Howden Group
Holdings

HOWDEN GROUP HOLDINGS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 SEPTEMBER 2021

Company Number 02937398

Registered Office:

One Creechurch Place,

London EC3A 5AF

Howden Group Holdings

HOWDEN GROUP HOLDINGS LIMITED

YEAR ENDED 30 SEPTEMBER 2021

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HOWDEN GROUP HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

Directors' report for the year ended 30 September 2021

The Directors present their report for the financial year ended 30 September 2021.

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 - 25); and
- Principal risks and uncertainties (Strategic Report, pages 4 - 25)

This section contains all other disclosures required within 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 28 and 33 to the consolidated financial statements, respectively.

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, provision of employee benefit solutions and digital, data and analytical services relating to insurance.

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 33 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 and the Company are subject to one principal financial covenant as part of the drawdown of its USD and EUR facilities totalling £1,606.4m (2020: £1,209.8m) gross of issuance costs. This financial covenant is only applicable once a certain amount of the revolving credit facility ("RCF") is drawn down. This covenant was not breached during the year ended 30 September 2021. The Group monitors the rolling forecast of cash flow for the period to December 2022 and it is forecast to have sufficient cash resources to meet liabilities as they fall due. During this period, the RCF is not forecast to be sufficiently drawn to trigger covenant testing. However if it were to be triggered, the Group and the Company are forecast to be compliant during the forecast period.

Management has applied sensitivity analysis and identified scenarios where the Group and the Company would be forecast to breach the financial covenant or not have sufficient cash resources to meet liabilities as they fall due. Management has considered the likelihood of the scenarios and deem it to be low due to the mitigating actions could be taken. These include cost control, increasing overseas repatriation of cash, reducing elective activity such as M&A and raising further cash through debt or equity.

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 financial statements.

Results and dividends

The financial statements set out the Group's consolidated results for the year ended 30 September 2021 and are shown on page 31 to 112. These are prepared in accordance with International Financial Reporting Standards.

The financial statements for the Company for the year ended 30 September 2021 are detailed on page 113 to 125. These are prepared in accordance with Financial Reporting Standard 102 ("FRS102").

The loss of the Group for the year after taxation and minority interests amounted to £37.9m (2020: £49.5m). During the year no equity dividends were paid (2020: £nil).

Events after the reporting period

There are a number of post balance sheet events relating to a completion of M&A and an incremental financing transaction. Further information is incorporated into this report by reference to note 41.

Directors

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

HOWDEN GROUP HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

Directors continued

Dominic Collins	Chairman
David Howden	Chief Executive Officer
Mark Craig	Chief Financial Officer
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
Caroline Woodworth	Non-Executive Director
Ralph Friedwagner	Non-Executive Director (appointed 01 November 2020)
Andrew Land	Non-Executive Director (appointed 31 March 2021)
Kelly Lyles	Non-Executive Director (appointed 22 July 2021)

*Independent Non-Executive Directors

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.

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 to any shareholder on request to 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 2021:

Share class	**Number of issued shares**
A ordinary shares of £0.01	108,504,667
D ordinary shares of £0.00001	55,842,538
E ordinary shares of £0.00001	11,996,488
F ordinary shares of £0.00001	3,150,000
Deferred shares of £0.00001	4,934,588

Political donations and expenditure

The Group made no political donations during the year ended 30 September 2021 (2020: £nil).

Charitable donations

During the year ended 30 September 2021 the Group made cash donations of £0.3m (2020: £3.1m) for the benefit of charitable causes and issued Howden shares, which had a fair value of £1.2m, to the Howden Foundation for nominal value.

Employees and employment policies

The average number of persons employed by the Company and its subsidiaries during the year was 7,494 (2020: 5,734). Their annual aggregate remuneration was £648.9m (2020: £488.3m). An analysis of employee remuneration is presented in note 9. The Group has disclosed its gender pay gap position in-line with UK Government regulations

Research and development

The Group invests in software development to protect and enhance its business activities. See note 13 for more details.

Streamlined Energy and Carbon Reporting

The energy use and emissions have been disclosed on page 17 of the strategic report.

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 at least twelve months from issuance of the annual report. 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.

Statement of engagement with employees

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

Statement on business relationships

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

Independent auditor

EY LLP is expected to be appointed in place of Deloitte LLP, the Company's independent auditor, following the approval of the Company's report & accounts for the year ended 30 September 2021.

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

Andrew Moore
Company Secretary

16 December 2021

HOWDEN GROUP HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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, the provision of employee benefits solutions, and digital, data and analytical services relating to insurance.

The retail broking and employee benefits business serves clients throughout the world. Its clients range from individuals or sole practitioners to associations, SMEs and multinational corporations. It operates a network of subsidiary and associated companies in 35 territories excluding 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 has operations in 19 countries and it provides insurance solutions to over 8,000 insurance brokers around the world who act on behalf of insured clients.

The digital, data and analytical business manages our businesses' relationships with key insurance markets; delivers consultancy services to our businesses, through data-led market insights, business strategy and competitor analysis; and develops digital applications and integrated portfolio solutions to drive growth, deliver efficiencies and improve profitability.

Business activity

Covid-19

Whilst Covid-19 has continued to provide challenges for the Group's people and clients this financial year, our businesses have adapted very well to remote working, which continues to be the norm in many countries in which we operate, and have continued to serve our clients effectively throughout the pandemic. For those who continue to work from home, and for those who are beginning to return to the office, our priority remains the physical and mental health and wellbeing of all employees.

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 integration of A-Plan Group. Following completion of the acquisition in March 2021, 2,500 employees across 100 UK offices joined the Group;
- The continued investment in and build-out of the digital, data and analytics business 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;
  - deliver a single view of the Group's data; and
  - build out a market leading analytics capability; and to begin the development of a single, global broking platform.

Capital management

During the year, the Group raised an additional $540m and €75m to fund the acquisition of A-Plan Group and other businesses. The Group also extended the tenor of the USD portion of the Term Loan to November 2027 and achieved a favourable re-pricing event. As well as accessing the debt markets, the Group secured an investment of over £400m of new share capital from Hg Capital with more details below.

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 November 2020, the Group strengthened its cyber business with the acquisition of a market-leading cyber and tech specialist broker, Safeonline, creating a centre of excellence in London to complement Howden's global cyber capability;
- In December 2020, Howden entered the retail broking market in Iceland with the launch of an office in Reykjavik;
- In December 2020, the Group launched its capital markets advisory service, Howden Capital Markets;
- In January 2021, Howden launched its first retail broking operation in Australia;
- In March 2021, Howden acquired UK independent superyacht broker, Sturge Taylor;
- In March 2021, Howden completed the acquisition of A-Plan Group, adding 2,500 employees and 100 office locations in the UK;
- In April 2021, Howden acquired Spain's largest independent corporate broker, Artai;

- In April 2021, Howden launched its first retail broking operation in Switzerland;
- In May 2021, Howden acquired UK specialist medical and healthcare broker, Medical Professional Risk Solutions;
- In May 2021, DUAL established an on-the-ground presence in Brazil with the launch of an office in Sao Paulo;
- In July 2021, the Group launched a new Climate Risk and Resilience division that will use insurance to create markets that drive climate action and increase resilience in an increasingly volatile world;
- In July 2021, Howden entered the Italian market with the launch of a start-up platform in Italy, and acquisition of independent Italian broker, Andrea Scagliarini SpA;
- In August 2021, DUAL acquired a leading Mexican MGA, Dock Re; and
- 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 over 45 independent broking partners working to a single set of service standards in over 90 territories, with over 10,000 insurance professionals.

Acquisition of Align Financial Holdings
In October 2021, after the financial year end, the Group announced the acquisition of Align Financial Holdings, a leading specialist general agency and underwriting management group in the US. The acquisition is the Group's second largest, after A-Plan, and its largest under DUAL, creating an international MGA group with over $2bn GWP, 1,000 employees operating in 19 countries, more than 80 capacity providers, and over 8,000 broker partners. Align Financial Holdings Founder and CEO, Kieran Sweeney, has become Executive Chairman of DUAL Group globally (effective 1 October 2021).

Investment by Hg Capital
In March 2021, Hg Capital became a minority shareholder in the Company. Through its Hg Saturn fund it has become 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 the Company. Employee shareholders remain the largest shareholder group, with approximately 1,400 employee owners.

Investment in the underwriting agency
In January 2021, the Company, together with a third-party investor, invested $84m in support of Tamesis DUAL Ltd., the reinsurance division of DUAL Group. This was the first time the Group had underwritten capital commitment in support of DUAL. The Group's capacity vehicle sits alongside Tamesis' existing partners to enhance their position in the reinsurance market.

Sustainability and response to climate risk
Since the launch of the Group Sustainability Committee in November 2019, the Group has progressed under each of the three pillars of: setting the standard, giving back and changing the insurance narrative.

- **Setting the standard:** ensuring that our own operations are the very best they can be in terms of governance, environmental sustainability, and diversity and inclusion.
  Progress this year includes:
  - Measuring and reducing our emissions, through a donation to The Nature Conservancy, retiring 25,000 tonnes of CO_2 whilst supporting conservation projects in Africa. We will set and announce our net zero carbon target this coming year;
  - Committing to become plastic neutral; through our partnership with ocean clean-up organisation, Seven Clean Seas, we will measure and reduce our plastic footprint and offset the rest by removing plastic from the ocean;
  - Issuing our first Communication on Progress as part of the Group's commitment to the 10 principles of the UN Global Compact; and
  - Establishing a Group Diversity and Inclusion Committee, chaired by members of the Group Board and the Group Executive Committee.

- **Giving back:** the Group's charitable Foundation, continues to support communities, projects and charities to build a better world, and to empower employees by providing volunteering time and opportunities. Because the Foundation is a shareholder in the Group, as we grow, so too does the Foundation's impact.
  Key achievements this year include:
  - Over £0.2m was raised by employees worldwide in addition to cash made by the Group;
  - Despite Covid-19 restricting many volunteering opportunities, 1,913 hours of volunteering were recorded this year;
  - During our annual 'Global Group Giving Week' (17-21 May this year), employees supported 32 charities worldwide, raised over £0.1m and volunteered over 620 hours; and
  - We launched our online CSR platform, 'Group Giving', powered by Benevity, a place where employees can find volunteering, fundraising and matched funding opportunities to engage with worldwide.

- **Changing the insurance narrative:** ensuring that, through innovation in products and distribution, the Group is part of the solution to clients' and the world's challenges.
  Progress this year includes:
  - Launching a dedicated Climate Risk and Resilience division;
  - Seed-funding Parhelion, the world's first fully sustainable insurer;
  - Launching world-first products: a volcano catastrophe bond for the Danish Red Cross, and a carbon offset invalidation insurance

product; and
- Becoming a member of HRH The Prince of Wales' Sustainable Markets Initiative Insurance Taskforce and a signatory to the related Terra Carta.

Further detail on the Sustainability Committee, the Foundation and corporate and social responsibility activities is provided later in this report.

People
Attraction, development and retention of talent at all levels remains a core objective of the Group. This is evidenced by the appointment of a number of well-respected, senior market experts in the 12 month period to 30 September 2021. Overall, average monthly employee numbers increased to around 7,500.

During the year the main senior management changes were:

- Carl Shuker, CEO of A-Plan Group, joined the Group Executive Committee in March 2021;
- Luigi Sturani was appointed as CEO, Europe, Howden Broking Group in June 2021; and
- Will Bloomer was appointed as Group Chief Corporate and Legal Affairs Officer in September 2021.

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

- Andrew Land, Partner, Hg Capital, was appointed as Non-Executive Director to the Board in March 2021; and
- Kelly Lyles was appointed as an independent Non-Executive Director to the Board in July 2021.

Performance review

The Group's 2021 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 £766.4m to £1,043.8m driven by the aforementioned organic growth and M&A. Operating profit has increased from £34.1m to £57.3m. The increase in operating profit is driven by the strong revenue growth and travel and entertainment cost savings offset 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 preferred measures of the Group. The Group's preferred measure of profitability is earnings before interest, tax, depreciation and amortisation ("adjusted EBITDA"). This is stated after adjusting for certain items, taking the benefit of cost synergy programmes 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 believe these preferred measures are relevant to the users of the financial statements as they are in line with reporting to the Group's external lenders and used for covenant testing under the Credit Agreement. They also enhance the understanding of the performance of the Group.

	2021	2020
	£m	£m
IFRS Revenue	**1,043.8**	766.4
Revenue adjusting items		
Pre-acquisition results	**104.4**	16.4
Other	**0.1**	(5.7)
Adjusted revenue	**1,148.3**	777.1

	2021	2020
	£m	£m
IFRS profit/(loss) before tax	**6.1**	(34.1)
Net finance costs	**18.4**	75.3
Fair value adjustments	**33.6**	(5.5)
Other non-operating items	**(0.8)**	(1.6)
Operating profit	**57.3**	34.1
Cost adjusting items		
M&A and closed operations	**24.8**	6.4
Lateral hires	**31.0**	31.7
Cost Synergy programmes	**4.2**	1.0
Other cost adjusting items	**108.3**	61.7
Acquisition costs	**11.4**	7.2
IFRS adjustments	**(2.4)**	(3.8)
Depreciation and amortisation	**100.2**	84.2
Adjusted EBITDA	**334.8**	**222.5**

Inclusive of pre-acquisition results and other perimeter normalisations, revenue grew from £777.1m to £1,148.3m, a growth of 48% with organic growth at constant rates of exchange of 19%.

The key items bridging from operating profit to adjusted 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".

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.

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

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

	2021	2020
	£m	£m
Litigation costs	**17.4**	12.6
Lateral hires	**10.4**	6.0
Integration and restructuring costs	**11.9**	3.8
Group transformation projects	**9.0**	4.2
London office move	**-**	1.8
Non-current asset impairments	**9.2**	1.1
Covid-19	**0.9**	1.8
Employee services post-business combination	**48.9**	27.9
Other items	**0.6**	2.5
Total adjusting items	**108.3**	61.7

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 costs.

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 relate 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 non-UK 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.

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 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 £82.1m of interest costs relating to the term loan and revolving credit facility (including £17.7m of amortisation of loan arrangement fees and debt modification costs), with an additional £18.9m relating to other loans, derivatives, and IFRS 16 interest charges on lease liabilities. This was partly offset by £53.5m of gain arising from debt modifications due to the downward repricing of Term Loan interest costs and extension of the Term Loan tenor in February 2021, £26.9m on foreign exchange and £2.2m of interest income. The decrease year on year is driven by the debt modification gain.

Fair value adjustments
Fair value adjustments reflects a £10.2m charge for the changes in the fair value of contingent consideration for acquisitions or put options held by non-controlling shareholders and unwind of deferred consideration. There is also £23.4m 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 assets of £18.0m (2020: net payables of £339.8m) and net current assets of £214.8m (2020: £246.8m) as at 30 September 2021. The net current assets remains strong for the Group. The change from net payables to net assets is driven by the share capital subscription during the year by Hg Capital.

The Group's main debt facility has USD and EUR tranches, which mature in November 2027. Details of the balance outstanding at year end is as follows:

	2021	2020
	m	m
USD tranches	**$1,791.0**	$1,268.4
EUR tranches	**€315.0**	€243.2

The total amount outstanding in GBP was £1,606.4m as at 30 September 2021 (2020: £1,209.8m). In addition the £125m revolving credit facility ("RCF") was partially drawn at £41.7m as at 30 September 2021 (2020: £125.0m drawn). The RCF matures in September 2024.

Subsequent to year end the Group drew down additional Term Loan balances of USD 419.7m and EUR 350.0m (£615.3m). A new junior second lien tranche of USD 370.0m (£275.6m) was also drawn. These also mature in November 2027 except for the second lien tranche, which matures in November 2028. The RCF facility was also increased to £185m with maturity extended to December 2026.

The Board monitors the level of the borrowings, including the incremental financing post year end, and continues to be confident in the ability of the Group to service its ongoing debt obligations as they fall due. The Group generates USD and EUR cash from its trading operations, which is used to service the USD and EUR debt obligations as they fall due.

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 Board ensures that it addresses the s172 requirements by allocating responsibility for specific areas to senior management, Board and committee meetings, the use of clear agendas, appropriate board papers, budgeting and reforecasting, and strategy events at both holding company and subsidiary company level.

Key stakeholders are identified during board and committee meetings. The culture that the Group strives for and the way that it works means there is a continuous communication with the Group's key stakeholders, as described in the stakeholder engagement section below. The board receives quarterly CEO reports and other reports, including strategic updates, financial performance, business updates, regulatory updates, 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.

Long-term consequences of decisions
The Group's long term model reflects its determination to share success and to grow in a responsible, sustainable way. This goes beyond environmental and societal impacts; it influences the products that the Group offers, the talent it hires and how the Group manages its future. The Directors strive for a balance between growth through acquisition, organic growth, cashflow and liquidity considerations, performance and reward, culture at work, diversity and inclusion, wellbeing and equal pay.

Decisions discussed and reached in board meetings are reported against agreed strategic objectives from strategy days. The directors maintain regular contact with management, which allows the directors to appreciate the context of current projects and to be on hand to assist and advise where necessary.

An example of a key board decision taken during the year was the consideration and approval of a number of large transformational acquisitions. The long-term consequences of these decisions were considered using extensive proposals, budgeting and forecasting summaries. The change of name of the Group was also approved during the year by the Board. The focus was increasingly to bring simplicity and authenticity to the Group under the one Howden brand.

The interests of the company's employees
The Group's "Our People First" culture means that it supports employees' aspirations and provides opportunities to make a difference. The Group is built on a foundation of employee ownership, with around 1,400 employee owners sharing the Group's success. As a result, the likely long-term consequences of any decision made by the directors are aligned with the interests of employees.

The stakeholder engagement section below sets out how the directors have engaged with employees and responded to the issues raised through the most recent employee survey.

The company's relationships with suppliers, customers and others
By driving the desired culture throughout the Group, management aims to continuously deliver a quality service to clients, including welcoming employees' creativity to deliver high class expertise.
The Group looks to diversify its business lines and employs strategies to help mitigate against the loss of clients. For examples of how the board has supported the continued growth in its Global Specialisms, refer to the Corporate Governance Statement below.

During the year, the Group was one of a number of organisations that responded to the Red Cross and the need to improve the provision and efficiency of humanitarian relief in the event of a volcanic eruption. The Group's charitable Foundation, Financial Lines and reinsurance divisions, and capital markets business all supported the launch of the world's first catastrophe bond for volcanic eruptions, by the Danish Red Cross. The bond raises humanitarian funds in advance, and allows aid to be released more quickly and effectively while offering uncorrelated returns for investors.

Impact on communities and the environment
The Sustainability Committee was set up 2019 to identify opportunities for improvement in the Group's approach to sustainability and to embrace a more inclusive way of working. Please see page 14 for the initiatives that the Sustainability Committee has achieved. 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, by continuing to build a sustainable business while reducing, replacing, recycling and continuing the journey to becoming carbon negative.

The Group also wishes to support society and this is managed through fundraising and volunteering, and giving back through the charitable Howden Group Foundation. For more information refer to the corporate and social responsibility section on page **14** in relation to specific activities that the Group has undertaken in relation to communities and the environment during the year.

Maintaining high standards of business conduct

The directors are responsible for setting high standards of business conduct, to ensure that the Group's commitments to stakeholders are met. 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. In doing so, the board endorses the implementation and promotion of ethical business practices, to protect workers from being abused and exploited. The board also supported the decision that, following training, a set of UK procurement principles should be created. These principles have been shared with the key subsidiaries.

Information on the Group's policies in relation to its whistleblowing arrangements can be found in the Corporate Governance Statement.

The need to act fairly between members of the company

The board consists of directors representing both institutional and employee shareholders in order to make sure that members are treated fairly. It also includes independent non-executive directors. When employee share incentives are considered there is a careful assessment by the board and Remuneration Committee that there is a balance between dilution of existing A shareholder value and value which new share incentive holders can derive.

Stakeholder engagement

The table below describes how the Group engages with its stakeholders and explains how the directors ensure they are aware of the views of each stakeholder group.

Why we engage Understanding customers and how their demands change allows the Group to provide tailored products and is intrinsic to its long term success. Clients often request solutions and new initiatives that insurance can provide for them.
Our approach to engaging The Group uses 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 observing best practices, and maintaining the necessary regulatory controls, due diligence and care to ensure that clients are satisified. The Group is regularly in touch with clients and visited them frequently before the Covid-19 lockdown. Face-to-face meetings are beginning to take place once again and more frequently, enabling the Group to build a stronger client relationship and deliver a more tailored solution. Clients inform the Group of any new initiatives that they are considering and where they would like the Group to assist in placing insurance for them. The board does not typically directly engage with clients and is kept informed of their views through reports from management and discussions at board meetings. Client issues identified through engagement Our clients need us to continue to develop new solutions that meet their emerging needs, such as making the best use of data and meeting their ESG objectives. As an example, during the year the Group launched NOVA, a first of its kind business intelligence platform. It provides users with tools and data visualisations that facilitate a clear understanding of complex insurance data, enabling them to better identify market opportunities, anticipate trends, mitigate risk and make data-backed decisions. We also provided seed funding for the launch of Parhelion, the world's first fully sustainable insurer. It looks at risk through a new lens, to support a unique underwriting approach based on data, technology and proprietary ESG criteria. This reflects studies showing a persistently strong correlation between corporates with advanced ESG credentials and low insurance claims, enabling Parhelion to offer premium and cover at advantageous terms, while generating strong shareholder returns.
Why we engage Building and maintaining a People First Culture is embedded in decision making across the Group, and is key to how we attract, engage and retain our employees. Putting employees first supports empowerment, inspires and fosters ideas which in turn benefits clients and strengthens the Group's productivity and resilience. The Group is built on a foundation of employee ownership with around 1,400 employee owners sharing the Group's success. As a result, any decision made by the directors are aligned with the long term interests of employees.

Our approach to engaging

The Group and directors are committed to engaging with employees through multiple formal and informal channels to ensure that employees' views can be taken into account in making decisions which are likely to affect their interests. This includes, but is not limited to the use of the Group Workplace platform, regular internal communications, the use of people surveys and a range of established Employee Resource Groups.

Over the last 12 months the Group has made significant investment in building a capable and experienced HR Team to support and enable the delivery of our Group ambitions, and further develop its engagement with, and offering to, employees.

During this time the Group has focused in a number of key areas:

Covid-19 Impact and subsequent transition

Throughout the Covid-19 pandemic the Group has continued to monitor the impact on employees closely, and has maintained highly engaged and proactive Covid-19 response teams to provide support for employees globally. This has enabled all employees to work remotely effectively with the required technology, IT equipment, home office furniture, training and policy support, ahead of government requirements. The Group has continued to leverage the online platform Workplace to share and exchange useful information, along with FAQs for all employees to access. The Group also supported the repatriation of colleagues to their home country or safe accommodation, providing necessary personal protection equipment, along with monetary donations where appropriate.

In addition to recognising the flexibility required for employees that are parents and or carers, the Group has also addressed the potential issues around employee engagement, work life balance and wellbeing, by introducing a range of activities and resources. All UK employees have access to a free mental health app, which complements the 24 hour / 7 day a week access to a Virtual GP, an Employee Assistance Programme and a mental wellbeing champion's network for which the Group provides training and mentoring support.

As the Group transitions to 'a return to the office' the Group has developed and adopted three Global Principles for Hybrid Working – client delivery, in-person connection and flexibility and agility. To support the implementation of these principles the Group has developed toolkits, surveys and workshop materials to actively engage and consult with employees on their application. The Group is adopting a flexible and gradual return to the offices, and providing ongoing support and training to employees through this transition, whilst ensuring that the employees' health and wellbeing remains the top priority.

Career development and progression

The Group provides visibility of all job opportunities across the group on Workplace to encourage internal career development. In addition to business objectives, senior leaders have specific objectives focused on development, culture and people that articulate their commitment to employee development. Progress is measured and leaders are held to account on the delivery of these objectives.

All UK employees are asked to ensure that they have objectives relating to their personal development with a mix of on the job development and learning interventions encouraged. Guidance is provided to all employees and line managers to support an effective performance development process. On the basis of feedback from employees through the Global People survey, managers are expected to provide feedback to team members, discuss their ongoing development and help team members to understand how their work has and does contribute to their team, and the wider business. Reviews are also scheduled to take place in advance of the annual compensation review to demonstrate a clearer link between performance and reward for employees.

Through the Group's learning hub employees can access a variety of development resources including compliance and regulatory training, leadership programmes aligned to our leadership framework, top tips on topical interests (e.g. improve your virtual presence) and general business skills (e.g. growth mind-set, presenting with impact). The learning solutions are available on an open basis for any employee to access as part of their development. Guidance is provided to all employees and line managers to support an effective performance development process.

As a growing business it is vital that the Group recruits the right people in order to continue the success of the Group in a sustainable manner. We attract and retain people of the highest calibre through a recruitment process that is free from bias and discrimination. Over the last 12 months the Group has piloted the use of blind CVs and embedded the tool Textio in all job adverts to ensure the use of inclusive language and attract broader and more diverse candidate pools. To support our ambition to build a robust pipeline of diverse talent, the Group has introduced a number of Early Careers programmes to attract diverse graduate talent to the Group. The Recruitment and Selection Policy is followed, while prioritising employees' development and success.

Diversity and Inclusion

For the Group, diversity is achieving a rich pool of entrepreneurial talent with different personal and economic characteristics to drive sustainable value creation borne from different thinking. Inclusion means achieving this value creation by being a remarkable place where brilliant people want to work because they are seen and accepted as individuals, valued for the individual difference that they bring to the table, and because they work for a business that allows them to balance their life against the requirements of work. To support this the Group has implemented a number of actions.

- Development of a Group Diversity and Inclusion Committee with representatives from across the organisation, with agreed terms of reference, mandate and ways of working in place.
- Investment in, and development of, our Employee Resource Groups. The Group has restructured its first Employee Resource Group - Respect - such that all other employee resource groups report into it. In turn, the Respect Employee Resource Group benefits from the appointment of a steering committee. Respect is owned and led by employees and empowered with their own budget to enable them to raise awareness of, and influence the business, in areas that are important to them and to drive collective impact.
- Within the UK the Group has collated D&I statistics from employees to enable the Directors to review insights, identify focus areas and track progress. Over 2022 this will be collated internationally.
- A reciprocal mentoring pilot has been launched in the UK designed to help build a better understanding of employee perceptions of organisational culture, and provide leaders with an opportunity to connect and hear first-hand the perspectives and experiences of employees from different generations and parts of the business. This will be rolled out globally in 2022.

Why we engage

It is important for the company to create long term, robust working relationships with our suppliers and insurers with whom we place business. This contributes to the success of our business and ultimately benefits all stakeholders.

Our approach to engaging

The company works together with its suppliers and insurers to ensure the best client experience and continuity of capacity in order to service the needs of our clients. Senior management regularly meet insurance partners to discuss performance and ways in which we can improve cover for clients. These relationships are managed through TOBAs and contracts in line with Group policies and additional risk and due diligence assessments are carried out in line with the Group's Sourcing Principles. Senior leaders receive regular updates and feedback on insurer and supplier relationships.

Why we engage

The Group cares for and appreciates its local communities and places great importance on contributing to them through various charitable means. For more information refer to the corporate social responsibility section below.

Our approach to engaging

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

Community issues identified through engagement

During the year all of the Group's school and charity partnerships in the local community were impacted by Covid-19, resulting in the original partnership deliverables being put on hold. Following on from FY20 the in-person relationships with local schools and charities initially had to stop. Gradually as employees adapted to the new ways of working/living the Group started to engage with the partnerships online; this included online mentoring, CV reviews, career inspiration webinars and online workshops. As the world now starts to slowly open up, various in-person activities have returned while some virtual engagement will be retained. The virtual engagements assist Group employees to volunteer more widely across the UK and internationally with more efficiency alongside work commitments.

Fundraising/engagement with charity partners also was limited during this pandemic and all fundraising took place virtually, such as the Group's charity online quiz. The Group also on-boarded a new CSR platform, Benevity, to facilitate online giving and donation management. Additionally, the Group delivered raising awareness webinars with the partners to remind employees why it was important to fundraise for the Group's key partners worldwide. These webinars illustrated the impact that the Group was making, such as the new Dementia Friends workshops that are now underway.

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 they can support and engage with the Group.

Our approach to engaging

Institutional shareholders are represented by directors on the board and therefore participate directly in Group strategic decisionmaking 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.

Shareholder issues identified through engagement

During the year, the Group identified the following issues as a result of its engagement with shareholders.

An increasing number of shareholders request to vote, acquire/sell shares, and view their shareholdings online. As a consequence, the Group continues to develop the Share Portal to enable further applications and flexibility within the portal. A further project is to present a share value statement from FY22.

Why we engage

The Group has a responsibility to engage with debt investors and understands the importance of providing information on a regular basis, including compliance with the Credit Agreement.

Our approach to engaging

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

The Group Chief Financial Officer ensures the board remains updated on the views of debt investors and any issues they raise. During the year, the Group undertook two successful debt raises, while also securing favourable changes to the debt terms in February 2021.

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 laws and regulations, to uphold the responsibilities to stakeholders.

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 it as required or requested, and in compliance with Principle 11 of the UK Financial Services Handbook.

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 board of the company if necessary.

Corporate and social responsibility

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:

1. **Setting the Standard** - ensuring our own operation are the very best they can be in terms of ESG practices
2. **Giving Back** - supporting communities in which we live and work through volunteering, fundraising and the Howden Group Foundation; and
3. **Changing the Insurance Narrative** - Using the power of insurance to play a part in finding solutions to the major challenges the world faces.

Setting the standard
The Group has committed to maintaining high standards of corporate governance, and has engaged with a sustainability management platform in order to obtain key Environmental, Social and Governance data from our businesses worldwide and to report back to our stakeholders annually. Furthermore, the Group continues to work with the relevant regulators to ensure that all aspects of its business comply with local laws. To this end, in 2021, we shared our first Communication on Progress to the UN Global Compact along with our first ClimateWise report. We also became a member of EcoVadis, from which we received a silver sustainability rating with a score of 60/100 putting the Group in the 85th percentile.

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

- Reducing carbon footprint: during 2020 the Group globally started the process of becoming carbon neutral. As part of this, we have started to collect scopes 1-3 CO_2 emission data. We will then create a carbon management plan and offset any residual carbon footprint. Furthermore we have 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;
- In partnership with Seven Clean Seas we have pledged to reduce our plastic consumption, and to offset the rest, as part of our wider commitment to curbing the impact our business has on the environment. We have started by removing single use plastic: where possible we are removing and finding alternatives to single use plastic in the workplace e.g. stationery, meeting rooms, and in 2021 we offset over 66,000kg of plastic - the estimated amount used by employees during 2020 - by working in partnership with Seven Clean Seas who collected the plastic on our behalf using their clean-up crews in Asia;
- Environmental volunteering: river clean ups/tree planting/mangrove 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 biros etc;
- Energy efficiency: To use energy efficient lighting wherever possible e.g. motion sensor lights; and
- BREEAM rating 'Excellent' UK Group headquarters: London office move in December 2018, and the same approach for an ecobuilding is being taken with other office buildings worldwide.

Diversity and Inclusion ('D&I')
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 works. The aim is to ensure that everyone receives the same consideration when applying for jobs, and that they enjoy the same training, career development and prospects so they can contribute to their full potential.

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

The Group is committed to developing diversity and inclusion awareness and behaviours of employees and senior leadership across the world in order to ensure best practice. We have launched a Group D&I committee to develop our D&I agenda globally so that we can continue to attract and retain the right talent, and continue to create an inclusive culture that values and supports every employee.

Howden UK has launched its own engagement group: RESPECT, which is an ongoing initiative open to all UK employees 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 LGBTQ+ Network and has an active Inclusion focus group. Following its successful launch in the UK, the Group is implementing this initiative globally.

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

Giving back
CSR activities form part of the Group's wider Sustainability approach, and the Group's CSR strategy consists 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; and
- Environment – finding ways to reduce the Group's environmental impact in how it goes about its day-to-day business.

In 2021 we launched our online CSR platform, Group Giving, powered by Benevity, a place where employees can find volunteering, fundraising and matched funding opportunities to engage with worldwide. This enabled us to deliver virtual CSR engagement over the course of the year. It included online fundraisers and virtual volunteering where possible such as bingo nights, quizzes, CV reviews and mentoring. We have also hosted several dementia friend training sessions for UK employees throughout the year.

Volunteering
All employees are entitled to two volunteer days per annum. Employees can volunteer with a Group Giving approved initiative or put forward a request for a charity they have a personal connection with. During the year, 1,913 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 employees 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; and
- 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 matches up to £750 of fundraising per employee, per year. During the year, over £0.2m was raised by employees worldwide. This is in addition to the cash donations made by the Group during the year.

Strategic Partnerships
Alongside our work with local charity partners, we also support global organisations through long-term strategic partnerships. These multi-year relationships link closely with our Group CSR strategy to support Education, Entrepreneurship and the Environment, as well as offering our people the opportunity to make an impact through volunteering and fundraising. In April 2020, the Group launched a multiyear flagship charity partnership with the Prince's Trust across the UK and Australia. Through this partnership the Group supports the Trust's 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 assist over 479 new young entrepreneurs and 1,780 veterans as they embark on their self employment journey. During our first year in partnership we have seen 82 employees from across the Group volunteer with the Prince's Trust. Together these volunteers have given approximately 103 hours of their time to support 113 young people. Additionally thousands of young people have been supported through our partnership with the Prince's Trust Australia virtual 'Achieve Fest'. On 21 September 2021 we celebrated City Giving Day in London by hosting our belated Prince's Trust partnership launch. We were joined by the team at the Prince's Trust, employees and the Lord Mayor of London, Alderman William Russell. In FY21 we have continued to expand our strategic partnerships, and we now have a further five partners, including: Seven Clean Seas; Fundacion Pro Empleo; Danish Red Cross; Care Channels; and The Nature Conservancy.

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. Activities 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 2021, this took place on 17-21 May, supporting 32 charities worldwide, raising around £0.1m and volunteering over 620 hours.

Changing the Insurance Narrative
This is where we can have the biggest impact. Insurance has always been an enabler for change and now, as the world faces the biggest existential threat of our lifetime, we are finding ways to use insurance to help society build resilience against climate change and other related risks.

Product Development
In 2021 we led on two world firsts; a volcano Catastrophe bond in partnership with the Danish Red Cross and carbon offset invalidation insurance, for which the team involved has so far bound 6 policies which have wrapped 24 million carbon offsets with insurance.

Climate Risk & Resilience Division
Following the product developments reported above, the Group launched a new Climate Risk and Resilience division. This division will focus on risk transfer products that help to accelerate and de-risk the move towards a low carbon economy, and to mitigate the results of

climate change.

Parhelion Investment
In June 2021, the Group invested in the launch of Parhelion, the world's first fully sustainable insurer, which will provide ESG products to meet the risk financing needs of a greener economy.

Covid-19 Response

- Virtual & in person volunteering has been taking place worldwide: Companion calls with the Alzheimer's Society, Ementoring with the Prince's Trust and social mobility programmes with our partners schools. Foodbank donations have continued from employees and in July 2021 the Group sponsored a food bank in East London whilst providing weekly volunteers to help prepare the food packages.
- Donations of 300+ care packages were sent to key workers across the UK; and
- Worldwide response to local Covid19 research and relief efforts. In particular we led a global 'Reaching India' campaign raising over £6,000 for two local Indian charities; Goonj and Kailash Stayarthi's Foundation as selected by Howden India, virtual fundraising events e.g. pet competition, quiz nights, bingo and taskmaster.

Streamlined Energy and Carbon Reporting

The tables below sets out Greenhouse gas ('GHG') Emissions and Energy Use Data in the UK for the year ended 30 September 2021.

Energy use (kWh)	Scope	2021	2020
Building gas, heating, oil and biomass	1	558,316	198,084
Company car business miles	1	352,271	13,422
Building electricity and heat	2	4,731,971	4,031,144
Employee car business miles	3	249,050	386,556
Total		**5,891,608**	**4,629,206**

Carbon dioxide equivalent emissions (t/CO2e)	Scope	2021	2020 (restated)
Building gas, heating, oil and biomass	1	110.2	35.2
Company car business miles	1	88.2	3.2
Building electricity and heat	2	980.0	662.6
Company car business miles	3	59.9	309.1
Total		**1,238.3**	**1,010.1**

Intensity ratio	2021	2020
Tonnes per employee (t/CO2e/employee)	0.38	0.46
Tonnes per square metre (t/CO2e/m2)	0.03	0.05

Other carbon dioxide equivalent emissions (tCO2e)	Scope	2021	2020
Employees work from home (WfH), tele-working, modelled electric	3	571.8	217.2
Electric grid losses, transmission and distribution, buildings, eletcric and WfH tele-working	3	123.3	76.0
Sub-total scope 3		755.0	384.4
Total scopes 1, 2 and 3		1,933.4	1,303.3

The prior year tCO2e restatement reflects a reclassification between building electricity & heat (scope 2) and employee car business miles (scope 3).

Energy Efficiency Action

As part of its sustainability drive, the Group has invested in a third-party sustainability data monitoring and benchmarking tool.

At One Creechurch Place, London (which achieved a BREEAM four star "excellent" rating during design and build), the Energy Performance Certificate (EPC) was renewed during September 2021 achieving an energy rating of "B".

Reflecting changing working practises and business needs, five regional/satellite offices closed during the period, resulting in approximate annual savings in electricity of over 94,000 kWh or 20 tonnes CO2e.

As part of an on-going office improvement programme, the fluorescent lighting at a pilot site has been upgraded to LED, resulting in estimated annual savings in electricity of over 10,000 kWh or over 2 tonnes CO2e. Further improvements are planned for FY22.

The Group has introduced a more flexible and hybrid approach to working between offices and home, with increased use of remote video-conferencing, reducing the amount of travel between offices and meetings.

Further details on group-wide energy and carbon initiatives are included in the sustainability and corporate social responsibility sections.

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 producing the Total Energy Consumption (TEC) for the Energy Savings Opportunity Scheme (ESOS P2, 2019 and ESOS P1, 2015), using internal reports and information and the latest Government GHG conversion factors (for 2020 and 2021).

A new management information reporting system is being implemented by the group and in accordance with the guidance (and as agreed with the group SECR team), where verifiable data was not available, data has been estimated by direct comparison, pro-rata extrapolation or benchmarking.

The energy usage and GHG emissions data for A-Plan is consolidated into this year's figures.

At One Creechurch Place, London, as well as electricity, heating (from gas boilers) and cooling (from electric chillers) is provided on site as sub-metered kWh. For the heating, the GHG Heat kgCO2e/kWh conversion factor was used and for cooling the estimated electric input kgCO2e/kWh conversion factor was used (as advised in the UK Government GHG Conversion Factors for Company Reporting).

As last year, Covid-19 has affected work patterns, eg. due to distancing and lock-downs, resulting in more staff working at home more often. Reflecting an email dialogue with Department for Business, Energy and Industrial Strategy (BEIS), estimates have been made for electric used by employees when working from their homes (tele-working).

The tCO2e used for the employee intensity ratio is the total of core scopes 1, 2 and 3 in the table above (including company owned cars and employee-owned car business miles), whereas the tCO2e used for the floor area is the scopes 1 and 2 buildings energy (excluding company owned cars and employee-owned car business miles).

Corporate Governance Statement

For the year ended 30 September 2021, 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.

Achieving good corporate governance is important to the Board and the Group as a whole. Good governance allows decisions to be supported by a balanced assessment of all relevant considerations, along with appropriate policies and procedures supporting transparency, disclosure, accountability and the provision of accurate information to all stakeholders.

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's purpose is to find insurance solutions for clients in order for them to plan and execute activities by managing their risks and reducing the disruptive impact of unforeseen events.

The Group is the largest independent insurance group outside of the US and its vision is to remain independent by delivering sustainable growth, whilst maintaining its culture. The Group's independence, which combines employee ownership with longterm growth equity partners, means that it is able to focus on sustainable client and partner relationships and to deliver them alongside a quality service. The vision is communicated to 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 opportunity for all shareholders to provide input, supported by access to relevant 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 longterm approach, embracing inclusion, diversity, community engagement, social responsibility and environmental sustainability. The Group's strategic vision lie upon four key areas: people first, data and technology, global specialisms with local experts, and sustainable and accelerated growth.
Along with its strategic 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 longterm model reflects a determination to share success and to grow in a responsible, sustainable way for the benefit of the Group, employees and the local community. The Sustainability Committee provides support on the journey to becoming a sustainable Group. Refer to corporate and social responsibility section above for further details.
The Group's Whistleblowing policy is in place to ensure that any issues raised are investigated thoroughly. The policy sets out its whistleblowing principles, procedures and appropriate contacts.

Principle Two - Board Composition

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

The board roles of Chairman and Chief Executive Officer ("CEO") are held by separate individuals in order to achieve a suitable balance of responsibilities. This also encourages a strong and healthy decision-making process. The Chairman upholds good corporate governance practice supported by advice from the Company's committees, professional advisers and the Company Secretary, and any recommendations arising from internal or external auditors. While ensuring good practice, the Chairman is also responsible for 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 to support the strategic activities of the Group.
The board comprises the Chairman, CEO, Chief Financial Officer ("CFO"), seven investor non-executive directors and three independent non-executive directors. Biographies of the directors can be found on the Group's website. This board composition means that no one group of directors dominates the board and that there is a good spread of executive, investor and independent directors.
The Chairman's role is described above. The CEO is primarily responsible for the implementation and delivery of the strategic corporate decisions of the board and the overall success of the Group. The CEO is the main point of communication between the board and executive management and is the public face of the Group. The CFO's primary responsibilities include advising the CEO and the board on financial performance and policies, reporting and financial controls in order to support the business strategy.
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 director brings many years of insurance industry experience as well as an important understanding of the business as an employee.
Two of the investor non-executive directors are female and one of the independent non-executive directors is female. The Group endeavours to achieve board diversity whilst also recognising the best individual for the role. The Group is committed to providing an inclusive environment and it has implemented several strategies to improve this. The Diversity and Inclusion Committee was recently established in order to encourage equal opportunities for all and to nurture an inclusive working environment. Refer to D&I section in corporate social responsibly section above. 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 Chairman and CEO) takes place at least every three years. At the current time, 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 various external advisory and insurance-sector boards. They have experience of adapting to changing regulatory and business landscapes, leveraged finance and debt, supporting

entrepreneurs, sustainability, consulting and executive coaching for boards in a number of countries. Thus there is a clear demonstration of depth of knowledge and capability. There is a high degree of interaction between the CEO and colleagues at all levels of the Group, and employees have several ways in which to provide feedback.
The length of tenure of the directors is shown in the table below:

Tenure	Number of directors
0-3 years	7
4-6 years	2
7-9 years	2
9+ years	2

There is a good balance between the longstanding directors and more recently appointed directors with fresh perspectives, offering a range of diverse contributions and experience.
The Group is introducing a board evaluation assessment procedure that is to take place every three years with the first to occur in the financial year to 30 September 2022. The evaluation also takes into account any training and development needs identified by directors.

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 aligns 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 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 to address any issues raised. Directors are able, if necessary, to take independent professional advice as appropriate.

The agenda for board meetings is set by the Chairman, with support from the Company Secretary. Decisions made at each board meeting are minuted and any actions allocated to specific individuals are followed up at subsequent board meetings, to ensure they have been implemented effectively.

During the year, the board's key considerations included budgeting and forecasting, acquisitions, business strategy, UK tax strategy, employee share incentive plans, sustainability, remuneration, audit and risk, and the Group's charitable initiatives.

The GEC is an executive management committee supporting the CEO in performing his duties, whilst ensuring that consistent values and alignment are achieved throughout the Group. The board delegates day-to-day management of the Group to the GEC, which meets monthly and is chaired by the CEO. Membership includes the CFO, Chief Corporate & Legal Affairs Officer, Chief Information Officer, Chief Operating Officer, Human Resources Director and the CEOs of each business unit.

Other delegated duties are fulfilled through board committees, chaired by an independent non-executive director.

The Remuneration Committee consists of non-executive directors, chaired by an independent non-executive director, 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, pensions, employment termination provisions, and legal and regulatory provisions. The Chairman of the Committee reports formally to the board after each meeting, on all matters within its duties and responsibilities. The Committee makes recommendations to the board that it deems appropriate, or 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 that it continues to operate effectively.

During the year, the Remuneration Committee's key activities included the consideration of proposed employee share incentive plans, executive remuneration and individual share award proposals.

The Audit Committee consists of non-executive directors of the Group and key regulated subsidiaries, chaired by an independent non-executive director, 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, the Group governance framework, compliance, whistleblowing, internal audit, risk management, external audit, material issues raised by divisional audit committees, reporting responsibilities and other substantive matters as appropriate. The Committee reviews its own performance every three years, as well as its terms of reference to ensure that it continues to operate effectively, recommending any changes it considers necessary to the board for approval.

During the year, the Audit Committee's key activities included all scheduled matters as well as reviewing focus on cyber security reports and the Group governance framework.

The Company Secretariat records any conflicts of interest a director may have. New directors are requested to complete a conflicts questionnaire upon appointment, with all matters reported to the Chairman and CEO and material matters reported to the board.

The board ensures that the internal systems and controls are robust through the operation of a competent and experienced Internal Audit team. Internal Audit reviews take place periodically in order to ensure that appropriate standards of governance are in place.

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 agreed at the annual board 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 the GEC to reach informed decisions.

The Group maintains and regularly updates a medium term (five year) financial plan, reflecting the strategies agreed at its board Strategy Days. Short term opportunities are discussed at the monthly GEC meetings and at 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 below 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. A brief remit of the Committee is provided under Principle Three above.

The Group aims to offers competitive remuneration in terms of all elements of remuneration packages, such as salary, bonus, benefits and shares. To support remuneration decisions, the Group refers to various sources, including market data for the insurance intermediary sector and from the wider financial services sector.

The remuneration of directors and senior managers is consistent with the culture and values of the Group, and drives strategic success through pay-related performance. The alignment with culture and values is encouraged by means such as taking into account behaviours when determining performance-related pay. Non-executive director fees are paid at market rate, which is determined by reference to market data for companies of similar size and complexity.

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 help redress the gender imbalance over time. The Group believes that these are the key areas for building 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 achieve immediate improvements. Long-term initiatives such as improved recruitment practices and procedures, succession planning and career development will take time to influence and reduce gender imbalance. Refer to the corporate and social responsibility section and section 172(1) statement for further details.

In the immediate term, the Group's businesses are developing divisional action plans to help focus attention and to enable greater measurement of progress in addressing gender imbalance. These plans are regularly reviewed at GEC meetings.

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, good communication, employee championing, an aspiration to 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 strong relationships with stakeholders provide positive contributions to its long-term goals. Refer to the stakeholder engagement section of the section 172 statement for details of how directors have fostered stakeholder relations and engagement, and how they have ensured that the views of employees have been factored into board decision-making.

HOWDEN GROUP HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 is 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 concerned with 'on the ground' controls over systems and processes including those directed at meeting the needs of clients as well as those needed for the safe and efficient running, management and oversight of the company. The second line of defence provides internal assistance and day to day assurance to those charged with management and governance.

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, the Audit Committee 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. This independence 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.

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:

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 believes 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.
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 Group's 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.
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.
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 Group's 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.
[redacted]		
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 the 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.	The Group's diversified business model means that its exposure to concentrated political risk is mitigated. In respect of Brexit, the most recent significant risk, the Group's UK regulated entities have implemented plans, including making necessary changes to corporate structures.
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 of defence model.

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; and
- 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; and
- 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; and
- 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; and
- 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

16 December 2021

HOWDEN GROUP HOLDINGS 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

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 affairs as at 30 September 2021 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- 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 41.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- performing inquiries with management;
- comparing current year budgets against actual results to assess reasonableness of management budget estimates;
- obtaining and reviewing management's going concern assessment;
- reviewing assumptions used in the forecasts, and performing sensitivity analysis on these;
- assessing liquidity forecasts against loan covenants;
- obtaining information regarding post-balance sheet events to determine their impact on the assessment; and
- obtaining management representations regarding going concern assessment.

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

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

Other information

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

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

We have nothing to report in this regard.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the Group's industry and its control environment, and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements including UK Companies Act (2006), tax legislation ; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. This included the Financial Conduct Authority (FCA).

We discussed among the audit engagement team and relevant internal specialists such as IT, valuations and tax regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements, and we have determined that significant cut-off risk exists specifically within Howden M&A Limited and Howden Insurance Brokers Limited.

The Group earns fees and commissions from its insurance broking activities and there is a fraud risk that brokerage is inappropriately accelerated or deferred between accounting periods.

We have assessed that there is a significant risk of material misstatement relating to revenue recognition which is pinpointed to the cut-off assertion specifically around the year end.

- We have obtained an understanding of the revenue process, including procedures for determining the commission percentages in accordance with policies and binder agreements and the flow of financial information into the general ledger;
- Assessed the design and implementation of controls in the revenue process specifically focusing on the controls that address revenue recognition cut-off;
- Performed cut-off testing around the year-end date by selecting additional samples for revenue recognised in September 2021 and October 2021 to identify any transactions which may have been erroneously recognised as revenue in the incorrect period; and
- Reviewed debits to revenue in the October listing and tested as a separate population to address the 'fraud risk' that transactions may be fictitiously booked in September and reversed out in October.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Financial Conduct Authority.

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 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 Group, or returns adequate for our audit have not been received from branches not visited by us; or
- the Group 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.

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

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.

David Rush, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
London, UK
17 December 2021

Howden Group Holdings

HOWDEN GROUP HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	YEAR END 30 SEPTEMBER 2021 £m	YEAR END 30 SEPTEMBER 2020 £m
Continuing operations			
Fees and commissions	4	**997.7**	746.6
Other operating income	4	**41.5**	19.8
Insurance income	5	**4.6**	-
Other operating costs		**(875.2)**	(643.5)
Insurance expense	6	**(10.3)**	-
Bad debt expense		**(0.8)**	(4.6)
Depreciation and amortisation	7	**(100.2)**	(84.2)
Operating profit		**57.3**	34.1
Gain on bargain purchase		**-**	0.4
Dividend income		**0.6**	0.4
Gain/loss on disposal		**0.2**	0.8
Finance income	8	**55.7**	3.6
Finance costs	8	**(74.1)**	(78.9)
Profit/(loss) before changes in the fair value through profit or loss		**39.7**	(39.6)
Fair value through profit or loss	8	**(33.6)**	5.5
Profit/(loss) before tax for the year		**6.1**	(34.1)
Income tax expense	10	**(27.0)**	(0.7)
Loss after tax from continuing operations		**(20.9)**	(34.8)
Loss after tax		**(20.9)**	(34.8)
Loss attributable to			
Group shareholders		**(37.9)**	(49.5)
Non-controlling interests		**17.0**	14.7
		(20.9)	(34.8)

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

The notes on pages 38 to 112 form an integral part of these consolidated financial statements.

Howden Group Holdings

HOWDEN GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	YEAR END 30 SEPTEMBER 2021 £m	YEAR END 30 SEPTEMBER 2020 £m
Loss for the year	**(20.9)**	(34.8)
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent years		
Revaluation of cash flow hedging instruments, net of tax	**12.2**	(5.8)
Amounts recycled from cash flow hedge reserve to income statement, net of tax	**(1.7)**	1.3
Revaluation of cost of hedging reserve, net of tax	**-**	0.2
Movement on investments held at OCI	**(5.9)**	(1.0)
Translation of foreign operations, net of tax	**18.2**	4.6
Other comprehensive income/ (loss) for the year	**22.8**	(0.7)
Total comprehensive income for the period	**1.9**	(35.5)
Profit/(loss) attribute to:		
Group shareholders	**(14.4)**	(48.4)
Minority interests	**16.3**	12.9
	1.9	(35.5)

Comprehensive income for the year arose from continuing operations only.

HOWDEN GROUP HOLDINGS LIMITED

CONSOLIDATED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2021

	Note	£m	2021 £m	£m	2020 £m
Non-current assets					
Goodwill	12	**991.9**		459.6	
Intangible fixed assets	13	**548.2**		324.1	
Property, plant and equipment	14	**68.0**		60.3	
Right of use assets	15	**112.2**		106.4	
Investments held at fair value	16	**20.7**		18.6	
Investments in associates and joint ventures	17	**4.2**		1.4	
Trade and other receivables	18	**5.1**		10.4	
Deferred tax asset	10	**21.1**		17.9	
			1,771.4		998.7
Current assets					
Cash and cash equivalents	21	**262.7**		282.9	
Insurance cash and cash equivalents	21	**906.1**		711.4	
Insurance investments	28	**112.1**		0.8	
Insurance contract asset	19	**6.4**		-	
Trade and other receivables	18	**375.5**		264.9	
Investments held at fair value	16	**43.1**		39.9	
Cost of fulfilment asset	20	**16.1**		12.7	
Corporation tax recoverable	18	**8.6**		14.4	
Derivative financial instruments	28	**0.2**		-	
			1,730.8		1,327.0
Current payables					
Corporation tax payable	22	**(18.6)**		(8.9)	
Borrowings	24	**(4.1)**		(3.7)	
Lease liabilities	26	**(25.1)**		(15.8)	
Trade and other payables	22	**(1,321.4)**		(943.2)	
Provisions	25	**(46.5)**		(19.6)	
Insurance contract liabilities	27	**(15.2)**		-	
Derivative financial instruments	28	**(85.1)**		(89.0)	
			(1,516.0)		(1,080.2)
Net current assets/(payables)			**214.8**		246.8
Non-current payables					
Borrowings	24	**(1,576.4)**		(1,297.5)	
Lease liabilities	26	**(116.8)**		(114.2)	
Trade and other payables	23	**(32.8)**		(18.0)	
Provisions	25	**(19.9)**		(20.1)	
Deferred tax liabilities	10	**(101.1)**		(51.9)	
Derivative financial instruments	28	**(121.2)**		(83.6)	
			(1,968.2)		(1,585.3)
Total net assets/(payables)			**18.0**		(339.8)
Equity					
Issued share capital	29	**1.1**		0.9	
Share premium		**507.6**		61.7	
Other reserves	31	**(312.8)**		(300.5)	
Retained earnings		**(223.5)**		(160.2)	
Shareholders' equity			**(27.6)**		(398.1)
NCI			**45.6**		58.3
Total equity			**18.0**		(339.8)

HOWDEN GROUP HOLDINGS LIMITED

CONSOLIDATED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2021

The financial statements were approved by the Board of Directors and authorised for issue on 16 December 2021. They were signed on its behalf by:

David Howden
Chief Executive Officer

Mark Craig
Chief Financial Officer

Company number 02937398

Howden Group Holdings

HOWDEN GROUP HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	2021 £m	2020 £m
Cash generated from operations	**374.0**	415.3
Corporation tax payments	**(27.6)**	(26.5)
Interest paid	**(102.7)**	(73.1)
Interest received	**1.2**	2.5
Net cash generated from operating activities	**244.9**	318.2
Cash flows from investing activities		
Purchase of property, plant and equipment and intangibles assets	**(47.6)**	(45.3)
Investment in subsidiaries	**(319.9)**	(23.0)
Acquisition costs	**(16.7)**	(3.2)
Investment in associates and joint ventures	**(1.2)**	(0.4)
Cash on acquisition of subsidiaries	**97.8**	14.3
Issue of loans to employee shareholders	**(6.2)**	(6.8)
Loan asset repayments/(investments)	**-**	4.4
Disposal of loan asset	**-**	2.6
Proceeds from disposal of operations	**0.5**	0.7
Interest received	**-**	0.7
Investments held at fair value through profit and loss	**(13.1)**	(39.0)
Dividend income	**0.6**	-
Net cash used in investing activities	**(305.8)**	(95.0)
Cash flows from financing activities		
Settlement of deferred consideration obligations	**(25.0)**	(3.2)
Proceeds from other borrowings	**-**	9.3
Issue of bank borrowings	**521.5**	200.9
Repayment of bank borrowings	**(554.7)**	(12.5)
Repayment of other borrowings	**(1.2)**	(0.6)
Proceeds from issue of share capital	**415.3**	2.3
Loans granted	**(0.5)**	-
Purchase of own shares - employee share scheme	**(29.7)**	(36.8)
Lease principal repayments	**(12.1)**	(9.8)
Acquisition of non-controlling interests	**(53.1)**	(18.5)
Dividends payable to non-controlling shareholders	**(12.5)**	(15.3)
Proceeds from financing derivatives	**11.8**	-
Net cash generated (used) from financing activities	**259.8**	115.8
Net increase/(decrease) in own cash and cash equivalents	**198.9**	339.0
Foreign exchange on retranslation of cash balances	**(24.3)**	(18.0)
Cash and cash equivalents at 01 October	**994.2**	673.3
Cash and cash equivalents at 30 September	**1,168.8**	994.3

Note 32 has the reconciliation between profit and loss after tax to cash generated from operations. Cash flows for the year arose from continuing operations.

HOWDEN GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2021

2021	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Sub total £m	NCI £m	Total £m
As at 1 October 2020	**0.9**	**61.7**	**(300.5)**	**(160.2)**	**(398.1)**	**58.3**	**(339.8)**
Profit for the year	-	-	-	(37.9)	**(37.9)**	17.0	**(20.9)**
Translation of foreign operations	-	-	18.9	-	**18.9**	(0.7)	**18.2**
Movement in cash flow hedging instruments	-	-	10.5	-	**10.5**	-	**10.5**
Movements on investments held at OCI	-	-	-	(5.9)	**(5.9)**	-	**(5.9)**
Other Comprehensive income for the year	-	-	**29.4**	**(5.9)**	**23.5**	**(0.7)**	**22.8**
Total Comprehensive income for the year	-	-	**29.4**	**(43.8)**	**(14.4)**	**16.3**	**1.9**
Shares issued	0.2	445.9	-	-	**446.1**	-	**446.1**
Share-based payment	-	-	(20.9)	-	**(20.9)**	-	**(20.9)**
Reserves transfer arising on utilisation of share options	-	-	32.1	(29.0)	**3.1**	-	**3.1**
Arising on acquisition and disposals	-	-	(28.6)	9.5	**(19.1)**	(16.8)	**(35.9)**
Dividends paid	-	-	-	-	-	(12.2)	**(12.2)**
Net movement in shares held by Employee Benefit Trust	-	-	(24.3)	-	**(24.3)**	-	**(24.3)**
As at 30 September 2021	**1.1**	**507.6**	**(312.8)**	**(223.5)**	**(27.6)**	**45.6**	**18.0**

HOWDEN GROUP HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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)**
Profit 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)**
Movement 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 arising on utilisation of share 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)**

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 2021, 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 33 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 £1,606.4m (2020: £1,209.8m) gross of debt modification adjustments and transactions costs. This financial covenant in 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 not breached during the year ended 30 September 2021.

Potential impacts of Covid-19 were considered as part of the base forecast scenario to December 2022, 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 2022 and it is forecast to have sufficient cash resources to meet labilities 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. This was done by stress testing the current forecast plan for a period to December 2022 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".

1 Accounting policies continued

(a) Accounting convention continued

Adoption of new International Financial Reporting Standards (Standards)

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.

(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 2021. 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.

(c) 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.

(d) 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.

(e) 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.

(f) 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.

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.

1 Accounting policies continued

(g) 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 HBG 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.

(h) Insurance contracts

The Group issues reinsurance contracts and accepts significant insurance risk from another party by agreeing to compensate that party on the occurrence of a specified uncertain future event. In return, the Group receives reinsurance premiums.

For reinsurance premiums, an estimate of the total premium to be received on the annual binder is recognised at the inception date with this estimate revised during the life of the contract. This total premium is shown gross of any insurance acquisition costs. Premium is earned over the life of the insurance contract based on a pattern relating to the incidence of risk. This pattern can be straight line over the contract life or have more seasonal variability if the risk is more likely to occur during certain time periods of the year. Where premium has been received but not yet earned, this is deferred as an unearned premium liability.

Where premium has been received but the cash is not freely available to use by the Group due to the terms of the insurance contract until there is sufficient greater certainty over the ultimate claims, it is treated as restricted cash.

Insurance acquisition costs are the direct costs incurred to acquire the premium. Where incurred, these are accounted for as deferred insurance acquisition cost assets and expensed as insurance expenses in line with the incidence of risk pattern of the related insurance contract.

1 Accounting policies continued

(h)Insurance contracts continued

An insurance contract liability is created for the best estimate of future claims payments based on claims, either made, or expected to have been incurred but not yet reported, as at the balance sheet date. A corresponding insurance expense is recognised.

As prescribed under IFRS 4 a liability adequacy test is also performed, which involves assessing whether there is any excess of expected claims and deferred acquisition costs over and above unearned premiums at the balance sheet date. Any excess is provided for. This assessment is performed annually. Where the settlement of the insurance contract liability is expected to be in excess of 12 months, this is discounted back to present value.

(i) 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.

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.

(j) 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.

(k) 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.

Implementation costs for cloud based software as a solution ("SaaS") are generally expensed except where it meets the criteria to be recognised as an intangible asset in its own right. Examples of costs capitalised would relate to items such as the development of interfaces between existing software and the cloud based solution and customisation of the source code of the cloud based solution, which only the Group has access to.

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.

1 Accounting policies continued

(k) Intangible assets continued

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.

(l) 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.

(m) 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 Group 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

1 Accounting policies continued

(m) Financial instruments continued

Financial liabilities continued

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 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 Group 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.

(n) 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.

1 Accounting policies continued

(o) 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.

(p) 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.

1 Accounting policies continued

(q) 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.

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.

(r) 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".

(s) 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.

(t) 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.

(u) 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.

(v) 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.

1 Accounting policies continued

(w) 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.

(x) 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.

2 Critical accounting estimates and judgements

The Directors have made judgements and estimates that affects the application of the Group's accounting policies and reported amounts on the carrying amounts of assets, liabilities and income statement for the year ended 30 September 2021.

Critical judgements in applying the Group's policies

(a) Provisions

The Group is involved from time to time in the ordinary course of business in certain claims and legal proceedings relating to the Group's operations, including employee related matters. Judgement is exercised over 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.

(b) Recognition of internally generated assets

Judgement is exercised over when the IAS 38 recognition criteria for internally generated intangible assets have been met, in particular for costs incurred by HX in enhancing the Group's IT capabilities and reporting, as well as implementation costs for cloud based software solutions.

Key Sources of estimation uncertainty

(a) Covid-19 and Brexit

Future forecasts feed into a number of areas such as going concern review, impairment review and valuation of customer relationship and brands arising on acquisition. While the trade agreement between the UK and the EU was agreed in December 2020 and the global economy is re-opening, following various lockdowns around the world in 2020 and 2021, there is still uncertainty over the duration of the pandemic and the long-term impact of the change in the relationship between the UK and EU. Accordingly, these are key sources of estimation uncertainty when forecasting the impact on our clients, general insurance market and economic backdrop. Nevertheless, it should be noted that the Group recorded strong revenue growth for the year ending September 2021, thus reducing the risk of over optimistic forecasts. See sections below for more analysis on (i) fair value of customer relationships and brands on acquisition, (ii) impairment of assets and (iii) contingent consideration and put options.

(b) Fair value on acquisition

Customer relationships and brands are measured at fair value on acquisition with number of key assumptions including forecasts, client retention rate, economic life of the intangible assets and discount rates to use. The Group uses the 12 month hindsight period to reassess whether these assumptions were appropriate or whether further information has emerged over conditions as at acquisition date. Intangible assets recognised on acquisition was £270.2m (2020: £21.3m) during the year (see note 13). A reasonable change to assumptions and estimates used in determining the recognition of assets would have resulted in assets being recognised in the range of £242.5m to £296.3m.

(c) Impairment of assets

In the annual impairment review of goodwill, the recoverable value is determined using board approved forecasts, long-term growth rate beyond the approved forecast period, operating margins, discount rates and trading multiples. Results of the sensitivity analysis are shown in note 12.

(d) Contingent consideration and put options

The carrying value of consideration and put options depend on future performance and therefore reliant on accuracy of forecasts and discount rates to be applied. Arrangements which mature a number of years later, uses long dated forecasts are inherently less likely to be accurate than near term forecasts. As at 30 September 2021, these had a carrying value of £140.7m (2020: £117.4m) and disclosure of sensitivity analysis applied to the carrying value of contingent consideration and put options is in note 28.

(e) Recognition of internally generated assets

Once capitalisation criteria have been made, a key source of estimation uncertainty arises over own staff costs to be capitalised, 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. Estimates of staff costs to capitalise are made by project managers. Internally generated assets of £20.3m (2020: £10.3m) was capitalised during the year and a reasonable change to assumptions and estimated would not have resulted in a material change.

2 Critical accounting estimates and judgements continued

(f) Revenue recognition

A key source of estimation uncertainty is where there are variable consideration arrangements, particularly over constraining it.

In DUAL, there are profit commission arrangements over binders where it will be a number of years until the final profit commission is known. As at 30 September 2021 the profit commission recognised in DUAL for the year was £0.8m (2020: £3.3m). A reasonable change in assumptions as at 30 September 2021 would not have resulted in a material change.

The cost of fulfilment asset is dependent on both estimate of time spent by front office staff as well as lead time for the placement of a policy. A cost of fulfilment asset of £16.1m was recognised as at 30 September 2021 (2020: £10.3m) and a reasonable change of assumptions would not have resulted in a material change.

(g) Insurance accounting

Estimations are made are to the pattern of the peril incident to determine earned premium as well as ultimate cost of claims incurred as at balance sheet date. See note 5 for earned/unearned premium and note 6 for estimated ultimate costs of claims incurred. A reasonable range of claim estimates as at 30 September 2021 was £4.1m to £12.0m with a claims liability of £9.8m recognised.

(h) Provisions

As noted in note 25, a total legal provision of £32.5m (2020: £22.3m) 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 cases scenarios, the amounts claimed by the third parties are in excess of £42m. Timing of resolution of these cases are uncertain.

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.

On 1 October 2020, the Group merged the operations of its UK based insurance brokers, RKH and Howden, along with other intragroup business transfers, and on 31 March 2021 the Group acquired A-Plan Group. The reportable segments for the year ending 30 September 2021 are UK broking, non-UK broking, A-Plan (the aggregation of these three segments gives HBG), DUAL, HX and other. The comparative has been restated.

3 Segmental analysis continued

The divisional analysis has been provided for continuing operations only.

Year to 30 September 2021	UK broking	Non-UK broking	A-Plan	HBG	DUAL	HX	Central	Sub total	Statutory adjustments	Total continuing operations
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fees and commissions	427.8	309.3	87.5	824.6	174.8	1.2	(1.9)	**998.7**	(1.0)	**997.7**
Insurance underwriting income	-	-	-	-	-	-	-	**-**	4.6	**4.6**
Other operating income	7.7	8.9	17.7	34.3	1.6	20.6	(10.4)	**46.1**	(4.6)	**41.5**
Bad debt expense	0.1	(1.0)	-	(0.9)	(0.6)	-	0.7	**(0.8)**	-	**(0.8)**
Insurance expense	-	-	-	-	-	-	-	**-**	(10.3)	**(10.3)**
Other operating costs	(281.0)	(243.9)	(78.4)	(603.3)	(122.3)	(25.2)	(32.0)	**(782.8)**	(83.2)	**(866.0)**
EBITDA	**154.6**	**73.3**	**26.8**	**254.7**	**53.5**	**(3.4)**	**(43.6)**	**261.2**	**(94.5)**	**166.7**
Depreciation and amortisation										**(100.2)**
Intangibles and goodwill impairment										**(9.2)**
Operating profit										**57.3**
Dividend income										**0.6**
Gain on disposal										**0.2**
Finance income										**(18.4)**
Profit before changes in the fair value through profit or loss										**39.7**
Fair value adjustments										**(33.6)**
Profit before taxation										**6.1**
Taxation										**(27.0)**
Loss after taxation										**(20.9)**

HOWDEN GROUP HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

3 Segmental analysis continued

The divisional analysis has been provided for continuing operations only.

Year to 30 September 2020 (restated)	UK broking	Non-UK broking	HBG	DUAL	HX	Central	Sub total	Statutory adjustments	Total continuing operations
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fees and commissions	355.0	266 5	621.5	127.0	-	(0.5)	**748.0**	(1.4)	**746.6**
Other operating income	11 8	2.4	14.2	1.3	13.8	(9.5)	**19.8**	-	**19.8**
Bad debt expense	(2.2)	(0.5)	(2.7)	-	-	(1.9)	**(4.6)**	-	**(4.6)**
Other operating costs	(247.5)	(206 4)	(453.9)	(105.1)	(14.6)	(13.7)	**(587.3)**	(55.1)	**(642.4)**
EBITDA	**117.1**	**62.0**	**179.1**	**23.2**	**(0.8)**	**(25.6)**	**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 adjustments									**5.5**
Loss before taxation									**(34.1)**
Taxation									**(0.7)**
Loss after taxation									**(34.8)**

3 Segmental analysis continued

(b) Geographical segment analysis

No single customer contributed 10% or more to the Group's revenue in either 2021 or 2020.

Fees and commisions	2021 £m	2020 £m
Americas	254.8	215.1
UK	251.7	124.4
Northern Europe	191.4	155.6
Far East	111.0	107.2
Middle East	55.3	46.6
Australasia	43.6	33.0
Southern Europe	60.6	39.8
Eastern Europe	20.8	19.7
Africa	8.5	5.2
Fees and commissions total	**997.7**	746.6

4 Income

	2021 £m	2020 £m
Fees and commissions from placement and claims support services	**997.7**	746.6
Other customer contracts	**40.6**	15.7
Fiduciary income	**0.9**	4.1
Total income	**1,039.2**	766.4

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 £33.4m (2020: £28.8m). The amount of income recognised in the year from performance obligations satisfied in previous periods was £1.3m (2020: £3.3m).

5 Insurance contract income

During the year the Group took on insurance risk for the first time. The Group issued reinsurance to a third party coverholder, which was providing capacity to a retrocessional binder. The coverholder delegated underwriting authority to Tamesis DUAL Limited, a subsidiary to the Group. This arrangement was effected through a protected cell company ("PCC"), controlled by the Group, with collateral of £31.1m for the reinsurance contract. The collateral consisted of cash placed in a trust account of the PCC and is classified as restricted cash.

The premium received from the third party coverholder, gross of acquisition costs, is recognised as insurance income once it is earned based on the pattern of risk incidence.

	2021 £m
Gross written premium	**8.7**
Changes in provision for unearned premiums	**(4.1)**
Total insurance contract income	**4.6**

Of the gross premium written pattern, £8.7m is recognised on a straight line basis as the incident of risk was considered equally likely across all time periods of the insurance contract.

6 Insurance contract expenses

	2021 £m
Claims expenses	**9.6**
Insurance acquisition costs	**0.7**
Total insurance contract expenses	**10.3**

The Group took on insurance risk for the first time during the year therefore only the current year financial information is disclosed.

7 Operating profit

Acquisition cost

The acquisition costs incurred during the year were £11.4m (2020: £7.2m). These relate to professional and other incremental costs directly attributable to business combination and acquisition of minority interests.

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

	2021 £m	2020 £m
Depreciation of property, plant and equipment	**12.4**	9.2
Depreciation of right of use assets	**19.6**	15.7
Amortisation of intangible assets	**68.2**	59.3
Impairment of goodwill, intangible assets and PPE	**9.2**	1.1
	109.4	85.3
Professional fees in relation to the Group's auditors		
Audit services		
- statutory audit of the Company	**0.7**	0.5
- statutory audit of subsidiaries	**2.3**	2.0
- audit-related and other assurance services	**0.1**	0.1
All other services		
- taxation services	**-**	0.1
- corporate finance services	**0.1**	0.3
Short term and low value leases		
- short-term leases	**0.1**	1.9
Foreign exchange loss	**12.2**	6.8

8 Finance costs and income

	2021 £m	2020 £m
Term loan finance costs	**(64.4)**	(56.8)
Other loan interest	**(2.6)**	(3.3)
Impact of financing derivatives	**(11.5)**	(7.8)
Interest on lease liabilities	**(4.8)**	(4.2)
Amortisation of loan arrangement fees and debt modification adjustments	**(17.7)**	(12.1)
Foreign currency gains on financing monetary items	**26.9**	5.3
Total interest expense	**(74.1)**	(78.9)
Bank and other interest received	**2.2**	3.6
Gain on debt modification of bank loans	**53.5**	-
Total interest income	**55.7**	3.6
Deferred and contingent consideration	**(7.3)**	(0.5)
Put options and earn-outs on non-controlling interests	**(2.9)**	(1.3)
Gain on call options	**-**	7.4
Howden share option	**(23.4)**	(0.1)
Change in the fair value through profit or loss	**(33.6)**	5.5

The gain of debt modification relates to favourable debt modifications on the Group's Term Loan during the year and arises over the extension of tenor and the reduction in interest charges. See note 24 for more details.

The gain on call options in the prior year relates to the exercise of call options to acquire 51% of MIRB Holdings Limited ("Matrix"). On initial grant of the options in 2019, these were based on non-observable inputs and while the fair value of the options exceeded the transaction price for the options, this gain is required to be deferred ("day one deferred gain"). The gain can only be recognised when market participants would take into consideration changes, which would impact the value of the options. On exercising the options and paying cash consideration, the Directors are of the view the criteria for recognition of income relating to the day one deferred gain have been made. Subsequent to initial recognition of the options, the changes in fair value of the options are recognised in the income statement. Therefore the amount recognised in the prior year is the net of the day one deferred gain and fair value movement between inception and exercise of the options.

9 Staff costs

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

Average number of employees	2021 Number	2020 Number
Directors and senior management	**510**	560
Insurance professionals	**4,344**	3,056
Administration	**2,640**	2,118
Total average number of employees	**7,494**	5,734

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

Staff costs	2021 £m	2020 £m
Wages and salaries	**528.9**	404.3
Social security costs	**38.1**	29.6
Pension contribution	**23.9**	19.2
Share based payment	**9.1**	7.3
Service obligations	**48.9**	27.9
Total staff costs	**648.9**	488.3

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	2021 £m	2020 £m
Aggregate emoluments	**6.0**	5.0
Aggregate share-based payments	**0.1**	0.1
Total directors' remuneration	**6.1**	5.1

Highest paid director	2021 £m	2020 £m
Salary and benefits	**3.3**	2.6

Number of directors

	2021	2020
Number of directors at 30 September	**13**	10

During the year ended 30 September 2021, no Directors left the Group. The amount paid as compensation for loss of office during the year ended 30 September 2021 was £nil (2020: £nil).

10 Taxation

	2021 £m	2020 £m
Tax expense comprise:		
Corporation tax on profits for the year	**39.2**	19.8
Adjustments in respect of prior period	**0.1**	(2.8)
Total current tax	**39.3**	17.0
Deferred tax		
Originating and reversing temporary differences	**(15.0)**	(15.1)
Change in tax rates	**2.7**	(0.8)
Adjustment in respect of prior period	**-**	(0.4)
Total deferred tax	**(12.3)**	(16.3)
Total tax on ordinary activities	**27.0**	0.7

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

	2021 £m	2020 £m
Profit/(loss) on ordinary activities before tax	**6.1**	(34.1)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19.0% (2020: 19.0%)	**1.2**	(6.5)
Tax effect of:		
Impact of differently taxed profits in overseas locations	**10.1**	1.2
Expenses not deductible for taxation purposes	**22.7**	10.9
Non-taxable gains and income	**-**	(0.2)
Deferred tax rate change	**2.3**	(0.4)
Non-recognition/(recognition) of deferred tax assets on losses	**(8.4)**	1.9
Adjustments in respect of prior periods	**0.1**	(3.6)
Other items	**(1.0)**	(2.6)
Total tax expense recognised in income statement	**27.0**	0.7

The rate of corporation tax in the UK is 19.0% (2020:19%).

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. The Finance Act 2021 enacted legislation to change the UK rate of corporation tax to 25% for periods starting on or after 1 April 2023.

Deferred taxation	2021 £m	2020 £m
Fixed asset timing differences	**3.5**	1.3
Losses carried forward	**5.5**	3.3
Fair value of derivatives	**3.7**	4.2
Other short-term timing differences	**2.0**	7.4
Intangible assets	**(94.7)**	(50.2)
Net deferred tax balance	**(80.0)**	(34.0)

Deferred tax asset		
Balance at beginning of year	**17.9**	12.0
Deferred tax (debit)/credit in profit and loss account	**(2.1)**	4.7
Other comprehensive income movement	**-**	1.5

10 Taxation continued

	2021	2020
Deferred taxation	**£m**	**£m**
Reclassification and other adjustments	**-**	(0.3)
Acquisition of subsidiary	**5.3**	-
Balance at end of year	**21.1**	17.9

	2021	2020
Deferred tax liability		
Balance at beginning of year	**(51.9)**	(58.7)
Deferred tax credit in profit and loss account	**14.4**	11.6
Other comprehensive income movement	**(2.0)**	-
Acquisition of subsidiary	**(61.1)**	(5.2)
Exchange differences	**(0.5)**	0.4
Balance at end of year	**(101.1)**	(51.9)
Net deferred tax liability at end of year	**(80.0)**	(34.0)

The rate of corporation tax in the UK is 19% (2020: 19%).

The recoverability of losses is dependent on there being sufficient future taxable profits. Accordingly no deferred tax asset 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 £17.9m (2020: £64.5m) for offset against future income, subject to certain restrictions.

During the year, the group resolved outstanding queries related to the European Commission's illegal state aid decision against the UK's controlled foreign company rules, and the £0.5m provision has been fully released.

11 Dividends

The Group has paid interim dividends in the year of £nil (2020: £nil). The Group has not declared any further dividends during the year ended 30 September 2021 (2020:£nil).

12 Goodwill

	Positive Goodwill £m	Impairment Losses £m	Total £m
Opening net book value as at 1 October 2020	487.3	(27.7)	**459.6**
Acquisitions (see note 37)	545.2	-	**545.2**
Movements due to foreign currency translation	(13.9)	1.0	**(12.9)**
Closing net book value as at 30 September 2021	**1,018.6**	**(26.7)**	**991.9**
Opening net book value as at 1 October 2019	466.7	(31.3)	**435.4**
Acquisitions (see note 37)	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**

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:

	2021 £m	2020 (restated) £m
A-Plan	**489.3**	-
Howden UK (formerly RKH and UK Retail)	**216.8**	188.7
DUAL Commerical	**47.6**	49.8
IPG	**40.6**	42.5
Howden Sicherheit International	**35.4**	37.4
Matrix	**17.1**	18.0
Howden Spain (formerly Howden Iberia and Compensa)	**14.0**	14.7
Howden Israel	**13.7**	13.7
Howden Mexico	**13.6**	-
Euroassekuranz	**11.2**	11.8
Howden Germany (Hendricks)	**11.0**	11.6
Howden Malaysia	**10.2**	10.7
DUAL UK	**8.4**	8.4
Howden Turkey	**7.7**	9.0
Howden Finland	**7.4**	7.8
Artai	**6.6**	-
Howden Italy	**5.8**	-
DUAL Australia	**5.3**	5.4
Howden Thailand (Maxi)	**4.1**	4.5
Howden Norway	**4.0**	3.8
Howden Singapore	**3.9**	4.1
DUAL IUA	**3.2**	3.2
DUAL Deutschland	**3.1**	3.3
DUAL Italia	**3.1**	3.2
Howden Colombia (Wacolda)	**2.6**	2.7
Howden Poland (Donoria)	**1.5**	1.6
Other	**4.7**	3.7
Total goodwill	**991.9**	459.6

12 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	2021 long-term growth rate	2020 long-term growth rate	2021 pre-tax discount rate	2020 pre-tax discount rate
A-Plan	1%	N/A%	12%	N/A%
Howden UK (formerly RKH and UK Retail)	1-3%	2-3%	10-15%	10-11%
DUAL Commerical	2%	2%	10%	10%
IPG	1-3%	2-3%	11%	17-18%
Howden Sicherheit International	1%	1%	13%	11%
Matrix	1-4%	2-4%	12-19%	11-18%
Howden Spain (formerly Howden Iberia and Compensa)	1-2%	2-3%	15%	10-12%
Howden Israel	1-3%	2-4%	13%	12%
Howden Mexico	2%	2%	17%	14%
Euroassekuranz	1%	1%	13%	11%
Howden Germany (Hendricks)	1%	1%	14%	13%
Howden Malaysia	5%	5%	14%	13%
DUAL UK	1-3%	2-3%	11-13%	10-12%
Howden Turkey	4%	4%	19-20%	18%
Howden Finland	1%	1%	12%	12%
Artai	1-2%	N/A%	15%	N/A%
Howden Italy	1%	N/A%	15%	N/A%
DUAL Australia	2%	3%	14%	13%
Howden Thailand (Maxi)	4%	4%	14%	14%
Howden Norway	2%	2%	13%	12%
Howden Singapore	3%	3%	11%	11%
DUAL IUA	2%	2%	12%	12%
DUAL Deutschland	1-2%	1-2%	12-14%	11-13%
DUAL Italia	1%	1%	15%	15%
Howden Colombia (Wacolda)	4%	4%	15-16%	14-16%
Howden Poland (Donoria)	3%	3%	13%	12%
Other	2-5%	2-5%	10-17%	9-15%

Impairment review

Following the Group's annual impairment review, no impairment was identified.

12 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/GCGUs in the sensitised scenarios. While the sensitised scenarios indicated A Plan, Howden Germany-Euroassekuranz and Artai 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**
2021	**£m**	**£m**	**£m**	**£m**
A-Plan	205.0	70.7	260.4	56.9
Howden Germany - Euroassekuranz	14.4	3.2	16.8	2.9
Artai	8.7	1.3	9.5	3.4

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**
2020	**£m**	**£m**	**£m**	**£m**
Howden UK Retail	97.3	19.3	107.1	8.9
Matrix	8.2	2.4	9.9	9.9
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 for 10% resulting in reduction in recoverable amount by £2.0m and reducing EBITDA multiple from 12 to 11 resulting in reduction in recoverable amount by £1.6m. This would result in impairment charge of £0.7m and £0.5m respectively.

13 Intangible assets

	Patents & Software £m	Customer Relationships and brands £m	Other £m	Total £m
Opening net book value 1 October 2020	**64.2**	**256.7**	**3.2**	**324.1**
Additions	38.6	1.1	-	**39.7**
Acquisitions of a subsidiary (see note 37)	16.3	247.3	6.6	**270.2**
Disposals	(0.7)	(0.1)	-	**(0.8)**
Exchange differences	(1.2)	(6.6)	0.2	**(7.6)**
Amortisation	(13.4)	(54.3)	(0.5)	**(68.2)**
Impairments	(9.2)	-	-	**(9.2)**
Closing net book value as at 30 September 2021	**94.6**	**444.1**	**9.5**	**548.2**
Costs	154.6	687.9	14.3	**856.8**
Accumulated amortisation	(60.0)	(243.8)	(4.8)	**(308.6)**
Closing net book value as at 30 September 2021	**94.6**	**444.1**	**9.5**	**548.2**
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 37)	-	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**

The research and development expenditure recognised as an expense during the year was £3.0m (2020: £2.6m). The amount capitalised during the period was £20.3m (2020: £10.3m).

An impairment charge of £9.2m (2020: £1.1m) was recorded in relation to software following a strategic review, which meant some assets were no longer considered to have any value to the group.

14 Property, Plant and Equipment

	Fixtures, fittings & equipment	Motor vehicles	Leasehold improvements	Total
	£m	£m	£m	£m
Cost				
At 1 October 2020	32.1	2.2	45.5	**79.8**
Additions	5.4	0.8	3.1	**9.3**
Additions through business combinations	4.5	1.0	5.7	**11.2**
Disposals	(0.9)	(0.6)	(0.3)	**(1.8)**
Foreign currency adjustment	(0.5)	(0.2)	(0.2)	**(0.9)**
Balance at 30 September 2021	**40.6**	**3.2**	**53.8**	**97.6**
Depreciation and impairment losses				
At 1 October 2020	(9.3)	(1.1)	(9.1)	**(19.5)**
Disposals	0.8	0.4	0.4	**1.6**
Depreciation	(6.8)	(0.8)	(4.8)	**(12.4)**
Exchange differences - opening amortisation	0.5	0.1	0.1	**0.7**
Balance at 30 September 2021	**(14.8)**	**(1.4)**	**(13.4)**	**(29.6)**
Carrying amount				
At 1 October 2020	**22.8**	**1.1**	**36.4**	**60.3**
At 30 September 2021	**25.8**	**1.8**	**40.4**	**68.0**

	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)**
Foreign exchange movements	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**

As at 30 September 2021 the carrying amount of property, plant and equipment under construction was £nil (2020: £5.4m).

15 Right-of-use assets

	Office buildings	Office and IT equipment	Other	Total
	£m	£m	£m	£m
Net book value				
At 1 October 2020	103.0	1.1	2.3	**106.4**
Additions through business combinations	20.0	0.2	-	**20.2**
Additions	3.5	-	0.7	**4.2**
Depreciation	(17.8)	(0.7)	(1.1)	**(19.6)**
Lease modifications and remeasurement	2.4	-	-	**2.4**
Foreign currency adjustment	(1.0)	(0.1)	(0.3)	**(1.4)**
Balance at 30 September 2021	**110.1**	**0.5**	**1.6**	**112.2**
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

16 Investments held at fair value

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

	2021	2020
	£m	£m
Opening balance	**18.6**	19.6
Additions	**5.1**	-
Fair value changes	**(5.5)**	(1.0)
Investments held at fair value through other comprehensive income	**18.2**	18.6

During the year the Group acquired 11.9% of 2B Angels Extenstion Fund L.P. and further increased its investment in Robin Hood Pro Limited from 9.99% to 10.49%. The Group continues to hold 9.5% in Apollo Group Holdings Limited, 9.6% of Azur Group Holdings Limited, 39.9% of Howden Korea Company Limited, 37.5% of Charterama B.V. and 20% of Soassurancen Danmark A/S. The Group does not have significant influence or control over these investments.

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

	2021	2020
	£m	£m
Investments held at fair value through profit and loss at beginning of the year	-	17.9
Movement due to acquisition	**2.5**	(17.9)
Investments held at fair value through profit and loss	**2.5**	-

Additions during the year relate to loan instruments held at fair value due to forecast cash receipts received under the instruments not being solely of principal and interest. The prior year movement due to acquisition related to a loan asset held at fair value with a third party company. This company was acquired during the year ended 30 September 2020 and therefore became an intragroup balance, which eliminated on consolidation.

16 Investments held at fair value continued

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

	2021 £m	2020 £m
Investment held at fair value through profit and loss at beginning of year	**39.9**	5.8
Additions	**107.4**	38.9
Disposals	**(100.2)**	(0.3)
Movement due to acquisition	**-**	(4.4)
Movements due to foreign exchange	**(4.0)**	(0.1)
Investments held at fair value through profit and loss	**43.1**	39.9

Investments held at fair value relate to investments in money market funds of £43.1m (2020: £39.9m) and loan instruments held at fair value due to forecast cash receipts received under the instruments not being solely of principal and interest for £nil (2020: £nil). For the investments in money market funds, £43.1m (2020: £39.9m) was restricted due to being related to Term Loan incremental raises, which is limited to specific uses only. The prior year movement due to acquisition related to a loan asset held at fair value with a third party company. This company was acquired during the year ended 30 September 2020 and therefore became an intragroup balance, which eliminated on consolidation.

17 Investments in associates and joint ventures

	2021 £m	2020 £m
Investment in associates at beginning of year	**-**	-
Acquisitions	**0.4**	-
Investment in associates	**0.4**	-
Investment in joint ventures at beginning of the year	**1.4**	1.0
Acquisitions	**2.4**	0.4
Investment in joint ventures	**3.8**	1.4
Investments in associates and joint ventures	**4.2**	1.4

The Group continues to hold its interests in Howden Insurance Brokers LLC (joint venture), Kanceleria Brokerska Modern Brokers Spóka Akcjna (associate) and Alpha XO Risk Partners Pty Limited (joint venture). The addition during the year related to new investments in TruRisk Limited (joint venture), Applied Risk Capital LLC (associate) and Parhelion Capital Limited (associate).

18 Trade and other receivables

Current	2021 £m	2020 £m
Insurance receivables	**235.3**	168.5
Other receivables	**73.1**	61.0
Accrued income	**45.5**	22.9
Prepayments	**21.6**	12.5
Corporation tax receivables	**8.6**	14.4
Total current receivables	**384.1**	279.3

Non-current	2021 £m	2020 £m
Other receivables	**2.4**	7.6
Accrued income	**2.7**	2.8
Total non-current receivables	**5.1**	10.4
Total trade and other receivables	**389.2**	416.7

The increase in insurance receivables and accrued income from £194.2m to £283.5m is due to a strong Q4 performance of the Group and impact of M&A. See note 33 for more details on credit risk.

19 Insurance contract assets

	2021 £m
Insurance premium receivables	**5.8**
Deferred acquisition costs	**0.6**
Total insurance contract assets	**6.4**

No bad debt provision has been created for the insurance premium receivables. As at 30 September 2021, £0.5m was three or more months overdue. Deferred acquisition costs are expected to be fully expensed by 30 September 2022.

The Group took on insurance risk for the first time during the year therefore only the current year financial information is disclosed.

20 Cost of fulfilment asset

	2021 £m	2020 £m
Opening	**12.7**	11.2
Amounts capitalised	**16.1**	12.7
Amounts amortised	**(12.4)**	(11.0)
Foreign exchange	**(0.3)**	(0.2)
Total cost of fulfilment asset	**16.1**	12.7

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.

21 Cash and cash equivalents

	2021 £m	2020 £m
Cash at bank and in hand - sterling	**275.6**	221.1
Cash at bank and in hand - other currencies	**893.2**	773.2
	1,168.8	994.3

	2021 £m	2020 £m
Insurance cash and cash equivalents	**906.1**	711.4
Own funds	**262.7**	282.9
	1,168.8	994.3

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.

As at 30 September 2021, the Group's restricted cash balance was £45.1m (2020: £43.9m), which related to:

- £0.1m (2020: £25.6m) of locked account balances relate to incremental Term Loan raises which are restricted to specific uses only
- £34.1m (2020: £nil) of cash balances held in the insurance vehicle as collateral until the earlier of 31 December 2022 or the expiration of the last risk placed by the insurance vehicle once run-off reinsurance has been arranged
- £4.1m (2020: £2.9m) of cash held for regulatory capital purposes
- £6.8m (2020: £15.5m) of cash held for specific M&A or deferred consideration.

22 Trade and other payables less than one year

	2021 £m	2020 £m
Insurance payables	**(978.0)**	(684.4)
Trade and other payables	**(55.3)**	(35.0)
Deferred consideration - business combination	**(19.8)**	(22.3)
Deferred consideration - share buy-backs	**(19.4)**	(13.0)
Accruals	**(184.1)**	(137.1)
Other tax and social security	**(17.9)**	(12.2)
Deferred income	**(46.9)**	(39.2)
	(343.4)	(258.8)
Total trade and other payables less than one year	**(1,321.4)**	(943.2)

	2021 £m	2020 £m
Corporation tax payable	**(18.6)**	(8.9)

23 Trade and other payables due after more than one year

	2021 £m	2020 £m
Trade and other payables	**(9.6)**	(9.5)
Deferred consideration - business combination	**(8.1)**	(0.2)
Deferred consideration - share buy-backs	**(10.6)**	(4.1)
Deferred income	**(4.5)**	(4.2)
	(32.8)	(18.0)

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

24 Borrowings

Current	2021 £m	2020 £m
Bank borrowings	**(0.7)**	*(2.8)*
Other loans and borrowings	**(3.4)**	(0.9)
	(4.1)	(3.7)

Non-current	2021 £m	2020 £m
Bank borrowings	**(1,559.0)**	(1,293.3)
Other loans and borrowings	**(17.4)**	(4.2)
	(1,576.4)	(1,297.5)

	2021 £m	2020 £m
Total borrowings	**(1,580.5)**	(1,301.2)

Bank borrowings

In addition to the Group's Term Loans outstanding as at 30 September 2020, the Group drew down an additional amount of USD 245m and USD 295m in November 2020 and January 2021 respectively and EUR 75m in November 2020. The carrying value of the Term Loan, gross of issuance costs and debt modification adjustments, as at 30 September 2021 was £1,606.4m (2020: £1,209.8m) of which £1,333.9m (2020: £987.6m) related to the USD tranche and £272.5m (2020: £222.2m) related to the EUR tranche. Total issuance costs and debt modification adjustments of £105.4m have been capitalised against the Term Loan balances and are amortised for the period to November 2027, out of which £53.5m is a debt modification gain relating to favourable debt modifications on the Group's Term Loan during the year and arises over the extension of tenor and the reduction in interest charges.

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 3.25% or 3.75% (3.5% prior to February 2021) with a LIBOR floor of 0.75% or 1.00% respectively, depending on tranche. In terms of scheduled repayments, the USD Term Loan is repayable in equal quarterly instalments at approximately 1.00% of the original loan principal per annum with the remaining balance due at final maturity on 12 November 2027, which was extended from 20 December 2024 in February 2021.

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 1.00% of the original loan principal per annum with the remaining balance due at final maturity on 12 November 2027, which was extended from 20 December 2024 in February 2021.

Concurrent with the Term Loan, the Group also has £125.0m of Revolving Credit Facilities ("RCF") maturing on 20 September 2024. 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 facility was extended from 20 December 2022 until September 2024 in November 2020. In August 2021, the Group drew down $56m on this facility. The carrying value of the RCF drawn down as at 30 September 2021 was £41.7m (2020: £125.0m). Issuance costs in respect of the RCF have been capitalised and are expensed over the life of the RCF. These total £1.4m as at 30 September 2021 (2020: £0.5m).

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

24 Borrowings continued

Bank borrowings continued

The Group has a number of bank loans with a carrying value of £16.3m as at 30 September 2021 (2020: £8.3m). In July 2021 the Group has entered into additional syndicated loan amounting to EUR 9.4m with a Spanish bank. The loan was drawn to finance local acquisition and are secured by guarantees over subsidiary's assets. These loans bear interest at a rate of up to 4.0% (2020: 3.0%) and a maturity profile up to July 2027 (2020: up to July 2027). At 30 September 2021, they have a weighted average rate of 3.1% (2020: 3.0%) and a weighted average life of 5.1 years (2020: 6.8 years).

There are a number of smaller bank facilities drawn down totalling £2.2m (2020: £3.0m), of which £nil (2020: £nil) is secured on the net assets of subsidiaries. These incur interest up to 1.82% (2020: 1.82%) with a maturity profile up to April 2025 (2020: April 2025). As at 30 September 2021 these have a weighted average rate of 1.7% (2020: 1.7%) and a weighted average life of 2.9 years (2020: 3.9 years).

Preference shares

With the acquisition of A-Plan, the Group assumed liability of £13.2m related to cumulative preference shares which carry annual cumulative dividend of 6% payable every six months.

Other loans

The Group has a loan from Menorah Mivtachim Insurance Limited with a carrying value of £0.2m as at 30 September 2021 (2020: £0.4m). The loans attract 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 2021 carrying amount was £2.6m (2020: £2.7m).

The Group has a number of other loans with local insurers with a carrying value of £4.8m as at 30 September 2021 (2020: £1.9m). In July 2021 the Group entered into an additional loan amounting to EUR 4.0m for the purposes of financing local acquisitions. These loans bear interest at a rate of up to 3.0% (2020: 3.3%) and a maturity profile up to July 2028 (2020: up to July 2024). At 30 September 2021, they have a weighted average rate of 2.5% (2020: 2.7%) and a weighted average life of 5.6 years (2020: 3.3 years).

See note 41 for changes to bank borrowings occurring after the balance sheet date.

25 Provisions

	Legal proceedings £m	Onerous contract £m	Dilapidations £m	Other provisions £m	Total £m
At 1 October 2020	**22.3**	**0.5**	**13.1**	**3.8**	**39.7**
Expensed to income statement	12.7	3.9	3.5	2.1	**22.2**
Utilised during the period	(1.5)	(0.7)	(0.3)	(0.4)	**(2.9)**
Arising on business combinations	-	-	6.5	1.8	**8.3**
Foreign currency movement	(1.0)	-	-	0.1	**(0.9)**
At 30 September 2021	**32.5**	**3.7**	**22.8**	**7.4**	**66.4**
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

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

	2021 £m	2020 £m
Current	**46.5**	19.6
Non-current	**19.9**	20.1
Total	**66.4**	39.7

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 five years. Reimbursement assets of £8.5m (2020: £10.9m) have been recognised in respect of these legal proceedings.

Onerous contract provisons relate to exit of London offices, and other onerous lease provisions and contracts, which are expected to be utilised within five years.

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

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

The prior year re-classification is a transfer of onerous lease provision from previously classified as dilapidation provision.

26 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 £64.0m (57.0%) of the total right-of-use asset and £88.6m (62.4%) of the total lease liabilities. The lease of One Creechurch Place included rent free periods until the second quarter of the calender year 2021 after which quarterly payments have started and will continue until it matures in December 2032. The increase during the year largely relates to the acquisition of A-Plan Group (see note 37) which had a number of leasing arrangements.

The details of the right-of-use assets are disclosed in note 15, maturity analysis of leases in note 33, charges recorded in operating proft in note 7 and interest expense/income in note 8. 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 2021 in relation to leases was £18.4m, of which £6.3m related to interest expense and £12.1m 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 2021 was £0.6m (2020: £0.9m). The interest income recognised was £nil for the year ended 30 September 2021 (2020: £nil).

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:

Finance leases

£m	Total	2021	2022	2023	2024	2025+
Year ended 30 September 2021	0.6	0	0.3	0.3	-	-
Year ended 30 September 2020	0.9	0.3	0.3	0.3	-	-

27 Insurance contract liabilities

	2021 £m
Claims reported	0.9
Claims incurred but not reported	8.9
Claims liabilities	9.8
Unearned premiums	4.1
Insurance liabilities	1.3
Total insurance contract liabilities	15.2

The movement in insurance liabilities are as follows:

Claims liabilities	2021 £m
As at 1 October 2020	-
Increase in claims	-
- Arising from current year claims	9.6
- Arising from prior year claims	-
Claims paid	-
Foreign currency movements	0.2
As at 30 September 2021	9.8
Reported claims	0.9
Claims incurred but not reported	8.9
As at 30 September 2021	9.8

Deferred unearned premiums	2021 £m
As at 1 October 2020	-
Increase in the year	4.0
Release in the year	-
Foreign currency movements	0.1
As at 30 September 2021	4.1

For claims made, it is anticipated that the amount and timing of claims payments is typically resolved within one year. Deferred unearned premiums as at 30 September 2021 are expected to be fully earned by 30 September 2022.

On performance of the liability adequacy test, no further liability was deemed necessary.

As the group took on insurance risk for the first during the year, the opening contract liability is £nil.

28 Financial instruments

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

30 September 2021	Amortisation Cost £m	Fair value through OCI £m	Fair value through profit or loss £m	Carrying value £m	Fair value £m
Trade and other receivables	123.7	-	-	123.7	123.7
Insurance receivables	235.3	-	-	235.3	235.3
Investments held at fair value (non-current)	-	18.2	2.5	20.7	20.7
Investments held at fair value through profit and loss (current)	-	-	43.1	43.1	43.1
Cash and cash equivalents (including overdraft)	262.7	-	-	262.7	262.7
Insurance investments	-	-	112.1	112.1	112.1
Insurance contract assets	5.8	-	-	5.8	5.8
Insurance cash and cash equivalents	906.1	-	-	906.1	906.1
Insurance payables	(978.0)	-	-	(978.0)	(978.0)
Trade and other payables	(324.8)	-	-	(324.8)	(324.8)
Insurance contract liabilities	(11.1)	-	-	(11.1)	(11.1)
Lease liabilities (current)	(25.1)	-	-	(25.1)	(25.1)
Lease liabilities (non-current)	(116.8)	-	-	(116.8)	(116.8)
Short-term borrowings	(4.1)	-	-	(4.1)	(21.8)
Long-term borrowings	(1,576.4)	-	-	(1,576.4)	(1,662.7)
Derivative financial instruments					
Interest rate swaps and caps	-	-	(18.2)	(18.2)	(18.2)
Future payments to minority interests due in less than one year	-	-	(62.1)	(62.1)	(62.1)
Future payments to minority interests due in more than one year	-	-	(78.6)	(78.6)	(78.6)
Howden share option	-	-	(47.4)	(47.4)	(47.4)
	(1,502.7)	**18.2**	**(48.6)**	**(1,533.1)**	**(1,637.1)**

28 Financial instruments continued

30 September 2020	Amortisation Cost £m	Fair value through OCI £m	Fair value through profit or loss £m	Carrying value £m	Fair value £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)	(1,325.5)
Derivative financial instruments					
Interest rate swaps and caps	-	-	(31.2)	(31.2)	(31.2)
Future payments to minority interests due in less than one year	-	-	(70.4)	(70.4)	(70.4)
Future payments to minority interests due in more than one 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)**	**(1,243.9)**

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 £140.7m (2020: £117.4m).

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:

Current	2021 £m	2020 £m
Minority put option liability	**(33.3)**	(54.6)
Howden share option liability	**(14.1)**	(7.1)
Contingent consideration	**(28.8)**	(15.8)
	(76.2)	**(77.5)**

Non-current	2021 £m	2020 £m
Minority put option liability	**(70.4)**	(41.0)
Howden share option liability	**(33.3)**	(16.9)
Contingent consideration	**(8.2)**	(6.0)
	(111.9)	**(63.9)**

28 Financial instruments continued

Financial liability on payments to minority interests and contingent consideration continued

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.

30 September 2021	Level 1 £m	Level 2 £m	Level 3 £m
Insurance investments	112.1	-	-
Investments held at fair value through profit and loss	43.1	-	2.5
Investments held at fair value through other comprehensive income	-	-	18.2
Derivative financial instruments			
Interest rate swaps and caps	-	(18.2)	-
Future payments to minority interests	-	-	(140.7)
Howden share option	-	-	(47.4)
	155.2	**(18.2)**	**(167.4)**

30 September 2020	Level 1 £m	Level 2 £m	Level 3 £m
Insurance investments	0.8	-	-
Investments held at fair value through profit and loss	39.9	-	-
Investments held at fair value through other comprehensive income	-	-	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)

Reconciliation of movements in Level 3 financial instruments

	Contingent considerations £m	Minority put option liability £m	Howden share option £m	Total £m
Balance at 1 October 2020	(21.8)	(95.6)	(24.0)	**(141.4)**
Gains and losses recognised in Income statement	(14.7)	(39.9)	(23.4)	**(78.0)**
Gain and losses recognised in statement of financial position	0.4	-	-	**0.4**
Acquisitions	(10.2)	(28.6)	-	**(38.8)**
Transfers	(11.0)	11.1	-	**0.1**
Transfers to equity	-	3.0	-	**3.0**

28 Financial instruments continued

Reconciliation of movements in Level 3 financial instruments continued

	Contingent considerations £m	Minority put option liability £m	Howden share option £m	Total £m
Adjustments due to foreign exchange	(0.1)	0.1	-	-
Settled during the year	20.4	46.2	-	**66.6**
Balance at 30 September 2021	**(37.0)**	**(103.7)**	**(47.4)**	**(188.1)**

	Contingent considerations £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)**

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 £126.1m to £154.8m (2020: £105.6m to £129.1m). 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 £42.7m to £52.1m as at 30 September 2021 (2020: £21.6m to £26.4m). 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 nonquoted 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

29 Share capital

	Allotted and called up	
	Number	
2021	'000	£m
Classified as equity		
A ordinary shares of £0.01	**108,505**	**1.1**
D ordinary shares of £0.00001	**55,843**	**-**
E ordinary shares of £0.00001	**11,996**	**-**
F ordinary shares of £0.00001	**3,150**	**-**
Deferred shares of £0.00001	**4,935**	**-**
	184,429	**1.1**

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

During the year ended 30 September 2021, 20,199,384 "A" shares, 25,962,301 "D" shares and 2,030,114 "E" shares were issued by the Company. During the year ended 30 September 2021, 482,709 "A1" shares, 291,304 "A2" shares, 12,724,337 "D" shares and 300,000 "E" shares were redesignated into 2,726,690 "A" shares and 4,934,588 Deferred shares.

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 redesignated into 5,501,115 "A" shares and 3,600,571 Deferred shares.

During the year £2.1m of transaction costs were capitalised (2020: £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

29 Share capital continued

Return on capital continued

"D" shares are divided into a number of designations. D18-49 (2021: nil, 2020: 12,724,337), D50-88 (2021: 29,888,570, 2020: 29,880,237) and D89-122 (2021: 25,953,968, 2020: nil). 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 £8.50 (D18-49), $23 (D50-53, 59), $28 (D54-58,60-88), £32 (D89-90, 112-115, 118, 121-122) or £30 (D91-111, 116-117, 119-120) 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 (2021: nil, 2020: 300,000), E2 (2021: 1,915,000, 2020: 1,915,000), E4 (2021: 100,000, 2020: 100,000), E5 (2021: 6,050,000, 2020: 6,050,000), E6 (2021: 1,901,374, 2020: 1,901,374), E7 (2021: 1,777,301, 2020: nil) and E8 (2021: 252,813, 2020: 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), $28 (E6) or £30 (E7 and E8) 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 service conditions attached with an impact to current year or prior year income statement:

Transaction	Year of transaction	Fair value of shares £m	Minimum guaranteed return £m	Maximum charge to income statement £m
A-Plan	2021	17.4	-	17.4
St Giles	2021	0.2	-	0.2
DUAL Commercial	2017	1.5	0.1	1.4

29 Share capital continued

Shares held in trust

The Company has an Employee Benefit Trust ("EBT") which through its subsidiary Howden 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 2021, HEJH held the following shares: 680,103 "A" (2020: 366,503), 5,593,385 "D" (2020: 2,461,206), 840,000 "E" ordinary (2020: 50,000) and 4,934,588 Deferred shares (2020: nil).

30 Share-based compensation plans

During the year ended 30 September 2021 a total charge of £9.1m (2020: £7.3m) was recognised in respect of share-based compensation plans. The value of liabilities arising from share-based payments as at 30 September 2021 was £nil (2020: £1.3m). A summary of the most significant share based compensation plans are as follows:

Ordinary shares awarded

During the year nil "A" ordinary shares (2020: 333,886 "A" shares) were awarded to employees where the Group providing the funding wholly or partially. During the year, the Howden Group Foundation purchased 1,066,596 Howden "D" and "E" shares at nominal value (2020: a cash donation was made to allow the Howden Group Foundation 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 £1.5m (2020: £2.9m).

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
F1	November 2018	26.8%	nil%	2.0%	Variable	13.39	17.54	3.46

30 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 / £
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 2020	21.7%	nil%	(0.1)%	54	15.68	21.99	0.68
D58	July 2020	19.8%	nil%	nil%	90	15.68	21.99	0.90
D73, 77-79, 81-84	July 2020	23.0%	nil%	(0.1)%	42	15.68	21.99	0.59
D74	July 2020	19.6%	nil%	0.1%	102	15.68	21.99	0.96
E6 (T1)	July 2020	21.7%	nil%	(0.1)%	54	15.68	21.99	0.56
D80, 86-88	August 2020	23.2%	nil%	(0.1)%	42	15.68	21.47	0.65
D85	August 2020	21.6%	nil%	(0.1)%	54	15.68	21.47	0.74
E6 (T2)	August 2020	21.6%	nil%	(0.1)%	53	15.68	21.47	0.62
D91, D93, D98	June 2021	24.6%	nil%	0.2%	43	21.96	30.00	1.04
D95-96, D98-111, D116-117, D119-120	June 2021	24.9%	nil%	0.3%	43	21.96	30.00	1.04
D90	June 2021	19.8%	nil%	0.7%	115	21.96	32.00	1.31
D94	June 2021	20.1%	nil%	0.8%	115	21.96	30.00	1.56
D92	June 2021	21.0%	nil%	0.6%	79	21.96	30.00	1.31
D112-114	June 2021	22.6%	nil%	0.3%	55	21.96	32.00	0.88
D89, D114, D118	June 2021	22.7%	nil%	0.3%	55	21.96	32.00	0.89
D115, D121, D122	July 2021	22.7%	nil%	0.3%	54	21.96	32.00	0.89
D97	July 2021	24.9%	nil%	0.3%	42	21.96	30.00	1 04
E7 (T1)	June 2021	22.6%	nil%	0.3%	55	21.96	30.00	1.32
E7 (T2)	July 2021	22.7%	nil%	0.3%	54	21.96	30.00	1.30
E8	July 2021	22.7%	nil%	0.3%	55	21.96	30.00	1.30

30 Share-based compensation plans continued

Ordinary shares awarded continued

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:

Award	Hurdle	Cap	Vesting hurdle (25% vesting unless stated)	Vesting hurdle (50% vesting unless stated)	Vesting hurdle (75% vesting unless stated)	Vesting hurdle (87.5% vesting unless stated)	Vesting hurdle (100% vesting unless stated)
D1-17	£7.50	£14.00	N/A	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	N/A
E1	£7.50	N/A	£9.00	£10.00	£11.00	N/A	£12.00
E2	£8.50	N/A	$15.00	$17.00	$19.00	N/A	$21.00
E3	£9.50	N/A	$15.00	$16.00	$17.00	N/A	N/A
E4	£9.50	N/A	$15.00	$17.00	$19.00	N/A	$21.00
E5	$23.00	N/A	$28.00	$32.00	$36.00	N/A	$40.00
F1	$23.00	N/A	$28.00	$32.00	$36.00	N/A	$40.00
D50-53, D59	$23.00	$35.00	N/A	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	N/A
E6	$28.00	N/A	$33.00	$37.00	$41.00	N/A	$45.00
E7	£30.00	N/A	£35.00	N/A	£40.00	£45.00	£50.00
E8	£30.00	N/A	£35.00	N/A	£40.00	£45.00	£50.00
D89-90, D112-115, D118, D121-122	£32.00	£42.00	N/A	N/A	N/A	N/A	N/A
D91-111, D116-117, D119-120	£30.00	£40.00	N/A	N/A	N/A	N/A	N/A

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 occurence of certain events and as at 30 September 2021 do not believe any of these events are probable in the near future.

30 Share-based compensation plans continued

Ordinary shares awarded continued

A summary of the movement of awards for the year ended 30 September 2021 is as follows:

Award	Grant date	Fair value per option / £	Options outstanding 1 October 2020	Granted / adjustments	Lapsed	Exercised	Options outstanding 30 September 2021
D1-17	December 2015 - January 2016	0.39	nil	nil	nil	nil	nil
E1	December 2015 - January 2016	0.51	300,000	nil	nil	(300,000)	nil
D20-22, 27, 43-44	February - April 2017	0.14	nil	nil	nil	nil	nil
D23-26, 28-30, 33, 35-37	February - April 2017	0.22	8,136,151	nil	(2,541,774)	(5,594,377)	nil
D18	February - April 2017	0.28	nil	nil	nil	nil	nil
D32, 42, 45-49	June 2017	0.21	1,876,526	nil	(697,042)	(1,179,484)	nil
E2	March 2017	0.07	1,915,000	nil	nil	(190,000)	1,725,000
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	(67,481)	(44,988)	nil
E4 (T2)	October 2017	0.41	50,000	nil	nil	nil	50,000
D31	November 2017	0.83	720,706	nil	(122,520)	(598,186)	nil
D41	November 2017	0.81	394,740	nil	nil	(394,740)	nil
E5 (T1)	November 2018	0.33	4,935,000	nil	nil	(600,000)	4,335,000
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	(325,000)	nil
E5 (T3)	May 2019	0.16	150,000	nil	nil	nil	150,000
D52	May 2019	0.65	718,695	nil	nil	nil	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	305,149	nil	nil	(102,966)	202,183
D55	November 2019	0.74	76,833	nil	nil	nil	76,833
D56, D60, D62-68	November 2019	0.18	9,474,040	nil	(336,917)	(3,341,615)	5,795,508
D70	November 2019	1.05	nil	nil	nil	nil	nil
D71	November 2019	0.52	425,818	nil	nil	nil	425,818
D72	November 2019	1.31	3,009	nil	nil	nil	3,009
D57	July 2020	0.68	188,630	nil	nil	nil	188,630
D58	July 2020	0.90	16,739	nil	nil	nil	16,739
D73, 77-79, 81-84	July 2020	0.59	4,404,917	nil	(27,249)	(290,472)	4,087,196
D74	July 2020	0.96	38,999	nil	(193)	(1,131)	37,675
E6 (T1)	July 2020	0.56	1,697,097	nil	nil	nil	1,697,097
D80, 86-88	August 2020	0.65	7,295,054	nil	(191,646)	nil	7,103,408
D85	August 2020	0.74	2,435,672	nil	nil	nil	2,435,672
E6 (T2)	August 2020	0.62	150,000	nil	nil	nil	150,000

30 Share-based compensation plans continued

Ordinary shares awarded continued

Award	Grant date	Fair value per option / £	Options outstanding 1 October 2020	Granted / adjustments	Lapsed	Exercised	Options outstanding 30 September 2021
E7 (T1)	June 2021	1.30	nil	51,874	nil	nil	51,874
D89	June 2021	0.89	nil	572,660	nil	nil	572,660
D90	June 2021	1.31	nil	32,132	nil	nil	31,132
D95	June 2021	1.04	nil	607,638	nil	nil	607,638
D98	June 2021	1.04	nil	50,000	nil	nil	50,000
D99	June 2021	1.04	nil	1,864,312	nil	nil	1,864,312
D100	June 2021	1.04	nil	510,150	nil	nil	510,150
D101	June 2021	1.04	nil	404,150	nil	nil	404,150
D102	June 2021	1.04	nil	673,538	nil	nil	673,538
D103	June 2021	1.04	nil	929,250	nil	nil	929,250
D104	June 2021	1.04	nil	764,500	nil	nil	764,500
D105	June 2021	1.04	nil	707,425	nil	nil	707,425
D106	June 2021	1.04	nil	154,450	nil	nil	154,450
D107	June 2021	1.04	nil	175,000	nil	nil	175,000
D108	June 2021	1.04	nil	628,425	nil	nil	628,425
D109	June 2021	1.04	nil	406,500	nil	nil	406,500
D111	June 2021	1.04	nil	2,347,019	nil	nil	2,347,019
D114	June 2021	0.89	nil	140,000	nil	nil	140,000
D119	June 2021	1.04	nil	132,575	nil	nil	132,575
E8	June 2021	1.30	nil	245,000	nil	nil	245,000
D96	June 2021	1.04	nil	344,773	nil	nil	344,773
D110	June 2021	1.04	nil	1,356,888	(35,565)	nil	1,321,323
D116	June 2021	1.04	nil	292,053	nil	nil	292,053
D117	June 2021	1.04	nil	700,871	nil	nil	700,871
D118	June 2021	0.89	nil	198,550	nil	nil	198,550
D120	June 2021	1.04	nil	265,793	nil	nil	265,793
E7 (T2)	July 2021	1.30	nil	795,927	nil	nil	795,927
D115	July 2021	0.89	nil	3,823,375	nil	nil	3,823,375
D122	July 2021	0.89	nil	2,131,637	nil	nil	2,131,637
D97	July 2021	1.04	nil	1,160,270	nil	nil	1,160,270
D121	July 2021	0.89	nil	168,348	nil	nil	168,348
E7 (T3)	June 2021	1.32	nil	870,371	nil	nil	870,371
D91	June 2021	1.04	nil	31,871	nil	nil	31,871
D92	June 2021	1.31	nil	2,338	nil	nil	2,338
D93	June 2021	1.04	nil	55,462	nil	nil	55,462
D94	June 2021	1.56	nil	334	nil	nil	334
D98	June 2021	1.04	nil	574,875	nil	nil	574,875
D112	June 2021	0.88	nil	1,231,200	nil	nil	1,231,200
D113	June 2021	0.88	nil	824,387	nil	nil	824,387
D114	June 2021	0.88	nil	691,565	nil	nil	691,565

30 Share-based compensation plans continued

Ordinary shares awarded continued

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	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
D52	May 2019	0.65	739,528	nil	nil	nil	739,528
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

30 Share-based compensation plans continued

Ordinary shares awarded continued

A charge of £5.6m (2020: £2.4m) was recorded for the year ended 30 September 2021.

During the year, certain subsidiaries of the A-Plan Group awarded incentive shares to employees. Due to the conversion nature of these shares into Howden Group "A" ordinary shares, these 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. The fair value of an award for each scheme is dependent on the growth above specific hurdle amounts linked to the acquisition price of A-Plan Group. 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	Fair value per option / £	Options outstanding 1 October 2020	Granted / adjustments	Lapsed	Exercised	Options outstanding 1 October 2021
APH (1)	March 2021	7.50	nil	1,078,197	nil	nil	1,078,197
APH (2)	May 2021	7.54	nil	348,205	nil	nil	348,205
APH (3)	September 2021	7.54	nil	60,480	nil	nil	60,480
Endsleigh	June 2021	2.23	nil	15,000	nil	nil	15,000
KGM	June 2021	1.83	nil	191,734	nil	nil	191,734
Ingenie	June 2021	0.57	nil	95,667	nil	nil	95,667
Vast	August 2021	4.04	nil	80,000	nil	nil	80,000

A charge of £0.8m (2020: £nil) was recorded for the year ended 30 September 2021.

Recycled awards

During the year ended 30 September 2019, 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

30 Share-based compensation plans continued

A summary of the movement of awards for the year ended 30 September 2021 is as follows:

Award	Grant date	Fair value per option / £	Options outstanding 1 October 2020	Granted / adjustments	Lapsed	Exercised	Options outstanding 30 September 2021
D23	October 2018	3.86	253,402	nil	nil	(253,402)	nil
D15	October 2018	4.63	nil	nil	nil	nil	nil
D6	February 2019	4.56	nil	nil	nil	nil	nil
D7	February 2019	4.56	nil	nil	nil	nil	nil
D31	February 2019	3.60	113,216	nil	nil	(113,216)	nil
D25	April 2019	3.80	268,480	nil	nil	(268,480)	nil

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
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

A charge of £1.1m (2020: £1.9m) as recorded for the year ended 30 September 2021.

31 Other reserves

2021	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 2020	**0.2**	**0.3**	**15.7**	**(120.7)**	**(81.9)**	**(26.2)**	**(1.3)**	**(0.2)**	**(86.4)**	**(300.5)**
Reserves transfer arising on utilisation of options	-	-	-	-	-	-	-	-	32.1	**32.1**
Net foreign exchange adjustments	-	-	-	-	18.9	-	-	-	-	**18.9**
Arising on acquisitions and disposals	-	-	-	-	-	-	-	-	(28.6)	**(28.6)**
Net movement in shares held by Employee Benefit Trust	-	-	-	(24.3)	-	-	-	-	-	**(24.3)**
Movement in cash flow hedge	-	-	-	-	-	10.5	-	-	-	**10.5**
Share-based payment	-	-	(5.6)	-	-	-	(15.3)	-	-	**(20.9)**
As at 30 September 2021	**0.2**	**0.3**	**10.1**	**(145.0)**	**(63.0)**	**(15.7)**	**(16.6)**	**(0.2)**	**(82.9)**	**(312.8)**

31 Other reserves continued

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 Total other reservesm	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	-	-	-	-	-	-	-	-	52.2	**52.2**
Arising on put option over Company's shares	-	-	-	-	-	-	-	-	(16.9)	**(16.9)**
Net foreign exchange adjustments	-	-	-	-	6.4	-	-	-	-	**6.4**
Arising on acquisitions and disposals	-	-	-	-	-	-	-	-	(4.8)	**(4.8)**
Net movement in shares held by Employee Benefit Trust	-	-	-	(18.7)	-	-	-	-	-	**(18.7)**
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)**

31 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 33), 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 28). 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 2021 was £29.0m (2020: £24.3m). An amount of £2.1m (2020: £27.9m) was transferred from put option liabilities direct to equity.

Share acquisition reserve

The acquisition share reserve arises when Howden 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 29). 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).

32 Cash from operations

	2021 £m	2020 £m
Loss after tax	**(20.9)**	(34.8)
Income tax expense	**27.0**	0.7
Fair value through profit and loss	**33.6**	(5.5)
Movement due to foreign exchange	**15.0**	11.6
Acquisition cost	**11.4**	7.2
Gain on bargain purchase	**-**	(0.4)
Net finance costs	**18.4**	75.3
Depreciation and amortisation	**100.2**	84.2
Share based payments	**9.1**	7.3
Goodwill and intangible assets impairment	**9.2**	1.1
Employee services post business combination	**48.9**	27.9
Gain on sale of subsidiaries and other non-current assets	**(0.2)**	0.8
(Increase)/decrease in non-current trade and other receivables	**5.4**	(5.5)
(Increase)/decrease in insurance investments	**(111.3)**	179.7
(Increase)/decrease in insurance receivables	**(66.8)**	(2.3)
(Increase)/decrease in current other receivables, accrued income and prepayments	**(13.6)**	(20.9)
(Increase)/decrease in current investments held at fair value	**-**	0.4
(Increase)/decrease in cost of fulfilment asset	**(3.4)**	(1.7)
Increase/(decrease) in insurance payables	**232.2**	48.8
Increase/(decrease) in current trade and other payables	**45.1**	21.5
Increase/(decrease) in deferred income	**7.3**	6.7
Increase/(decrease) in non-current trade and other payables	**0.1**	(0.7)
Increase/(decrease) in provisions	**18.5**	13.9
Increase/(decrease) in insurance underwriting balance	**8.8**	-
Cash generated from operations	**374.0**	415.3

33 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 clients.

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 including the impact of Covid-19, given the majority of the other receivables are due within 12 months.

Ageing information of insurance receivables are as set out below :

	Not past due	0-3 months	More than 3 months	Total
At 30 September 2021	**£m**	**£m**	**£m**	**£m**
Insurance receivables and accrued income	199.4	63.1	20.9	**283.5**

	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**

The total bad debt provision on insurance receivables was £12.4m (2020: £7.3m). The increase is predominantly driven from net additional recognition of provision following recoverability review.

The bad debt expense recognised in respect of insurance and trade receivables was £0.8m for the year ended 30 September 2021 (2020: £4.6m).

33 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 with agreed repayment periods. The table includes the principal cash flows only. The contractual maturity is based on the earliest date on which the Group may be required to pay.

At 30 September 2021	Less then 1 year £m	1-5 years £m	5+ years £m	Total £m
Bank borrowings	(86.7)	(385.8)	(1,597.1)	**(2,069.6)**
IFRS 16 lease liabilities	(24.3)	(75.5)	(72.2)	**(172.0)**
Other loans and borrowings	(4.4)	(17.1)	(3.3)	**(24.8)**
	(115.4)	**(478.4)**	**(1,672.6)**	**(2,266.4)**

At 30 September 2020	Less than 1 year £m	1-5 years £m	5+ years £m	Total £m
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 and borrowings	(1.1)	(4.4)	-	**(5.5)**
	(87.4)	**(1,570.7)**	**(76.5)**	**(1,734.6)**

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(m) financial liabilities, which impact classification of the liabilities as current or noncurrent).

Note 39 sets out the estimated cash flow if these future payments to NCI, a significant portion of which are put options, were all settled

At 30 September 2021	Less then 1 year £m	1-5 years £m	5+ years £m	Total £m
Interest rate swaps and caps	(8.9)	(9.3)	-	**(18.2)**
Future payments to NCI	(44.8)	(152.3)	(36.4)	**(233.5)**
Howden share put option	(14.1)	(33.3)	-	**(47.4)**
	(67.8)	**(194.9)**	**(36.4)**	**(299.1)**

At 30 September 2020	Less than 1 year £m	1-5 years £m	5+ years £m	Total £m
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)**

Interest rate risk

The Group's exposure to interest rate risk is on the interest payable on the Company'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.

33 Financial risk management continued

Interest rate risk continued

The exposure for the Group, at 30 September 2021, 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 re-set; and
- Fixed interest rates (i.e. giving fair value interest rate risk) when the financial instrument is due for repayment.

At 30 September 2021	Fixed rate £m	Floating rate £m	Total £m
Financial assets			
Cash and cash equivalents	-	262.7	**262.7**
Insurance cash and cash equivalents	-	906.1	**906.1**
Insurance investments	-	112.1	**112.1**
Investments at fair value through profit and loss	2.5	43.1	**45.6**
Total financial assets	**2.5**	**1,324.0**	**1,326.5**
Financial liabilities			
Bank borrowings	(18.5)	(1,541.2)	**(1,559.7)**
Lease liabilities	(141.9)	-	**(141.9)**
Other loans	(20.8)	-	**(20.8)**
Total financial liabilities	**(181.2)**	**(1,541.2)**	**(1,722.4)**

At 30 September 2020	Fixed rate £m	Floating rate £m	Total £m
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)**

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 24). 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 55% (2020: 77%) of the notional of the Term Loans are hedged for Period to April 2022 and a weighted average of 36% (2020: 50%) of the notional of the Term Loans are hedged for the period to December 2024. This further decreases to a weighted average of 18% (2020: n/a) of the notional of the Term Loans hedged for the remaining period to November 2027.

33 Financial risk management continued

Interest rate risk continued

As at 30 September 2021

	Fair value / £m	Duration	Notional	Fixed leg
LIBOR swaps (no floor)	(7.4)	Up to Dec 2024	100.0 - 483.2	1.89% - 2.76%
LIBOR swaps (floor)	(7.9)	Up to Dec 2024	116.7 - 197.6	2.94% - 3.26%
EURIBOR swaps (no floor)	(0.4)	Up to Dec 2024	18.0 - 40.6	0.92% - 1.67%
EURIBOR swaps (floor)	(2.4)	Up to Dec 2024	47.6 - 69.2	0.19% - 0.21%
EURIBOR caps	(0.2)	Up to Apr 2022	107.8 - 108.5	0.00%

The total fair value of the swaps and caps was £18.2m as at 30 September 2021, of which £9.3m was recorded in non-current derivative financial instrument liabilities and £8.9m was recorded in current derivative financial instrument liabilities.

As at 30 September 2020

	Fair value / £m	Duration	Notional	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.

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.

In the current year the interest floor on a USD tranche of the Term Loan repricing from 1.00% to 0.75%. Interest rate swaps with an interest rate floor of 1% had been used as hedging instruments to eliminate interest rate risk. However as there is now a corridor between 0.75% to 1.0% where there is interest rate risk, management is of the view that this no longer meets the risk objective and therefore the hedge was terminated. In the prior 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 2021, a gain of £2.3m (2020: loss of £13.2m) excluding tax was recognised in other comprehensive income. A total of £11.1m loss (2020: £7.6m) was recycled from equity to profit and loss. A total loss of £0.6m (2020: loss of £0.2m) 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 2021 or 30 September 2020.

Group Treasury overseas Howden's IBOR transition alongside divisions who are responsible for transitioning the exposures in their own reporting structures. The transition project is ongoing and managed in phases with Group Treasury providing updates to senior management committees periodically. The first phase focuses on benchmark rates coming to an end on 31 December 2021 and Howden's main sterling LIBOR exposure is in the Revolving Credit Facility (RCF) and sterling intercompany loans. No material exposures have been identified in contracts with suppliers. Howden updated the reference rate for the sterling RCF facility when it refinanced in early October 2021. Intercompany loans are being reviewed and will be transitioned before 31 December 2021. In phase two, Treasury will focus on Howden's main US dollar LIBOR exposure which are the US dollar LIBOR term loan debt and the derivative portfolio.

33 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 2021, 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 2021 the following forwards had not yet expired:

	Fair value / £m	Duration	Notional	Forward rate
USD forwards	0.1	Up to Nov 2021	$12.5m	1.324 - 1.327

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 2021, a gain of £1.5m (2020: £0.6m) was recognised in other comprehensive income. A total gain of £1.5m (2020:£0.6m) was recycled from equity to profit and loss. A total gain of £0.2m (2020: £0.1m) was recognised in operating costs for changes in fair value of swaps after the revenue had been recognised.

In addition, the Group designated a €102.1m (2020: €102.1m) portion of the EUR Term Loan and a $210.1m (2020: $176.7m) portion of the USD Term loan as hedging insruments 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 changes and net effect on other comprehensive income in the year ended 30 September 2021 was a gain of £9.9m (2020: £0.8m).

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

At 30 September 2021	USD £m	EUR £m
Net (liabilities)/assets	287.5	(284.9)
Revenue	320.9	67.3
Expenses	(25.3)	(14.8)

At 30 September 2020	USD £m	EUR £m
Net assets/(liabilities)	253.3	(158.1)
Revenue	243.2	40.4
Expenses	(13.6)	(8.9)

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

33 Financial risk management continued

At 30 September 2021	USD £m	EUR £m
Net (liabilities)/assets	23.8	(27.4)
Revenue	26.6	6.5
Expenses	(2.1)	(1.4)

At 30 September 2020	USD £m	EUR £m
Net assets/(liabilities)	21.9	(16.0)
Revenue	21.0	4.1
Expenses	(1.2)	(0.9)

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 2021 the Group has the following outstanding balances of senior secured loan: $1,790.0m (2020: $1,268.4m) and €315.0m (2020: €243.2m). The Group also drew down $56.0m of the RCF (2020: £125.0m) to aid short term working capital requiements.

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 2022. 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.

Insurance risk

The three key components of insurance risk are underwriting, reinsurance and reserving.

Underwriting

Poor claims experience could lead to larger losses than anticipated. The reinsurance issued to a third party coverholder providing capacity to a retrocessional binder, with the coverholder delegating underwriting authority to a subsidiary of the Group. The retro binder covers a range of risks, where there are detailed historical records over claims albeit there is no certainty the claims pattern will repeat for the future. This detailed dataset, allied with a subsidiary of the Group having delegating underwriting authority helps ensure the quality of underwriting despite the Group not previously taking on insurance risk.

As set out in note 5, the Group's losses are limited to the collateral placed for the reinsurance contract. Scenarios were modelling based on catastrophe models, which evaluate expected results over a significant timeframe and not for any one year. Based on these models, it is anticipated that there is approximately a 10% chance of utilising some of this collateral and approximately a 2% chance for the complete exhaustion of collateral.

Reinsurance

As this is the first time the Group has taken on balance sheet risk and the low risk of utilisation of collateral, no reinsurance has been taken. Once there is sufficient certainty over the claims development, reinsurance may be considered to effectively lock in performance and minimise deterioration of results.

Reserving

Reserving risk arises where insurance liabilities are insufficient. To manage this risk, actuarial analysis is deployed to project the ultimate claims ratio as well monitoring for claims made and incurred claims but not yet reported on a regular basis. Reserving exercises include expert input from the Underwriter and independently from actuarial resources within the Group, with additional external review where appropriate. The selected reserves were within a range our outcomes considered. The upper and lower bounds or the range would have increased/decreased the claims liability by £2.2m and £5.7m respectively. For claims made, it is anticipated that the amount and timing of claims payments is typically resolved within one year.

34 Contingent liabilities

At 30 September 2021 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 25. 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.

35 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 independently administered funds. The pension cost charge represents contributions payable by the Group to the funds and amounted to £23.9m (2020: £19.2m). Contributions outstanding at the end of the year amounted to £1.8m (2020: £1.4m).

36 Related party transactions

		2021 £m	2020 £m
Income/ (expense)	**Relationship**		
Fees paid to other Directors	Directors	**(0.1)**	(0.2)
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)
Interest income on the loans to key management	Key management	**0.1**	-
Services received by companies controlled or jointly controlled by key management	Key management	**(1.0)**	(0.2)
Amounts included within income statement		**(1.2)**	(0.6)
Amounts receivable/ (payable) at the end of the year			
CDP Investissements Inc. fees accrued	Major shareholders	**(0.2)**	(0.1)
Loans due from key management	Key management	**2.4**	2.1
Amounts included within other short-term debtors and creditors		**2.2**	2.0

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

- Loans totalling £2.8m (2020: £1.0m) were extended to members of key management or companies in which they have ownership interest. Loans are interest bearing. A total of £2.4m was outstanding as at 30 September 2021 (2020: £2.1m).
- Amounts totallilng £4.2m (2020: £9.1m) were paid to settle deferred consideration. A total of £nil was outstanding as at 30 September 2021 (2020: £0.7m).
- During the year, the Group entered into a contract with a corporate entity for the partial use of a plane, jointly owned by member of key management. The charge in the income statement during the year ended 30 September 2021 for the usage of the plane was £0.6m (2020: £nil) and the amount outstanding from the corporate entity as at 30 September 2021 was £0.1m (2020: £nil). This is included in the category of "Services received by companies controlled or jointly controlled by key management".

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

	2021 £m	2020 £m
Short-term employee benefits	**14.6**	12.9
Share-based payment	**0.3**	0.2
	14.9	13.1

Theia Bidco Limited subscribed for 18,855,160 "A" Ordinary shares for £414.1m. In addition, it acquired 4,713,790 "A" Ordinary shares from existing shareholders of which 213,759 was acquired from the Group's employee benefits for £4.7m.

During the year ended 30 September 2021 the Directors and other members of key management and other senior management identified as a related party acquired a total of 471,562 "E" ordinary shares for total consideration of £0.1m and converted 49,400 "A1", 27,807 "A2", 331,438 "D" and 250,000 "E" ordinary shares into 327,618 "A" ordinary and 67,247 deferred shares. In addition, a member of key management acquired shares in a subsidiary for the Group for £0.2m.

As at 30 September 2021 a deferred consideration to the members of Group Executive Committee of £nil was outstanding (2020: £0.7m).

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.

37 Business combinations

A-Plan Group

On 31 March 2021, the Group acquired 100% of A-Plan Group, one of the largest retail insurance brokers operating in the UK generating income from retail insurance (personal lines and SME insurance solutions), providing a personal service to more than 500,000 clients through roughly 100 high street branches.

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

	2021 £m
Purchase consideration	
Cash paid	**231.3**
Equity consideration	**10.4**
Total purchase consideration	**241.7**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Identifiable intangible assets	**219.1**
Property, plant and equipment	**10.8**
Right of use lease assets	**19.8**
Cash and cash equivalents	**12.9**
Insurance cash and cash equivalents	**43.6**
Trade and other receivables	**19.6**
Insurance payables	**(43.6)**
Trade and other payables	**(27.2)**
Borrowings	**(426.7)**
Provisions	**(7.9)**
Lease liabilities	**(20.6)**
Deferred tax liabilities	**(47.7)**
Net liabilities acquired	**(247.9)**
Goodwill	**489.6**

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

There is additional consideration settled in shares, with service conditions attached whereby the sellers must remain with the Group for three years i.e. payments may be forfeited if employment terminates (and are declared to be bad leavers). Therefore, this portion will be accounted for as remuneration for post-combination services (IFRS 3: B55).

Since acquisition, A-Plan has contributed revenue of £104.7m and an operating profit of £8.5m to the Group.

Acquisition related costs of £7.6m were incurred during the year. These were included within acquisition costs in the consolidated income statement for the year ended 30 September 2021.

37 Business combinations continued

Artai

On 14 July 2021, the Group acquired 100% of the economic interest in Borras-Vázquez-Cameselle-Artai, Correduría De Seguros, S.A and its subsidiaries ("Artai"), a commercial lines insurance broker operating in Spain with a presence in Morocco. Artai strengthens the Group's position in Spain and helps expansion into new territories.

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

	2021 £m
Purchase consideration	
Cash paid	8.1
Deferred consideration	7.1
Total purchase consideration	15.2
Recognised amounts of identifiable assets acquired and liabilities assumed	
Identifiable intangible assets	9.7
Property, plant and equipment	0.3
Right of use lease assets	0.3
Investments held at fair value through profit and loss	0.4
Deferred tax assets	0.3
Cash and cash equivalents	0.9
Insurance cash and cash equivalents	7.9
Trade and other receivables	2.9
Insurance payables	(7.9)
Corporation tax payable	(0.2)
Borrowings	(1.4)
Lease liabilities	(0.3)
Trade and other payables	(1.3)
Deferred tax liability	(2.9)
Net assets acquired	8.7
Non-controlling interests	*0.2*
Goodwill	6.7

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, Artai has contributed revenue of £2.8m and an operating profit of £0.2m to the Group.

Acquisition related costs of £0.6m were incurred during the year. These were included within acquisition costs in the consolidated income statement for the year ended 30 September 2021.

37 Business combinations continued

Sturge Taylor

On 2 March 2021, the Group acquired 100% of the interest in Sturge Taylor, a UK based specialist in super yachts insurance. This acquisition strengthens the Group's specialty in the marine offering.

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

	2021 £m
Purchase consideration	
Cash paid	30.6
Contingent consideration	0.7
Total purchase consideration	**31.3**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Identifiable intangible assets	9.2
Cash and cash equivalents	9.5
Insurance cash and cash equivalents	2.1
Trade and other receivables	2.7
Insurance payables	(2.1)
Trade and other payables	(1.7)
Corporation tax payable	(0.3)
Deferred tax liabilities	(2.1)
Net assets acquired	**17.3**
Goodwill	14.0

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, Sturge Taylor has contributed revenue of £3.9m and an operating profit of £1.3m to the Group.

Acquisition related costs of £0.4m were incurred during the year. These were included within acquisition costs in the consolidated income statement for the year ended 30 September 2021.

37 Business combinations continued

Adrisa

On 9 October 2020, the Group acquired 51% of economic interest in Segub SV, a company owning Admon de Riesgos, Agente de Seguros ("Adrisa") and Seradri S.A de C.V. Adrisa is an insurance broker based in Mexico serving large clients mainly in Property and Employee Benefits lines and Seradri was an entity providing services to Adrisa. This acquisition strengthens the Group's existing presence in Mexico.

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

	2021 £m
Purchase consideration	
Cash paid	21.4
Total purchase consideration	21.4
Recognised amounts of identifiable assets acquired and liabilities assumed	
Identifiable intangible assets	19.8
Property, plant and equipment	0.1
Right of use lease assets	0.1
Cash and cash equivalents	1.3
Trade and other receivables	1.9
Deferred tax assets	0.3
Trade and other payables	(1.5)
Lease liabilities	(0.1)
Provisions	(0.3)
Deferred tax liabilities	(6.2)
Net assets acquired	15.4
Non-controlling interests	7.5
Goodwill	13.5

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

Since acquisition, Adrisa has contributed revenue of £7.7m and an operating profit of £3.1m to the Group.

Acquisition related costs of £0.4m were incurred during the year. These were included within acquisition costs in the consolidated income statement for the year ended 30 September 2021.

37 Business combinations continued

Safeonline

On 4 January 2021, the Group acquired 100% of economic interest in Safeonline LLP. The business is predominantly focused on cyber and tech insurance for which they are recognised as leaders in the market.

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

	2021 £m
Purchase consideration	
Cash paid	8.3
Equity consideration	2.2
Total purchase consideration	**10.5**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Identifiable intangible assets	3.0
Insurance cash and cash equivalents	13.3
Trade and other receivables	0.9
Cash and cash equivalents	0.6
Trade and other payables	(1.1)
Insurance payables	(13.3)
Deferred tax liability	(0.5)
Net assets acquired	**2.9**
Goodwill	**7.6**

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, Safeonline has contributed revenue of £1.2m and an operating loss of £0.7m 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 2021.

37 Business combinations continued

Andrea Scagliarini

On 26 July 2021, the Group acquired 70% interest in Andrea Scagliarini S.p.A. ("AS"). This is an Italian insurance broker based in Northern Italy and was founded in 1976. AS has mainly corporate retail clients and its main products are Property & Casualty and Employee Benefits. This is the Group's first acquisition in Italy.

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

	2021 £m
Purchase consideration	
Cash paid	**9.8**
Total purchase consideration	**9.8**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Identifiable intangible assets	**4.1**
Property, plant and equipment	**0.1**
Cash and cash equivalents	**2.0**
Insurance cash and cash equivalents	**1.2**
Trade and other receivables	**0.2**
Insurance payables	**(1.2)**
Trade and other payables	**(0.9)**
Deferred tax payables	**(1.2)**
Net assets acquired	**4.3**
Non-controlling interests	**0.4**
Goodwill	**5.9**

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

Put options were granted to the minority shareholders. For one holder of 20% shareholding, these were subject to service obligations i.e. on voluntary resignation the Group acquires the shareholding for par value. This results in no NCI to be recognised on this minority shareholding.

Since acquisition, AS has contributed revenue of £0.1m and an operating loss of £0.4m 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 2021.

37 Business combinations continued

St Giles Legal and Professional Risks Limited and Medical Professional Risk Solutions Ltd

On 1 October 2020, the Group acquired 100% interest in St Giles Legal and Professional Risks Limited ("SGLP"). SGLP is an independent broker specialising in professional indemnity insurance based in the UK.

On 14 May 2021, the Group acquired 100% of interest in Medical Professional Risk Solutions Ltd ("MPRS"), a UK based specialist professional indemnity insurance broker with a particular focus on medical professionals and healthcare organisations in the UK General Practitioner sector. MPRS provides an immediate footing in the Primary Care sector, a key part of the healthcare market in the UK.

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

	2021 £m
Purchase consideration	
Cash consideration	9.6
Contingent consideration	1.2
Total purchase consideration	**10.8**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Identifiable intangible assets	4.5
Cash and cash equivalents	1.0
Insurance cash and cash equivalents	0.8
Insurance payables	(0.6)
Trade and other payables	(0.3)
Corporation tax payable	(0.3)
Deferred tax liability	(0.9)
Net assets acquired	**4.2**
Goodwill	**6.6**

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, these companies have contributed revenue of £0.9m and an operating loss of £0.7m to the Group.

Acquisition related costs of £0.3m were incurred during the year. These were included within acquisition costs in the consolidated income statement for the year ended 30 September 2021.

37 Business combinations continued

Annualised impact of M&A

If the acquisitions set out previously had been made on 1 October 2020, the consolidated income statement, under IFRS, for the year ended 30 September 2021 would have been revenue of £1,147.9m and operating profit of £56.8m.

Finalisation of fair value adjustments

In the year ended 30 September 2020, 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 2020 Financial Statements. In 2021, the provisional values have been finalised within one year of the acquisition date, and no material changes were identified.

38 Ultimate controlling party

The Group had no controlling shareholder at 30 September 2021, or 30 September 2020.

39 Capital commitments

The Group had the following commitments as at 30 September 2021:

- Put options which could be exercised to acquire minority shareholdings are disclosed in note 28. The total expected cash outflow is estimated to be £181.0m (2020: £140.0m);
- Put options over Howden shares are disclosed in note 28. The total expected cash outflow is estimated to be £47.4m (2020: £24.0m);
- Committed but not yet completed acquisition of £515.9m (2020: £4.2m), of which £510.1m related to the AFH Holdings, LLC,. See note 41 for more details.

40 Subsidiary and associated companies

The following were the principal subsidiary and associate entities at 30 September 2021. 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 Tower, 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
Alternative Risk Management Services Pty Ltd	Australia	100	'04' Suite 4, 88 Phillip Street, Sydney NSW 2000, Australia
Claims X Pty Ltd	Australia	100	'04' Suite 4, 88 Phillip Street, Sydney NSW 2000, Australia
DUAL Australia Pty Limited	Australia	75	Level 6, 160 Sussex Street, Sydney NSW 2000, Australia
Howden Insurance Brokers (Australia) Pty Ltd	Australia	100	Level 4, Deutsche Bank Place, 126 Phillip Street, Sydney NSW 2000, Australia
Howden Pacific Holdings Pty Ltd	Australia	100	Level 4, Deutsche Bank Place, 126-130 Phillip 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
SALT Investment Unit Trust	Australia	23	L12/90 Arthur Street, North Sydney, NSW, Australia 2060
SALT Management Services Pty Ltd	Australia	33	L12/90 Arthur Street, North Sydney, NSW, Australia 2060
SALT Marine Risks Australia Pty Limited	Australia	23	L6/160 Sussex Street, Sydney NSW 2000.
SALT Marine Risks Pty Limited	Australia	23	L12/90 Arthur Street, North Sydney, NSW, Australia 2060
DUAL Austria GmbH	Austria	80	Firmiangasse 7/2, 1130, Wien, Austria
Howden Belgium NV	Belgium	100	1 Belgicastraat, 1932 Brussels, Zaventem, Belgium
International Planning Group Insurance Brokers, Ltd.	Bermuda	80	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
DUAL Brasil Services Ltda	Brazil	100	Rua Funchal, No. 418, sala 3416, Vila Olimpia, Sao Paulo, 04551-060, Brazil
Harmonia Corretora de Seguros S.A.	Brazil	75	Av Luiz Carlos Berrini, 105 - 10o andar, sala 102 B, Torre Berrini One, São Paulo, SP, Brazil
Howden Re Corretora De Resseguros Ltda	Brazil	75	Av Luiz Carlos Berrini, 105 - 10o andar, sala 102 B, Torre Berrini One, São Paulo, SP, Brazil
BluCurve Limited	BVI	50	PO 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
Asesorias 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	Av Kra 45 # 102-10 piso 6, Bogotá, Colombia
Howden Re Corredores de Reaseguros S.A.	Colombia	100	Av Kra 45 # 102-10 piso 6, Bogotá, Colombia
Howden Wacolda S.A. Corredores de Seguros	Colombia	100	Av Kra 45 # 102-10 piso 6, Bogotá, Colombia
Proseguros Corredores de Seguros S.A.	Colombia	100	Av Kra 45 # 102-10 piso 6, Bogotá, 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 Geitonia, Limassol, 4004, Cyprus
MIRB Insurance & Reinsurance Brokers Ltd	Cyprus	51	47 Gkropious Street, IRA Court, 2nd Floor, Office 203, Limassol, 3076, Cyprus
Søassurancen Danmark 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, PO 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
Howden Sturge International Services	France	100	Residence des Fleurs, 15 rue Sadi Carnot, 06600, Antibes, France
DUAL Deutschland GmbH	Germany	100	Schanzenstraße 36, 51063, Koln, Germany
DUAL Europe GmbH	Germany	100	Schanzenstraße 36, 51063, Koln, Germany
Erwin Himmelseher Assekuranz-Vermittlung Beteiligungsgesellschaft GmbH	Germany	51	Theodor-Heuss-Ring 23, 50668 Köln, Germany
Erwin Himmelseher 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	Franklinstraße 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

Subsidiary	Country	%	Address
EUROASSEKURANZ Versicherungsmakler München GmbH	Germany	100	Dr.-Gessler-Straße 37, 93051, Regensburg, Germany
Hendricks GmbH	Germany	100	Georg-Glock-Strasse 8, 40474, Düsseldorf, Germany
Howden Caninenberg GmbH	Germany	100	Belfortstrasse 15, 50668, Cologne, Germany
Howden Deutschland AG	Germany	100	Belfortstrasse 15, 50668, Cologne, Germany
Howden M&A (Germany) GmbH	Germany	100	Kaiserhofstrasse 6, 60313 Frankfurt au Main, Germany
Howden Sicherheit International GmbH	Germany	100	Belfortstrasse 15, 50668, Cologne, Germany
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 mbH	Germany	100	Am Gries 4f, 85435, Erding, Germany
SRC Special Risk Consortium GmbH	Germany	80	Belfortstrasse 15, 50668, Cologne, Germany
Tamesis DUAL Europe GmbH	Germany	75	Schanzenstr. 36, 51063, Köln, Germany
A.T.S Insurance Agents Single Member S A	Greece	51	Filellinon 4, 2nd Floor, Kipoupoli, Heraklion, 71307, Crete
AlphaPlus Insurance Agents & Managing Agents Single Member P.C.	Greece	51	105, Vasileos Pavlou Avenue, Voula, Athens , Attiki, Greece
Howden Agents Single Member S.A	Greece	51	Stratigou Tompra 5, Agia Paraskevi, Athens, 15342, Greece
Howden Hellas Insurance and Reinsurance Brokers S.A.	Greece	51	1, Kifissias Avenue, Athens, PO BOX 115 23, Greece
Robus Insurance PCC Limited	Guernsey	100	Suite 5 Town Mills, Rue de Pre, St Peter Port, GY1 6HS, Guernsey
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	31/F Times Square Tower 2, 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	80	35/F Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong
Howden Insurance Brokers India Private Limited***	India	49	6th Floor Peninsula chambers, Peninsula Corporate Park, Lower parel., Mumbai, 400 013, India
PT RKH Specialty Indonesia****	Indonesia	100	Mayapada Tower Fl. 08-01, Jl Jend. Sudirman kav. 28, Jakarta Selatan, Indonesia
PT Howden Insurance Brokers Indonesia	Indonesia	80	Millenium Cettennial Center, 33rd Fl, Jl Jend. Sudirman kav 25, Jakarta, 12920, Indonesia
DUAL Underwriting Ireland DAC	Ireland	100	11 Fitzwilliam Street Upper, Dublin 2, D02YV66, Ireland
International Risks Insurance Advisers (IRIA) DAC	Ireland	100	70 Sir John Rogerson's Quay, Dublin, 2, Ireland
Matrix Brokers Ireland Limited	Ireland	51	16/17, College Green, Dublin, D02V078, Ireland
Cyber Advisory Excellence Ltd	Israel	70	Rothschild Blvd 45, Tel Aviv-Yafo, Israel
Howden Pension Insurance Agency (2020) Ltd	Israel	66	Adgar Tower, 35 Efal Street, Petach Tikva, 49511, Israel
Howden RE Israel Ltd	Israel	66	Adgar Tower, 35 Efal Street, Petach Tikva, 49511, Israel
Robin Hood Pro Limited	Israel	9	Moaza Ezorit Shaar Hanegev, Israel
Bar-Ziv Ravid Insurance Agency Limited	Israel	88	Adgar Tower, 35 Efal Street, Petach Tikva, 49511, Israel
Eldan Bar-Ziv Ravid Insurance Agency (2009) Ltd	Israel	88	Adgar Tower, 35 Efal Street, Petach Tikva, 49511, 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, 49511, Israel
Howden Insurance Brokers (2002) Limited	Israel	88	Adgar Tower, 35 Efal Street, Petach Tikva, 49511, Israel
Howden International Underwriters General Insurance Agency (2009) Ltd.	Israel	88	Adgar Tower, 35 Efal Street, Petach Tikva, 49511, Israel
M.M.I Management Risk Consultants Limited	Israel	88	Adgar Tower, 35 Efal Street, Petach Tikva, 49511, Israel
Andrea Scagliarini S.p.A.	Italy	70	no 1, Via Calzolerie, 40125, Bologna, Italy
DUAL Italia S.p.A.	Italy	95	Via Edmondo De Amicis, 51, 20123, Milan, Italy
Howden Italia S.p A	Italy	100	Via Della Posta, 20123, Milano, 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
ICE Internet Comparison Experts Ltd	Jersey	100	PO Box 264, Forum 4, Grenville Street, St Helier, JE4 8TQ
Howden Korea Company Limited	Korea	40	8th Floor (Kwanjoeng B/D) 35 Cheonggyecheon-ro, Jongno-gu, Seoul, 03188, Republic of Korea
Howden Specialty Agency Luxembourg S a r L	Luxembourg	100	21, rue Glesener, L-1631, Luxembourg
Howden Specialty Luxembourg S.a r L	Luxembourg	100	21, rue Glesener, L-1631, Luxembourg
Hyperion Refinance S.à r.l.	Luxembourg	100	12C rue Guillaume J Kroll, 1882, Luxembourg
HBG Asia Sdn. Bhd	Malaysia	100	Suite 13 03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
HBG Malaysia Sdn Bhd.***	Malaysia	49	Suite 13 03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Howden Insurance Brokers Sdn. Bhd ***	Malaysia	49	Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Howden Takaful Brokers Sdn. Bhd ***	Malaysia	49	Suite 13.03, 13th Floor, Menara Tan & Tan, 207 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Howden (L) Ltd***	Malaysia	49	Brumby Centre, Lot 42, Jalan Muhibbah 87000 Labuan F.T Mala, Malaysia
Howden PCC (L) Bhd***	Malaysia	49	Brumby Centre, Lot 42, Jalan Muhibbah 87000 Labuan F.T Mala, Malaysia

Subsidiary	Country	%	Address
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
Administración de Riesgos, Agente de Seguros Y de Fianzas, S A.	Mexico	51	Bosque de Ciruelos 278, 1st floor, Bosques de las Lomas, Mexico City, 11700, Mexico
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
Dock Re, Intermediario de Reaseguro, S.A de C.V.	Mexico	100	Insurgentes Sur 1079, Piso 5, Oficina 05-122, Col. Noche Buena, Benito Juárez, 03720, 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
Segub, S.A. De C.V.	Mexico	51	Bosque de Ciruelos 278, 1st floor, Bosques de las Lomas, Mexico City, 11700, Mexico
Seradri, S.A. De C.V.	Mexico	51	Bosque de Ciruelos 278, 1st floor, Bosques de las Lomas, Mexico City, 11700, Mexico
Servicios Ordás S.A. de C.V.	Mexico	51	Lago Zurich 245 Torre Frisco Piso 16, Colonia Ampliación Granada, CP 11529 CDMX, Mexico
Howden Assurances Maroc, S.à r.l	Morocco	50	Angle boulevard Moulay Youssef et avenue hassan, 1 er, appt 6, Casablanca, Morocco
Howden Assurances Tánger, S.À R.L	Morocco	50	Tanger City Center, Apart Type A, Etage 12, Place Maghreb, Tanger, Morocco
Charterama B.V.	Netherlands	41	Veerkade 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
Howden Broking Limited	New Zealand	100	Bell Gully, Level 22, Vero Centre, 48 Shortland Street, Auckland Central, Auckland, 1010, New Zealand
Howden People Risk Limited	New Zealand	100	Bell Gully, Level 22, Vero Centre, 48 Shortland Street, Auckland Central, Auckland, 1010, New Zealand
International Underwriting Agencies Limited	New Zealand	51	Level 9, 52 Swanson Street, Auckland Central, 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
Accette Life & Accident Insurance Brokers, 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 Insurance & Reinsurance Brokers (Phil.), Inc.	Philippines	100	5/F 111 Paseo de Roxas Building, 111 Paseo de Roxas St corner Legaspi, ST. Makati City, Philippines
Howden Polska Spółka Akcyjna	Poland	51	ul. Wielkie Garbary 7A, 87-100 Toruń, Poland
Kanceleria Brokerska Modern Brokers Sp. z o.o.	Poland	13	Antoniego Słonimskiego 6, 53-661, Wroclaw, Poland
DUAL Underwriting Agency (Singapore) Pte. Ltd.	Singapore	100	89A, Amoy Street, 069908, Singapore
HBG Holdings (Singapore) Pte Ltd	Singapore	100	79 Robinson Road, #13-01, 068897, Singapore
Howden Insurance Brokers (S.) Pte. Limited	Singapore	100	79 Robinson Road, #13-01, 068897, Singapore
Howden Specialty Asia Pacific Pte. Ltd	Singapore	100	79 Robinson Road, #13-02, 068897, Singapore
IPG Financial Services Pte. Ltd.	Singapore	80	16 Collyer Quay, #08-00 Income at Raffles, 049318, Singapore
MIRB Africa Proprietary Limited***	South Africa	43	24 Peter Place, Lyme Park, Bryanston, Gauteng, 2191, South Africa
Asur Crédito, S.L.U.	Spain	100	Number 48-1ºD, Avenida de García Barbón, Vigo, Spain
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 Peritaciones, S.L.	Spain	74	Avenida de la Palmera nº28, Sevilla, Spain
Howden America Investments S.L.U	Spain	100	Avenida de la Palmera 28B 2ª, 41012 Sevilla, Spain
Howden Artai, S.A.U.	Spain	100	Number 48-1ºD, Avenida de García Barbón, Vigo, Spain
Howden Iberia, S.A.U.	Spain	100	C/ Montalbán nº7, 28014, Madrid, Spain
Howden Latin America Holdings S L U.	Spain	100	C/ Montalbán nº7, 28014, Madrid, Spain
James Steel, S.L.U.	Spain	100	Number 48-1ºD, Avenida de García Barbón, Vigo, Spain
Nerga Pandi, S.L.U.	Spain	100	Calle Areal 18, 2º, Vigo, 36201, Pontevedra, Spain
Segur Grupo Artai, S L.U.	Spain	100	Number 13-1ºB, calle del Príncipe, Vigo, Spain
Howden Insurance Brokers South AB	Sweden	76	Södergatan 13, 211 34, Malmö, Sweden
Howden Insurance Brokers AB	Sweden	95	Linnégatan 2, SE-114 47, Stockholm, Sweden
Howden Insurance Brokers West AB	Sweden	67	Fredsgatan 1, 411 07 Gothenburg, Sweden
Dual Swiss GmbH	Switzerland	100	Spaetzstrasse 35, 8810, Horgen, Switzerland
Howden Schweiz AG	Switzerland	100	c/o Teodoro Martino, Riedstrasse 13b, 8832, Wollerau, Switzerland
Iria SA	Switzerland	100	Place de Longemalle 16, 1204, Geneva, Switzerland
International Planning Group GmbH	Switzerland	80	Bodmerstrasse 9, 8002, Zurich, Switzerland
Howden Puri 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 Broker Co., Ltd***	Thailand	49	No. 2222/9 Ladpraw 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 Sarıyer, İstanbul, 34485, Turkey
Hassas İş Metal Üretim Sanayi Ve Ticaret Anonim Şirketi	Turkey	100	Maslak Mah, Maslak Meydan Sok, Beybi Giz Plaza No 1/12 Sarıyer, İstanbul, 34485, Turkey
Howden ACP Sigorta Ve Reasürans Brokerligi Anonim Sirketi	Turkey	96	Maslak Mahallesi, Meydan Sokak, Beybi Giz Plaza, No. 1, K 5 No.16-17-18, Sarıyer, Istanbul, Turkey
Howden Sigorta Brokerligi Anonim Sirketi	Turkey	100	Maslak Mah, Maslak Meydan Sok, Beybi Giz Plaza No:1/11 Sarıyer, İstanbul, 34485, Turkey

Subsidiary	Country	%	Address
Matrix Sigorta ve Reasürans Brokerliği Anonim Şirketi	Turkey	100	Koşuyolu Mahallesi, Özden Sokak, Kadıköy, Istanbul, 4/1/3, Turkey
A-Plan Group Ltd* (09341484)	U.K.	100	2 Des Roches Square, Witney, OX28 4LE, United Kingdom
A-Plan Holdings	*U.K.*	*100*	*2 Des Roches Square, Witney, OX28 4LE, United Kingdom*
A-Plan Limited	U.K.	100	2 Des Roches Square, Witney, OX28 4LE, United Kingdom
Apollo Group Holdings Limited	U.K.	10	1 Bishopsgate, London, EC2N 3AQ, United Kingdom
Assured Futures Limited	U.K.	100	2 Des Roches Square, Witney, OX28 4LE, United Kingdom
Azur Group Limited	*U.K.*	*10*	*1st Floor, Templeback, 10 Templeback, Bristol, BS1 6FL, United Kingdom*
Cotters Insurance Services Limited	U.K.	100	2 Des Roches Square, Witney, OX28 4LE, United Kingdom
Dale DUAL MGU Limited	U.K.	71	One Creechurch Place, London, EC3A 5AF, United Kingdom
Dot Labs Limited* (11121601)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
DUAL Asset Underwriting Limited* (08494511)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
DUAL Corporate Risks Limited	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
DUAL International Limited**	U.K.	100	One Creechurch 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 Underwriting Limited****	U.K.	100	C/O Frp Advisory Llp Kings Orghard, 1 Queen Street, Bristol, BS2 0HQ, United Kingdom
Endsleigh Insurances (Brokers) Limited * (01379864)	U.K.	100	Shurdington Road, Cheltenham Spa, Gloucestershire, GL51 4UE, United Kingdom
Endsleigh Limited	U.K.	100	Shurdington Road, Cheltenham Spa, Gloucestershire, GL51 4UE, United Kingdom
Endsleigh Insurance Services Limited	U.K.	100	Shurdington Road, Cheltenham Spa, Gloucestershire, GL51 4UE, United Kingdom
Fastnet Marine Insurance Services Limited * (02738337)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
FP Marine Holdings Limited* (08370177)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Global Services 1999 Limited* (03824958)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
*HB&A Services Limited***	*U.K.*	*100*	*C/O Frp Advisory Llp Kings Orghard, 1 Queen Street, Bristol, BS2 0HQ, United Kingdom*
HGH Finance Limited	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
HGH Midco 1 Limited**	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
HGH Midco 2 Limited	*U.K.*	*100*	*One Creechurch Place, London, EC3A 5AF, United Kingdom*
HGH Midco 3 Limited	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
HIG Finance 2 Limited**	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
HIG Finance Limited*,** (08721671)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Howden Apollo Limited*,** (11350938)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Howden Broking Group Limited**	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Howden Capital Markets Limited	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Howden Employee Benefits & Wellbeing Holdings Limited* (07919587)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Howden Employee Benefits & Wellbeing Limited	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Howden Group Capital Management Limited**,*(13065631)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Howden Group Services Limited**	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Howden Insurance Brokers Limited	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Howden International Broking Limited	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Howden M&A Limited	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Howden Mexico HoldCo Limited* (10988610)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Howden Reinsurance Brokers Holdings Limited* (13503288)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
*Howden X Limited**,*(12808966)*	*U.K.*	*100*	*One Creechurch Place, London, EC3A 5AF, United Kingdom*
HX Group Limited**	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
HX Limited * (12998901)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Hyperion Data Services Limited* (11590573)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Hyperion Development UK Limited* (09348999)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Hyperion Insurance Group Limited**	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Hyperion Services Limited**,*(12808973)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Ingenie Limited	U.K.	100	2 Des Roches Square, Witney, OX28 4LE, United Kingdom
Insyt Agency Limited	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Iria Limited**** ,*(06627113)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
KGM Underwriting Services Limited	U.K.	100	2nd Floor St James House, 27-43 Eastern Road, Romford, Essex, OX28 4LE, United Kingdom
Made by Sauce Limited* (06687777)	U.K.	100	2 Des Roches Square, Witney, OX28 4LE, United Kingdom
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
Medical Professional Risk Solutions Ltd * (09239660)	U.K.	100	367b, Church Road, Frampton Cotterell, Bristol, BS36 2AQ, England
MIRB HOLDINGS LTD	U.K.	51	One Creechurch Place, London, EC3A 5AF, United Kingdom
*Oliver & Sanders Limited * (04025279)*	*U.K.*	*100*	*2 Des Roches Square, Witney, OX28 4LE, United Kingdom*
Ostrakon Runoff Limited* (00945878)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Oxford Holdco Limited* (12875660)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Parhelion Capital Limited	U.K.	25	13 Upper High Street, Thame, OX9 3ER, 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	C/O Frp Advisory Llp Kings Orghard, 1 Queen Street, Bristol, BS2 0HQ, United Kingdom
Pyvot Limited* (10278798)	U.K.	100	8 Princes Parade, Liverpool, L3 1DL, 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

Subsidiary	Country	%	Address
RKH Group Limited* (03612207)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Safeonline LLP	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Schools Specialists Limited* (07427256)	U.K.	100	Endsleigh House, Shurdington Road, Cheltenham, Surrey, GL51 4UE, United Kingdom
SFS Group Limited* (02418802)	U.K.	100	Endsleigh House, Shurdington Road, Cheltenham, Surrey, GL51 4UE, United Kingdom
SFTS Trustees Limited	U.K.	100	Endsleigh House, Shurdington Road, Cheltenham, Surrey, GL51 4UE, United Kingdom
STG Holdings (No.3) Limited * (12057459)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
STGL&P Limited * (07333884)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Sturge Taylor & Associates Limited * (03706480)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Sturge Taylor And Associates Holdings Limited* (07362457)	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
TCS Loss Adjusters Limited * (01365923)	U.K.	100	Shurdington Road, Cheltenham Spa, Gloucestershire, GL51 4UE, United Kingdom
TGL&P Limited * (12526072)	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Trafalgar Bidco Limited* (09341709)	U.K.	100	2 Des Roches Square, Witney, OX28 4LE, United Kingdom
Trafalgar Midco 1 Limited* (09341583)	U.K.	100	2 Des Roches Square, Witney, OX28 4LE, United Kingdom
Trafalgar Midco 2 Limited* (09341627)	U.K.	100	2 Des Roches Square, Witney, OX28 4LE, United Kingdom
Trafalgar Pikco 1 Limited* (06492060)	U.K.	100	2 Des Roches Square, Witney, OX28 4LE, United Kingdom
TruRisk Limited	U.K.	40	Leahy O'Riordan, 1-2 Marino Mart, Fairview, Dublin 3, D03 T3P1, United Kingdom
UK Vast Holdco Limited* (10278323)	U.K.	100	8 Princes Parade, Liverpool, L3 1DL, United Kingdom
Vast Visibility Limited	U.K.	100	8 Princes Parade, Liverpool, L3 1DL, United Kingdom
WIBL Runoff Limited****	U.K.	100	C/O Frp Advisory Llp Kings Orghard, 1 Queen Street, Bristol, BS2 0HQ, United Kingdom
Woodstock Insurance Brokers Limited * (04288957)	U.K.	100	Shurdington Road, Cheltenham Spa, Gloucestershire, GL51 4UE, United Kingdom
WPIL Limited****	U.K.	100	C/O Frp Advisory Llp Kings Orghard, 1 Queen Street, Bristol, BS2 0HQ, United Kingdom
WPL Runoff Limited****	U.K.	100	C/O Frp Advisory Llp Kings Orghard, 1 Queen Street, Bristol, BS2 0HQ, United Kingdom
Xanthe 1 Limited**	U.K.	100	One Creechurch Place, London, EC3A 5AF, United Kingdom
Applied Risk Capital LLC	U.S.A.	20	64 E. 1st Street, Apt. TH, New York, NY 10003
Chelsea Risk Management & Insurance Services, Inc.	U.S.A.	83	4 Embarcadero Center, Suite 1454, San Francisco CA 94111, United States
DUAL Commercial LLC	U.S.A.	100	1100 5th Avenue S, Suite 301, Naples FL 34102, United States
DUAL North America, Inc.	U.S.A.	100	1100 5th Avenue S, Suite 301, Naples FL 34102, United States
DUAL Re America LLC	U.S.A.	100	1100 5th Avenue S, Suite 301, Naples FL 34105, United States
DUAL Specialty Flood LLC	U.S.A.	73	1100 5th Avenue S, Suite 301, Naples FL 34102, United States
DUAL Specialty Underwriting, LLC	U.S.A.	100	1100 5th Avenue S, Suite 301, Naples FL 34102, United States
Energy, Industrial & Utility Risk Solutions LLC	U.S.A.	75	1100 5th Avenue S, Suite 301, Naples FL 34102, United States
Howden Specialty Miami LLC	U.S.A.	100	1221 Brickell Avenue, Suite 1240, Miami FL 33131, United States
Tamesis DUAL Americas LLC	U.S.A.	75	1100 5th Avenue S, Suite 301, Naples FL 34102, United States
VK Underwriters LLC	U.S.A.	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

*** 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

40 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.*

	2021	2020 (restated)
IPG Howden Asia Holdings, Limited and controlled entities	**£m**	**£m**
Statement of financial position		
Non-current assets	**73.7**	83.5
Current assets	**21.5**	40.9
Non-current liabililties	**(15.4)**	(18.1)
Current liabilities	**(11.7)**	(31.8)
Equity attributable to owners of the Group	**54.5**	44.7
Non-controlling interests	**13.6**	29.8
Income statement		
Revenue	**51.6**	50.6
Expenses	**(42.2)**	(45.1)
Profit for the year	**9.4**	5.5
Profit attributable to owners of the Group	**7.0**	3.3
Profit attributable to the non-controlling interests	**2.4**	2.2
	9.4	5.5
Dividends paid to non-controlling interests	**2.5**	5.3

40 Subsidiary and associated companies continued

Segub SV and controlled entities	2021 £m
Statement of financial position	
Non-current assets	18.2
Current assets	7.8
Non-current liabililties	(6.7)
Current liabilities	(1.5)
Equity attributable to owners of the Group	9.1
Non-controlling interests	8.7
Income statement	
Revenue	7.7
Expenses	(5.4)
Profit for the year	2.3
Profit attributable to owners of the Group	1.2
Profit attributable to the non-controlling interests	1.1
	2.3

41 Events after balance sheet date

On 1 October 2021, the Group acquired 100% of AFH Holdings, LLC and repaid acquired external borrowings of AFH Holdings, LLC. As a result of this transaction there was cash out flow of £510.1m and issuance of £19.7m of Howden Group shares held in treasury.

On 1 October 2021, the Group drew down the following additional Term Loan tranches:

- First lien USD 955m maturing in November 2027;
- First lien EUR 350m maturing in November 2027;
- Second lien USD 370m maturing in November 2028.

The proceeds were used to fund the acquisition of AFH Holdings, LLC and associated transaction costs, repay another USD Term Loan tranche, repay the RCF and acquired external borrowings of AFH Holdings, LLC with the residual proceeds recorded in restricted cash. This transaction increased gross borrowings by £849.2m and cash on balance sheet by £307.4m based on rates as at 30 September 2021. The tenor of the RCF was extended from September 2024 to December 2026 and size increased to £185m.

INDEPENDENT AUDITOR'S REPORT ON THE PARENT COMPANY TO THE MEMBERS OF HOWDEN GROUP HOLDINGS LIMITED

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 2021;
- 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 their preparation 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- performing inquiries with management
- comparing current year budgets against actual results to assess reasonableness of management budget estimates
- obtaining and reviewing management's going concern assessment reviewing assumptions used in the forecasts, and performing sensitivity analysis on these
- assessing liquidity forecasts against loan covenants
- obtaining information regarding post-balance sheet events to determine their impact on the assessment
- obtaining management representations regarding going concern assessment

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

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

Other information

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

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

We have nothing to report in this regard.

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.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation etc; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. This included the Financial Conduct Authority ('FCA') .

We discussed among the audit engagement team, significant component audit teams and relevant internal specialists such as tax, valuations and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal auditand in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with Her Majesty's Revenue and Customs ('HMRC') and the FCA.

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.

David Rush, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
London, UK
17 December 2021

HOWDEN GROUP HOLDINGS LIMITED

PARENT COMPANY BALANCE SHEET

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	2021 £m	2020 £m
Fixed assets			
Investments in subsidiary undertakings	6	**590.3**	130.2
Current assets			
Debtors due within one year	7	**262.0**	389.2
Debtors due after more than one year	7	**-**	17.2
Cash and cash equivalents		**1.1**	3.9
		263.1	410.3
Creditors			
Amounts falling due with one year	8	**(63.0)**	(141.6)
Net current assets		**200.1**	268.7
Total assets less current liabilities		**790.4**	398.9
Creditors			
Amounts falling due after more than year	9	**(10.6)**	(4.1)
Provision for liability			
Other provision	18	**(32.4)**	(6.7)
Net assets		**747.4**	388.1
Capital and reserves			
Called up share capital	11	**1.1**	0.9
Share premium	15	**507.6**	61.7
Other reserves	15	**(131.2)**	(109.0)
Retained earnings	15	**369.9**	434.5
		747.4	388.1

Loss after tax for the year ended 30 September 2021 was £64.6m (2020: £55.8m profit).

The financial statements were approved by the Board of Directors and authorised for issue on 16 December 2021. They were signed on its behalf by:

David Howden
Chief Executive Officer

Mark Craig
Chief Financial Officer

Company number 02937398

The notes on pages 119 to 125 form an integral part of these financial statements.

Howden Group Holdings

HOWDEN GROUP HOLDINGS LIMITED

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	£m	£m	£m	£m	£m
As at 1 October 2020	0.9	61.7	(109.0)	434.5	388.1
Loss for the year	-	-	-	(64.6)	(64.6)
Other Comprehensive income for the year	-	-	-	-	-
Total Comprehensive income for the year	-	-	-	(64.6)	(64.6)
Conversion and shares issued during the year	0.2	445.9	-	-	446.1
Share-based payments	-	-	2.3	-	2.3
EBT share reserve movement	-	-	(24.5)	-	(24.5)
As at 30 September 2021	**1.1**	**507.6**	**(131.2)**	**369.9**	**747.4**

Howden Group Holdings

HOWDEN GROUP HOLDINGS LIMITED

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	£m	£m	£m	£m	£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

PARENT COMPANY ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 SEPTEMBER 2021

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 Howden Group Holdings Limited as at 30 September 2021 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.

(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.

(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, as 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.

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 £32.4m 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 £42.0m.

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 loss after tax for the year was £64.6m (2020: £55.8m 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 2021 (2020: £nil).

6 Investments

	Investments in subsidiary companies £m
Cost or valuation	
At 1 October 2020	133.7
Additons	489.7
At 30 September 2021	623.4
Provision for impairment	
At 1 October 2020	(3.5)
At 30 September 2021	(33.1)
Net book value	
At 30 September 2021	590.3
At 30 September 2020	130.2

HOWDEN GROUP HOLDINGS LIMITED

PARENT COMPANY NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

7 Amounts falling due within one year

	2021 £m	2020 £m
Other debtors	**17.9**	3.3
Amounts due from Group undertakings	**1.6**	8.1
Recoverable asset	**8.5**	-
Loans to subsidiaries	**232.9**	377.6
Tax recoverable	**1.1**	0.2
	262.0	389.2

Amounts falling due after more than one year	2021 £m	2020 £m
Other debtors	-	11.6
Recoverable asset	-	5.6
	-	17.2

8 Creditors - amounts falling due within one year

	2021 £m	2020 £m
Amounts owed to Group undertakings	**(32.9)**	(121.2)
Accruals and deferred income	**(1.8)**	(2.1)
Deferred consideration - share buy-backs	**(19.3)**	(13.0)
Trade and other payables	**(9.0)**	(5.3)
	(63.0)	(141.6)

9 Creditors - amounts falling due after more than one year

	2021 £m	2020 £m
Deferred consideration - share buy-backs	**(10.6)**	(4.1)
	(10.6)	(4.1)

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 £47.4m as at 30 September 2021 (2020: £24.0m). Sensitivity analysis, allowing for a reasonable change in assumptions indicates a maturity range of £42.7m - £52.1m (2020: £21.6m - £26.4m).

11 Share capital

Details of the Company's share capital are given in the Group financial statements on note 29.

	2021 £m	2020 £m
Allotted, called up and fully paid		
108,504,667 (2020: 84,804,580) A ordinary shares of £0.01 each	**1.1**	**0.9**
nil (2020: 482,709) A1 ordinary shares of £0.01 each	-	-
nil (2020: 291,304) A2 ordinary shares of £0.01 each	-	-
55,842,538 (2020: 42,604,574) D ordinary shares of £0.00001 each	-	-
11,996,488 (2020: 10,266,374) E ordinary shares of £0.00001 each	-	-
3,150,000 (2020: 3,150,000) Ordinary F shares of £0.00001 each	-	-
4,834,588 (2020: nil) Deferred shares of £0.00001 each	-	-
	1.1	**0.9**

12 Treasury shares

The Company holds shares in itself via HEJH, a subsidiary of the EBT. Refer to note 29 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 (2020: 3), who were the Directors.

Employee costs	2021 £m	2020 £m
Wages and salaries	**5.7**	4.5
Share based payment	**0.1**	0.1
	5.8	4.6

The highest paid director received total remuneration of £3.3m (2020: £2.6m).

In addition there were other directors who received fees totalling £0.3m (2020: £0.5m).

During the year ended 30 September 2021, directors received £nil in respect of compensation for loss of office (2020: £nil).

15 Share based payments

Refer to the Group accounts for details of share based payments. The Company recognised a charge of £1.3m (2020: £2.3m). The Company recognised an increase in investments in subsidiaries of £5.2m (2020: increase of £4.3m) in respect of share-based payments where it is the ultimate settling entity for certain awards for subsidiaries.

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 reliability 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

	2021
	£m
At 1 October 2020	6.7
Additions	25.7
Utilisation	-
At 30 September 2021	**32.4**

A reimbursement asset of £8.5m (2020: £5.6m) has been recognised as at 30 September 2021.

17 Contingent liabilities

On 20 December 2017, the ultimate parent company Howden Group Holdings 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 Howden Group Holdings 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 41 in the Group accounts for events occurring after the balance sheet date.