

HOWDEN BROKING GROUP LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30 SEPTEMBER 2013

**16 Eastcheap
London
EC3M 1BD**

Registered Number 6249799

COMPANIES HOUSE

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HOWDEN BROKING GROUP LIMITED

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YEAR ENDED 30 SEPTEMBER 2013

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HOWDEN BROKING GROUP LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements of Howden Broking Group Limited ("the Company") for the year ended 30 September 2013

Principal activity

The principal activity of the Company is that of a holding and coordinating company for an international group of insurance brokers

Results and dividends

The Company's operating profit for the year was £2,792,249 (2012 - £616,861 loss), while the profit for the year after taxation amounted to £5,137,672 (2012 - £380,395 loss). Dividends of £4,127,219 were declared from operating subsidiaries during the current year (2012 - £1,820,152). A dividend of £4,000,000 was declared by the Company during the current year (2012 - £nil).

The outlook for the Company remains positive for the foreseeable future despite the recent economic uncertainties. Dividend receipts are expected to continue from overseas subsidiaries in future years and the Company expects to continue acquiring companies that fit the Howden strategy.

Fixed asset investments

Details regarding the movements in fixed asset investments are set out in note 13 to the financial statements.

Going concern

The Company's business activities, future prospects, business risks and uncertainties, financial risk management and details of its financial instruments and hedging activities are set out above and in the strategic report.

The Company participates in Hyperion Insurance Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors, having assessed the responses of the directors of the Company's ultimate parent Hyperion Insurance Group Limited to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position, the directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

HOWDEN BROKING GROUP LIMITED

DIRECTORS' REPORT

Directors

The Directors who served during the year are listed below

A Colosso	- Chairman (appointed 6 June 2013)
T C F Coles	- Chief Executive Officer
S J Behagg	
J D I Bennett	
A Bragoli	
E R M Fady	
D P Howden	
D Sever	
P Vashishta	
J Wylie	(resigned 23 November 2012)
G A Faux	(appointed 6 June 2013)

Directors' Indemnities

Hyperion Insurance Group Limited, the ultimate holding company, has made qualifying third party indemnity provisions for the benefit of the directors of the Company which were made during the year and remain in force at the date of this report

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that -

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

Auditor

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting

Approved by the Board and signed on its behalf by



H G Pallot
Secretary

18th December 2013

HOWDEN BROKING GROUP LIMITED

STRATEGIC REPORT

Strategic Report

The results of the Company for the year are shown on page 6. The profit before tax for the year amounted to £1,902,442 (2012 loss before tax of £1,355,598). A dividend of £4,000,000 was declared by the Company during the current year (2012 - £nil). The main source of revenue was dividend income from subsidiary companies.

On 1 October 2012, the trade and assets of Windsor Partners Limited was transferred to Howden Insurance Brokers Limited (both subsidiary companies). This transfer and the subsequent integration of the businesses has been a key focus for the Company during the year.

The company monitors performance by considering the level of staff costs compared to group revenue.

Business risks and uncertainty

The Company provides management and other support services for an international group of insurance brokers. The Company's income during the year is derived from dividend income from its subsidiary companies, management charges for various services including management support and interest on loans issued.

The international nature of the group exposes the Company's revenues and earnings to currency fluctuations, mainly Sterling/ US Dollar and Sterling/Euro. The Company has put in place appropriate hedging strategies to manage this risk.

Financial risk management

The Company's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risks. Its policy is to finance working capital through retained earnings and bank borrowings at prevailing market interest rates. Acquisitions are funded through the combination of retained earnings and additional equity.

The Company's working capital comprises principally of debtors, creditors and cash. These balances are denominated in various currencies, predominantly Sterling, US Dollars and Euros. To minimise the foreign exchange exposure, the Company will endeavour to match foreign currency assets with liabilities of similar maturities and vice versa. Where this is not possible for material exposures, the Company will occasionally purchase an appropriate financial instrument, although none have been purchased in either the current or prior year.

Approved by the Board and signed on its behalf by


H G Pallot
Secretary

18th December 2013

HOWDEN BROKING 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 these 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.

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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
HOWDEN BROKING GROUP LIMITED**

We have audited the financial statements of Howden Broking Group Limited for the year ended 30 September 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

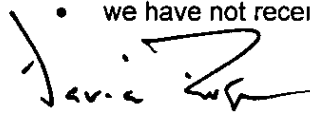
Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

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



David Rush (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
18 December 2013

HOWDEN BROKING GROUP LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 SEPTEMBER 2013

	Note	2013 £	2012 £
Turnover	2	585,000	-
Dividends received from group companies		4,127,219	1,820,152
Other income	3	901,388	63,132
Total operating income		5,613,607	1,883,284
Administrative expenses (including exceptional items)	4	(2,821,358)	(2,500,145)
Operating profit/(loss)	5	2,792,249	(616,861)
Interest payable and similar charges	8	(889,807)	(738,737)
Profit/(Loss) on ordinary activities before taxation		1,902,442	(1,355,598)
Tax on profit/(loss) on ordinary activities	9	3,235,230	975,203
Profit/(Loss) on ordinary activities after taxation		5,137,672	(380,395)

All amounts relate to continuing operations

There are no recognised gains or losses for either year other than those included in the profit and loss account. Accordingly, a statement for total recognised gains and losses has not been prepared.

The notes on pages 8 to 21 form an integral part of these financial statements.

HOWDEN BROKING GROUP LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 SEPTEMBER 2013

	Note	2013 £	2012 £
Turnover	2	585,000	-
Dividends received from group companies		4,127,219	1,820,152
Other income	3	901,388	63,132
Total operating income		5,613,607	1,883,284
Administrative expenses (including exceptional items)	4	(2,821,358)	(2,500,145)
Operating profit/(loss)	5	2,792,249	(616,861)
Interest payable and similar charges	8	(889,807)	(738,737)
Profit/(Loss) on ordinary activities before taxation		1,902,442	(1,355,598)
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HOWDEN BROKING GROUP LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 2013

	Notes	£	2013 £	£	2012 £
FIXED ASSETS					
Intangible fixed assets	11		26,770		36,206
Tangible fixed assets	12		9,928		24,440
Investments	13		<u>146,208,240</u>		<u>116,062,104</u>
			146,244,938		116,122,750
CURRENT ASSETS					
Debtors	14	22,816,944		7,373,057	
Cash at bank and in hand		<u>68,499</u>		<u>253,978</u>	
		22,885,443		7,627,035	
CREDITORS					
Amounts falling due within one year	15	<u>(51,092,565)</u>		<u>(32,997,007)</u>	
NET CURRENT LIABILITIES			(28,207,122)		(25,369,972)
TOTAL ASSETS LESS CURRENT LIABILITIES			118,037,816		90,752,778
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Creditors due after more than one year	15		(110,363,305)		(83,915,939)
PROVISIONS FOR LIABILITIES	17		-		(300,000)
NET ASSETS			<u>7,674,511</u>		<u>6,536,839</u>
CAPITAL AND RESERVES					
Called up share capital	18		591,289		591,289
Share premium account	19		6,080,270		6,080,270
Other reserves	19		45,383		45,383
Profit and loss account	19		<u>957,569</u>		<u>(180,103)</u>
SHAREHOLDERS' FUNDS	19		<u>7,674,511</u>		<u>6,536,839</u>

The notes on pages 8 to 21 form an integral part of these financial statements

The financial statements were signed as approved and authorised for issue by the Board on 18th December 2013

Signed on behalf of the Board of Directors by



G A Faux

Director

Company registration number 6249799

HOWDEN BROKING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2013

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently throughout the year and preceding period in dealing with items that are considered material in relation to the financial statements

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, on the going concern basis and in accordance with applicable UK accounting standards

The Company's business activities, future prospects, business risks and uncertainties, financial risk management and details of its financial instruments and hedging activities, are set out in the Directors' Report. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company's ultimate parent undertaking, Hyperion Insurance Group Limited, has undertaken to provide continuing financial support to the Company. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and accounts.

(b) Turnover

Income is derived from insurer remuneration and management charges to an international group of insurance brokers.

(c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less depreciation less any recognised 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 Company and the costs can be measured reliably. All other costs, including repairs and maintenance costs are charged to the profit and loss account in the period in which they are incurred.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of fixed assets less their estimated residual value over their expected useful lives on the following straight-line basis:

Fixtures, Fittings and Equipment	5 years to 10 years
Computer hardware	4 years to 5 years
Computer software	5 years to 10 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 profit and loss account.

(d) Intangible assets - Goodwill

Goodwill, being the difference between the fair values of the net assets acquired and consideration paid, is capitalised and carried at its book value (original cost less cumulative amortisation), less any impairment subsequently incurred. Goodwill is amortised on a straight line basis over its expected useful life, with a maximum period of 20 years.

HOWDEN BROKING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2013

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Investments

Investments in subsidiary and associated undertakings are carried at cost less any provision for impairment

(f) Employee benefits

The Company operates a defined contribution scheme and the amount charged to the profit and loss account 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 balance sheet. The Company has no legal obligation to make any further payments to the plans other than the contributions due.

(g) Foreign currencies

Transactions denominated in foreign currencies are translated to sterling at the exchange rates ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the rates ruling at the balance sheet date. Exchange differences arising are dealt with through the profit and loss account.

Where investments are financed through foreign currency borrowings the exchange differences arising from the revaluation of the foreign currency borrowings are offset within reserves against the revaluation of the portion of the investment which is financed through outstanding borrowings.

(h) Taxation

Corporation tax on the profit or loss for the year comprises current and deferred tax.

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.

Deferred taxation is provided on material timing differences between the incidence of income and expenditure for taxation and accounts purposes using the 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 substantially 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.

Changes in deferred tax assets or liabilities are recognized as a component of the tax expense in the profit and loss account, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

(i) Dividends

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

HOWDEN BROKING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2013

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Interest payable

Interest payable is accounted for on an accruals basis in the profit and loss account

(k) Dividends receivable

Dividends received are recognised in the period in which they are declared and approved by the company paying the dividend

(l) Consolidated accounts

Since the Company is a subsidiary undertaking of Hyperion Insurance Group Limited, for which group financial statements and a consolidated cash flow statement are prepared, the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to produce group accounts. Accordingly, the results presented in these financial statements present information about the company as an individual undertaking and not about its group

(m) Cash flow statement

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is wholly owned subsidiary by a parent undertaking which includes the Company in its own published consolidated financial statements

2 TURNOVER

The turnover was derived from activities carried out wholly in the UK

3. OTHER INCOME

	2013 £	2012 £
Intragroup fee income	847,719	-
Intercompany interest income	36,100	57,880
Franchise fee income	15,548	3,541
Other income	2,021	1,711
	901,388	63,132

4. EXCEPTIONAL ITEMS

Exceptional items expensed during the year are as follows

	2013 £	2012 £
Redundancy costs	433,241	-
Howden Asia Group integration costs	-	104,076
Windsor integration costs	-	121,587
	433,241	225,663

The redundancy costs in the current year of £433,241 relate to restructuring of the management team following the integration of the Howden and Windsor businesses

The prior year exceptional costs of £225,663 relate to the integration of two large acquisitions during 2012: Howden Asia Group in November 2011 and Windsor Limited in July 2012

HOWDEN BROKING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2013

5. OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging

	2013 £	2012 £
Auditor's remuneration – audit services for the current year	6,930	6,200
Auditor's remuneration – tax services	20,953	7,050
Losses on foreign currency exchange transactions	109,199	102,561
Losses on sale of an operation (note 13)	7,675	-
Depreciation of tangible fixed assets	15,840	24,959
Amortisation of intangible fixed assets	9,436	9,435
Impairment of investment	201,565	-

6. DIRECTORS' EMOLUMENTS AND BENEFITS

	2013 £	2012 £
Directors' emoluments	987,816	755,515
Compensation for loss of office	221,636	-
Pension contributions	80,551	73,132
	1,290,003	828,647

	Number	Number
Directors accruing benefits under defined contribution pension scheme	4	4

	2013 £	2012 £
Highest paid director's emoluments	251,610	251,491
Pension contributions	23,625	22,025

Five of the directors are not employees of the company and receive no remuneration for their services in respect of the Company. The directors are employees of HIG Services Limited (2), Howden Insurance Brokers Limited (1), Howden Insurance Brokers (2002) Limited (1) and Howden Insurance Brokers India Private Limited (1) and are remunerated for their services by those companies.

7. STAFF COSTS

Staff costs, including directors' emoluments, were as follows

	2013 £	2012 £
Wages and salaries	1,232,478	1,137,999
Social security costs	193,220	126,459
Pension contributions	112,878	97,444
	1,538,576	1,361,902

HOWDEN BROKING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2013

7. STAFF COSTS (continued)

The average monthly number of employees during the year was

	2013 Number	2012 Number
Management	5	4
Insurance professionals	2	2
Administration	1	1
	<u>8</u>	<u>7</u>

8. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £	2012 £
Bank overdraft and other interest payable	104,410	121,726
Interest payable on deferred consideration	152,239	11,808
Interest payable on shareholder loan notes	581,390	567,077
Group interest payable	<u>51,768</u>	<u>38,126</u>
	<u>889,807</u>	<u>738,737</u>

9. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

9(i) The tax credit comprises:

	2013 £	2012 £
Current tax		
UK corporation tax on profit/(loss) for the year	(2,691,595)	(705,482)
Adjustments in respect of previous years	<u>(612,049)</u>	<u>(349,926)</u>
Total current tax credit (note 9(ii))	<u>(3,303,644)</u>	<u>(1,055,408)</u>

Deferred tax

Origination and reversal of timing differences	65,261	14,030
Effect of change in tax rate	11,005	7,874
Adjustment in respect of prior years	<u>(7,852)</u>	<u>58,301</u>
Total deferred tax charge (note 16)	<u>68,414</u>	<u>80,205</u>

Tax credit on profit/(loss) on ordinary activities	<u>(3,235,230)</u>	<u>(975,203)</u>
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9(ii) Factors affecting the tax credit for the year:

The tax assessed for the year is less than the standard rate of corporation tax in the UK of 23.5% (2012: 25%) due to the following reasons

Profit/(Loss) on ordinary activities before tax	<u>1,902,442</u>	<u>(1,355,598)</u>
Profit/(Loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.5% (2012: 25%)	447,074	(338,899)
Effects of		
Expenses not deductible for taxation purposes	(27,122)	103,705
UK to UK transfer pricing adjustment	<u>(2,135,469)</u>	-
Accelerated capital allowances	1,841	3,456
Non-taxable dividend income	<u>(969,896)</u>	<u>(455,038)</u>
Other timing differences	<u>(8,023)</u>	<u>(18,706)</u>
Adjustments to tax charge in respect of previous years	<u>(612,049)</u>	<u>(349,926)</u>
Current tax credit for the year (note 9(i))	<u>(3,303,644)</u>	<u>(1,055,408)</u>

HOWDEN BROKING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2013

9. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (continued)

9(iii) Circumstances affecting current and future tax charges

Following the enactment of the Finance Act 2012, the main rate of corporation tax has reduced for the financial year beginning 1 April 2013 from 24% to 23%, this was enacted on 17 July 2012. The Finance Act 2013 was enacted on 17 July 2013 which reduces the corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015. The Company's UK deferred tax balances have been recognised at 20%.

10. DIVIDENDS

Amounts recognised as distributions to equity holders in the year

	2013 £	2012 £
Equity – Ordinary		
Interim dividend declared and paid	4,000,000	-
	<u>4,000,000</u>	<u>-</u>

The directors declared an interim dividend of £4,000,000 for the year ended 30 September 2013 (2012 - £Nil).

11. INTANGIBLE FIXED ASSETS

	Purchased Goodwill £	Total £
Cost		
At beginning and end of year	<u>94,355</u>	<u>94,355</u>
Amortisation		
At beginning of year	58,149	58,149
Charge for the year	9,436	9,436
At end of year	<u>67,585</u>	<u>67,585</u>
Net book value at 30 September 2013	<u>26,770</u>	<u>26,770</u>
Net book value at 30 September 2012	<u>36,206</u>	<u>36,206</u>

On 21 December 2010, £94,355 of costs in relation to the acquisition of a book of business was transferred from Howden Insurance Brokers Limited, a subsidiary company.

HOWDEN BROKING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2013

12. TANGIBLE FIXED ASSETS

	Furniture, Fixtures & Equipment £	Computer software & hardware £	Total £
Cost			
At beginning of year	-	97,870	97,870
Additions	318	1,996	2,314
Disposals	-	(1,494)	(1,494)
At end of year	318	98,372	98,690
Depreciation			
At beginning of year	-	73,430	73,430
Charge for the year	-	15,840	15,840
Disposals	-	(508)	(508)
At end of year	-	88,762	88,762
Net book value at 30 September 2013	318	9,610	9,928
Net book value at 30 September 2012	-	24,440	24,440

13. FIXED ASSET INVESTMENTS

	2013 £	2012 £
Investment in subsidiary undertakings, at cost		
At beginning of year	114,990,071	29,354,694
Transfers (to)/from fellow group subsidiaries	-	(1,524,936)
Additions	29,440,336	88,210,282
Exchange revaluations	570,334	(854,037)
Disposals	(15,961)	(195,932)
At end of year	144,984,780	114,990,071
Provision for impairment		
At beginning of year	-	-
Charge for the period	201,565	-
At end of year	201,565	-
Investment in subsidiary undertakings, at net book value	144,783,215	114,990,071
Other investments, at cost		
At beginning of year	1,072,033	762,033
Additions	352,992	310,000
At end of year	1,425,025	1,072,033
Total investments	146,208,240	116,062,104

HOWDEN BROKING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2013

13. FIXED ASSET INVESTMENTS (continued)

In 2009, the Company acquired 75% of the share capital of Hendricks & Co GmbH, an insurance broker incorporated in Germany. The total consideration amounted to £11,600,953, with deferred consideration of £11,143,998. The investment has been revalued upwards by £603,408 (2012 £759,996 downwards) in relation to deferred consideration and loan notes acquired to finance the investment which are denominated in Euros. This revaluation is taken to equity and the impact can be seen in note 19. The valuation of the deferred consideration is based on the actual results for the year ending December 2012, which exceeded forecast. Thus, additional deferred consideration was recognised during the year of £41,476. A further increase to the investment of £1,065,595 was due to the unwinding of the deferred consideration. Costs of £18,088 were incurred in the year in relation to the acquisition and have been capitalised.

On 3 November 2011, the Company acquired 75% of the share capital of HBG Asia Holdings Limited, a holding company for a group of Asian insurance brokers, for consideration of £3,728,285 of which £1,833,349 is deferred. A further £323,634 was paid on 7 June 2013. During the year the investment has been revalued upwards by £93,767 (2012 £76,951 downwards) in relation to deferred consideration which is denominated in US Dollars. This revaluation is taken to equity and the impact can be seen in note 19. A put/call option exists in respect of the purchase of the remaining 25% of the share capital, which was recognised at the discounted value of £1,032,609 in 2012. The discount of the put/call option has been unwound by £178,577 during the year (2012 £141,888).

In January 2013 the Company acquired an additional 16.4% of shareholding in Howden North American Property & Casualty Limited. The total consideration amounted to £1,664,339 (January 2012 £1,178,365 for 10.1% of the share capital). Costs of £8,345 were incurred in this transaction (2012 £5,915).

On 30 April 2013, the Company acquired 6.1% of the share capital of Howden Iberia S A for a total consideration of £173,523 (2012 sold 25% for £195,932).

On 8 April 2013, the Company acquired an additional 8.8% of the share capital of Howden Property Insurance Services Limited (2012 17.8%). The total consideration amounted to £530,500 (2012 £719,531). Costs of £2,665 (2012 £3,675) were incurred in relation to the acquisition. In December 2011 the investment in Howden Property Insurance Services Limited was transferred from Howden Insurance Brokers Limited to the Company at net book value of £5,640.

On 31 July 2012, an investment in Windsor Limited, the parent company of a group of insurance broking companies mainly based in the United Kingdom, was transferred to the Company from Hyperion Insurance Group Limited, at net book value of £73,313,502. On 12 March 2013, further shares were allotted to Howden Broking Group Limited at net book value of £20,760,381. Costs of £9,525 (2012 £1,237,779) were incurred in relation to the transaction.

On 28 September 2012, the Company acquired 51% of the share capital of Howden Brasil Administração E Corretagem De Seguros Ltda (previously Conset Administração E Corretagem De Seguros Ltda), an insurance broker incorporated in Brazil. The upfront consideration amounted to £809,636 with deferred consideration of £1,288,544. A further £25,500 of consideration was paid on 18 October 2012. The investment has been revalued downwards by £126,841 in relation to deferred consideration, which is denominated in Brazilian Reals. This revaluation is taken to equity and the impact can be seen in note 19. During the year, the investment has decreased by £143,252 due to a revaluation of the deferred consideration based on revised revenue forecasts and increased £186,482 due to the unwinding of the deferred consideration. Costs of £41,052 (2012 £75,480) were incurred in relation to the acquisition. As at the end of the year, the Directors consider that the value in use is below the carrying value. Consequently, a provision for impairment of £201,565 (2012 £nil) has been recognised.

HOWDEN BROKING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2013

13. **FIXED ASSET INVESTMENTS (continued)**

On 19 December 2012, the Company acquired 51% of the share capital of Howden (NA2) Limited for total consideration of £51

On 12 April 2013, the Company acquired 100% of the share capital of Howden Insurance Services, Inc for total consideration of £659. Costs of £17,215 were incurred in relation to the acquisition and have been capitalised.

On 25 April 2013, the Company acquired 25% of the share capital of Asesorias e Inversiones Howden-Patagonia S A for total consideration of £326,810. Costs of £26,182 were incurred in relation to the acquisition and have been capitalised.

On 22 May 2013, the Company sold its 100% shareholding in Howden Asia (Hong Kong) Limited for total consideration of £8,286, incurring a loss of £7,675 on the investment, which has been recognised in the profit and loss account for the year (note 5).

On 28 June 2013, the Company acquired 51% of the share capital of Howden Sigorta Brokerligi Anonim Sirketi for total consideration of £70,912. Costs of £27,577 were incurred in relation to the acquisition and have been capitalised.

On 29 July 2013, the Company acquired 60% of the share capital of Howden Employee Benefits Limited for total consideration of £135,000. Costs of £25,053 were incurred in relation to the acquisition and have been capitalised.

On 29 August 2013, the Company acquired 75.5% of the share capital of Howden Insurance Nederland B V for total consideration of £65. Costs of £27,975 were incurred in relation to the acquisition and have been capitalised.

On 24 September 2013, the Company acquired 51% of the share capital of Northedge Forsikringsmegling A S for upfront consideration of £2,021,212 and deferred consideration of £2,173,815. Costs of £54,370 were incurred in relation to the acquisition and have been capitalised.

HOWDEN BROKING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2013

13. FIXED ASSET INVESTMENTS (continued)

Principal subsidiary and associated undertakings	Country of incorporation and operation	Holding (2013) %	Holding (2012) %	Nature of business
Howden Insurance Brokers Limited	England	100.0	100 0	Insurance broking
Howden North American Property & Casualty Limited	England	100.0	83 6	Insurance broking
Howden Property Insurance Services Limited	England	83.0	74 2	Insurance broking
Howden Energy Limited	England	100 0	100 0	Insurance broking
Howden Insurance Brokers AB	Sweden	95.0	95 0	Insurance broking
Howden Insurance, LLC	USA	100.0	100 0	Insurance broking
Howden Iberia SA	Spain	80.1	74 0	Insurance broking
Howden Insurance Brokers Oy	Finland	92.6	92 6	Insurance broking
Global Services 1999 Limited	England	100.0	100 0	Holding company
Hendricks & Co GmbH	Germany	75 0	75 0	Insurance broking
Howden Asia Pte Limited	Singapore	100 0	100 0	Insurance broking
Howden Asia (Hong Kong) Limited	Hong Kong	-	100 0	Insurance broking
Howden Corretora De Resseguros Ltda	Brazil	99.9	99 9	Insurance broking
Howden Insurance Brokers (Bermuda) Limited	Bermuda	100 0	100 0	Insurance broking
Howden Specialty Underwriters, LLC	USA	75.0	75 0	Insurance broking and underwriting
Howden Brasil Administração E Corretagem De Seguros Ltda (previously Conset Administração e Corretagem De Seguros Ltda)	Brazil	51.0	51 0	Insurance broking
Howden (NA2) Limited	England	51.0	-	Insurance broking
Howden Insurance Services, Inc	USA	100.0	-	Insurance broking
Howden Sigorta Brokerligi Anonim Sirketi	Turkey	51.0	-	Insurance broking
Howden Employee Benefits Limited	England	60.0	-	Insurance broking
Northedge Forsikringsmegling A S	Norway	51.0	-	Insurance broking
Howden Insurance Nederland B V	Netherlands	75.5	-	Insurance broking
HBG (Mauritius) Limited	Mauritius	100.0	100 0	Holding company
HBG Asia Holdings Limited	Hong Kong	75.0	75 0	Holding company
Howden (Mauritius) Limited	Mauritius	95.0	95 0	Holding company
Windsor Limited	England	100.0	100 0	Holding company
GRC Howden Reasurans Brokerligi Anonim Sirketi	Turkey	10.0	10 0	Insurance broking
Howden Korea Company Limited	Korea	39.9	39 9	Insurance broking
Asesorias e Inversiones Howden-Patagonia S A	Chile	25 0	-	Insurance broking

HOWDEN BROKING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2013

14. DEBTORS (DUE WITHIN 1 YEAR)

	2013 £	2012 £
Amounts due from subsidiary undertakings	17,051,701	4,684,648
Loans due from subsidiary undertakings	1,186,267	1,559,308
Other debtors	890,921	190,450
Deferred tax recoverable (note 16)	8,104	123,640
Group relief debtor	2,691,594	705,482
Interest receivable	7,318	5,297
Prepayments and accrued income	14,295	42,509
Dividends receivable from subsidiary company	966,744	61,723
	22,816,944	7,373,057

15. CREDITORS

	2013 £	2012 £
Amounts falling due within one year		
Amount owed to parent company	4,486,990	-
Amounts owed to fellow subsidiary undertakings	35,681,018	22,448,949
Amounts owed to subsidiary undertakings	2,320,951	1,659,016
Loans due to subsidiary undertakings	1,409,961	973,717
Loan notes	129,542	15,897
Deferred consideration	1,509,347	7,058,161
Corporation tax payable	1,348,480	361,188
Deferred tax (note 16)	-	47,122
Other creditors	6,905	13,524
Interest payable	78,023	25,414
Dividend payable (note 10)	4,000,000	-
Accruals and deferred income	121,348	394,019
	51,092,565	32,997,007

Amounts falling due after more than one year

Loan owed to parent company	99,408,429	74,551,280
Loan notes	4,520,543	4,397,170
Deferred consideration	6,434,333	4,967,489
	110,363,305	83,915,939

16. DEFERRED TAXATION

	2013 £	2012 £
Accelerated capital allowances	8,104	7,518
Provisions	-	69,000
Deferred tax recoverable	8,104	76,518
	76,518	156,722
Deferred tax asset at beginning of year		

HOWDEN BROKING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2013

Deferred tax movement in profit and loss account for year (note 9(i))	(68,414)	(80,205)
Deferred tax asset at end of year (note 14, 15)	8,104	76,518

17. PROVISIONS FOR LIABILITIES

	E&O Provisions £	Total £
At 1 October 2012	300,000	300,000
Release to profit and loss account	(300,000)	(300,000)
At 30 September 2013	-	-

18. CALLED UP SHARE CAPITAL

	2013 £	2012 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	591,289	591,289

19. SHAREHOLDERS' FUNDS

	Share capital £	Share Premium £	Profit & loss £	Other Reserves £	Total £
At beginning of year	591,289	6,080,270	(180,103)	45,383	6,536,839
Profit for the year	-	-	5,137,672	-	5,137,672
Dividend declared	-	-	(4,000,000)	-	(4,000,000)
Foreign currency translation on foreign currency net investments (note 13)	-	-	-	570,334	570,334
Foreign currency translation on related borrowings	-	-	-	(570,334)	(570,334)
At end of year	591,289	6,080,270	957,569	45,383	7,674,511

Other reserves comprise share based payments of £45,383, the impact of the revaluation of the Euro denominated borrowings and the related Hendricks & Co GmbH investment, and the impact of the revaluation of the US Dollars denominated borrowings and the related investments in HBG Asia Holdings Limited, PT Howden Insurance Brokers Indonesia and Howden Brasil Administração E Corretagem De Seguros Ltda

20. PENSION COSTS

The Company operates a defined contribution pension scheme, the assets of which are held separately from those of the Company in an independently administered fund. The pension cost charge for the period is shown in note 7. There were outstanding contributions of £nil at the end of the year (2012 - £nil).

HOWDEN BROKING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30 SEPTEMBER 2013

21. RELATED PARTY TRANSACTIONS

As the Company is a wholly owned and controlled subsidiary of Hyperion Insurance Group Limited, the Company has taken advantage of the exemption in FRS 8 and has therefore not disclosed transactions or balances with entities which are 100% owned by the group (or investees of the group qualifying as related parties). The consolidated financial statements of Hyperion Insurance Group Limited, within which this Company is included, can be obtained from the address given in note 24.

At the end of the financial year, the following balances were due from/(to) group undertakings

	2013 £	2012 £	Nature of balance
Clinical Trials Insurance Services Limited	656,326	-	Intercompany balance
HBG Holdings (Singapore) Pte Limited	194,774	54,579	Intercompany balance
Howden Employee Benefits Limited	73,560	-	Intercompany balance
Howden Iberia SA	186,870	(7,271)	Intercompany balance
Howden Insurance & Reinsurance Brokers (Philippines), Inc	9,706	-	Intercompany balance
Howden Insurance Brokers AB	9,580	-	Intercompany balance
Howden Insurance Brokers India Private Limited	144,670	147,988	Intercompany balance
Howden Insurance Brokers Oy	44,649	27,324	Intercompany balance
Howden Insurance Nederland B V	199,507	-	Intercompany balance
Howden (NA2) Limited	1,061,861	-	Intercompany balance
Howden Property Insurance Services Limited	450,743	1,146,562	Intercompany balance
Howden Specialty Underwriters, LLC	6,771	-	Intercompany balance
PT Howden Insurance Brokers Indonesia	15,568	107,432	Intercompany balance
Spa Underwriting Services Limited	317,358	-	Intercompany balance
HBG Asia Holdings Limited	(50,474)	4,000	Intercompany balance
Howden Insurance Brokers LLC	(165,425)	(174,280)	Intercompany balance
Howden Employee Benefits Limited	32,375	-	Loan
Howden Iberia SA	97,957	1,171,856	Loan
Howden Insurance Brokers Oy	251,256	199,751	Loan
Howden (NA2) Limited	375,000	-	Loan
PT Howden Insurance Brokers Indonesia	105,309	-	Loan
Hendricks & Co GmbH	(509,406)	(973,717)	Loan
Howden Insurance Brokers LLC	(236,052)	-	Loan

The intercompany balances arose from income generated from the allocation of executive costs to the group undertakings, the recharge of costs incurred by the Company on behalf of the group undertakings, and cash movements in relation to the combined banking arrangement as disclosed in note 23.

Interest was paid/(received) on the loans as follows

	2013 £	2012 £
Howden (NA2) Limited	14,021	-
Howden Insurance Brokers LLC	2,594	-
Hendricks & Co GmbH	35,547	38,126

HOWDEN BROKING GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30 SEPTEMBER 2013

Howden Iberia SA	(21,086)	(56,838)
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21. RELATED PARTY TRANSACTIONS (continued)

Hendricks & Co GmbH paid a dividend of £1,734,030 (2012 £1,209,382) to the Company during the year

Howden Insurance Brokers AB paid a dividend of £266,608 (2012 £nil) to the Company during the year

22. OTHER COMMITMENTS

The Company had no operating lease or capital commitments at 30 September 2013

23. CONTINGENT LIABILITY

The Company, together with certain other subsidiaries, acts as an Obligor under the terms of a Senior Term and Multicurrency Revolving Facilities Agreement ("SFA") dated 31 May 2012 between Hyperion Insurance Group Limited ("Hyperion"), HSBC Bank plc and Lloyds TSB Bank plc. Accordingly the Company, together with Hyperion and those other subsidiaries, has given guarantees in respect of Hyperion's obligations under the SFA and has provided security to HSBC Bank plc (as Security Agent for the SFA) in accordance with the terms of the SFA and the applicable law for each relevant subsidiary. After the date of this report, these obligations have been settled in full, and the abovementioned guarantees have been replaced as detailed below.

On 17 October 2013, Hyperion Finance S a r l, a fellow subsidiary, entered into a financing agreement with JPMorgan Chase Bank, N A, HSBC Bank plc and Lloyds Bank plc. Under the terms of this agreement, the Company together with a number of other subsidiaries have given guarantees in respect of Hyperion Finance S a r l's obligations under the terms of the agreement.

24. PARENT AND ULTIMATE HOLDING COMPANY

The Company's immediate and ultimate parent company is Hyperion Insurance Group Limited, a company incorporated in Great Britain and registered in England and Wales. The largest and smallest group of which the Company is a member and for which group accounts are drawn up is that of Hyperion Insurance Group Limited. Copies of the financial statements of that company can be obtained from The Group Finance Department, 16 Eastcheap, London EC3M 1BD.