borrowings	(8,162)	(1,094)	9,196
Repayment of borrowings	-	-	(1,094)
Dividends paid to owners of the Parent	(530)	(219)	(219)
Net cash outflow from financing activities	(8,826)	(1,313)	7,681
Net increase in cash and cash equivalents	(5,205)	5,195	9,358
Cash and cash equivalents at beginning of period	12,202	2,844	2,844
Cash and cash equivalents at end of period	6,997	8,039	12,202

Cash held within the syndicates' accounts is £4,979,000 (2018: £3,900,000) of the total cash and cash equivalents held at the end of the period £6,997,000 (2018: £8,039,000). 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.

Notes to the financial statements

Six months ended 30 June 2019

1. General information

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

2. Accounting policies

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, as adopted by the European Union.

The Condensed Consolidated Interim Financial Statements are prepared for the six months ended 30 June 2019.

The Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2019 and 2018 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 2018, and the adoption of new and amended standards as set out further below.

The Condensed Consolidated Interim 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, Llewellyn House Underwriting Limited, Advantage DCP Limited, Romsey Underwriting Limited, Nameco (No. 409) Limited, RBC CEES Trustee Limited, Helios UTG Partner Limited, Nomina No 035 LLP, Nomina No 342 LLP, Nomina No 380 LLP, Nomina No 372 LLP, Salviscount LLP, Inversanda LLP, Fyshe Underwriting LLP, Nomina No 505 LLP and Nomina No 321 LLP. (Note 10).

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 as modified by the revaluation of the financial assets at fair value through the profit and loss. 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 2018.

During the year ended 31 December 2018 and the current period, 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 2018 and 1 January 2019 respectively, apart from IFRS 9 "Financial Instruments", for which a temporary exemption has been applied by the Group, as explained further below.

Temporary exemptions from IFRS 9 "Financial Instruments", (effective 1 January 2018)

The effective date of IFRS 9 Financial Instruments is 1 January 2018. An insurer that has not previously adopted any version of IFRS 9, including the requirements for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss and whose activities are predominantly connected with insurance as at its annual reporting date that immediately precedes 1 April 2016 (or a later date as specified in paragraph 20G of IFRS 4), may apply IAS 39 – Financial Instruments: Recognition and Measurement rather than IFRS 17 – Insurance Contracts.

The Group has applied for the temporary exemption from IFRS 9 as its activities are predominately connected with insurance and it has not previously adopted any version of IFRS 9, including the requirements for the presentation of gains and losses on financial liabilities designated at fair value through profit or loss, for annual period beginning before 1 January 2022. Consequently, the Group has a single date of initial application for IFRS 9 in it's entirely, being 1 January 2022.

The new standards and amendments to standards and interpretations effective from 1 January 2019, as disclosed in the Annual Report for the year ended 31 December 2018, have not had an impact on the Groups accounting policies and hence no significant impact on the Condensed Consolidated Interim Financial Statements at 30 June 2019.

Notes to the financial statements *continued*

Six months ended 30 June 2019

Significant accounting policies continued

New Standards effective from 1 January 2019:

Adopted by the EU

- IFRS 16 “Leases”, issued on 13 January 2016 (effective 1 January 2019).
- IFRS 23 “Uncertainty over Income Tax Treatments”, issued on 7 June 2017, (effective date 1 January 2019).
- Amendments to IFRS 9: Prepayment Features with Negative Compensation, issued on 12 October 2017, (effective date 1 January 2019).
- 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).

3. 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.

6 months ended 30 June 2019 Unaudited	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	19,754	-	(1,440)	18,314
Net investment income	1,491	-	-	1,491
Other income	-	-	265	265
Net insurance claims and loss adjustment expenses	(13,051)	-	-	(13,051)
Expenses incurred in insurance activities	(5,472)	-	(314)	(5,786)
Other operating expenses	-	-	(765)	(765)
Goodwill on bargain purchase	-	-	285	285
Impairment of goodwill	-	-	-	-
Impairment of syndicate capacity	-	-	-	-
Profit before tax	2,722	-	(1,969)	753

6 months ended 30 June 2018 Unaudited	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	14,012	-	(1,255)	12,757
Net investment income	(102)	15	-	(87)
Other income	-	-	344	344
Net insurance claims and loss adjustment expenses	(8,525)	-	-	(8,525)
Expenses incurred in insurance activities	(2,851)	-	(1,141)	(3,992)
Other operating expenses	-	-	(344)	(344)
Goodwill on bargain purchase	-	-	-	-
Impairment of goodwill	-	-	-	-
Impairment of syndicate capacity	-	-	82	82
Profit before tax	2,534	15	(2,314)	235

Notes to the financial statements *continued*

Six months ended 30 June 2019

3. Segmental information (continued)

12 months ended 31 December 2018 Audited	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	30,749	-	203	30,952
Net investment income	586	(291)	-	295
Other income	(330)	-	412	82
Net insurance claims and loss adjustment expenses	(18,972)	-	-	(18,972)
Expenses incurred in insurance activities	(11,359)	-	(337)	(11,696)
Other operating expenses	(302)	-	(935)	(1,237)
Gain on bargain purchase	-	-	1,184	1,184
Impairment of goodwill	-	-	-	-
Impairment of syndicate capacity	-	-	(281)	(281)
Profit before tax	372	(291)	246	327

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 2019 other corporate activities totalling £1,440,000 (2018:1,255,000 – 2016, 2017 and 2018 years of account) represents the 2017, 2018 and 2019 years of account net Group quota share reinsurance premium payable to Hampden Insurance Guernsey PCC Limited – Cell 6. This net quota share reinsurance premium payable is included within “reinsurance premium ceded” in the Consolidated Statement of Comprehensive Income of the period.

4. Operating profit before impairments of goodwill and capacity

6 months ended 30 June 2019	Underwriting year of account*				Pre-acquisition £'000	Corporate reinsurance £'000	Other corporate £'000	Total £'000
	2017 and prior £'000	2018 £'000	2019 £'000	Sub-total £'000				
Gross premium written	669	4,017	24,993	29,679	(127)	-	-	29,552
Reinsurance ceded	(132)	(930)	(6,731)	(7,793)	36	(1,440)	(182)	(9,380)
Net premium written	536	3,088	18,262	21,886	(91)	(1,440)	(182)	20,172
Net earned premium	2,103	12,936	4,987	20,026	(90)	(1,440)	(182)	18,314
Other income	934	319	130	1,383	(16)	249	425	2,042
Net insurance claims and loss adjustment expenses	(656)	(7,879)	(4,369)	(12,904)	58	-	(205)	(13,051)
Operating expenses	(717)	(3,605)	(1,133)	(5,455)	46	-	(1,142)	(6,551)
Operating profit before impairments of goodwill and capacity	1,664	1,771	(385)	3,050	(2)	(1,191)	(1,104)	753
Quota share adjustment	(616)	(1,090)	266	(1,440)	-	1,440	-	-
Operating profit before impairments of goodwill and capacity after quota share adjustment	1,048	681	(119)	1,610	(2)	249	(1,104)	753

Notes to the financial statements *continued*

Six months ended 30 June 2019

4. Operating profit before impairments of goodwill and capacity (continued)

6 months ended 30 June 2018	Underwriting year of account*				Pre-acquisition £'000	Corporate reinsurance £'000	Other corporate £'000	Total £'000
	2016 and prior £'000	2017 £'000	2018 £'000	Sub-total £'000				
Gross premium written	337	2,940	17,370	20,647	-	-	-	20,647
Reinsurance ceded	103	(542)	(4,319)	(4,758)	-	(1,255)	(30)	(6,043)
Net premium written	440	2,398	13,051	15,888	-	(1,255)	(30)	14,604
Net earned premium	1,764	8,511	3,767	14,042	-	(1,255)	(30)	12,757
Other income	195	(139)	3	59	-	400	(202)	257
Net insurance claims and loss adjustment expenses	(333)	(4,581)	(3,432)	(8,346)	-	-	(179)	(8,525)
Operating expenses	(608)	(2,362)	(790)	(3,760)	-	-	(576)	(4,336)
Operating profit before impairments of goodwill and capacity	1,017	1,430	(452)	1,995	-	(855)	(987)	153
Quota share adjustment	(651)	(920)	317	(1,254)	-	1,254	-	-
Operating profit before impairments of goodwill and capacity after quota share adjustment	366	510	(135)	741	-	399	(987)	153

12 months ended 31 December 2018	Underwriting year of account*				Pre-acquisition £'000	Corporate reinsurance £'000	Other corporate £'000	Total £'000
	2016 and prior £'000	2017 £'000	2018 £'000	Sub-total £'000				
Gross premium written	1,333	6,253	45,283	52,869	(14,166)	-	-	38,703
Reinsurance ceded	81	(954)	(9,840)	(10,713)	3,131	203	(296)	(7,675)
Net premium written	1,414	5,299	35,443	42,156	(11,035)	203	(296)	31,028
Net earned premium	4,912	19,457	18,903	43,272	(12,227)	203	(296)	30,952
Other income	335	(261)	(120)	(46)	94	575	938	1,561
Net insurance claims and loss adjustment expenses	1,220	(11,035)	(16,204)	(26,019)	6,681	-	366	(18,972)
Operating expenses	(2,949)	(6,076)	(7,602)	(16,627)	5,396	-	(1,702)	(12,933)
Operating profit before impairments of goodwill and capacity	3,518	2,085	(5,023)	580	(56)	778	(694)	608
Quota share adjustment	(1,938)	(1,173)	3,314	203	-	(203)	-	-
Operating profit before impairments of goodwill and capacity after quota share adjustment	1,580	912	(1,709)	783	(56)	575	(694)	608

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

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

Notes to the financial statements *continued*

Six months ended 30 June 2018

5. Insurance liabilities and reinsurance balances

Movement in claims outstanding

	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2019	88,032	22,698	65,334
Increase in reserves arising from acquisition of subsidiary undertakings	1,974	552	1,422
Movement of reserves	(1,337)	(1,036)	(301)
Other movements	(8,465)	(981)	(7,484)
At 30 June 2019	80,204	21,233	58,971

Movement in unearned premium

	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2019	24,772	4,057	20,715
Increase in reserves arising from acquisition of subsidiary undertakings	-	-	-
Movement of reserves	4,625	2,767	1,858
Other movements	1,234	339	895
At 30 June 2019	30,631	7,163	23,468

Included within other movements are the 2015 and prior years' claims reserves reinsured into the 2016 year of account on which the Group does not participate and currency exchange differences.

Movement in claims outstanding

	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2018	59,833	14,836	44,997
Increase in reserves arising from acquisition of subsidiary undertakings	-	-	-
Movement of reserves	(4,255)	(4,320)	65
Other movements	107	3,648	(3,541)
At 30 June 2018	55,685	14,164	41,521

Movement in unearned premium

	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2018	15,916	2,354	13,562
Increase in reserves arising from acquisition of subsidiary undertakings	-	-	-
Movement of reserves	3,793	1,946	1,847
Other movements	1,064	491	573
At 30 June 2018	20,773	4,791	15,982

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

Movement in claims outstanding

	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2018	59,833	14,836	44,997
Increase in reserves arising from acquisition of subsidiary undertakings	25,576	6,969	18,607
Movement of reserves	1,109	909	200
Other movements	1,514	(16)	1,530
At 31 December 2018	88,032	22,698	65,334

Movement in unearned premium

	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2018	15,916	2,354	13,562
Increase in reserves arising from acquisition of subsidiary undertakings	8,042	1,322	6,720
Movement of reserves	360	284	76
Other movements	454	97	357
At 31 December 2018	24,772	4,057	20,715

Included within other movements are the 2015 and prior years' claims reserves reinsured into the 2016 year of account on which the Group does not participate and currency exchange differences.

Notes to the financial statements *continued*

Six months ended 30 June 2019

6. Net investment income

	6 months ended 30 June 2019 Unaudited £'000	6 months ended 30 June 2018 Unaudited £'000	12 months ended 31 December 2018 Audited £'000
Investment income	1,416	100	841
Realised (losses)/gains on financial assets at fair value through profit or loss	17	(38)	(145)
Unrealised (losses)/gains on financial assets at fair value through profit or loss	18	(155)	(490)
Investment management expenses	1	-	(55)
Bank interest	39	6	144
Net investment income	1,491	(87)	295

7. Income tax charge

Analysis of tax charge/(credit) in the period

	6 months ended 30 June 2019 Unaudited £'000	6 months ended 30 June 2018 Unaudited £'000	12 months ended 31 December 2018 Audited £'000
Income tax charge	105	53	(129)

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 19.00% (2018: 19.25%). Material disallowed terms have been adjusted for in the income tax calculation.

8. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders 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 period, 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".

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

	6 months ended 30 June 2019 Unaudited	6 months ended 30 June 2018 Unaudited	12 months ended 31 December 2018 Audited
Profit for the year after tax attributable to ordinary equity holders of the parent	648,000	£182,000	£456,000
Basic - weighted average number of ordinary shares*	14,356,224	14,604,240	14,544,433
Adjustments for calculating the diluted earnings per share: Treasury shares (JSOP scheme)	500,000	500,000	500,000
Diluted - weighted average number of shares*	14,856,224	15,104,240	15,044,433
Basic earnings per share	4.51p	1.25p	3.14p
Diluted earnings per share	4.36p	1.20p	3.03p

* Used as the denominator in calculating the basic earnings per share, and diluted earnings per share, respectively.

9. Dividends paid or proposed

A total dividend of 3p per fully paid ordinary share being 1.5p final dividend and 1.5p special dividend was proposed and agreed at the AGM on 28 June 2019 (2018: 1.5p), amounting to a total of £530,000. The eligible shares for the dividend entitlement were 17,635,128 fully paid ordinary shares as at 18 July 2019 (note 16). The dividend was provided for and recognised in the payables in the Statement of Financial Position as at 30 June 2019. The dividend payment was settled on 31 July 2019.

Notes to the financial statements *continued*

Six months ended 30 June 2019

10. Investments in subsidiaries

	30 June 2019 £'000	30 June 2018 £'000	31 December 2018 £'000
Total	25,905	15,456	24,559

Company or partnership	Direct/indirect interest	30 June 2019 ownership	30 June 2018 ownership	31 December 2018 ownership	Principal activity
Hampden Corporate Member Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Nameco (No. 365) Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Nameco (No. 605) Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Nameco (No. 321) Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Nameco (No. 917) Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Nameco (No. 229) Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Nameco (No. 518) Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Nameco (No. 804) Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Halperin Underwriting Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Bernul Limited	Direct	100%	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%	100%	Lloyd's of London corporate vehicle
Nameco (No. 402) Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Updown Underwriting Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Nameco (No. 507) Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Nameco (No. 76) Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Kempton Underwriting Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Devon Underwriting Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Nameco (No. 346) Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Pooks Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Charmac Underwriting Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
RBC CEES Trustee Limited	Direct	100%	100%	100%	Joint Share Ownership Plan
Nottus (No 51) Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Chapman Underwriting Limited	Direct	100%	100%	100%	Lloyd's of London corporate vehicle
Helios UTG Partner Limited	Direct	100%	100%	100%	Corporate partner
Nomina No 035 LLP	Indirect	100%	100%	100%	Lloyd's of London corporate vehicle
Nomina No 342 LLP	Indirect	100%	100%	100%	Lloyd's of London corporate vehicle
Nomina No 372 LLP	Indirect	100%	100%	100%	Lloyd's of London corporate vehicle
Salviscount LLP	Indirect	100%	100%	100%	Lloyd's of London corporate vehicle
Inversanda LLP	Indirect	100%	100%	100%	Lloyd's of London corporate vehicle
Fyshe Underwriting LLP	Indirect	100%	-	100%	Lloyd's of London corporate vehicle
Nomina No 505 LLP	Indirect	100%	-	100%	Lloyd's of London corporate vehicle
Nomina No 321 LLP	Direct	100%	-	100%	Lloyd's of London corporate vehicle
Llewellyn House Underwriting Limited	Direct	100%	-	100%	Lloyd's of London corporate vehicle
Advantage DCP Limited	Direct	100%	-	100%	Lloyd's of London corporate vehicle
Romsey Underwriting Limited	Direct	100%	-	100%	Lloyd's of London corporate vehicle
Nameco (No. 409) Limited	Direct	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 372 LLP, Salviscount LLP, Inversanda LLP, Fyshe Underwriting LLP, Nomina No 505 LLP and Nomina No 321 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 in year 2017 to satisfy the requirements of the Joint Share Ownership Plan.

On 21 February 2019 the Company sold its 500 Ordinary £1 shares in Dumasco Limited at the nominal value of £500.

For details of all new acquisitions in the 6 months to 30 June 2019, refer to note 12.

For details of all new acquisitions made during the post balance sheet period refer to note 16.

Notes to the financial statements *continued*

Six months ended 30 June 2019

11. 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 2018	15,104,240	1,460	50	15,387	16,897
Ordinary shares of 10p each and share premium at 31 December 2018	15,104,240	1,460	50	15,387	16,897
Ordinary shares of 10p each and share premium at 1 January 2019	15,104,240	1,460	50	15,387	16,897
Ordinary shares of 10p each and share premium at 30 June 2019	15,104,240	1,460	50	15,387	16,897

(i) Number of shares

	30 June 2019	31 December 2018
Allotted, called up and fully paid ordinary shares:		
On the market	14,348,462	14,440,962
Company buy back of ordinary shares held in treasury (iii)	255,778	163,278
	14,604,240	14,604,240
Uncalled and partly paid ordinary share under the JSOP scheme (ii)	500,000	500,000
	15,104,240	15,104,210

In July 2019 the Company issued additional ordinary shares, as disclosed in note 16.

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

(iii) Treasury shares: purchase of own shares:

During the period, the Company bought back some of its own ordinary shares on the market and these are held in treasury, as detailed below:

	Number of shares	Market value consideration price	Nominal value 10p each
Year end 31 December 2018	163,278	202,598	16,328
Movement in the Treasury share buy backs during the 6 months to 30 June 2019	92,500	134,000	9,250
Total as at 30 June 2019	255,778	336,598	25,578

The retained earnings for the 6 months ended 30 June 2019 have been reduced by £134,000, being the consideration paid on the market for these shares, as shown in the consolidated statement of changes in equity.

The Company cannot exercise any rights over these bought back and held in treasury shares, and has no voting rights. No dividend or other distribution of the Company's assets can be paid to the Company in respect of the treasury shares that it holds.

As at 30 June 2019 the 255,778 own shares bought back represent 1.78% of the total allotted, called up and fully paid ordinary shares of the Company of 14,604,240.

Notes to the financial statements *continued*

Six months ended 30 June 2019

12. Acquisition of Limited Liability Vehicles

Nameco (No. 409) Limited

On 6 February 2019, Helios Underwriting plc acquired 100% of the issued share capital of Nameco (No. 409) Limited for a total consideration of £1,346,000. Nameco (No. 409) 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 £1,631,000. Negative goodwill of £285,000 arose on acquisition which has been 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	11	429	440
Financial assets at fair value through profit or loss	1,360	-	1,360
Reinsurance assets:			
– reinsurers' share of claims outstanding	552	-	552
– reinsurers' share of unearned premium	176	-	176
Other receivables, including insurance and reinsurance receivables	1,826	-	1,826
Deferred acquisition cost	139	-	139
Prepayments and accrued income	10	-	10
Cash and cash equivalents	336	-	336
Insurance liabilities:			
– claims outstanding	(1,974)	-	(1,974)
– unearned premium	(648)	-	(648)
Deferred income tax liabilities	(2)	(82)	(84)
Other payables, including insurance and reinsurance payables	(465)	-	(465)
Accruals and deferred income	(37)	-	(37)
Net assets acquired	1,284	347	1,631
Satisfied by:			
Cash and cash equivalents	1,346	-	1,346
Loan paid on acquisition	-	-	-
Total consideration	(1,346)	-	(1,346)
Negative goodwill	62	(347)	(285)
	2017 year of account	2018 year of account	2019 year of account
Capacity acquired	1,194,112	1,230,299	1,069,040

The net earned premium and profit of Nameco (No. 409) Limited for the period since the acquisition date to 30 June 2019 are £349,000 and £7,000 respectively.

Negative goodwill has arisen on the acquisition of Nameco (No. 409) Limited as a result of the purchase consideration being at a discount to the fair value of net assets acquired.

Notes to the financial statements *continued*

Six months ended 30 June 2019

13. 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 30 June 2019 are set out below:

Company	30 June 2019 Unaudited £'000	30 June 2018 Unaudited £'000	31 December 2018 £'000
Balances due from/(to) Group companies at the period end:			
Hampden Corporate Member Limited	66	(103)	265
Nameco (No. 365) Limited	(47)	(61)	(36)
Nameco (No. 605) Limited	(104)	(153)	(16)
Nameco (No. 321) Limited	(21)	(9)	4
Nameco (No. 917) Limited	3,473	6,483	3,812
Nameco (No. 229) Limited	(20)	(10)	3
Nameco (No. 518) Limited	(14)	(40)	20
Nameco (No. 804) Limited	(114)	11	(45)
Halperin Underwriting Limited	(12)	(29)	7
Bernul Limited	40	13	66
Dumasco Limited	38	(43)	38
Nameco (No. 311) Limited	(4)	(37)	20
Nameco (No. 402) Limited	(164)	(194)	(143)
Updown Underwriting Limited	(50)	53	(21)
Nameco (No. 507) Limited	43	32	91
Nameco (No. 76) Limited	(173)	(41)	(141)
Kempton Underwriting Limited	(30)	62	2
Devon Underwriting Limited	104	220	138
Nameco (No 346) Limited	(336)	(93)	(263)
Pooks Limited	197	464	345
Charmac Underwriting Limited	(371)	(378)	(351)
Nottus (No 51) Limited	11	232	35
Chapman /underwriting Limited	403	590	383
Llewellyn House Underwriting Limited	34	-	63
Advantage DCP Limited	(1,019)	-	72
Romsey Underwriting Limited	1,188	-	459
Nameco (No. 409) Limited	(598)	-	-
Nomina No 035 LLP	-	-	-
Nomina No 342 LLP	-	-	-
Nomina No 380 LLP	-	-	-
Nomina No 372 LLP	-	-	-
Salviscount LLP	-	-	-
Inversanda LLP	-	-	-
Fyshe UTG LLP	-	-	-
Nomina No 505 LLP	-	-	-
Nomina No 321 LLP	-	-	-
Helios UTG Partner Limited	777	1,113	811
RBC CEES Trustee Limited	50	50	50
Total	3,347	8,132	5,668

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 £180,000 (2018: £160,000).

Notes to the financial statements *continued*

Six months ended 30 June 2019

13. 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 underwrite 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 2019 are set out below:

Company	30 June 2019 Unaudited £'000	30 June 2018 Unaudited £'000	31 December 2018 £'000
Hampden Corporate Member Limited	-	-	-
Nameco (No. 365) Limited	-	-	-
Nameco (No. 605) Limited	-	-	-
Nameco (No. 321) Limited	-	-	-
Nameco (No. 917) Limited	67	58	57
Nameco (No. 229) Limited	-	-	-
Nameco (No. 518) Limited	-	-	-
Nameco (No. 804) Limited	-	-	-
Halperin Underwriting Limited	-	-	-
Bernul Limited	-	-	-
Dumasco Limited	-	-	-
Nameco (No. 311) Limited	-	10	-
Nameco (No. 402) Limited	-	11	-
Updown Underwriting Limited	-	-	-
Nameco (No. 507) Limited	-	15	-
Nameco (No. 76) Limited	-	2	-
Kempton Underwriting Limited	-	2	7
Devon Underwriting Limited	-	7	44
Nameco (No 346) Limited	23	44	6
Pooks Limited	-	6	22
Charmac Underwriting Limited	2	22	13
Nottus (No 51) Limited	2	13	8
Chapman Underwriting Limited	22	-	54
Llewellyn House Underwriting Limited	-	-	35
Advantage DCP Limited	10	-	-
Romsey Underwriting Limited	35	-	-
Nomina No 035 LLP	-	-	-
Nomina No 342 LLP	-	-	-
Nomina No 380 LLP	-	-	-
Nomina No 372 LLP	-	-	18
Salviscount LLP	4	18	6
Inversanda LLP	-	-	18
Fyshe Underwriting LLP	-	-	8
Nomina No 505 LLP	2	-	14
Nomina No 321 LLP	6	-	8
Nameco (No. 409) Limited	8	-	-
Helios UTG Partner Limited	-	-	-
Total	181	208	313

Notes to the financial statements *continued*

Six months ended 30 June 2019

13. Related party transactions (continued)

The Group entered into quota share reinsurance contracts for the 2017, 2018 and 2019 years of account with protected cell companies of Hampden Insurance PCC (Guernsey) Limited. The Limited Liability Vehicles' underwriting year of account quota share participations are set out below:

Company or partnership	2017	2018	2019
Hampden Corporate Member Limited	-	-	-
Nameco (No. 365) Limited	-	-	-
Nameco (No. 605) Limited	-	-	-
Nameco (No. 321) Limited	-	-	-
Nameco (No. 917) Limited	70%	70%	70%
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	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%	70%
Helios UTG Partner Limited	-	-	-
Nomina No 035 LLP	-	-	-
Nomina No 342 LLP	-	-	-
Nomina No 380 LLP	-	-	-
Nomina No 372 LLP	-	-	-
Salviscount LLP	70%	70%	-
Inversanda LLP	70%	70%	-
Fyshe Underwriting LLP	-	-	-
Nomina No 505 LLP	-	-	-
Llewellyn House Underwriting Limited	-	-	-
Advantage DCP Limited	-	-	70%
Romsey Underwriting Limited	-	-	70%
Nomina No 321 LLP	-	-	70%
Nameco (No. 409) Limited	-	70%	70%

Nigel Hanbury, a Director of Helios Underwriting plc and its subsidiary companies, is also a director and majority shareholder in Hampden Insurance Guernsey PCC Limited. Hampden Capital plc, a substantial shareholder in Helios Underwriting plc, is also a substantial shareholder in Hampden Insurance Guernsey PCC Limited – Cell 6. Under the agreement, the Group accrued a net reinsurance premium recovery of £3,968,000 (2018: £5,176,000) during the period.

In July 2019, Nigel Hanbury, a Director of Helios Underwriting Plc has sold to the Group a corporate vehicle, Nameco (No 1113) Limited, refer to note 16.

14. Ultimate controlling party

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

Notes to the financial statements *continued*

Six months ended 30 June 2019

14. 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 per year of account			
		2016 £	2017 ¹ £	2018 £	2019 £
33	Hiscox Syndicates Limited	4,417,568	5,636,551	7,461,603	6,686,370
218	ERS Syndicate Management Limited	2,073,904	2,738,416	4,306,769	4,368,248
308	Tokio Marine Kiln Syndicates Limited	132,000	132,000	-	-
318	Beaufort Underwriting Agency Limited	866,250	866,250	866,250	836,250
386	QBE Underwriting Limited	1,391,616	1,127,934	1,171,776	1,225,267
510	Tokio Marine Kiln Syndicates Limited	8,221,084	8,891,847	9,198,519	9,352,291
557	Tokio Marine Kiln Syndicates Limited	1,028,547	830,415	650,201	650,201
609	Atrium Underwriters Limited	4,101,838	4,160,681	4,667,260	4,777,862
623	Beazley Furlonge Limited	5,205,716	6,441,574	7,635,491	8,037,706
727	S A Meacock & Company Limited	1,078,662	1,086,144	1,110,693	1,140,748
1176	Chaucer Syndicates Limited	661,905	722,837	949,535	949,535
1200	Argo Managing Agency Limited	267,554	77,143	-	-
1729	Asta Managing Agency Limited	271,586	53,353	233,925	-
1884	Charles Taylor Managing Agency Limited	325,000	17,500	-	-
1910	Asta Managing Agency Limited	1,282,653	-	-	-
1969	Apollo Syndicate Management Limited	528,396	322,343	131,082	-
1991	R&O Managing Agency Limited	455,867	551,641	-	-
2010	Cathedral Underwriting Limited	1,856,032	1,851,493	1,928,249	1,976,199
2014	Pembroke Managing Agency Limited	2,670,843	2,068,606	330,000	-
2121	Argenta Syndicate Management Limited	731,250	920,833	920,833	920,833
2525	Asta Managing Agency Limited	269,052	271,196	367,934	465,078
2689	Asta Managing Agency Limited	-	1,432,508	350,000	-
2791	Managing Agency Partners Limited	4,871,833	4,945,540	5,156,597	5,253,593
2988	Brit Syndicates Limited	-	65,763	200,000	-
4444	Canopus Managing Agents Limited	735,429	678,397	1,093,635	-
5820	ANV Syndicates Limited	1,174,479	-	-	-
5886	Asta Managing Agency Limited	-	108,780	154,147	207,968
6103	Managing Agency Partners Limited	268,518	302,354	1,177,062	1,177,062
6104	Hiscox Syndicates Limited	1,833,266	1,008,862	1,012,697	1,016,516
6107	Beazley Furlonge Limited	602,183	641,390	957,286	1,180,999
6111	Catlin Underwriting Agencies Limited	2,528,243	278,279	249,065	-
6117	Argo Managing Agency Limited	1,923,344	2,924,651	3,081,000	2,905,074
7066	Members' agent pooling arrangement	810,356	890,580	983,154	-
7200	Members' agent pooling arrangement	204,504	163,920	-	-
7201	Members' agent pooling arrangement	1,046,079	866,838	-	-
7202	Members' agent pooling arrangement	378,539	313,269	-	-
7203	Members' agent pooling arrangement	101,811	97,098	-	-
7211	Members' agent pooling arrangement	175,265	192,184	-	-
7215	Members' agent pooling arrangement	150,917	164,129	-	-
7217	Members' agent pooling arrangement	274,095	288,521	348,378	250,000
7227	Members' agent pooling arrangement	81,978	5,521	4,817	-
7231	Members' agent pooling arrangement	-	240,000	240,000	286,665
Total		54,998,162	54,377,341	56,937,958	53,664,465

Notes to the financial statements *continued*

Six months ended 30 June 2019

15. 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:

	30 June 2019			30 June 2018			31 December 2018		
	Group £'000	Syndicate £'000	Total £'000	Group £'000	Syndicate £'000	Total £'000	Group £'000	Syndicate £'000	Total £'000
Assets									
Intangible assets	16,490	-	16,490	12,257	-	12,257	16,051	-	16,051
Financial assets at fair value through profit or loss	10,850	45,657	56,507	8,124	33,587	41,711	8,388	49,687	58,075
Reinsurance assets:									
– reinsurers' share of claims outstanding	61	21,172	21,233	449	13,715	14,164	-	22,698	22,698
– reinsurers' share of unearned premium	-	7,163	7,163	-	4,791	4,791	-	4,057	4,057
Other receivables, including insurance and reinsurance receivables	8,151	42,566	50,717	3,772	32,407	36,179	10,156	42,782	52,938
Deferred acquisition costs	-	6,228	6,228	-	4,382	4,382	-	6,782	6,782
Prepayments and accrued income	179	522	701	260	382	642	-	439	439
Cash and cash equivalents	2,018	4,979	6,997	4,139	3,900	8,039	9,717	2,485	12,202
Total assets	37,749	128,287	166,036	29,001	93,164	122,165	44,312	128,930	173,242
Liabilities									
Insurance liabilities:									
– claims outstanding	-	80,204	80,204	-	55,685	55,685	-	88,032	88,032
– unearned premium	-	30,631	30,631	-	20,773	20,773	-	24,772	24,772
Deferred income tax liabilities	2,134	-	2,134	2,094	-	2,094	2,569	66	2,635
Borrowings	1,034	-	1,034	-	-	-	9,196	-	9,196
Other payables, including insurance and reinsurance payables	1,694	25,774	27,468	1,678	19,831	21,509	2,650	22,674	25,321
Accruals and deferred income	3,171	326	3,497	826	305	1,131	1,241	1,000	2,241
Total liabilities	8,033	136,935	144,968	4,598	96,594	101,192	15,656	136,541	152,197
Equity attributable to owners of the Parent									
Share capital	1,510	-	1,510	1,510	-	1,510	1,510	-	1,510
Share premium	15,387	-	15,387	15,387	-	15,387	15,387	-	15,387
Other reserves	(50)	-	(50)	(50)	-	(50)	(50)	-	(50)
Retained earnings	12,869	(8,648)	4,221	7,556	(3,430)	4,126	11,809	(7,611)	4,198
Total equity	29,716	(8,648)	21,068	24,403	(3,430)	20,973	28,656	(7,611)	21,045
Total liabilities and equity	37,749	128,287	166,036	29,001	93,164	122,165	44,312	128,930	173,242

Notes to the financial statements *continued*

Six months ended 30 June 2019

16. Events after the financial reporting period

Acquisitions

Nameco (No. 1113) Limited

On 17 July 2019, Helios Underwriting plc acquired 100% of the issued share capital of Nameco (No. 1113) Limited for a total consideration of £2,036,000. Nameco (No. 1113) 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 £2,169,000. Negative goodwill of £133,000 arose on acquisition which will be recognised as goodwill on bargain purchase in the income statement for the year ending 31 December 2019. 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	7	1,105	1,112
Financial assets at fair value through profit or loss	1,542	-	1,542
Reinsurance assets:			
– reinsurers' share of claims outstanding	1,000	-	1,000
– reinsurers' share of unearned premium	63	-	63
Other receivables, including insurance and reinsurance receivables	2,629	1,083	3,712
Deferred acquisition cost	107	-	107
Prepayments and accrued income	23	-	23
Cash and cash equivalents	169	-	169
Insurance liabilities:			
– claims outstanding	(3,425)	-	(3,425)
– unearned premium	(637)	-	(637)
Deferred income tax liabilities	(3)	(416)	(419)
Other payables, including insurance and reinsurance payables	(965)	-	(965)
Accruals and deferred income	(113)	-	(113)
Net assets acquired	397	1,772	2,169
Satisfied by:			
1,590,769 Ordinary 10p shares issued	2,036	-	2,036
Loan paid on acquisition	-	-	-
Total consideration	(2,036)	-	(2,036)
Negative goodwill	1,640	(1,772)	(133)

	2017 year of account	2018 year of account	2019 year of account
Capacity acquired	1,796,419	2,035,238	1,994,276

The purchase consideration was satisfied by the issue of 1,590,769 Ordinary shares of nominal value of 10p each, issued at the share price of £1.28 each, as noted below.

Issued share capital

On 17 July 2019 the Company issued 1,590,769 ordinary 10p shares as part of the acquisition settlement of Nameco (No.1113) Limited (formally owned by Nigel Hanbury, and director and shareholder of the Company) as explained above.

On 17 July 2019 the Company issued a further 1,695,897 ordinary 10p shares as part of the capital raise and an open offer, bringing the total number of shares in issue (excluding Treasury shares and uncalled partly paid shares) to 17,635,128 at the date of signing these financial statements. The estimate of the costs incurred in relation to the issue of shares at the date of signing these accounts equates to £340,000.

The total ordinary shares issued as a result of the above two transactions, being 3,286,666 shares, were issued at a share price of £1.28 each, raising a total amount of £4,206,932.

Share buy back

Since the balance sheet date, the Company has continued its share buyback programme. The Company has purchased a further 124,500 shares for a total consideration of £141,000. These shares will be held in Treasury (see note 11)

Directors, Registered office 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)

Company secretary

Martha Bruce

Bruce Wallace Associates Limited

118 Pall Mall

London SW1Y 5ED

Company number

05892671

Registered office

40 Gracechurch Street

London EC3V 0BT

Statutory auditors

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Canary Wharf

London E14 4HD

Nominated adviser and broker

Shore Capital and Corporate Limited

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London W15 4JU

Lloyd's members' agent

Hampden Agencies Limited

40 Gracechurch Street

London EC3V 0BT

Registrars

Neville Registrars Limited

Neville House

Steelpark Road

Halesowen B62 8HD

Independent Review Report to Helios Underwriting plc for the six months ended 30 June 2019

Introduction

We have been engaged by the Company to review the Condensed Consolidated set of Interim Financial Statements in the half yearly financial report for the six months ended 30 June 2019 which comprises the Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows, 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 set of Consolidated set of interim Financial Statements.

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 the AIM Rules for Issuers.

The annual Financial Statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The Condensed Consolidated set of Interim Financial Statements 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 set of Interim Financial Statements in the half yearly financial report based on our review. This report, including the conclusion is made solely to the Company for the purpose of the AIM Rules for Issuers. We do not, in producing this report, accept or assume responsibility to anyone, other than the Company for our work, for this report, or for the conclusions we have formed. This report may not be provided to third parties without our prior written consent.

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 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 set of Interim Financial Statements in the half yearly financial report for the six months ended 30 June 2019 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 Issuers.

PKF Littlejohn LLP

Chartered Accountants
15 Westferry Circus
Canary Wharf
London E14 4HD

September 2019