HELIOS UNDERWRITING

Accessing a unique portfolio

Helios Underwriting plc
Annual report and financial statements 2022

Strategic Report

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Introduction

Helios is uniquely positioned to provide access to a select portfolio of Lloyd's syndicate capacity, offering uncorrelated investment returns to a market that is disciplined and robust.

Delivering our strategy

The vision

To grow our portfolio capacity fund and shift the mix of earnings

- Building stakes in the "best syndicates at Lloyd's" through LLV acquisitions and new tenancy opportunities
- Continued and increased participation on the better-managed syndicates
- Actively manage the portfolio ensuring efficient capital deployment
- Improve quality of earnings to include repeatable fee and commission income
- To be the pre-eminent provider of private capital into the Lloyd's market
- Continued outperformance of the fund against Lloyd's market

What sets us apart

Helios is the only listed consolidator or private capital at Lloyd's

- **Growth**
  Addressable market of £1.5bn of capacity owned of LLVs potentially available for acquisition
- **Expertise**
  A management team deeply experienced and networked in Lloyd's
- **Uncorrelated to equity market movements**
  Exposure to Lloyd's, the world's prime insurance market
- **Success to date**
  Has outperformed Lloyd's by 5.4% over the last seven closed years of account

The opportunity

- Continue to build the capacity portfolio and secure third party capital to enhance our capacity offer
- Take advantage of the continued improvement in market conditions and build a diversified and volatility-managed portfolio
- Actively source and support new opportunities that meet or exceed our returns criteria
- Improved overall investment returns driven by higher interest rate increases

Glossary of terms

Capacity – the metric used by syndicates to measure the amount of insurance business transacted and is used for the allocation of the business underwritten to its capital providers

Syndicate – a business at Lloyds' that underwrites insurance business on behalf of its capital providers

Freehold capacity – capacity that has the right to participate permanently on the business of a Syndicate

Tenancy Capacity – capacity where the right to participate on a Syndicate is potentially limited in time

Capacity portfolio – the aggregate of capacity of different Syndicates

Capital provider – the entity that puts capital at risk (owned by Helios) to support the business underwritten by a syndicate

Retained capacity – the part of the capacity fund where the required capital is funded by Helios' for the benefit of Helios shareholders

Ceded or reinsured capacity – the part of the capacity fund where the required capital to support the underwriting is provided by third party capital providers

Quota share reinsurance – the legal mechanism to transfer the underwriting interest of the capacity to a third party capital provider

LLV – Limited Liability Vehicle designed specifically for trading at Lloyd's. The LLV limits a capital providers' exposure to the capital provided

Third party capital – funding of the capital at risk to support the business underwritten by entities other than Helios shareholders

Market overview

Highlights

- 131% increase in the gross premium written
- Total comprehensive (loss)/income for the year of £(1.3)m (2021: £4.9m)
- Helios retained capacity for the 2023 open underwriting year of £238.4m (2022 year of account: £171.9m) – 38% increase
- Net tangible asset value down to £1.52 per share (2021: £1.57 per share) driven by the overweight contribution from the 2022 year at 12 months which recognised a loss

Recent industry headwinds

- Losses arising from the Covid-19 pandemic – an unexpected industry event
- Losses from the war in Ukraine
- Natural catastrophe losses including Hurricane Ian
- Volatility in investment returns generated by the rise in yields

Total comprehensive (loss)/income (£'000)

£(1,315)

Net tangible asset value per share including capacity value – basic (£)

£1.52

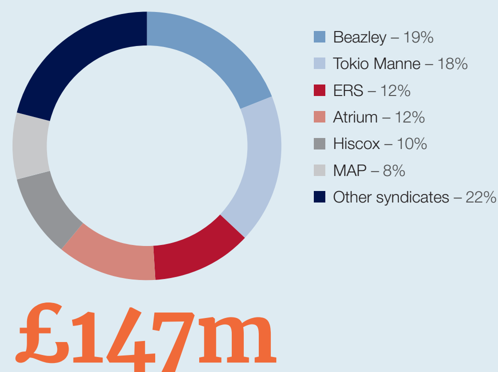
Net tangible asset value per share excluding capacity value – basic (£)

92p

Gross premium written (£m)

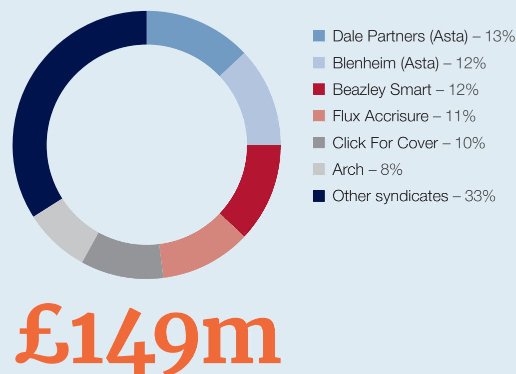
CAGR 79%

Freehold capacity



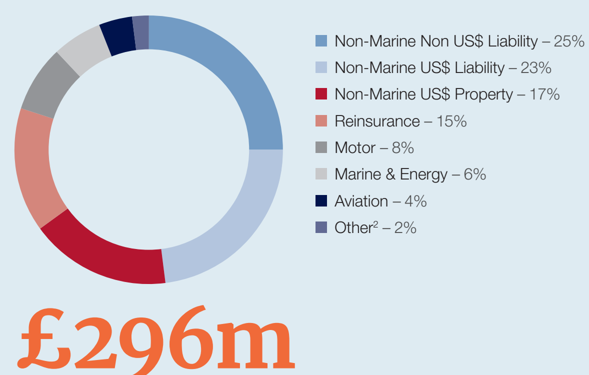
£147m

Tenancy capacity



£149m

Capacity exposure by business line all syndicates



£296m

Source: Company Information

1 Represents capacity at as 1 January 2023.

2 Consists of Energy Marine, Pecuniary Loss (with/without financial guarantee), Personal Accidents, Marine Cargo, Energy Non-Marine, Marine Physical Damage, Aviation Liability and Marine Liability.

Sixth year of rating improvement

Helios positioned itself to maximise opportunities by increasing retained capacity into a hard market."

Michael Cunningham
Non-executive Chairman

£1.3m

Total comprehensive loss of £1.3m (2021 profit: £4.9m)

£1.52

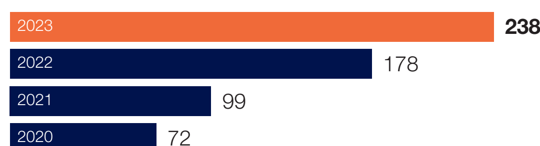
Net tangible asset value at £1.52 per share (2021: £1.57)

3p

A final dividend of 3p per share is being recommended (2021: 3p)

Growth in retained capacity

66% CAGR



In summary

- Gross premium written increased by 131%
- Total comprehensive loss of £1.3m (2021: profit of £4.9m)
- Net tangible asset value at £1.52 per share (2021: £1.57)
- Pro forma combined ratio of 93%
- A final dividend of 3p per share is being recommended (2021: 3p)
- Cumulative rate increases since 1 January 2017 in excess of 50% for the Helios portfolio

The results for the year ended 31 December 2022 show a total comprehensive loss for the year of £1.3m (2021: a profit of £4.9m), and the net tangible asset value of the Group is £1.52 per share (2021: £1.57). Although these results show a pre-tax loss, they do not reflect the successful trading that has taken place over the last few years. Moreover, the results have been skewed by the steps Helios has taken to position our portfolio to yield significant returns from our retained capacity in this exciting and disciplined market.

Our retained capacity grew substantially into 2022 and also into 2023; however, only a proportion of these premiums are earned in the first 12 months and the expected profits are earned in the succeeding years. Add in the impact of the macro-economic environment, interest rate hikes and the mark to market accounting principles, natural catastrophe losses including Hurricane Ian and Russia's invasion of Ukraine – which have all served to dampen our returns. Nevertheless, the Board believes that we are at the point of the underwriting cycle where the prospects for underwriting profitability are much improved and the better overall landscape for underwriting is likely to be extended following the change in the reinsurance market conditions at the end of last year and continued market discipline.

It is important to understand that there is a three-year lag in the recognition of underwriting profits in our accounts so at the moment we are impacted by the growth of the Helios share of the capacity portfolio in 2022, which is showing a loss at 12 months. This loss on the larger portfolio has distorted overall results as the contribution from the profits recognised in the 2020 and 2021 underwriting years have been overshadowed.

Lloyd's has announced a combined ratio of 91% and is expecting better results in the next few years, particularly as the prospective investment returns are expected to make a significant contribution in the future. The Helios portfolio pro forma combined ratio of 93% has broadly matched the performance of Lloyd's.

Our strategy is to continue to build a "blue chip" portfolio of underwriting capacity and during this year the Helios-retained capacity fund has grown from £172m to £238m.

Approximately half of the fund is comprised of freehold capacity on well-established syndicates at Lloyd's. When these syndicates wish to grow their businesses, the existing owners of the capacity have pre-emptive rights to receive additional capacity pro rata to the scale of increase in the underlying business. The additional capacity is free and the value of this additional capacity increases our asset valuation but additional capital is required to meet funds at Lloyd's. The small reduction in overall auction prices last year has reduced the benefit of the incremental value of the pre-emption rights.

Earlier in the cycle we reduced underwriting risk through "quota share reinsurance" which transfers the underwriting risk to a third party. In past years, as much as 70% of the fund has been passed to reinsurers for which Helios receives a fee. We are now at the stage in the cycle where the market has become more profitable and so the underwriting risk retained by Helios has been increased and the amount ceded to reinsurers has reduced to 26% of the overall portfolio. We have also been able to reduce risk through stop loss policies to protect against large unexpected losses. To date we have not needed to draw on these facilities.

Helios actively manages capital. We have a number of dials we can turn to increase or decrease our exposure. Fee income remains a core and attractive earnings stream that complements our underwriting returns. As the market cycle evolves, we evaluate opportunities to retain underwriting exposure or cede risk for fees.

There is no doubt that over the years the nature of the underwriting risk has changed and frequency of large losses is up, and in addition, we have to contemplate the ravages of climate change, a pandemic and the Russian invasion of Ukraine.

Summary financial information

	Year to 31 December	
	2022 £'000	2021 £'000
Gross written premium	**244,614**	106,058
Net earned premium	**150,393**	69,406
Underwriting profits	**116**	3,401
Other income	**1,242**	2,700
Total costs	**(6,527)**	(6,746)
Revaluation of syndicate capacity	**2,670**	8,132
Tax	**1,184**	(2,555)
Total comprehensive income	**(1,315)**	4,932
NTAV – £ per share	**1.52**	1.57

A further capital raising was completed last year to raise £12m largely from a new institutional investor. These funds have been used to fund the growth of the capacity fund.

Dividend

The Board recommends a 3p dividend in line with the existing policy. There will be the option to take new ordinary shares in lieu of the dividend.

The payment of this dividend reflects the Board's confidence in future cash flow despite the pre-tax loss this year.

The opportunity

Helios represents an opportunity for investors to access an uncorrelated asset class across a managed portfolio. Capital is deployed across a diversified portfolio of syndicates offering a favourable risk/return. Private capital is a significant feature of the Lloyd's market, representing approx. 8.5% of market capacity for 2023 (or £4bn). Lloyd's has clearly stated that it values private capital but Lloyd's 2025 vision states that it must be "re-energised and provided on a more flexible and efficient basis". Helios is positioning itself to be that efficient access point and is uniquely able to drive third party investment into Lloyd's.

The future strategy will exploit this opportunity to bring increased predictability to both cash flow and dividends. This is an exciting time for our Company and we look forward to many years of profitable trading despite the dire economic outlook that engulfs the world at this time.

Board changes

I am delighted in the changes to the leadership roles at Helios.

I welcome the appointment of Martin Reith as Chief Executive as his extensive experience in the Lloyd's market in building successful businesses will be invaluable to Helios in the future.

I am delighted that Nigel Hanbury has agreed to become Executive Deputy Chairman and would like to thank him for his contribution to the business as Chief Executive since 2012. He built the capacity fund to £297m during the soft market, taking advantage of the improved market so that Helios now has the opportunity to deliver excellent growth in shareholder value. We expect to be able to benefit from Nigel's extensive experience in the management of third party capital at Lloyd's in the future.

I have been a Board member since Helios was founded in 2007 when it was listed on AIM and have latterly served as Chairman. It is the appropriate time for me to retire and I am delighted that Michael Wade has agreed to become a Director and take over as Chairman at the end of the Annual General Meeting in June.

Michael Wade has enjoyed a long career at Lloyd's including forming one of the first Lloyd's corporate capital vehicles in 1993 (CLM Insurance Fund plc) and later acted for UK pension funds via Rostrum Group investing in listed Lloyd's firms. He has served on the Council and Committee of Lloyd's. Currently, Michael is also non-executive chairman of Howden Tiger Capital Markets UK and a senior advisor to Mitsui Sumitomo Insurance. I am sure that Michael's wealth of experience in the insurance world will benefit the Company in the future.

I congratulate the executive team in delivering a top class portfolio of upper quartile investments in leading syndicates. In addition, your Non-executive Directors have played an important part in developing the future strategy.

Future prospects

We envisage further growth over 2023 and into 2024 and will position the portfolio accordingly. We expect the majority of the syndicates we support to pre-empt in order to benefit from the attractive rating environment and market discipline. In addition, we are in discussions with a number of new opportunities for Helios that will give us further diversification.

It is likely we shall seek support from third party capital to allow us to maximise these opportunities for appropriate fees and commissions. We believe this will help us to continue to deliver superior returns and generate repeatable income while managing volatility.

Michael Cunningham
Non-executive Chairman
25 May 2023

Helios has evolved to become a key player in the provision of funds at Lloyd's

Substantial increase in the capacity portfolio driving value."

Martin Reith
Chief Executive Officer

Market overview

Helios is perfectly positioned to maximise the opportunities available in the market and Lloyd's remains well positioned to deliver profits:

- Lloyd's financial position, with a solid capital base and robust risk management framework has never been better. This enables the market to manage risks effectively and respond to unexpected events
- Lloyd's reputation for innovation and adaptability means that it is quick to embrace new technologies such as the use of data analytics and machine learning to assess risk and provide more accurate pricing and enriched decision making
- Lloyd's global reach is unparalleled with a presence in more than 200 countries and territories allowing access to a wide range of customers and markets

A constant focus from Lloyd's over the past 18 months or so has been the requirement for syndicates to ensure risk adjusted rate change keeps apace with inflation. As a consequence, price increases rather than a major drive for exposure growth have been a particularly strong driver of recent premium growth.

Across the market, a high proportion of syndicates reported a year on year deterioration in profitability and results at individual syndicate level for some were more volatile in a year marked by significant cat events. Historically we have seen reserve redundancy and subsequent releases as losses have perfected over time. We are confident we shall see similar trends.

Helios remains a highly efficient and unique business that offers investors exposure to a diversified portfolio of top performing syndicates.

£1.52

Net tangible asset value (2021: £1.57)

55%

Rate increases since 2017 in excess of 55%

117%

Growth in net earned premium (2021: 42%)

93%

Pro forma combined ratio for the overall portfolio is in line with the overall Lloyd's market combined ratio of 91.9%

Helios is delighted that Martin Reith has been appointed as Chief Executive Officer ('CEO'). Nigel Hanbury will remain on the Board as Executive Deputy Chairman, so that the Board can continue to benefit from his leadership and his extensive knowledge of Lloyd's.

Q&A with new CEO Martin Reith

Q Plans for the company over the next year and beyond:

A Helios has been positioned to maximise the opportunities this market has to offer. Our portfolio in 2023 has a larger retained capacity (up 38% from 2022), across a well balanced volatility managed portfolio. We are witnessing market discipline and pricing adequacy that should yield some attractive underwriting returns. Beyond this year, we intend to grow our capacity over both freehold and relationship syndicates always with an eye to backing the best syndicates we can access. We shall also look at ways to shift the quality of our earnings as we increase the fees and commissions we can generate from our tenancy positions.

Q What experiences do you bring to Helios:

A I started my career at Lloyd's in 1984 and have had significant experience across underwriting, management and leadership. In 2001, I founded and was the CEO of Ascot Underwriting which continues to be a force in the market today. I have had experience raising capital, I have sat on the Group Holding's Board of AmWINS Group Inc, a major US wholesale broker, I have also been involved with an ILS fund. I believe I therefore bring a broad range of skills and experience to the role. In fact I feel it is a rather suitable evolution. I may not longer be at the coal face assessing and pricing risk, rather I am seeking to support those that I believe do an outstanding job in this area.

Q What do I feel are Helios' biggest achievements for this year:

A Under Nigel's leadership, we have curated an outstanding portfolio in the most capital efficient manner. We have increased our retained capacity in order to benefit from the exceptional market conditions. We have also sought to broaden the syndicates we support and in turn the lines of business we are exposed to such that we now participate on risks that haven't naturally gravitated to Lloyds. Across the majority of our key metrics, we are showing we are receiving more premium but for less exposure. Risk adjusted rate change is key to ensure we keep apace with inflation in addition to the pricing correction.

Q How has the outlook for (re)insurers changed because of the recent macroeconomic environment:

A There are two key aspects: inflation and interest rates. It is vital the impact of inflation is not underestimated and that appropriate steps are taken to ensure pricing keeps ahead of inflation. Across our portfolio we have sought to understand how each syndicate is dealing with this issue. In addition, reserves need to be checked and claims settled quickly to ensure inflation does not undervalue the held reserves.

To help dampen inflation, we have seen the increase of interest rates. This is most welcome to allow improvement in the returns on the assets held by syndicates and by Helios. Now we are hopeful that we shall see underwriting profits and investment returns generate shareholder value.

Q What are the biggest opportunities for Helios:

A Helios has a unique position in the market. It is a highly regarded business that has access to an extraordinary portfolio. Through management's curation, we have historically outperformed the market. We are ideally positioned to maximise the rewards of this market – our efficient capital ratio, our volatility management, our wish to increase repeatable non-risk fee income and that we are often sought out to validate and seed fund new syndicate starts, sets us aside. We are also the only publicly listed consolidator of private capital in Lloyd's and we shall continue to build on our access in this way.

As we enjoy the opportunities of a hard market, it should be no surprise that our portfolio is at the cutting edge of shaping and driving market discipline. That is how we have positioned Helios.

Q Closing remarks:

A I am very excited to be leading Helios and my thanks to Nigel Hanbury and Arthur Manners for their support. They have built a fabulous business and I am honoured to help write the next chapter. I am delighted that Nigel has agreed to take up the role of Executive Deputy Chairman. He and I will work very closely over the coming months. Arthur remains as CFO and I look forward to working in lock-step with him.

Strategy

The building of a portfolio of participations on leading Lloyd's syndicates remains the strategic objective of the Group. During 2022, the key developments were:

- building the portfolio of capacity to £297m for 2023, taking up freehold capacity offered for nil cost by way of pre-emptions amounting to £21.7m and building stakes on syndicates with good prospects offering tenancy capacity;
- maintaining the quality of the portfolio and getting access to the better-managed syndicates at Lloyd's;
- taking advantage of the underwriting cycle and increasing the capacity retained by Helios as the prospects for improved underwriting margins remain;
- providing an income generating investment of Lloyd's underwriting capacity, thereby generating returns in capital value and dividend income for shareholders;
- providing a cost-efficient platform for participation at Lloyd's, benefiting from no profit commission potentially payable to Lloyd's members' agent and taking advantage of increased scale and, therefore, cost efficiencies;
- improving shareholder returns by use of excess of loss reinsurance funds at Lloyd's arrangements; and
- growth of the capacity fund to be funded by third party capital for 2024.

Quality of portfolio

The portfolio has been positioned to maximise underwriting returns and the favourable market conditions we are enjoying in 2023 and beyond. There has been increased focus and curation from the 2022 to 2023 portfolio with an emphasis on:

- reducing exposure to natural catastrophe;
- growth into specialty lines;
- targeting risks and classes that diversify the portfolio;
- building relationships with syndicates that attract non-correlating exposure; and
- identifying new relationship capacity with excellent growth prospects.

As a consequence, we can report favourable development across all our key exposure metrics with an increase in our direct insurance premium and a reduction in the reinsurance portfolio. While we continue to work with our reinsurers to manage the volatility of our portfolio, the amount we have decided to retain is up some 38%, and our overall capacity into 2023 up by 25%, to just shy of £300m.

We have created new relationships with syndicates that accept risks that don't naturally gravitate to the London market and, in turn, this has allowed us to develop greater ESG awareness and opportunity.

The Lloyd's market is in robust shape with discipline and pricing shaping an impressive performance. While a few lines have reported a slowing in price correction, the drive to implement risk adjusted rate change and simple pricing correction remains strong. As a consequence, price increases, rather than a major drive for exposure growth, have led the substantial premium growth the market has witnessed.

Add "uncertainty" into the mix and the demand and desire for buyers to buy comprehensive cover in a market exercising judicious capacity deployment, all of this leads to increased demand.

Helios' portfolio consists of some of the top-performing and market-leading syndicates that help shape and drive demand. We are ideally and deliberately positioned to maximise the returns this market has to offer.

We continue to focus ruthlessly on the best syndicates. The portfolio now comprises an even split between syndicates where we have "freehold rights" – rights to participate pro-rata on the future growth of the syndicate and "tenancy rights" where we are offered participation on an annual basis.

FREEHOLD CAPACITY

Managing agent	Syndicate	Freehold £'000
Beazley	623	27.5
Tokio Marine	510	27.1
ERS	218	17.6
Atrium	609	17.1
Hiscox	33	14.4
MAP	2791	11.4
Blenheim	5886	9.1
Cathedral	2010	7.0
QBE	386	2.9
Chaucer – Nuclear	1176	2.9
S.A. Meacock	727	2.6
Other syndicates		7.7
Total capacity		**147.3**

TENANCY CAPACITY

Managing agent	Syndicate	Freehold £'000
Dale Partners (Asta)	1729	20.0
Blenheim	5886	17.7
Beazley	5623	17.6
Flux – Accrisure	1985	16.9
CFC	1988	15.0
Arch	1955	12.5
MCI SIAB	1902	10.7
Beat (Asta)	4242	10.6
Apollo	1971	10.0
Apollo	1969	10.0
MIC Global	5183	5.0
Other syndicates		3.4
Total capacity		**149.4**
Total portfolio		**296.7**

Freehold syndicates – Participations in syndicates managed by these managing agents represent shares in the well-established and better-managed businesses at Lloyd's. We strive to acquire LLVs with portfolios that comprise these quality syndicates, thereby having to pay the average auction prices to get access. This proportion of the portfolio provides diversified exposure to syndicates that have experienced underwriting teams, well-established portfolios where each management team allocates capital to the business areas with the better risk adjusted returns.

Tenancy syndicates – We have a mix of longstanding relationship capacity and those syndicates where we are supporting for the first time. In reality, while we hope to have secured capacity over the long term, this is opportunistic capacity that we have identified and that adds to our overall portfolio construction.

Curation of the portfolio

The table shows the movement in the portfolio to the opening position for the 2023 year of account. The portfolio has been actively managed during the year to achieve the following:

	Freehold	Tenancy	Total Capacity
Start 1 January 2022 YOA	144.8	87.9	232.7
Pre-emptions	21.7	14.8	36.6
New syndicates	—	49.4	49.4
Auction – sales	(31.6)	—	(31.6)
Auction – buy	14.8	—	14.8
Increase in tenancy	—	22.4	22.4
Acquisitions	4.9	0.8	5.7
Discarded capacity	(7.5)	(25.4)	(32.8)
Start 1 January 2023 YOA	**147.3**	**149.4**	**296.7**
% increase	2%	70%	27%

Pre-emptions – £37m – the syndicates' supported grew their businesses on average by 16% for the 2023 year of account and we took up these pre-emptions for no cost.

New syndicates – £49m – new participations on four syndicates for 2023: Arch, Flux, CFC, MIC Global.

Auction sales – £32m – sold capacity on Beazley 623 and Tokio Marine 510 to get better balance in the portfolio and to raise some cash. In addition, we decided to reduce our exposure on syndicate Cathedral 2010, to reduce the catastrophe exposure and come off Argenta syndicate 2121 entirely.

Auction – buy – £15m – we again took advantage of lower-than-expected prices on syndicates to purchase £10m of capacity on the motor syndicate 218 – which will benefit from the improved investment returns in the future.

Increase in tenancy – £22m – increased participations on syndicates Beazley 5623, Apollo 1971, Apollo 1960 and Dale 1729.

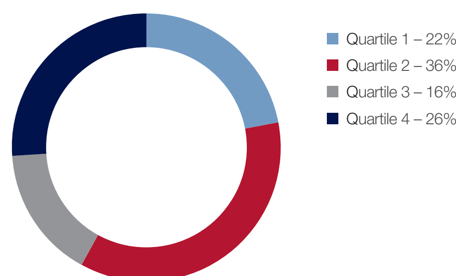
Acquisitions – £5m – the capacity acquired supplemented the existing freehold capacity participations.

Discarded capacity – £33m – to reduce the catastrophe exposure, we came off most of the SPA Cat syndicates (6104, 6107, 6117) and reduced our participations on syndicates with higher-than-average exposure.

Portfolio underwriting result

The portfolio achieved a pro forma combined ratio of 93% in comparison with the combined ratio for the Lloyd's market of 91.9%. The combined ratio has been calculated by applying the 2022 Helios capacity to the 2022 combined ratios of syndicates supported to estimate a pro forma Helios combined ratio. This removes the distortion of the significant growth in the portfolio to demonstrate the underlying quality of the portfolio.

The chart shows quartile ranking of the Helios supported syndicates within the universe of all syndicates at Lloyd's. It shows that over 50% of the Helios portfolio is ranked in the first and second quartile of Lloyd's syndicates.



The calendar year underwriting profit from the Helios retained capacity for 2022 has been generated from the portfolio of syndicate results from the 2020 to 2022 underwriting years as follows:

Portfolio underwriting result

	2020	2021	2022	**Total**
Portfolio capacity by underwriting year £m	121.2	150.8	238.4	
Gross underwriting result £m	7.2	7.9	(9.5)	**5.6**
Investment income £m	(2.5)	(1.0)	–	**(3.5)**
Portfolio result by underwriting year £m	4.7	6.9	(9.5)	**2.1**
Helios retained %	59%	66%	75%	
Helios share of the portfolio result £m	2.8	4.5	(7.1)	**0.21**

The strategy to take advantage of the excellent underwriting conditions, to grow the capacity portfolio and to increase the Helios share of the capacity portfolio has impacted the overall result for 2022 for two reasons:

a) The growth in the capacity portfolio to £238m for 2022, a 97% increase from the 2020 portfolio has resulted in the 2022 underwriting year loss at the 12-month stage having a disproportionate impact on the Helios share of the result.

b) Helios' increased share of the portfolio, increasing to 75% for the 2022 underwriting year, has also had a negative impact on the overall result for calendar year 2022.

The 2022 underwriting year result at 12 months represents an accounting loss of 4.1% (2021: loss of 3.9%) on the retained capacity of £178m (2021: £99m). The Lloyd's market incurred major losses of 12.7% (2021: 11.2%) of net earned premium so a further year of significant major losses for the market. Major claims in 2022 for the insurance industry is estimated to amount to $130m and include natural catastrophe losses such as Hurricane Ian, Hurricane Fiona and Australian Floods, as well as non-natural catastrophe losses such as those arising from the conflict in Ukraine. Two supported syndicates had material exposure to the natural catastrophes during the year and these losses have been fully recognised in the year.

The negative investment returns on the assets managed by the syndicates have arisen from mark-to-market accounting rules requiring them to mark the value of assets down to reflect prevailing market conditions – in this case, rising interest rates. However, this loss is expected to reverse out in 2023 as higher interest rates lead to greater investment returns on the syndicate assets.

During 2022, the 2020 underwriting year mid-point profit improved to a profit of 3.1% (2021: profit of 1.0%), outperforming the average of the Lloyd's market by 2.2%. Given that losses from COVID-19 of 10% of capacity for the Helios portfolio have predominantly fallen on the 2020 underwriting year, the overall profit is encouraging. The mid-point estimate for the 2021 underwriting year at 31 December 2022 is a profit of 2.4% (2021: profit of 1.9%).

We would expect the GAAP earnings in 2023 from the 2022 and 2021 underwriting years to make a significant contribution to Helios' earnings both from the profitability in the underlying portfolios and as positive investment returns are recognised.

We would expect the gap in relative performance to narrow over the next 18 months as it has done in the past. The syndicates supported by third party capital have been more conservative in their published estimates over the 36 months to the close of the year of account due to the transparency of each syndicate result.

Other income

Helios generates additional income at Group level from the following:

	2022 £'000	2021 £'000
Fees from reinsurers	**562**	616
Corporate reinsurance recoveries	**33**	(372)
Gain on bargain purchases	**–**	1,219
Investment income	**647**	1,237
Total other income	**1,242**	2,700

The investment returns on the assets managed by the supported syndicates are included in the overall portfolio underwriting result.

Financial investments	£'000	Investment return £'000	Yield
Syndicate investment assets	152,242	(3,423)	(2.2%)
Group investment assets	73,771	647	0.1%
	226,013	(2,776)	(1.2%)

Helios' share of the syndicate investments incurred a loss in the year of 2.2% as interest rates increased and this has masked the improvement in underwriting margins. Group investment funds remained in cash and targeted investments were made, which made a small positive return. These funds have now been fully invested in a short duration bond portfolio. The Group's share of the syndicate investments is expected to continue to increase to reflect the growth of the capacity portfolio.

Fees from the quota share reinsurers reflect the fee payable on the funds at Lloyd's provided and profit commission relating to the 2020 and 2021 year of account has been accrued.

Total costs

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

	2022 £'000	2021 £'000
Pre-acquisition	**46**	1,271
Reinsurance costs	**1,261**	1,871
Operating costs	**5,220**	3,604
Total costs	**6,527**	6,746

The reinsurance costs include the stop loss premiums and the cost of the excess of loss funds at Lloyd's facilities that are expected to improve the returns generated by Helios' shareholders. The stop loss costs incurred in 2022 have been partially deferred to reflect the exposure of the portfolio that extends over two years. £22.7m of additional underwriting capital was sourced in 2023 through a reinsurance contract at a cost of £2.0m.

The operating costs include the transaction costs of a material acquisition that did not proceed. The internal infrastructure of the business will be expanded in 2023 given the overall growth of the fund.

Net tangible asset value per share

The growth in the net asset value per share remains a key management metric for determining growth in value to shareholders.

	2022 £'000	2021 £'000
Net tangible assets	**55,743**	46,856
Fair value and capacity (WAV)	**59,967**	59,796
	115,710	106,652
Shares in issue (Note 21)	**76,218**	67,786
Net tangible asset value per share (£)	**1.52**	1.57

The capital employed per share, the assets used to generate earnings which exclude the deferred tax liability on capacity value is as follows:

	2022 £'000
Net assets	**115,710**
Deferred tax provision on capacity value	**14,139**
Capital employed	**129,849**
Shares in issue (Note 21)	**76,218**
Capital employed per share (£)	**1.70**

The deferred tax provision on capacity value could potentially be incurred should the entire portfolio be sold. Given the strategy of the Group to grow the capacity fund, there is no intention to realise the full value of the portfolio. The capital employed by share is 18p (2021: 22p) higher than the net tangible asset value per share.

The value of capacity is subject to fluctuation and reflects the activity in the capacity auctions held in the autumn of each year.

Capacity value

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

	2022 £m	2021 £m
Freehold capacity with value	**147.3**	144.8
Relationship capacity	**149.4**	87.9
	296.7	232.7
Value of portfolio	**60.0**	59.9
Value per £ of freehold capacity	**41p**	41p

The average price per £ of freehold capacity has remained at 41p per £ of capacity as the pre-emptions offered increased the value of the portfolio while the decline in average prices partially offset this increase. In addition, the relationship capacity on "nil value"/non-traded syndicates continued to grow as Helios is able to demonstrate long term commitment to providing third party capital to growing syndicates.

The Board recognises that the average prices derived from the annual capacity auctions managed by the corporation of Lloyd's could be subject to material change if the level of demand for syndicate capacity reduces or if the supply of capacity for sale should increase.

A sensitivity analysis of the potential change to the NAV per share from changes to the value of the capacity portfolio is set out below:

	Capacity value	Revised NTAV per share
Current value – £m	**60.0**	1.52
Decrease of 10%	**54.0**	1.46
Increase of 10%	**66.0**	1.58

Each 10% reduction in the capacity values at the 2023 auctions will reduce the NAV by approx. 6p per share (2021: 7p per share). The increase in capital base has reduced the impact on NAV per share from changes in capacity value. Any reduction in the value will be mitigated by any pre-emption capacity on syndicates that have a value at auction.

Acquisition strategy

Helios acquired three LLVs in 2022 (2021: 28) a reduction in the activity of the previous year following the uncertainty created by the war in Ukraine. We will continue to approach the owners of LLVs directly, which has the advantage of:

- raising the profile of Helios as a potential purchaser of LLVs;
- allowing owners of LLVs who were potentially considering ceasing underwriting at Lloyd's to have the opportunity to realise the value of their investment quickly;
- allowing vendors a tax efficient exit if they wish to cease underwriting; and
- being an ongoing exercise to offer owners of LLVs an alternative to investing at Lloyd's by taking Helios shares as part of the consideration.

The ongoing conflict in Ukraine has created material uncertainties in establishing fair value of an LLV, and, therefore, £0.5m of the agreed consideration has been deferred pending the final 2021 year of account result of syndicates within the portfolio acquired that could have material exposure to events in Ukraine.

During 2022, a further three LLV's were acquired.

	Summary of acquisitions				Goodwill	
	Total consideration £m	Capacity £m	Humphrey value £m	Discount to Humphrey	Negative	Positive
2022	5.7	5.7	6.3	10%		374
2021	27.3	34.8	28.9	6%	1,219	319
2020	10.2	10.9	13.2	23%	1,260	—

The three (2021: 28) acquisitions in 2022 were purchased for a total consideration of £5.7m (2021: £27.3m), of which £2.6m (2021: £18m) was attributed to the value of capacity acquired. The marginal result for 2022 for Lloyd's has delayed the recognition of profits in the LLVs and consequently some positive goodwill has been recognised. We will continue to build on the quality of the capacity portfolio as it is essential to acquire and retain the participations on the better-managed syndicates.

Reinsurance quota share

The use of quota share reinsurance to provide access to the Lloyd's underwriting exposures for reinsurers and private capital has not been expanded in 2021. The core of the panel of reinsurers remains XL Group plc and Everest Reinsurance Bermuda Limited.

This reinsurance has successfully reduced the exposure of Helios shareholders in recent years and assists in the financing of the underwriting capital. Helios has again reduced the proportion of the capacity portfolio ceded for the 2023 year of account.

We expect to increase the participation of third party capital to support the growth of the capacity fund in 2024.

	2020	2021	2022	**2023**
Total capacity ceded – £m	49.1	51.5	60.8	58.3
Current total capacity – £m	121.2	150.8	238.4	296.7
Helios' share of total capacity	59%	66%	75%	**80%**

Risk management

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

The biggest single risk faced by insurers arises from the possibility of mispricing insurance on a large scale. The recent correction in terms and conditions and the actions of Lloyd's to force syndicates to remediate underperforming areas of their books demonstrate the mispricing that has prevailed over the past few years. The results of this remediation work by Lloyd's is starting to be reflected in the results announced by the syndicates supported.

These management teams have weathered multiple market cycles and the risk management skills employed should reduce the possibility of substantial under-reserving of previous year underwriting. There is acceptance that catastrophe exposures were generally under-priced and hence the syndicate managers have been reducing their catastrophe exposures. The broad reinsurance market correction is a fundamental shift in risk versus return metrics presenting opportunities to pivot the portfolio in the future.

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

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

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

In addition, Helios purchases stop loss reinsurance for its 80% (2022 YOA: 75%) share of the portfolio with an indemnity of 10% of its share of the capacity and a claim can be made if the loss for the year of account at 36 months exceeds 7.5% of capacity.

The impact on the net asset value of Helios from the disclosed large loss scenarios are as follows:

	Expected loss as % of capacity		Impact on net asset value	
	2023	**2022**	2023	**2022**
AEP 1 in 30 – whole world natural catastrophe	14.3%	**18.6%**	11.4%	**10.3%**
AEP 1 in 30 US/GOM windstorm	10.2%	**12.8%**	11.4%	**9.0%**
Terrorism	8.4%	**11.4%**	11.4%	**9.0%**
Cyber – cloud cascade	8.3%	**8.3%**	11.4%	**9.0%**

The assessment of the impact of the specified events is net of all applicable quota share, stop loss reinsurance contracts and corporation tax but before the likely profits to be generated from the balance of the portfolio in any year. Notwithstanding the reduction in the natural catastrophe exposure in the 2023 portfolio, the impact on net assets has increased as the retained capacity has increased. The similarity on the impact on the net assets from a loss arises as the expected loss will result in only a net retention from the stop loss of 7.5% of capacity.

Capital position

The underwriting capital required by Lloyd's for the Helios portfolio comprises the funds to support the economic capital requirement of the portfolio and the solvency II adjustments is as follows:

Underwriting capital on underwriting year	2023 £m	2022 £m
Quota share reinsurance panel	**27.8**	26.1
Excess of loss funds at Lloyd's	**41.2**	20.0
Helios' own funds	**58.3**	43.3
Total	**127.3**	89.4
Capacity as at 1 January	**296.6**	232.7
Economic capital requirement	**125.7**	90.9
Solvency and other adjustments	**0.7**	(1.5)
	126.4	89.4
Capital ratio	**43%**	**38%**

Environmental, social and governance responsibility

On 23 March 2023, the Board approved an environmental, social and governance (ESG) policy statement. Helios offers investors exposure to a diversified portfolio of syndicates at Lloyd's of London. As a consequence, Helios is inexorably aligned to the approach Lloyd's takes with regard to the society as a whole in addition to those adopted by the various managing agencies.

As we construct our portfolio each year, considerable emphasis is given to understanding individual syndicate actions with regard to ESG. This includes an understanding of the risks contemplated as well as the ESG initiatives adopted within the respective businesses and their management teams.

We support the ESG strategy of Lloyd's, who has outlined their ambition to integrate sustainability into all of Lloyd's business activities. Lloyd's has stated that embedding ESG across the market and corporation is a top priority and is interwoven with their purpose of creating a better world. Helios fully supports Lloyd's approach and oversight of the market. More information can be found at: https://www.lloyds.com/about-lloyds/responsible-business/esgreport2021.

Helios is committed to diversity and maintaining an inclusive workplace culture where everyone of any background is able to contribute in full to the success of our business. Helios believes that a commitment to protecting diversity is not only morally imperative but an excellent business strategy. While Helios' workforce is very small, we actively engage with our outsource partners, ensuring our ESG principles are maintained. In addition, Helios is expecting to be a signature to the UN Principles For Responsible Investment (www.unpri.org) and we strive to adopt the six key principles for responsible investment.

The Board is committed to a high standard of corporate governance and is compliant with the principles of the Quoted Companies Alliance's Corporate Governance Code (the "QCA Code"). The Directors have complied with their responsibilities under Section 172 of the Companies Act 2006 which requires them to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. Further information is provided on pages 20 to 21 in this report and accounts.

Martin Reith
Chief Executive Officer
25 May 2023

Catastrophe risk scenarios ("CRS") – net of syndicate reinsurance (%)

Scenario	2023	2022
AEP 1 in 30 – whole world natural catastrophes	14.3	18.6
AEP 1 in 30 – US/GOM windstorm	10.2	12.8
RDS terrorism – Rockefeller Center	8.4	11.4
AEP 1 in 30 – US/Canadian earthquake	8.3	8.3

Hard insurance market conditions persist – reinsurance now a genuinely hard market for the first time since 2006

The hard insurance pricing environment continued in 2022 in most classes with Lloyd's reporting rate increases for 20 consecutive quarters, which have compounded over this period by 44.5%. At 1 January 2023, the reinsurance renewals were the most challenging for buyers in a generation against a backdrop of 2022 being the second year in succession suffering insured losses from natural catastrophes of well above $100bn, while rising bond yields during 2022 curtailed reinsurers' risk appetite owing to mark to market losses on their investment portfolios.

The cycle in insurance and reinsurance is a classic supply led cycle with pricing driven more by changes in supply than demand. The impact of inflation increased demand from insurers for risk transfer to reinsurers with additional limit required of up to $30bn. Combined with a change in the supply of capital, which was reduced by up to $50bn, the supply/demand imbalance at 1 January 2023 was estimated at $50bn to $80bn by US insurance analyst Dowling & Partners.

The impact of the supply/demand imbalance led to a hard reset of the property catastrophe reinsurance market with several years' worth of re-underwriting being achieved in a single renewal at 1 January 2023. A re-acceleration of property insurance rate rises has followed with insurers having to bear not only higher reinsurance rates but tighter terms and conditions. US property insurance rates have risen by 17% in Q1 2023 compared with 11% the previous quarter according to Marsh, the world's largest broker.

Helios gross written premium growth

Helios reports strong profitable growth in gross written premium to £244.6m for 2022 (£106.1m in 2021). In a period of strong underwriting conditions, Helios' growth in gross written premium was 130.6% compared with Lloyd's growth in the same period of 19.0%. During 2022, in addition to rate increases, growth benefited from premium increases owing to inflation particularly in the property classes as well as foreign exchange movements with the US dollar gaining by 11.1% against pound sterling ending the year at $1.20:£1.

In common with other suppliers of third party capital, Helios has the agility to optimise its returns over the insurance cycle by growing strongly in the current hardening market conditions through acquisitions of corporate members, negotiating leasehold participations on syndicates and acquiring capacity at Lloyd's annual capacity auctions with portfolio allocation decisions being taken in house by Helios' management team. Helios' growth has been significantly above the industry average, seeking to maximise premium volume when rates are rising. Since the bottom of the soft market in 2017, Helios' gross written premium has grown by just over seven fold.

Over the past five years, Helios' calendar year net combined ratio (before corporate costs) has outperformed Lloyd's by three percentage points a year, with an average combined ratio of 97.5% compared with 100.5% for the overall Lloyd's market. The chart below shows the combined ratio of the Helios portfolio compared with Lloyd's from 2018 to 2022.

However, for the second year running, Helios underperformed Lloyd's net combined ratio, which was 91.9% in 2022 (93.5% in 2021), the best year since 2015, owing to the new business expense strain of increasing gross written premiums which were not fully earned in 2022. Helios' net combined ratio was 96.4% in 2022 (93.9% in 2021). The growth in the capacity portfolio in 2022 has had a disproportionate impact in the combined ratio.

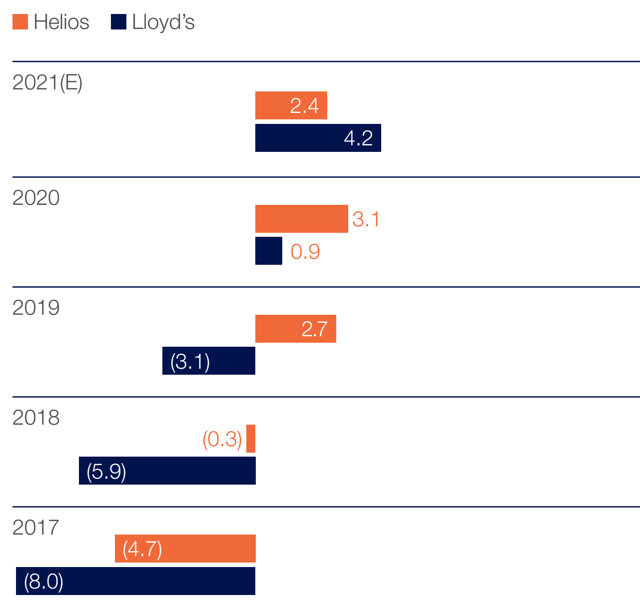
Helios' combined ratio compares favourably with both insurance and reinsurance peer groups. A preliminary estimate of United States property/casualty insurers by AM Best was a combined ratio of 102.7% in 2022, while a basket of 19 reinsurance companies in reinsurance brokers Aon's Reinsurance Aggregate reported an average combined ratio of 96.2% in 2022.

Helios combined ratio compared with Lloyd's: 2018–2022 (%)

Source: Lloyd's combined ratios from year-end accounts.

The chart below shows the return on capacity of the Helios portfolio compared with Lloyd's for the last four closed years from 2017 to 2020. The chart also includes the mid-point open year estimate for the 2021 accounts as at the end of Q4 2022.

Helios' return on capacity compared with Lloyd's: 2017–2020 and 2021 (est. at Q4 2022)



2020 account closed year

With the closure of the 2020 account at 31 December 2022 the Helios portfolio has outperformed Lloyd's for the 12th successive three-year account result, reporting a profit of 3.1% on capacity compared with the Lloyd's market average result which was a profit of 0.9% on capacity.

Covid-19 claims for Helios cost 3% of capacity. Covid-19 claim estimates overall were stable over 12 months, though property reinsurance losses from Covid-19 deteriorated. Lloyd's maintains strong reserves with a market aggregate IBNR of £0.7bn (22% of net ultimate loss of £3.2bn).

The improvement in the final 12 months was lower than in previous years, owing to a deterioration in the investment return largely from unrealised mark to market losses in syndicates' bond portfolios.

2020 was another year of above average catastrophe claims. A very active hurricane season with a record number of named storms only caused moderate insured losses of USD 20bn, including Hurricanes Sally and Laura. The year was also hit by Covid-19 claims, a $7bn mid-west Derecho and the Texas freeze, Uri, which occurred in February 2021 with losses going back to the 2020 Account. Swiss Re reported that global insured losses from natural catastrophes were $81bn in 2020 with an additional $8bn from man-made disasters. Total insured losses of $89bn made 2020 the sixth highest on record with 70% of the natural catastrophe insured losses resulting mostly from severe convective storms and wildfires. These events, known as secondary perils, have increased in frequency and are associated with the effect of climate change.

2021 account open year

The 2021 open year estimate is a profit of 2.4% of capacity at Q8 (Lloyd's market average is a profit of 4.2% of capacity) and includes estimates from the 28 acquisitions made by Helios during 2021.

2021 was another year when catastrophe events were above average. Swiss Re reported insured losses totalling $119bn, the fifth highest on record, with the rise in insured losses maintaining a long-term trend based on ten year moving averages of 5% to 7% growth annually.

Secondary perils, including floods, were at the forefront, accounting for more than 70% of all insured losses with the European flood Bernd in July causing insured losses above $10bn, the same as Winter Storm Uri in February in the US. The main loss event of 2021 was Hurricane Ida, a category four hurricane which was the second most damaging hurricane to make landfall in Louisiana on record behind Hurricane Katrina in 2005, with insured losses estimated at $30bn-$32bn. There were 21 named storms in the 2021 hurricane season, less than the record 30 in 2020.

The 2021 account will also be affected by insured claims from the conflict in Ukraine, which began in February 2022, most of which we expect to fall into the 2021 account. Exposed classes include aviation, marine, political violence, political risk and trade credit. Lloyd's increased reserves at the 2022 year end to £1.4bn, but 90% is IBNR, in particular from aviation business.

2022 account so far

The first set of estimates for the 2022 account are released at the end of May 2023.

At $125bn, global insured losses from natural catastrophes in 2022 were the fourth highest on record. Each region of the world suffered a major event. Hurricane Ian, which made landfall in Florida on 28 September 2022 (insured losses estimated in a range of $50bn to $65bn by Swiss Re), was the year's biggest loss event, and ranks as the second-costliest insurance natural catastrophe loss ever on record after Hurricane Katrina.

Lloyd's estimates net Hurricane Ian losses at £2bn (compared with Lloyd's December 2022 guidance in the range of $2.3bn to $3bn) which is within its range of modelled outcomes and is equivalent to a market share of the total industry loss of between 3% and 5%. This estimate is lower than the average market share of major recent North American hurricanes since 2017 of 6.5%. As well as Hurricane Ian, major claims included Hurricane Fiona, Australian floods as well as losses from the war in Ukraine.

Today, average annual industry losses from natural catastrophes of more than $100bn are standard. Last year's outcome continued a run of elevated global insured losses since 2017 after a benign 2012–2016 period, reaffirming an average annual growth rate of 5–7% in losses in place since 1992. This trend is expected to continue, driven by growing loss severity on account of rising property and values-at-risk exposures, continued urban sprawl, economic growth and a backdrop of hazard intensification owing to climate change effects.

Guy Carpenter reported that reinsurance market conditions began to harden more materially in 2022 with property capacity becoming constricted since 1 January 2022 and inflation became a significant factor in renewal discussions. Its US Property Catastrophe Rate On Line Index increased by 15% for January through July renewals, the most significant change since 2006, bringing rates back to 2009 levels, while its Global Rate On Line Index increased by 10.8%.

Market conditions in 2023

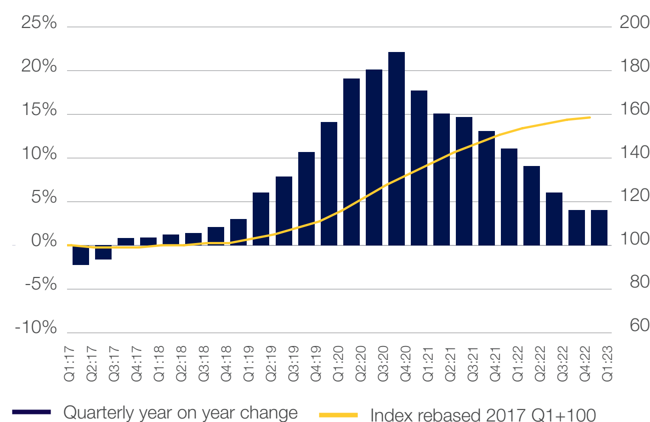
Insurers and reinsurers are now seeing annual industry losses of $100bn or more as standard with this level having been reached in five years since 1970 and in three of the past five years (2017, 2021 and 2022). Growth in insured values from inflation has boosted demand for cover while supply has been constrained owing to a reduction in risk appetite on the part of capital providers. In addition, interest rate increases to combat inflation have increased the cost of capital and reduced the value of financial assets, further limiting supply. Against this backdrop, at 1 January 2023 property catastrophe reinsurance rates rose to close to 20 year highs.

Primary insurance rate increases have continued so far in 2023 with the Marsh Global Insurance Market Index up 4% in Q1 2023, the same as in Q4 2022. US property rate increases re-accelerated for the second quarter running to 17%, up from 11% the previous quarter. Casualty pricing was up by 2% and financial and professional lines liability insurance rates continued to fall by 13% compared with 10% in Q4 2022.

The pace of rate increases continued to slow for cyber insurance due to increased competition with rates up by 11% compared with 28% in the previous quarter. Lloyd's mandated a new cyber war exclusion, effective from 31 March 2023, in order to manage potential systemic loss. The most competitive area of the market is now Directors and Officers' liability business with more capacity-chasing premium following multiple years of price increases until 2022. Aon's D&O Pricing Index was down 24.9% in Q1 2023.

The chart below shows Marsh's Global Insurance Market Index from Q1 2017. Each quarter, the index shows the annual change in rate over the previous four quarters. We also show the compounded rate change since Q1 2017, which is now up 59% at Q1 2023.

Marsh global composite pricing change



Guy Carpenter reported that the 1 January 2023 property reinsurance renewals were one of the most challenging for buyers with reinsurers focusing on both attachment points and coverage as well as rate. Its US Property Catastrophe Rate On Line Index increased by 30.1% for January, a new all-time high, while its Global Property Catastrophe Reinsurance Rate On Line Index rose by 27.5%, which now brings the index to a similar level to 2006. The compounded rate increase since 2017 is 65%.

Reinsurance market conditions remained challenging for buyers at the 1 April renewals. Risk appetite for property catastrophe reinsurance remains constrained. Reinsurers continue to push for structural changes and tightened terms and conditions. Limited new capital has entered the market to support property catastrophe risks. In Japan, property cat rates were up 15% to 25%. The impact of rate increases on ceded premiums was mitigated by higher retentions.

At 1 April the supply/demand imbalance remains. Gallagher Re noted "capital supply remained constrained with few signs of fresh capital entering the market and existing reinsurers being impacted by mark to market losses. The hopes of some buyers that new capacity might enter the market at this renewal along with signs of amelioration in hardening Terms and Conditions would emerge were unfulfilled".

With 1 April reinsurance renewals now complete, attention now turns to the mid-year renewals and specifically Florida for 1 July where a very challenging renewal is anticipated for the specialist homeowners writers, particularly in light of the opportunities elsewhere in the market.

Market Outlook

Our view at Hampden is that the supply of capital is the critical factor in the rating environment which drives underwriting margins. The market is not without challenges. Inflation, rising bond yields, climate change, cyber threats, liability reserves, economic uncertainty, sovereign debt, bank deposits and the impact of Ukraine are key concerns, but all these factors contribute to restricted risk appetite which is a favourable backdrop. Premiums overall and across most classes continue to rise relative to exposure enabling catastrophe losses to be absorbed and still make an underwriting profit. We remain positive in our market outlook for favourable market conditions to continue throughout 2023.

Summary financial information

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

A) It relies on the financial information provided by each syndicate.

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

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

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

	Year to 31 December	
	2022 £'000	2021 £'000
Underwriting profit	**116**	3,401
Other income:		
– fees from reinsurers	**562**	616
– corporate reinsurance policies	**33**	(372)
– goodwill on bargain purchase	**—**	1,219
– investment income	**647**	1,237
Total other income	**1,242**	2,700
Costs:		
– pre-acquisition	**(46)**	(1,271)
– stop loss costs	**(1,261)**	(1,871)
– operating costs	**(5,220)**	(3,604)
Total costs	**(6,527)**	(6,746)
Operating profit before impairments of goodwill and capacity	**(5,169)**	(645)
Tax	**1,852**	211
Revaluation of syndicate capacity	**2,670**	8,132
Income tax relating to the components of other comprehensive income	**(668)**	(2,766)
Comprehensive income	**(1,315)**	4,932

Year to 31 December 2022

Underwriting year	**Helios retained capacity at 31 December 2022 £m**	**Portfolio midpoint forecasts**	**Helios profits £'000**
2020	**72.0**	**3.1%**	**2,647**
2021	**99.3**	**2.4%**	**4,546**
2022	**177.6**	**N/A**	**(7,077)**
			116

Year to 31 December 2021

Underwriting year	Helios retained capacity at 31 December 2021 £m	Portfolio midpoint forecasts	Helios profits £'000
2019	67.4	2.7%	4,092
2020	66.6	0.97%	2,915
2021	93.6	N/A	(3,606)
			3,401

Summary balance sheet (excluding assets and liabilities held by syndicates)
See Note 28 for further information.

	2022 £'000	2021 £'000
Intangible assets	**61,434**	60,889
Funds at Lloyd's	**73,771**	43,589
Other cash	**10,254**	16,178
Other assets	**6,909**	5,517
Total assets	**152,368**	126,173
Deferred tax	**11,228**	11,887
Borrowings	**15,000**	—
Other liabilities	**3,839**	3,052
Total liabilities	**30,067**	14,939
Total syndicate equity	**(5,123)**	(3,488)
Total equity	**117,178**	107,746

Cash flow

Analysis of free working capital	Year to 31 December 2022 £'000	2021 £'000
Opening balance (free cash)	**16,178**	4,961
Income		
Cash acquired on acquisition	**123**	1,939
Distribution of profits (net of tax retentions)	**2,736**	475
Transfers from funds at Lloyd's	**4,772**	336
Other income	**280**	95
Proceeds from the sale of capacity	**5,372**	—
Proceeds from the issue of shares	**12,421**	53,231
Borrowings	**15,000**	—
Cancelled reinsurance policy refunds	**1,628**	6,964
Expenditure		
Operating costs	**(4,099)**	(3,702)
Reinsurance costs	**(5,005)**	—
Purchase of capacity	**(321)**	(2,663)
Acquisition of LLVs	**(4,877)**	(26,529)
Transfers to funds at Lloyd's	**(31,578)**	(12,270)
Tax	**(342)**	(641)
Dividends paid	**(2,034)**	(2,018)
Repayment of borrowings	**—**	(4,000)
Closing balance	**10,254**	16,178

Net tangible assets	Year to 31 December 2022 £'000	2021 £'000
Net assets less intangible assets	**57,211**	46,856
Fair value of capacity (WAV)	**59,967**	59,796
	117,178	106,652
Shares in issue – on the market (Note 21)	**76,218**	67,786
Shares in issue – total of on the market and JSOP shares (Note 21)	**77,318**	68,886
Net tangible asset value per share £ – on the market	**1.54**	1.57
Net tangible asset value per share £ – on the market and JSOP shares	**1.52**	1.55

Combined ratio summary of Helios Portfolio (see Note 6)	2022	2021
Net premiums earned	**156,606**	92,692
Net insurance claims	**(96,796)**	(54,086)
Operating expenses included in underwriting result	**(54,210)**	(32,921)
Insurance result	**5,600**	5,685
Combined ratio	**96.4%**	93.9%

Change in Accounting Policy to UK GAAP

Helios is currently required to prepare its financial statements using International Financial Reporting Standards (IFRS) The implementation of the IFRS 17: Insurance Contracts standard came into force for accounting periods commencing on 1 January 2023 for listed insurance companies in the UK. For Helios it will not be possible to adopt IFRS 17 as Lloyd's has yet to mandate that all syndicates prepare their financial information using IFRS 17 and as Helios relies on the syndicates supported to provide the necessary financial information, Helios is considering adopting an alternative accounting framework.

For illustration purposes the table below presents the changes that would be necessary if the Group were to adopt UK GAAP. The single most significant change is to the approach of recognising income is in respect of the treatment of Negative Goodwill. Negative Goodwill arises on the acquisition of LLV's when the consideration paid is less than the fair value of the LLV acquired. Under UK GAAP the negative goodwill will not be recognised in full immediatelybut will be amortised over three years in the future.

The table below shows the potential impact on the 2022 and 2021 financial statements of adopting UK GAAP.

Impact of UK GAAP on Amortisation of Negative Goodwill

	Year to 31 December	
	2022 £'000	2021 £'000
Underwriting profit	**116**	3,401
Other income:		
– fees from reinsurers	**562**	616
– corporate reinsurance policies	**33**	(372)
– goodwill on bargain purchase	**—**	1,219
– investment income	**647**	1,237
Total other income	**1,242**	2,700
Costs:		
– pre-acquisition	**(46)**	(1,271)
– stop loss costs	**(1,261)**	(1,871)
– operating costs	**(5,220)**	(3,604)
Total costs	**(6,527)**	(6,746)
Operating profit before impairments of goodwill and capacity	**(5,169)**	(645)
Tax	**1,852**	211
Revaluation of syndicate capacity	**2,670**	8,132
Income tax relating to the components of other comprehensive income	**(668)**	(2,766)
Comprehensive income	**(1,315)**	4,932
Add back goodwill on bargain purchase	**—**	(1,219)
Charge goodwill amortisation	**1,278**	1,062
Adjusted comprehensive (loss)/income	**(37)**	4,775
Basic – weighted average number of shares in issue	**68,168,599**	58,058,164
Diluted weighted average number of shares in issue	**69,292,082**	58,783,369
IFRS EPS		
Basic (loss)/earnings per share (p)	**(4.87)**	(0.75)
Diluted (loss)/earnings per share (p)	**(4.87)**	(0.75)
UK GAAP EPS		
Basic (loss)/earnings per share (p)	**(2.99)**	(1.02)
Diluted (loss)/earnings per share (p)	**(2.99)**	(1.02)

Further information will be provided when the new accounting policy is adopted.

Experienced leadership

Martin Robert Davidson Reith, 58
appointed 04 April 2023
Chief Executive Officer
Martin was appointed CEO in April 2023, having served on the Board of Directors as a Non-executive Director since April 2021. Martin has over 30 years' experience across underwriting, management and leadership. Most recently, he held board positions at Neon Underwriting Limited, as CEO from 2015 to 2019, and then assumed a non-executive role until 2020. He was the founder and CEO of Ascot Underwriting Limited, which he established in 2001 with the support and backing of AIG. Ascot became one of the largest and top-performing businesses in Lloyd's. He is the founder of his family's charitable trust and former Chairman of Derby-based charity, The Maria Hanson Foundation.

Harold Michael Clunie Cunningham, 75
Non-executive Chairman
Michael has worked in the investment management business for over 25 years. Within Rathbones, he was an investment director with responsibility for the AIM-focused Venture Capital Trusts.

Arthur Roger Manners, 63
Finance Director
Arthur has nearly 30 years' experience in the insurance industry. He joined the Board in April 2016 as Finance Director. He previously worked for Beazley Group plc from 1993 to 2009 as finance director and latterly as company secretary. He remains chairman of the trustees of the Beazley Furlonge Pension Scheme.

Nigel John Hanbury, 66
Executive Deputy Chairman
Nigel was appointed Executive Deputy Chairman in April 2023 after stepping down as CEO, a position which he had filled since October 2012. He was a chief executive and then chairman of Hampden Agencies Limited. He serves on the board of the Association of Lloyd's Members. In December 2009 he ceased being chairman of Hampden and in 2011 acquired a majority stake in HIPCC, a Guernsey cell company, formerly wholly owned by Hampden plc.

Edward Fitzalan-Howard, Duke of Norfolk, 66
Non-executive Director
Edward was educated at Oxford and in 1979 he set up an energy company, Sigas, which he sold in 1988 before starting Parkwood, a waste management business which he sold to Viridor in 2002. Since then, his main focus has been the building up of his family estates. He has previously been a member of Lloyd's.

Tom John Libassi, 64
appointed 20 April 2021
Non-executive Director
Tom is the co-founder and managing partner of Resolute Global Partners, an investment firm specialising in insurance-linked securities, of which funds under management of, or associated with, participated in the Company's recent fundraising. Prior to founding Resolute Global Partners, Mr Libassi was a managing director at Strategic Value Partners as well as holding the position of chairman at Mach Gen LLC. From 1986 to 1994, Mr. Libassi was a vice president and portfolio manager at Keystone Custodian Funds, Inc., with portfolio management responsibilities for three diverse institutional high yield accounts with $250m in collective assets. Mr. Libassi received an MBA from the University of Pennsylvania and a BA in Economics and Government from Connecticut College.

Andrew Hildred Christie, 67
Non-executive Director
Andrew Christie is an adviser of corporate finance advisory firm Smith Square Partners LLP and has nearly 30 years' experience in corporate finance. Prior to Smith Square Partners, he was a managing director in the investment banking division of Credit Suisse Europe and prior to that he was head of investment banking in Asia Pacific for Credit Suisse First Boston and Barclays de Zoete Wedd.

Committee membership
- (A) Audit Committee
- (N) Nomination and Remuneration Committee
- ● Chair of Committee

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

The Company is incorporated in the UK and the Company's shares are traded on AIM of the London Stock Exchange. As a result, the Company is subject to the UK's City Code on Takeovers and Mergers.

The Board is committed to achieving a high standard of corporate governance within the Company and its subsidiaries, which it seeks to demonstrate by adopting and being compliant with the principles of the Quoted Companies Alliance's Corporate Governance Code (the "QCA Code"). The Board considers the QCA Code is relevant and appropriate for the Company as the ten principles of the QCA Code focus on the "pursuit of medium to long-term value for shareholders without stifling the entrepreneurial spirit in which the company was created".

Accordingly, the Board ensures the Company has a strong governance framework embedded within its culture and applies the principles of the QCA Code. The Board requires that the Company's strategy of building a portfolio of underwriting capacity at Lloyd's through the purchase of corporate members is carried out in a manner that is ethical and sustainable. This is achieved by focusing on syndicate portfolios comprising quality syndicates which are managed by leading managing agents at Lloyd's. The Directors and the Board determine, support and will observe the Company's ethical values in order to promote and preserve the Company's reputation. The Board periodically reviews the governance framework and, as the Company evolves, will make such improvements and changes as considered necessary.

Section 172(1) statement

The Directors have complied with their responsibilities under Section 172 of the Companies Act 2006, which requires them to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

In doing so, the Directors have had regard to the interests of stakeholders affected by the Company's activities and to the likely consequences of decisions in the long term. The Board has set a number of key strategic priorities for 2023, as detailed earlier in this report. These priorities reflect the need to consider the interests of our staff and the need to keep pace with market initiatives and technological changes so the business is appropriately positioned to take best advantage of market conditions. The strategic priorities are cascaded down by the Executive Directors through direct communication with those responsible for putting measures in place and taking action to achieve them.

The Board is committed to ensuring the Company's business remains sustainable, not only from the shareholders' perspective, but also for the environment, customers, suppliers and others affected by our activities. In so doing, the Board has regard to the following matters:

The Company's Section 172(1) statement is also available at https://www.huwplc.com/assets/huwplc-section-172-statement-200505.pdf

Interests of the Company's employees

Engaged, enabled and empowered employees who contribute to the best of their potential are fundamental to the long-term success of the business. We have six employees, including the Chief Executive Officer, Executive Deputy Chairman and the Finance Director, and we actively seek to understand their values and what motivates them and to take this into account in the way we operate. We have a flexible remote working model which has proved effective and worked well for our employees, whilst enabling the Company to adapt over the past two years. In all instances, two-way communication is actively sought and encouraged. Oversight of performance is maintained through an annual performance and development review process conducted by the Nomination and Remuneration Committee and we seek to offer appropriate levels of remuneration and incentives, drawing on comparator benchmark surveys as appropriate. The Company's operations are reliant on key staff. The Directors believe that its policies, remuneration and benefit packages are appropriate to recruit and retain such staff. Helios is also committed to diversity and maintaining an inclusive workplace culture where everyone of any background is able to contribute in full to the success of our business.

Fostering business relationships with customers, suppliers and others

The Company's business model and strategy, as detailed earlier, is to build a portfolio of syndicate underwriting capacity at Lloyd's. The Lloyd's managing agents are, in turn, responsible for managing the syndicates, their staff and employment policies and dealing with customers, suppliers and others involved in their supply chain.

Input from the managing agents is important and, periodically, they provide market updates and information to the Board which is taken into account when making decisions about the capacity portfolio.

Our relationships with managing agents, outsource providers and professional advisers or other providers of services to the Company, including reinsurers, are formally recorded in written contracts, engagement letters, service level agreements and terms of business. The Executive Directors monitor performance under these arrangements and pay our suppliers in accordance with the Company's agreed payment policy. Again, transparent two-way communication with our suppliers is actively sought and encouraged.

The impact of the Company's operations on the community and the environment

The Board is committed to ensuring the Company's business remains sustainable for the community, environment and others affected by the Company's activities and considers participation in quality syndicates, whose key characteristics are conservative reserving and a focus on profit rather than growth, is important in ensuring the Company's long-term success and sustainability. Whilst the managing agents have direct responsibility for managing the syndicates and the impact of their businesses on the environment and the community, the managing agents' performance in this respect is periodically reported to and reviewed by the Company's Executive Directors. Employees are also encouraged to have regard to the impact on the environment in the conduct of their business affairs.

As detailed earlier, on 23 March 2023 the Board approved an environmental, social and governance (ESG) policy statement. Helios offers investors exposure to a diversified portfolio of syndicates at Lloyd's of London. As a consequence, Helios is inexorably aligned to the approach Lloyd's takes with regard to the society as a whole in addition to those adopted by the various managing agencies.

As we construct our portfolio each year, considerable emphasis is given to understanding individual syndicate actions with regard to ESG. This includes an understanding of the risks contemplated as well as the ESG initiatives adopted within the respective businesses and their management teams. We support the ESG strategy of Lloyd's who has outlined their ambition to integrate sustainability into all of Lloyd's business activities. Lloyd's have stated that embedding ESG across the market and corporation is a top priority and is interwoven with their purpose of creating a braver world. Helios fully supports Lloyd's approach and oversight of the market.

Greenhouse gas emissions, energy consumption and energy efficiency disclosures have not been given because the Group consumed less than 40,000kWh of energy during the period.

Maintaining a reputation for high standards of business conduct

The Board recognises the importance of the Company preserving and maintaining its long-established reputation for high standards of business conduct to ensure the business remains sustainable, maximises its competitive advantage over the longer term and builds value for shareholders.

The strategy of building a portfolio of underwriting capacity at Lloyd's through the purchase of corporate members is carried out in a manner that the Board considers is ethical and sustainable. This is achieved by focusing on quality syndicates that are then managed by leading managing agents at Lloyd's, who in turn are required to demonstrate high standards of business conduct.

These Lloyd's managing agents must comply with Lloyd's Minimum Standards as well as requirements of the Financial Conduct Authority and the Prudential Regulation Authority, which together set a high bar for conduct and how relationships and business are managed. Notably, the Lloyd's Minimum Standards (transitioning to "Principles for doing business at Lloyd's") encompass matters such as claims management and treating customers fairly. The Chief Executive Officer, Executive Deputy Chairman and Finance Director are in regular contact with the research team at Hampden Private Capital, which liaises with the managing agents on a regular basis not only to review performance of the portfolio, but also to consider governance matters and compliance with Lloyd's Minimum Standards.

Acting fairly between shareholders of the Company

The support and engagement of our shareholders is imperative to the future success of the Company and the Board is committed to communicating openly and effectively with all shareholders and to understanding their needs and expectations. To achieve this, the Board encourages two-way communication with shareholders and responds appropriately to ensure all questions or issues received from them are addressed in a timely manner.

The Chief Executive Officer, Executive Deputy Chairman, Finance Director and Chairman have regular, direct contact with large shareholders and make sure that their opinions are communicated to the Board as needed. There has been regular dialogue with shareholders during the year, including holding briefings with analysts and other investors. The Company also uses the Annual General Meeting as an opportunity to communicate with its shareholders. In so far as is practicably possible, all Directors are expected to attend the Annual General Meeting, with the Chair of the Audit and Nomination and Remuneration Committees being available to answer shareholders' questions.

We also have an ongoing dialogue with shareholders through formal communication of financial results on a yearly and half yearly basis and provide periodic market updates and press releases to ensure compliance with the AIM Rules.

Material decisions impacting stakeholders which took place in the year ended 31 December 2022

When the Board makes decisions, due regard is given to the matters listed above in varying degrees depending on their relevance. Notable examples include decisions made on financing arrangements to enable the Company to pursue its acquisition strategy whilst at the same time allowing sufficient working capital for the business, relevant to employees and suppliers, and the dividend policy relevant directly to shareholders and indirectly impacting all stakeholders of the business.

Michael Cunningham
Non-executive Chairman
25 May 2023

Board balance and independence

The Board consists of three Executive Directors and four Non-executive Directors including the Chairman. The Board considers that all the Non-executive Directors are independent in character and judgement and reviews on an ongoing basis whether there are relationships or circumstances which are likely to affect or could affect the independence of the Non-executive Directors.

Each of the Directors brings a mix of skills and experience and knowledge, the balance of which enables the Board to discharge its duties effectively. Upon joining the Board, Directors receive an induction on various aspects of the Company. The Company Secretary supports the Chairman in addressing the training and development needs of Directors to ensure they are kept up to date with changes to law, regulations and corporate governance best practice. The Directors receive updates from the Company Secretary and other various external advisers on legal requirements and regulations, remuneration matters and corporate governance best practice.

All Directors have agreed in their terms of engagement to commit such time as is necessary to discharge their responsibilities to the Company effectively; to attend all scheduled Board, Committee, strategy, Non-executive Director (where applicable) and shareholder meetings; and to be available at all times to discharge their duties effectively. Details of attendance at Board and Committee meetings are set out on page 23.

The role of the Board

The Board is responsible for formulating, reviewing and approving the Company's strategy; determining the budget; approving corporate actions; monitoring performance and progress against plans and strategy; and corporate governance within the Company. The Company holds Board meetings at least four times each financial year and at other times as and when required. The Board also holds dedicated strategy meetings and regular informal discussions are held between the Executive and Non-executive Directors. There is a formal schedule of matters reserved for the Board.

The Non-executive Chairman, Michael Cunningham, is responsible for running the Board effectively and ensuring the Company's approach to corporate governance is appropriate, with assistance from the Company Secretary.

The Executive Directors are responsible for day-to-day management of the Company, running the business and informing and consulting with the Board about any significant financial and operational matters. Key areas of responsibility for the Non-executive Directors include constructively challenging and helping to develop proposals on strategy; monitoring and scrutinising the reporting of performance against agreed goals and objectives; determining the integrity of financial information and that financial controls and risk management systems are robust and defensible; determining remuneration of the Executive Directors; appointing and removing Executive Directors; and planning succession.

The Company Secretary ensures that all Directors receive regular and timely information about the Company's operational and financial performance and that all necessary information is circulated to the Directors sufficiently in advance of meetings to enable the Board to have meaningful discussions and make informed decisions. All Directors have access to advice and assistance from the Company Secretary and are permitted to obtain independent professional advice at the Company's expense where they consider it necessary for them to effectively discharge their duties. On an ongoing basis, Directors are encouraged to raise any issues or concerns with the Chairman as soon as appropriate, as the Chairman will do in the event that there are any matters causing the Company concern.

The Board agenda for each meeting is collated by the Chairman in conjunction with the Company Secretary. The agenda ensures that adequate time is spent on operational and financial matters. The Non-executive Chairman has been instrumental in formalising regular, dedicated strategy meetings. During the course of the year, the topics subject to Board discussion at formal scheduled Board meetings included:

- strategic planning;
- financial performance and budget;
- acquisitions and Group structure changes;
- share structure and capital; and
- approval of annual and half year reports.

Minutes of all Board and Committee meetings are recorded by the Company Secretary.

Committees

Audit Committee

The members of the Audit Committee are all Non-executive Directors, being Michael Cunningham, Edward Fitzalan-Howard and Andrew Christie, who chairs the Committee. The Committee met three times during the year to fulfil its duties and with auditors without management present.

The Committee is comprised of independent Non-executive Directors only. The major tasks undertaken by the Committee include monitoring the integrity of the Company's financial reporting, reviewing internal controls and risk management systems and oversight of the external audit process. The CEO and Finance Director are invited to attend the Audit Committee meetings if appropriate.

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

During the year, the Committee worked with the auditors, PKF Littlejohn, on audit planning and reviewed the findings from the final year audit and mid-year review and considered relevant significant accounting policies, particularly where judgement was required. Members of the Committee had separate discussions with the auditors without management being present on the adequacy of controls and any judgemental areas, as well as feedback on the 2022 audit.

Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are Andrew Christie, who chairs the Committee, Michael Cunningham, Edward Fitzalan-Howard and Tom Libassi, all of whom are independent Non-executive Directors. The Committee met four times during the year to fulfil its duties.

In respect of its remuneration duties, the Committee determines and agrees the Board policies for pay, bonuses, incentives and other rewards; employee benefits; and the conditions of employment. The Committee's terms of reference try to ensure that members of the executive management are provided with sufficient incentives to encourage enhanced performance and are in a fair and responsible manner rewarded for their individual contribution to the success of the Company. During the year, the Committee considered short-term incentives and remuneration, strategic objectives and performance targets and the workings of the joint stock option plan.

The Committee also has responsibility for periodically reviewing the structure, size and composition of the Board with a view to the Company's strategy and likely future requirements; considering succession planning; and identifying candidates and recommending new appointments to the Board. Any recommendations from such reviews are reported to the Board and, should they identify a need for training and development or indeed a change in composition of the Board, they would be actioned appropriately.

Relations with shareholders

The Board is committed to communicating effectively with the Company's shareholders and other stakeholders, and to understanding their needs and expectations. To achieve this, the Board encourages two-way communication with investors and stakeholders and responds appropriately to ensure all questions or issues received from them are addressed in a timely manner.

The Chief Executive Officer, Finance Director and Chairman have regular, direct contact with large shareholders and make sure that their opinions are communicated to the Board as needed. There has been regular dialogue with shareholders during the year including holding briefings with analysts and other investors. The Company also uses the Annual General Meeting as an opportunity to communicate with its shareholders. All Directors are expected to attend the Annual General Meeting with the Chair of the Audit and Nomination and Remuneration Committees being available to answer shareholders' questions.

Notice of the date of the 2023 Annual General Meeting is included with this report. Separate resolutions on each substantially separate issue, in particular any proposal relating to the Annual Report and Accounts, will be made at the Annual General Meeting.

Board performance evaluation

The performance of all continuing Directors is considered before they are proposed for re-election at each AGM.

During 2022, the Board completed a formal review of its own performance and the performance of the Board's Committees and the Chairman. The review was conducted internally by the Company Secretary and consisted of written responses to a standard questionnaire. Views and recommendations were consolidated into a report which was presented to the Board for review. Matters requiring further consideration were either referred to the Nomination and Remuneration Committee or were allocated to the Board as a whole for further analysis, and issues raised by the evaluation exercise were used to improve the effectiveness of the Board and introduce improvements to Board processes. A further evaluation of performance will be completed by the end of 2023.

Board and Committee meeting attendance

The Company holds Board meetings regularly throughout the year. Six full Board meetings were held during the year, as well as three Audit Committee meetings and four Nomination and Remuneration Committee meetings.

	Board		Audit Committee		Nomination and Remuneration Committee	
Director	Possible number of meetings	Number of meetings attended	Possible number of meetings	Number of meetings attended	Possible number of meetings	Number of meetings attended
Michael Cunningham	6	5	3	2	4	4
Nigel Hanbury	6	6	—	—	—	—
Arthur Manners	6	6	—	—	—	—
Andrew Christie	6	6	3	3	4	4
Edward Fitzalan-Howard	6	4	3	2	4	3
Martin Reith	6	6	—	—	—	—
Tom Libassi	6	6	—	—	4	4

Corporate governance statement – Year ended 31 December 2022 continued

Subsidiary board and committees

Nigel Hanbury and Nomina plc are directors of the following subsidiary companies:

	Nigel Hanbury (appointed)	Nomina plc (appointed)
Nameco (No. 917) Limited	18 February 2013	17 September 2004
Helios UTG Partner Limited	Not a director	27 August 2013
Devon Underwriting Limited	21 January 2016	21 January 2016
Nameco (No. 346) Limited	27 May 2016	22 September 1999
Pooks Limited	1 August 2008	31 December 2002
Charmac Underwriting Limited	3 April 2017	4 September 2013
Nottus (No 51) Limited	8 June 2017	9 September 1997
Chapman Underwriting Company Limited	20 November 2017	31 December 2002
Llewellyn House Underwriting Limited	19 October 2018	19 October 2018
Advantage DCP Limited	6 December 2018	11 March 2014
Romsey Underwriting Limited	10 December 2018	10 December 2018
Nameco (No. 409) Limited	6 February 2019	6 February 2019
Nameco (No. 1113) Limited	19 December 2013	29 August 2013
Catbang 926 Limited	19 December 2019	7 September 2006
Whittle Martin Underwriting	20 December 2019	23 June 2016
Nameco (No. 408) Limited	28 January 2020	27 October 1999
Nameco (No 510) Limited	27 November 2020	9 November 2000
Nameco (No 544) Limited	27 November 2020	7 November 2000
N J Hanbury Limited	3 October 1998	31 December 2002
Nameco (No 1011) Limited	21 September 2021	21 September 2010
Nameco (No 1111) Limited	21 September 2021	29 August 2013
North Breache Underwriting Limited	21 September 2021	31 December 2002
G T C Underwriting Limited	22 September 2021	14 January 2016
Hillnameco Limited	22 September 2021	7 August 2014
Nameco (No 2012) Limited	23 September 2021	13 May 2003
Nameco (No 1095) Limited	24 September 2021	2 August 2013
New Filcom Limited	29 September 2021	29 September 2021
Kemah Lime Street Capital	30 September 2021	30 September 2021
Nameco (No 1130) Limited	30 September 2021	25 September 2013
Nameco (No 389) Limited	5 October 2021	24 September 1999
Nameco (No 301) Limited	13 October 2021	22 September 1999
Nameco (No 1232) Limited	13 October 2021	31 July 2014
Shaw Lodge Limited	15 October 2021	15 October 2021
Queensberry Underwriting	9 November 2021	17 January 2018
Chanterelle Underwriting Limited	26 November 2021	31 December 2006
Exalt Underwriting Limited	16 December 2021	16 December 2021
Nameco (No 1110) Limited	20 December 2021	29 August 2013
Clifton 2011 Limited	22 December 2021	22 December 2021
Harris Family UTG Limited	6 December 2022	6 December 2022
White House Underwriting Limited	29 December 2022	29 December 2022
Risk Capital UTG Limited	31 December 2022	25 September 2013

Conflict management

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

HIPCC Limited acts as an intermediary for the reinsurance products purchased by Helios. An arrangement has been put in place so that 51% of the profits generated by HIPCC in respect of the business relating to Helios will be repaid to Helios for the business transacted for the 2021 and subsequent underwriting years. The consideration paid to Nigel Hanbury of £100,000 reflects the HIPCC income that he is expected to forgo.

Michael Cunningham
Non-executive Chairman
25 May 2023

Directors’ responsibilities statement – Year ended 31 December 2022

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have elected to prepare the Group and Parent Company Financial Statements in accordance with UK adopted IAS. Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company’s transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

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

Martin Reith
Chief Executive Officer
25 May 2023

Directors' report – Year ended 31 December 2022

The Directors present their report and the audited Group and Parent Company Financial Statements for the year ended 31 December 2022.

General information

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

Principal activity, review of the business and future developments

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

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

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

Results and dividends

The Group result for the year ended 31 December 2022 is shown in the consolidated statement of comprehensive income. The total comprehensive income for the year was a loss of £1.3m (2021: profit £4.9m).

An ordinary dividend of £2,034,000 was paid during calendar year 2022 (2021: £2,018,000).

Charitable and political donations

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

Directors and their interests

Under the Articles of Association, any Director appointed as a Director by the Board since the Company's last Annual General Meeting as well as one third of the remaining Directors are required to retire from the Board by rotation at the forthcoming Annual General Meeting and may offer themselves for re-election as Directors. Consequently, Michael Cunningham and Arthur Manners are retiring by rotation and offering themselves for re-election as Directors of the Company at the 2022 Annual General Meeting.

Policy and practice on the payment of creditors

It is the Group's policy to:

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

The number of days' purchases outstanding at 31 December 2022 is nil (2021: nil).

Substantial shareholdings

The substantial shareholders shown below as at 22 May 2023:

Substantial Shareholdings	Number of shares	% holding
Resolute Global Partners Ltd	13,407,000	17.34%
Hudson Structured Capital Management Ltd	12,500,000	16.17%
Polar Capital Funds PLC	10,525,000	13.61%
N J Hanbury (either personally or has an interest in)	9,562,358	12.37%
Odey Asset Management LLP	7,669,781	9.92%
Will Roseff	5,187,695	6.71%
Ardnave Capital Ltd	2,916,667	3.77%

Disclosure of information to auditors

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

Auditors and the Annual Report

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

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

Approved by the Board of Directors and signed on behalf of the Board on 25 May 2023.

Martin Reith
Chief Executive Officer
25 May 2023

Independent auditors' report – To the members of Helios Underwriting plc

Opinion

We have audited the financial statements of Helios Underwriting Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise of the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's cashflow forecast for the going concern period being twelve months from the anticipated date of signing the financial statements.
- Discussions held with management to challenge their assumptions in preparing their cashflow model and in particular their future capital expenditure plans.
- Challenging management on the group's underwriting risk appetite and their assessment of the current state of the Lloyd's of London insurance market.
- Considering the risks inherent in the going concern model and performing an analysis of how those risks might affect the group's ability to continue operations over the going concern period.
- Checking and ensuring the integrity of the group's going concern model.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, either individually or in aggregate, could reasonably be expected to influence the economic decisions of users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements. The application of these key considerations gives rise to the following level of materiality, the quantum and purpose of which is tabulated below.

Materiality measure	Basis for materiality and key considerations	Materiality
Group financial statements	In assessing materiality, we used a number of benchmarks such as the result before tax, gross and net assets. We concluded that a reasonable estimate of materiality should be 1% of the group's net assets based on the year end draft management accounts.	£1,171,000 (2021: £990,000)
Parent company	We have used a similar approach for the parent company, and we concluded that a reasonable estimate of materiality should be 0.5% of the parent company's net assets based on the year end draft management accounts. We have also taken into account that the parent company does not trade and its only income is based on its investments in subsidiaries. A lower level of materiality was thus considered to be appropriate.	£680,000 (2021: 560,000)

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £58,550 (2021: £49,500) for the group financial statements and £34,150 (2021: £28,000) for the parent company financial statements, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Our application of materiality continued

We used a different level of materiality (performance materiality) to determine the extent of our testing for the audit of the group's and parent company's financial statements. The performance materiality was set at £936,000 (2021: £792,000) for the group financial statements and £546,400 (2021: £448,000) for the parent company's financial statements.

We reassessed materiality at the end of the audit and did not find it necessary to revise our planning materiality.

Our approach to the audit

Our audit approach was developed by obtaining an understanding of the group's activities, such as the group's reinsurance arrangements, the key subjective judgements made by the directors (for example in respect of the estimated fair value of the assets and liabilities of the subsidiaries acquired during the year) and the overall control environment.

Based on this understanding we assessed those aspects of the group's transactions and balances which were most likely to give rise to a material misstatement and were most susceptible to irregularities including fraud and error. Specifically, we identified what we considered to be key audit matters and planned our audit approach accordingly.

Key audit matters

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

Key audit matter	How our scope addressed this matter
Preparation of financial statements The group's primary statements aggregate the results of its underwriting subsidiaries, which consist of corporate members of Lloyd's of London ("Lloyd's"). The result of the subsidiaries' activities is largely derived by returns prepared by Lloyd's which themselves are based on the syndicates' audited financial statements. The group's financial statements aggregate the disclosure analysis from those subsidiaries to produce its primary statements and the necessary disclosures. The group then applies its own reinsurance arrangements to these figures to derive the final figures reported in the primary statements and notes to the financial statements.	We obtained an understanding and evaluated the design and implementation of controls that have been established in relation to the preparation of the financial statements. We also performed the following procedures: • Reviewed the process adopted by management in order to collate and aggregate the data produced by Lloyd's. • We tested, on a sample basis, the data used by management to produce the financial statements back to the returns received from Lloyd's. • Reviewed the Syndicate Auditor's Questionnaires attached to the data produced by Lloyd's. • Reviewed the accounting of the premium and recoveries of the member level reinsurances. Based on the procedures we performed, we believe that the group financial statements appropriately reflect the aggregate of the subsidiaries' activities with the parent company activities.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and the insurance sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and the application of our cumulative audit knowledge and experience of the insurance sector.
- We determined the principal laws and regulations relevant to the parent company in this regard to be those that relate to the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the group financial statements included the prudential and supervisory requirements of the stock exchange and Lloyd's of London, tax legislation, and the financial reporting framework.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the parent company and the group with those laws and regulations. These procedures included, but were not limited to, making enquiries of management and those responsible for legal and compliance matters. We also reviewed the minutes of the board to identify any indications of non-compliance.
- We also identified possible risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was potential for management bias in the reporting of events and transactions in the financial statements relating to the fair value assessment of the assets and liabilities of the subsidiaries during the year. To address this, we challenged the assumptions and judgements made by management when auditing this significant accounting estimate.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to, the testing of journals and reviewing accounting estimates for evidence of bias and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business which comes to our attention.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Ian Cowan (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP, Statutory Auditor
25 May 2023

15 Westferry Circus, Canary Wharf
London E14 4HD

Consolidated statement of comprehensive income – Year ended 31 December 2022

	Note	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Gross premium written	6	**244,615**	106,058
Reinsurance premium ceded	6	**(56,977)**	(26,935)
Net premium written	6	**187,638**	79,123
Change in unearned gross premium provision	7	**(45,723)**	(11,201)
Change in unearned reinsurance premium provision	7	**8,478**	1,484
Net change in unearned premium and reinsurance provision	7	**(37,245)**	(9,717)
Net earned premium	5,6	**150,393**	69,406
Net investment income	8	**(2,776)**	568
Other underwriting income		**1,127**	723
Gain on bargain purchase	22	**—**	1,219
Other income		**(399)**	(82)
Revenue		**148,345**	71,834
Gross claims paid		**(66,652)**	(46,478)
Reinsurers' share of gross claims paid		**15,832**	11,328
Claims paid, net of reinsurance		**(50,820)**	(35,150)
Change in provision for gross claims	7	**(63,339)**	(15,796)
Reinsurers' share of change in provision for gross claims	7	**18,320**	6,204
Net change in provision for claims	7	**(45,019)**	(9,592)
Net insurance claims incurred and loss adjustment expenses	6	**(95,839)**	(44,742)
Expenses incurred in insurance activities		**(53,828)**	(25,407)
Other operating expenses		**(3,847)**	(2,330)
Total expenses	9	**(57,675)**	(27,737)
Operating profit before impairments of goodwill and capacity	6	**(5,169)**	(645)
Income tax credit	10	**1,852**	211
Loss for the year		**(3,317)**	(434)
Other comprehensive income			
Revaluation of syndicate capacity		**2,670**	8,132
Deferred tax relating to the components of other comprehensive income		**(668)**	(2,766)
Other comprehensive income for the year, net of tax		**2,002**	5,366
Total comprehensive (loss)/income for the year		**(1,315)**	4,932
Loss for the year attributable to owners of the Parent		**(3,317)**	(434)
Total comprehensive (loss)/income for the year attributable to owners of the Parent		**(1,315)**	4,932
Loss per share attributable to owners of the Parent			
Basic	11	**(4.87)p**	(0.75)p
Diluted	11	**(4.87)p**	(0.75)p

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

The notes are an integral part of these Financial Statements.

Consolidated statement of financial position – At 31 December 2022

Company number: 05892671

	Note	31 December 2022 £'000	31 December 2021 £'000
Assets			
Intangible assets	13	**61,434**	60,889
Financial assets at fair value through profit or loss	15	**226,013**	153,844
Reinsurance assets:			
– reinsurers' share of claims outstanding	7	**80,726**	53,433
– reinsurers' share of unearned premium	7	**21,333**	10,538
Other receivables, including insurance and reinsurance receivables	16	**147,676**	87,859
Deferred acquisition costs	17	**24,991**	13,615
Prepayments and accrued income		**5,076**	799
Cash and cash equivalents		**25,300**	24,624
Total assets		**592,549**	405,601
Liabilities			
Insurance liabilities:			
– claims outstanding	7	**272,015**	186,653
– unearned premium	7	**114,663**	59,611
Deferred income tax liabilities	18	**11,312**	11,965
Borrowings	19	**15,000**	—
Other payables, including insurance and reinsurance payables	20	**54,893**	34,927
Accruals and deferred income		**7,488**	4,699
Total liabilities		**475,371**	297,855
Equity			
Equity attributable to owners of the Parent:			
Share capital	21	**7,774**	6,931
Share premium	21	**98,268**	86,330
Revaluation reserve		**11,350**	9,348
Other reserves – treasury shares (JSOP)		**(110)**	(110)
Retained earnings		**(104)**	5,247
Total equity		**117,178**	107,746
Total liabilities and equity		**592,549**	405,601

The Financial Statements were approved and authorised for issue by the Board of Directors on 25 May 2023, and were signed on its behalf by:

Martin Reith
Chief Executive Officer
25 May 2023

The notes are an integral part of these Financial Statements.

Parent Company statement of financial position – At 31 December 2022

Company number: 05892671

	Note	31 December 2022 £'000	31 December 2021 £'000
Assets			
Investments in subsidiaries	14	**65,546**	71,362
Financial assets at fair value through profit or loss	15	**731**	285
Other receivables	16	**74,783**	38,496
Cash and cash equivalents		**9,348**	14,094
Total assets		**150,408**	124,237
Liabilities			
Borrowings	19	**15,000**	—
Other payables	20	**5,130**	3,864
Total liabilities		**20,130**	3,864
Equity			
Equity attributable to owners of the Parent:			
Share capital	21	**7,774**	6,931
Share premium	21	**98,268**	86,330
		106,042	93,261
Retained earnings:			
At 1 January		**27,112**	19,325
(Loss)/profit for the year attributable to owners of the Parent		**(842)**	9,805
Other changes in retained earnings		**(2,034)**	(2,018)
At 31 December		**24,236**	27,112
Total equity		**130,278**	120,373
Total liabilities and equity		**150,408**	124,237

The Financial Statements were approved and authorised for issue by the Board of Directors on 25 May 2023, and were signed on its behalf by:

Martin Reith
Chief Executive Officer
25 May 2023

The notes are an integral part of these Financial Statements.

Consolidated statement of changes in equity – Year ended 31 December 2022

		Attributable to owners of the Parent					
	Note	Share capital £'000	Share premium £'000	Revaluation reserve	Other reserves (JSOP) £'000	Retained earnings £'000	Total equity £'000
At 1 January 2021		3,393	35,525	3,982	(50)	7,699	50,549
Total comprehensive income for the year:							
Loss for the year		—	—	—	—	(434)	(434)
Other comprehensive income, net of tax		—	—	5,366	—	—	5,366
Total comprehensive income for the year		—	—	5,366	—	(464)	4,932
Transactions with owners:							
Dividends paid	12	—	—	—	—	(2,018)	(2,018)
Company buyback of ordinary shares	21, 23	—	—	—	—	—	—
Share issue, net of transaction cost	21	3,538	50,805	—	(60)	—	54,283
Other comprehensive income, net of tax		—	—	—	—	—	—
Total transactions with owners		3,538	50,805	—	(60)	(2,018)	52,265
At 31 December 2021		6,931	86,330	9,348	(110)	5,247	107,746
At 1 January 2022		6,931	86,330	9,348	(110)	5,247	107,746
Total comprehensive income for the year:							
Loss for the year		—	—	—	—	(3,317)	(3,317)
Other comprehensive income, net of tax		—	—	2,002	—	—	2,002
Total comprehensive income for the year		—	—	2,002	—	(3,317)	(1,315)
Transactions with owners:							
Dividends paid	12	—	—	—	—	(2,034)	(2,034)
Company buyback of ordinary shares	21, 23	—	—	—	—	—	—
Share issue, net of transaction cost	21	843	11,938	—	—	—	12,781
Other comprehensive income, net of tax		—	—	—	—	—	—
Total transactions with owners		843	11,938	—	—	(2,034)	10,747
At 31 December 2022		**7,774**	**98,268**	**11,350**	**(110)**	**(104)**	**117,178**

The notes are an integral part of these Financial Statements.

Parent Company statement of changes in equity – Year ended 31 December 2022

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 January 2021		3,393	35,525	19,325	58,243
Total comprehensive income for the year:					
Profit for the year		—	—	9,805	9,805
Other comprehensive income, net of tax		—	—	—	—
Total comprehensive income for the year		—	—	9,805	9,805
Transactions with owners:					
Dividends paid	12	—	—	(2,018)	(2,018)
Company buyback of ordinary shares	21, 23	—	—	—	—
Share issue, net of transaction costs		3,538	50,805	—	54,343
Total transactions with owners		3,538	50,805	(2,018)	52,325
At 31 December 2021		6,931	86,330	27,112	120,373
At 1 January 2022		6,931	86,330	27,112	120,373
Total comprehensive income for the year:					
Loss for the year		—	—	(842)	(842)
Other comprehensive income, net of tax		—	—	—	—
Total comprehensive income for the year		—	—	(842)	(842)
Transactions with owners:					
Dividends paid	12	—	—	(2,034)	(2,034)
Company buyback of ordinary shares	21, 23	—	—	—	—
Share issue, net of transaction costs		843	11,938	—	12,781
Total transactions with owners		843	11,938	(2,034)	10,747
At 31 December 2022		**7,774**	**98,268**	**24,236**	**130,278**

The notes are an integral part of these Financial Statements.

Consolidated statement of cash flows – Year ended 31 December 2022

	Note	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Cash flows from operating activities			
Loss before tax		**(5,169)**	(645)
Adjustments for:			
– interest received	8	**(520)**	(17)
– investment income	8	**(2,350)**	(1,549)
– gain on bargain purchase	22	**—**	(1,219)
– profit on sale of intangible assets		**(262)**	(12)
Changes in working capital:			
– change in fair value of financial assets held at fair value through profit or loss	8	**4,490**	1,316
– increase in financial assets at fair value through profit or loss		**(66,153)**	(31,436)
– Increase/(decrease) in other receivables		**(65,566)**	1,162
– Increase/(decrease) in other payables		**15,600**	(3,800)
– net increase in technical provisions		**92,262**	18,285
Cash used in operations		**(27,668)**	(17,915)
Income tax paid		**(166)**	(675)
Net cash used in operating activities		**(27,834)**	(18,590)
Cash flows from investing activities			
Interest received	8	**520**	17
Investment income	8	**2,350**	1,549
Purchase of intangible assets	13	**(696)**	(2,984)
Proceeds from disposal of intangible assets		**5,373**	1,809
Acquisition of subsidiaries, net of cash acquired		**(4,784)**	(13,255)
Net cash from investing activities		**2,763**	(12,864)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**12,781**	53,601
Proceeds from borrowings	19	**15,000**	—
Repayment of borrowings	19	**—**	(4,000)
Dividends paid to owners of the Parent	12	**(2,034)**	(2,018)
Net cash from financing activities		**25,747**	47,583
Net increase in cash and cash equivalents		**676**	16,129
Cash and cash equivalents at beginning of year		**24,624**	8,495
Cash and cash equivalents at end of year		**25,300**	24,624

Cash held within the syndicates' accounts is £15,046,000 (2021: £8,446,000) of the total cash and cash equivalents held at the year end of £25,300,000 (2021: £24,624,000). The cash held within the syndicates' accounts is not available to the Group to meet its day-to-day working capital requirements.

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

The notes are an integral part of these Financial Statements.

Parent Company statement of cash flows – Year ended 31 December 2022

	Note	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Cash flows from operating activities			
(Loss)/profit before tax		**(842)**	9,222
Adjustments for:			
– investment income		**108**	262
– dividends received		**—**	—
– impairment of investment in subsidiaries	14	**7,218**	(11,192)
Changes in working capital:			
– change in fair value of financial assets held at fair value through profit or loss		**—**	—
– increase in financial assets at fair value through profit or loss		**(446)**	(285)
– (decrease)/increase in other receivables		**(241)**	66
– increase/(decrease) in other payables		**918**	(28)
Net cash from operating activities		**6,715**	(1,955)
Cash flows from investing activities			
Investment income		**(108)**	(263)
Dividends received		**—**	—
Acquisition of subsidiaries	14, 22	**(5,352)**	(22,523)
Amounts owed by subsidiaries	25	**(31,748)**	(12,854)
Net cash used in investing activities		**(37,208)**	(35,640)
Cash flows from financing activities			
Net proceeds from the issue of ordinary share capital		**12,781**	53,601
Payment for Company buyback of shares	24	**—**	—
Proceeds from borrowings	19	**15,000**	—
Repayment of borrowings	19	**—**	(4,000)
Dividends paid to owners of the Parent	12	**(2,034)**	(2,018)
Net cash from financing activities		**25,747**	47,583
Net (decrease)/increase in cash and cash equivalents		**(4,746)**	9,988
Cash and cash equivalents at beginning of year		**14,094**	4,106
Cash and cash equivalents at end of year		**9,348**	14,094

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 – Year ended 31 December 2022

1. General information

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

2. Significant accounting policies

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

Basis of preparation

The Financial Statements have been prepared in accordance with UK adopted IAS and interpretations issued by the IFRS Interpretations Committee ("IFRIC") as adopted by the UK international accounting standards, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss.

Use of judgements and estimates

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

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

Going concern

The Group and the Company have net assets at the end of the reporting period of £117,178,000 and £130,278,000 respectively.

The Company's subsidiaries participate as underwriting members at Lloyd's on the 2020, 2021 and 2022 years of account, as well as any prior run-off years, and they have continued this participation since the year end of the 2023 year of account. This underwriting is supported by funds at Lloyd's totalling £99,840,000 (2021: £48,913,000), letters of credit provided through the Group's reinsurance agreements totalling £27,818,000 (2021: £37,032,000) and solvency credits issued by Lloyd's totalling £1,331,000 (2021: £239,000).

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

International Financial Reporting Standards

Adoption of new and revised standards

In the current year, the Group has applied new IFRSs and amendments to IFRSs issued by the IASB that are mandatory for an accounting period that begins on or after 1 January 2022.

Amendments to IFRS 3 "Business Combinations" – Reference to the Conceptual Framework. IFRS 3 is updated so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 to identify the liabilities it has assumed in a business combination. Lastly, they add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Amendments to IAS 16 "Property, Plant and Equipment". The changes introduced amend the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Amendments to IAS 37 "Provisions Contingent Liabilities and Contingent Assets". The changes specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

Annual Improvements to IFRS Standards 2018–2020 Cycle. The pronouncement contains amendments to four International Financial Reporting Standards (IFRS 1, IFRS 9, IFRS 16 and IAS 41) as result of the IASB's annual improvements project.

There is no material impact on the accounts from adopting the above for the year ended 31 December 2022.

2. Significant accounting policies continued

International Financial Reporting Standards continued

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments adopted by the UK, as well as standards and interpretations issued by the IASB but not yet adopted by the UK, have not been applied in preparing the Consolidated Financial Statements.

The Group does not plan to adopt these standards early; instead it will apply them from their effective dates as determined by their dates of UK endorsement. The Group continues to review the upcoming standards to determine their impact.

IFRS 9 "Financial Instruments" (IASB effective date 1 January 2018) has not been applied under IFRS 4 amendment option to defer until IFRS 17 comes into effect on 1 January 2023.

IFRS 17 "Insurance Contracts" (IASB effective date 1 January 2023).

IAS 1 "Presentation of Financial Statements" – classification of liabilities as current or non-current (IASB effective date 1 January 2023).

IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (IASB effective date 1 January 2023).

IAS 12 "Income Taxes" – deferred tax related to assets and liabilities arising from a single transaction (IASB effective date 1 January 2023).

IFRS 9 "Financial Instruments" (IASB effective date 1 January 2018) has not been applied under the IFRS 4 amendment option. IFRS 9 provides a reform of financial instruments accounting to supersede IAS 39 "Financial Instruments: Recognition and Measurement".

Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" contained an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4. The Group meets the eligibility criteria and has taken advantage of this temporary exemption not to apply this standard until the effective date of IFRS 17.

IFRS 17 "Insurance Contracts" (IASB effective date 1 January 2023) – This replaces IFRS 4 and requires an IFRS reporter to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts. It also requires that profits are recognised as insurance services are delivered (rather than when premiums are received) and for the IFRS reporter to provide information about insurance contract profits the company expects to recognise in the future.

Principles of consolidation, business combinations and goodwill

(a) Consolidation and investments in subsidiaries

The Group Financial Statements incorporate the Financial Statements of Helios Underwriting plc, the Parent Company, and its directly and indirectly held subsidiaries.

The Financial Statements for all of the above subsidiaries are prepared for the year ended 31 December 2022 under UK GAAP. Consolidation adjustments are made to convert the subsidiary Financial Statements prepared under UK GAAP to IFRS so as to align accounting policies and treatments.

No income statement is presented for Helios Underwriting plc as permitted by Section 408 of the Companies Act 2006. The loss after tax for the year of the Parent Company was £842,000 (2021: profit £9,805,000).

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

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

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

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

(b) Business combinations and goodwill

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

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is capitalised and recorded as goodwill. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually or if events or changes in circumstances indicate that the carrying value may be impaired and recognised directly in the consolidated income statement. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly as revenue in the consolidated income statement as a gain on bargain purchase. The gain on bargain purchase is recognised within the operating profit as acquiring LLVs at a discount to their net asset fair value, as this is an important part of the predominant strategy for the Group. Insurance liabilities are not discounted on acquisition when calculating their fair value, as these liabilities will likely all crystallise within three years due to the accounting framework Lloyd's syndicates operate under. Accordingly, any discount applied to insurance liabilities will not be material.

Segmental reporting

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

2. Significant accounting policies continued

Foreign currency translation

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

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

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

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

Underwriting

Premiums

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

Unearned premiums

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

Deferred acquisition costs

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

Reinsurance premiums

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

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

Claims incurred and reinsurers' share

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

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

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

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

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

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

2. Significant accounting policies continued

Underwriting continued

Quota share reinsurance

Under the Group's quota share reinsurance agreements, 70% of the 2020 underwriting year, an average of 47% of the 2021 underwriting year and an average of 26% of the 2022 underwriting year of insurance exposure is ceded to the reinsurers. Amounts payable to the reinsurers are included within "reinsurance premium ceded" in the consolidated statement of comprehensive income of the year and amounts receivable from the reinsurers are included within "reinsurers' share of gross claims paid" in the consolidated statement of comprehensive income of the year.

Unexpired risks provision

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

Closed years of account

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

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

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

Run-off years of account

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

Net operating expenses (including acquisition costs)

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

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

Investment income

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

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

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

Other operating expenses

All expenses are accounted for on an accruals basis.

Intangible assets: syndicate capacity

With effect from 31 December 2020, the Group changed this policy so that syndicate capacity is revalued on a regular basis to its fair value which the Directors believe to be the average weighted value achieved in the Lloyd's auction process. The increase in value of syndicate capacity between its fair value and its cost less impairment is taken to the revaluation reserve through the statement of other comprehensive income net of any tax effect, as required by IAS 38.

2. Significant accounting policies continued

Financial assets

(a) Classification

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

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

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

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

(ii) Loans and receivables

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

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

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

(b) Recognition, derecognition and measurement

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

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

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

Fair value estimation

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

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

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

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

(c) Impairment

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

Asset carried at amortised cost

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

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

Cash and cash equivalents

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

2. Significant accounting policies continued

Borrowings

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

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

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

Borrowing costs

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

Joint Share Ownership Plan (“JSOP”)

On 16 August 2021, the Company issued and allotted 600,000 new ordinary shares of £0.10 each (“ordinary shares”). The new ordinary shares have been issued at a subscription price of 155p per ordinary share, being the closing price of an ordinary share on 16 August 2021, pursuant to the Helios Underwriting plc employees’ Joint Share Ownership Plan (the “Plan”).

The new ordinary shares have been issued into the respective joint beneficial ownership of (i) each of the participating Executive Directors as shown in Note 23 and (ii) the Trustee of JTC Employee Solutions Limited (the “Trust”) and are subject to the terms of joint ownership agreements (“JOAs”) respectively entered into between the Director, the Company and the Trustee. The nominal value of the new ordinary shares has been paid by the Trust out of funds advanced to it by the Company with the additional consideration of 145p left outstanding until such time as new ordinary shares are sold. The Company has waived its lien on the shares such that there are no restrictions on their transfer.

The terms of the JOAs provide, inter alia, that if jointly owned shares become vested and are sold, the proceeds of sale will be divided between the joint owners so that the participating Director receives an amount equal to the amount initially provided by the participating Director plus any growth in the market value of the jointly owned ordinary shares above a target share price of 174.8p (so that the participating Director will only ever receive value if the share sale price exceeds this).

The vesting of the award will be subject to performance conditions relating to growth in net tangible asset value per share measured over the three calendar years from the net tangible asset per share disclosed as at 31 December 2021 of 151p.

The percentage of jointly owned shares that vest shall be dependent on the average growth in net tangible asset value per share during the three financial years ending 31 December 2023. The vesting percentage shall be determined on the average growth in net tangible asset value per share. If the average growth in net tangible asset value does not exceed 5%, then no awards vest, and if the average growth in net tangible asset value exceeds 20% or above, then 100% of the awards vest.

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

Long Term Incentive Plan (“LTIP”)

In 2022, the Company operated the Helios Underwriting Plc Long Term Incentive Plan (“LTIP”). On 16 December 2022, the Company granted 571,427 (see note 23) awards under the LTIP in the form of a nil-cost options.

The awards for the Executive Directors totalled 571,427. The vesting period for the awards is three years subject to continued service and the achievement of specific performance conditions. If the options remain unexercised after a period of ten years from the date of grant, the options expire.

The awards’ performance conditions set threshold (30%) to stretch (60%) targets in respect of the Company’s total shareholder return (“TSR”) over the three year period following the grant of the awards. No portion of the awards shall vest unless the Company’s TSR at the end of the performance period reaches the threshold target, for which one quarter of the awards would vest, rising on a straight line basis to full vesting of the awards for the Company’s TSR over the performance period being equal to the stretch target or better. In the case of Executive Directors, any vested shares will be subject to a two-year holding period.

The fair value of the LTIP awards is calculated using a Monte Carlo (Stochastic) model taking into account the terms and conditions of the awards granted.

No options were exercised during the year. The weighted average remaining life of the options is 9.96 years.

Current and deferred tax

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

Current tax

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

2. Significant accounting policies continued

Current and deferred tax continued

Deferred tax

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

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

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

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

Other payables

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

Share capital and share premium

Ordinary shares are classified as equity.

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

Where the Company buys back its own ordinary shares on the market, and these are held in treasury, the purchase is made out of distributable profits and hence shown as a deduction from the Company's retained earnings.

Dividend distribution policy

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

3. Key accounting judgements and estimation uncertainties

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

The measurement of the provision for claims outstanding is the most significant judgement involving estimation uncertainty regarding amounts recognised in these Financial Statements in relation to underwriting by the syndicates and this is disclosed further in Notes 4 and 7.

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

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

4. Risk management

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

Risk background

The syndicate's activities expose them to a variety of financial and non-financial risks. The managing agent is responsible for managing the syndicate's exposure to these risks and, where possible, introducing controls and procedures that mitigate the effects of the exposure to risk. For the purposes of setting capital requirements for the 2020 and subsequent years of account, each managing agent will have prepared a Lloyd's Capital Return ("LCR") for the syndicate to agree capital requirements with Lloyd's based on an agreed assessment of the risks impacting the syndicate's business and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. The risks described below are typically reflected in the LCR and typically the majority of the total assessed value of the risks concerned is attributable to insurance risk.

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

4. Risk management continued

Risk background continued

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

(a) Syndicate risks

(i) Liquidity risk

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

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

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

2022	No stated maturity £'000	0–1 year £'000	1–3 years £'000	3–5 years £'000	>5 years £'000	Total £'000
Claims outstanding	**—**	**98,332**	**95,723**	**39,265**	**38,695**	**272,015**

2021	No stated maturity £'000	0–1 year £'000	1–3 years £'000	3–5 years £'000	>5 years £'000	Total £'000
Claims outstanding	3	64,445	66,161	27,329	28,715	186,653

(ii) Credit risk

Credit ratings to syndicate assets (Note 28) emerging directly from insurance activities which are neither past due nor impaired are as follows:

2022	AAA £'000	AA £'000	A £'000	BBB or lower £'000	Not rated £'000	Total £'000
Financial investments	**38,125**	**42,837**	**45,204**	**17,617**	**8,126**	**151,909**
Deposits with ceding undertakings	**—**	**—**	**300**	**—**	**33**	**333**
Reinsurers' share of claims outstanding	**3,478**	**25,787**	**47,259**	**171**	**3,989**	**80,684**
Reinsurance debtors	**756**	**674**	**1,957**	**19**	**226**	**3,632**
Cash at bank and in hand	**1,374**	**419**	**13,148**	**1**	**104**	**15,046**
	43,733	**69,717**	**107,868**	**17,808**	**12,478**	**251,603**

2021	AAA £'000	AA £'000	A £'000	BBB or lower £'000	Not rated £'000	Total £'000
Financial investments	22,984	30,330	33,663	16,070	6,588	109,635
Deposits with ceding undertakings	3	—	597	—	20	620
Reinsurers' share of claims outstanding	1,085	16,276	31,285	707	4,033	53,386
Reinsurance debtors	46	773	1,882	212	379	3,292
Cash at bank and in hand	675	117	7,597	19	39	8,447
	24,793	47,496	75,024	17,008	11,059	175,380

Syndicate assets (Note 28) emerging directly from insurance activities, with reference to their due date or impaired, are as follows:

		Past due but not impaired				
2022	Neither past due nor impaired £'000	Less than 6 months £'000	Between 6 months and 1 year £'000	Greater than 1 year £'000	Impaired £'000	Total £'000
Financial investments	**151,909**	**—**	**—**	**—**	**—**	**151,909**
Deposits with ceding undertakings	**333**	**—**	**—**	**—**	**—**	**333**
Reinsurers' share of claims outstanding	**80,684**	**—**	**—**	**—**	**(18)**	**80,666**
Reinsurance debtors	**3,632**	**4,162**	**56**	**23**	**—**	**7,873**
Cash at bank and in hand	**15,046**	**—**	**—**	**—**	**—**	**15,046**
Insurance and other debtors	**88,144**	**5,625**	**1,494**	**717**	**(10)**	**171,774**
	415,551	**9,787**	**1,550**	**740**	**(28)**	**427,600**

4. Risk management continued

Risk background continued

(a) Syndicate risks continued

(ii) Credit risk continued

2021	Neither past due nor impaired £'000	Past due but not impaired: Less than 6 months £'000	Between 6 months and 1 year £'000	Greater than 1 year £'000	Impaired £'000	Total £'000
Financial investments	109,635	—	—	—	—	109,635
Deposits with ceding undertakings	620	—	—	—	—	620
Reinsurers' share of claims outstanding	53,386	—	—	—	(13)	53,373
Reinsurance debtors	3,292	2,691	66	111	—	6,160
Cash at bank and in hand	8,447	—	—	—	—	8,447
Insurance and other debtors	88,144	2,833	835	672	(13)	92,471
	263,524	5,524	901	783	(26)	270,706

(iii) Interest rate equity price risk

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

(iv) Currency risk

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

The table below provides details of syndicate assets and liabilities (Note 28) by currency:

2022	**GBP £'000 converted**	**USD £'000 converted**	**EUR £'000 converted**	**CAD £'000 converted**	**Other £'000 converted**	**Total £'000 converted**
Total assets	**60,777**	**317,487**	**13,921**	**35,008**	**12,988**	**440,181**
Total liabilities	**(68,185)**	**(324,039)**	**(18,413)**	**(27,310)**	**(7,557)**	**(445,504)**
(Deficiency)/surplus of assets	**(7,408)**	**(6,552)**	**(4,492)**	**7,698**	**5,631**	**(5,123)**

2021	GBP £'000 converted	USD £'000 converted	EUR £'000 converted	CAD £'000 converted	Other £'000 converted	Total £'000 converted
Total assets	45,145	191,697	9,537	24,446	8,603	279,428
Total liabilities	(52,934)	(194,965)	(12,655)	(18,028)	(4,334)	(282,916)
(Deficiency)/surplus of assets	(7,789)	(3,268)	(3,118)	6,418	4,269	(3,488)

The impact of a 5% change in exchange rates between GBP and other currencies would be £114,000 on shareholders' funds (2021: £209,000).

(v) Reinsurance risk

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

The Group currently has reinsurance programmes on the 2020, 2021 and 2022 years of account.

The Group has strategic collateralised quota share arrangements in place in respect of its underwriting business with XL Re Limited, Bermudan reinsurer Everest Reinsurance Bermuda Limited (part of global NYSE-quoted insurer Everest Re Group Limited), Guernsey reinsurer Polygon Insurance Co Limited and other private shareholders through HIPCC Limited.

4. Risk management continued

Risk background continued

(b) Group risks – corporate level

(i) Investment, credit, liquidity and currency risks

The other significant risks faced by the Group are with regard to the investment of funds within its own custody. The elements of these risks are investment risk, liquidity risk, credit risk, interest rate risk and currency risk. To mitigate this, the surplus Group funds are deposited with highly rated banks and fund managers. The main liquidity risk would arise if a syndicate had inadequate liquid resources for a large claim and sought funds from the Group to meet the claim. In order to minimise investment risk, credit risk and liquidity risk, the Group's funds are invested in readily realisable short-term deposits. The Group's maximum exposure to credit risk at 31 December 2022 is £90.9m (2021: £65.3m), being the aggregate of the Group's insurance receivables, prepayments and accrued income, financial assets at fair value, and cash and cash equivalents, excluding any amounts held in the syndicates. The syndicates can distribute their results in sterling, US dollars or a combination of the two. The Group is exposed to movements in the US dollar between the balance sheet date and the distribution of the underwriting profits and losses, which is usually in the May following the closure of a year of account. The Group does not use derivative instruments to manage risk and, as such, no hedge accounting is applied.

As a result of the specific nature and structure of the Group's collateralised quota share reinsurance arrangements through Cell 6 (Guernsey based protected cell managed by HIPCC), the Group's funds at Lloyd's calculation benefits from an aggregate £27.8m (2021: £37.0m) letter of credit ("LOC") acceptable to Lloyd's, on behalf of XL Re Limited, Everest Reinsurance Bermuda Limited, and other private shareholders. The LOC is pledged in aggregate to the relevant syndicates through Lloyd's and thus Helios Underwriting plc is not specifically exposed to counterparty credit risk in this matter. Should the bank's LOC become unacceptable to Lloyd's for any reason, the reinsurer is responsible under the terms of the contract for making alternative arrangements. The contract is annually renewable and the Group has a contingency plan in place in the event of non-renewal under both normal and adverse market conditions.

(ii) Market risk

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

(iii) Regulatory risks

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

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

Operational risks

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

Capital management objectives, policies and approach

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

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

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

Approach to capital management

The capital structure of the Group consists entirely of equity attributable to equity holders of the Company, comprising issued share capital, share premium and retained earnings as disclosed in the statements of changes in equity on pages 34 and 35.

At 31 December 2022, the corporate member subsidiaries had an agreed Economic Capital Assessment ("ECA") requirement of £125.7m (2021: £90.9m) to support their underwriting on the 2023 year of account. The funds to support this requirement are held in short-term investment funds and deposits or provided by the quota share reinsurance capital providers by way of an LOC. The FAL requirements are formally assessed and funded twice yearly and must be met by the corporate member subsidiaries to continue underwriting. At 31 December 2022, the agreed ECA requirements for the Group were 43% (2021: 38%) of the capacity for the following year of account.

5. Segmental information

Nigel Hanbury and Martin Reith are the Group's chief operating decision makers. He has determined its operating segments based on the way the Group is managed, for the purpose of allocating resources and assessing performance.

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

- syndicate participation;
- investment management; and
- other corporate activities.

Year ended 31 December 2022	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	**150,393**	**—**	**—**	**150,393**
Net investment income	**(3,928)**	**1,152**	**—**	**(2,776)**
Other income	**533**	**—**	**195**	**728**
Net insurance claims and loss adjustment expenses	**(93,876)**	**—**	**(1,963)**	**(95,839)**
Expenses incurred in insurance activities	**(52,507)**	**—**	**(1,321)**	**(53,828)**
Other operating expenses	**(126)**	**—**	**(3,721)**	**(3,847)**
Gain on bargain purchase (Note 22)	**—**	**—**	**—**	**—**
Impairment of goodwill	**—**	**—**	**—**	**—**
Impairment of syndicate capacity (see Note 13)	**—**	**—**	**—**	**—**
Loss before tax	**489**	**1,152**	**(6,810)**	**(5,169)**

Year ended 31 December 2021	Syndicate participation £'000	Investment management £'000	Other corporate activities £'000	Total £'000
Net earned premium	69,406	—	—	69,406
Net investment income	185	383	—	568
Other income	119	—	522	641
Net insurance claims and loss adjustment expenses	(42,423)	—	(2,319)	(44,742)
Expenses incurred in insurance activities	(24,491)	—	(916)	(25,407)
Other operating expenses	(267)	—	(2,063)	(2,330)
Gain on bargain purchase (Note 22)	—	—	1,219	1,219
Impairment of goodwill	—	—	—	—
Impairment of syndicate capacity (see Note 13)	—	—	—	—
Loss before tax	2,529	383	(3,557)	(645)

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

No major customers exceed 10% of revenue.

Net insurance claims and loss adjustment expenses within 2022 other corporate activities totalling £1,964,000 (2021: £2,319,000 – 2019, 2020 and 2021 years of account) represents the 2020, 2021 and 2022 years of account net Group quota share reinsurance premium recoverable from HIPCC Limited (Note 25). This net quota share reinsurance premium recoverable is included within "net insurance claims incurred and loss adjustments expenses" in the consolidated statement of comprehensive income of the year.

6. Operating (loss)/profit before impairments of goodwill and capacity

Year ended 31 December 2022	Underwriting year of account* 2020 and prior £'000	2021 £'000	2022 £'000	Sub-total £'000	Pre-acquisition** £'000	Corporate reinsurance £'000	Other corporate £'000	Total £'000
Gross premium written	**1,138**	**15,099**	**234,712**	**250,949**	**(6,334)**	**—**	**—**	**244,615**
Reinsurance ceded	**589**	**(2,994)**	**(54,594)**	**(56,999)**	**1,283**	**—**	**(1,261)**	**(56,977)**
Net premium written	**1,727**	**12,105**	**180,118**	**193,950**	**(5,051)**	**—**	**(1,261)**	**187,638**
Net earned premium	**5,911**	**56,042**	**94,653**	**156,606**	**(4,952)**	**—**	**(1,261)**	**150,393**
Other income	**(2,496)**	**(1,046)**	**22**	**(3,520)**	**263**	**562**	**647**	**(2,048)**
Net insurance claims incurred and loss adjustment expenses	**3,804**	**(30,920)**	**(69,680)**	**(96,796)**	**2,887**	**(1,964)**	**33**	**(95,839)**
Operating expenses	**(2,523)**	**(17,172)**	**(34,515)**	**(54,210)**	**1,756**	**—**	**(5,220)**	**(57,675)**
Operating (loss)/profit before impairments of goodwill and capacity	**4,696**	**6,904**	**(9,520)**	**2,080**	**(46)**	**(1,401)**	**(5,802)**	**(5,169)**
Quota share adjustment	**(2,049)**	**(2,358)**	**2,443**	**(1,964)**	**—**	**1,964**	**—**	**—**
Operating (loss)/profit before impairments of goodwill and capacity, after quota share adjustment	**2,647**	**4,546**	**(7,077)**	**116**	**(46)**	**562**	**(5,801)**	**(5,169)**

Included within operating expenses of £5,220 are one off aborted acquisition fees of £700,000 and bank loan finance costs used to support the groups underwriting of £891,000.

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

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

Year ended 31 December 2021	Underwriting year of account* 2019 and prior £'000	2020 £'000	2021 £'000	Sub-total £'000	Pre-acquisition** £'000	Corporate reinsurance £'000	Other corporate £'000	Total £'000
Gross premium written	721	11,712	122,179	134,612	(28,554)	—	—	106,058
Reinsurance ceded	(713)	(2,569)	(28,909)	(32,191)	7,126	—	(1,871)	(26,935)
Net premium written	8	9,143	93,270	102,421	(21,427)	—	(1,871)	79,123
Net earned premium	3,426	40,573	48,693	92,692	(21,415)	—	(1,871)	69,406
Other income	206	(166)	(3)	37	(681)	616	2,456	2,428
Net insurance claims incurred and loss adjustment expenses	5,113	(22,945)	(36,256)	(54,088)	12,037	(2,319)	(372)	(44,742)
Operating expenses	(2,261)	(12,406)	(18,254)	(32,921)	8,788	—	(3,604)	(27,737)
Operating (loss)/profit before impairments of goodwill and capacity	6,484	5,056	(5,820)	5,720	(1,271)	(1,703)	(3,391)	(645)
Quota share adjustment	(2,392)	(2,141)	2,214	(2,319)	—	2,319	—	—
Operating (loss)/profit before impairments of goodwill and capacity, after quota share adjustment	4,092	2,915	(3,606)	3,401	(1,271)	616	(3,391)	(645)

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

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

7. Insurance liabilities and reinsurance balances

Movement in claims outstanding

	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2021	113,371	30,781	82,590
Increase in reserves arising from acquisition of subsidiary undertakings	57,941	15,405	42,537
Movement of reserves	15,796	6,204	9,592
Other movements	(455)	1,043	(1,499)
At 31 December 2021	186,653	53,433	133,220
At 1 January 2022	186,653	53,433	133,220
Increase in reserves arising from acquisition of subsidiary undertakings	10,888	3,177	7,711
Movement of reserves	63,339	18,320	45,019
Other movements	11,135	5,796	5,339
At 31 December 2022	**272,015**	**80,726**	**191,289**

Included within other movements are the 2019 and prior years' claims reserves reinsured into the 2020 year of account on which the Group does not participate and currency exchange differences.

Movement in unearned premium

	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2021	32,356	6,028	26,328
Increase in reserves arising from acquisition of subsidiary undertakings	15,649	3,095	12,553
Movement of reserves	11,201	1,484	9,717
Other movements	405	(69)	475
At 31 December 2021	59,611	10,538	49,073
At 1 January 2022	59,611	10,538	49,073
Increase in reserves arising from acquisition of subsidiary undertakings	2,846	493	2,352
Movement of reserves	45,723	8,478	37,245
Other movements	6,483	1,824	4,660
At 31 December 2022	**114,663**	**21,333**	**93,330**

Included within other movements are the 2018 and prior years' claims reserves reinsured into the 2019 year of account on which the Group does not participate and currency exchange differences.

Assumptions, changes in assumptions and sensitivity

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

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

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

- the claims reserves calculated by the managing agents are accurate; and
- the potential deterioration of run-off year results has been fully provided for by the managing agents.

There have been no changes in assumptions in 2022.

The amounts carried by the Group arising from insurance contracts are sensitive to various factors as follows:

- a 10% increase/decrease in the managing agents' calculation of gross claims reserves will decrease/increase the Group's pre-tax profits by £27,202,000 (2021: £18,665,000);
- a 10% increase/decrease in the managing agents' calculation of net claims reserves will decrease/increase the Group's pre-tax profits by £19,129,000 (2021: £13,322,000); and
- a 10% increase/decrease in the run-off year net claims reserves will decrease/increase the Group's pre-tax profits by £22,000 (2021: £43,000).

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

7. Insurance liabilities and reinsurance balances continued

Analysis of gross and net claims development

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

Claims development – gross

£m

Underwriting pure year*	After one year	After two years	After three years	After four years	After five years	After six years	After seven years	After eight years	After nine years	After ten years	Profit on RITC received
2013	23	41	41	40	40	39	38	38	37	37	4
2014	22	38	40	40	40	39	39	39	38		6
2015	20	39	42	41	40	40	40	40			6
2016	24	51	52	51	50	50	50				4
2017	52	75	78	77	76	76					3
2018	42	71	75	72	71						5
2019	39	74	72	69							4
2020	52	90	90								
2021	60	101									
2022	**97**										

Claims development – net

£m

Underwriting pure year*	After one year	After two years	After three years	After four years	After five years	After six years	After seven years	After eight years	After nine years	After ten years	Profit on RITC received
2013	20	36	35	34	34	34	33	33	33	33	5
2014	19	33	34	34	34	33	33	33	33		5
2015	17	33	36	35	35	34	34	34			4
2016	19	41	41	41	40	40	39				4
2017	34	53	55	54	53	53					3
2018	30	52	54	53	52						4
2019	28	55	54	52							6
2020	39	67	67								
2021	42	73									
2022	**70**										

* Including the new acquisitions during 2022.

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

8. Net investment income

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Investment income	**2,350**	1,549
Realised (losses)/profits on financial assets at fair value through profit or loss	**(1,021)**	392
Unrealised losses on financial assets at fair value through profit or loss	**(4,490)**	(1,316)
Investment management expenses	**(134)**	(74)
Bank interest	**519**	17
Net investment income	**(2,776)**	568

9. Operating expenses (excluding goodwill and capacity impairment)

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Expenses incurred in insurance activities:		
Acquisition costs	**47,897**	20,299
Change in deferred acquisition costs	**(10,163)**	(2,358)
Administrative expenses	**15,287**	7,466
Other	**807**	—
	53,828	25,407
Other operating expenses:		
– exchange differences	**(644)**	32
– Directors' remuneration	**718**	582
– Staff costs	**196**	—
– acquisition costs in connection with the new subsidiaries acquired in the year	**422**	319
– Bank charges	**292**	56
– Loan interest and charges	**891**	74
– professional fees	**1,662**	967
– administration and other expenses	**166**	187
Auditors' remuneration:		
– audit of the Parent Company and Group Financial Statements	**55**	54
– audit of subsidiary company Financial Statements	**42**	49
– underprovision of prior year audit fee	**—**	—
– audit related assurance services	**46**	—
	3,846	2,329
Operating expenses	**57,674**	27,737

The Group has three employees other than the Directors of the Company.

Details of the Directors' remuneration are disclosed below:

Directors' remuneration	Year ended 31 December 2022 £	Year ended 31 December 2021 £
Arthur Manners	**182,000**	212,000
Edward William Fitzalan-Howard	**30,000**	26,000
Jeremy Evans (resigned 6 February 2021)	**—**	2,000
Michael Cunningham	**40,000**	34,000
Andrew Christie	**33,000**	28,000
Nigel Hanbury	**208,000**	246,000
Martin Reith (appointed 21 April 2021)	**200,000**	17,000
Tom Libassi (appointed 21 April 2021)	**25,000**	17,000
Total	**718,000**	582,000

The Deputy Chairman, Nigel Hanbury, and the Finance Director, Arthur Manners, had a bonus incentive scheme during 2022 in addition to their basic remuneration. The above figures for Nigel Hanbury and Arthur Manners include an accrual for the year of £48,000 and £42,000 respectively (2021: £139,000 for Nigel Hanbury and £119,000 Arthur Manners) in respect of this scheme.

No other Directors derive other benefits, pension contributions or incentives from the Group. Nigel Hanbury and Arthur Manners have share interests in the Joint Share Ownership Plan and the Long Term Incentive Plan (see note 23).

Included in the above were fees of £175,000 for Martin Reith, prior to his appointment as Chief Executive Officer.

10. Income tax charge

(a) Analysis of tax credit in the year

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Current tax:		
– current year	**(84)**	340
– prior year	**(53)**	(35)
– foreign tax paid	**5**	61
Total current tax	**(132)**	366
Deferred tax:		
– current year	**(1,564)**	(577)
– prior year	**(156)**	—
Total deferred tax	**(1,720)**	(577)
Income tax credit	**(1,852)**	(211)

(b) Factors affecting the tax credit for the year

Tax for the year is the same as (2021: the same as) the standard rate of corporation tax in the UK of 19% (2021: 19%).

The differences are explained below:

	Year ended 31 December 2022 £'000	Year ended 31 December 2021 £'000
Loss before tax	**(5,169)**	(645)
Tax calculated as loss before tax multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	**(982)**	(123)
Tax effects of:		
– prior year adjustments	**(209)**	(35)
– rate change and other adjustments	**(502)**	(299)
– permanent disallowances	**(164)**	184
– foreign taxes	**5**	61
– other	**—**	—
Tax credit for the year	**(1,852)**	(211)

The results of the Group's participation on the 2020, 2021 and 2022 years of account and the calendar year movement on 2019 and prior run-offs will not be assessed for tax until the years ended 2023, 2024 and 2025 respectively, being the year after the calendar year result of each run-off year or the normal date of closure of each year of account. Full provision is made as part of the deferred tax provisions for underwriting profits/(losses) not yet subject to corporation tax.

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023. This was legislated on 10 June 2021. If a deferred tax balance, this has been calculated with reference to the substantively enacted rates as required under IAS 12.

11. Earnings per share

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

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

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

11. Earnings per share continued

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

	Year ended 31 December 2022	Year ended 31 December 2021
Loss for the year after tax attributable to ordinary equity holders of the Parent	**£(4,262,000)**	£(434,000)
Basic – weighted average number of ordinary shares*	**68,168,599**	58,058,164
Adjustments for calculating the diluted earnings per share:		
Treasury shares (JSOP scheme), Note 21	**1,100,000**	1,100,000
Long term incentive plan (LTIP)	**571,427**	—
Diluted – weighted average number of ordinary shares*	**69,292,082**	58,783,369
Basic loss per share	**(4.87)p**	(0.75)p
Diluted loss per share**	**(4.87)p**	(0.75)p

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

** Diluted loss per share is not permitted to be reduced from the basic loss per share.

12. Dividends paid or proposed

A dividend of £2,034,000 was paid during the year (2021: £2,018,000).

A final dividend of 3p is being proposed in respect of the financial year ended 31 December 2022.

13. Intangible assets

	Goodwill £'000	Syndicate capacity £'000	Total £'000
Cost			
At 1 January 2021	775	30,826	31,601
Additions	319	2,664	2,983
Disposals	—	—	—
Acquired with subsidiary undertakings	—	18,173	18,173
Revaluation	—	8,132	8,132
At 31 December 2021	1,094	59,795	60,889
At 1 January 2022	1,094	59,795	60,889
Additions	374	322	696
Disposals	—	(5,635)	(5,635)
Acquired with subsidiary undertakings	—	2,814	2,814
Revaluation	—	2,670	2,670
At 31 December 2022	**1,468**	**59,966**	**61,434**

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

14. Investments in subsidiaries

	31 December 2022 £'000	31 December 2021 £'000
Total	**65,546**	71,362

During 2022 an impairment charge of £7,218,000 was recognised on the cost of investments in subsidiaries and included in the Parent income statement.

In addition the company acquired three new subsidiaries for a total consideration of £1,402,000.

At 31 December 2022 the Company owned 100% of the following companies and limited liability partnerships, either directly or indirectly. All subsidiaries are incorporated in England and Wales and their registered office address is at 40 Gracechurch Street, London EC3V 0BT, apart from RBC CEES Trustee Limited, which is incorporated in Jersey and its registered office address is Gaspé House, 66-72 Esplanade, Jersey JE2 3QT.

Company or partnership	Direct/indirect interest	2022 ownership	2021 ownership	Principal activity
Nameco (No. 917) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Devon Underwriting Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 346) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Pooks Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Charmac Underwriting Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
RBC CEES Trustee Limited[(ii)]	Direct	**100%**	100%	Joint Share Ownership Plan
Nottus (No 51) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Chapman Underwriting Limited	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
Helios UTG Partner Limited[(i)]	Direct	**100%**	100%	Corporate partner
Salviscount LLP	Indirect	**100%**	100%	Lloyd's of London corporate vehicle
Inversanda LLP	Indirect	**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	Indirect	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 409) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No. 1113) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Catbang 926 Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Whittle Martin Underwriting	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No 408) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nomina No 084 LLP	Indirect	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No 510) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No 544) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
N J Hanbury Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No 1011) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No 1111) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nomina No 533 LLP	Indirect	**100%**	100%	Corporate partner
North Breache Underwriting Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
G T C Underwriting Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Hillnameco Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No 2012) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No 1095) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
New Filcom Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Kemah Lime Street Capital	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No 1130) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nomina No 070 LLP	Indirect	**100%**	100%	Corporate partner
Nameco (No 389) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nomina No 469 LLP	Indirect	**100%**	100%	Corporate partner
Nomina No 536 LLP	Indirect	**100%**	100%	Corporate partner
Nameco (No 301) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No 1232) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Shaw Lodge Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle

14. Investments in subsidiaries continued

Company or partnership	Direct/indirect interest	2022 ownership	2021 ownership	Principal activity
Queensberry Underwriting	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nomina No 472 LLP	Indirect	**100%**	100%	Corporate partner
Nomina No 110 LLP	Indirect	**100%**	100%	Corporate partner
Chanterelle Underwriting Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Kunduz LLP	Indirect	**100%**	100%	Corporate partner
Exalt Underwriting Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nameco (No 1110) Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Clifton 2011 Limited	Direct	**100%**	100%	Lloyd's of London corporate vehicle
Nomina No 378 LLP	Indirect	**100%**	100%	Corporate partner
Gould Scottish Limited Partnership	Indirect	**100%**	100%	Corporate partner
Harris Family UTG Limited	Direct	**100%**	—	Lloyd's of London corporate vehicle
Whitehouse Underwriting Limited	Direct	**100%**	—	Lloyd's of London corporate vehicle
Risk Capital UTG Limited	Direct	**100%**	—	Lloyd's of London corporate vehicle

For details of all new acquisitions made during the year 2022, refer to Note 22(a).

(i) Helios UTG Partner Limited, a subsidiary of the Company, owns 100% of Salviscount LLP, Inversanda LLP, Fyshe Underwriting LLP, Nomina No 505 LLP, Nomina No 321 LLP Nomina No 084 LLP, Nomina No 533 LLP, Nomina No 070 LLP, Nomina No 469 LLP, Nomina No 536 LLP, Nomina No 472 LLP, Nomina No 110 LLP, Kunduz LLP. Nomina No 348 LLP and Gould Scottish Limited Partnership. The cost of acquisition of these LLPs is accounted for in Helios UTG Partner Limited, their immediate parent company.

(ii) RBC CEES Trustee Limited was an incorporated entity in year 2017 to satisfy the requirements of the Joint Share Ownership Plan (see Note 23).

15. Financial assets at fair value through profit or loss

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

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

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

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

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

Group	Total 2022 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Shares and other variable yield securities and units in unit trusts	**18,750**	3,794	12,913	2,043
Debt securities and other fixed income securities	**132,032**	39,187	92,845	—
Participation in investment pools	**598**	112	463	23
Loans and deposits with credit institutions	**263**	73	—	190
Derivatives	**267**	146	121	—
Other investments	**1,063**	1,063	—	—
Funds at Lloyd's	**73,040**	73,040	—	—
Total – fair value	**226,013**	117,415	106,342	2,256

Group	Total 2021 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Shares and other variable yield securities and units in unit trusts	15,288	3,339	9,960	1,989
Debt securities and other fixed income securities	93,548	33,244	60,263	41
Participation in investment pools	511	161	330	20
Loans and deposits with credit institutions	245	64	—	181
Derivatives	43	36	7	—
Other investments	905	905	—	—
Funds at Lloyd's	43,304	43,304	—	—
Total – fair value	153,844	81,053	70,560	2,231

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

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

In addition to funds held by Lloyd's shown above, letters of credit totalling £nil (2021: £1,481,000) are also held as part of the Group's funds at Lloyd's.

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

Company

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

	31 December 2022 £'000	31 December 2021 £'000
Holdings in collective investment schemes – Level 2	731	285
Total – market value	731	285

16. Other receivables

Group	31 December 2022 £'000	31 December 2021 £'000
Arising out of direct insurance operations	64,852	32,566
Arising out of reinsurance operations	59,714	37,128
Other debtors	23,110	18,165
Total	147,676	87,859

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

Included within the above receivables are amounts totalling £nil (2021: £nil) which are not expected to be wholly recovered within one year.

Company	31 December 2022 £'000	31 December 2021 £'000
Receivables from subsidiaries (Note 25)	73,505	37,290
Other debtors	1,278	1,206
Prepayments	—	—
Total	74,783	38,496

Included within receivables are amounts totalling £100,000 (2021: £100,000), which are not expected to be recoverable within one year.

17. Deferred acquisition costs

	31 December 2022 £'000	31 December 2021 £'000
At 1 January	**13,615**	7,726
Increase arising from acquisition of subsidiary undertakings (Note 22)	**664**	3,966
Movement in deferred acquisition costs	**10,163**	2,358
Other movements	**549**	(435)
At 31 December	**24,991**	13,615

18. Deferred tax

Group

Deferred tax is calculated in full on temporary differences using a tax rate of 25% on deferred tax assets and deferred tax liabilities (2021: 25% on deferred tax assets and deferred tax liabilities). The movement on the deferred tax liability account is shown below:

Deferred tax liabilities	Valuation of capacity £'000	Timing differences on underwriting results £'000	Total £'000
At 1 January 2021	5,891	616	6,507
On acquisition of subsidiary undertakings	4,683	(1,414)	3,269
Revaluation of capacity	2,766	—	2,766
Prior period adjustment	(489)	—	(489)
Credit for the year	489	(577)	(88)
At 31 December 2021	13,340	(1,375)	11,965
At 1 January 2022	13,340	(1,375)	11,965
On acquisition of subsidiary undertakings	686	(287)	399
Revaluation of capacity	668	—	668
Prior period adjustment	(156)	—	(156)
Credit for the year	(401)	(1,163)	1,564
At 31 December 2022	**14,137**	**(2,825)**	**11,312**

Company

The Company had no deferred tax assets or liabilities (2021: £nil), as disclosed in Note 10.

19. Borrowings

Group and Company	31 December 2022 £'000	31 December 2021 £'000
Secured – at amortised cost	**—**	—
Bank revolving credit facility	**15,000**	—
	15,000	—
Current	**15,000**	—
Non-current	**—**	—
	15,000	—

19. Borrowings continued

Bank loan

(a) Revolving credit/loan facility

On 21 December 2021, a new sterling revolving loan facility ("RLF") was agreed with Barclays Bank Plc to the value of £15m. The interest is 4.2% per annum. On 21 March 2022, the full £15m was drawn down. Reconciliation of movements of liabilities to cash flows arising from financing activities:

The facility is secured over the assets of the Company

	Liabilities	Equity			
Group	Other loans and borrowings £'000	Share capital/ premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2021	4,000	38,918	(50)	11,681	54,549
Changes from financing cash flows					
Proceeds from issue of share capital (Note 21)	—	—	—	—	—
Proceeds from loans and borrowings	—	54,343	(60)	—	54,283
Payments for Company buyback of ordinary shares (Note 24)	—	—	—	—	—
Repayment of borrowings	(4,000)	—	—	—	(4,000)
Dividend paid	—	—	—	(2,018)	(2,018)
Total changes from financing cash flows	(4,000)	54,343	(60)	(2,018)	48,265
Effect of changes in foreign exchange rates	—	—	—	—	—
Changes in fair value	—	—	—	—	—
Other changes:					
Liability related	—	—	—	—	—
Other expense	—	—	—	—	—
Interest expense	—	—	—	—	—
Interest paid	—	—	—	—	—
Total liability related other changes	—	—	—	—	—
Total equity related other changes*	—	—	—	4,932	4,932
Balance at 31 December 2021	—	93,261	(110)	14,595	107,746

* The equity related other changes relate to the consolidated profit for the year 2021.

19. Borrowings continued

Bank loan continued

(a) Revolving credit/loan facility continued

Group	Liabilities	Equity			
	Other loans and borrowings £'000	Share capital/ premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2022	—	93,261	(110)	14,595	107,746
Changes from financing cash flows					
Proceeds from issue of share capital (Note 21)	—	12,781	—	—	12,781
Proceeds from loans and borrowings	15,000	—	—	—	15,000
Payments for Company buyback of ordinary shares (Note 24)	—	—	—	—	—
Repayment of borrowings	—	—	—	—	—
Dividend paid	—	—	—	(2,034)	(2,034)
Total changes from financing cash flows	15,000	12,781	—	(2,034)	25,747
Effect of changes in foreign exchange rates	—	—	—	—	—
Changes in fair value	—	—	—	—	—
Other changes:					
Liability related	—	—	—	—	—
Other expense	—	—	—	—	—
Interest expense	—	—	—	—	—
Interest paid	—	—	—	—	—
Total liability related other changes	—	—	—	—	—
Total equity related other changes*	—	—	—	(1,315)	(1,315)
Balance at 31 December 2022	**15,000**	**106,042**	**(110)**	**11,246**	**132,178**

* The equity related other changes relate to the consolidated profit for the year 2022.

Company	Liabilities	Equity			
	Other loans and borrowings £'000	Share capital/ premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2021	4,000	38,918	—	19,325	62,243
Changes from financing cash flows					
Proceeds from issue of share capital (Note 21)	—	54,343	—	—	54,343
Proceeds from loans and borrowings	—	—	—	—	—
Payments for Company buyback of ordinary shares (Note 24)	—	—	—	—	—
Repayment of borrowings	(4,000)	—	—	—	(4,000)
Dividend paid	—	—	—	(2,018)	(2,018)
Total changes from financing cash flows	(4,000)	54,343	—	(2,018)	48,325
Effect of changes in foreign exchange rates	—	—	—	—	—
Changes in fair value	—	—	—	—	—
Other changes:	—	—	—	—	—
Liability related	—	—	—	—	—
Other expense	—	—	—	—	—
Interest expense	—	—	—	—	—
Interest paid	—	—	—	—	—
Total liability related other changes	—	—	—	—	—
Total equity related other changes*	—	—	—	9,805	9,805
Balance at 31 December 2021	—	93,261	—	27,112	120,373

* The equity related other changes relate to the Company's profit for the year 2021.

19. Borrowings continued

Bank loan continued

(a) Revolving credit/loan facility continued

Company	Liabilities: Other loans and borrowings £'000	Equity: Share capital/ premium £'000	Equity: Other reserves £'000	Equity: Retained earnings £'000	Total £'000
Balance at 1 January 2022	—	93,261	—	27,112	120,373
Changes from financing cash flows					
Proceeds from issue of share capital (Note 21)	—	12,781	—	—	12,781
Proceeds from loans and borrowings	15,000	—	—	—	15,000
Payments for Company buyback of ordinary shares (Note 24)	—	—	—	—	—
Repayment of borrowings	—	—	—	—	—
Dividend paid	—	—	—	(2,034)	(2,034)
Total changes from financing cash flows	15,000	12,781	—	(2,034)	25,747
Effect of changes in foreign exchange rates	—	—	—	—	—
Changes in fair value	—	—	—	—	—
Other changes:	—	—	—	—	—
Liability related	—	—	—	—	—
Other expense	—	—	—	—	—
Interest expense	—	—	—	—	—
Interest paid	—	—	—	—	—
Total liability related other changes	—	—	—	—	—
Total equity related other changes*	—	—	—	(842)	(842)
Balance at 31 December 2022	**15,000**	**106,042**	**—**	**24,236**	**145,278**

* The equity related other changes relate to the Company's profit for the year 2022.

20. Other payables

Group	**31 December 2022 £'000**	31 December 2021 £'000
Arising out of direct insurance operations	**3,509**	2,606
Arising out of reinsurance operations	**42,700**	23,957
Corporation tax payable	**—**	185
Other creditors	**8,684**	8,179
	54,893	34,927

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

Company	**31 December 2022 £'000**	31 December 2021 £'000
Payable to subsidiaries	**3,128**	2,959
Accruals and deferred income	**2,002**	904
	5,130	3,863

All payables above are due within one year.

21. Share capital and share premium

	Number of shares (i)	Ordinary share capital £'000	Partly paid ordinary share capital £'000	Share premium £'000	Total £'000
Ordinary shares of 10p each and share premium at 31 December 2021	69,305,381	6,821	110	86,330	93,261
Ordinary shares of 10p each and share premium at 31 December 2022	**77,737,372**	**7,664**	**110**	**98,268**	**106,042**

During the year, the Company issued a further 8,431,991 shares.

(i) Number of shares

	2022	2021
Allotted, called up and fully paid ordinary shares:		
– on the market	**76,218,203**	67,786,212
– Company buyback of ordinary shares held in treasury (Note 24)	**419,169**	419,169
	76,637,372	68,205,381
Uncalled and partly paid ordinary shares under the JSOP scheme (ii) (Note 23)	**1,100,000**	1,100,000
	77,737,372	69,305,381

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

22. Acquisition of Limited Liability Vehicles

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

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

(a) 2022 acquisitions

In 2022 the Company acquired three Limited Liability vehicles, all of which are incorporate in England and Wales and are corporate members of Lloyd's.

	Harris Family UTG Limited £'000	Whitehouse Underwriting Limited £'000	Risk Capital UTG Limited £'000	Total £'000
2022 acquisition date	6 Dec	29 Dec	31 Dec	
Intangible assets	23	1	46	70
Uplift to fair value	216	503	2,025	2,744
	239	504	2,071	2,814
Financial investments	501	1,212	4,303	6,016
Deferred income tax asset	—	—	—	—
Reinsurers' share of insurance liabilities:				
– reinsurers' share of outstanding claims	367	617	2,192	3,176
– reinsurers' share of unearned premium	50	103	340	493
Other receivables, including insurance receivables	992	845	7,349	9,186
Deferred acquisition costs	70	125	470	665
Prepayments and accrued income	6	6	41	53
Cash and cash equivalents	66	57	445	568
Insurance liabilities:				
– claims outstanding	(1,020)	(1,938)	(7,929)	(10,887)
– unearned premiums	(281)	(528)	(2,037)	(2,846)
Deferred income tax liabilities	(54)	(126)	(509)	(689)
Other payables, including insurance payables	(993)	(505)	(5,817)	(7,315)
Accruals and deferred income	(32)	(54)	(119)	(205)
Total fair value acquired	**(89)**	**318**	**800**	**1,029**
Net consideration	**—**	**427**	**976**	**1,403**
Positive goodwill on acquisition	**89**	**109**	**176**	**374**
Negative goodwill on acquisition	**—**	**—**	**—**	**—**

Capacity acquired				
2020 underwriting year	504	899	4,156	5,559
2021 underwriting year	518	902	4,360	5,780
2022 underwriting year	540	952	4,185	5,677

Had the Limited Liability Vehicles been consolidated from 1 January 2022, the consolidated statement of comprehensive income would show net earned premium of £155,345,000 and a loss after tax of £4,275,000.

Costs incurred in connection with the three acquisitions totalling £38,000 (2021: £447,000) have been recognised in the consolidated statement of comprehensive income.

22. Acquisition of Limited Liability Vehicles continued

(b) 2021 acquisitions

In 2021 the Company acquired 28 Limited Liability vehicles, all of which are incorporate in England and Wales and are corporate members of Lloyd's.

	Nameco (No 1011) Limited	Nameco (No 1111) Limited	Nomina No 533 LLP	North Breach UW Limited	GTC UW Limited	Hill Nameco Limited	Nameco (No 2012) Limited	Nameco (No 1095) Limited	New Filcom Limited	Kemah Lime Street Capital	Total
2021 acquisition date	21 Sept	21 Sept	21 Sept	21 Sept	22 Sept	22 Sept	23 Sept	24 Sept	29 Sept	30 Sept	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Intangible assets	—	2	199	5	68	10	—	251	—	1	536
Uplift to fair value	602	213	225	1,814	532	467	490	1,167	227	226	5,963
	602	215	424	1,819	600	477	490	1,418	227	227	6,499
Financial investments	1,014	390	683	3,499	1,224	966	1,349	1,957	1,349	508	12,939
Deferred income tax asset	—	—	—	—	—	—	—	—	—	—	—
Reinsurers' share of insurance liabilities:											
– reinsurers' share of outstanding claims	425	251	292	1,431	504	478	639	974	658	339	5,991
– reinsurers' share of unearned premium	72	46	58	274	103	96	112	187	156	63	1,167
Other receivables, including insurance receivables	1,152	425	354	5,933	847	728	771	3,095	677	304	14,286
Deferred acquisition costs	101	55	74	380	145	126	137	252	160	67	1,497
Prepayments and accrued income	9	4	4	37	9	9	8	17	7	9	113
Cash and cash equivalents	191	69	89	455	539	259	258	388	637	428	3,313
Insurance liabilities:											
– claims outstanding	(1,705)	(791)	(1,105)	(6,502)	(1,904)	(1,686)	(2,251)	(3,307)	(2,004)	(996)	(22,251)
– unearned premiums	(417)	(219)	(283)	(1,643)	(554)	(493)	(528)	(991)	(587)	(264)	(5,979)
Deferred income tax liabilities	(151)	(53)	(57)	(516)	(170)	(117)	(123)	(335)	(57)	(57)	(1,636)
Other payables, including insurance payables	(297)	(397)	(160)	(1,071)	(562)	(658)	(430)	(1,486)	(448)	(472)	(5,981)
Accruals and deferred income	(43)	(23)	(29)	(118)	(43)	(43)	(49)	(71)	(85)	(39)	(543)
Total fair value acquired	**953**	**(28)**	**344**	**3,978**	**738**	**142**	**383**	**2,098**	**690**	**117**	**9,415**
Consideration	**891**	**—**	**280**	**3,857**	**696**	**100**	**360**	**2,024**	**651**	**145**	**9,004**
Positive goodwill on acquisition	**—**	**28**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**28**	**56**
Negative goodwill on acquisition	**(62)**	**—**	**(64)**	**(121)**	**(42)**	**(42)**	**(23)**	**(74)**	**(39)**	**—**	**(467)**
Capacity acquired											
2019 underwriting year	1,027	481	562	4,235	1,262	1,091	1,457	2,019	1,108	649	13,891
2020 underwriting year	968	495	609	3,890	1,225	1,139	1,181	2,185	1,183	504	13,380
2021 underwriting year	949	556	682	3,935	820	1,006	618	2,914	364	502	12,347

Had the Limited Liability Vehicles been consolidated from 1 January 2020, the consolidated statement of comprehensive income would show net earned premium of £90,820,000 and a profit after tax of £819,000.

Costs incurred in connection with the twenty eight acquisitions totalling £447,000 (2020: £114,000) have been recognised in the consolidated income statement.

22. Acquisition of Limited Liability Vehicles continued
(b) 2021 acquisitions continued

	Brought forward	Nameco (No 1130) Limited	Nomina No 070 LLP	Nameco (No 389) Limited	Nomina No 469 LLP	Nomina No 536 LLP	Queens-berry UW	Nameco (No 301) Limited	Nameco (No 1232) Limited	Shaw Lodge Limited	Total
2021 acquisition date		30 Sept	30 Sept	05 Oct	06 Oct	06 Oct	09 Oct	13 Oct	13 Oct	15 Oct	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Intangible assets	536	—	456	4	159	430	29	15	1	—	1,630
Uplift to fair value	5,963	311	100	1,017	149	405	1,048	771	381	23	10,168
	6,499	311	556	1,021	308	835	1,077	786	382	23	11,798
Financial investments	12,939	661	957	1,780	639	1,573	1,690	1,394	679	495	22,807
Deferred income tax asset	—	—	—	—	—	—	—	—	—	—	—
Reinsurers' share of insurance liabilities:											
– reinsurers' share of outstanding claims	5,991	370	409	847	343	873	876	655	358	134	10,858
– reinsurers' share of unearned premium	1,167	76	75	169	63	141	200	120	66	45	2,122
Other receivables, including insurance receivables	14,286	1,075	780	2,266	323	896	1,145	1,503	640	180	23,094
Deferred acquisition costs	1,497	96	109	205	71	168	232	145	78	51	2,653
Prepayments and accrued income	113	7	9	13	4	14	11	10	6	1	188
Cash and cash equivalents	3,313	189	181	271	93	298	279	164	102	131	5,021
Insurance liabilities:											
– claims outstanding	(22,251)	(1,286)	(1,561)	(2,984)	(1,081)	(2,958)	(2,935)	(2,330)	(1,138)	(418)	(38,942)
– unearned premiums	(5,979)	(364)	(470)	(824)	(288)	(651)	(903)	(580)	(315)	(164)	(10,538)
Deferred income tax liabilities	(1,636)	(78)	(56)	(319)	(37)	(101)	(262)	(241)	(118)	(6)	(2,854)
Other payables, including insurance payables	(5,979)	(950)	(262)	(500)	(163)	(446)	(674)	(757)	(531)	(158)	(10,422)
Accruals and deferred income	(543)	(34)	(40)	(70)	(31)	(59)	(79)	(55)	(34)	(30)	(975)
Total fair value acquired	**9,415**	**73**	**687**	**1,875**	**244**	**585**	**657**	**814**	**175**	**284**	**14,809**
Consideration	**9,004**	**31**	**645**	**1,829**	**223**	**543**	**674**	**818**	**195**	**209**	**14,171**
Positive goodwill on acquisition	**56**	**—**	**—**	**—**	**—**	**—**	**17**	**4**	**20**	**—**	**97**
Negative goodwill on acquisition	**(467)**	**(42)**	**(42)**	**(46)**	**(21)**	**(42)**	**—**	**—**	**—**	**(75)**	**(735)**
Capacity acquired											
2019 underwriting year	13,891	784	990	1,637	620	1,922	1,860	1,343	699	267	24,014
2020 underwriting year	13,380	835	1,048	1,795	648	1,412	2,054	1,261	713	296	23,411
2021 underwriting year	12,347	653	1,044	2,005	494	1,512	2,211	1,364	683	355	22,668

22. Acquisition of Limited Liability Vehicles continued

(b) 2021 acquisitions continued

	Brought forward	Nomina No 472 LLP	Nomina No 110 LLP	Chant-erelle UW	Kunduz LLP	Exalt UW Limited	Nameco (No 1110) Limited	Clifton 2011 Limited	Nomina No 348 LLP	Gould Scottish Limited	Total
2021 acquisition date		19 Nov	23 Nov	26 Nov	15 Dec	20 Dec	21 Dec	22 Dec	24 Dec	31 Dec	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Intangible assets	1,630	169	436	—	171	21	—	22	744	358	3,551
Uplift to fair value	10,168	100	100	1,473	150	418	1,530	684	—	—	14,623
	11,798	269	536	1,473	321	439	1,530	706	744	358	18,174
Financial investments	22,807	478	1,156	4,471	740	893	2,733	1,087	1,462	—	35,827
Deferred income tax asset	—	—	—	—	—	—	—	—	—	—	—
Reinsurers' share of insurance liabilities:											
– reinsurers' share of outstanding claims	10,858	268	526	638	351	505	918	727	613	—	15,404
– reinsurers' share of unearned premium	2,122	48	99	231	56	96	188	154	104	—	3,098
Other receivables, including insurance receivables	23,094	245	677	2,598	365	585	2,499	741	1,023	116	31,943
Deferred acquisition costs	2,652	57	123	318	82	146	281	166	140	—	3,965
Prepayments and accrued income	188	3	10	31	4	9	16	8	9	—	278
Cash and cash equivalents	5,021	81	270	1,406	110	573	831	687	221	6	9,206
Insurance liabilities:											
– claims outstanding	(38,942)	(839)	(1,850)	(5,175)	(1,173)	(1,765)	(3,798)	(2,132)	(2,269)	—	(57,943)
– unearned premiums	(10,538)	(220)	(487)	(1,285)	(299)	(544)	(1,037)	(671)	(569)	—	(15,650)
Deferred income tax liabilities	(2,854)	(25)	(44)	(368)	(38)	(105)	(388)	(171)	(74)	—	(4,067)
Other payables, including insurance payables	(10,422)	(116)	(334)	(1,440)	(184)	(419)	(622)	(1,076)	(318)	(1)	(14,932)
Accruals and deferred income	(975)	(25)	(47)	(91)	(45)	(65)	(77)	(79)	(44)	(16)	(1,464)
Total fair value acquired	**14,809**	**224**	**635**	**2,807**	**290**	**348**	**3,074**	**147**	**1,042**	**463**	**23,839**
Consideration	**14,171**	**190**	**560**	**2,662**	**220**	**410**	**3,083**	**298**	**910**	**435**	**22,939**
Positive goodwill on acquisition	**97**	**—**	**—**	**—**	**—**	**62**	**9**	**151**	**—**	**—**	**319**
Negative goodwill on acquisition	**(735)**	**(34)**	**(75)**	**(145)**	**(70)**	**—**	**—**	**—**	**(132)**	**(28)**	**(1,219)**
Capacity acquired											
2019 underwriting year	24,014	470	1,126	3,212	714	1,207	2,057	1,378	1,238	672	36,086
2020 underwriting year	23,411	495	1,099	3,081	655	1,207	2,398	1,492	1,256	711	35,736
2021 underwriting year	22,668	475	773	3,108	640	1,186	2,300	1,558	1,308	766	34,784

23. Share option plans

(i) Joint Share Ownership Plan ("JSOP")

500,000 shares have been vested as at 31 December 2021.

On 16 August 2021, a further 600,000 shares were issued.

Effect of the transactions

The beneficial interests of the Executives are as follows:

	2022			2021		
Director	Interests in jointly owned ordinary shares issued under JSOP	Other interests in ordinary shares	Total shareholding	Interests in jointly owned ordinary shares issued under JSOP	Other interests in ordinary shares	Total shareholding
Arthur Manners	**477,500**	**720,009**	**1,197,509**	477,500	709,868	1,187,368
Nigel Hanbury	**622,500**	**8,939,858**	**9,562,358**	622,500	8,927,294	9,549,794

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

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

(a) market value of a share at the date of grant (155p);

(b) expected premium or threshold price of a share (174.8p);

(c) expected life of the JSOP award (three years);

(d) risk-free rate of capital (1%);

(e) expected dividend yield (1.9%); and

(f) expected future volatility of a Helios share (20%).

The gives a total fair value is to be charged as an expense and spread over three years, being the years 2022 to 2024.

(ii) Share based payments

In 2022, the Company operated the Helios Underwriting Plc Long Term Incentive Plan ("LTIP"). On 16 December 2022, the Company granted 571,427 awards under the LTIP in the form of a nil-cost options.

The awards for the Executive Directors are as follows:

Director	Awards granted during 2022	Forfeited	Vested/ exercised	Outstanding at 31 December 2022	Exercisable at 31 December 2022
Arthur Manners	266,666	—	—	266,666	—
Nigel Hanbury	304,761	—	—	304,761	—

The vesting period for the awards is three years, subject to continued service and the achievement of specific performance conditions. If the options remain unexercised after a period of ten years from the date of grant, the options expire. The awards' performance conditions set threshold (30%) to stretch (60%) targets in respect of the Company's total shareholder return ("TSR") over the three-year period following the grant of the awards. No portion of the awards shall vest unless the Company's TSR at the end of the performance period reaches the threshold target, for which one quarter of the awards would vest, rising on a straight line basis to full vesting of the awards for the Company's TSR over the performance period being equal to the stretch target or better. In the case of Executive Directors, any vested shares will be subject to a two-year holding period.

The fair value of the LTIP awards is calculated using a Monte Carlo (Stochastic) model taking into account the terms and conditions of the awards granted. The inputs into the model are:

- Share price at date of grant: 157.5p
- Exercise price: 0p
- Risk free rate of interest: 3.3%
- Expected dividend yield: 0%
- Expected volatility: 30.78%
- Expected life: three years

The resulting fair value of 65.44p includes the impact of the holding period.

No options were exercised during the year. The weighted average remaining life of the options is 9.96 years.

No charge has been recognised in the Company's income statement as the amount is immaterial.

24. Treasury shares: purchase of own shares

The Company has in previous years bought back some of its own ordinary shares on the market and these are held in treasury. No shares were bought back during 2022.

The retained earnings have been reduced by £527,000, being the consideration paid on the market for these shares, as shown in the consolidated and Parent Company statements 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 31 December 2022, the 419,169 own shares bought back represent 0.55% of the total allotted, called up and fully paid ordinary shares of the Company of 76,637,372 (Note 21).

25. 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 from/(to) subsidiaries exceeding £1,000,000 as at 31 December are set out below:

Company	31 December 2022 £'000	31 December 2021 £'000
Nameco (No. 917) Limited	**12,116**	9,338
Helios UTG Partner Limited	**8,276**	7,930
Chapman Underwriting Limited	**13,458**	2,554
Romsey Underwriting Limited	**8,790**	6,412
Advantage DCP Limited	**(1,659)**	(1,623)
Catbang 926 Limited	**7,466**	1,546
N J Hanbury Limited	**2,789**	—
Queensberry Underwriting Limited	**2,870**	—
Chanterelle Underwriting Limited	**1,838**	—
Clifton 2011 Limited	**1,175**	—
Exalt Underwriting Limited	**1,268**	—
North Breache Underwriting Limited	**1,119**	—
Risk Capital UTG Limited	**3,624**	—
Subsidiaries below £1,000,000	**7,247**	8,174
Net amount	**70,377**	34,331
Receivable from subsidiaries	**73,505**	37,290
Payable from subsidiaries	**(3,128)**	(2,959)
	70,377	34,331

Helios Underwriting plc and its subsidiaries have entered into a management agreement with Nomina plc. Jeremy Evans, who resigned as a Director of the Company on 6 February 2021, is 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 £224,000 (2021: £150,000).

25. Related party transactions continued

The Limited Liability Vehicles have entered into a members' agent agreement with Hampden Agencies Limited. Jeremy Evans, who resigned as a Director of Helios Underwriting plc on 6 February 2021, is a director of the Company's subsidiary companies and 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 2022 are £315,000 (2021: £478,000). Following acquisition into the Group, no profit commission is payable on future underwriting years.

The Group entered into quota share reinsurance contracts for the 2020, 2021, 2022 and 2023 years of account with HIPCC Limited. The Limited Liability Vehicles' underwriting year of account quota share participations are set out below:

Company or partnership	2019	2021	2022	**2023**
Nameco (No. 917) Limited	70%	59%	44%	**36%**
Nameco (No. 346) Limited	70%	60%	65%	**38%**
Chapman Underwriting Limited	70%	68%	11%	**9%**
Advantage DCP Limited	70%	54%	—	**—**
Romsey Underwriting Limited	70%	48%	37%	**29%**
Nomina No 321 LLP	70%	35%	—	**—**
Nameco (No. 409) Limited	70%	44%	—	**—**
Nameco (No. 1113) Limited	70%	46%	—	**—**
Catbang 926 Limited	70%	60%	21%	**16%**
Whittle Martin Underwriting	70%	48%	—	**—**
Nameco (No. 408) Limited	—	53%	—	**—**

Nigel Hanbury, a Director of Helios Underwriting plc and its subsidiary companies, is also a director and majority shareholder in HIPCC Limited. Hampden Capital, a substantial shareholder in Helios Underwriting plc, is also a substantial shareholder in HIPCC Limited – Cell 6. Under the agreement, the Group accrued a net reinsurance premium recovery of £1,921,000 (2021: £2,703,000) during the year.

In addition, HIPCC provides stop loss, portfolio stop loss and HASP reinforce policies for the Company.

HIPCC Limited acts as an intermediary for the reinsurance products purchased by Helios. An arrangement has been put in place so that 51% of the profits generated by HIPCC in respect of the business relating to Helios will be repaid to Helios for the business transacted for the 2020 and subsequent underwriting years. The consideration paid to Nigel Hanbury of £100,000 reflects the HIPCC income that he is expected to forgo.

Nigel Hanbury was the majority shareholder of Upperton Holdings Limited, which in turn was the sole shareholder of N J Hanbury Limited, which was acquired by the Company on 27 November 2020 in exchange for 3,066,752 shares in the Company, a total consideration of £3,680,000.

Nigel Hanbury was 40% owner of Nomina No 084 LLP, which was acquired by the Helios UTG Partner Limited (a subsidiary of the Company) on 27 November 2020 in exchange for 1,025,786 shares in the Company, a total consideration of £2,036,000.

Arthur Manners was the sole shareholder of Nameco (No 510) Limited, which was acquired by the Company on 27 November 2020 in exchange for 547,576 shares in the Company, a total consideration of £657,000.

During 2022, the following Directors received dividends, in line with their shareholdings held:

Director	Shareholding at date dividend declared 29 June 2022	Dividend received 19 July 2022 £
Nigel Hanbury (either personally or has an interest in)	9,549,794	267,819
Andrew Christie	34,317	1,030
Arthur Manners (either personally or has an interest in)	1,187,368	21,296
Edward Fitzalan-Howard	382,864	11,486
Michael Cunningham	86,848	2,605
Tom Libassi (has an interest in)	13,407,000	402,210
Martin Reith	130,161	3,905

26. Ultimate controlling party

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

27. Syndicate participations

The syndicates in which the Company's subsidiaries participate as corporate members of Lloyd's are as follows:

		Allocated capacity per year of account			
Syndicate number	Managing or members' agent	**2023 £**	2022 £	2021* £	2019* £
33	Hiscox Syndicates Limited	**14,422,161**	14,422,161	14,422,175	14,799,583
218	IQUW Syndicate Management Limited	**17,566,674**	7,358,070	7,358,077	6,801,863
318	Cincinnati Global Underwriting Agency Limited	**862,407**	992,637	992,635	404,687
386	QBE Underwriting Limited	**2,918,248**	2,850,542	2,591,419	2,537,132
510	Tokio Marine Kiln Syndicates Limited	**27,057,292**	33,081,528	23,374,379	20,297,450
557	Tokio Marine Kiln Syndicates Limited	**—**	3,458,576	3,458,576	3,329,195
609	Atrium Underwriters Limited	**17,095,778**	12,732,280	12,248,230	11,123,662
623	Beazley Furlonge Limited	**27,510,398**	22,303,493	19,550,842	16,670,372
727	S A Meacock & Company Limited	**2,648,580**	2,170,966	2,107,738	3,161,831
1176	Chaucer Syndicates Limited	**2,854,340**	2,854,339	2,854,347	2,883,166
1200	Argo Managing Agency Limited	**54,999**	10,050,000	—	160,714
1729	Asta Managing Agency Limited	**19,999,999**	10,148,838	131,123	252,810
1902	Asta Managing Agency Limited	**10,688,300**	10,000,002	—	—
1955	Arch Managing Agency Limited	**12,500,000**	—	—	—
1969	Apollo Syndicate Management Limited	**12,170,742**	5,675,170	459,001	50,000
1971	Apollo Syndicate Management Limited	**10,000,001**	6,467,147	—	—
1985	Astra Managing Agency Limited	**16,874,190**	—	—	—
1988	Asta Managing Agency Limited	**15,000,000**	—	—	—
1991	Coverys Managing Agency Limited	**—**	—	—	—
2010	Lancashire Syndicates Limited	**6,978,171**	10,331,172	9,730,661	4,321,089
2014	Pembroke Managing Agency Limited	**—**	—	—	—
2121	Argenta Syndicate Management Limited	**60,000**	10,068,894	5,517,177	2,517,014
2288	Astra Managing Agency Limited	**—**	—	—	21,860
2525	Asta Managing Agency Limited	**1,967,576**	1,580,905	1,471,414	1,406,777
2689	Asta Managing Agency Limited	**2,600,000**	10,025,276	438,655	518,866
2791	Managing Agency Partners Limited	**11,402,951**	9,618,495	9,618,499	10,703,768
4242	Asta Managing Agency Limited	**10,586,722**	12,786,684	8,783,066	663,592
4444	Canopius Managing Agents Limited	**21,176**	20,000	182,189	326,110
5183	Asta Managing Agency Limited	**5,000,000**	—	—	—
5623	Beazley Furlonge Limited	**17,631,646**	6,894,032	4,769,792	2,898,292
5886	Asta Managing Agency Limited	**26,805,639**	22,875,383	12,375,473	7,504,557
6103	Managing Agency Partners Limited	**3,197,178**	3,389,701	3,015,443	2,321,087
6104	Hiscox Syndicates Limited	**—**	1,758,333	1,758,333	1,808,317
6107	Beazley Furlonge Limited	**103,807**	1,621,127	1,620,822	1,865,002
6117	Argo Managing Agency Limited	**100,000**	2,841,022	1,997,453	1,788,301
6133	Apollo Syndicate Management Limited	**—**	—	—	14,400
Total		**296,678,975**	232,700,472	145,101,772	115,745,332

* Including the new acquisitions in 2022.

28. Group-owned net assets

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

	31 December 2022			31 December 2021		
	Group £'000	Syndicate £'000	Total £'000	Group £'000	Syndicate £'000	Total £'000
Assets						
Intangible assets	61,434	—	61,434	60,889	—	60,889
Financial assets at fair value through profit or loss	73,771	152,242	226,013	43,589	110,255	153,844
Deferred income tax asset	—	—	—	—	—	—
Reinsurance assets:						
– reinsurers' share of claims outstanding	60	80,666	80,726	60	53,373	53,433
– reinsurers' share of unearned premium	—	21,333	21,333	—	10,538	10,538
Other receivables, including insurance and reinsurance receivables	3,103	144,573	147,676	5,457	82,402	87,859
Deferred acquisition costs	—	24,991	24,991	—	13,615	13,615
Prepayments and accrued income	3,746	1,330	5,076	—	799	799
Cash and cash equivalents	10,254	15,046	25,300	16,178	8,446	24,624
Total assets	152,368	440,181	592,549	126,173	279,428	405,601
Liabilities						
Insurance liabilities:						
– claims outstanding	—	272,015	272,015	—	186,653	186,653
– unearned premium	—	114,663	114,663	—	59,611	59,611
Deferred income tax liabilities	11,228	84	11,312	11,887	78	11,965
Borrowings	15,000	—	15,000	—	—	—
Other payables, including insurance and reinsurance payables	157	54,736	54,893	445	34,482	34,927
Accruals and deferred income	3,682	3,806	7,488	2,607	2,092	4,699
Total liabilities	30,067	445,304	475,371	14,939	282,916	279,855
Equity attributable to owners of the Parent						
Share capital	7,774	—	7,774	6,931	—	6,931
Share premium	98,268	—	98,268	86,330	—	86,330
Revaluation reserve	12,295	—	12,295	9,348	—	9,348
Other reserves	(110)	—	(110)	(110)	—	(110)
Retained earnings	4,074	(5,123)	(1,049)	8,735	(3,488)	5,247
Total equity	122,301	(5,123)	117,178	111,234	(3,488)	107,746
Total liabilities and equity	152,368	440,181	592,549	126,173	279,428	405,601

28. Group-owned net assets continued

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

Group	31 December 2022 £'000	31 December 2021 £'000
Funds at Lloyd's supplied by:		
Reinsurers	**27,818**	37,032
Other third party	**26,421**	5,609
Group owned*	**73,040**	43,304
Total funds at Lloyd's supplied (excluding solvency credits)	**127,279**	85,945
Group funds available:		
Financial assets	**73,771**	43,589
Cash	**10,254**	16,178
Total funds	**84,025**	59,767
Less Group funds at Lloyd's	**(73,040)**	(43,304)
Free working capital	**10,985**	16,463

* Included in 31 December 2022 Group owned funds is the proceeds from the Barclays £15m facility.

29. Events after the financial reporting period

Dividend

In respect of the year ended 31 December 2022, a final dividend of 3p per fully paid ordinary share (see Note 21) amounting to a total dividend of £2,287,000, is to be proposed at the Annual General Meeting on 29 June 2023. These Financial Statements do not reflect this dividend payable.

Registered officers and advisers

Directors
Harold Michael Clunie Cunningham (Non-executive Chairman)
Martin Robert Davidson Reith (Chief Executive Officer)
Nigel John Hanbury (Executive Deputy Chairman)
Andrew Hildred Christie (Non-executive Director)
Arthur Roger Manners (Finance Director)
Edward Fitzalan-Howard (Non-executive Director)
Thomas John Libassi (Non-executive Director)

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