

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

FINANCIAL STATEMENTS

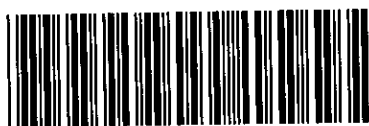
YEAR ENDED 30 SEPTEMBER 2020

Company Number 02937398

Registered Office:

**One Creechurch Place,
London EC3A 5AF**

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HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

YEAR ENDED 30 SEPTEMBER 2020

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HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Directors' report for the year ended 30 September 2020

As at 28 October 2020, Hyperion Insurance Group Limited has changed its name to Howden Group Holdings Limited.

The Directors present their report for the financial year ended 30 September 2020.

The Directors are required to prepare an annual report and audited financial statements containing certain disclosures. The following information has been included in the strategic report and is incorporated into this report by reference:

- Review of the performance and future development of the Group (as defined below) (strategic report, pages 4 - 23)
- Principal risks and uncertainties (strategic report, pages 4 - 23)

The following sections of the annual report and accounts contain all other information required in the Directors' report. To the extent necessary, information relating to financial instruments and financial risk management is incorporated into this report by reference to notes 24 and 29 to the consolidated financial statements.

Howden Group Holdings Limited ("the Company") is the parent company for the Howden group of companies ("the Group"). The principal activity of the Company during the year was that of a holding and investment company for a group of insurance intermediaries and underwriting agencies. The Company has no branches. The Group's trading operations comprise retail insurance broking, specialty and reinsurance broking, underwriting agencies and provision of employee benefit solutions.

Results and dividends

The financial statements set out the Group's consolidated results for the year ended 30 September 2020 and are shown on pages 27 to 100. These are prepared in accordance with International Financial Reporting Standards.

The financial statements for the Company for the year ended 30 September 2020 are detailed on pages 103 to 112. These are prepared in accordance with FRS102.

The loss of the Group for the year after taxation and minority interests amounted to £49.5m (2019: £28.7m). During the year no equity dividends were paid (2019: £nil).

Events after the reporting period

There are a number of post balance sheet events relating to a change in the Group's operating segments, completion of M&A transactions and an incremental financing transaction. Further information is incorporated into this report by reference to note 38.

Directors

The directors who served during the year and post year end to signing date are listed below:

Dominic Collins	Chairman
David Howden	Chief Executive Officer
Mark Craig	Chief Financial Officer (appointed 12 December 2019)
Richard Houghton	Chief Financial Officer (resigned 12 December 2019)
Luis Muñoz-Rojas Entrecanales	Non-Executive Director
John Bernstein	Non-Executive Director
David Hodgson	Non-Executive Director
Clement Booth	Non-Executive Director
Mark Stephen	Non-Executive Director
Domitille De Vienne	Non-Executive Director (appointed 09 October 2019)
Caroline Woodworth	Non-Executive Director (appointed 05 February 2020)
Ralph Friedwagner	Non-Executive Director (appointed 01 November 2020)

Directors' indemnities

The Directors are entitled to an indemnity under the Articles of Association of the Company. In addition, Directors and Officers of the Company and its subsidiaries benefit from Directors' and Officers' liability insurance cover in respect of legal actions brought against them.

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DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Articles of Association

The Company's Articles of Association set out certain matters relating to the Company's internal governance and activities, and cover such matters as the rights of shareholders, the appointment and removal of Directors, the power to issue and buy back shares and the conduct of Board and general meetings. A copy of the Articles of Association is available on request to any shareholder from the Company Secretary. Amendments to the Articles of Association must be approved by at least 75% of those entitled to vote at a general meeting of the Company.

In accordance with the Company's Articles of Association, Directors can be appointed or removed by the Board or by the shareholders in a general meeting. Subject to the provisions of relevant legislation, the Company's Articles of Association and any directions given by a special resolution of shareholders, the Board of Directors may exercise all the powers of the Company and may delegate authorities to committees and management as it sees fit.

Share capital

The table below details the numbers of shares in issue by the Company on 30 September 2020:

Share Class	Number of issued shares
Ordinary A shares of £0.01	84,804,580
Ordinary A1 shares of £0.01	482,709
Ordinary A2 shares of £0.01	291,304
Ordinary D shares of £0.00001	42,604,574
Ordinary E shares of £0.00001	10,266,374
Ordinary F shares of £0.00001	3,150,000

Political donations and expenditure

The Group made no political donations during the year ended 30 September 2020 (2019: £nil).

Charitable donations

During the year ended 30 September 2020 the Group made cash donations of £3.1m (2019: £0.2m) for the benefit of charitable causes.

Employees and employment policies

The average number of persons employed by the Company and its subsidiaries during the year was 5,734 (2019: 4,996). Their annual aggregate remuneration was £488.3m (2019: £402.6m). An analysis of employee remuneration is shown in note 7.

Research and development

The Group invests in software development to protect and enhance its business activities. See note 11 for more details.

Other stakeholder policies

The Group has published and will continue to meet its obligations with regard to reporting its payment performance and practices in respect of invoices received from suppliers.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for twelve months date of signing. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Disclosure of audit information

The Directors confirm that, as at the date this annual report and accounts is approved, so far as each Director is aware there is no relevant audit information of which the Company's auditor is unaware and that he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Statement of Engagement with Employees

Further information is incorporated into this report by reference to Section 172(1) Statement in the Strategic Report.

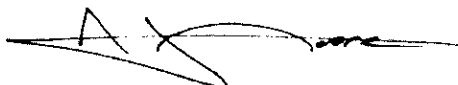
Statement on Business Relationships

Further information is incorporated into this report by reference to Section 172(1) Statement in the Strategic Report.

Independent auditor

Deloitte LLP, the Company's independent auditor, has expressed its willingness to continue in office.

Approved by board of Directors and authorised for issue. These were signed on its behalf by:

A handwritten signature in black ink, appearing to be 'Andrew Moore', written over a horizontal line.

Andrew Moore
Secretary

21 December 2020

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Principal activities

The Company is a holding company which receives dividends from its operating subsidiaries.

The principal activities of the Group's trading operations comprise retail insurance broking, specialty and reinsurance broking, underwriting agencies, and the provision of employee benefits solutions.

The retail broking and employee benefits business serves clients throughout the world. Its clients range from sole practitioners to associations, SMEs and multinational corporations. It operates a network of subsidiary and associated companies in 31 territories outside of the USA.

The specialty and reinsurance lines broking business creates risk solutions, programmes and facilities across a wide range of industries and risk classes, designing and placing insurance and reinsurance programmes for large international businesses. It does this by accessing specialist international markets and expertise for its clients and delivers individual large corporate placements or multiline facilities as appropriate to each client.

The underwriting agency business provides end-to-end insurance solutions for a wide range of specialty risks. It is involved in most parts of the insurance cycle from pricing to policy issuance and claims administration, acting on behalf of major insurance carriers. It does not take underwriting risk and is therefore not capitalised to assume such risk. It has operations in 16 countries and it provides insurance solutions to some 6,500 insurance brokers around the world who act on behalf of insured clients.

Business activity

Covid-19

The conditions in which the Group's people and clients operated in for close to nine months of the financial year, the challenges they continue to face as a result of the Covid-19 pandemic, and the impact on the insurance industry are unprecedented. The Group's continuing priority is to protect employees and their families, and thereafter to mitigate the impact of the pandemic and resulting economic fallout on clients. Additionally, the Group has accelerated its volunteering and charitable activities in support of local communities.

The Group's significant investment in data, technology, and infrastructure over the last five years has enabled it to respond to the emerging global situation by prioritising the safety of employees and implementing home working before and during government lockdowns. This meant that in March 2020, within seven days of the widespread global lockdown, over 4,500 employees in affected regions were working from home. In turn, employees were able to continue to serve existing clients and win new clients as a result of the technology, infrastructure and virtual support available to them.

HX, the Group's digital, data and analytics arm, was launched in January 2019 and it was well positioned to respond to the emergent needs of clients and the wider insurance market in relation to digital products and distribution.

The Group elected not to furlough any staff during the year and continued to recruit talented individuals from around the world, with employees joining us from competitors and from outside the industry.

The ability of the Group to be a part of the solution for its clients and more widely for the major economic and social challenges of societies is a key strategy and product and distribution innovation form a main part of the Group's response. Additional detail on the financial implications for the Group of the Covid-19 pandemic and on the Corporate and Social Responsibility activities, including the Foundation, can be found later in this report.

Integration and consolidation

The Group continues to work to achieve deeper operational integration and clarity of client offering, as well as to ensure that it is agile and appropriately resourced to achieve future growth.

This activity has centred on:

- *The completion of the merger of the retail broking and employee benefits business, Howden, and specialty and reinsurance broking business, RKH, under a combined Howden Broking management team and the Howden brand;*
- *The continued investment in and build-out of HX and the wider group technology infrastructure to accelerate the digitisation of processes and distribution in order to reduce the cost of transaction and increase the focus on delivering broking and underwriting expertise; to deliver a single view of the Group's data; to build out a market leading analytics capability; and to begin to develop the route to a single, global broking platform;*
- *The continued focus on operational excellence and process efficiencies through initiatives such as the further development of the Howden Shared Services Centre in Pune, India and the opening of a new Centre in Gdynia, Poland;*
- *The renaming of the holding company to Howden Group Holdings Limited in October 2020.*

Capital management

During the year, the Group raised additional \$100m of debt to fund acquisitions and investments and drew down fully on the £125m

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

revolving credit facility as a precaution to allow for flexibility in the event that liquidity shocks arose from Covid-19.

Strategic expansion

The Group made a number of focused acquisitions and delivered strategic initiatives in order to strengthen its product and distribution capabilities both geographically and in terms of specialist market positions, including:

- In December 2019, the Group expanded its retail broking operations in Abu Dhabi with the acquisition of a majority stake in Guardian Insurance Brokers LLC;
- In March 2020, the Group expanded its Credit and Political Risk expertise with the acquisition of International Risks Insurance Advisers SA (Iria) in Switzerland;
- In April 2020, the Group took a leading position in the Greek and Cypriot retail broking markets with the acquisition of a majority stake in the number one independent broker in Greece, MATRIX Insurance and Reinsurance Brokers Limited;
- In May 2020, the Group became the leading MGA in New Zealand and expanded its operations in the country with the acquisition of a majority stake in International Underwriting Agencies Limited;
- In June 2020, the Group entered the retail broking market in Belgium with the launch of an operation in Brussels;
- In June 2020, the Group acquired leading Employee Benefits business Compensa Capital Humano S.L. in Spain;
- Both DUAL and Howden continued to focus on delivering strong organic growth by attracting talent to expand into new specialist lines.

The Group continued to build and strengthen Howden One, its retail broking partner network. The aim of Howden One is to improve distribution and service provision to the Group's international clients. The network now has around 45 independent broking partners working to a single set of service standards in over 90 territories with a total of over 10,000 insurance professionals.

Acquisition of A-Plan Group

In September 2020, the Group announced the acquisition, subject to regulatory approval and completion, of specialist personal and commercial lines broker A-Plan Group Limited in the UK. The acquisition will be the Group's largest and will bring scale to the Group's operations in the UK with a top 5 market position. A-Plan Group has 2,000 employees serving 1.3m clients from 100+ UK locations and places in excess of £500m in Gross Written Premiums.

Investment in Howden Group Holdings Limited by Hg Capital

In September 2020, the Group announced that Hg Capital would become a minority shareholder in the Company. Through its Hg Saturn fund it will join Howden Group Holdings as an aligned, long-term growth partner alongside General Atlantic, which invested in the Group in 2013, and CDPQ which invested in the Group in 2018. The investment establishes a sustainable, long-term capital model, with both General Atlantic and CDPQ remaining committed to being partners of Howden Group Holdings. The employee shareholders will remain the largest shareholder group, with approximately 1,100 employee owners.

The investment will, in conjunction with the additional debt raise and existing resources, provide the Group with up to \$1.5bn to accelerate growth through selective acquisitions and investments in data and technology.

The transaction is subject to completion and relevant approvals at the time of writing.

Sustainability Committee and Howden Group Foundation

In order to help give appropriate oversight and strategic direction to the Group's vision to build a sustainable business, the Group Sustainability Committee was formed in November 2019 and reports to the Company's Board. John Bernstein, Non-Executive Director, chairs the committee which is comprised of representatives from across the Group. Its purpose is to identify, define and support the areas of sustainability in which the Group's focus will deliver the most impact to employees, the Company, and wider society in order to build a better, more valuable business and be an employer of choice. Broadly these activities fall into three main tranches:

- Company standards: ensuring that the Company has the right processes, procedures, infrastructure and suppliers in place that are compliant with appropriate and ambitious sustainability standards;
- Giving back: enabling the Group's charitable Foundation through share ownership in the Company to support communities, projects and charities to build a better world, and through empowering employees through providing volunteering time and opportunities;
- Innovation: ensuring that through innovation in products and distribution the Group is part of the solution to clients' and the world's challenges.

Highlights of the activity include the Group becoming a signatory to the UN Global Standards, a partnership with The Nature Conservancy to begin the Group's journey to becoming carbon negative, and the creation of a number of new products representing the creation of new markets in carbon credit insurance and natural catastrophe insurance to fund charities.

The Howden Group Foundation is chaired by Luis Munoz Rojas, Non-Executive Director of the Company. In May 2020 shareholders approved several mechanisms through which the Foundation will become a self-sustaining charitable trust which will be funded as the Company grows.

- The Group made a cash donation to the Howden Foundation of £2.25m. The Howden Foundation subsequently acquired 100,000 A shares in the Company.
- The Group will enable the Foundation to participate in all future incentive share schemes by contributing an additional 2.5% of shares to each scheme.

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- Every participant in an incentive share scheme will have the option to elect to give a further 2.5% of the shares in their scheme to the Foundation.

The Foundation agreed a flagship four-year partnership with the Prince's Trust in the UK and Australia, as well as local partnerships in a number of other regions.

Further detail on the Sustainability Committee, the Foundation and Corporate and Social Responsibility activities can be found later in this report.

People

Attraction, development and retention of talent at all levels remains a core objective of the Group. This is evidenced in the appointment of a number of well-respected, senior market experts in the 12 month period to 30 September 2020. Overall, employee numbers increased to over 5,700.

During the year the main senior management changes were:

- Mark Craig was appointed Group Chief Financial Officer in December 2019;
- Diahann Williams was appointed Group HR Director in February 2020;
- Mark Wood was appointed Head of Global Practices, Broking in April 2020;
- Barnaby Rugge-Price was appointed as Chairman of Howden Broking Group and Chairman of HX;
- Paul Johnston was appointed as CEO of HX.

During the year and up until the signing dates, the main Board appointments were:

- Domitille De Vienne, Director, CDPQ, was appointed as Non-Executive Director to the Board in October 2019;
- Mark Craig was appointed Group Chief Financial Officer and became a member of the Board in December 2019;
- Ralph Friedwagner, Director, CDPQ, was appointed as Non-Executive Director to the Board in November 2020.

The Group's commitment to broad employee ownership saw the launch of further Group incentive share programmes and an Internal Share Offer in March 2020 which saw more than 300 new employee shareholders expand the employee shareholder base to over 1,100.

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STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020
Performance review

The Group's 2020 audited financial statements reflect both its organic performance and the results of its corporate activity during the year. Under IFRS, revenue has increased during the year from £714.5m to £766.4m driven by the aforementioned organic growth and M&A. Operating profit has decreased from £93.0m to £34.1m. The decrease in operating profit is driven by an increase in depreciation and amortisation due to annualisation of prior year capex and intangible assets as well as investment in people across the group, including post business combination service obligations, to drive future growth of the Group.

Set out below are the reconciliations of the financial performance of the Group prepared under IFRS for revenue and profitability to the underlying performance of the Group. The Group's preferred measure of profitability is earnings before interest, tax, depreciation and amortisation ("EBITDA"). This is stated after adjusting for certain items, taking the benefit of cost synergy programs in place, adding back losses from lateral hires yet to achieve run rate profitability, pre-acquisition results of M&A during the year as if date of acquisition had been 1 October and adding back the impact of certain IFRSs which includes share based payments, impact of IFRS 16 and transactional FX. The Directors believes this provides better comparability year on year and enhances the understanding of the performance of the Group.

	2020	2019
	£m	£m
IFRS Revenue	766.4	714.5
Adjusting items		
Pre-acquisition results	16.4	10.6
Other adjustments	(5.7)	0.1
Performance revenue	777.1	725.2
	2020	2019
	£m	£m
IFRS loss before tax	(34.1)	9.1
Adjusting items		
Net finance costs	75.3	71.1
FV adjustments	(5.5)	12.8
Other adjustments	(1.6)	-
Operating profit	34.1	93.0
Adjusting items		
M&A and closed operations	6.4	5.1
Lateral hires	31.7	10.4
Cost Synergy programmes	1.0	1.2
Adjusting items	61.7	47.6
Acquisition costs	7.2	3.3
IFRS adjustments	(3.8)	(4.3)
Depreciation and amortisation	84.2	54.4
EBITDA	222.5	210.7

Inclusive of pre-acquisition results and other perimeter normalisations, revenue grew from £725.2m to £777.1m, a growth of 7% with organic growth at constant rates of 6%. In the context of Covid-19 headwinds impacting new business generation particularly on transactional businesses, the Board considers this a resilient result.

The key items bridging from operating profit to EBITDA are as follows:

M&A and closed operations

This relates to the pre-acquisition results of M&A which completed during the financial year and normalisation of impact of operations closed but do not qualify to be treated as a discontinued operation in line with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". In FY2020 this primarily related to Guardian Insurance Brokers LLC ("Guardian"), IRIA SA ("IRIA"), MIRB Holdings Limited ("Matrix"), International Underwriting Agencies Limited ("IUA") and Compensa Capital Humano, S.L ("Compensa").

Lateral hires

Expansion into new territories or new product lines can also be facilitated by new hires/teams. These hires/teams generally do not generate profits on joining and takes some time to reach run rate profitability as they build a client base. This adjustment relates to the add back of EBITDA losses of these lateral hires incurred in the financial year during this growth phase. The increase year on year relates to various programmes within Howden and DUAL, including new hires driven by market dislocation arising from M&A in the insurance market.

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FOR THE YEAR ENDED 30 SEPTEMBER 2020

Cost synergy programmes

This relates to identifiable cost reduction programmes currently undertaken and the expected benefit to be realised.

Adjusting items

These represent costs which are not considered run-rate costs or in relation to the underlying performance of the Group:

	2020	2019
	£m	£m
Litigation costs	12.6	10.7
Lateral hires	6.0	2.8
Integration and restructuring costs	3.8	2.4
Group transformation projects	4.2	4.8
London office move	1.8	6.4
Non-current asset impairments	1.1	7.7
Covid-19	1.8	-
Employee services post-business combination	27.9	10.5
Other items	2.5	2.3
Total adjusting items	61.7	47.6

Litigation costs relates to legal fees and provisions raised in respect of significant instances of litigation against the Group.

Set-up costs of lateral hires relates to sign-on and retention bonuses and other initial set-up costs of lateral hires.

Integration and restructuring costs relate to redundancy costs, retention awards, re-organisation and costs associated with onerous contracts following an acquisition or operational restructure.

Group transformation projects relates to incremental costs in the set-up of shared service services including associated redundancies and other Group-wide transformational projects such as Brexit preparation.

London office consolidation relates to the consolidation of a number of London office sites into one location. Costs relate to onerous leases and the projects costs which cannot be capitalised as part of leasehold improvements or right-of-use assets.

Non-current assets impairments related to the impairment charges taken in respect of goodwill and intangible assets.

Covid-19 relates to all incremental costs and income directly attributable to the Covid-19 pandemic. This ranges from items such as government cash grants in certain jurisdictions, travel cancellations, setting up employees to work from home and making office spaces Covid-19 safe in line with local requirements.

Employee service post-business combination relates to the continuing provision of services rendered by employees to earn deferred or contingent consideration or gain full benefit of Howden shares issued as consideration as part of an acquisition.

Other items relate to onerous contracts and other items considered not run-rate in nature.

Acquisition costs

This relates to professional and other incremental costs directly attributable to acquisitions and disposals of businesses and minority interests.

IFRS adjustments

These relate primarily to the reversal of:

- The impact of IFRS 16, where previously identified operating leases had costs recorded as operating costs but are now replaced by depreciation of right-of-use lease assets and interest unwind on lease liabilities
- IFRS 2 share based payment charges
- Transactional foreign gains and losses arising on the revaluation of monetary items deemed non-financing in nature

The movement in the year is largely driven by first year adoption of IFRS 16 and foreign exchange (FX) volatility year on year.

Depreciation and amortisation

This includes the depreciation and amortisation of PPE, right-of-use of lease assets and intangible assets. The increase year on year is driven by first year adoption of IFRS 16, the annualisation of intangible assets relating to acquisitions in the prior year and new intangible assets arising in current year.

Financing costs

The finance charge for the year includes £78.9m of interest costs, of which £68.8m relates to the term loan and revolving credit facility

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

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FOR THE YEAR ENDED 30 SEPTEMBER 2020

(including £12.1m of amortisation of debt modification costs), with the balance relating to derivatives, foreign exchange and IFRS 16 interest charges on lease liabilities. This was partly offset by £3.6m of interest income.

Fair value adjustments

Fair value adjustments reflects a £5.5m gain for the changes in the fair value of call options, contingent consideration for acquisitions or put options held by non-controlling shareholders and unwind of deferred consideration. There is also £0.1m charge for changes in fair value for the put option held by certain shareholders to put Howden shares back to the Company.

Financial position

The Group had net liabilities of £339.8m (2019: £284.8m) and net current assets of £246.8m (2019: £206.2m) as at 30 September 2020. The increase in net current assets is due to the Revolving Credit Facility (RCF) drawdown held in cash as precaution against possible liquidity shock caused by Covid 19 with the RCF classified as non-current borrowings and an increase in minority put options classified as current. The increase in net liabilities is driven by the loss for the year, share buy backs, cash flow hedge reserve, minority put option from acquisitions, put option granted over acquire Howden shares and minority dividends.

The Group's main debt facility has USD and EUR tranches and matures in December 2024. Details of balance outstanding at year end is as follows:

	2020	2019
	m	m
USD tranches	\$1,268.4	\$1,181.4
EUR tranches	€243.2	€245.7

The total amounts outstanding in GBP was £1,209.8m as at 30 September 2020 (2019: £1,177.9m). In addition the £125m revolving credit facility ("RCF") was fully drawn as at 30 September 2020 (2019: £nil) as precaution to allow for flexibility in the event that liquidity shocks arose from Covid-19. The RCF matures in December 2022 which was extended to September 2024 post year end. The RCF was fully repaid in October 2020.

The Board of Directors monitor the level of the borrowings and continues to be confident in the ability of the group to service its ongoing debt obligations as they fall due, particularly due to the USD and EUR cash generation which is used to settle USD and EUR debt obligations as they fall due.

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FOR THE YEAR ENDED 30 SEPTEMBER 2020

Section 172(1) Statement

The 172(1) Statement requires directors to disclose how they have met their duties under section 172 of the Companies Act 2006 and which would most likely promote the success of the company for the benefit of its stakeholders. During the year the directors have had regard to the following matters when performing their duties under section 172:

- The likely consequence of any decision in the long-term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the company.

The directors of the company maintain regular contact with management. This allows directors to appreciate the context of current projects and to be on hand to assist and advise where necessary. The culture that the Group strives for and the way that it works means that there is a continuous communication with the Group's key stakeholders. Management drives the desired culture throughout the Group and the directors are responsible for setting high standards of business conduct to ensure that the commitments to stakeholders are met. This is achieved by continuously delivering a quality service to customers, and by maintaining the culture of empowerment by putting employees first, providing agility, and embracing the integrity of the employees and supporting their aspirations. This allows the Group to provide expertise and to welcome creativity in order to deliver high-class expertise to clients.

The Group's long-term model reflects the determination to share success and to grow in a responsible, sustainable way. This goes beyond environmental and societal impacts; it influences the products the Group offer, the talent hired, and how the Group manages its future. A Sustainability Committee has been recently established to identify opportunities for improvement and to embrace a more wholesome way of working. The Group is also a signatory of the UN Global Compact, by which it has promised to take responsibility for its impact and to work in a way that supports and benefits society. The Group is determined to reduce its environmental impact as much as it possibly can – continuing to build a sustainable business while reducing, replacing, recycling and commencing the process of becoming carbon negative. The Group also wishes to support society and this is managed through fundraising and volunteering, the commitment to protect the environment and giving back through the charitable Howden Group Foundation. For more information refer to the Corporate and Social Responsibility section below.

The board ensures that it addresses the s172 requirements by allocating responsibility for specific areas to senior management, board and committee meetings, use of clear agendas, appropriate board papers, budgeting and reforecasting, and strategy events at both holding company and subsidiary company level. Decisions discussed and reached in board meetings are reported against agreed strategic objectives from strategy days. Some of the strategic issues considered by the board during the year, and the related stakeholder engagement, are set out in the 'Group Stakeholders' section below.

Key stakeholders are identified during board and committee meetings and stakeholder engagement takes place in numerous forms; the board receives quarterly CEO and other reports, including strategic update, financial performance, business updates, regulations, legal matters, risks and omissions, client updates and team updates. Actions resulting from discussion of these reports are agreed and then shared with stakeholders as appropriate.

Group Stakeholders

Customers/clients
<p>Why we engage</p> <p>Understanding customers and how their demands change allows the Group to provide tailored products, and is strategic to long-term success.</p> <p>The digital revolution has affected all aspects of life. Clients expect to receive products and services in ever smarter, more efficient and more immediate ways.</p> <p>In 2019 HX Group Limited was launched to help the Group rise to the challenge. The mission is to identify opportunities and deliver solutions that streamline the offering through data, technology, and analytics including trading platforms – making the customer experience more intuitive and informative.</p>
<p>Our approach to engaging</p> <p>The Group use local on-the-ground experts from around the world to form a network of shared skills and knowledge. This allows the Group to bring expertise to clients while seeking to observe best practices. Along with necessary regulatory controls, due diligence and care to ensure that clients' satisfaction is met, diversifying business lines and strategies to help mitigate against the loss of clients are also essential principles.</p> <p>For examples of how the board has supported the continued growth in its Global Specialisms refer to the Corporate Governance Statement below.</p> <p>The Group is regularly in touch with clients and visited them frequently before the Covid -19 lockdown. Clients make the Group aware of any new initiatives that they are considering and where it can assist in placing insurance for them. Clients often request solutions and new initiatives that insurance can provide for them.</p>
Employees
<p>Why we engage</p> <p>Putting employees first allows them to be empowered, which is beneficial to customers too. Employees form networks of skills and knowledge, sharing ideas which motivates other employees and strengthens the Group.</p>

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Our approach to engaging

The directors engage with employees through Workplace, the internal media platform, and other internal communications.

The board agreed the following actions in response to the results of the 2020 Health and Wellbeing survey, in order to improve the working environment for employees. Actions taken include ensuring a healthy work/life balance by way of introducing the Agile Working Principles and Toolkit worldwide. In relation to career development and progression, a leadership framework has been developed along with the development of related activities to be rolled out in 2021. There will be an increase in the availability of wellbeing resources. In addition, Financial Awareness workshops and Mental Health Wellbeing workshops have been rolled out. A free new mental health App has been launched to all UK employees and mental wellbeing champions have been created.

The directors strive for a balance between growth through acquisition, organic growth, cashflow and liquidity considerations, reward and performance, culture at work, diversity & inclusion, wellbeing and equal pay. During the Covid-19 pandemic the frequency of Group Executive Committee meetings was increased to monitor the impact closely.

The Group puts its employees first by supporting aspirations and providing opportunities in order to make a difference. The Group is built on a foundation of employee ownership with over 1,100 employee shareholders enabling employees to share in the Group's success. As a result the likely consequence of any decision made by the directors in the long term are aligned with the interests of employees.

It is vital that the Group recruits the right people in order to continue the success of the Group. It attracts and retains people of the highest calibre through a recruitment process that is free from bias and discrimination. The Recruitment and Selection Policy is followed, while prioritising employees' development and success.

The board established a Covid-19 Emergency Response Team. The team met daily initially in order to manage the migration of colleagues from office to home working. All employees were offered the opportunity to order additional home-office furniture and IT equipment. An online Workplace group was established to store useful information and FAQs. The Group supported the repatriation of colleagues to their home country or safe accommodation, providing necessary personal protection equipment, along with monetary donations. Additionally, home working was initiated earlier than official government notice, setting up working from home effectively and recognising the flexibility required for parents and carers. The Group is now considering more agile working on a permanent basis.

Suppliers

Why we engage

It is important for the Group to create long-term, robust working relationships with its suppliers. This ultimately benefits all stakeholders.

Our approach to engaging

With respect to UK Group entities, all supplier related activity is managed in line with the Group's Contracts Policy and additional risk and due diligence assessments are carried out in line with the Group's Sourcing Principles. As part of its sustainability initiatives, significant operational and capital expenditure is reported regularly to the board and the board will continue to place emphasis on reviewing relationships in the future.

The Group abides by the Modern Slavery Statement and is committed to ensuring that its business dealings are carried out in compliance with the relevant laws and, in doing so, endorse the implementation and promotion of ethical business practices to protect workers from being abused and exploited. The Board supported that, following training, a set of UK procurement principles be created, and which have been shared with the key subsidiaries.

Communities

Why we engage

The Group cares and appreciates the communities and places great importance in contributing to the communities through various charitable means. For more information refer to the Corporate and Social Responsibility section below.

Our approach to engaging

The board receives regular high-level updates on community activities through the Howden Foundation and the Sustainability Committee. Refer to the sustainability and corporate social responsibility section for further details.

Group shareholders

Why we engage

The Group has a responsibility to engage with shareholders and an ambition to deliver long term, sustainable growth. The Group understands the importance of providing information to shareholders so that they can support and engage within the Group.

Our approach to engaging

Institutional shareholders are represented by directors on the board and therefore participate directly in Group strategic decision-making and direction. The Group engages with shareholders via the online Shareholder Portal, shareholder updates via email, CEO video presentations, and half-year updates. There is a commitment to educate shareholders and prospective shareholders by convening live workshops and Q&As during the internal share offer process.

Group debt investors

Why we engage

The Group has a responsibility to engage with debt investors and understands the importance of providing information on a regular basis forming part of the covenant.

Our approach to engaging

Quarterly updates are provided to the debt investors to maintain a valuable relationship. The updates are given by the Group Chief Financial Officer on behalf of the Board.

Regulators

Why we engage

As an insurance intermediary group, the Group's subsidiaries are subject to financial services regulations. The Group also works with other relevant regulators to ensure all aspects of the businesses comply with local jurisdiction laws and regulations to uphold the responsibilities to stakeholders.

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Our approach to engaging

In the holding company's country of registration, the relevant UK entities are authorised and regulated by the Financial Conduct Authority (FCA) and have an open and transparent approach to communication with the FCA, engaging with them as required or requested, and in compliance with Principle 11 of the UK Financial Services Handbook. The Group is also licensed to operate in a number of other countries (including, until the end of 2020, on a freedom of services basis across the EU).

The Group's regulatory communications are managed and facilitated by the Legal and Compliance teams. Significant regulatory matters are reported to the relevant entity board and to the holding company level if necessary.

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Sustainability

The Group recognises the importance of sustainability and understand that it positively affects the Group, its employees, and the local community.

In 2019 the Sustainability Committee, chaired by John Bernstein, non-executive director, was formed to help lead the insurance industry towards a cleaner, fairer, healthier, safer world by helping its customers manage risks in a long term sustainable and equitable way, and to be the employer of choice for the best global diverse talent in insurance. The areas of focus include:

- Product Innovation;
- Distribution Innovation;
- Diversity & Inclusion;
- Howden Group Foundation;
- Corporate Social Responsibility;
- Environmental Sustainability.

In 2020, the Group became a Signatory to the UN Global Compact and has committed to maintaining high standards of corporate governance. Furthermore, the Group continues to work with the relevant regulators to ensure that all aspects of its business comply with local laws.

Corporate social responsibility

CSR activities form part of the Group's wider Sustainability approach, and the Group's CSR strategy is made up of three key themes:

- Education – working with young people and those not in education, employment, or training through social mobility projects to get them into work;
- Enterprise – supporting young entrepreneurs, social entrepreneurs and environmental entrepreneurs to get their businesses off the ground;
- Environment – finding ways to reduce the Group's environmental impact in how it does the day-to-day business.

Volunteering

All employees are entitled to two volunteer days per annum. Employees can volunteer at the Foundation approved initiative or put forward a request for a charity they have a personal connection with. During the year, 1,484 hours of volunteering were recorded.

Charitable giving and the Foundation

Founded in March 2014, the Howden Group Foundation ("the Foundation") is a registered charity set up to support our local communities through the Group's CSR strategy and the great charitable work that its people are personally involved in. Chaired by Luis Munoz-Rojas, non-executive director, the Foundation's initiatives are designed to:

- Relieve sickness;
- Relieve poverty;
- Relieve disasters
- Relieve unemployment;
- Advance education;
- Support environmental sustainability.

The Group's employees are involved in the selection process of charities and local organisations supported through charity partnerships and Investing in the Community Awards. To recognise employee fundraising efforts inside and outside of work, the foundation also match funds up to £750 of fundraising per employee, per year. During the year, over £240,000 was raised by employees worldwide. This is in addition to the cash donations of £3.1m made by the Group during the year.

Strategic Partnerships

In April 2020, the Group launched a multi-year flagship charity partnership with the Prince's Trust across the UK and Australia. Through this partnership the Group will support the education and enterprise programme. Together, the Group has committed to support over 13,000 young people at risk of exclusion, who need help to succeed in education, and to assisting over 479 new young entrepreneurs and 1,780 veterans as they embark on their self-employment journey.

During August 2020, the Foundation partnered with The Nature Conservancy enabling them to offset 25,000 tonnes of CO₂ through the purchase of certified carbon credits from projects in Africa that also benefit communities and conservation. This investment will help:

- Address climate change;
- Safeguard globally important habitats and wildlife;
- Support sustainable livelihoods of rural communities in Kenya and Tanzania.

Alongside this the Group will also be substantially working towards reducing its emissions and establishing robust data collection protocols on unavoidable emissions.

This is the first of Foundation's strategic partnerships. The next focus will be on finding further organisations worldwide, which complement the Prince's Trust partnership and support the Group's CSR strategy.

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Global Group Giving Week

Each year the Group aims to bring employees together to make a huge impact amongst the communities in which they live and work. Activity may include: fundraising; volunteering; raising awareness events and pro bono. All activities are inclusive and open to all employees; in support of local organisations; compliant with local fundraising and volunteering regulations and reported to the CSR team. In 2020, this took place on 21-25 September, supporting 29 charities worldwide, raising over £40,000 and engaging over 1,115 employees.

Environment

The Group is determined to reduce its environmental impact as much as it possibly can. Some of the actions taken in the UK and worldwide are as follows:

- ClimateWise membership: During September 2020, the Group joined a global network of leading insurance industry organisations to help support society respond to the risks and opportunities of climate change;
- Reducing carbon footprint: During 2020 the Group globally started the process of becoming carbon negative. As part of the strategy, it has reduced travel by teleconferencing, video calling and use of instant messaging. Employees are also encouraged to use bicycles and most offices therefore have dedicated bike storage facilities and showers;
- Waste management & recycling: to replace paper with electronic media. Providing recycling bins for paper, cardboard, glass and batteries and actively encourage employees to reduce waste and recycle;
- Removing single-use plastic: where possible we are removing and finding alternatives to single-use plastic in the workplace e.g. stationery, meeting rooms;
- Formation of environment committees: for example in the Group's main London office, the committee is helping to influence change and organises raising awareness events e.g. Husk cups in Boki, the in-house coffee shop;
- Environmental volunteering: River clean ups/tree planting;
- Using environmentally responsible materials: to source Forestry Stewardship Council paper for use in all of our printers and recycled black and white toner cartridges. recycled notepad paper and bios etc;
- Energy efficiency: to use energy efficient lighting wherever possible e.g. motion sensor lights;
- BREEAM rating 'Excellent' UK Group headquarters: London office move in December 2018, and the same approach for an eco-building is being taken with other office buildings worldwide.

Covid-19

- Virtual & in person volunteering has been taking place worldwide: companion calls with the Alzheimer's Society, E-mentoring with the Prince's Trust and the Brokerage, food bank donations and deliveries, making of masks and NHS scrubs, delivery of donated PPE, hospital volunteers.
- Donation of £35,750 to NHS charities Together.
- Insuring and covering the insurance premium for contractors to install 4,000 beds in the Nightingale Hospital.
- Donation of £21,000 Alzheimer's Society emergency Relief Fund.
- Investing in the Community Award, supporting eight charities supporting Covid-19 relief from around the world.
- Worldwide response to local Covid-19 research and relief efforts.
- Boki sponsored free coffee at Kings College Hospital in April 2020.
- Virtual fundraising events e.g. cake competition, e-cook book, virtual concert, food delivery app donations.

Diversity and Inclusion

The Group believes in equal opportunities for all employees, regardless of race, religion, gender, age, sexual orientation, or disability. The Group commits to attracting, developing and retaining a culture of equality and diversity in the workplace.

The Group provides a supportive and welcoming workplace environment, which represents the communities and cultures within which it lives and work. The aim is to ensure that everyone is given the same consideration when they apply for jobs, and that they enjoy the same training, career development and prospects so they can contribute to their full potential.

The Group expect the highest standards from its employees, and have put in place policies and procedures to support its expectations.

The Group is committed to develop diversity and inclusion awareness and behaviours of employees and senior leadership across the world to ensure best practice. Howden UK has launched its own engagement group: RESPECT, which is an on-going initiative to create an open, respectful and inclusive culture with a focus on gender equality, workplace culture, mental health, and multicultural & ethnic diversity. The Group has also launched its first LGBT+ Network and has an active Inclusion focus group.

The Group is also a proud member of Stonewall and everywoman.

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Streamlined energy and carbon reporting

The tables below sets out GHG Emissions and Energy Use Data in the UK for the year ending 30 September 2020.

Energy Performance results

Energy use (kWh)	Scope	2020	2019
Building gas	Scope 1	198,058	553,148
Company car business miles	Scope 1	13,422	91,656
Building electrics	Scope 2	4,031,144	3,427,207
Employee car business miles	Scope 3	386,556	726,384
Total		4,629,180	4,798,395

Carbon performance results

Carbon Dioxide equivalent emissions (t/CO₂e)	Scope	2020	2019
Building gas	Scope 1	35.2	101.0
Company car business miles	Scope 1	3.2	22.7
Building electrics	Scope 2	662.6	956.8
Company car business miles	Scope 3	309.1	174.9
Total		1,010.1	1,255.4

Intensity ratio

Intensity ratio	2020	2019
Tonnes per employee (t/CO ₂ e/employee)	0.46	0.76
Tonnes per SqM (t/CO ₂ e/m ²)	0.05	0.05

Methodology

This SECR report has been prepared in accordance with HM Government Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance, March 2019 (Updated Introduction and Chapters 1 and 2), PB 13944, predominately Chapter 2; "Guidance on Streamlined Energy and Carbon Reporting". The approach used to identify, collate and calculate the figures was developed from that used to produce the Total Energy Consumption (TEC) for the Energy Savings Opportunity Scheme (ESOS P2, 2019 and ESOS P1, 2015), using reports and information from the Group and the latest Government GHG conversion factors (for 2020 and 2019).

Energy Efficiency Action

The Group have continued to decommission the on-premises server estate to take advantage of more energy efficient cloud services. Additionally, measures have been taken to minimise the use of non-essential electric consumption in-line with reduced office occupancy levels for example switching off photocopiers and reviewing the set times for PIR lighting.

Further details on Group wide energy and carbon reduction initiative has been documented in the sustainability and corporate social responsibility section.

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Corporate Governance Statement

For the year ended 30 September 2020, under The Companies (Miscellaneous Reporting) Regulations 2018 (and the Companies Act 2006 as amended in July 2018), the Group has applied the Wates Corporate Governance Principles for Large Private Companies (the 'Wates Principles') described below as the appropriate framework for its corporate governance arrangements.

Principle One – Purpose

"An effective board promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose".

The Group is the largest independent insurance Group outside of the US and it is the goal to remain independent by delivering sustainable growth whilst maintaining its culture. The Group's independence, which combines employee ownership with long-term growth equity partners, means that the Group is able to focus on client and partner relationships for the long term and to deliver them alongside a quality service. The vision is to maintain and grow its independent position by delivering sustainable growth whilst maintaining culture and it is communicated to the employees through the internal media App, emails, workshops, presentations and live Q&As.

The Group's strategic leadership is founded upon a culture of transparency and empowerment which guides the Group as it reaches decisions and provides an open venue for all of its shareholders to have the appropriate levels of oversight and access to information. The board does not seek to "intrude in or influence" the day-to-day business of the Group and its trading companies.

The board promotes a long-term approach, inclusion, diversity, community engagement, social responsibility and environmental sustainability. The strategy pillars are separated into four areas; people first, data and technology, global specialisms with local experts, and sustainable and accelerated growth. Along with the vision, there is a renewed focus on the Group's place in the world and the kind of business the Group strives to be. The long-term model reflects the determination to share success and grow in a responsible, sustainable way as it is understood that it positively affects the Group, the employees and the local community. A Sustainability Committee has been formed to aid the journey to become a sustainable Group. Refer to the sustainability section for further details. The Group also focuses on the health and wellbeing of employees, as most recently exemplified through the Health and Wellbeing Survey 2020.

Principle Two – Board Composition

"An effective composition requires an effective chair and a balance of skills, background, experience and knowledge".

The board has a separate Chairman and Chief Executive Officer (CEO) to ensure a balance of responsibilities. This also allows a strong and healthy decision-making process. The Chairman upholds good corporate governance practice through receiving advice from its committees, professional advisers, the Company Secretary and recommendations from Internal Audit reviews. While following good practice, the Chairman is fundamental in ensuring board and director effectiveness. Although the Chairman does not have a direct reporting line, he liaises closely with the CEO, other board members, the Group's external shareholders and Group Executive Committee (GEC) members. He also ensures that the board operates within its objectives and apportions clear responsibilities to members of the board, providing a clear strategic direction for the Group's activities.

The board comprises the Chairman, CEO, Chief Financial Officer, four investor non-executive directors and four independent non-executive directors. One of the non-executive directors is a significant shareholder and an employee of one of the Group's Spanish subsidiaries. He is not considered to be conflicted as he is not an employee at Group level. This individual brings many years' of insurance experience as well as a beneficial level of understanding of the business as an employee.

Two of the investor non-executive directors are female and the Group endeavours to achieve board diversity whilst also recognising the best individual for the role. The Group is committed to making the Group a more inclusive environment and it has several strategies to improve this. Refer to the diversity and inclusion section above for further details. While there is always room for improvement, the Group considers that the board has an acceptable level of diversity, along with substantial expertise and independence.

The board appointment process and the recruitment and selection policy are free from bias and discrimination, promoting diversity in line with the protected characteristics within the Equalities Act 2010. A review of the composition of the board (by the Chair and CEO) will take place every three years. At the current time, however, the board is satisfied that it has an appropriate balance of expertise, diversity, background, nationality and gender.

The directors bring diverse skills and views to the board as a result of their experience on advisory and insurance boards. They have experience of adapting to changing regulatory and business landscapes, leveraged finance and debt, supporting entrepreneurs, sustainability, and consulting and executive coaching for boards in many different countries. Thus there is a clear demonstration of depth of knowledge and capability. There is a high degree of interaction between the CEO and other colleagues at all levels of the Group, and employees have several ways in which to provide feedback.

The Group's governance approach is effective and this is further underpinned by the support and transparency of the subsidiary boards. The directors do not embrace a "command and control" approach and this unites with the FCA's principle that a regulated board should not operate under undue influence from its holding company.

Principle Three – Responsibilities

"A board should have a clear understanding of their accountability and responsibilities. Its policies and procedures should support effective decision-making and independent challenge".

The board of directors has adopted terms of reference and matters reserved in order to continue to promote accountability. This covers such areas as Group strategy, approval of budgets, financial results, board appointments and the dividend policy. The board meets quarterly and additional meetings are called when required. Comprehensive reports are distributed to all directors/committee members prior to each scheduled board/committee meeting in all areas of the business, which include risk management, performance and any ad hoc matters. This allows the board to support effective decision making and address any issues raised. Directors are able, if necessary, to take independent professional advice as appropriate.

Achieving good corporate governance is important, along with appropriate policies and procedures supporting transparency, disclosure,

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accountability and responsibility to provide all stakeholders with accurate information. It allows decisions to be supported by a balanced assessment of all relevant considerations.

Committees

Delegated duties are fulfilled through board committees chaired by an independent non-executive director. The GEC is an executive management committee supporting the CEO in performing his duties whilst ensuring consistent values and alignment throughout the Group. This is reflected in communication with employees through workshops, conferences and annual events. The input and role of the GEC is paramount with respect to the day-to-day business of the Group as a whole, and representing the leaders of each of the trading and supporting service pillars of the Group.

The board delegates the day-to-day management of the Group to the GEC which meets monthly and is chaired by the CEO. Membership includes the Chief Financial Officer, General Counsel, Chief Information Officer, Chief Operating Officer, Human Resources Director and the CEOs of each business unit.

The Remuneration Committee consists of the Chairman and non-executive directors who meet on a quarterly basis to consider the balance of interests between shareholders and the Group, the guidelines for remuneration, executive management remuneration, the remuneration policy, performance related pay and LTIPs, the parameters of share incentive schemes, share transactions where necessary, pensions, employment termination provisions, and legal and regulatory provisions. The Chairman of the committee reports formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities. The committee makes recommendations to the Board that it deems appropriate where action or improvement is needed. The committee reviews its own performance every three years, as well as its constitution and terms of reference to ensure it continues to operate effectively.

The Audit Committee consists of non-executive directors from both the parent company and key subsidiaries and meets on a quarterly basis to assist the board in fulfilling its responsibilities with regard to accounting policies, internal controls, financial reporting, risk assessment, governance framework for the group, compliance, whistleblowing, internal audit, reviewing the quarterly internal audit update and the annual internal audit programme, external risk management reviews, external audit, material issues raised by divisional audit committees, reporting responsibilities and other further substantive matters as appropriate. The committee reviews its own performance every three years, as well as its terms of reference to ensure it continues to operate at maximum effectiveness and recommends any changes it considers necessary to the Board for approval.

The independence of board directors is referenced in the sections above.

Principle Four - Opportunity and Risk

"A board should promote long-term sustainable success of the company by identifying opportunities to create and preserve value, establishing oversight for the identification and mitigation of risks".

Long term risks and opportunities are discussed and planned at the annual Group Strategy Day and annual GEC Strategy Day. The board pursues opportunities put forward by the businesses as well as by the directors themselves. The Group business plan identifies and evaluates any risks related to opportunities, allowing the board and GEC to make informed decisions. For example, during the year the Group has made a significant investment in HX, the data analytics, digital delivery, and single broking platform business, in response to client demand. The Group has also invested in cyber security and global specialism to meet evolving demand.

The Group maintains and regularly updates a medium term (five year) financial plan, reflecting the strategies agreed at its Group Strategy Days. Short term opportunities are discussed at the monthly GEC meetings and subsidiary level board and committee meetings.

Key risks are addressed through the Group's systems and controls, and are monitored regularly. Refer to the risk and governance model section for further details.

Principle Five – Remuneration

"A board should promote executive remuneration structures aligned to the long term sustainable success of a company, taking into account pay and conditions elsewhere in the company".

The Remuneration Committee ensures that the Group is able to attract and retain highly motivated executive management while protecting and representing the interests of other stakeholders such as shareholders and employees. The pay of directors and seniors managers is consistent with the culture and values of the Group, and drives strategic success through pay related performance. A brief remit of the Committee is provided under Principle three above.

Since 2017 the Group has produced a yearly Gender Pay Gap Report. During the current financial year, the Group has continued to focus attention on recruitment, succession planning, inclusion and learning and development to redress the gender imbalance. It is believed that these are the key areas for how to build a more inclusive and diverse workforce.

The Group's UK Gender Pay Gap report demonstrates a significant gender pay disparity in the mid to upper quartiles. While it is important to continue with the long-term initiatives to build a sustainable workforce, the Group acknowledges that it needs to respond with greater agility to make immediate improvements. Long-term initiatives such as improved recruitment practices and procedures, succession planning, career development, all take time to influence gender imbalance. Refer to the corporate and social responsibility section and s172(1) statement for further details.

In the immediate term the businesses are working on specific divisional action plans to help focus effort and enable greater measurement of progress. These plans will be regularly reviewed at the GEC meetings.

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Principle Six – Stakeholder Relationships and Engagement

"Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders".

The board believes that good corporate governance, long term strategies, sound communication, employee championing, aspirations of long term client relationships, and the desire to create a positive impact in the world are essential to achieving success. The Group maintains a culture whereby sound relationships with stakeholders provide positive contributions to the long-term goals of the Group. See the stakeholder engagement section of section 172(1) for details of how directors have fostered stakeholder relations and engagement, and ensured the views of employees have been factored into board decision making.

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Risk and governance model

Risk management

As an insurance broking and risk management business, the Group deals with risks on behalf of its clients. Understanding, identifying and managing the Group's own risk profile is an important foundation in safeguarding and optimising the interests of shareholders, clients, employees and other stakeholders.

The Group faces multiple risks which could cause financial results to be materially different or operational outcomes to be contrary to management's objectives and expectations for the business. Risk, as a function of uncertainty, can be both positive and negative, and the Group seeks to ensure operational and regulatory platforms are designed to mitigate the downside and maximise the potential upside of risk.

The governing body of the organisation, the Board, puts in place appropriate structures and processes evidencing integrity and transparency that enable accountability to stakeholders. Additionally the Board enables actions (including the management of risk) to be taken in order to achieve the strategic objectives of the Group, through risk-based decision making and the appropriate deployment of resources.

The Board delegates certain responsibilities and provides resources to management to achieve strategic objectives. Management are also responsible for ensuring all legal, regulatory and ethical expectations are met in so doing. The Board also oversees (through the Board's Audit Committee) an independent and objective internal audit function to provide clarity and confidence on progress toward the achievement of objectives. The Audit Committee provides oversight and challenge to the risk management activities in place across the Group. It is comprised of non-executive members and reports relevant matters to the Board.

Management's responsibility to achieve organisational objectives comprises both first and second lines of defence. The first line of defence is most directly aligned with the delivery of services to clients. The second line of defence provide assistance with managing risk.

The third line of defence performed by internal audit provides independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management. It achieves this through the competent application of systematic and disciplined processes, expertise, and insight. It reports its findings to management and the Board to promote and facilitate continuous improvement. Internal audit's independence from the responsibilities of management is critical to its objectivity, authority, and credibility. It is established through: accountability to the Audit Committee (and therefore the Board); unfettered access to people, resources, and data needed to complete its work; and freedom from bias or interference in the planning and delivery of audit services.

All roles working together collectively contribute to the creation and protection of value when they are aligned with each other and with the prioritised interests of stakeholders. Alignment of activities is achieved through communication, cooperation, and collaboration.

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The following table sets out the Group's principal risks with examples given of actions taken to mitigate such risks: transferring, avoiding, reducing or accepting such risks within agreed tolerances. It is not intended to be taken as an exhaustive list, but is illustrative of the significant risks to which the Group is exposed:

RISK	DETAIL AND POTENTIAL IMPACT	EXAMPLES OF MITIGATION
STRATEGIC RISKS		
COMPETITIVE MARKET	The insurance market is highly competitive. There is a focus on client relationships, branding, cost, market penetration and diversity of product offering. Most of the Group's revenues are derived from commissions and fees for broking and underwriting services. The Insurance market is cyclical in nature and rates may vary from year to year dependent on market conditions. New technologies and distribution structures have the potential to disrupt the traditional insurance market in the future.	The Group focuses on serving clients in certain markets where the Board believe it has a competitive advantage. The Group seeks to maintain strong relationships with clients at many levels. The Group monitors this via divisional reporting on key metrics including organic and inorganic growth. The Group is investing in new technology and data-driven solutions to ensure it remains able to take advantage of the opportunities brought about by any industry disruption.
EXTERNAL ECONOMIC FACTORS AFFECTING OUR BUSINESS	As economic activity increases and reduces, risk events may or may not occur, and the demand for insurance coverage generally rises and falls. These changes affect brokerage, commissions and fees earned in the market. The consequences arising from the Covid-19 pandemic have been considered thoroughly by the Board, including the possibility of prolonged economic downturn.	The balanced distribution model covering both broking and underwriting helps mitigate external risks facing the wider industry. The Group's devolved management structure enables decisions to be taken at the right level for risk to be mitigated and opportunities brought by external change to be optimised. Cashflow is particularly important in the event of any economic downturn, and the group has modelled its liquidity based on a number of scenarios, and closely monitors available liquidity on an ongoing basis.
INTEGRATION WITH ACQUIRED COMPANIES	An important part of the Group's strategy for growth is to join with high quality businesses in emerging markets.	The Group empowers businesses to manage integration locally, with expert support supplied by Group as required. This approach provides management with the opportunity to move quickly in identifying, assessing and integrating businesses into the Group.
FINANCIAL RISKS		
ABILITY TO MAKE INTEREST AND CAPITAL PAYMENTS	Interest and capital payments depend on cash flow generated from operations.	In addition to the day-to-day financing of operations, servicing the term loan is predicated on appropriate financial controls. These controls ensure that adequate cash flows are maintained and working capital is in place to meet financial obligations. Self-imposed working capital buffers enable cash use to be optimised. Interest rate risk is mitigated by appropriate hedging.
HOLDING OF FOREIGN EXCHANGE CURRENCY	A proportion of the Group's business is conducted in currencies other than Sterling, in which the Groups accounts are reported. Receipts, expenses, assets and liabilities are therefore exposed to movements in foreign currency exchange rates. The main exposures are to the US dollar, Euro, Australian dollar and Canadian dollar. In the UK, part of the Group's revenue is in foreign currencies; however, expenses are borne in Sterling.	Financial transactions are frequently naturally hedged but where natural hedging is deemed to be inadequate to meet risk appetite, the Board has approved a risk mitigation strategy that is exercised within a defined appetite and through appropriate approval and authorisation controls.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

ACCOUNT ASSUMPTIONS AND ESTIMATES	Financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The Group is required to make assumptions and judgmental estimates that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of its financial statements.	Management review assumptions and judgmental estimates including those related to carrying value of goodwill in acquired entities, revenue recognition, derivative liabilities contingent liabilities and taxation, and these are the subject of second and third line of defence oversight and review.
OPERATIONAL RISKS		
LOSS OF KEY PERSONNEL	The Group relies on highly trained and experienced staff to support and undertake broking and underwriting business. The loss of several members of senior management, or client-facing teams may adversely impact the delivery of strategic objectives.	The Group remains committed to employee ownership, empowering managers to act as 'owners' of the business. The Group is managed by senior employees within the Group who have many years of experience and expertise and who understand and value the contribution of its staff across the Group. In addition, a significant level of employee ownership aligns interests across the Group.
LOSS OF KEY CLIENTS	The Group depends on underlying operations to ensure client satisfaction. If the Group is unable to operate effectively, the loss of client satisfaction could result in harm to the business and financial performance.	The Group seeks to observe best practice, along with the necessary regulatory controls, due diligence and care to ensure that its operations meet with its clients' satisfaction. Diversification of business line and geography, and successful new business strategies further helps mitigate the impact of natural client turnover.
FAILURE OF INFORMATION TECHNOLOGY SYSTEMS	Information technology systems are a key part of the Groups business and any disruption of systems or the supporting infrastructure and networks could adversely affect its operations, income and financial results. Cyber attacks which focus on either theft or withholding of data, or denial of service are becoming increasingly sophisticated and prevalent. Our IT systems store information which is classified as sensitive personal data, and hence is subject to compliance with additional regulatory requirements.	Management continue to invest in information technology solutions, with a focus on robust, safe and reliable systems and controls. Risk based testing is undertaken to satisfy management that its IT infrastructure remains robust.
LEGAL AND REGULATORY RISKS		
PROCESS CONTROL FAILURE	The Group may be subject to errors and omissions claims in placing or underwriting insurance or dealing with claims. It is not always possible to prevent errors and omissions claims occurring, and damages under such claims may cause its financial position to be adversely affected, as well as diverting management time and causing reputational damage.	Internal controls embedded into the day-to-day operations of the business are designed to mitigate the risk to an acceptable level. Appropriate levels of insurance cover are taken out to mitigate financial impact of errors and omissions risk.
POLITICAL RISKS	The Group may be subject to risk due to political changes impacting the jurisdictions in which it trades. At the time of this report, the most relevant political risk is Brexit, with the transition period due to end on 31 December 2020.	The Group's diversified business model means that its exposure to concentrated political risk is mitigated. In respect of Brexit, Howden Group's UK regulated entities have implemented plans, including making necessary changes to corporate structures, to mitigate the risk of a 'hard' Brexit.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

REGULATORY RISK	If the Group fails to comply with regulatory requirements, it may be subject to regulatory censure that may inhibit the ability for the Group to conduct its business, or may include significant financial penalties.	The Group recognises and upholds its responsibilities to all stakeholders, including regulators, in all jurisdictions. This is monitored by appropriate risk and compliance functions within the business, with independence provided by Internal Audit as described and explained in the three lines model.
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HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Future developments

The Group will continue to grow and develop by investing in the following strategic themes:

People first

- To continue to promote employee ownership in the Group;
- To attract, develop and retain talented individuals through leading recruitment, employment and development practices.

Growth and independence

- To retain the Group's independence and to protect its unique culture as an international business with employee ownership at its heart;
- To have a financial model that allows the Group to invest in future growth whilst balancing debt and equity to ensure shareholder value;
- To generate higher growth than the Group's peers by delivering attractive and innovative products and services.

Global specialisms

- To be product specialists and to diversify into new and emerging risk areas by recruiting and acquiring like minded individuals and businesses;
- To be market leaders and makers in the geographies in which the Group operates.

Data and distribution

- To build a business model focused around clients and their needs;
- To invest in, develop and embed data and technology in all areas of the Group in order to empower employees, advance product solutions, enhance service, and speed distribution to meet changing client needs.

Approved by the Board and signed on its behalf by:



David Howden
Chief Executive Officer

21 December 2020

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 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 Group website, www.howdengroupholdings.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)**

Opinion

In our opinion:

- the financial statements of Howden Group Holdings Limited (the 'parent company') and its subsidiaries ('the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 September 2020 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- The consolidated income statement;
- The consolidated statement of comprehensive income;
- The consolidated and parent company statement of financial position;
- The consolidated and parent company statement of changes in equity;
- The consolidated cash flow statement; and
- The related notes 1 to 38.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)**

Responsibilities of Directors

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report on these matters.

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.



Mark McIlquham (ACA) (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, UK
21 December 2020

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)
**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

		YEAR END 30 SEPTEMBER 2020	YEAR END 30 SEPTEMBER 2019 (restated)
	Note	£m	£m
Continuing operations			
Fees and commissions	4	746.6	696.4
Other operating income	4	19.8	18.1
Other operating costs		(643.5)	(566.7)
Bad debt expense		(4.6)	(0.4)
Depreciation and amortisation	5	(84.2)	(54.4)
Operating profit		34.1	93.0
Gain on bargain purchase		0.4	-
Dividend income		0.4	0.2
Gain/(loss) on disposal		0.8	(0.2)
Finance income	6	3.6	4.2
Finance costs	6	(78.9)	(75.3)
(Loss)/profit before changes in the fair value through profit or loss		(39.6)	21.9
Fair value through profit or loss	6	5.5	(12.8)
(Loss)/profit before tax for the year		(34.1)	9.1
Income tax credit/(expense)	8	(0.7)	(26.0)
Loss after tax from continuing operations		(34.8)	(16.9)
Loss after tax		(34.8)	(16.9)
Loss attributable to			
Group shareholders		(49.5)	(28.7)
Non-controlling interests		14.7	11.8
		(34.8)	(16.9)

Revenue and operating profit for the year and prior year arose from continuing operations only.

The notes on pages 34 to 100 form an integral part of these consolidated financial statements.

The comparatives have been restated to show bad debt expense, dividend income and gain/(loss) on disposal.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	YEAR END 30 SEPTEMBER 2020 £m	YEAR END 30 SEPTEMBER 2019 £m
Loss for the year	(34.8)	(16.9)
<i>Other comprehensive income</i>		
Items that may be reclassified to profit or loss in subsequent years		
Revaluation of cash flow hedging instruments, net of tax	(5.8)	(27.1)
Amounts recycled from cash flow hedge reserve to income statement, net of tax	1.3	0.9
Revaluation of cost of hedging reserve, net of tax	0.2	(0.1)
Amounts recycled from cost of hedging reserve to income statement, net of tax	-	0.2
Movement on investments held at OCI	(1.0)	-
Translation of foreign operations, net of tax	4.6	(31.0)
Other comprehensive income/ (loss) for the year	(0.7)	(57.1)
Total comprehensive income/(loss) for the period	(35.5)	(74.0)
Profit/(loss) attribute to:		
Group shareholders	(48.4)	(89.2)
Minority interests	12.9	15.2
	(35.5)	(74.0)

Comprehensive income for the year arose from continuing operations only.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2020

	Note	£m	2020 £m	2019 £m
Non-current assets				
Goodwill	10	459.6		435.4
Intangible fixed assets	11	324.1		334.1
Property, plant and equipment	12	60.3		57.0
Right-of-use lease assets	13	106.4		-
Investments held at fair value	14	18.6		37.5
Investments in associates and joint ventures	15	1.4		1.0
Trade and other receivables	16	10.4		4.3
Deferred tax asset	8	17.9		12.0
			998.7	881.3
Current assets				
Cash and cash equivalents	18	282.9		203.3
Insurance cash and cash equivalents	18	711.4		471.1
Insurance investments	24	0.8		180.5
Trade and other receivables	16	264.9		230.4
Investments	14	39.9		5.8
Cost of fulfilment asset	17	12.7		11.2
Corporation tax recoverable	16	14.4		3.7
			1,327.0	1,106.0
Current liabilities				
Bank overdraft	18	-		(1.1)
Corporation tax payable	19	(8.9)		(8.5)
Borrowings	21	(3.7)		(3.6)
Lease liabilities	23	(15.8)		-
Trade and other payables	19	(943.2)		(847.9)
Provisions	22	(19.6)		(9.6)
Derivative financial instruments	24	(89.0)		(29.1)
			(1,080.2)	(899.8)
Net current assets/(payables)			246.8	206.2
Non-current liabilities				
Borrowings	21	(1,297.5)		(1,122.8)
Lease liabilities	23	(114.2)		-
Trade and other payables	20	(18.0)		(30.6)
Provisions	22	(20.1)		(16.2)
Deferred tax liabilities	8	(51.9)		(58.7)
Derivative financial instruments	24	(83.6)		(144.0)
			(1,585.3)	(1,372.3)
Total net payables			(339.8)	(284.8)
Equity				
Issued share capital	25	0.9		0.8
Share premium		61.7		55.2
Other reserves	27	(300.5)		(316.2)
Retained earnings		(160.2)		(92.8)
Shareholders' equity			(398.1)	(353.0)
NCI			58.3	68.2
Total equity			(339.8)	(284.8)

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

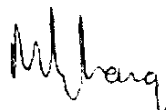
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2020

The financial statements were approved by the Board of Directors and authorised for issue on 21 December 2020. They were signed on its behalf by:



David Howden
Chief Executive Officer



Mark Craig
Chief Financial Officer

Company number 02937398

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)
**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

	2020	2019 (restated)
	£m	£m
Cash generated from operations	415.3	161.9
Corporation tax payments	(26.5)	(27.4)
Interest paid	(73.1)	(68.1)
Interest received	2.5	5.8
Net cash generated from operating activities	318.2	72.2
Cash flows from investing activities		
Purchase of property, plant and equipment and intangibles assets	(45.3)	(57.0)
Investment in subsidiaries	(23.0)	(69.0)
Acquisition costs	(3.2)	(3.7)
Investment in associates and joint ventures	(0.4)	-
Investments held at fair value through OCI	-	(0.4)
Cash on acquisition of subsidiaries	14.3	5.4
Issue of loans to employee shareholders	(6.8)	0.9
Loans from investing activities - external	-	(2.9)
Loan asset repayments/(investments)	4.4	-
Disposal of loan asset	2.6	-
Proceeds from disposal of operations	0.7	-
Interest received	0.7	0.4
Investments held at fair value through profit and loss	(39.0)	(22.0)
Net cash used in investing activities	(95.0)	(148.3)
Cash flows from financing activities		
Settlement of deferred consideration obligations	(3.2)	(35.6)
Issue of bank borrowings	200.9	233.0
Proceeds from other borrowings	9.3	-
Repayment of bank borrowings	(12.5)	(30.0)
Repayment of other borrowings	(0.6)	(0.8)
Proceeds from issue of share capital	2.3	0.9
Purchase of own shares - employee share scheme	(36.8)	(35.7)
Lease principal repayments	(9.8)	(0.3)
Acquisition of non-controlling interests	(18.5)	(23.5)
Dividends payable to non-controlling shareholders	(15.3)	(19.5)
Investment from NCI	-	2.9
Net cash generated (used) from financing activities	115.8	91.4
Net increase/(decrease) in own cash and cash equivalents	339.0	15.3
Foreign exchange on retranslation of cash balances	(18.0)	5.7
Cash and cash equivalents at 01 October	673.3	652.3
Cash and cash equivalents at 30 September	994.3	673.3

The Group's cash flow has been prepared on an indirect basis instead of a direct basis. The comparative has been restated to be on an indirect basis and reconciles total cash and cash equivalents. Previously it was prepared on a direct basis and separate reconciliations between own cash and cash equivalents and insurance cash. Note 28 has the reconciliation between Loss after tax to cash generated from operations. Cash flows for the year arose from continuing operations.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

2020	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Sub total £m	NCI £m	Total £m
As at 1 October 2019	0.8	55.2	(316.2)	(92.8)	(353.0)	68.2	(284.8)
Loss for the year	-	-	-	(49.5)	(49.5)	14.7	(34.8)
Translation of foreign operations	-	-	6.4	-	6.4	(1.8)	4.6
Movement in cash flow hedging instruments	-	-	(4.3)	-	(4.3)	-	(4.3)
Movements on investments held at OCI	-	-	-	(1.0)	(1.0)	-	(1.0)
Other Comprehensive income for the year	-	-	2.1	(1.0)	1.1	(1.8)	(0.7)
Total Comprehensive income for the year	-	-	2.1	(50.5)	(48.4)	12.9	(35.5)
Shares issued	0.1	6.5	-	(0.2)	6.4	-	6.4
Share-based payment	-	-	1.8	-	1.8	-	1.8
Reserves transfer on utilisation of options	-	-	52.2	(24.3)	27.9	-	27.9
Arising on put option over Company's shares	-	-	(16.9)	-	(16.9)	-	(16.9)
Arising on acquisition and disposals	-	-	(4.8)	7.6	2.8	(6.5)	(3.7)
Dividends paid	-	-	-	-	-	(16.3)	(16.3)
Net movement in shares held by Employee Benefit Trust	-	-	(18.7)	-	(18.7)	-	(18.7)
As at 30 September 2020	0.9	61.7	(300.5)	(160.2)	(398.1)	58.3	(339.8)

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2020

2019	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Sub total £m	NCI £m	Total £m
As at 1 October 2018	0.9	54.4	(251.7)	(46.3)	(242.7)	75.7	(167.0)
Profit for the year	-	-	-	(28.7)	(28.7)	11.8	(16.9)
Translation of foreign operations	-	-	(34.4)	-	(34.4)	3.4	(31.0)
Movement in cash flow hedging instruments	-	-	(26.1)	-	(26.1)	-	(26.1)
Other Comprehensive income for the year	-	-	(60.5)	-	(60.5)	3.4	(57.1)
Total Comprehensive income for the year	-	-	(60.5)	(28.7)	(89.2)	15.2	(74.0)
Shares issued	-	0.8	-	-	0.8	-	0.8
Share-based payment	-	-	8.1	(0.2)	7.9	-	7.9
Share cancellation	(0.1)	-	0.1	-	-	-	-
Reserves transfer arising on utilisation of share options	-	-	8.2	(8.2)	-	-	-
Arising on acquisition and disposals	-	-	(6.2)	(9.4)	(15.6)	(3.0)	(18.6)
Dividends paid	-	-	-	-	-	(19.7)	(19.7)
Net movement in shares held by Employee Benefit Trust	-	-	(14.2)	-	(14.2)	-	(14.2)
As at 30 September 2019	0.8	55.2	(316.2)	(92.8)	(353.0)	68.2	(284.8)

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

(a) Accounting convention

Statement of compliance with IFRS

The Group has prepared its consolidated financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. IFRSs comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) as adopted in the European Union that are in effect as at 30 September 2020, or which have been adopted early.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments and derivative financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarised below. The accounting policies have been applied to all the periods presented in the financial statements.

Going concern

Further information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the notes to the accounts. In addition, note 29 to the financial statements includes the Group's financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Group is subject to one principal financial covenant as part of the drawdown of its USD and EUR facilities totalling £1,209.8m (2019: £1,177.9m) gross of debt modification adjustments and transactions costs. This financial covenant is only applicable once £43.75m of the revolving credit facility ("RCF") is drawn down and is tested on a quarterly basis requiring the Group to be below a leverage level of 6.7x. This financial covenant was tested and not breached during the year ended 30 September 2020.

Potential impacts of Covid-19 were considered as part of the base forecast scenario to December 2021, particularly on revenue, in respect of the demand for the Group's services given the economic backdrop as well general state of the insurance market. The Group monitors the rolling forecast of cash flow for the period to December 2021 and it is forecast to have sufficient cash resources to meet liabilities as they fall due. During this forecast period, the Group is also forecast to be compliant with the financial covenant.

As part of the sensitivity analysis on forecasts, management has considered the impact on business performance, future cash flows and liquidity including a more pessimistic impact of Covid-19. This was done by stress testing the current forecast plan for a period to December 2021 by modelling a decrease of up to 20% on the Group's EBITDA with an 80% cash conversion impact. On completing this exercise, management considered current and forecast sensitised liquidity to be adequate for the forecast period. Mitigating actions to further increase liquidity could include reduction of discretionary spend such as bonuses and travel and entertainment, increasing overseas repatriation of cash and reducing elective activity such as M&A. In this sensitised scenario, the Group continues to be forecast to be compliant with the financial covenant. Further measures include raising further cash through debt or equity.

Management also identified scenarios where the Group would be forecast to breach the financial covenant or not have sufficient cash resources to meet liabilities. It was considered the likelihood of these events occurring to be low considering the various identified mitigating actions, which could be taken.

Having considered these facts and circumstances, and after making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the consolidated statements.

Presentation of financial statements in accordance with IAS 1 (Revised 2007)

The consolidated financial statements are prepared in accordance with IAS 1 "Presentation of Financial Statements" (Revised 2007). The Group has elected to present the "Consolidated Statement of Comprehensive Income" in two statements: the "Consolidated Income Statement" and the "Consolidated Statement of Comprehensive Income".

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies continued

(a) Accounting convention continued

Adoption of new International Financial Reporting Standards (Standards)

IFRS 16 "Leases" has been adopted for the first time and effective for the Group from 1 October 2019. More details are set out below. There are no new standards, amendments or interpretations, which have been adopted for the first time and have a significant impact on the accounting policies applied in preparing the Group's consolidated financial statements. At the date of the authorisation of the consolidated financial statements, a number of amendments and interpretations were issued but not yet mandatory or effective. The Directors do not expect these to have a significant impact.

IFRS 16

IFRS 16 changes the principles for the recognition, measurement, presentation and disclosure of leases. It eliminates the classification of leases as either operating leases or finance leases where it is a lessee and introduces a single operating model where lessees are required to recognise lease liabilities and right-of-use assets on the balance sheet, with exemptions available for low-value and short-term leases.

The right-of-use asset is depreciated over the lease life and the lease liability held at amortised cost. The Group has adopted modified transitional option (b) with effect from 1 October 2019. On transition the lease liabilities have been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate on the date of transition. Right of use assets are measured as equal to lease liabilities adjusted for any assets or liabilities recognised on balance sheet immediately before the transition and relating to lease payments.

The Group has therefore not restated comparatives and has taken the following practical expedients as permitted on transition:

- Application of single discount rate to a portfolio of leases
- Relied on previous assessment of whether leases are onerous is adjusting the initial right-of-use asset
- For leases with maturity of before 30 September 2020 treat as a short-term lease
- Exclude initial direct costs from the measurement of the right-of-use asset
- Usage of hindsight to determine lease term

In addition on review of sublet of office space, the Group recognised a finance lease receivable arrangement under IFRS 16.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised on initial application was 3.3%.

The impact on the Group's balance sheet on transition was as follows:

	As at 30 September 2019	Impact of IFRS 16	As at 1 October 2019
	£m	£m	£m
Right-of-use assets	-	106.6	106.6
Finance lease receivable	-	1.0	1.0
Trade and other payables	(878.5)	12.1	(866.4)
Lease liabilities	-	(120.2)	(120.2)
Provisions	(25.8)	0.5	(25.3)

Aside from the recognition of right-of-use assets and lease liabilities, there were a number accrued lease payments, lease prepayments or onerous lease provisions which have been derecognised as part of the transition. In addition on review of sublet of office space created a lessor finance lease arrangement under IFRS 16.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies continued

(a) Accounting convention continued

IFRS 16 continued

The reconciliation of previously reported operating lease commitments is as follows:

	£m
Operating lease commitments as at 30 September 2019	155.3
Application of discount rate	(32.7)
Other changes	(2.4)
Opening lease liability as at 1 October 2019	120.2

Charges previously charged in operating expenses for operating leases will no longer be recorded under IFRS 16 and will be replaced by the depreciation of the right-of-use asset and interest unwind in relation the lease liability. Impact of applying IFRS 16 to the consolidated income statement is a decrease in operating lease charges of £17.9m with an increase in depreciation expense of £15.8m and interest expense of £4.0m.

(b) Basis of consolidation

The Group's financial statements consolidate the financial statements of the Company and its subsidiary undertakings for the year ended 30 September 2020. The results of acquired businesses are consolidated from the date on which the Group obtains effective control of the subsidiary.

Subsidiaries are entities controlled by the Group. Control exists where the Group is exposed to or has the rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Unrealised gains and losses on transactions with subsidiaries or associates are eliminated. Transactions with associates are eliminated to the extent of the Group's interest in those entities in preparing the consolidated financial statements.

(b) Business combinations

The acquisitions of subsidiaries are accounted for using the acquisition method. The consideration transferred is measured as the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Group at the date of exchange. Any costs directly attributable to the business combination are booked to the income statement as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed, meeting the conditions for recognition under IFRS 3 "Business Combinations", are recognised at their fair value at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Subsequent changes in the fair value of consideration transferred or identifiable assets, liabilities and contingent liabilities assumed are adjusted where they qualify as measurement period adjustments. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs.

(c) Joint ventures and investments in associates

Joint ventures are those entities over which the Group has joint control with other investors but which are neither subsidiaries nor associates. Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Joint ventures and investments in associates are initially recognised at cost and subsequently accounted for using the equity method.

(d) Operating profit

Operating profit is stated before finance income, finance costs, changes in the fair value through profit or loss, and before non-operating items such as gains/losses on disposal of businesses and dividends from investments.

(e) Foreign currencies

Items included in the financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which it operates (its functional currency). The consolidated financial statements are presented in pounds sterling, which is the functional currency of the parent company and the presentational currency of the Group.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies continued

(e) Foreign currencies continued

The results of the foreign subsidiaries have been translated using the average of monthly exchange rates. Assets and liabilities of overseas subsidiaries denominated in foreign currencies are translated at exchange rates prevailing at the balance sheet date; profits and losses are translated into pounds sterling at average exchange rates for the relevant accounting periods. Exchange differences arising, if any, are recognised in other comprehensive income and transferred to the translation reserve. On the sale of a subsidiary, such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

(f) Revenue recognition

Revenue arising from contracts from customers primarily relates to brokerage, commission and fees associated with the placement of insurance and reinsurance contracts, net of commission payable to other directly involved parties. The Group generally has two performance obligations relating to the placement of insurance and reinsurance contracts and provision of claims support services. For the placement services, revenue is recognised in point in time with the primary revenue trigger of the later of policy inception date or placement date as that is when the customer receives the benefit of the services. For the claims support service, revenue is recognised over time based the expected duration of the period whereby we are providing the claims support service. For Howden and RKH this is limited to the contract life on a straight line basis as the Group is on standby to provide claim support services to the end insured. For DUAL the expected duration is not limited to contract life but based on past experience on when the majority of claims have been settled and the revenue recognition pattern is based on historical claims pattern which is generally not an even distribution throughout the performance obligation period and gives a better pattern of fulfilment of the performance obligation. This can be a period up to eight years. Revenue is allocated between placement services and claims support services by determining the standalone sales price of the claims support services with the placement services as the residual. The standalone sales price for claims support services is based on a fully loaded cost base of staff costs and overheads before a profit margin is applied. In practice the majority of income will be allocated to placement services.

Where policy inception is dependent on an event occurring outside the control of the Group, judgement is exercised as to the most likely outcome and whether it is virtually certain or not based on past experience and current market conditions. If the event is not deemed virtually certain then revenue is not recognised until the uncertainty has resolved. Where there is a risk of cancellation or return of commission, an appropriate amount of revenue is deferred on inception of policy based on past experience of best estimate of probability of cancellation. This is then released over the life of the contract on a straight line basis, or appropriate release pattern as the probability of cancellation decreases. For other variable consideration arrangements, such as profit commission, the transaction price is determined using either the expected value or most likely amount approach which is then constrained to the extent it is highly probable that a significant reversal will not occur based on historical patterns and current market conditions. The assumptions used in determining the transaction price in variable consideration arrangements are reviewed each reporting period.

Across the Group, there does not tend to be significant financing arrangements whereby consideration is received more than 12 months in advance of performance obligation or 12 months after the completion of the performance obligation. The exception is for DUAL claims support services and for profit commission in relation to DUAL binder years. Where material, discounting is applied to significant financing arrangements.

For incremental costs to obtain a contract, the Group has adopted the practical expedient where if the amortisation profile is less than one year the expenses are expensed as incurred.

For costs to fulfil a contract, costs are capitalised on the balance sheet if they meet all of the following criteria:

- Relate directly to a contract or an anticipated contract
- Costs generate or enhance resources which will be used to satisfying the performance obligation
- Costs are expected to be recoverable

These will relate to placement services for a renewal of a policy or first time placement after confirmation from the end-insured that have instructed us to act on their behalf for placing a policy and primarily relate to staff costs incurred in placement of the policy. The cost of fulfilment is amortised over the revenue recognition profile, which is generally in full on policy inception, and is subject to impairment reviews.

(g) Discontinued operations and non-current assets held for sale

Non-current assets and disposal groups classified as held for sale, and discontinued operations, are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies continued

(g) Discontinued operations and non-current assets held for sale continued

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations; and (b) is a part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale

Any gain or loss from disposal of a business, together with the results of these operations until the date of disposal, is reported separately as discontinued operations. The financial information of discontinued operations is excluded from the respective captions in the consolidated financial statements and related notes for all years presented.

(h) Goodwill

Goodwill represents the difference between the consideration transferred and the Group's interest in the fair value of the identifiable assets and liabilities of the business combinations at the dates of the acquisitions. Goodwill is initially recognised at cost and is subsequently reviewed for impairment annually. Any impairment is recognised immediately in the income statement.

The Group has determined that for the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGU), or group of CGUs to which it relates. CGUs, or groups of CGUs, to which goodwill has been allocated are tested for impairment annually. Recoverable amounts for CGUs are compared against their carrying value. If the recoverable amount of the unit is less than the carrying amount of the goodwill, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no further goodwill is recognised as a result of such transactions.

(i) Intangible assets

Patents and software

Acquired patents and computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives between three and ten years. Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and that will generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs.

Customer relationships and brands

Customer relationships such as access to distribution networks and customer lists that arise because the acquiree company has a practice of establishing insurance contracts with its customers are measured at fair value at the date of the business combination. The fair value of customer relationships and brands are determined using a discounted cash flow analysis. Best estimate assumptions for renewal rates and expenses are used in calculating the fair value. Customer relationships and brands are amortised over the period over which benefits are expected to be derived from these relationships, which can be up to 19 years.

Other intangible assets

Other intangible assets comprise of acquired identifiable non-monetary assets without physical form; these include non-compete contracts that have been recognised on the acquisition of subsidiaries. Other intangible assets are carried at cost less accumulated amortisation. Amortisation on other intangible assets is calculated using the straight-line method to allocate the cost over their estimated useful lives, which is normally estimated to be between five and ten years.

(j) Pension commitments

Defined contribution scheme

The Group operates a number of defined contribution schemes. The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Consolidated Statement of Financial Position. The Group has no legal or constructive obligation to make any further payments to the plans other than the contributions due.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies continued

(j) Pension commitments continued

Defined benefit scheme

The Group had one legacy defined benefit pension scheme which was closed and wound up during the prior year. Full actuarial valuations of the scheme were carried out at least every three years. For the purposes of annual updates, scheme assets were included at estimated fair value and scheme liabilities were measured on an actuarial basis using the projected unit method. The defined benefit surplus or deficit was included in the Group's Statement of Financial Position. A surplus was included only to the extent that it is recoverable through reduced contributions in the future or through refunds from the scheme. The current service cost, any past service costs and the expected return on the scheme's assets, net of the impact of the unwinding of the discount on scheme liabilities, are included in the income statement. Actuarial gains and losses, including differences between the expected and actual return on scheme assets, are recognised through the Consolidated Statement of Comprehensive Income.

(k) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus or minus transaction costs except for insurance and trade receivables which are measured at transaction price. The subsequent measurement is set out below.

Financial assets

The Group's financial assets include cash and cash equivalent, investment held at fair value, loans and receivables, insurance investments and derivative financial assets.

Cash and cash equivalents

The Group's cash and cash equivalents are measured at amortised cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment based on lifetime credit loss model. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and other receivables fall into this category of financial instruments.

Financial assets at fair value through profit and loss

Financial assets at fair value have their carrying value equivalent to fair value with movement going to Consolidated Income Statement or Consolidated Statement of Comprehensive Income. The designation is determined on recognition of the asset based on the business model for management for the financial assets and the contractual cash flow characteristics of the financial asset.

Insurance investments, current investments and all derivative financial instruments have the movements going to Consolidated Income Statement unless hedge accounting is applied to derivative financial instruments. Non-current investments have the movements going to Consolidated Statement of Comprehensive Income.

Financial liabilities

The Group's financial liabilities includes borrowings, lease liabilities, trade and other payables, deferred and contingent consideration, put options in respect of minority interests and Howden shares and derivative financial instruments.

Financial liabilities are held at amortised cost after inception unless it has been designated as fair value through profit or loss. In some cases there are conditions attached whereby the contingent consideration or put options in respect of minority interests are forfeited or accelerated. Where there are conditions attached which could result in a forfeiture, the expected settlement liability above any guaranteed portion is spread over the expected maturity period of the contingent consideration or put options with a corresponding charge in the Consolidated Income Statement as a substantive employment condition exists. Where conditions exist which could result in an immediate

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies continued

(k) Financial instruments continued

Financial liabilities continued

acceleration, such as death, if the Group does not have the unconditional right to defer settlement for a period of at least 12 months after balance sheet date then this amount is classified as current with the residual, if any, as non-current. Contingent consideration, put options in respect of minority interests and Howden shares and derivative financial instruments are held at fair value unless hedge accounting is applied to derivative financial instruments.

Borrowings

Borrowings are initially measured at fair value, net of transaction costs incurred. They are subsequently measured at amortised cost using the *effective interest rate method*.

When there is a modification of borrowings such as extension of tenor or re-pricing, consideration is made as to whether it is substantial modification or continuation of the same debt instrument based on the requirements of IFRS 9, principally the comparison between the revised future cash flows discounted at the original effective interest rate and the discounted present value of the remaining cash flows of the original debt instrument. If there is a difference greater than 10%, it is deemed a substantial modification otherwise it is the continuation of the same debt instrument. If it is concluded that it is the continuation of the same debt instrument, the carrying value is amended to be the revised future cash flows discounted at the original effective interest rate with the change in carrying value recognised in the Consolidated Income Statement. Transaction costs are capitalised and subsequently amortised over the remaining life of the debt instrument. If it is concluded that it is a substantial modification i.e. extinguishment of an existing debt instrument and issuance of a new debt instrument, then the new debt instrument is carried at its fair value net of any directly associated transaction costs. The difference between the carrying value of the previous debt instrument and the new debt instrument is recognised in the Consolidated Income Statement.

Impairment of financial assets

All financial assets except those at fair value through profit or loss are also subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria for the determination of impairment are applied for each category of financial assets. The lifetime credit loss model is applied to trade and insurance receivables, whereby expected lifetime bad debt is recognised on inception based on prior experience.

Individual receivables are considered for impairment when they are past the due date of payment or when other objective evidence is received that a specific counterparty will default.

(l) Derivative financial instruments

The Group enters into derivative financial instruments in order to hedge underlying interest rate and foreign currency exposures. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedge).

At the inception of the cash flow hedge the relationship between hedging instruments and hedged items, as well as the Group's risk management objective and strategy for undertaking various hedge transactions are documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in the cumulative change in fair value of the expected future cash flows on the cash flow hedged items, are also documented.

The effective portion of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in a hedge reserve in equity via the Consolidated Statement of Comprehensive Income. The gain or loss in relation to the ineffective portion is recognised immediately in the Consolidated Income Statement. Amounts accumulated in the hedge reserve in equity are transferred to the Consolidated Income Statement in the periods when the hedged item will affect profit and loss.

In the situation where a hedge is terminated, a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in the hedge reserve and is recognised in the same periods during which the hedged commitment or forecast transaction affects the income statement. When a hedged commitment or forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Income Statement.

For options, only the intrinsic portion of the option is designated as a hedging instrument and hedge accounting requirements applies as described. The fair value movements relating to time value portion of the option are recorded in the cost of hedging reserve. The day one time value component is recycled in the Consolidated Income Statement over the life the hedge.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies continued

(m) Share-based payments

The Group issues share awards to employees. The Group operates a number of share-based compensation schemes and applies the requirements of IFRS 2 'Share-based Payments'.

The cost of employees' services received in exchange for the grant of rights under these schemes is measured at the fair value of the equity instruments granted and is charged in the Consolidated Income Statement over the vesting period. For cash-settled schemes the fair value is re-assessed each year and any changes are recognised in the Consolidated Income Statement until the liability is settled.

(n) Leases

At the inception of a contract, the Group assesses whether the contract contains a lease and if it is a lessee. A contract contains a lease of where it conveys the right to control the use of an identified asset for a certain period in exchange for a consideration. Where the Group is lessee, a right-of-use asset and lease liability is recognised. The Group has elected to adopt practical expedients allowed in IFRS 16 in relation to low-value leases (individual assets less than £5,000) and short-term leases (lease duration less than 12 months). For these contracts, the lease payments are classified as an operating expense on a straight-line basis over the term of the lease.

Where the Group is lessee, a right-of-use asset and lease liability is recognised on lease inception based on the discounted future lease payments. The interest rate used is the rate implicit in the lease or the entity's incremental borrowing rate if the implicit rate cannot be determined.

Lease liabilities include the net present value of the following components

- Fixed payments over the lease term;
- Future contractually agreed fixed increases or amounts payable under residual value guarantees; and
- Payments related to renewals or early termination, when options to renew or terminate are reasonably certain to be exercised.

The lease term is the non-cancellable period of the lease together with both periods covered by an option to extend a lease if reasonably certain that the option will be exercised, and periods covered by option to terminate the lease if reasonably certain that the option to break will not be exercised.

Right of use assets are measured at cost and on inception are measured as follows:

- Initial measurement of lease liability;
- Prepayments before commencement date of lease;
- Initial direct costs;
- Costs to restore; and
- Reduced by lease incentives.

Subsequently the right-of-use asset is depreciated on a straight-line basis over the lease term and subject to impairment reviews. The lease liability is unwound back to present value and reduced by lease payments.

Where there is a change in lease payments the lease liability is remeasured using the revised lease payments discounted at the original discount rate. Where there is a change of lease term the future lease payments are discounted at a revised discount rate at the date of reassessment. In both cases there is a corresponding adjustment to the right-of-use asset and if the right-of-use asset is reduced to below nil, the amount below nil is expensed instead.

Where the Group is lessor rather than a lessee, it determines whether it is a finance lease or operating lease. If it is determined to be an operating lease, the rental income is recognised on straight-line basis over the lease term. If it is determined to be a finance lease the net investment in the lease is recognised as an asset. This is the discounted future value of the lease receipts which is then unwound over the life of the lease, resulting in lease interest income. Where the group is subletting office space and determines it is a finance lease, the right-of-use asset is derecognised and the net investment asset is recognised with a gain or loss arising.

(o) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of these items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs can be measured reliably. All other costs, including repairs and maintenance costs, are charged to the Consolidated Income Statement in the period in which they are incurred.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies continued

(o) Property, plant and equipment continued

Depreciation is provided on all property, plant and equipment, including those held under finance leases, at rates calculated to write off the cost of property, plant and equipment less their estimated residual value over their expected useful lives on the following bases:

Leasehold improvements	- over the lease period
Furniture, fixtures and fittings	- three to five years
Motor vehicles	- three to five years

The assets' useful lives and residual values are reviewed and, if appropriate, adjusted at each balance sheet date.

The gain or loss arising on disposal or scrapping of an asset is recognised in the income statement.

(p) Insurance intermediary assets and liabilities

Insurance brokers act as agents in placing the insurable risks of their clients with insurers and as such, generally, are not liable as principals for the amounts arising from such transactions. Accordingly, receivables arising from insurance broking transactions are not included as assets of the Group. Other than the receivable for fees and commissions earned on the transaction which is recognised within trade receivables, no recognition of the insurance transaction occurs until the Group receives cash in respect of premiums or claims, at which time a corresponding liability is established in favour of the insurer or the client and recognised on the Consolidated Statement of Financial Position as insurance payables.

Fiduciary cash arising from insurance broking transactions is included within insurance cash. Insurance cash can be invested into various investments such as money market funds and are included within insurance investments. The Group is entitled to retain the investment income on any cash flows arising from insurance related transactions and is recorded in "other operating income".

(q) Dividend distribution

Equity dividends declared at the discretion of the Company are recognised in the period in which they are declared and approved by the Board.

(r) Acquisition costs

Acquisition related costs are costs the acquirer incurs to effect a business combination. These include mainly legal fees, finder's fees, valuation costs and other professional or consulting fees, which are expensed in the period they are incurred.

Other acquisition costs incurred which are directly attributable to obtaining finance in order to fund the acquisition are not expensed but included within the debt balance. The costs are then amortised (according to the effective interest rate method) through the Consolidated Income Statement over the period of the debt.

(s) Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years. Income tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised in other comprehensive Income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred taxation is provided on temporary differences between tax bases of assets and liabilities and their carrying amounts in the Consolidated Statement of Financial Position on a full provision basis. Deferred tax assets are only recognised to the extent that they are considered recoverable against future taxable profits. Deferred tax balances are not discounted. Deferred tax is determined using the tax rates that have been enacted or substantively enacted by the balance sheet date, and are expected to apply when the deferred tax liability is settled or the deferred tax asset is realised.

(t) Treasury shares

Treasury shares are deducted from equity. No gain or loss is recognised on the purchase, sale, issue or cancellation of the treasury shares. Any consideration paid or received is recognised directly in equity.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 Accounting policies continued

(u) Share premium

The share premium account is the difference between the nominal value of shares issued and the value of the consideration received. The use of the share premium account is governed by the Companies Act 2006.

(v) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

2 Critical accounting estimates and judgements

The Directors make a number of estimates and assumptions regarding the future, and make significant judgements in applying the Group's accounting policies. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are:

(a) Covid-19 and Brexit

Future forecasts feed into a number of areas such as going concern review and impairment review. A number of assumptions are made, which include future revenue growth, cost spend and cash conversion. Careful consideration has been given in particular to the emergence of Covid-19 during the year ending 30 September 2020 and continued negotiations over the future trading relationship between the UK and the EU. There is uncertainty over the duration of the pandemic and the outcome of the Brexit negotiations as well as the impact this will have on our clients, general insurance market and economic backdrop. Whilst a comparison of the Group's high level assumptions can be made against listed peer published data as to estimated impact, Covid-19 and Brexit negotiations are key sources of estimation uncertainty when determining the future forecasts.

(b) Fair value on acquisition

Identifiable assets and liabilities are measured at fair value in business combinations. Judgement is exercised in determining what adjustments are made to the book value of assets and liabilities acquired to measure them at fair value as well creation of new assets and liabilities which are not recorded on the local balance sheet. Estimates are made when determining the adjustments, particularly for recognition of customer relationships and brands (see note 34). Key sources of estimation uncertainty arise from assumptions over future cash flows, particularly in outer years as Group's policy has up to 19 years of cash flows, retention rate and appropriate discount rates. Intangible assets recognised on acquisition was £21.3m during the year (see note 13). A reasonable change to assumptions and estimates used in determining the recognition of the assets would not have resulted in a material change.

(c) Recognition of internally generated assets

Judgement is exercised over when the IAS 38 recognition criteria of internally generated intangible assets have been met. Costs need to be measured reliably. A key source of estimation uncertainty arises over own staff costs, particularly when a proportion of their costs are capitalised or where they work on different projects, where the end assets have different useful economic lives or where some projects are in development phase and others are in research phase. Estimates are made by appropriate project managers and reviewed by appropriately experienced individuals. Internally generated assets of £10.3m was capitalised during the year (see note 13). A reasonable change to assumptions and estimates used in determining the capitalisation of assets would not have resulted in a material change.

(d) Impairment of assets

The Group tests annually whether goodwill and other assets have suffered any impairment. While goodwill is tested annually, other assets are reviewed for impairment whenever events or changes in circumstances indicate there is an indicator of impairment. In both cases, an impairment is recorded when the carrying value of an asset is higher than the recoverable value. The recoverable value is the higher of value-in-use calculations or fair value less costs to sell. Judgement is exercised to determine if there are indicators of impairment as well as approval and challenge of the Group's budgeting and forecasting process by the Board of Directors. Key sources of estimation for determining value-in-use relate to the approved future cash flows, long term revenue growth rate beyond the approved forecast period, operating margins and discount rates. Results of the sensitivity analysis applied to the key inputs in determining value-in-use and the impact on the goodwill impairment review exercise are disclosed in note 10.

(e) Contingent consideration and put options

The carrying value of contingent consideration and put options are dependent on the future performance of certain business units and can be a number of years in the future. Key sources of estimation uncertainty relate to the future cash flows, particularly in outer years, and discount rates to be applied. Disclosure of sensitivity analysis applied to the carrying value of contingent consideration and put options is in note 29.

(f) Revenue recognition

Judgements are made over determining variable consideration, particularly over constraining it. Judgement over constraining variable consideration is most critical in three situations. Firstly, profit commission, where the performance obligation has been performed but there will be a number of years until the final profit commission is known. Secondly, where cash is collected over a number of annual instalments but the performance obligation is completed. Thirdly, where the performance obligation has been done but the revenue is dependent on the occurrence of an underlying transaction. In all cases, consideration of past experience and current market conditions factor into level of constraint applied. Past experience and current market conditions are also key sources of estimation uncertainty. In addition activities of front office staff is another key source of estimation uncertainty impacting both revenue allocated to claims support and determination of cost of fulfilment asset. The cost of fulfilment asset is also impacted by the lead time for placement of the policy. Estimates of proportion of time spent by front office staff relating to various activities and lead time for placement of policies are made by appropriate managers and reviewed by appropriately experienced individuals.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 Critical accounting estimates and judgements continued

(g) Provisions

The Group is involved from time to time in the ordinary course of business in certain claims and legal proceedings related to the Group's operations, including employment related matters. Judgements are made when determining whether the recognition criteria of IAS 37 have been met, particularly when legal proceedings have commenced but a court hearing or trial is a number of years away. Where provisions have been made, a key source of estimation uncertainty relates to the outcome of various cases and the spectrum of financial outcomes. As noted in note 22, a total provision of £22.3m (2019: £10.0m) relating to various matters has been recognised based on management's analysis of most likely outcomes and amounts due in worst case scenarios on consultation with internal and external legal counsel. In the worst case scenarios, the amounts claimed by the third parties are in excess of £65.0m (2019: £20.0m).

3 Segmental analysis

(a) Operating segments

IFRS 8 "Operating Segments" requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Board of Directors, as it is this body which is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments. Management has determined the operating segments based on the reports reviewed by the Board of Directors. The Board of Directors considers the business principally from a provision of service lines.

The Board of Directors uses revenue and EBITDA, as reviewed on a monthly basis, as the key measure of the segments' results as it reflects the segments' underlying trading performance for the period under evaluation.

The Board of Directors does not review assets and liabilities by segment and only on a Group consolidated basis.

The divisional analysis has been provided for continuing operations only.

Year to 30 September 2020	RKH	Howden Group	DUAL	Other	Sub total	Statutory adjustments	Total continuing operations
	£m	£m	£m	£m	£m	£m	£m
Fees and commissions	272.8	348.7	127.0	(0.5)	748.0	(1.4)	746.6
Other operating income	8.6	7.0	1.3	2.9	19.8	-	19.8
Bad debt expense	(2.0)	(0.7)	-	(1.9)	(4.6)	-	(4.6)
Other operating costs	(176.2)	(280.7)	(105.1)	(25.3)	(587.3)	(55.1)	(642.4)
EBITDA	103.2	74.3	23.2	(24.8)	175.9	(56.5)	119.4
Depreciation and amortisation							(84.2)
Intangible and goodwill impairment							(1.1)
Operating profit							34.1
Gain on bargain purchase							0.4
Dividend income							0.4
Gain on disposal							0.8
Finance income							3.6
Finance costs							(78.9)
Loss before changes in the fair value through profit or loss							(39.6)
Fair value through profit or loss							5.5
Loss before taxation							(34.1)
Taxation							(0.7)
Loss after taxation							(34.8)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3 Segmental analysis continued

The divisional analysis has been provided for continuing operations only.

Year to 30 September 2019 (restated)	RKH £m	Howden Group £m	DUAL £m	Other £m	Sub total £m	Statutory adjustments £m	Total continuing operations £m
Fees and commissions	254.9	319.7	122.3	(0.5)	696.4	-	696.4
Other operating income	6.5	6.9	1.2	3.5	18.1	-	18.1
Bad debt expense	0.8	(0.5)	(0.2)	(0.5)	(0.4)	-	(0.4)
Other operating costs	(148.7)	(250.8)	(90.5)	(19.5)	(509.5)	(49.5)	(559.0)
EBITDA	113.5	75.3	32.8	(17.0)	204.6	(49.5)	155.1
Depreciation and amortisation							(54.4)
Intangible and goodwill amortisation							(7.7)
Operating profit							93.0
Dividend income							0.2
Loss on disposal							(0.2)
Finance income							4.2
Finance costs							(75.3)
Profit before changes in the fair value through profit or loss							21.9
Fair value through profit or loss							(12.8)
Profit before taxation							9.1
Taxation							(26.0)
Loss after taxation							(16.9)

(b) Geographical segment analysis

No single customer contributed 10% or more to the Group's revenue in either 2020 or 2019.

Fees and commissions	2020 £m	2019 £m
Americas	215.1	193.5
UK	124.4	123.3
Northern Europe	155.6	134.0
Far East	107.2	107.4
Middle East	46.6	45.2
Australasia	33.0	28.7
Southern Europe	39.8	39.7
Eastern Europe	19.7	19.7
Africa	5.2	4.9
	746.6	696.4

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FOR THE YEAR ENDED 30 SEPTEMBER 2020

4 Income

	2020	2019
	£m	£m
Fees and commissions from placement and claims support services	746.6	696.4
Other customer contracts	15.7	12.3
Fiduciary income	4.1	5.8
Total income	766.4	714.5

Other customer contracts relates to fees earned on advisory and consulting services.

The amount of income recognised in the year which was recorded in deferred income at the start of the year was £28.8m. The amount of income recognised in the year from performance obligations satisfied in previous periods was £3.3m.

5 Operating profit

Operating profit for the year is stated after charging/(crediting):

	2020	2019
	£m	£m
Depreciation of property, plant and equipment	9.2	7.9
Depreciation of right of use assets	15.7	-
Amortisation of intangible assets	59.3	46.5
Impairment of goodwill, intangibles assets and PPE	1.1	7.7
	85.3	62.1
Professional fees in relation to the Group's auditors		
Audit services		
- statutory audit of the Company	0.5	0.4
- statutory audit of subsidiaries	2.0	1.8
- audit-related and other assurance services	0.1	0.1
All other services		
- taxation services	0.1	0.2
- corporate finance services	0.3	-
Short term and low value leases:		
- land and buildings	-	19.8
- equipment	-	1.3
- short-term leases	1.9	-
Foreign exchange loss/(gain)	6.8	(9.9)

Acquisition costs

The acquisition costs incurred during the year were £7.2m (2019: £2.8m). These relate to professional and other incremental costs directly attributable to business combination and acquisition of minority interests.

During the year the company implemented IFRS 16 resulting in changes in how leases are measured. Under IFRS 16, operating leases are no longer expensed to the income statement on a straight line basis as they were in previous years. As part of the transition, the Group was not required to restate its previous year amounts and therefore the amounts disclosed are not fully comparable. For more details on the application of IFRS 16, please refer to 1(a) Adoption of new International Financial Reporting Standards.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

6 Finance costs and income

	2020	2019
	£m	£m
Interest expense		
Term loan finance costs	(56.8)	(58.8)
Other loan interest	(3.3)	(0.6)
Impact of financing derivatives	(7.8)	1.6
Finance leases	-	(0.1)
Interest on lease liabilities	(4.2)	-
Amortisation of loan arrangement fees	(12.1)	(11.4)
Foreign currency gains / (losses) on financing monetary items	5.3	(6.0)
Total interest expense	(78.9)	(75.3)
Bank and other interest received	3.6	4.2
Total interest income	3.6	4.2
Deferred and contingent consideration	(0.5)	(2.5)
Put options and earn-outs on non-controlling interests	(1.3)	(9.3)
Gain on call options	7.4	(1.0)
Howden share option	(0.1)	-
Change in the fair value through profit or loss	5.5	(12.8)

Gain on call option relates to the acquisition of Matrix. Note 34 has more details on the transaction.

7 Staff costs

The average monthly number of employees, including directors, employed by the Group during the year was:

	2020	2019
	Number	Number
Average number of employees		
Directors and senior management	560	388
Insurance professionals	3,056	2,736
Administration	2,118	1,872
	5,734	4,996

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

7 Staff costs continued

The aggregate staff costs of the above employees, including directors, were as follows:

	2020	2019 (restated)
	£m	£m
Staff costs		
Wages and salaries	404.3	345.9
Social security costs	29.6	24.4
Pension contribution	19.2	16.1
Share based payment	7.3	5.7
Service obligations	27.9	10.5
Staff costs	488.3	402.6

Service obligations relate to contingent consideration or minority put option liabilities whereby the individual forfeits the right to consideration under certain conditions such as voluntary resignation. As a substantive employment condition exists, the expected payment is spread over the service period. The expected payment is subject to annual revision causing cumulative true-up adjustments.

Directors' remuneration

	2020	2019
	£m	£m
Aggregate emoluments	5.0	4.2
Aggregate share-based payments	0.1	0.1
	5.1	4.3

Highest paid director

Salary and benefits	2.6	1.7
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	2020	2019
Number of directors at 30 September	10	8

During the year ended 30 September 2020, one Director left the Group. The amount paid as compensation for loss of office during the year ended 30 September 2020 was £nil (2019: £0.6m).

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

8 Taxation

	2020 £m	2019 £m
Tax expense comprise:		
Corporation tax on profits for the year	19.8	32.0
Adjustments in respect of prior period	(2.8)	(1.5)
Total current tax	17.0	30.5
Deferred tax		
Originating and reversing temporary differences	(15.1)	(5.2)
Change in tax rates	(0.8)	0.8
Adjustment in respect of prior period	(0.4)	(0.1)
Total deferred tax	(16.3)	(4.5)
Total tax on ordinary activities	0.7	26.0

The total charge for the year can be reconciled to the accounting profit as follows:

	2020 £m	2019 £m
(Loss)/profit on ordinary activities before tax	(34.1)	9.1
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%)	(6.5)	1.7
Tax effect of:		
Impact of differently taxed profits in overseas locations	1.2	4.2
Expenses not deductible for taxation purposes	10.9	15.8
Non-taxable gains and income	(0.2)	-
Deferred tax rate change	(0.4)	0.8
Non-recognition/(recognition) of deferred tax assets on losses	1.9	1.0
Adjustments in respect of prior periods	(3.6)	(1.6)
Other items	(2.6)	4.1
Total tax expense recognised in income statement	0.7	26.0

The rate of corporation tax in the UK is 19% (2019: 19%).

The Group's future tax charge will depend on the geographic mix of profits earned and the tax rates in force in the jurisdictions in which the group operates. In the Finance Act 2016 changes to the UK corporation tax rates were subsequently enacted reducing the main rate to 17% from April 2020. On 11 March 2020 it was announced that the corporation tax rate would remain at 19%. This was subsequently enacted on 17 March 2020.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8 Taxation continued

Deferred taxation

	2020	2019
	£m	£m
Fixed asset timing differences	1.3	1.3
Losses carried forward	3.3	1.5
Fair value of derivatives	4.2	2.7
Other short-term timing differences	7.4	1.8
Intangible assets	(50.2)	(54.1)
Net deferred tax balance	(34.0)	(46.8)

Deferred tax asset

Balance at beginning of year	12.0	15.8
Deferred tax credit/(debit) in profit and loss account	4.7	(2.9)
Other comprehensive income movement	1.5	(0.7)
Reclassification and other adjustments	(0.3)	(0.2)
Balance at end of year	17.9	12.0

Deferred tax liability

Balance at beginning of year	(58.7)	(63.5)
Deferred tax credit in profit and loss account	11.6	7.4
Acquisition of subsidiary	(5.2)	(5.4)
Other comprehensive income movement	-	2.8
Reclassification and other adjustments	0.4	-
Balance at end of year	(51.9)	(58.7)
Net deferred tax liability at end of year	(34.0)	(46.7)

The rate of corporation tax in the UK is 19% (2019: 19%).

The recoverability of losses is dependent on there being sufficient future taxable profits. Accordingly no deferred tax has been recognised in respect of losses and other deductible amounts not expected to be recovered in the foreseeable future.

The Group has unrecognised losses and other deductible amounts of £64.5m (2019: £38.4m) for offset against future income, subject to certain restrictions.

The group continues to hold a provision against a possible tax exposure related to the European Commission's determination that the UK's Controlled Foreign Companies rules were illegal state aid. During the year, more detailed analysis was undertaken, which supports the position that the likely exposure is reduced, and the provision is now held at £0.5m.

9 Dividends

The Group has paid interim dividends in the year of £nil (2019: £nil). The Group has not declared any further dividends during the year ended 30 September 2020 (2019: £nil).

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

10 Goodwill

	Goodwill £m	Impairment Losses £m	Total £m
Opening net book value as at 1 October 2019	466.7	(31.3)	435.4
Acquisitions (see note 34)	31.4	-	31.4
Movements due to foreign currency translation	(10.8)	3.6	(7.2)
Closing net book value as at 30 September 2020	487.3	(27.7)	459.6
Opening net book value as at 1 October 2018	402.4	(29.3)	373.1
Acquisitions (see note 34)	53.9	-	53.9
Changes relating to impairments	-	(0.7)	(0.7)
Movements due to foreign currency translation	10.4	(1.3)	9.1
Closing net book value as at 30 September 2019	466.7	(31.3)	435.4

Goodwill is allocated to either individual cash generating units (CGUs), or groups of cash generating units (together "GCGU"), where the benefits of the synergies of the business combination in which the goodwill arises is expected to occur. Management have concluded that for the purpose of impairment testing of goodwill, the CGUs are the business lines within individual legal entities, which conduct the business operations.

An analysis of the net book value of goodwill by CGU or GCGU for impairment testing:

	2020 £m	2019 £m
RKH	128.9	127.3
UK Retail	59.8	59.8
DUAL Commerical	49.8	52.0
IPG	42.5	44.3
Howden Sicherheit International	37.4	36.5
Matrix	18.0	-
Howden Israel	13.7	14.2
Euroassekuranz	11.8	11.5
Howden Germany (Hendricks)	11.6	11.3
Howden Malaysia (ex CIMB and Sterling Knight)	10.7	11.1
Compensa	9.6	-
Howden Turkey (ACP, Howden, Sigorta and GRC)	9.0	13.0
DUAL UK	8.4	8.4
Howden Finland	7.8	7.6
DUAL Australia	5.4	5.4
Howden Iberia	5.1	5.0
Howden Thailand (Maxi)	4.5	4.9
Howden Singapore (ex Sterling Knight)	4.1	4.2
Howden Norway	3.8	4.2
DUAL Deutschland	3.3	3.2
DUAL IUA	3.2	-
DUAL Italia	3.2	3.2
Howden Colombia (Wacolda)	2.7	3.1
Howden Poland (Dohoria)	1.6	2.3
Other	3.7	3.6
Total	459.6	436.1
Impairment charge in the year*	-	(0.7)
Total goodwill	459.6	435.4

*Difference to income statement charge due to foreign currency translation.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020
10 Goodwill continued
Annual impairment review

The annual impairment review of goodwill is based on an assessment of each GCGU or CGU's recoverable which is the higher of value in use or fair value less costs to sell. Value in use is calculated from cash flow projections based on the medium-term business plan which have been approved by management covering a three-year period. These projections exclude any estimated future cash flows expected to arise from restructuring not yet committed to. Fair value less costs to sell is based on a multiple of EBITDA based on recent transactions observed in the market place.

The value in use calculation is based on the following key assumptions used in the cash flow projections:

- Future revenue growth based on historical experience and market intelligence
- Operating margin based on historical experience and known cost optimisation initiatives

Cash flows beyond the three-year period are extrapolated by using an estimated long-term growth rates stated below. The long-term growth rates do not exceed the long-term growth rate for the countries in which the GCGU or CGU operates in. Management has assessed the appropriate discount rate for each individual GCGU and CGU. This has been assessed using a weighted average cost of capital for comparable companies and adjusted for risks specific to each GCGU and CGU:

CGU / GCGUs	2020 long-term growth rate	2019 long-term growth rate	2020 pre-tax discount rate	2019 pre-tax discount rate
RKH	2-3%	2%	10-11%	12%
UK Retail	2%	2%	10%	12%
DUAL Commerical	2%	2%	10%	13%
IPG	2-3%	2-3%	17-18%	12-13%
Howden Sicherheit International	1%	1%	11%	14%
Matrix	2-4%	-%	11-18%	-%
Howden Israel	2-4%	3%	12%	15%
Euroassekuranz	1%	1%	11%	14%
Howden Germany (Hendricks)	1%	1%	13%	16%
Howden Malaysia (ex CIMB and Sterling Knight)	5%	5%	13%	15-16%
Compensa	2%	-%	14-15%	-%
Howden Turkey (ACP, Howden, Sigorta and GRC)	4%	4%	18%	19%
DUAL UK	2-3%	1%	10-12%	12-14%
Howden Finland	1%	1%	12%	14%
DUAL Australia	3%	3%	13%	15%
Howden Iberia	2%	2%	14%	16%
Howden Thailand (Maxi)	4%	4%	14%	16%
Howden Singapore (ex Sterling Knight)	3%	3%	11%	13%
Howden Norway	2%	2%	12%	13%
DUAL Deutschland	1-2%	1%	11-13%	16%
Howden Colombia (Wacolda)	4%	4%	14-16%	19%
Howden Poland (Donoria)	3%	3%	12%	14%
Other	2-5%	2-5%	9-15%	9-17%

Impairment review

Following the Group's annual impairment review, it was identified that goodwill in Compensa would be impaired as the recoverable amount derived from value in use is lower than its carrying value.

A fair value less costs to sell approach was adopted based on the fair value derived from a market EBITDA multiple representative for an employee benefits business. The result showed that the carrying value of Compensa is recoverable using this approach.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

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10 Goodwill continued

Sensitivity analysis

Sensitivity analysis was performed whereby certain key assumptions were subjected to reasonable changes, whilst other assumptions were held constant. The sensitivity is as per below:

- Sensitivity one: Reduction of revenue growth rate by 10% and 25% of revenue reduction results in cash saved
- Sensitivity two: Reduction of the long term growth rate by 50%
- Applying sensitivities one and two simultaneously

The table below summarises the reduction in value in use which would arise in the sensitised scenarios, and result in an impairment charge if both sensitivities were applied simultaneously. There were no impairments arising for other CGUs/CGUs in the sensitised scenarios. While the sensitised scenarios indicated Matrix, Howden UK Retail, Howden Sicherheit International and DUAL Italia could suffer an impairment, management do not consider these CGUs to be impaired based on the results of the base scenario. This is based on the likelihood of the sensitised scenarios to occur and the mitigating actions open to management such as further reduction in discretionary costs and other cost optimisation actions.

	Sensitivity one	Sensitivity two	Apply both sensitivities	Impairment
2020	£m	£m	£m	£m
Howden UK Retail	97.3	19.3	107.1	8.9
Matrix	8.2	2.4	9.9	5.9
Howden Sicherheit International	17.9	7.7	24.1	2.9
DUAL Italia	5.1	0.4	5.3	1.6

In addition, Compensa was tested for sensitivity by reducing EBITDA by 10%, resulting in a reduction in recoverable amount by £2.0m, and reducing EBITDA multiple from 12 to 11 resulting in a reduction in its recoverable amount by £1.6m. This would result in an impairment charge of £0.7m and £0.5m respectively.

In the prior year, similar sensitivity analysis was applied, the table below summarises the reduction in value in use which would arise in the sensitised scenarios, and the impairment charge if both sensitivities were applied simultaneously.

	Sensitivity one	Sensitivity two	Apply both sensitivities	Impairment
2019	£m	£m	£m	£m
Howden Sicherheit International	14.0	5.0	18.2	10.2
Euroassekuranz	14.1	3.2	16.4	1.4
Howden Thailand	4.9	2.8	6.9	0.3
DUAL Italia	4.3	0.1	4.4	2.6
Howden Poland (Donoria)	3.1	0.5	3.2	2.3

In addition, Euroassekuranz was tested for sensitivity by reducing its EBITDA and revenue multiples from 9 to 8 and from 2 to 1.75 respectively. This resulted in a reduction in its recoverable amount by £5.3m which would not trigger an impairment charge.

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11 Intangible assets

	Patents & Software £m	Customer Relationships & brands £m	Other £m	Total £m
Opening net book value 1 October 2019	49.0	281.8	3.3	334.1
Additions	33.4	1.2	-	34.6
Acquisitions of a subsidiary (see note 34)	-	21.3	-	21.3
Disposals	(0.2)	-	-	(0.2)
Exchange differences	-	(5.3)	-	(5.3)
Amortisation	(16.9)	(42.3)	(0.1)	(59.3)
Impairments	(1.1)	-	-	(1.1)
Closing net book value as at 30 September 2020	64.2	256.7	3.2	324.1
Costs	102.1	450.5	7.5	560.1
Accumulated amortisation	(37.9)	(193.8)	(4.3)	(236.0)
Closing net book value as at 30 September 2020	64.2	256.7	3.2	324.1
Opening net book value 1 October 2018	31.9	289.2	3.9	325.0
Additions	32.0	0.6	0.5	33.1
Acquisitions of a subsidiary (see note 34)	0.9	21.9	-	22.8
Disposals	(0.1)	-	(0.1)	(0.2)
Exchange differences	(0.1)	7.1	-	7.0
Amortisation	(8.5)	(37.0)	(1.0)	(46.5)
Impairments	(7.1)	-	-	(7.1)
Closing net book value as at 30 September 2019	49.0	281.8	3.3	334.1
Costs	69.3	435.2	7.7	512.2
Accumulated amortisation	(20.3)	(153.4)	(4.4)	(178.1)
Closing net book value as at 30 September 2019	49.0	281.8	3.3	334.1

The research and development expenditure recognised as an expense during the year was £2.6m (2019: £3.3m). The amount capitalised during the period was £10.3m (2019: £10.3m).

In the current year, an impairment charge of £1.1m was recorded in relation to internally generated intangible assets due to a change in strategic direction following the creation of HX which meant certain assets were no longer in use or would need to be re-implemented. In the prior year an impairment charge of £7.1m was recorded in relation to software following a strategic review.

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12 Property, Plant and Equipment

	Fixtures, fittings & equipment	Motor vehicles	Leasehold improvements	Total
	£m	£m	£m	£m
Cost				
At 1 October 2019	22.6	2.2	44.3	69.1
Additions	9.9	0.3	1.6	11.8
Additions through business combinations	1.1	0.1	0.4	1.6
Disposals	(1.0)	-	(0.5)	(1.5)
Foreign currency adjustment	(0.5)	(0.4)	(0.3)	(1.2)
Balance at 30 September 2020	32.1	2.2	45.5	79.8
Depreciation and impairment losses				
At 1 October 2019	(5.6)	(0.8)	(5.7)	(12.1)
Disposals	0.4	0.1	0.4	0.9
Depreciation	(4.5)	(0.6)	(4.1)	(9.2)
Exchange differences - opening amortisation	0.4	0.2	0.3	0.9
Balance at 30 September 2020	(9.3)	(1.1)	(9.1)	(19.5)
Carrying amount				
At 1 October 2019	17.0	1.4	38.6	57.0
At 30 September 2020	22.8	1.1	36.4	60.3
	Fixtures, fittings & equipment	Motor vehicles	Leasehold improvements	Total
	£m	£m	£m	£m
Cost				
At 1 October 2018	23.4	1.8	40.0	65.2
Additions	8.2	0.6	15.6	24.4
Additions through business combinations	0.2	-	-	0.2
Disposals	(13.2)	(0.5)	(8.1)	(21.8)
Transfers between classes	3.7	-	(3.7)	-
Foreign currency adjustment	0.3	0.3	0.5	1.1
Balance at 30 September 2019	22.6	2.2	44.3	69.1
Depreciation and impairment losses				
At 1 October 2018	(14.7)	(0.7)	(10.1)	(25.5)
Disposals	13.3	0.4	8.1	21.8
Depreciation	(3.9)	(0.4)	(3.6)	(7.9)
Foreign exchange movements	(0.3)	(0.1)	(0.1)	(0.5)
Balance at 30 September 2019	(5.6)	(0.8)	(5.7)	(12.1)
Carrying amount				
At 1 October 2018	8.7	1.1	29.9	39.7
At 30 September 2019	17.0	1.4	38.6	57.0

As at 30 September 2020 the carrying amount of property, plant and equipment under construction was £5.4m (2019: £0.5m).

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13 Right-of-use assets

	Office buildings £m	Office and IT equipment £m	Other £m	Total £m
Net book value				
At 1 October 2019	-	-	-	-
Right of use recognised on transition	102.5	1.8	2.3	106.6
Additions through business combinations	1.7	-	0.1	1.8
Additions	10.9	0.2	0.9	12.0
Depreciation	(13.9)	(0.9)	(0.9)	(15.7)
Lease modifications and remeasurement	2.0	-	(0.1)	1.9
Foreign currency adjustment	(0.2)	-	-	(0.2)
Balance at 30 September 2020	103.0	1.1	2.3	106.4

14 Investments held at fair value

Investments held at fair value through other comprehensive income (non-current)

	2020 £m	2019 £m
Opening balance	19.6	18.6
Additions	-	0.9
Fair value changes	(1.0)	-
Foreign exchange movements	-	0.1
Net investment held at fair value through other comprehensive income	18.6	19.6

The Group continues to hold 9.9% in Apollo Partners LLP, 9.6% of Azur Group Holdings Limited, 39.9% of Howden Korea Company Limited, 37.5% of Charterama B.V., 20% of Soassurancen Danmark A/S and 9.99% of Robin Hood Pro Limited. The Group does not have significant influence or control over these investments.

Investments held at fair value through profit and loss (non-current)

	2020 £m	2019 £m
Investment held at fair value through profit and loss at beginning of the year	17.9	-
Additions	-	17.8
Movement due to acquisition	(17.9)	0.1
Net investment held at fair value through profit and loss	-	17.9

The disposal during the year related to a loan instrument held at fair value. Refer to note 34 and acquisition of Matrix for more details.

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14 Investments held at fair value continued

Investments held at fair value through profit and loss (current)

	2020	2019
	£m	£m
Investment held at fair value through profit and loss at beginning of year	5.8	-
Additions	38.9	5.7
Disposals	(0.3)	(0.7)
Movement due to acquisition	(4.4)	0.8
Movements due to foreign exchange	(0.1)	-
Net investment held at fair value through profit and loss	39.9	5.8

The disposal during the year largely related to a loan instrument held at fair value. Refer to note 34 and acquisition of Matrix for more details.

15 Investments in associates and joint ventures

	2020	2019
	£m	£m
Investment in joint venture at beginning of the year	1.0	0.9
Acquisitions	0.4	0.1
Net investment in joint venture	1.4	1.0
Net investments in associates and joint ventures	1.4	1.0

The Group continues to hold its interests in Howden Insurance Brokers LLC (joint venture), Kanceleria Brokowska Modern Brokers Spółka Akcyjna (associate) and Alpha XO Risk Partners Pty Limited (joint venture). The addition during the year related to an additional investment in Alpha XO Risk Partners Pty Limited.

16 Trade and other receivables

	2020	2019
	£m	£m
Current		
Insurance receivables	168.5	166.2
Other receivables	61.0	40.6
Accrued income	22.9	12.7
Prepayments	12.5	10.9
Corporation tax receivables	14.4	3.7
Total current receivables	279.3	234.1
Non-current		
Other debtors	7.6	0.8
Accrued income	2.8	3.5
Total non-current receivables	10.4	4.3
Total trade and other receivables	289.7	238.4

The increase in insurance receivables and accrued income from £182.4m to £194.2m is due to a resilient Q4 performance of the Group, impact of M&A and modest increase in ageing profile of receivables. See note 29 for more details on credit risk.

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17 Cost of fulfilment asset

	2020	2019
	£m	£m
Opening	11.2	10.2
Amounts capitalised	12.7	11.1
Amounts amortised	(11.0)	(10.2)
Foreign exchange	(0.2)	0.1
Total cost of fulfilment asset	12.7	11.2

The cost of fulfilment asset relates to staff time spent primarily placement services in relation to renewals and first time placement of policies once confirmed by customer for policies which have not incepted yet.

18 Cash and cash equivalents

	2020	2019
	£m	£m
Cash at bank and in hand - sterling	221.1	118.9
Cash at bank and in hand - other currencies	773.2	555.5
Bank overdraft	-	(1.1)
	994.3	673.3

	2020	2019
	£m	£m
Insurance cash and cash equivalents	711.4	471.1
Own funds	282.9	202.2
	994.3	673.3

The Group holds short-term deposits that are made for varying periods, depending on the cash requirements of the Group. These deposits earn interest at market short-term deposit rates. The Group has unrestricted access to these deposits which meet the definition of a cash equivalent.

Fiduciary balances comprise client and insurer monies and fees and commissions earned but undrawn at the balance sheet date. These are held in insurance trust fund bank accounts for the benefit of clients and insurers.

A portion of the Group's cash balance is not available for use due to legal restrictions and controls. At 30 September 2020, the Group's restricted cash balance is £43.9m (2019: £103.4m).

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19 Trade and other payables less than one year

	2020	2019
	£m	£m
Insurance payables	(684.4)	(626.4)
Trade and other payables	(35.0)	(29.3)
Deferred consideration - business combination	(22.3)	(1.4)
Deferred consideration - share buy-backs	(13.0)	(22.7)
Accruals	(137.1)	(125.3)
Other tax and social security	(12.2)	(10.8)
Deferred income	(39.2)	(32.0)
	(258.8)	(221.5)
Total trade and other payables less than one year	(943.2)	(847.9)

	2020	2019
	£m	£m
Corporation tax payable	(8.9)	(8.5)

20 Trade and other payables due after more than one year

	2020	2019
	£m	£m
Trade and other payables	(9.5)	(10.2)
Deferred consideration - business combination	(0.2)	(8.1)
Deferred consideration - share buy-backs	(4.1)	(7.7)
Deferred income	(4.2)	(4.6)
Total trade and other payables due after more than one year	(18.0)	(30.6)

The deferred income is released over a period of up to 8 years.

21 Borrowings

	2020	2019
	£m	£m
Current		
Bank borrowings	(2.8)	(2.4)
Finance lease liabilities	-	(0.3)
Other loans	(0.9)	(0.9)
	(3.7)	(3.6)
	2020	2019
	£m	£m
Non-current		
Bank borrowings	(1,293.3)	(1,120.1)
Finance lease liabilities	-	(0.4)
Other loans	(4.2)	(2.3)
	(1,297.5)	(1,122.8)
	2020	2019
	£m	£m
Total borrowings	(1,301.2)	(1,126.4)

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21 Borrowings continued

Bank borrowings

In addition to the Group's Term Loans outstanding as at 30 September 2019, the Group drew down an additional amount of USD 100m in December 2019. The carrying value of the Term Loan, gross of issuance costs and debt modification adjustments, as at 30 September 2020 was £1,209.8m (2019: £1,121.4m) of which £987.6m (2019: £912.4m) related to the USD tranche and £222.2m (2019: £209.0m) related to the EUR tranche. Total issuance costs and debt modification adjustments of £49.5m have been capitalised against the Term Loan balances and are amortised for the period to December 2024.

The USD Term Loan bears interest payable monthly or quarterly at a variable interest rate based on either LIBOR or a base rate plus, in either case, an applicable margin. The applicable margin for the USD Term Loan is 3.5% (4.0% prior to December 2017) with a LIBOR floor of 1.0%. In terms of scheduled repayments, the USD Term Loan is repayable in equal quarterly instalments at approximately 1.0% of the original loan principal per annum with the remaining balance due at final maturity on 20 December 2024.

The EUR Term Loan bears interest payable monthly or quarterly at a variable interest rate based on either EURIBOR or a base rate plus, in either case, an applicable margin. The applicable margin for the EUR Term Loan is 3.5% with a EURIBOR floor of 0.0%. In terms of scheduled repayments, the EUR Term Loan is repayable in equal quarterly instalments at approximately 1.0% of the original loan principal per annum with the remaining balance due at final maturity on 20 December 2024.

Concurrent with the Term Loan, the Group also has £125.0m of Revolving Credit Facilities ("RCF") maturing on 20 December 2022. The RCF bears interest of LIBOR or a base rate plus, in either case, an applicable margin. The applicable margin for the RCF is 3.5% with a LIBOR floor of 0.0%. The carrying value of the RCF drawn down as at 30 September 2020 was £125.0m (2019: £nil). Issuance costs in respect of the RCF have been capitalised and are expensed over the life of the RCF. These total £0.5m as at 30 September 2020 (2019: £0.8m).

The Term Loan and RCF are secured by cross guarantees and debentures over the Company and a number of subsidiaries.

In July 2020 the Group has entered into additional loans amounting to EUR 9.4m with three Spanish banks. The loans were drawn to finance local acquisition and are secured by guarantees over subsidiary's assets. Loans bear interest of 3.3% and together with principal are payable monthly and mature in July 2027. The carrying value of the loans as at 30 September 2020 was £8.3m (2019: £nil).

There are a number of smaller bank facilities drawn down totalling £3.0m (2019: £1.9m), of which £nil (2019: £nil) is secured on the net assets of subsidiaries. These incur interest up to 1.82% (2019: 1.82%) with a maturity profile up to April 2025 (2019: September 2022). As at 30 September 2020 these have a weighted average rate of 1.7% (2019: 1.82%) and a weighted average life of 3.9 years (2019: 3.0 years).

Other loans

The Group has a loan from Menorah Mivtachim Insurance Limited with a carrying value of £0.4m as at 30 September 2020 (2019: £0.7m). The loan attracts a fixed component of interest at 4.7% and matures in July 2022. The loan is secured by both a local Israeli law security as well as a floating charge over the assets of the borrowing subsidiary company, Howden General and Marine Insurance Brokers (2011) Limited.

The Group has issued a secured bond in connection with acquisition of Matrix Insurance Brokers. The bond attracts a variable interest rate based on EURIBOR plus a margin of 7% with EURIBOR floor of 0%. Bond matures in March 2022 and as at 30 September 2020 carrying amount was £2.7m (2019: £nil).

The Group has a number of other loans with local insurers with a carrying value of £1.9m as at 30 September 2020 (2019: £2.6m). These loans bear interest at a rate of up to 3.3% (2019: 4.06%) and a maturity profile up to July 2024 (2019: up to July 2024). At 30 September 2020, they have a weighted average rate of 2.7% (2019: 3.2%) and a weighted average life of 3.3 years (2019: 3.2 years).

See note 38 for changes to bank borrowings occurring after the balance sheet date.

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22 Provisions

	Legal proceedings £m	Onerous contract £m	Dilapidations £m	Other provisions £m	Total £m
At 1 October 2019	10.0	1.3	12.7	1.8	25.8
Reclassification	-	0.8	(0.8)	-	-
Expensed to income statement	22.6	0.1	1.2	1.9	25.8
Impact of IFRS 16	-	(0.5)	-	-	(0.5)
Utilised during the period	(10.2)	(1.2)	-	(0.3)	(11.7)
Arising on business combinations	-	-	-	0.8	0.8
Foreign currency movements	(0.1)	-	-	(0.4)	(0.5)
At 30 September 2020	22.3	0.5	13.1	3.8	39.7
At 1 October 2018	-	11.4	12.3	2.9	26.6
Reclassification	10.0	3.1	0.4	0.3	13.8
Utilised during the period	-	(13.2)	(1.2)	(1.4)	(15.8)
Arising on PPE	-	-	1.0	-	1.0
Arising from acquisitions and disposals	-	-	0.2	-	0.2
At 30 September 2019	10.0	1.3	12.7	1.8	25.8

Provisions have been analysed between current and non-current as follows

	2020 £m	2019 £m
Current	19.6	9.6
Non-current	20.1	16.2
Total	39.7	25.8

Provisions are generally recognised when the Group has a present or constructive obligation as a result of past events, it is more likely than not that there will be an outflow of resources to settle that obligation, and the amount can be reliably estimated. As an exception to above, provisions arising on business combination are recognised when the Group has a present or constructive obligation as a result of past events and the amount can be reliably estimated regardless of whether it is probable that there will be an outflow of resources to settle that obligation.

The Group is involved from time to time in certain significant claims and legal proceedings related to the Group's operations, including employment related and claims made against the Group in respect of errors and omissions. The provision relating to legal proceedings is expected to be settled within six years. Reimbursement assets of £10.9m have been recognised in respect of these legal proceedings.

Onerous contract provisions relate to exit of London offices, and other onerous lease provisions and contracts, which are expected to be utilised within five years. The increase is due to exit of London office sites as part of the London office consolidation project.

Dilapidation provisions relate to restoring property sites on lease expiration and are expected to be utilised within fourteen years.

Other provisions relate largely to employee related matters, which are expected to be utilised within five years.

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23 Leasing arrangements

As a lessee

The Group has a number of leases primarily in relation to office space. The Group's headquarter in One Creechurch Place comprises £69.7m (65.8%) of the total right-of-use asset and £90.1m (70.6%) of the total lease liabilities. The lease of One Creechurch Place includes rent free periods until the second quarter of the calendar year 2021 after which quarterly payments will start and continue until it matures in December 2032.

The details of the right-of-use assets are disclosed in note 13, maturity analysis of leases in note 29, charges recorded in operating profit in note 5 and interest expense/income in note 6. This includes charges for leases the Group has accounted for as short-term or low-value leases

In addition to the disclosed maturity analysis of cash outflows, in relation to leases there are the following exposures:

A number of office leases include rent reviews after a fixed period. These can be of adjustments to market rate or linked to inflation index. On revision these would adjust both lease liability and right-of-use asset using the same discount rate that was used in the current arrangement. A number of office equipment leases include an element of variable payments connected with usage such as pages printed and typically based on a consumption basis. Variable lease element within these leases is not material. There were no material extension or termination option which are probable to be exercised and are not captured in measurement of lease liabilities. There were no material residual value guarantee payments.

There were no material leases not yet commenced but committed. The total cash outflow in the year ended 30 September 2020 in relation to leases was £10.6m, of which £0.8m related to interest expense and £9.8m to lease liability principal.

As a lessor

The Group has several lease arrangements where it is a lessee but has sublet office space to an external third party. As a lessor the Group has assessed that most of these arrangements constitute a finance lease. The carrying value of net investment in finance leases as at 30 September 2020 was £0.9m. The interest income recognised was £nil for the year ended 30 September 2020.

There were no significant subleases identified as operating leases.

The maturity analysis of expected cash receipts under finance sublease arrangements for future years are as follows:

£m	Total	2021	2022	2023	2024	2025+
Finance leases	1.0	0.3	0.3	0.4	-	-

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24 Financial instruments

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

	Amortised Cost	Fair value through OCI	Fair value through profit or loss	Carrying value	Fair value
30 September 2020	£m	£m	£m	£m	£m
Trade and other receivables	94.3	-	-	94.3	94.3
Insurance receivables	168.5	-	-	168.5	168.5
Investments held at fair value through other comprehensive income	-	18.6	-	18.6	18.6
Investments held at fair value through profit and loss (current)	-	-	39.9	39.9	39.9
Cash and cash equivalents (including overdraft)	282.9	-	-	282.9	282.9
Insurance investments	-	-	0.8	0.8	0.8
Insurance cash and cash equivalents	711.4	-	-	711.4	711.4
Insurance payables	(684.4)	-	-	(684.4)	(684.4)
Trade and other payables	(233.4)	-	-	(233.4)	(233.4)
Lease liabilities (current)	(15.8)	-	-	(15.8)	(15.8)
Lease liabilities (non-current)	(114.2)	-	-	(114.2)	(114.2)
Short-term borrowings	(3.7)	-	-	(3.7)	(14.4)
Long-term borrowings	(1,297.5)	-	-	(1,297.5)	(1,325.2)
Derivative financial instruments					
Interest rate swaps and caps	-	-	(31.2)	(31.2)	(31.2)
Future payments to minority interests (< 1 year)	-	-	(70.4)	(70.4)	(70.4)
Future payments to minority interests (> 1 year)	-	-	(47.0)	(47.0)	(47.0)
Howden share option	-	-	(24.0)	(24.0)	(24.0)
	(1,091.9)	18.6	(131.9)	(1,205.2)	(1,243.6)

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24 Financial instruments continued

	Amortised Cost	Fair value through OCI	Fair value through profit or loss	Carrying value	Fair value
30 September 2019	£m	£m	£m	£m	£m
Trade and other receivables	57.7	-	-	57.7	57.7
Insurance receivables	166.2	-	-	166.2	166.2
Investments held at fair value through other comprehensive income	-	19.6	-	19.6	19.6
Investments held at fair value through profit and loss (current)	-	-	5.8	5.8	5.8
Investments held at fair value through profit and loss (non-current)	-	-	17.9	17.9	17.9
Cash and cash equivalents (including overdraft)	202.2	-	-	202.2	202.2
Insurance investments	-	-	180.5	180.5	180.5
Insurance cash and cash equivalents	471.1	-	-	471.1	471.1
Insurance payables	(626.4)	-	-	(626.4)	(626.4)
Trade and other payables	(215.5)	-	-	(215.5)	(215.5)
Short-term borrowings	(3.6)	-	-	(3.6)	(10.4)
Long-term borrowings	(1,122.8)	-	-	(1,122.8)	(1,163.7)
Derivative financial instruments					
Interest rate swaps and caps	-	-	(23.8)	(23.8)	(23.8)
Future payments to minority interests (<1 year)	-	-	(17.7)	(17.7)	(17.7)
Future payments to minority interests (>1 year)	-	-	(124.6)	(124.6)	(124.6)
Howden share option	-	-	(7.0)	(7.0)	(7.0)
	(1,071.1)	19.6	31.1	(1,020.4)	(1,068.1)

The carrying value of other financial assets and liabilities approximate their fair value except for the Term Loan. The fair value of the Term Loan is derived using a quoted market rate in an active market (level 1 classification).

Financial liability on payments to minority interests and contingent consideration

The fair value of the Group's financial liability on payments to minority interest and contingent consideration at the year end was £117.4m (2019: £142.4m).

The future commitments include the earn-out due on recent acquisitions, and the future liability on put and call options. The option liability is carried at fair value and revalued each year with movements going through the income statement. The liabilities as at 30 September are as follows:

	2020	2019
Current	£m	£m
Minority put option liability	(54.6)	(7.6)
Howden share option liability	(7.1)	(7.0)
Contingent consideration	(15.8)	(10.1)
	(77.5)	(24.7)

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24 Financial instruments continued

	2020	2019
	£m	£m
Non-current		
Minority put option liability	(41.0)	(120.8)
Howden share option liability	(16.9)	-
Contingent consideration	(6.0)	(3.8)
	(63.9)	(124.6)

Some minority put options typically have exercise dates set a number of years after the business combination has completed. However under certain conditions, which if met such as death, would immediately result in the immediate acquisition of the minority interest. Liabilities are classified as current for the portion where the Group does not have unconditional right to defer payment for more than 12 months after balance sheet date.

Financial instruments held at fair value

The disclosure of fair value measurements by level is assessed using the following fair value measurement hierarchy

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability (Level 2)
- inputs for the asset or liability that are not based on observable market data (Level 3)

The fair value of level 2 instruments have been determined using forward exchange rates or forward interest rates derived from market sourced data, with the resulting value discounted back to present value.

The fair value of level 3 instruments have been determined using the probable cash flow profile using management forecast data, with the cash flows discounted back to present value.

	Level 1	Level 2	Level 3
	£m	£m	£m
30 September 2020			
Insurance investments	0.8	-	-
Investments held at fair value through profit and loss	39.9	-	-
Investments held at fair value through OCI	-	-	18.6
Derivative financial instruments			
Interest rate swaps and caps	-	(31.2)	-
Future payments to minority interests	-	-	(117.4)
Howden share option	-	-	(24.0)
	40.7	(31.2)	(122.8)

	Level 1	Level 2	Level 3
	£m	£m	£m
30 September 2019			
Insurance investments	180.5	-	-
Investments held at fair value through profit and loss	1.5	22.2	-
Investments held at fair value through OCI	-	-	19.6
Derivative financial instruments			
Interest rate swaps and caps	-	(23.7)	-
Future payments to minority interests	-	-	(142.3)
Howden share option	-	-	(7.0)
	182.0	(1.5)	(129.7)

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

24 Financial instruments continued

Reconciliation of movements in Level 3 financial instruments

	Contingent consideration £m	Minority put option liability £m	Howden Share option £m	Total £m
Balance at 1 October 2019	(13.9)	(128.4)	(7.0)	(149.3)
Gains and losses recognised in Income statement	(5.9)	(23.1)	(0.1)	(29.1)
Acquisitions	(5.3)	(4.8)	(16.9)	(27.0)
Transfers to equity	-	27.9	-	27.9
Adjustments due to foreign exchange	1.6	1.8	-	3.4
Settled during the year	1.7	31.0	-	32.7
Balance at 30 September 2020	(21.8)	(95.6)	(24.0)	(141.4)

	Contingent considerations £m	Minority put option liability £m	Howden share option £m	Total £m
Balance at 1 October 2018	(2.0)	(120.9)	(6.1)	(129.0)
Gains and losses recognised in Income statement	(7.2)	(9.3)	(0.9)	(17.4)
Acquisitions	(4.7)	(6.2)	-	(10.9)
Transfers	(1.8)	-	-	(1.8)
Adjustments due to foreign exchange	(0.3)	(0.6)	-	(0.9)
Settled during the year	2.1	8.6	-	10.7
Balance at 30 September 2019	(13.9)	(128.4)	(7.0)	(149.3)

Sensitivity analysis on level 3 instruments

Financial liabilities on payments to NCI are dependent on financial metrics such as revenue growth or future EBITDA. A change of 10% to these inputs would result in a liability between £105.6m to £129.1m (2019: £128.1m to £156.6m). An increase/decrease to the carrying amount of the liability on the Consolidated Statement of Financial Position would have the corresponding loss/gain on the Consolidated Income Statement.

The Howden put option liability is dependent on shares subject to put and the share price on maturity. A change of 10% to these inputs would result in a liability between £21.6m to £26.4m as at 30 September 2020 (2019: £6.3m to £7.7m). An increase/decrease to the carrying amount of the liability on the Consolidated Statement of Financial Position would have the corresponding loss/gain on the Consolidated Income Statement.

The investments held at fair value relate to non-quoted investments. Allowing for a reasonable change in price multiple, this would not have resulted in a material difference. A change in fair value would be recorded in other comprehensive income.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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25 Share capital

	Allotted and called up	
	Number	£m
2020	'000	
Classified as equity		
Ordinary A shares of £0.01	84,805	0.9
Ordinary A1 shares of £0.01	483	-
Ordinary A2 shares of £0.01	291	-
Ordinary D shares of £0.00001	42,605	-
Ordinary E shares of £0.00001	10,266	-
Ordinary F shares of £0.00001	3,150	-
	141,600	0.9

	Allotted and called up	
	Number	£m
2019	'000	
Classified as equity		
Ordinary A shares of £0.01	80,874	0.8
Ordinary A1 shares of £0.01	543	-
Ordinary A2 shares of £0.01	328	-
Ordinary D shares of £0.00001	34,730	-
Ordinary E shares of £0.00001	10,655	-
Ordinary F shares of £0.00001	3,150	-
	130,280	0.8

During the year ended 30 September 2020, 160,000 "A" shares, 25,986,088 "D" shares and 1,901,374 "E" shares were issued by the Company. During the year ended 30 September 2020, 1,730,390 "A" shares, 60,158 "A1" shares, 36,505 "A2" shares, 667,841 "D" shares, 2,290,000 "E" shares and 4,472,250 Deferred shares were acquired by the Company and cancelled. 17,443,796 "D" shares were re-designated into 5,501,115 "A" shares and 3,600,571 Deferred shares.

During the year ended 30 September 2019, nil "A" shares, 3,894,149 "D" shares and 6,050,000 "E" shares were issued by the Company. During the year ended 30 September 2019, 4,521,967 "A" shares, 347,540 "A1" shares, 190,782 "A2" shares, 6,162,164 "D" shares, 2,745,000 "E" shares and 113,813,000 Deferred shares were acquired by the Company and cancelled. 1,479,000 "B" shares and 4,281,000 "C" shares were re-designated into 3,891,783 "A" shares and 1,868,217,000 Deferred shares.

During the year no transaction costs were capitalised (2019: £nil).

Voting rights

The "A" ordinary, "A1" ordinary, "A2" ordinary and "F" shares each rank pari passu for voting rights. "D" ordinary, "E" ordinary shares and Deferred shares do not carry voting rights.

Return on capital

On the sale or liquidation of the Company the proceeds shall be divided between the shareholders as follows:

- The holders of the "A", "A1", "A2", "D" and "E" shares based on relevant value subject to the conditions below "A", "A1" and "A2" rank pari passu for return on capital except as follows:
- If the amount received per "A" ordinary share is less than £11.52, the amount received for each "A1" and "A2" share is capped at £5.76
- If the amount received per "A" ordinary share is between £11.52 and £14.40, the "A" and "A1" shares are treated equally and the amount received for "A2" share is capped at £5.76
- If the amount received per "A" ordinary share is greater than £14.40, the "A", "A1" and "A2" shares are treated equally

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

25 Share capital continued

Return on capital continued

"D" shares are divided into a number of designations. D1-17 (2020: nil, 2019: 16,565,371), D18-49 (2020: 12,724,337, 2019: 14,270,603) and D50-88 (2020: 29,880,237, 2019: 3,894,149). The different designations of D shares have the same rights except where set out below. On sale or liquidation of the Company, "D" shares convert to "A" shares if a hurdle of £7.50 (D1-17), £8.50 (D18-49), \$23 (D50-53, 59) or \$28 (D54-58, D60-88) per "A" share is achieved. Conversion is also dependent on the relative value of "A" and "D" shares and certain other performance conditions.

"E" shares are divided into a number of designations. E1 (2020: 300,000, 2019: 2,190,000), E2 (2020: 1,915,000, 2019: 2,315,000), E4 (2020: 100,000, 2019: 100,000), E5 (2020: 6,050,000, 2019: 6,050,000) and E6 (2020: 1,901,374, 2019: nil). The different designations of E shares have the same rights except where set out below. On sale or liquidation of the Company, "E" shares convert to "A" shares if a hurdle of £7.50 (E1), £8.50 (E2), £9.50 (E4), \$23 (E5) or \$28 (E6) per "A" share is achieved. Conversion is also dependent on the relative value of "A" and "E" shares and other performance conditions.

On sale or liquidation of the Company, "F" shares convert to "A" shares if a hurdle of \$23 per "A" share is achieved. Conversion is also dependent on the relative value of "A" and "E" shares and other performance conditions.

Deferred shares do not have any return on capital.

Dividend rights

"D" shares do not receive dividends. "E" and "F" shares are pari passu with "A" shares subject to aggregated dividends for "A" shares exceeding £0.20 per share and the dividend per "E" or "F" ordinary share will be a fraction of the dividend per "A" share based on relative value between "A", "E" and "F" shares.

Conversion rights

If the sale or liquidation of the Company does not occur within a certain period after issuance date, "D" and "E" shares convert to "A" shares based on certain metrics. The time period to elapse before conversion for "D" shares varies between 34 months and 135 months depending on designations of "D" shares. Once the period has elapsed, "D" shares convert to "A" shares depending on the performance of certain business units and the growth of "A" share price versus specific targets. The time period to elapse before conversion for "E" shares is up to five years from the first issuance of a class. Once the period has elapsed, "E" shares convert to "A" shares depending on growth in the "A" share price versus specific targets. "F" shares are similar to "E" shares but rather than converting to "A" shares after a period of time there is no time limit and is contingent on certain events occurring.

Shares issued part of business combinations or acquisitions of NCI

As part of certain business combinations or acquisition of NCI, "A" ordinary shares were issued as consideration with service conditions attached. These conditions include that for a period of 3 years after acquisition, if a holder of these shares leaves employment from the Group and is deemed a bad leaver then the Group has the opportunity to buy back the "A" ordinary shares at the lower of the fair value or the price paid by the shareholders for the original shares, which the "A" ordinary shares relate to. The price paid by shareholders for the original acquiree shares is deemed to be the minimum guaranteed return for the holders of the "A" ordinary shares. As the holder of the "A" ordinary shares do not receive full benefit of the shares until after 3 years, the difference between the fair value of the "A" Ordinary shares and the minimum guaranteed return has been treated as a debit to the "Acquisition share reserve" on issuance of the shares. Over the 3 years, the difference between the fair value of the "A" ordinary shares and the minimum guaranteed return is treated as an equity settled share based compensation scheme and charged to non-recurring costs. To the extent there is a bad leaver, the cumulative entries into the income statement and equity are reversed. The table below summarises the shares issued with the service conditions attached:

Transaction	Year of transaction	Fair value of shares £m	Minimum guaranteed return £m	Maximum charge to income statement £m
PMG	2016	4.1	0.1	4.1
Euroassekuranz	2016	8.6	0.3	8.3
DUAL Commercial	2017	1.5	0.1	1.4

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

25 Share capital continued

Shares held in trust

The Company has an Employee Benefit Trust arrangement ("EBT") which through its subsidiary Hyperion Employee Jersey Holdings Limited ("HEJH") holds Howden's ordinary shares which are used to settle future obligations relating to the Group's share-based compensation plans. As at 30 September 2020, HEJH held the following shares: 366,503 "A" (2019: 695,869), nil "A1" (2019: 9,663), nil "A2" shares (2019: 6,402), 2,461,206 "D" (2019: 1,369,386), 50,000 "E" ordinary (2019: 2,290,000) and nil Deferred shares (2019: nil).

26 Share-based compensation plans

During the year ended 30 September 2020 a total charge of £7.3m (2019: £5.7m) was recognised in respect of share-based compensation plans. The value of liabilities arising from share-based payments as at 30 September 2020 was £1.3m (2019: £1.0m). A summary of the most significant share based compensation plans are as follows:

Ordinary shares awarded

During the year 333,886 "A" ordinary shares (2019: 73,615 "A" shares) were awarded to employees where the Group providing the funding wholly or partially. During the year, a cash donation was made to the Howden Group Foundation which used the cash proceeds to purchase 160,000 Howden A shares. This has been treated as a share based payment. This and the other awards to employees as noted previously, resulted in a charge of £2.9m (2019: £1.0m).

Due to the conversion nature of "D", "E" and "F" ordinary shares into "A" ordinary shares, these have been treated as equity settled share based payments. The Group has used the Black-Scholes model (D1-17), Barrier Option Black-Scholes model (E1) or Stochastic model for all remaining shares to calculate the fair value of one award on grant date. Any subscription price paid is deducted from the output of the models to determine the fair value of one award on grant date

Award	Grant date	Volatility	Dividend yield	Interest yield	Life / Months	Share price on grant date / £	Exercise price / £	Fair value of one award / £
D1-7	December 2015 - January 2016	19.7%	0.5%	0.9%	48	5.76	7.50	0.39
E1	December 2015 - January 2016	21.3%	0.5%	1.2%	60	5.76	7.50	0.51
D20-22, 27, 43-44	February - April 2017	16.6%	0.6%	0.1%	34	6.39	8.50	0.14
D23-26, 28-30, 33, 35-37	February - April 2017	16.6%	0.6%	0.2%	46	6.39	8.50	0.22
D-18	February - April 2017	16.4%	0.6%	0.3%	58	6.39	8.50	0.28
D32, 42, 45-49	June 2017	16.7%	0.6%	0.5%	43	6.39	8.50	0.21
E2	March 2017	16.6%	0.6%	0.4%	60	6.39	8.50	0.07
E3	July 2017	16.4%	0.6%	0.7%	60	8.29	9.50	0.44
E4 (T1)	July 2017	16.4%	0.6%	0.7%	60	8.29	9.50	0.47
D34	October 2017	16.2%	0.5%	0.6%	39	8.29	9.50	0.84
E4 (T2)	October 2017	15.8%	0.5%	0.7%	55	8.29	9.50	0.41
D31	November 2017	16.3%	0.5%	0.5%	38	8.29	8.50	0.83
D41	December 2017	15.7%	0.5%	0.6%	38	8.29	8.50	0.81
E5 (T1)	November 2018	15.9%	nil%	1.2%	60	13.39	17.54	0.33

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020
26 Share-based compensation plans continued
Ordinary shares awarded continued

Award	Grant date	Volatility	Dividend yield	Interest yield	Life / Months	Share price on grant date / £	Exercise price / £	Fair value of one award / £
F1	November 2018	26.8%	nil%	2.0%	Variable	13.39	17.54	3.46
D51	November 2018	16.0%	nil%	0.8%	50	13.39	18.03	0.47
D50	March 2019	16.2%	nil%	1.0%	59	13.39	17.40	0.73
E5 (T2)	April 2019	16.4%	nil%	0.8%	55	13.39	17.47	0.28
D53	April 2019	16.7%	nil%	0.8%	45	13.39	17.79	0.50
D50 (T2)	May 2019	16.3%	nil%	0.9%	57	13.39	17.57	0.67
E5 (T3)	May 2019	16.3%	nil%	0.6%	53	13.39	18.21	0.16
D52	May 2019	16.3%	nil%	0.9%	57	13.39	17.67	0.65
E5 (T4)	July 2019	16.2%	nil%	0.6%	52	13.39	18.37	0.12
D59	August 2019	15.7%	nil%	0.3%	41	13.39	18.73	0.23
E5 (T5)	September 2019	16.1%	nil%	0.3%	49	13.39	18.68	0.08
D54, D61, D69	November 2019	16.1%	nil%	0.5%	51	15.68	21.74	0.36
D55	November 2019	16.1%	nil%	0.5%	87	15.68	21.74	0.74
D56, D60, D62-68	November 2019	15.8%	nil%	0.5%	39	15.68	21.74	0.18
D70	November 2019	17.7%	nil%	0.6%	111	15.68	21.74	1.05
D71	November 2019	16.2%	nil%	0.5%	63	15.68	21.74	0.52
D72	November 2019	21.2%	nil%	0.8%	135	15.68	21.74	1.31
D57	July 20	21.7%	nil%	(0.1)%	54	15.68	21.99	0.68
D58	July 20	19.8%	nil%	nil%	90	15.68	21.99	0.90
D73, 77-79, 81-84	July 20	23.0%	nil%	(0.1)%	42	15.68	21.99	0.59
D74	July 20	19.6%	nil%	0.1%	102	15.68	21.99	0.96
E6 (T1)	July 20	21.7%	nil%	(0.1)%	54	15.68	21.99	0.56
D80, 86-88	August 20	23.2%	nil%	(0.1)%	42	15.68	21.47	0.65
D85	August 20	21.6%	nil%	(0.1)%	54	15.68	21.47	0.74
E6 (T2)	August 20	21.6%	nil%	(0.1)%	53	15.68	21.47	0.62

The share price on grant date was estimated by an external expert based on a blend of valuation techniques, including earnings multiple based on listed peer group and transactional precedents, value in use, and sum of the components parts of the Group. An estimate of future volatility is made with reference to historical volatility over a similar time period to the performance period. Historical volatility is calculated based on the annualised standard deviation of listed peer group's daily share price movement, being an approximation to the continuously compounded rate of return on the share.

Under the terms of the scheme, early conversion may only be granted in exceptional circumstances and therefore the effect of early exercise has not been incorporated into the calculation. Management have also assumed there will not be sale or liquidation of the Group, triggering early conversion, over the life of the scheme.

"D" ordinary shares have hurdles and caps linked to the "A" ordinary shares prior to realising their potential, and these have been treated as effective exercise prices as inputs into the valuation models. "E" and "F" ordinary shares have hurdles linked to the "A" ordinary shares prior to realising their potential value and a proportion vest depending on "A" ordinary shares achieving certain hurdles. Where hurdles and caps are set in a currency other than sterling, the exchange rate on grant date is used when determining model inputs. A summary is presented below:

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26 Share-based compensation plans continued

Ordinary shares awarded continued

Award	Hurdle	Cap	Vesting hurdle (25% vesting unless stated)	Vesting hurdle (50% vesting unless stated)	Vesting hurdle (75% vesting unless stated)	Vesting hurdle (100% vesting unless stated)
D1-17	£7.50	£14.00	N/A	N/A	N/A	N/A
D18, D20-37, D41-49	£8.50	15.00	N/A	N/A	N/A	N/A
E1	£7.50	N/A	£9.00	£10.00	£11.00	£12.00
E2	£8.50	N/A	\$15.00	\$17.00	\$19.00	\$21.00
E3	£9.50	N/A	\$15.00	\$16.00	\$17.00	N/A
E4	£9.50	N/A	\$15.00	\$17.00	\$19.00	\$21.00
E5	\$23.00	N/A	\$28.00	\$32.00	\$36.00	\$40.00
F1	\$23.00	N/A	\$28.00	\$32.00	\$36.00	\$40.00
D50-53, D59	\$23.00	\$35.00	N/A	N/A	N/A	N/A
D54-58, D60-74 and D77-88	\$28.00	\$40.00	N/A	N/A	N/A	N/A
E6	\$28.00	N/A	\$33.00	\$37.00	\$41.00	\$45.00

Assumptions have been made over performance criteria, primarily leavers and business unit performance. Management have assumed up to 20% leavers' and business unit performance is based upon the approved medium term plan. "F" ordinary shares vest only on occurrence of certain events and as at 30 September 2020 do not believe any of these events are probable in the near future.

A summary of the movement of awards for the year ended 30 September 2020 is as follows:

Award	Grant date	Fair value per option / £	Options outstanding 1 October 2019	Granted / adjustments	Lapsed	Exercised	Options outstanding 30 September 2020
D1-17	December 2015 - January 2016	0.39	16,051,196	nil	(3,853,009)	(12,198,187)	nil
E1	December 2015 - January 2016	0.51	300,000	nil	nil	nil	300,000
D20-22, 27, 43-44	February - April 2017	0.14	826,953	nil	nil	(826,953)	nil
D23-26, 28-30, 33, 35- 37	February - April 2017	0.22	8,590,204	nil	(62,698)	(391,355)	8,136,151
D18	February - April 2017	0.28	76,602	nil	nil	(76,602)	nil
D32, 42, 45-49	June 2017	0.21	2,677,468	nil	(590,807)	(210,135)	1,876,526
E2	March 2017	0.07	1,915,000	nil	nil	nil	1,915,000
E3	July 2017	0.44	nil	nil	nil	nil	nil
E4 (T1)	July 2017	0.47	50,000	nil	nil	nil	50,000
D34	October 2017	0.84	112,469	nil	nil	nil	112,469
E4 (T2)	October 2017	0.41	50,000	nil	nil	nil	50,000
D31	November 2017	0.83	720,706	nil	nil	nil	720,706
D41	November 2017	0.81	410,990	nil	nil	(16,250)	394,740
E5 (T1)	November 2018	0.33	4,985,000	nil	(50,000)	nil	4,935,000
F1	November 2018	3.46	3,150,000	nil	nil	nil	3,150,000
D51	November 2018	0.47	1,036,734	nil	nil	nil	1,036,734
D50 (T1)	March 2019	0.73	625,000	nil	nil	nil	625,000
E5 (T2)	April 2019	0.28	575,000	nil	nil	nil	575,000
D53	April 2019	0.50	649,522	nil	nil	nil	649,522
D50 (T2)	May 2019	0.67	325,000	nil	nil	nil	325,000
E5 (T3)	May 2019	0.16	150,000	nil	nil	nil	150,000

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26 Share-based compensation plans continued
Ordinary shares awarded continued

Award	Grant date	Fair value per option / £	Options outstanding 1 October 2019	Granted / adjustments	Lapsed	Exercised	Options outstanding 30 September 2020
D52	May 2019	0.65	739,528	nil	nil	(20,833)	718,695
E5 (T4)	July 2019	0.12	255,000	nil	nil	nil	255,000
D59	August 2019	0.23	411,994	nil	nil	nil	411,994
E5 (T5)	September 2019	0.08	85,000	nil	nil	nil	85,000
D54, D61, D69	November 2019	0.36	nil	1,152,512	nil	(847,363)	305,149
D55	November 2019	0.74	nil	76,833	nil	nil	76,833
D56, D60, D62-68	November 2019	0.18	nil	9,499,069	(25,029)	nil	9,474,040
D70	November 2019	1.05	nil	47,408	nil	(47,408)	nil
D71	November 2019	0.52	nil	425,818	nil	nil	425,818
D72	November 2019	1.31	nil	3,009	nil	nil	3,009
D57	July 2020	0.68	nil	188,630	nil	nil	188,630
D58	July 2020	0.90	nil	16,739	nil	nil	16,739
D73, 77-79, 81-84	July 2020	0.59	nil	4,404,917	nil	nil	4,404,917
D74	July 2020	0.96	nil	38,999	nil	nil	38,999
E6 (T1)	July 2020	0.56	nil	1,697,097	nil	nil	1,697,097
D80, 86-88	August 2020	0.65	nil	7,295,054	nil	nil	7,295,054
D85	August 2020	0.74	nil	2,435,672	nil	nil	2,435,672
E6 (T2)	August 2020	0.62	nil	150,000	nil	nil	150,000

A summary of the movement of awards for the year ended 30 September 2019 is as follows:

Award	Grant date	Fair value per option / £	Options outstanding 1 October 2018	Granted / adjustments	Lapsed	Exercised	Options outstanding 30 September 2019
D1-17	December 2015 - January 2016	0.39	16,683,941	nil	(632,745)	nil	16,051,196
E1	December 2015 - January 2016	0.51	1,450,000	nil	nil	(1,150,000)	300,000
D20-22, 27, 43-44	February - April 2017	0.14	878,425	nil	(51,472)	nil	826,953
D23-26, 28-30, 33, 35-37	February - April 2017	0.22	9,222,840	nil	(632,636)	nil	8,590,204
D18	February - April 2017	0.28	76,602	nil	nil	nil	76,602
D32, 42, 45-49	June 2017	0.21	2,799,567	nil	(95,238)	(26,861)	2,677,468
E2	March 2017	0.07	2,165,000	nil	(250,000)	nil	1,915,000
E3	July 2017	0.44	nil	nil	nil	nil	nil
E4 (T1)	July 2017	0.47	50,000	nil	nil	nil	50,000
D34	October 2017	0.84	112,469	nil	nil	nil	112,469
E4	October 2017	0.41	50,000	nil	nil	nil	50,000
D31	November 2017	0.83	853,901	nil	(133,195)	nil	720,706
D41	November 2017	0.81	410,990	nil	nil	nil	410,990
E5 (T1)	November 2018	0.33	nil	4,985,000	nil	nil	4,985,000
F1	November 2018	3.46	nil	3,150,000	nil	nil	3,150,000
D51	November 2018	0.47	nil	1,036,734	nil	nil	1,036,734
D50 (T1)	March 2019	0.73	nil	625,000	nil	nil	625,000

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

26 Share-based compensation plans continued

Ordinary shares awarded continued

Award	Grant date	Fair value per option / £	Options outstanding 1 October 2018	Granted / adjustments	Lapsed	Exercised	Options outstanding 30 September 2019
E5 (T2)	April 2019	0.28	nil	575,000	nil	nil	575,000
D53	April 2019	0.50	nil	649,522	nil	nil	649,522
D50 (T2)	May 2019	0.67	nil	325,000	nil	nil	325,000
E5 (T3)	May 2019	0.16	nil	150,000	nil	nil	150,000
D52	May 2019	0.65	nil	739,528	nil	nil	739,528
E5 (T4)	July 2019	0.12	nil	255,000	nil	nil	255,000
D59	August 2019	0.23	nil	411,994	nil	nil	411,994
E5 (T5)	September 2019	0.08	nil	85,000	nil	nil	85,000

A charge of £2.4m (2019: £3.1m) was recorded for the year ended 30 September 2020.

Recycled awards

During the prior year, there were a number of D share incentive schemes where the economic benefits of shares belonging to leavers were recycled to other recipients. The features are identical to the connected D share award save at the end of the scheme, the value pot is determined and deductions are made for tax. The end net value is used to award the equivalent number of "A" ordinary shares.

These awards have been treated as equity settled share based payments. The Group has used a stochastic model to calculate the fair value of one award on grant date. For description over assumptions refer to the relevant section under Ordinary shares awarded.

Recycled award	Grant date	Volatility	Dividend yield	Interest yield	Life / Months	Share price on grant date / £	Exercise price / £	Fair value of one award / £
D23	October 2018	14.3%	nil%	0.8%	27	13.39	8.50	3.86
D15	October 2018	15.4%	nil%	0.7%	14	13.39	7.50	4.63
D6	February 2019	19.0%	nil%	0.7%	11	13.39	7.50	4.56
D7	February 2019	19.0%	nil%	0.7%	11	13.39	7.50	4.56
D31	February 2019	16.1%	nil%	0.7%	24	13.39	8.50	3.60
D25	April 2019	16.7%	nil%	0.6%	22	13.39	8.50	3.80

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26 Share-based compensation plans continued

Award	Grant date	Fair value per option / £	Options outstanding 1 October 2019	Granted / adjustments	Lapsed	Exercised	Options outstanding 30 September 2020
D23	October 2018	3.86	253,402	nil	nil	nil	253,402
D15	October 2018	4.63	230,491	nil	(50,708)	(179,783)	nil
D6	February 2019	4.56	197,602	nil	(197,602)	nil	nil
D7	February 2019	4.56	137,496	nil	nil	(137,496)	nil
D31	February 2019	3.60	113,216	nil	nil	nil	113,216
D25	April 2019	3.80	268,480	nil	nil	nil	268,480

Award	Grant date	Fair value per option / £	Options outstanding 1 October 2018	Granted / adjustments	Lapsed	Exercised	Options outstanding 30 September 2019
D23	October 2018	3.86	nil	253,402	nil	nil	253,402
D15	October 2018	4.63	nil	230,491	nil	nil	230,491
D6	February 2019	4.56	nil	197,602	nil	nil	197,602
D7	February 2019	4.56	nil	137,496	nil	nil	137,496
D31	February 2019	3.60	nil	113,216	nil	nil	113,216
D25	April 2019	3.80	nil	268,480	nil	nil	268,480

A charge of £1.9m (2019: £1.4m) as recorded for the year ended 30 September 2020.

Employee share purchase plan

During the prior year, employees of one of the subsidiaries of the Group were granted loans with which to acquire shares of the subsidiary. As the loan is a non-recourse loan, secured only on the shares of the subsidiary, this is treated as an equity settled share based payment. The loan is for a duration of up to 46 months and can be repaid at any point in time at the loan recipient's discretion. The holders of the shares receives dividends during the life of the loan but has restrictions whereby the shares cannot be sold for 34 months. After this period has elapsed, the disposal restrictions are lifted. Based on this, the shares are treated as fully vested when acquired by the employees and therefore the fair value of the options is expensed immediately. The fair value of the option is determined using a stochastic model and a summary of the inputs into the valuation model are as follows:

Grant date	Volatility	Dividend yield	Interest yield	Life / Months	Share price on grant date / £	Exercise price / £	Fair value of one award / £
September 2019	15.6%	nil%	0.7%	34	107.30	122.06	6.81
September 2018	16.3%	nil%	2.2%	60	86.61	106.54	9.12

While the loan can be repaid at any point in time, it has been assumed that the loan will be repaid after 34 months when the disposal restrictions have been lifted. Therefore the life of the option has been deemed to be 34 months. The exercise price is the total loan principal and interest expected to be repaid over the life of the loan.

A charge of £nil (2019: £0.1m) was recorded for the year ended 30 September 2020.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

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FOR THE YEAR ENDED 30 SEPTEMBER 2020

27 Other reserves

2020	Capital redemption reserve £m	Asset revaluation reserve £m	Share option reserve £m	EBT reserve £m	Translation reserve £m	Cash flow hedging reserve £m	Acquisition share reserve £m	Cost of hedging reserve £m	Minority option reserve £m	Total other reserves £m
As at 1 October 2019	0.2	0.3	14.1	(102.0)	(88.3)	(21.7)	(1.5)	(0.4)	(116.9)	(316.2)
Reserves transfer arising on utilisation of options	-	-	-	-	-	-	-	-	-	-
Arising on put options over Company's shares	-	-	-	-	-	-	-	-	52.2	52.2
Net foreign exchange adjustments	-	-	-	-	6.4	-	-	-	(16.9)	(16.9)
Arising on acquisitions and disposals	-	-	-	-	-	-	-	-	-	6.4
Net movement in shares held by Employee Benefit Trust	-	-	-	(18.7)	-	-	-	-	(4.8)	(4.8)
Movement in cash flow hedge	-	-	-	-	-	(4.5)	-	0.2	-	(4.3)
Share-based payment	-	-	1.6	-	-	-	0.2	-	-	1.8
As at 30 September 2020	0.2	0.3	15.7	(120.7)	(81.9)	(26.2)	(1.3)	(0.2)	(86.4)	(300.5)

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FOR THE YEAR ENDED 30 SEPTEMBER 2020

27 Other reserves continued

2019	Capital redemption reserve £m	Asset revaluation reserve £m	Share option reserve £m	EBT reserve £m	Translation reserve £m	Cash flow hedging reserve £m	Acquisition share reserve £m	Cost of hedging reserve £m	Minority option reserve £m	Total other reserves £m
As at 1 October 2018	0.1	0.3	9.8	(87.8)	(53.9)	4.5	(5.3)	(0.5)	(118.9)	(251.7)
Reserves transfer arising on utilisation of options	-	-	-	-	-	-	-	-	8.2	8.2
Net foreign exchange adjustments	-	-	-	-	(34.4)	-	-	-	-	(34.4)
Arising on acquisitions and disposals	-	-	-	-	-	-	-	-	(6.2)	(6.2)
Repurchase of share capital	0.1	-	-	-	-	-	-	-	-	0.1
Net movement in shares held by Employee Benefit Trust	-	-	-	(14.2)	-	-	-	-	-	(14.2)
Movement in cash flow hedge	-	-	-	-	-	(26.2)	-	0.1	-	(26.1)
Share-based payment	-	-	4.3	-	-	-	3.8	-	-	8.1
As at 30 September 2019	0.2	0.3	14.1	(102.0)	(88.3)	(21.7)	(1.5)	(0.4)	(116.9)	(316.2)

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

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27 Other reserves continued

Capital redemption reserve

When share capital is cancelled, a capital redemption reserve is created, equal to the nominal value of the share capital cancelled.

Asset revaluation reserve

This reserve relates to historic revaluation of certain assets.

Share option reserve

This reserve records the transactions in equity for equity-settled share-based payments. For equity-settled share-based payments arising over business combinations (see note 25), entries are recorded in the "Acquisition share reserve"

EBT reserve

This reserve records the transactions in equity for buyback of ordinary shares and consideration received in respect of reissuance of treasury shares.

Translation reserve

This reserve contains the accumulated foreign exchange differences arising on translation of foreign operations into the Group's presentational currency on consolidation.

Cash flow hedge reserve

The Group has a number of cash flow hedge arrangements (see note 29). This reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedge transactions which are forecast and probable, but not yet occurred.

Minority option reserve

The reserve for minority options includes the initial fair value of put option liabilities granted to non-controlling shareholders, and future commitments or potential obligations to acquire shares in subsidiaries currently held by non-controlling shareholders. It also includes put options granted in respect of the Company's shares held by shareholders based on the initial fair value of the put option liability. Subsequent changes in the fair value of the put option liability are recognised in the income statement. When a put option is exercised in full or in part, the element of the reserve relating to this acquisition is re-cycled from the minority option reserve through to retained earnings. The amount re-cycled in 2020 was £24.3m (2019: £8.2m). An amount of £27.9m in 2020 was transferred from put option liabilities direct to equity.

Share acquisition reserve

The acquisition share reserve arises when Hyperion shares are issued as consideration to effect a business combination or acquire a minority shareholder of a subsidiary but services are required to be rendered to obtain the full benefit of the shares over a period of time (see note 25). Share capital and premium is recognised based on the fair value of the share and the debit entry relating to the service element is booked in the share acquisition share reserve.

Cost of hedging reserve

The cost of hedging reserve relates to the treatment of time value component of options (see note 1).

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

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28 Cash flow adjustments

	2020	2019 (restated)
	£m	£m
Loss after tax	(34.8)	(16.9)
Income tax expense	0.7	26.0
Fair value through profit and loss	(5.5)	12.8
Movement due to foreign exchange	11.6	(3.0)
Acquisition cost	7.2	2.8
Gain on bargain purchase	(0.4)	-
Net finance costs	75.3	71.1
Depreciation and amortisation	84.2	54.4
Share based payments	7.3	5.7
Goodwill and intangible assets impairment	1.1	7.7
Employee services post business combination	27.9	10.5
Gain on sale of subsidiaries and other non-current assets	0.8	(0.2)
(Increase)/decrease in non-current trade and other receivables	(5.5)	(1.0)
(Increase)/decrease in insurance investments	179.7	(28.0)
(Increase)/decrease in insurance receivables	(2.3)	(29.2)
(Increase)/decrease in current other receivables, accrued income and prepayments	(20.9)	0.7
(Increase)/decrease in current investments held at fair value	0.4	(0.5)
(Increase)/decrease in cost of fulfilment asset	(1.7)	(1.0)
Increase/(decrease) in insurance payables	48.8	34.6
Increase/(decrease) in current trade and other payables	21.5	14.9
Increase/(decrease) in deferred income	6.7	3.4
Increase/(decrease) in non-current trade and other payables	(0.7)	(1.0)
Increase/(decrease) in provisions	13.9	(1.9)
Cash generated from operations	415.3	161.9

The consolidated cash flow statement previously had separate reconciliations between opening and closing balances for own cash and cash equivalents and for insurance cash. It was also prepared on a direct cash flow basis. The consolidated cash flow statement for FY2020 has been prepared on an indirect basis and reconciles opening and closing cash and cash equivalent balances, including both own and insurance cash balances. The change in presentation is to aid user of accounts in particular over movements in working capital balances. The comparative has accordingly been restated. The reconciliation below is the reconciliation between own cash generated as reported and as restated.

	2019 £m
Own cash generated from operations as previously reported	143.6
Net insurance cash inflow as previously reported	20.7
Insurance cash acquired	(2.4)
Cash generated from operations	161.9

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

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29 Financial risk management

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are the Group's bankers with high credit ratings assigned by international credit rating agencies.

The Group's largest credit risk arises over the recoverability of trade and other receivables. The subsidiaries across the Group maintain credit control teams as appropriate to manage the credit risk and in some business units, a variable element of remuneration of staff is linked to cash collection. The Group applies the lifetime credit risk model to insurance receivables. The Group monitors the ageing of insurance receivables based on whether it is current or not and days past due. Management provides for all balances more than 365 days overdue and for all remaining balances a bad debt provision is created based on prior experience of bad debt unless a specific provision is created due to there being an identified loss. An example of event triggering a specific bad debt provision would be the counterparty in known distressed financial situation. The main input in determining the lifetime credit loss is the average historical bad debt experience rate based over typically over the last three years. The Group applies the 12 month credit loss model to other receivables unless there has been a significant increase in credit risk. The main input is the likelihood of a default occurring in the next 12 months based on past experience and current market conditions given the majority of the other receivables are due within 12 months.

Consideration has also been made as to the impact of Brexit and Covid-19 given this increases credit risk due to the general economic downturn on the application of the lifetime credit loss model and 12 month credit loss model. Given the heightened risk of trade and other receivables becoming irrecoverable due to headwinds arising from Brexit and Covid-19 over the general economic environment, this has been factored into the models by increasing the expected credit loss rate.

Ageing information of insurance receivables and accrued income are as set out below:

	Not past due	0-3 months	More than 3 months	Total
At 30 September 2020	£m	£m	£m	£m
Insurance receivables and accrued income	145.3	34.3	14.6	194.2

	Not past due	0-3 months	More than 3 months	Total
At 30 September 2019	£m	£m	£m	£m
Insurance receivables and accrued income	139.5	29.1	13.8	182.4

The total bad provision on insurance receivables was £11.9m (2019: £7.3m). The increase was driven by the income statement charge.

The bad debt expense recognised in respect of insurance and trade receivables was £4.6m for the year ended 30 September 2020 (2019: £0.4m).

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29 Financial risk management continued
Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the Group uses a mixture of long-term and short-term debt finance.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities (borrowings and lease liabilities) with agreed repayment periods. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Less than 1 year	1-5 years	5+ years	Total
	£m	£m	£m	£m
At 30 September 2020				
Bank borrowings	(71.3)	(1,504.4)	(1.3)	(1,577.0)
IFRS 16 lease liabilities	(15.0)	(61.9)	(75.2)	(152.1)
Other loans	(1.1)	(4.4)	-	(5.5)
	(87.4)	(1,570.7)	(76.5)	(1,734.6)

	Less than 1 year	1-5 years	5+ years	Total
	£m	£m	£m	£m
At 30 September 2019				
Bank borrowings	(70.1)	(266.0)	(1,129.8)	(1,465.9)
IAS 17 finance lease liabilities	(0.3)	(0.5)	-	(0.8)
Other loans	(1.0)	(2.4)	-	(3.4)
	(71.4)	(268.9)	(1,129.8)	(1,470.1)

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on discounted net cash flows on derivative instruments. Where the amount payable or receivable is not fixed, the amount disclosed is the fair value of the instrument at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay such as exercise date of options and excludes impact of conditions which could accelerate payment such as death (see note 1(k) financial liabilities, which impact classification of the liabilities as current or non-current).

Note 36 sets out the estimated cash flow if these future payments to NCI, a significant portion of which are put options, were all settled.

	Less than 1 year	1-5 years	5+ years	Total
	£m	£m	£m	£m
At 30 September 2020				
Interest rate swaps and caps	(11.5)	(19.7)	-	(31.2)
Future payments to NCI	(57.9)	(96.6)	(9.9)	(164.4)
Howden share put option	(7.1)	-	(16.9)	(24.0)
	(76.5)	(116.3)	(26.8)	(219.6)

	Less than 1 year	1-5 years	5+ years	Total
	£m	£m	£m	£m
At 30 September 2019				
Interest rate swaps and caps	(4.4)	(18.7)	(0.7)	(23.8)
Future payments to NCI	(17.7)	(124.6)	-	(142.3)
Howden share put option	(7.0)	-	-	(7.0)
	(29.1)	(143.3)	(0.7)	(173.1)

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29 Financial risk management continued

Interest rate risk

The Group's exposure to interest rate risk is on the interest payable on the Group's variable rate borrowings, including overdrafts, and interest receivable on banking deposits held in the ordinary course of business. As a result, the Group is subject to a certain degree of cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates. The Group is not subject to interest rate risk in relation to the fixed rate borrowings.

The exposure for the Group, at 30 September 2020, of financial assets and financial liabilities to interest rate risk is shown by reference to:

- Floating interest rates (i.e. giving cash flow interest rate risk) when the interest rate is due to be reset; and
- Fixed interest rates (i.e. giving fair value interest rate risk) when the financial instrument is due for repayment.

	Fixed rate £m	Floating rate £m	Total £m
At 30 September 2020			
Financial assets			
Cash and cash equivalents	80.0	202.9	282.9
Insurance cash and cash equivalents	-	711.4	711.4
Insurance investments	-	0.8	0.8
Investments at fair value through profit and loss	-	39.9	39.9
Total financial assets	80.0	955.0	1,035.0
Financial liabilities			
Bank borrowings	(11.3)	(1,284.8)	(1,296.1)
Lease liabilities	(130.0)	-	(130.0)
Other loans	(2.4)	(2.7)	(5.1)
Total financial liabilities	(143.7)	(1,287.5)	(1,431.2)

	Fixed rate £m	Floating rate £m	Total £m
At 30 September 2019			
Financial assets			
Cash and cash equivalents	-	203.3	203.3
Insurance cash and cash equivalents	-	471.1	471.1
Insurance investments	-	180.5	180.5
Investments at fair value through profit and loss	-	24.0	24.0
Total financial assets	-	878.9	878.9
Financial liabilities			
Cash and cash equivalents	-	(1.1)	(1.1)
Bank borrowings	(1.9)	(1,120.6)	(1,122.5)
Finance leases	(0.7)	-	(0.7)
Other loans	(3.2)	-	(3.2)
Total financial liabilities	(5.8)	(1,121.7)	(1,127.5)

The Group's largest exposure to interest rate risk relates to the Term Loans, where the USD portion has interest payable based on LIBOR and the EUR portion has interest payable based on EURIBOR (see note 21). While there is a partial natural hedge with USD and EUR denominated insurance cash and investments earning floating LIBOR or EURIBOR interest, the Group had entered into interest rate swaps and interest rate caps to manage the interest rate risk. It is estimated that through the combination of the natural hedge and interest rate derivatives, a weighted average of 77% (2019: 78%) of the notional of the Term Loans are hedged for Period to April 2022 and a weighted average of 50% (2019: 48%) of the notional of the Term Loans are hedged for the remaining period to December 2024.

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29 Financial risk management continued

Interest rate risk continued

As at 30 September 2020

	Fair value / £m	Duration	Notional /LCY m	Fixed leg
LIBOR swaps (no floor)	(17.0)	Up to Dec 2024	100.0 - 490.8	1.89% - 2.76%
LIBOR swaps (floor)	(10.2)	Up to Dec 2024	116.7 - 197.6	2.53% - 3.26%
EURIBOR swaps (no floor)	(0.7)	Up to Dec 2024	18.0 - 41.2	0.49% - 1.67%
EURIBOR swaps (floor)	(2.7)	Up to Dec 2024	47.6 - 69.2	0.19% - 0.21%
EURIBOR caps	(0.7)	Up to Apr 2022	107.8 - 109.9	0.00%

The total fair value of the swaps and caps was £31.2m as at 30 September 2020, of which £19.8m was recorded in non-current derivative financial instrument liabilities and £11.5m was recorded in current derivative financial instrument liabilities.

As at 30 September 2019

	Fair value / £m	Duration	Notional /LCY m	Fixed leg
LIBOR swaps (no floor)	(10.9)	Up to Dec 2024	100.0 - 498.4	1.89% - 2.76%
LIBOR swaps (floor)	(8.2)	Up to Dec 2024	116.7 - 197.6	2.53% - 3.26%
EURIBOR swaps (no floor)	(1.0)	Up to Dec 2024	18.0 - 41.6	0.49% - 1.67%
EURIBOR swaps (floor)	(2.6)	Up to Dec 2024	47.6 - 69.2	0.19% - 0.21%
EURIBOR caps	(1.0)	Up to Apr 2022	107.8 - 111.3	0.00%

The total fair value of the swaps and caps was £23.8m as at 30 September 2019, of which £19.4m was recorded in non-current derivative financial instrument liabilities and £4.4m was recorded in current derivative financial instrument liabilities.

The interest swaps and the intrinsic portion of the interest rate caps have been designated as hedging instruments in cash flow hedges on inception of the hedging instruments. The swaps and caps are recognised and measured at fair value on the Consolidated Statement of Financial Position, with fair value movements on the swaps and intrinsic portion of the caps are recognised in the cash flow hedge reserve via the Consolidated Statement of Comprehensive Income, as long as the requirements for hedge accounting are met and are effective. Amounts are recycled from the cash flow hedge reserve as and when the hedged forecast transaction occurs. Fair value movements in relation to time value of the interest rate caps are recognised in the cost of hedging reserve and amortised into the Consolidated Income Statement over the life of the instrument.

During the year it was identified that due to the deterioration of LIBOR and EURIBOR rates, these were below the 1.0% and 0.0% floor of the debt instruments and forecast to remain below the floor rates for the duration of the swaps. Accordingly, hedges using swaps but no floors were deemed to not be able to demonstrate an economic relationship and hedge accounting has been terminated. On termination date, the balance in cash flow hedging reserve is recycled over the remaining life of the derivative as the underlying forecast transaction is still expected to occur and the changes in fair value of the derivative is recorded in the Consolidated Income Statement.

For the year ended 30 September 2020, a loss of £13.2m (2019: loss of £31.7m) excluding tax was recognised in other comprehensive income. A total of £7.6m loss (2019: £1.1m) was recycled from equity to profit and loss. A total loss of £0.2m (2019: credit of £1.3m) was recognised in finance costs from hedge ineffectiveness arising from credit risk and changes in fair value of swaps, where the hedging relationship has been terminated.

A 50bps change in interest rates would not have a material impact for the year ended 30 September 2020 or 30 September 2019.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

29 Financial risk management continued

Foreign currency risk

Foreign exchange risk arises where a subsidiary's assets, liabilities, income and expenses are denominated in currencies other than the subsidiary's functional currency. The Group's policy is to:

- Align the Term Loan's servicing costs in USD/EUR and operating profits in USD/EUR
- Monitor and where appropriate to hedge foreign currency transaction exposures

For the latter, this is most prevalent in certain subsidiaries where the costs are largely denominated in GBP but revenue is earned in a number of foreign currencies. In this situation, foreign exchange contracts to sell foreign currencies and buy GBP can be entered into to cover a proportion of the forecast foreign currency receipts.

During the year ended 30 September 2020, the Group entered into a series of foreign exchange forward to buy GBP-sell USD to hedge foreign exchange risk arising in a GBP functional currency subsidiary which had USD income. These forwards were designated as hedging instruments in a cash flow hedge to hedge the foreign exchange risk arising from the revenue recognition and subsequent arising receivable. As at 30 September 2020 the following forwards had not yet expired:

	Fair value / £m	Duration	Notional	Forward rate
USD forwards	0.0	Up to Dec 2020	\$15.0m	1.284 - 1.286

For the year ended 30 September 2020, a loss of £0.6m (2019: nil) was recognised in other comprehensive income. A total loss of £0.6m (2019: £nil) was recycled from equity to profit and loss. A total gain of £0.1m (2019: £nil) was recognised in operating costs for changes in fair value of swaps after the revenue had been recognised.

The value of the Group's revenue, expenses and assets/liabilities that have USD and EUR foreign currency exposure is as follows:

	USD £m	EUR £m
At 30 September 2020		
Net assets/(liabilities)	253.3	(158.1)
Revenue	243.2	40.4
Expenses	(13.6)	(8.9)
	USD £m	EUR £m
At 30 September 2019		
Net assets/(liabilities)	118.7	(87.9)
Revenue	225.2	46.1
Expenses	(9.4)	(18.0)

In addition, the Group designated a €102.1m (2019: €135.9m) portion of the EUR Term Loan and a \$176.7m (2019: \$135.3m) portion of the USD Term loan as hedging instruments in net investment hedges of EUR and USD foreign operations. The hedging instruments were recorded in non-current borrowings. The hedged risk is the foreign exchange risk arising on the value of the Group's net investment in assets and liabilities in USD and EUR functional currency entities. The net gain or loss under this arrangement is recognised in other comprehensive income. The fair value change and net effect on other comprehensive income in the year ended 30 September 2020 was a gain of £0.8m (2019: loss of £7.0m).

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020
29 Financial risk management continued
Foreign currency risk continued

The following table details the sensitivity of the Group's equity, revenue and expenses to a 10% decrease in GBP against USD and EUR.

	USD	EUR
	£m	£m
At 30 September 2020		
Net assets/(liabilities)	21.9	(16.0)
Revenue	21.0	4.1
Expenses	(1.2)	(0.9)
	USD	EUR
	£m	£m
At 30 September 2019		
Net assets/(liabilities)	13.2	(9.8)
Revenue	25.0	5.1
Expenses	(1.0)	(2.0)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group is funded through a mixture of debt and equity and in common with its peers, the Group has long-term debt as a core element of its capital structure. The Group manages the risk with regards to the availability of debt by maintaining a close relationship with a number of different debt providers. As at 30 September 2020 the Group has the following outstanding balances of senior secured loan: \$1,268.4m (2019: \$1,181.4m) and €243.2m (2019: €245.7m). The Group also fully drew down £125m of the RCF (2019: £nil) as a precaution to mitigate any possible liquidity shock arising from Covid-19.

As noted in note 1, the Group is subject to one principal financial covenant and is only applicable once a certain amount of the RCF is drawn down. The Group monitored the rolling forecast of cash flow for the period to December 2021. Where the RCF is forecast to be utilised sufficiently to trigger covenant compliance testing, the Group is forecast to be compliant during the forecast period.

30 Contingent liabilities

At 30 September 2020 the Group had contingent liabilities in respect of guarantees and indemnities entered into as part of the ordinary course of the Group's business. No material losses are likely to arise from such contingent liabilities and therefore no provision has been recorded.

The Group is involved from time to time in certain claims and legal proceedings related to the Group's operations, including employment related matters. Where the recognition criteria of IAS 37 have been met, provisions have been made as per note 22. On other matters where the recognition criteria have not been met, the Group analyses its litigation exposure based on available information, including internal and external legal consultation where appropriate, to assess its potential liability. In the opinion of management, liabilities, if any, arising from these claims and proceedings will generally not have a material adverse impact.

31 Defined contribution pension schemes

The Group operates a number of defined contribution pension schemes. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £19.2m (2019: £16.1m). Contributions outstanding at the end of the year amounted to £1.4m (2019: £1.2m). See note 32 for details on the defined benefit scheme held until March 2019.

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32 Defined benefit scheme

Until March 2019 the Group operated one legacy defined benefit pension scheme, the Windsor Retirement Benefits Scheme No 2 which was closed in 2019. The defined benefit scheme was operated from a trust, which has assets held separately from the Group, and trustees who ensure the scheme's rules are strictly followed. Once the member started to draw the pension, the Group purchased an annuity insurance policy to service the future payments. All members of the scheme were covered with the insurance policy. As of 25th March 2019, the Group extinguished its obligations towards members by transferring these policies into the names of individual members resulting in removal of entire assets and liabilities of the pension scheme.

Actuarial gains and losses were recognised in full in the period in which they occurred. As permitted by IAS 19, actuarial gains and losses are recognised outside profit or loss as other comprehensive income. The figure recognised in the statement of financial position represents the fair value of the scheme assets reduced by the present value of the defined benefit obligation.

As required by IAS19, the value of the defined benefit obligation has been measured using the projected unit credit method and both the assets and liabilities include the value of those pensions in payment which are secured with insured annuities. The Group estimates that the change in the fair value of the defined benefit obligation between 30 September 2018 and the date of transfer would not be significant to these financial statements and therefore, no valuation of pension obligations (and therefore related annuity policies) was performed as of the date of disposal.

No contributions have been paid by the Company in the period to 30 September 2020 or 2019.

Changes in the fair value of the defined benefit obligation are as follows

	2020 £m	2019 £m
Opening defined benefit obligation	-	2.3
Benefits paid	-	(0.1)
Assignment of insurance policies to pensioners	-	(2.2)
Closing defined benefit obligation	-	-

Changes in the fair value of the scheme assets are as follows

	2020 £m	2019 £m
Opening fair value of the scheme assets	-	2.3
Benefits paid to scheme members	-	(0.1)
Assignment of insurance policies to pensioners	-	(2.2)
Closing fair value of scheme assets	-	-

The actual return on the scheme's assets for the period for the year ended 30 September 2020 was £nil (2019: insignificant).

The amount recognised outside profit and loss in other comprehensive income for the year ended 30 September 2020 was £nil (2019: £nil).

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33 Related party transactions

		2020 £m	2019 £m
Income/ (expense)	Relationship		
Fees paid to other Directors	Directors	(0.2)	(0.5)
Fees paid to General Atlantic Hawthorn B.V.	Major shareholders	(0.1)	(0.1)
Fees accrued for CDP Investissements Inc	Major shareholders	(0.1)	(0.1)
Services received by company controlled by key management	Key management	(0.2)	(0.2)
Amounts included within income statement		(0.6)	(0.9)
Amounts receivable/ (payable) at the end of the year			
Directors fees	Director	-	(0.1)
General Atlantic Hawthorn B.V. fees payable	Major shareholder	-	(0.1)
CDP Investissements Inc. fees accrued	Major shareholder	(0.1)	(0.1)
Loans due from key management	Key management	2.1	0.8
Amounts included within other short-term debtors and creditors		2.0	0.5

The Group had the following settled transactions (excluding share capital transaction) with related parties during the year and prior year:

- Loans totalling £1.0m (2019: £0.1m) were extended to members of key management or companies in which they have ownership interest. Loans are interest bearing. A total of £2.1m was outstanding as at 30 September 2020 (2019: £0.8m).
- Amounts totalling £9.1m (2019: £8.4m) were paid to settle deferred consideration for which a liability was recognised in the previous year
- ESOT distributions totalling £nil (2019: £0.5m) were paid to the members of key management

Compensation awarded to key management (Board of Directors and Group Executive Committee) and other senior management identified as a related party:

	2020 £m	2019 £m
Short-term employee benefits	12.9	9.6
Contractual termination benefits	-	0.6
Share-based payment	0.2	0.5
	13.1	10.7

As at 30 September 2020 CDP Investissements Inc. held a total of 24,857,904 "A" ordinary shares (2019: 24,857,904 "A" ordinary shares). As at 30 September 2020, General Atlantic Hawthorn B.V. held a total of 23,921,788 "A" ordinary shares (2019: 23,921,788 "A" ordinary shares).

During the year ended 30 September 2020 the Directors and other members of the Group Executive Committee acquired a net total of 104,350 "A" ordinary shares and 960,588 "E" ordinary shares for total consideration of £1.7m and converted 358,630 "D" ordinary shares into 101,470 "A" ordinary shares.

As at 30 September 2020 a deferred consideration to the members of key management of £0.7m was outstanding (2019: £9.9m).

During the year ended 30 September 2019 the Directors and other members of the Group Executive Committee disposed of a net total of 1,450,000 "E" shares for a total consideration of £7.7m of which £1.3m remained payable as at 30 September 2019, and acquired a net total of 334,329 "D" ordinary, 3,750,000 "E" ordinary shares and 3,150,000 "F" ordinary shares for total consideration of £0.5m.

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34 Business combinations

Guardian

On 17 December 2019, Howden ("The Group") acquired 70.0% in Guardian Insurance Brokers LLC, a generalist insurance broker founded in Abu Dhabi. The acquisition increases the group's presence in the UAE and offers opportunities for revenue synergies with existing business.

The purchase consideration and the fair value of the assets and liabilities recognised on acquisition are as follows:

	2020 £m
Purchase consideration	
Cash paid	1.3
Total purchase consideration	1.3
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	0.1
Identifiable intangible assets	0.1
Lease right of use assets	0.1
Cash and cash equivalents	1.4
Insurance cash and cash equivalents	0.2
Trade and other receivables	0.9
Trade and other payables	(0.3)
Lease liabilities	(0.1)
Net assets acquired	2.4
Non-controlling interests	0.7
Goodwill	(0.4)

A bargain purchase of £0.4m has been recognised in the income statement due to contingent consideration being linked to post acquisition performance results and post acquisition employment service conditions. Accordingly, the contingent consideration amount has a fair value of zero on the acquisition date and increases over time as services are rendered. The maximum amount payable is £1.3m over two tranches between April 2021 and April 2022.

Since acquisition, Guardian has contributed revenue of £1.9m and operating profit of £0.5m to the Group.

Acquisition related costs of £0.2m were incurred during the year. These were included within acquisition costs in the consolidated income statement for the year ended 30 September 2020.

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Iria

On 2 March 2020, the Group acquired 100% interest in IRIA SA ("IRIA"). IRIA are boutique insurance brokers based in Geneva, Switzerland serving financial institutions with products such as structured credit insurance. This acquisition increases the group's presence in Europe.

The purchase consideration and the fair value of the assets and liabilities recognised on acquisition are as follows:

	2020
	£m
Purchase consideration	
Cash paid	2.6
Fair value of contingent consideration	1.0
Share capital issued	0.5
Total purchase consideration	4.1
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	0.1
Identifiable intangible assets	2.3
Insurance debtors	0.2
Cash and cash equivalents	0.6
Trade and other payables	(0.2)
Deferred tax	(0.4)
Net assets acquired	2.6
Non-controlling interests	-
Goodwill	1.5

Goodwill represents assembled workforce and revenue synergies to the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

In addition to contingent consideration included in measurement of Goodwill, portion of contingent consideration is linked to post acquisition service conditions. Accordingly, this contingent consideration amount has a fair value of zero on acquisition date and increases over time as services are rendered. The maximum amount payable is £2.1m or £1.0m for each tranche of contingent consideration which are expected to be settled either on second or a third anniversary of acquisition.

Since acquisition, IRIA SA has contributed revenue of £1.1m and an operating profit of £0.2m to the Group.

Acquisition-related costs of £0.2m were incurred during the year. These were included within acquisition costs in the consolidated income statement for the year ended 30 September 2020.

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International Underwriting Agency

On 1 May 2020 the Group completed the acquisition of 51% of International Underwriting Agencies Limited ("IUA"), a specialist property underwriting agency based in New Zealand. This acquisition increases the group's presence in New Zealand.

The purchase consideration and the fair value of the assets and liabilities recognised on acquisition are as follows:

	2020 £m
Purchase consideration	
Cash paid	4.0
Share capital issued	0.1
Total purchase consideration	4.1
Recognised amounts of identifiable assets acquired and liabilities assumed	
Identifiable intangible assets	2.2
Insurance debtors	1.1
Cash and cash equivalents	0.3
Trade and other payables	(0.5)
Insurance cash	0.9
Corporation taxation	(0.5)
Deferred taxation	(0.6)
Insurance payables	(0.9)
Net assets acquired	2.0
Non-controlling interests	1.0
Goodwill	3.1

Goodwill represents assembled workforce and revenue synergies to the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since acquisition, IUA has contributed revenue of £1.3m and operating profit of £0.7m to the Group.

Acquisition related costs of £0.1m were incurred during the year. These are included within acquisition costs in the consolidated income statement for the year ended 30 September 2020.

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Compensa

On the 30 June 2020, the Group acquired 60% in Compensa Capital Humano, S.L ("Compensa") a flexible compensation plan ("flex") provider based in Spain with a subsidiary in Mexico. This acquisition increases the group's presence in Spain and Mexico in the flex industry.

The purchase consideration and fair value of the assets and liabilities recognised on acquisition are as follows:

	2020 £m
Purchase consideration	
Cash paid	9.8
Fair value of deferred consideration	0.3
Contingent consideration	2.3
Total purchase consideration	12.4
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment	0.2
Identifiable intangible assets	2.8
Lease right of use assets	0.3
Trade and other receivables	1.7
Other debtors	0.1
Cash and cash equivalents	1.3
Trade and other payables	(0.3)
Lease liabilities	(0.3)
Corporation taxation	(0.4)
Deferred taxation	(0.8)
Net assets acquired	4.6
Non-controlling interests	1.8
Goodwill	9.6

Goodwill represents assembled workforce and revenue synergies to the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since acquisition, Compensa has contributed revenue of £0.6m and an operating profit of £(0.6)m to the Group.

Acquisition related costs of £0.1m were incurred during the year. These were included within acquisition costs in the consolidated income statement for the year ended 30 September 2020.

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Matrix

On 10 April 2020, the Group acquired 51% of MIRB Holdings Limited ("Matrix") through the exercise of call options. Matrix is a leading wholesale and reinsurance broker in Greece. This acquisition enters into a new geography for the Group.

The purchase consideration and the fair value of the assets and liabilities recognised on acquisition are as follows:

	2020 £m
Purchase consideration	
Cash paid	5.3
Fair value of deferred consideration	1.1
Fair value of call options	7.3
Total purchase consideration	13.7
Recognised amounts of identifiable assets acquired and liabilities assumed	
Identifiable intangible assets	13.9
Property, plant and equipment	1.3
Right of use lease asset	1.5
Deferred tax assets	0.2
Other non-current assets	0.5
Trade and other receivables	7.2
Cash and cash equivalents	1.5
Insurance cash and cash equivalents	8.0
Trade and other payables	(14.4)
Corporation taxation payable	(0.6)
Borrowings	(17.6)
Lease liabilities	(1.3)
Deferred tax	(3.3)
Other non-current liabilities	(0.5)
Net liabilities acquired	(3.6)
Goodwill	17.3

Goodwill represents assembled workforce, cost and revenue synergies to the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since acquisition Matrix has contributed revenue of £4.9m and an operating profit of £(1.2)m to the Group.

Acquisition related costs of £0.8m were incurred during the year. These were included within acquisition costs in the consolidated income statement for the year ended 30 September 2020.

The acquisition of Matrix arose from the exercise of options. On the initial grant of the options, it was determined that the valuations were based on non-observable inputs i.e. quoted prices. As the fair value of the options exceeded the transaction price for the options, which was £nil, IFRS requires the gain on day one to be deferred and only recognised when market participants would take into consideration changes which would impact the value of the options. The Directors are of the view that exercising the options and paying the option price in cash meets this criteria. After initial recognition of the options, these were held at fair value with changes in fair value going through the income statement. Accordingly, on exercising the options, the fair value at this point in time forms part of the purchase consideration with a corresponding amount recognised in the income statement, being the net of the day one deferred gain and the ongoing movements through fair value changes. While the Group legally owns 51% of Matrix, due to the disposal and dividend restrictions imposed on the minority shareholder the Group effectively already has the economic benefit of the minority shareholding and therefore no NCI is recognised.

Contingent consideration is payable dependent on business performance for two financial years post acquisition. The amount recognised is based on best estimate of future business performance.

Prior to the acquisition, the Group had a loan receivable from Matrix. Upon completion, this is now an intra-group balance and eliminates on consolidation. The exception is for a €3m portion, which was acquired by the Matrix management post completion and is classified as external borrowing as at 30 September 2020.

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Annualised impact of M&A

If the acquisitions set out previously had been made on 1 October 2019, the consolidated income statement, under IFRS, for the year ended 30 September 2020 would have been revenue of £782.8m and operating profit of £63.9m.

Finalisation of fair value adjustments

In the year ended 30 September 2019, the Group made a number of acquisitions. The fair values of the identifiable asset and liabilities at the date of acquisition were provisionally estimated and disclosed in the 2019 Financial Statements. In 2020, the provisional values have been finalised within one year of the acquisition date, and no material changes were identified.

35 Ultimate controlling party

The Group had no controlling shareholder at 30 September 2020, or 30 September 2019.

36 Capital commitments

The Group had the following commitments as at 30 September 2020:

- Put options which could be exercised to acquire minority shareholdings are disclosed in note 24. The total expected cash outflow is estimated to be £140.0m (2019: £174.3m).
- Put options over Howden shares are disclosed in note 24. The total expected cash outflow is estimated to be £24.0m (2019: £7.0m)
- Capital spend on One Creechurch Place for a further £nilm (2019: £4.1m)
- Committed acquisitions of £4.2m (2019: £nil)
- Put options to acquire additional interests in associates or joint ventures. These have a fair value of £nil but if they were exercised the estimated cash out flow would total £4.4m (2019: £4.0m).

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37 Subsidiary and associated companies

The following were the principal subsidiary and associate entities at 30 September 2020. Unless otherwise shown, the capital of each company is wholly-owned, is in ordinary shares and the principal country of operation is the country of incorporation.

Subsidiary	Country	%	Address
Guardian Insurance Brokers LLC***	Abu Dhabi	34	New Emi State Towee, Abu Dhabi Island, E3,c24, Office no.103 and 104, Abu Dhabi, P.O. BOX 51012, United Arab Emirates
Howden Guardian Holdco Limited	Abu Dhabi	70	2406 ResCowork02, 24th Floor, Al Sila Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, United Arab Emirates
AlphaXO Risk Partners Pty Limited	Australia	33	Australian Business Lawyers & Advisors, Level 10, 140 Arthur Street, North Sydney NSW 2060, Australia
DUAL Australia Pty Limited	Australia	75	Level 6, 160 Sussex Street, Sydney NSW 2000, Australia
Howden Specialty Australia Pty Limited	Australia	100	C/- TMF Corporate Services (AUST) Pty Limited, Level 16, 201 Elizabeth Street, Sydney NSW 2000, Australia
DUAL Austria GmbH	Austria	80	Firmiangasse 7/2, 1130, Wien, Austria
Howden Belgium NV	Belgium	100	1, Belgicastraat, 1932 Brussels, Zaventem, Belgium
Howden Insurance Brokers (Bermuda) Limited****	Bermuda	100	Victoria Place, 5th Floor, 31 Victoria Street, Hamilton, HM 10, Bermuda
International Planning Group Insurance Brokers, Ltd.	Bermuda	60	Veritas Place, 6th Floor, 65 Court Street, Hamilton, HM 12, Bermuda
Benefit Administradora de Beneficios Ltda	Brazil	75	Av Luiz Carlos Berrini, 105 - 10o andar, sala 102 B, Torre Berrini One, São Paulo, SP, Brazil
Harmonia Corretora de Seguros S.A.	Brazil	75	Av. Luiz Carlos Berrini, 105 - 10o andar, Ed berrini One, Sao Paulo SP, Brazil
Howden Re Corretora de Resseguros Ltda	Brazil	75	Av Luiz Carlos Berrini, 105 - 10o andar, sala 102 A, Torre Berrini One, São Paulo, SP, Brazil
BluCurve Limited	BVI	50	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, Virgin Islands, British
FP Group Limited	BVI	100	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, Virgin Islands, British
FP International Holdings Limited	BVI	100	P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, Virgin Islands, British
Dual Commercial (Canada) Inc.	Canada	100	c/o Norton Rose, 200 Bay Street, Suite 3800, Toronto ON M5J 2Z4, Canada
Asesorías E Inversiones Howden-Patagonia S.A.	Chile	51	Apoquindo 4660 Of 301, Las Condes, Santiago de Chile, Chile
Howden-Patagonia Corredores de Seguros SpA (Sociedad por Acciones)	Chile	50	Avenida Apoquindo N° 4660, Oficina 301, Las Condes, Santiago, Chile
Sociedad Corredora de Reaseguros Howden Chile S.A.	Chile	75	Miguel Claro 195 810, Providencia, Chile
HC Consulting SAS	Colombia	100	Carrera 7 No. 32 - 33 Piso 23, Bogotá, Colombia
Howden Re Corredores De Reaseguros S.A.	Colombia	100	Carrera 7 No. 32-33, Piso (Floor) 23, Bogotá D.C., Colombia
Howden Wacolda S.A. Corredores De Seguros	Colombia	100	Carrera 7 No. 32-33, Piso (Floor) 23, Bogotá D.C., Colombia
Proseguros Corredores de Seguros S.A.	Colombia	100	Carrera 7 No. 32-33, Piso (Floor) 24, Bogotá D.C., Colombia
Advanced Risk & Capital Solutions Ltd	Cyprus	9	47, Gkropious Street, IRA Court, 2nd Floor, Office 203, Limassol, 3076, Cyprus
Matrix (Cyprus) Insurance & Reinsurance Brokers Ltd	Cyprus	51	Spatharikou 5, Mesa Geltonia, Limassol, 4004, Cyprus
MIRB Insurance & Reinsurance Brokers Ltd	Cyprus	51	47, Gkropious Street, IRA Court, 2nd Floor, Office 203, Limassol, 3076, Cyprus
Seassuranc Denmark A/S	Denmark	19	Skolegade 1, 5960, Marstal, Denmark
Howden Insurance Brokers LLC***	Dubai	48	1st Floor, Latifa Towers, Trade Centre First, Office Suite 109, Sheikh Zayed Road, Dubai, P O BOX: 49195, United Arab Emirates
Howden Wacolda Agencia Asesora Productora de Seguros S.A	Ecuador	100	Catalina aldaz, N34155 y Portugal, Quito, Ecuador
DUAL Finland Oy	Finland	100	Merimiehenkatu 29, 00150, Helsinki, Finland
Howden Finland Oy	Finland	100	Malminkaari, 9 B 00700 Helsinki, Finland
DUAL Asset Europe GmbH	Germany	100	Schanzenstr. 36, 51063, Köln, Germany
DUAL Deutschland GmbH	Germany	100	Schanzenstr. 36, 51063, Köln, Germany
DUAL Europe GmbH	Germany	100	Schanzenstr. 36, 51063, Köln, Germany
Erwin Himmelscher Assekuranz-Vermittlung Beteiligungsgesellschaft GmbH	Germany	51	Theodor-Heuss-Ring 23, 50668 Köln, Germany
Erwin Himmelscher Assekuranz-Vermittlung GmbH & Co. KG	Germany	51	Theodor-Heuss-Ring 23, 50668 Köln, Germany
EURO Advisors GmbH	Germany	100	Dr.-Gessler-Straße 37, 93051, Regensburg, Germany
Euro Engineer Consulting GmbH	Germany	100	Dr.-Gessler-Straße 37, 93051, Regensburg, Germany
EURO Real Estate Solutions GmbH	Germany	100	Franklinstraße 56, 60486, Frankfurt, Germany
Euro Transaction Solutions GmbH	Germany	100	Franklinstr. 56, 60486, Frankfurt, Germany
Euroassekuranz Versicherungsmakler Aktiengesellschaft	Germany	100	Franklinstraße 56, 60486, Frankfurt, Germany
Euroassekuranz Versicherungsmakler Frankfurt GmbH	Germany	100	Dr.-Gessler-Straße 37, 93051, Regensburg, Germany
Euroassekuranz Versicherungsmakler München GmbH	Germany	100	Dr.-Gessler-Straße 37, 93051, Regensburg, Germany
Hendricks & Co GmbH	Germany	100	Georg-Glock-Strasse 8, 40474, Düsseldorf, Germany
Howden Caninenberg GmbH	Germany	100	Belfortstrasse 15, 50668, Cologne, Germany
Howden Germany HoldCo GmbH	Germany	100	Belfortstrasse 15, 50668, Cologne, Germany
Howden M&A (Germany) GmbH	Germany	51	Kaiserhofstrasse 6, 60313 Frankfurt am Main, Germany
Howden Sicherheit International GmbH	Germany	100	Belfortstrasse 15, 50668, Cologne, Germany

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Subsidiary	Country	%	Address
HVR Hamburger Vermögensschaden-Haftpflicht Risikomanagement GmbH	Germany	100	Kattrepelsbrücke 1, 20095, Hamburg, Germany
SPS - Sales Promotions & Solutions GmbH & Co. KG	Germany	100	Am Gries 4f, 85435, Erding, Germany
SPS-Verwaltungsgesellschaft Sales Promotions & Solutions GmbH	Germany	100	Am Gries 4f, 85435, Erding, Germany
SRC Special Risk Consortium GmbH	Germany	80	Belfortstrasse 15, 50668, Cologne, Germany
Matrix Insurance & Reinsurance Brokers (Single Member) SA	Greece	51	1, Kifissias Avenue, Athens, PO BOX 115 23, Greece
DUAL Underwriting Agency (Hong Kong) Limited	Hong Kong	100	Suite 2103, 21/F, Fu Fai Commercial Centre, 27 Hillier Street, Sheung Wan, Hong Kong
HBG Asia Holdings Limited	Hong Kong	100	35/F, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong
Howden Insurance Brokers (HK) Limited	Hong Kong	100	35/F Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong
Howden Reinsurance Brokers Limited	Hong Kong	100	Tower 2 Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Howden Specialty Limited	Hong Kong	100	31/F Times Square Tower 2, 1 Matheson Street, Causeway Bay, Hong Kong
IPG Howden Asia Holdings, Limited	Hong Kong	60	6/F, Henley Building, 5 Queen's Road, Central, Hong Kong
Howden Insurance Brokers India Private Limited***	India	49	6th Floor Peninsula chambers, Peninsula Corporate Park, Lower parel., Mumbai, 400 013, India
PT Howden Insurance Brokers Indonesia	Indonesia	80	Millenium Cettennial Center, 33rd Fl, Jl. Jend. Sudirman kav. 25, Jakarta, 12920, Indonesia
PT RKH Specialty Indonesia****	Indonesia	100	CO/PT. Howden Insurance Brokers Indonesia, Mayapada Tower Fl. 08-01, Jl. Jend. Sudirman kav. 28, Jakarta Selatan, Indonesia
DUAL Underwriting Ireland DAC	Ireland	100	11 Fitzwilliam Street Upper, Dublin 2, D02YV66, Ireland
International Risks Insurance Advisers (IRIA) DAC	Ireland	84	84 Northumberland Road, Dublin 4, D04 PY94, Ireland
Matrix Brokers Ireland Limited	Ireland	51	16/17, College Green, Dublin, D02V078, Ireland
Bar-Ziv Ravid Insurance Agency Limited	Israel	88	35 Efal Street, Petah Tikva, Israel
Eldan Bar-Ziv Ravid Insurance Agency (2009) Ltd	Israel	44	35 Efal Street, Petah Tikva, Israel
Howden General and Guarantees Insurance Agency (2018) Limited***	Israel	44	Adgar Tower, 35 Efal Street, Petach Tikva, 49511, Israel
Howden General and Marine Insurance Brokers (2011) Limited	Israel	88	Adgar Tower, 35 Efal Street, Petach Tikva, 4951132, Israel
Howden Insurance Brokers (2002) Limited	Israel	88	Adgar Tower, 35 Efal Street, Petach Tikva, 49511, Israel
Howden International Underwriters General Insurance Agency (2009) Limited	Israel	88	Adgar Tower, 35 Efal Street, Petach Tikva, 4951132, Israel
M.M.I. Management Risk Consultants Limited	Israel	88	35 Efal Street, Petah Tikva, Israel
Robin Hood Pro Limited	Israel	9	Moaza Ezorit Shaar Hanegev, Israel
DUAL Italia S.p.A	Italy	95	Via Edmondo De Amicis, 51, 20123, Milan, Italy
Hyperion Development Jersey Limited	Jersey	100	3rd Floor 44 Esplanade, St Helier, Jersey, JE4 9WG, Jersey
Hyperion Euro Growth Limited	Jersey	100	3rd Floor 44 Esplanade, St Helier, Jersey, JE4 9WG, Jersey
Howden Korea Company Limited	Korea	40	8th Floor (Kwanjoeng B/D) 35 Cheonggyecheon-ro, Jongno-gu, Seoul, 03188, Korea, Republic of
Howden Specialty Agency Luxembourg S.à.r.l.	Luxembourg	100	21, rue Glesener, L-1631, Luxembourg
Howden Specialty Luxembourg S.à.r.l.	Luxembourg	100	21, rue Glesener, L-1631, Luxembourg
Hyperion Refinance S.à.r.l.	Luxembourg	100	12C rue Guillaume J. Kroil, 1882, Luxembourg
CH Global (L) Limited***	Malaysia	49	Brumby Centre, Lot 42, Jalan Muhibbah 87000 Labuan F.T Mala, Malaysia
CH International PCC (L) Bhd***	Malaysia	49	Brumby Centre, Lot 42, Jalan Muhibbah 87000 Labuan F.T Mala, Malaysia
HBG Asia Sdn. Bhd.	Malaysia	100	Suite 13.03, 13th Floor Menara, Tan & Tan 207 Jalan Tun Razak, 50400 Kuala Lumpur, Wilayah Persekutuan, Malaysia
HBG Malaysia Sdn. Bhd.***	Malaysia	49	Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
HIG Risk Management Services Sdn. Bhd.****	Malaysia	100	Suite 1-10-E1A, 10th Floor, CPS Tower, Centre Point Sabah, No.1, Jalan Centre Point 88000 Kota Kinabalu, Sabah, Malaysia
Howden Insurance Brokers Sdn. Bhd.***	Malaysia	49	Suite 13.03, 13th Floor Menara, Tan & Tan 207 Jalan Tun Razak, 50400 Kuala Lumpur, Wilayah Persekutuan, Malaysia
Howden Risk Management Consultants Sdn. Bhd.****	Malaysia	100	Unit C-25-03, 3 Two Square, No. 2, Jalan 19/1, 46300 Petaling Jaya Selangor Darul Ehsan, Malaysia
Howden Risk Solutions Sdn. Bhd.****	Malaysia	100	Suite 1-10-E1A, 10th Floor, CPS Tower, Centre Point Sabah, No.1, Jalan Centre Point, 88000 Kota Kinabalu, Malaysia
Malene Insurance Brokers Sdn. Bhd.***	Malaysia	49	Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Sterling Knight (Sdn) Bhd	Malaysia	100	Suite 13.03 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak 50400 Kuala Lumpur, Malaysia
Howden (Mauritius) Limited	Mauritius	100	42, Hotel Street, Level 3, GFin Tower, Cybercity, Ebene, 72201, Mauritius
Bufete Ordás y Asociados, S.C.	Mexico	51	Lago Zurich 245 Torre Frisco Piso 16, Colonia Ampliación Granada, CP 11529 CDMX, Mexico
Compensación Total, S. de R.L. de C.V.	Mexico	60	Calle Moliere 310, Office 615, Colonia Polanco, Miguel Hidalgo, 11510, Mexico
Grupo Ordás Howden, Agente de Seguros y de Fianzas S.A.P.I. de C.V.	Mexico	51	Lago Zurich 245 Torre Frisco Piso 16, Colonia Ampliación Granada, CP 11529 CDMX, Mexico
Servicios Ordás S.A. de C.V.	Mexico	51	Lago Zurich 245 Torre Frisco Piso 16, Colonia Ampliación Granada, CP 11529 CDMX, Mexico
Charterama B.V.	Netherlands	38	Veerakade 1, 3016 DE, Rotterdam, Netherlands
Howden Insurance Brokers Nederland B.V.	Netherlands	100	Veerhaven 7, 3016 CJ, Rotterdam, Netherlands
DUAL New Zealand Limited	New Zealand	75	Level 6, 5 High Street, Auckland, 1010, New Zealand
International Underwriting Agencies Limited	New Zealand	51	Level 9, 52 Swanson Street, Auckland, 1010, New Zealand
Howden Forsikringsmegling AS	Norway	100	Karenslyst Allé 2, Oslo, 0278, Norway
Norwegian Insurance Partner AS	Norway	51	Christian Michelsens gate 6B, Bergen, 5012, Norway
Howden Insurance Brokers LLC (OMAN)	Oman	52	P.C. 117, Muttrah, P.O.BOX 175, Oman

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Subsidiary	Country	%	Address
Accette Life & Accident Insurance Brokers, Inc.***	Philippines	100	Penthouse, 331 Gil Puyat, Building, 331 Sen., Gil Puyat Avenue, Makati City 1200, Philippines
Howden Insurance & Reinsurance Brokers (Phil.), Inc.	Philippines	100	Penthouse, 331 Gil Puyat, Building, 331 Sen., Gil Puyat Avenue, Makati City 1200, Philippines
Ultramar Reinsurance Brokers, Inc.***	Philippines	100	Penthouse, 331 Gil Puyat, Building, 331 Sen., Gil Puyat Avenue, Makati City 1200, Philippines
Howden Polska Spółka Akcyjna	Poland	51	ul. Wielkie Garbary 7A, 87-100 Toruń, Poland
Kancelaria Brokerska Modern Brokers Sp. z o.o.	Poland	13	Antoniego Skonimskiego 6, 53-661, Wrocław, Poland
DUAL Underwriting Agency (Singapore) Pte. Limited	Singapore	100	89A, Amoy Street, 068908, Singapore
HBG Holdings (Singapore) Pte Limited	Singapore	100	61 Robinson Road #07-01, Robinson Centre, 068893, Singapore
Howden Insurance Brokers (S.) Pte. Limited	Singapore	100	61 Robinson Road #07-01, Robinson Centre, 068893, Singapore
Howden Specialty Asia Pacific Pte. Ltd	Singapore	100	61 Robinson Road, #20-01 Robinson Centre, 068893, Singapore
IPG Financial Services Pte. Ltd.	Singapore	60	16 Collyer Quay, #08-00 Income at Raffles, 049318, Singapore
Sterling Knight (Private) Limited****	Singapore	100	61 Robinson Road, #20-01 Robinson Centre, 068893, Singapore
MIRB Africa Proprietary Limited	South Africa	43	24 Peter Place, Lyme Park, Bryanston, Gauteng, 2191, South Africa
Compensa Capital Humano, S.L.	Spain	60	Calle Bonaire 21, Entresuelo 3ro, 07012, Palma de Mallorca, Spain
DUAL Ibérica Riesgos Profesionales S.A.U.	Spain	100	Plaza de la Lealtad 2, 2a planta, 28014, Madrid, Spain
H Equitas, Litigios y Particiones, S.L.	Spain	74	Avenida de la Palmera nº28, Sevilla, Spain
Howden America Investments S.L.U.	Spain	100	Avenida de la Palmera 28B 2º, 41012 Sevilla, Spain
Howden Iberia, S.A.U.	Spain	100	C/ Montalbán nº7, 28014, Madrid, Spain
Howden Latin America Holdings S.L.U.	Spain	100	Calle Montalbán nº 7, 28014 MADRID, Spain
Segumor Corredura De Seguros, S.L.U.	Spain	100	Calle Montalbán nº 7 – sexta planta, 28014 MADRID, Spain
Howden Insurance Brokers AB	Sweden	95	Linnégatan 2, SE-114 47, Stockholm, Sweden
Howden Insurance Brokers South AB	Sweden	76	Lilla Nygatan 3, 211 38, Malmö, Sweden
Howden Insurance Brokers West AB	Sweden	67	Fredsgatan 1, 411 07 Gothenburg, Sweden
DUAL Swiss GmbH	Switzerland	100	Spaetzstrasse 35, 8810, Horgen, Switzerland
International Planning Group GmbH	Switzerland	60	Bodmerstrasse 9, 8002, Zurich, Switzerland
IRIA SA	Switzerland	100	Place de Longemalle 16, 1204, Geneva, Switzerland
Howden Pun Insurance Brokers Limited***	Tanzania	32	Suite 203, Acada Estates, 84 Kinondoni Road, Dar es Salaam, PO BOX 1047, Tanzania, United Republic of
Howden Maxi Insurance Brokers Co., Ltd***	Thailand	49	No. 2222/9 Ladprao Road, Kwaeng Plubpla, Khet Wangthonglang, Bangkok, Thailand
GRC Howden Reasurans Brokerligi Anonim Sirketi	Turkey	100	Maslak Mah, Maslak Meydan Sok, Beybi Giz Plaza No:1/12 Sariyer, Istanbul, 34485, Turkey
Hassas İş Metal Üretim Sanayi Ve Ticaret Anonim Şirketi	Turkey	100	Maslak Mah, Maslak Meydan Sok, Beybi Giz Plaza No:1/12 Sariyer, Istanbul, 34485, Turkey
Howden ACP Sigorta Ve Reasürans Brokerligi Anonim Sirketi	Turkey	93	Maslak Mahallesi, Meydan Sokak, Beybi Giz Plaza, No. 1, K. 5 No.16-17-18, Sariyer, Istanbul, Turkey
Howden Sigorta Brokerligi Anonim Sirketi	Turkey	95	Maslak Mah, Maslak Meydan Sok, Beybi Giz Plaza No:1/11 Sariyer, Istanbul, 34485, Turkey
Matrix Sigorta ve Reasürans Brokerligi Anonim Şirketi	Turkey	46	Koşuyolu Mahallesi, Özden Sokak, Kadıköy, Istanbul, 4/1/3, Turkey
Apollo Partners LLP	U.K.	10	One Bishopsgate, London, EC2N 3AQ, United Kingdom
Azur Group Holdings Limited	U.K.	10	1st Floor, Templeback, 10 Templeback, Bristol, BS1 6FL, United Kingdom
Dor Labs Limited* (11121601)	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
DUAL Asset Underwriting Limited	U.K.	84	One Creechchurch Place, London, EC3A 5AF, United Kingdom
DUAL Corporate Risks Limited	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
DUAL International Limited**	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
DUAL International Underwriting Limited****	U.K.	100	C/O Frp Advisory Llp Kings Orghard, 1 Queen Street, Bristol, BS2 0HQ, United Kingdom
DUAL Overseas Investments Limited* (03983245)	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
DUAL PERL Limited* (09347647)	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
DUAL Underwriting Limited****	U.K.	100	C/O Frp Advisory Llp Kings Orghard, 1 Queen Street, Bristol, BS2 0HQ, United Kingdom
FP Marine Holdings Limited* (08370177)	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Global Services 1999 Limited* (03824958)	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
HB&A Services Limited***	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
HIG Finance Limited*,** (08721671)	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
HIG Finance 2 Limited**	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Howden Broking Group Limited**	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Howden Employee Benefits & Wellbeing Holdings Limited* (07919587)	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Howden Employee Benefits & Wellbeing Limited	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Howden Group Services Limited**	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Howden Insurance Brokers Limited	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Howden International Broking Limited	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Howden M&A Limited	U.K.	51	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Howden Mexico Holdco Limited* (10988610)	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Howden Workplace Consulting Limited* (07927677)	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Howden X Limited**	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Hyperion Apollo Limited*,** (11350938)	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Hyperion Data Services Limited* (11590573)	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Hyperion Development UK Limited* (09348999)	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Hyperion Insurance Group Limited**	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Hyperion Services Limited**	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Hyperion X Limited**	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Insyt Agency Limited	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom
Iria Limited* (06627113)	U.K.	100	One Creechchurch Place, London, EC3A 5AF, United Kingdom

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

Subsidiary	Country	%	Address
Matrix Brokers UK Limited	U.K.	51	One Creechurch Place, London, EC3A 5AF, United Kingdom
Matrix Top Holding UK Limited	U.K.	51	One Creechurch Place, London, EC3A 5AF, United Kingdom
MIRB Holdings Ltd	U.K.	51	One Creechurch Place, London, EC3A 5AF, United Kingdom
Ostrakon Runoff Limited* (00945878)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Oxford Holdco Limited	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Prime Care Insurance Services Limited****	U.K.	100	C/O Frp Advisory Llp Kings Orghard, 1 Queen Street, Bristol, BS2 0HQ, United Kingdom
PSL Runoff Limited****	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
R K Harrison Insurance Brokers Limited* (06720048)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Red Arc Assured Limited* (03507147)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
ReThink Underwriting Limited	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Risk Policy Administration Limited* (07931426)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
RKH Group Limited* (03612207)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
RKH Specialty Limited	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Stylo Capital Advisers Limited	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Tamesis DUAL Limited	U.K.	75	One Creechurch Place, London, EC3A 5AF, United Kingdom
WIBL Runoff Limited****	U.K.	100	16 Eastcheap, London, EC3M 1BD, United Kingdom
Windsor Services Ltd.* (02048526)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Windsor Trustees Limited* (00468179)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
WPIL Limited****	U.K.	100	16 Eastcheap, London, EC3M 1BD, United Kingdom
WPL Runoff Limited****	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Chelsea Risk Management & Insurance Services, Inc.	USA	75	4 Embarcadero Center, Suite 1454, San Francisco CA 94111, United States
DUAL Commercial LLC	USA	100	1100 5th Avenue S, Suite 301, Naples FL 34102, United States
DUAL North America, Inc.	USA	100	1100 5th Avenue S, Suite 301, Naples FL 34102, United States
DUAL Re America LLC	USA	100	1100 5th Avenue S, Suite 301, Naples FL 34102, United States
DUAL Specialty Flood LLC	USA	73	1100 5th Avenue S, Suite 301, Naples FL 34102, United States
DUAL Specialty Underwriting, LLC	USA	100	1100 5th Avenue S, Suite 301, Naples FL 34102, United States
Energy, Industrial & Utility Risk Solutions LLC	USA	75	1100 5th Avenue S, Suite 301, Naples FL 34102, United States
Howden Specialty Miami LLC	USA	100	1221 Brickell Avenue, Suite 1240, Miami FL 33131, United States
Tamesis DUAL Americas LLC	USA	75	1100 5th Avenue S, Suite 301, Naples FL 34102, United States
VK Underwriters LLC	USA	100	6915 Red Road, Suite 226, Coral Gables FL 33143, United States

* Subsidiaries that are exempt from audit by virtue of section 479A of the Companies Act 2006. The Company Registration numbers have been provided in relation to these exempt subsidiaries.

** Held directly by Howden Group Holdings Limited (formerly Hyperion Insurance Group Limited)

*** Although legal ownership is less than 50%, financial results are 100% consolidated for the purposes of these financial statements, as the Group has effective control over these entities.

**** Entities that are currently in the process of liquidation

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

37 Subsidiary and associated companies continued

Summarised financial information in respect of each of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2020	2019
	£m	£m
IPG Howden Asia Holdings, Limited and controlled entities		
Statement of financial position		
Non-current assets	83.5	91.4
Current assets	40.9	31.9
Non-current liabilities	(18.1)	(18.7)
Current liabilities	(31.8)	(18.8)
Equity attributable to owners of the Group	44.7	51.5
Non-controlling interests	29.8	34.3
Income statement		
Revenue	50.6	56.2
Expenses	(45.1)	(49.0)
Dividends received	13.3	14.9
Profit for the year	18.8	22.1
Profit attributable to owners of the Group	16.6	19.2
Profit attributable to the non-controlling interests	2.2	2.9
	18.8	22.1
Dividends paid to non-controlling interests	5.3	6.2

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

37 Subsidiary and associated companies continued

	2020	2019
Howden Sicherheit International GmbH and controlled entities, which have NCI	£m	£m
Statement of financial position		
Non-current assets	9.2	12.5
Current assets	24.8	27.6
Non-current liabilities	(2.4)	(2.9)
Current liabilities	(21.5)	(23.9)
Equity attributable to owners of the Group	5.5	7.2
Non-controlling interests	4.6	6.1
Income statement		
Revenue	11.9	13.4
Expenses	(9.2)	(9.1)
Profit for the year	2.7	4.3
Profit attributable to owners of the Group	1.5	2.4
Profit attributable to the non-controlling interests	1.2	1.9
	2.7	4.3
Dividends paid to non-controlling interests	2.7	3.5

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

38 Events after balance sheet date

On 1 October 2020, following the merger of RKH and Howden, the Group changed its operating segments to be UK broking, International broking, DUAL, HX and Other.

On 1 October 2020, the Group acquired 100% of St Giles Legal & Professional Risks, a UK based insurance broker, for £4.3m with maximum additional contingent consideration of £1.4m.

On 9 October 2020, the Group acquired 51% of Segub, S.A. de C.V, a Mexican based insurance broker, for £21.3m.

On 12 November 2020, the Group drew down additional Term Loan tranches of \$245m and €75m, being an equivalent of £254.6m. The proceeds were used to pay transaction costs, repay the RCF and accrued interest with the residual proceeds recorded in restricted cash. The Group also committed to draw down an additional \$295m of Term Loan in January 2021. The tenor of the RCF was also extended from December 2022 to September 2024.

On 18 December 2020, the Group acquired the remaining non-controlling of DUAL Asset Underwriting Limited for consideration of £7.2m, of which £6.1m was cash and £1.1m was Howden Group Holdings Limited A shares.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)
INDEPENDENT AUDITOR'S REPORT ON THE PARENT COMPANY TO THE MEMBERS OF HOWDEN GROUP HOLDINGS LIMITED
(FORMERLY HYPERION INSURANCE GROUP LIMITED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Howden Group Holdings Limited (the 'company'):

- give a true and fair view of the state of the Company's affairs as at 30 September 2020;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- The Company balance sheet;
- The statement of changes in equity;
- The statement of accounting policies; and
- The related notes 1 to 19

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the 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 financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)
INDEPENDENT AUDITOR'S REPORT ON THE PARENT COMPANY TO THE MEMBERS OF HOWDEN GROUP HOLDINGS LIMITED
(FORMERLY HYPERION INSURANCE GROUP LIMITED)
FOR THE YEAR ENDED 30 SEPTEMBER 2020

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

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
- The strategic report and the directors' report have been prepared in accordance with applicable legal requirements

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- Adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- The 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

We have nothing to report in respect of these matters.

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.

Other matter

We have reported separately on the Group financial statements of Howden Group Holdings Limited (formerly Hyperion Insurance Group Limited) for the year ended 30 September 2020.



Mark McIlquham (ACA) (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, UK
21 December 2020

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

PARENT COMPANY BALANCE SHEET

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Note	2020 £m	2019 £m
Fixed assets			
Investments in subsidiary undertakings	6	130.2	693.0
Current assets			
Debtors due within one year	7	389.2	162.3
Debtors due after more than one year	7	17.2	5.7
Cash and cash equivalents		3.9	0.1
		410.3	168.1
Creditors			
Amounts falling due with one year	8	(141.6)	(216.3)
Net current assets/(liabilities)		268.7	(48.2)
Total assets less current liabilities		398.9	644.8
Creditors			
Amounts falling due after more than year	9	(4.1)	(290.4)
Provision for liability			
Other provision	16	(6.7)	(10.0)
Net assets		388.1	344.4
Capital and reserves			
Called up share capital	11	0.9	0.8
Share premium	13	61.7	55.2
Other reserves	13	(109.0)	(90.6)
Retained earnings	13	434.5	379.0
		388.1	344.4

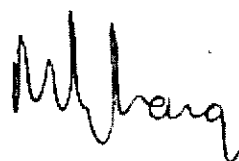
Profit after tax for the year ended 30 September 2020 was £55.8m (2019: £0.4m loss).

The financial statements were approved by the Board of Directors and authorised for issue on its behalf by:

21 December 2020. They were signed



David Howden
Chief Executive Officer



²¹**Mark Craig**
Chief Financial Officer

Company number 02937398

The notes on pages 109 to 115 form an integral part of these financial statements.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
As at 1 October 2019	0.8	55.2	(90.6)	379.0	344.4
Profit for the year	-	-	-	55.8	55.8
Other Comprehensive income for the year	-	-	-	-	-
Total Comprehensive income for the year	-	-	-	55.8	55.8
Conversion and shares issued during the year	0.1	6.5	-	(0.3)	6.3
Share-based payments	-	-	0.3	-	0.3
EBT share reserve movement	-	-	(18.7)	-	(18.7)
As at 30 September 2020	0.9	61.7	(109.0)	434.5	388.1

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
As at 1 October 2018	0.9	54.4	(81.1)	379.4	353.6
Loss for the year	-	-	-	(0.4)	(0.4)
Other Comprehensive income for the year	-	-	-	-	-
Total Comprehensive income for the year	-	-	-	(0.4)	(0.4)
Purchase of own shares	(0.1)	-	0.1	-	-
Shares issued during the year	-	0.8	-	-	0.8
Share-based payments	-	-	4.6	-	4.6
EBT share reserve movement	-	-	(14.2)	-	(14.2)
As at 30 September 2019	0.8	55.2	(90.6)	379.0	344.4

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

PARENT COMPANY ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2020

1 General information

The Company is a private company limited by shares and is incorporated in England and Wales. The address of its registered office is One Creechurch Place, London, EC3A 5AF.

These financial statements present information about the Company as an individual undertaking.

2 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These were applied to items considered material to the financial statements in both the current and prior year.

(a) Basis of preparation of financial statements

The following accounting policies have been applied in dealing with items that are considered material in relation to the financial statements.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

(b) Financial reporting standard 102 - reduced disclosure exemptions

For the year ended 30 September 2019 and subsequent periods, the Company has taken advantage of the following disclosure exemptions in preparing the financial statements as permitted by FRS 102 paragraph 1.12 (a) – (e):

- The requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv)
- The requirements of Section 7 Statement of Cash Flows
- The requirements of Section 3 Financial Statement Presentation paragraph 3.17(d)
- The requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A
- The requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29
- The requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23
- The requirements of Section 33 Related Party Disclosures paragraph 33.7

This information will be included in the consolidated financial statements of Hyperion Insurance Group Limited as at 30 September 2020 and these financial statements may be obtained from The Group Finance Department, One Creechurch Place, London, EC3A 5AF.

(c) Going concern

The Company's business activities, future outlook, business risks and uncertainties and risk management are set out in the Directors' report and strategic report.

Having considered the aforementioned, and after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in preparing the financial statements.

(d) Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

(e) Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivables are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

PARENT COMPANY ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2020

(f) Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

(g) Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

(h) Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

(i) Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings are presented in the Income Statement within 'finance income or costs'.

(j) Finance costs

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

PARENT COMPANY ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2020

(k) Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

(l) Interest income

Interest income is recognised in the Income Statement using the effective interest method.

(m) Borrowing costs

All borrowing costs are recognised in the Income Statement in the year in which they are incurred.

(n) Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

(o) Share capital transactions

When the Company purchases equity share capital, the amount of the consideration paid, including attributable costs, is recognised as a change in reserves. Purchased shares are either held in treasury in order to satisfy future liabilities arising from business combinations or share incentive scheme, or cancelled and in order to maintain capital an equivalent amount to the nominal value of the shares cancelled is transferred from retained earnings.

The shares in the Company are held to settle obligations arising from share option incentive schemes or business combination considerations. Subject to the assets held for the beneficiaries of the EBT, there are no restrictions over the assets or liabilities in the EBT.

The Company uses the HEJH to facilitate the purchase of shares in itself. As the Company is the sponsoring company of the EBT and HEJH, the assets and the liabilities of the EBT and HEJH are reported as part of the Company. The EBT's and HEJH's assets are primarily shares of the Company and liabilities relate to deferred payments for the shares.

(p) Share-based payments

The cost of employees' services rendered to subsidiaries received in exchange for the grant of rights under share incentive schemes is measured at the fair value of the equity scheme granted. Where there are performance conditions, an assessment is made of the likelihood of these conditions being achieved is made at the end of each reporting year and reflected in the accounting entries made. The grant by the Company over share incentive schemes to employees of subsidiary undertakings is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the Company accounts.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

PARENT COMPANY NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

3 Judgements in applying accounting policies and key sources of estimation uncertainty

The estimates and judgements that have a significant effect on the carrying value of assets and liabilities are:

Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable value of an asset is determined based on value-in-use calculations or multiple earnings calculation prepared on the basis of management's assumptions and estimates. Judgements are exercised in determining whether there are indicators of impairment and by the Board of Directors in their challenge and approval of the budgeting and forecasting process. Key sources of estimation for determining value-in-use relate to the approved future cash flows, long term revenue growth rate beyond the approved forecast period, operating margins and discount rates. In addition, the impact of covid-19 and Brexit are other sources of estimation uncertainty on forecasts.

Provisions

The Company is involved from time to time in the ordinary course of business in certain claims and legal proceedings related to the Company's operations, including employment related matters. Judgements are made when determining whether the recognition criteria of FRS 102 have been met, particularly when legal proceedings have commenced but a court hearing or trial is a number of years away. Where provisions have been made, a key source of estimation uncertainty relates to the outcome of various cases and the spectrum of financial outcomes. As noted in note 16, a total provision of £6.7m relating to various matters has been recognised based on management's analysis of most likely outcomes and amounts due in worst case scenarios on consultation with internal and external legal counsel. In the worst case scenarios, the amounts claimed by the third parties are in excess of £13.4m.

4 Profit and loss account

As permitted by section 408 of the Companies Act 2006, the Company has not included its own profit and loss account in these financial statements. The Company's profit after tax for the year was £55.8m (2019: £0.4m profit) this is dealt with in the financial statements of the Group.

5 Dividends

The Company has not declared an dividends during the year ended 30 September 2020 (2019: £nil).

6 Investments

	Investments in subsidiary companies £m
Cost or valuation	
At 1 October 2019	696.5
Additions	19.9
Disposals	(582.7)
At 30 September 2020	133.7
Provision for impairment	
At 1 October 2019	(3.5)
At 30 September 2020	(3.5)
Net book value	
At 30 September 2020	130.2
At 30 September 2019	693.0

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

PARENT COMPANY NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

7 Amounts falling due within one year

	2020	2019
	£m	£m
Other debtors	3.3	0.5
Amounts due from Group undertakings	8.1	153.4
Loans to subsidiaries	377.6	-
Tax recoverable	0.2	8.4
	389.2	162.3

	2020	2019
	£m	£m
Amounts falling due after more than one year		
Other debtors	11.6	3.5
Loans to subsidiaries	-	2.2
Recoverable asset	5.6	-
	17.2	5.7

8 Creditors - amounts falling due within one year

	2020	2019
	£m	£m
Amounts owed to Group undertakings	(121.2)	(191.8)
Accruals and deferred income	(2.1)	(0.7)
Deferred consideration - share buy-backs	(13.0)	(22.6)
Trade and other payables	(5.3)	(1.2)
	(141.6)	(216.3)

9 Creditors - amounts falling due after more than one year

	2020	2019
	£m	£m
Amounts owed to Group undertaking	-	(282.7)
Deferred consideration - share buy-backs	(4.1)	(7.7)
	(4.1)	(290.4)

10 Financial Instruments

The Company has granted share options to certain shareholders in respect of their Howden shares. The share options are carried at fair value. As the instruments allows the holders to put Company shares back to the Company at fair value, the instruments have a fair value of nil. Management's best estimate of the liability which would arise if all the options were exercised would be £24.0m as at 30 September 2020 (2019: £7.0m). Sensitivity analysis, allowing for a reasonable change in assumptions indicates a maturity range of £21.6m - £26.4m (2019: £6.3m - £7.7m).

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

PARENT COMPANY NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

11 Share capital

Details of the Company's share capital are given in the Group financial statements on note 25.

	2020	2019
	£m	£m
Allotted, called up and fully paid		
84,804,580 (2019: 80,873,855) Ordinary A shares of £0.01 each	0.9	0.8
482,709 (2019: 542,867) A1 ordinary shares of £0.01 each	-	-
291,304 (2019: 327,809) A2 ordinary shares of £0.01 each	-	-
42,604,574 (2019: 34,730,123) Ordinary D shares of £0.00001 each	-	-
10,266,374 (2019: 10,655,000) Ordinary E shares of £0.00001 each	-	-
3,150,000 (2019: 3,150,000) Ordinary F shares of £0.00001 each	-	-
	0.9	0.8

12 Treasury shares

The Company holds shares in itself via HEJH, a subsidiary of the EBT. Refer to note 25 of the Group accounts for further detail.

13 Other reserves

Share premium

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Other reserves

This reserve relates to shares held in itself via HEJH, a subsidiary of the EBT, along with any profits made on transactions with these shares, share-based payment reserve and the translation reserve which contains the accumulated foreign exchange differences arising on translation of investments.

Profit and loss account

Made up of all current and prior period retained profits and losses.

14 Employees

The average monthly number of persons employed by the Company during the year was 3 (2019: 2), who were the Directors.

	2020	2019
	£m	£m
Employee costs		
Wages and salaries	4.5	3.5
Share based payment	0.1	0.1
	4.6	3.6

The highest paid director received total remuneration of £2.6m (2019: £1.7m).

In addition there were other directors who received fees totalling £0.2m (2019: £0.7m).

During the year ended 30 September 2020, directors received £nil in respect of compensation for loss of office (2019: £0.6m).

15 Share based payments

Refer to the Group accounts for details of share based payments. The Company recognised a charge of £2.3m (2019: £0.1m). The Company recognised an increase in investments in subsidiaries of £4.3m (2019: increase of £4.5m) in respect of share-based payments where it is the ultimate settling entity for certain awards for subsidiaries.

HOWDEN GROUP HOLDINGS LIMITED (FORMERLY HYPERION INSURANCE GROUP LIMITED)

PARENT COMPANY NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020

16 Provisions

Provisions are generally recognised when the Company has a present or a constructive obligation as a result of past events, it is more likely than not that there will be an outflow of resources to settle that obligation and the amount can be reliably estimated.

The Group is involved from time to time in certain claims and legal proceedings related to the Group's operations, including employment related matters. The provisions in the entity relate to legal claims and proceedings

	2020
	£m
At 1 October 2019	10.0
Additions	6.9
Utilisation	(10.2)
At 30 September 2020	6.7

17 Contingent liabilities

On 20 December 2017, the ultimate parent company Hyperion Insurance Group Limited along with fellow subsidiaries HIG Finance 2 Limited and Hyperion Refinance S.a.r.l., entered into an amended and restated credit agreement with the Group's lenders in respect of the Group's main lending facilities. As part of the amended and restated credit agreement the Company is a guarantor in respect of obligations undertaken by Hyperion Insurance Group Limited, HIG Finance 2 Limited and Hyperion Refinance S.a.r.l.

The Company has given parental guarantees to members of wholly-owned UK subsidiaries relating to outstanding liabilities to which the subsidiary companies are subject.

18 Related party transactions

The Company has taken advantage of the exemption available in FRS 102 to not disclose related party transactions with subsidiaries that are wholly owned within the Group.

19 Post balance sheet events

See note 38 in the Group accounts for changes to bank borrowings occurring after the balance sheet date.