Registered number: 10842605

HIG FINANCE 2 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

HIG FINANCE 2 LIMITED

COMPANY INFORMATION

Directors	William David Bloomer David Phillip Howden Mark Skimming Craig
	Andrew John Moore
Company secretary	Steven Terence Hunter Griffin (appointed 18 January 2021)
Registered number	10842605
Registered office	One Creechurch Place London EC3A 5AF
Independent auditor	Deloitte LLP 1 New Street Square London United Kingdom EC4A 3HQ

HIG FINANCE 2 LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2021

Introduction

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

The Company provides financing services to Howden Group Holdings Limited and its subsidiaries ("the Group"). As a financing company, the Company considers its Key Performance Indicators (KPI's) in relation to the remaining maturity of loans payable to banks.

Business Review

The Company made a profit after tax for the year ended 30 September 2021 of £68,550,000 (2020: a loss after tax of £589,000). The result for the year was mainly impacted by one off income arising on the extension and repricing of loans. The Company received ordinary dividends for the year ended 30 September 2021 of £5,346,000 (2020: £5,851,000).

Financial position and going concern

As at 30 September 2021, the Company has net assets of £156,869,000 (2020: £81,211,000) and net current assets of £1,349,380,000 (2020: £1,028,683,000).

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and at least for twelve months from the date of these financial statments. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. For more detail on going concern please refer to Accounting policies section 2.3.

Key performance indicators

The Company's main purpose is to provide financing to other subsidiaries within the Group. Therefore key performance indicators are maturity of loans payable and cost of financing. During the year, the Company managed to extend maturity of loans from 2024 to 2027 and renegotiate some of its USD loans to achieve 0.25% lower interest rate margin and 0.25% lower interest rate floor on USD financing.

The Directors consider there to be no other key performance indicators.

Principal risks and uncertainties and future developments

The Directors recognise that the degree of exposure to certain risks, and the Company's ability to manage those risks effectively, will influence how successful the business is. They therefore review the risks associated with the key parts of the business, and have established internal control systems that are designed to identify those risks that may restrict or seriously impact the ability of the Company to carry on its operations. The key risks are discussed below, under 'Financial risk management'.

The exit of the UK from EU and normalisation of the relationships is not expected to have an material impact on the Company due to the nature of its activities. Covid-19 has continued to provide challenges for the Group people and clients this financial year but its businesses have adapted very well to remote working, which continues to be the norm in many countries in which the Group operates, and have continued to serve clients effectively throughout the pandemic. As the Company adapted to the changed working environment it continued to operate without significant negative impacts to its operations and financial results.

Whilst the trade agreement between the UK and the EU was agreed in December 2020, there is still uncertainty over the long-term impact of the change in the relationship between the UK and EU. The Company did not encounter significant difficulties to date but continues to monitor developments and any resulting impact to its operations.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

Financial risk management

The Company has a number of foreign currency denominated balances. The Company has used certain foreign currency balances as hedging instruments to hedge the fair value of the Company's investment in Hyperion Euro Growth Limited. More details are provided in note 16. For remaining balances the Company aims to match assets and liabilities of the same foreign currency to minimise foreign currency exposure.

The Company has debt instruments with variable interest rates and the Company has taken out interest rate swaps and caps to hedge the risk associated with the variable interest payable on the debt instrument. See note 16 for more details.

The Company's principal financial assets are bank balances and cash as well as trade receivables from other entities within the Group and other receivables. The amounts presented in the financial statements are net of allowances for doubtful receivables. An allowance is made where there is an identified loss event. The Company has no significant concentration of credit risk, with exposure spread over a number of counterparties.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company regularly reviews its working capital situation and uses a mixture of long-term and short-term debt finance.

As disclosed in note 20, the Company is a party to and guarantor of the Group's main financing facilities taken out by a fellow subsidiary of the Group.

The Company continues to monitor ongoing market conditions with a particular focus on the impact on currency values and wider market conditions. The Directors are satisfied that the Company is sufficiently positioned to manage risks and react to any market developments and is not exposed to significant financial risk.

Future developments

The Company expects to continue its principal activities for the foreseeable future.

This report was approved by the board and signed on its behalf.

M Craig

Mark Skimming Craig
Director

Date:16 December 2021

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2021

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

Principal activity

HIG Finance 2 Limited ("the Company") is an intermediate holding company which provides financing to Howden Group Holdings Limited and its subsidiaries ("the Group") .

Results and dividends

The profit for the year, after taxation, amounted to £68,550,000 (2020 - a loss of £589,000).

The Company paid dividends of £Nil (2020 - £Nil) during the year. The Company does not propose a dividend after the year end.

Directors

The Directors who served during the year and up to the date of signing were:

William David Bloomer
David Phillip Howden
Mark Skimming Craig

Political contributions

The Company did not make any political donations in the year ended 30 September 2021 (2020 - £Nil).

Charitable donations

The Company did not make any charitable donations in the year ended 30 September 2021 (2020 - £Nil).

Research and development activities

The Company did not have activities in the field of research and development in the current period.

Matters covered in the strategic report

The following information has been included in the Strategic Report and incorporated into this report by reference:
- Business review
- Financial position
- Going concern
- Key performance indicators
- Other key performance indicators
- Principal risks and uncertainties
- Financial risk management
- Future developents

Directors' indemnities

Howden Group Holdings Limited, the ultimate holding company, has made qualifying third party indemnity provisions for the benefit of the Company Directors during the year and which remain in force at the date of this report.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2021

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Subsequent events following the reporting date

Please refer to note 22 for more information on subsequent events following the reporting date.

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.

This report was approved by the board and signed on its behalf.

Mark Skimming Craig
Director

Date:16 December 2021

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2021

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare audited financial statements for each financial year. Under that law the Directors have elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under Company law the Directors must not approve the audited financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these audited financial statements, the Directors are required to:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIG FINANCE 2 LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of HIG Finance 2 Limited:

- give a true and fair view of the state of the company's affairs as at 30 September 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

2. 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 Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was the valuation of derivatives. This key audit matter is consistent with the prior year. Within this report, key audit matter is identified as follows: Similar level of risk

Materiality	The materiality that we used in the current year was £7.8m.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There is no significant change in our approach in the current year.

4. 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 assessing the going concern status of the ultimate parent company, Howden Group Holdings Limited, and its subsidiary undertakings ('the Group'), as these are relevant to the going concern status of HIG Finance 2 Limited. This assessment included:

- obtaining and assessing management's going concern assessment for the Group;
- comparing Group's current year forecasts against actual results to assess the reasonableness of management budget estimates;
- evaluating assumptions used in the Group's forecasts, including the revenue and EBITDA growth rates and performing sensitivity analysis on these to determine whether covenants would be breached in sensitised scenarios which would prevent the company from being able to service its liabilities as they fall due;
- assessing the company's intercompany assets for recoverability and therefore whether the company will be able to service its liabilities; and
- obtaining information regarding post-balance sheet events to determine their impact on the 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.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of Derivatives

Key audit matter description	HIG Finance 2 Ltd provides financing services to the Group, and as such holds derivatives on its behalf. Given the inherent complexity around valuing derivatives of £13.1m, as stated in Note 13 *Creditors: Amounts falling due within one year*, and Note 14 Creditors: *Amounts falling due after more than one year,* we have identified a risk specifically around the valuation of interest rate swaps and interest rate caps. The valuation of these derivative instruments is complex because there are a number of uncertain inputs into the valuation, such as: • Libor and Euribor curves; • Forward USD/GBP interest rate curves; • Interest rate volatility for forward LIBOR rates; and • Industry credit spreads. As the valuation of these derivatives is sensitive to small changes in these inputs, we have designated this a key audit matter. Further details are included within the Strategic Report under Financial risk management, as well as in Note 3 *Judgements in applying accounting policies and key sources of estimation uncertainty*, along with Notes 13 and 14, as stated above.
How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls related to the valuation of derivatives. We obtained independent confirmations from counterparties of all open derivative positions at the year-end date. Working with our financial instrument specialists, we have tested a sample of derivatives, including the application of management's assumptions, methodology and model inputs by performing the following procedures: - we agreed all terms of the samples of open derivatives to the underlying contracts; - we performed an independent valuation on a risk-free basis (i.e. without any valuation adjustments) for each type of derivative and compared to management's risk free valuation; - we performed an independent credit risk adjustment valuation for the sample of derivative financial instruments; and - we have assessed the fair value hierarchy for the financial instruments and their disclosure in their financial statements.
Key observations	Based on the work performed we concluded that the valuation of derivatives was reasonable.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	2021: £7.8m (2020: £7.5m)
Basis for determining materiality	The basis of materiality is total assets, taking into account materiality for the consolidated Group financial statements; our determined materiality is approximately 1.5% (2020: 0.4%) of total assets.
Rationale for the benchmark applied	We determined materiality based on total assets as this is the key metric used by the group entity, Howden Group Holdings Limited, to assess the viability of the company

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2021 audit (2020: 65%). In determining performance materiality, we considered the following factors:

a. the quality of the control environment and the fact that we did not take a controls reliance approach;
b. the reduced uncertainty of the impact of Covid-19 on the entity, compared with the prior year;
c. volume of corrected and/or uncorrected misstatements in the previous audit; and
d. prior period adjustments.

6.3. Error reporting threshold

We agreed with the directors that we would report to the audit committee all audit differences in excess of £0.4m (2020: £0.4m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

8. 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 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.

9. 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.

10. 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.

11. 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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included UK Companies Act and UK tax regulations.

In addition, we considered provisions of other laws and regulations that 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.

11.2. Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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 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.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

15. 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

David Rush, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London UK
17 December 2021

INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	2021 £'000	2020 £'000
Administrative expenses		(6,877)	(3,036)
Operating loss	**4**	(6,877)	(3,036)
Income from shares in group undertakings	**6**	5,346	5,851
Other interest receivable and similar income	**7**	216,965	130,215
Interest payable and similar expenses	**8**	(150,096)	(138,403)
Profit/(loss) before tax		65,338	(5,373)
Tax on profit/(loss)	**9**	3,212	4,784
Profit/(loss) for the financial year		68,550	(589)

The notes on pages 20 to 36 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	2021 £'000	2020 £'000
Profit/(loss) for the financial year		68,550	(589)
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Change in fair value of cash flow hedging instruments, net of tax	**16**	1,787	(7,108)
Amounts recycled in respect of cash flow hedges, net of tax	**16**	5,321	3,389
Change in fair value of cost of hedging reserve, net of tax		(14)	(12)
Amounts recycled in respect of cost of hedging reserve, net of tax		14	108
		7,108	(3,623)
Total comprehensive income/(loss) for the year		75,658	(4,212)

The notes on pages 20 to 36 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021

	Note		2021 £'000		2020 £'000
Fixed assets					
Investments	10		366,822		365,651
			366,822		365,651
Current assets					
Debtors: amounts falling due after more than one year	11	111,518		363,612	
Debtors: amounts falling due within one year	11	1,741,411		1,181,652	
Cash at bank and in hand	12	62,379		160,568	
		1,915,308		1,705,832	
Creditors: amounts falling due within one year	13	(565,928)		(677,149)	
Net current assets			1,349,380		1,028,683
Total assets less current liabilities			1,716,202		1,394,334
Creditors: amounts falling due after more than one year	14		(1,559,333)		(1,313,123)
			156,869		81,211
Net assets			156,869		81,211
Capital and reserves					
Called up share capital	18		-		-
Other reserves			32,218		25,110
Profit and loss account	19		124,651		56,101
			156,869		81,211

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 SEPTEMBER 2021

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Mark Skimming Craig
Director

Date: 16 December 2021

The notes on pages 20 to 36 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Called up share capital	Capital contribution reserve	Cost of hedging reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 October 2020	-	43,194	(109)	(17,975)	56,101	81,211
Comprehensive income for the year						
Profit for the year	-	-	-	-	68,550	68,550
Movement in cash flow hedge	-	-	-	7,108	-	7,108
Movement in cost of hedging reserve	-	-	14	(14)	-	-
Total comprehensive income for the year	-	-	14	7,094	68,550	75,658
At 30 September 2021	-	43,194	(95)	(10,881)	124,651	156,869

The notes on pages 20 to 36 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020

	Called up share capital	Capital contribution reserve	Cost of hedging reserve	Cash flow hedge reserve	Profit and loss account	Total equity
	£'000	£'000	£000	£'000	£'000	£'000
At 1 October 2019	-	43,194	(204)	(14,255)	56,690	85,425
Comprehensive income for the year						
Loss for the year	-	-	-	-	(589)	(589)
Other comprehensive income for the period	-	-	-	-	-	-
Movement in cash flow hedge	-	-	-	(3,720)	-	(3,720)
Movement in cost of hedging reserve	-	-	95	-	-	95
Total comprehensive income for the year	-	-	95	(3,720)	(589)	(4,214)
At 30 September 2020	-	43,194	(109)	(17,975)	56,101	81,211

The notes on pages 20 to 36 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021

1. General information

HIG Finance 2 Limited ("the Company") is a private company limited by shares, registered and incorporated in England and Wales. Company registered number 10842605. The address of its registered office is One Creechurch Place, London, EC3A 5AF.

The principal activity of the Company is disclosed in the Directors Report on page 3.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

These financial statements have been presented in Pounds Sterling (£), this being the functional currency of the Company and currency of its primary economic environment.

Monetary amounts included within these financial statements have been rounded to the nearest round thousand (£000's).

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention except for those financial instruments which are measured at fair value and explained in 2.8

The preparation of financial statements in compliance with FRS 101 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).

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

2.2 Financial reporting standard 101

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- *the requirements of paragraphs* 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- Requirements of IFRS 13 Financial Instruments paragraphs 91 to 99.

This information is included in the consolidated financial statements of Howden Group Holdings Limited, a company incorporated in England and Wales, as at 30 September 2021 and these financial statements may be obtained from The Group Finance Department, One Creechurch Place, London, EC3A 5AF.

2. Accounting policies (continued)

2.3 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. Whilst the Company has adapted well to disruptions related to Covid 19 and negative impacts are not expected, there is a risk that additional disruptions may provide headwind to some of the underlying trading subsidiaries which therefore reduces the ability of subsidiaries to remit cash to the Company, and in its capacity as the Group's main treasury entity, to service the Group's borrowings as they fall due.

Upon reviewing cash flow forecasts and sensitised cases where there was a deterioration of EBITDA by 20% with cash conversion impact of 80% over the forecast period, the Directors believe the scenario of the Company being unable to service liabilities as they fall due is remote. 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

2.4 Impairments of fixed assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.5 Valuation of investments, associates or joint ventures

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.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable 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.

2.7 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.

2. Accounting policies (continued)

2.8 Financial instruments

Financial assets and financial liabilities are recognised when the Company 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 transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value and as described below.

Financial assets

The Company's financial assets include cash and cash equivalent, investment in Money Market Funds (MMFs), loans and receivables, and derivative financial assets.

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. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents and 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 through profit and loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through the profit and loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated as hedging instruments, for which hedge accounting is applied.

Assets in this category are measured at fair value with the gains and losses recognised in "Changes in fair value through the Statement of Comprehensive Income" unless the instrument is designated and effective as a hedging instrument, for which hedge accounting is applied. The fair values of derivative financial instruments are determined by reference to expected future payments.

Financial liabilities

The Company's financial liabilities include borrowings, intercompany loans, trade and other payables and derivative financial instruments.

Where the Company designates a financial liability as a hedging instrument in a fair value hedge of a foreign currency investment, the gain or loss from remeasuring the foreign currency component of the hedging instrument is recognised in the income statement. The gain or loss on the hedged item attributable to the hedged risk will adjust the carrying amount of the hedged item and be recognised in the income statement.

Trade and other payables

Trade payables are initially measured at fair value and subsequently measured at amortised cost.

2. Accounting policies (continued)

Financial instruments (continued)

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 repricing, 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 (including fees) 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 adjusted to be the revised future cash flows discounted at the original effective interest rate with a corresponding entry in the 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 Income Statement.*

Impairment of financial assets

All financial assets except those at fair value through profit or loss are 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 Company's financial assets are limited to loans and receivables and financial assets at fair value through profit or loss.

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. Impairment of trade receivables is presented within "other operating costs".

2.9 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.

2. Accounting policies (continued)

2.10 Hedge accounting

The Company has entered into interest rate swaps and interest rate caps to manage its exposure to interest rate cash flow risk on its variable rate debt. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in the profit or loss for the period.

Hedge accounting is discontinued then if the economic relationship between the hedged item and hedging instrument cannot be demonstrated or if the hedged transaction is no longer expected to occur. If the hedged transaction is no longer expected to occur, the amount accumulated in the cash flow hedge reserve is reclassified to the income statement immediately. If the hedged transaction is still expected to occur, the amount accumulated in the cash flow hedge reserve is reclassified to the income statement when the hedged transaction affects the income statement.

The Company has used foreign currency payables as hedging instruments to hedge the exposure to changes in fair value of certain investments due to foreign currency. The gain or loss on the hedging instrument is recognised in the profit or loss. The hedging gain or loss on the hedged item shall adjust the carrying amount of the investment and be recognised in the profit or loss

2.11 *Foreign currency translation*

Functional and presentation currency

The Company's functional and presentational currency is Pounds Sterling (£).

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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.12 Finance costs

Finance costs are charged to the profit or loss 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.

2. Accounting policies (continued)

2.13 Interest income

Interest income is recognised in the profit or loss using the effective interest method.

2.14 Borrowing costs

All borrowing costs are recognised in the profit or loss in the year in which they are incurred.

2.15 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except that a charge 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; and
- 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.

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

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires the Company's Directors to exercise judgements and estimates that have been made in preparing the financial statements, as well as make certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Critical judgements in applying the Company's accounting policies

The critical judgements that the Directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

3. *Judgements in applying accounting policies and key sources of estimation uncertainty (continued)*

(a) Economic relationship in hedging

The Company has a number of interest rate swaps, some of which which do not have a floor. Due to lack of economic relationship, judgement was exercised and hedging relationship discontinued in previous year.

During the year, as the result of repricing of company's debt, interest rate floor on some of the loans designated as hedged items was reduced from 1% to 0.75%. USD interest rate swaps designated as hedging items contain interest rate floor of 1%. This resulted in misalignment of hedged item and hedging instrument which did not meet risk management objective anymore so the judgement was exercised and the hedging relationship was discontinued.

Sources of uncertainty is over the forecast interest rates used in determining if there is an economic relationship and if risk management objective can be achieved.

(b) Valuation of derivatives

The Company has a number of interest rate swaps and caps, which are carried at fair value. In determining the fair value of these derivatives, management makes judgements around the various inputs into the valuations, which include appropriate interest rate curves and credit risk adjustments relating to both the Company and the counterparty. The Company has engaged external experts to produce the valuations given the complexity of the exercise. Management has reviewed the expertise and competency of the external experts as well as the outputs of the valuation exercise produced by the external experts. Valuation of derivatives is sensitive to interest rate curves which are main source of the estimation uncertainty. Reducing interest rates for 100 basis points would result in an increase of the fair value of liability for £5.7m and increasing interest rates for 100 basis points would result in a decrease of the fair value of liability for £8.1m.

(c) 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. For value in use calculations, assumptions include discount rates, cash generation potential and long term growth rates depending on regional economic performance and industry trends. For multiple earnings' calculations, assumptions include adjustments to historical or projected earnings to form a baseline earnings and which multiple to use based on recent market trends. When testing for impairment, the Company performs sensitivity analysis by allowing for a reasonable change in assumptions. These include reducing revenue growth rate for 10% (with 25% of revenue reduction resulting in cash expenses saved) and reducing long term growth rate by 50%. Applying sensitised assumptions, did not reduce value in use such that it resulted in impairment.

4. Operating loss

The operating loss is stated after crediting:

	2021 £'000	2020 £'000
Exchange differences	(6,779)	(2,944)
Fees payable to Company's auditor in respect of the audit of the Company's annual financial statements	67	48

5. Employees

The Company had no employees other than Directors, who did not receive any remuneration for their services to the Company.

6. Income from shares in group undertakings

	2021 £'000	2020 £'000
Ordinary dividends from subsidiary undertakings	5,346	5,851

7. Other interest receivable and similar income

	2021 £'000	2020 £'000
Interest receivable from fellow group undertakings	25,637	35,916
Foreign exchange gains	67,855	40,462
Preference share dividends from fellow group undertakings	73,666	52,860
Gain on debt modification of bank loans	3,098	-
Gain on debt modification of loans from fellow group undertakings	46,693	-
Other interest receivable	16	977
	216,965	130,215

The Gain on debt modification relates to favourable debt modifications on the Company's Term Loan during the year and arises over the extension of tenor and the reduction in interest charges.

8. Interest payable and similar charges

	2021 £'000	2020 £'000
Interest payable on bank loans	10,828	10,801
Interest payable on loans from fellow group undertakings	74,152	68,322
Interest rate derivatives	5,780	9,627
Amortisation of capitalised IFRS 9 debt modification adjustments	15,406	10,950
Foreign exchange losses	43,930	38,703
	150,096	138,403

9. Taxation

	2021 £'000	2020 £'000
Corporation tax		
Current tax on profits for the year	(2,393)	(4,560)
Adjustments in respect of previous periods	(1,109)	(342)
Tax withheld	-	139
Total current tax	(3,502)	(4,763)
Deferred tax		
Origination and reversal of timing differences	(395)	(395)
Effect of changes in tax rates	685	374
Total deferred tax	290	(21)
Taxation on profit/(loss)	(3,212)	(4,784)

The tax effect relating to components of other comprehensive income was a tax credit of £583,000 (2020: charge of £1,280,000).

9. Taxation (continued)

Factors affecting tax credit for the year

The table below reconciles the UK statutory tax charge to the Company's total tax credit:

	2021 £'000	2020 £'000
Profit/(loss) before tax	65,338	(5,373)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	12,414	(1,021)
Effects of:		
Adjustment from previous periods	(1,109)	(342)
Withholdings taxes	-	139
Non-taxable income	(15,012)	(11,155)
Tax rate changes	685	374
Deferred tax not recognised relating to corporate interest restriction	(190)	7,220
Other disallowables	-	1
Total tax charge for the year	(3,212)	(4,784)

The Company's profits for the accounting period to 30 September 2021 were taxed at the UK statutory rate of 19% (2020 - 19%).

The Company's deferred tax balances have been recognised at 19% or 25% depending on when the timing/temporary differences are expected to be reversed.

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%.

10. Investments

	Investments in Money market funds £'000	Investments in subsidiaries £'000	Total £'000
Cost or valuation			
At 1 October 2020	38,948	326,703	365,651
Additions	106,802	-	106,802
Disposals	(100,563)	-	(100,563)
Foreign exchange movement	(3,023)	-	(3,023)
Fair value hedge movements	-	(2,045)	(2,045)
At 30 September 2021	42,164	324,658	366,822
Net book value			
At 30 September 2021	42,164	324,658	366,822
At 30 September 2020	38,948	326,703	365,651

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Registered office	Class of shares	Holding
Hyperion Euro Growth Limited	Jersey	3rd Floor, 44 Esplanade, St Helier, Jersey JE4 9WG	Ordinary shares	100%
Hyperion Development Jersey Limited	Jersey	3rd Floor, 44 Esplanade, St Helier, Jersey JE4 9WG	Ordinary shares	100%

The aggregate of the share capital and reserves as at 30 September 2021 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £'000	Profit/(Loss) £'000
Hyperion Euro Growth Limited	46,724	2,546
Hyperion Development Jersey Limited	96,004	2,233

11. Debtors

	2021 £'000	2020 £'000
Due after more than one year		
Loans receivable from third parties	500	-
Loans receivable from fellow group undertakings	111,018	363,612
	111,518	363,612

	2021 £'000	2020 £'000
Due within one year		
Amounts owed by fellow group undertakings	308,318	260,793
Loans receivable from fellow group undertakings	1,432,547	919,522
Other debtors	165	5
Prepayments and accrued income	12	(4)
Deferred taxation (see note 17)	212	1,085
Tax recoverable	-	202
Derivative financial instruments	157	49
	1,741,411	1,181,652

12. Cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	62,379	160,568

A portion of the Company's cash balance is not available for use due to legal and creditor restrictions. At 30 September 2021 the Company's restricted cash balance was £144,000 (2020: £25,573,000).

13. Creditors: Amounts falling due within one year

	2021 £'000	2020 £'000
Bank loans	1,634	1,333
Amounts owed to group undertakings	211,386	248,436
Loans owed to fellow group undertakings	341,825	415,491
Derivatives with fellow group undertakings	5,330	9,124
Corporation tax	1,917	-
Other creditors	62	184
Accruals and deferred income	191	211
Derivative financial instruments	3,583	2,370
	565,928	677,149

On 12 November 2020 the Company drew additional €75m on the EUR term loan which has a carrying amount of £272,509,000 at 30 September 2021 (2020: £218,197,000). The 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% of the initial loan principal per annum (adjusted proportionally for subsequent drawdowns), with the remaining balance due at final maturity. On 10 February 2021 maturity was extended from 20 December 2024 to 12 November 2027.

The gain on debt modification has been recognised and and arises over the reduction in interest charges on the loan from fellow undertakings and the extension of tenor of both bank Term loan and loan from fellow group undertakings from 2024 to November 2027.

The Company is the main party on the Group's existing agreement with Morgan Stanley Senior Funding Inc., Royal Bank of Canada, HSBC Bank plc., Lloyds Bank plc, Royal Bank of Scotland, and ING Capital LLC to provide up to £125,000,000 of Revolving Credit Facilities. On 12 November 2020 the facility was fully repaid and maturity extended from 20 December 2022 until September 2024. On 10 August 2021 the Company drew down $56m on this facility resulting in a carrying amount of £41,707,000 at 30 September 2021 (2020: £125,00,000). The interest rate for this facility is 3.5% + LIBOR with interest rate floor of 1%.

14. Creditors: Amounts falling due after more than one year

	2021 £'000	2020 £'000
Bank loans	307,223	341,865
Loans to fellow group undertakings	1,242,812	951,506
Derivatives with fellow group undertakings	-	5,332
Derivative financial instruments (after 1 yr)	9,298	14,420
	1,559,333	1,313,123

The loans owed to fellow group undertakings were extended in February 2021 and mature in November 2027. Loans bear interest ranging between 3.61% plus LIBOR and 4.5%.

15. Loans

Analysis of the maturity of external loans is given below:

	2021 £'000	2020 £'000
Amounts falling due within one year		
Bank loans	1,634	1,333
Amounts falling due 1-5 years		
Bank loans	6,537	341,865
Amounts falling due after more than 5 years		
Bank loans	300,686	-
Bank loans	308,857	343,198

Details regarding repayments and interest has been provided in note 14.

16. Financial instruments

	2021 £'000	2020 £'000
Financial instruments measured at fair value		
Financial liabilities measured at fair value	(18,054)	(31,197)

Derivatives assets £157,000 (2020: £49,000) and liabilities £18,212,000 (2020: £31,246,000) comprises interest rate swaps and caps, counterparties either being external third party banks or a fellow Group subsidiary. The derivatives are carried at fair value on the Statement of Financial Position. The interest rate swaps and caps have cash flows on a monthly basis and mature between 2022 and 2024.

Hedging arrangements

The interest rate swaps and the intrinsic portion of the interest rate caps have been designated as hedging instruments in cash flow hedges to hedge the interest rate risk arising over debt instruments.

For certain interest rate swaps, the economic relationship between the hedging instrument and hedged item cannot be demonstrated. This is because either

- the hedged item has an interest rate floor rate and the hedging instrument does not or
- upon the repricing of the hedged item (after the hedge designation), the hedging instrument and the hedged item have different floor rates and risk management objective is not achieved.

Whilst due to the collapse in interest rates following the Covid 19 crisis it was not forecast for the floating leg of the interest rate swap to be above the floor rate for the remainder of the life of these swaps, the hedged transactions are still forecast to occur.

For the remainder of the interest rate swaps and caps there continues to be an economic and therefore hedge relationship. A total charge of £1,787,000 net of tax (2020: debit £7,180,000) was recorded into equity arising from the fair value movements of hedging instruments in cash flow hedges. A total charge of £5,321,000 net of tax (2020: charge £3,389,000) was recorded in the income statement reflecting recycling.

The Company designates a number of foreign currency liabilities as hedging instruments in respect of fair value hedges in respect of foreign currency investments in subsidiaries. Where the hedge is effective, the carrying of the investments are revalued from hedge designation with the gain/loss recorded in the income statement. During the period a credit of £2,045,000 (2020: credit of £1,034,000) was recorded relating to the revaluation of investments which was offset by the revaluation of the hedging instruments.

Valuing instruments held at fair value

The fair value of the derivatives has been determined using forward exchange rates or forward interest rates derived from market sourced data, with the resulting value discounted to present value. Credit risk is not considered a material component of fair value over the life of the instrument, except in accounting for interest rate hedging relationships where credit risk portion of fair value is always recognised in the income statement.

17. Deferred taxation

	2021 £'000	2020 £'000
Deferred tax asset/(liability) at the start of the period	1,085	(216)
Deferred tax (charge)/credit in other comprehensive income for the period	(583)	1,280
Deferred tax (charge)/credit to income statement for the period	(290)	21
	212	1,085

	2021 £'000	2020 £'000
The deferred taxation balance is made up as follows:		
Deferred tax in relation to financial instruments (see note 11)	212	1,085

18. Share capital

	2021 £'000	2020 £'000
Authorised, issued and fully paid		
100 (2020 - 100) ordinary shares of £0.01 each	-	-

The Ordinary shares carry full voting, dividend and capital distribution rights, but no right to fixed income.

19. Reserves

Capital contribution reserve

The Capital contribution reserve relates to the contribution of assets from the parent company.

Profit and loss account

The Profit and loss account reserve is made up of the cumulative profits and losses of the Company, less any dividends paid.

Cash flow hedge reserve

The Cash flow hedge reserve is made up of the total historical movement in the fair value of the interest rate swaps in use.

Cost of hedging reserve

The Cost of hedging reserve defers the changes in the time value of option contracts in the cost of hedging reserve, and reclassifies through profit or loss over the hedged period on a rational basis.

20. Contingent liabilities

On 20 December 2017, the ultimate parent company Howden Group Holdings Limited along with the Company and fellow subsidiary Hyperion Refinance S.a.r.l., entered into a financing agreement with Morgan Stanley Senior Funding, Inc., Royal Bank of Canada, HSBC Bank plc, Lloyds Bank plc, Royal Bank of Scotland and ING Capital LLC. Under the terms of this agreement, the Company together with a number of other subsidiaries have given guarantees in respect of Hyperion Refinance S.a.r.l.'s obligations under the terms of the agreement.

21. Related party transactions

The Company has taken advantage of the exemption conferred by FRS 101 paragraph 8(j) which states that a qualifying entity is exempt from the IAS 24 requirement to disclose compensation to key management personnel and also exempt from disclosing transactions with entities wholly owned by the Group.

22. Subsequent events following the reporting date

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

- First lien term loan EUR 350m maturing in November 2027;
- Second lien loan USD 370m maturing in November 2028.
- Quoted Eurobond of USD 955m held by Group company maturing in November 2027;

The proceeds were used to fund the acquisition of one of the Group's subsidiaries and associated transaction costs, repayment the RCF and financing arrangements which carried higher interest rate. The tenor of the RCF was extended from September 2024 to December 2026 and size increased from £125m to £185m.

23. Controlling party

The Company's immediate and ultimate parent company is Howden Group Holdings Limited, a company incorporated in the United Kingdom and registered in England and Wales. Its registered office is at One Creechurch Place, London, EC3A 5AF, United Kingdom.

The largest and smallest group of which the Company is a member for which group financial statements are drawn up is that of Howden Group Holdings Limited. Copies of the financial statements of this Company can be obtained from the Company Secretary at the registered office of Howden Group Holdings Limited.