Registered number: 10842605

HIG FINANCE 2 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2018

HIG FINANCE 2 LIMITED

COMPANY INFORMATION

Directors	William David Bloomer (appointed 29 June 2017) Oliver Roebling Panton Corbett (appointed 29 June 2017) David Phillip Howden (appointed 29 June 2017) Mark Skimming Craig (appointed 17 October 2018)
Company secretary	Andrew John Moore
Registered number	10842605
Registered office	16 Eastcheap London EC3M 1BD
Independent auditors	Deloitte LLP Statutory Auditor London United Kingdom

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DIRECTORS' REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

The directors present their report and the audited financial statements for the period 29 June 2017 to 30 September 2018.

Principal activity

HIG Finance 2 Limited ("the Company") is an intermediate holding company which provides financing to the Hyperion Insurance Group ("the Group").

Capital structure

During the period under review 100 Ordinary share were issues at par value. The Ordinary shares carry full voting, dividend and capital distribution rights, but no right to fixed income.

Results and dividends

The profit for the period, after taxation, amounted to £138,328,398.

The Company paid dividends of £120,000,000 during the period. The Company also does not propose a dividend after the period end.

Directors

The directors who served during the period and up to the date of signing were:

William David Bloomer (appointed 29 June 2017)
Oliver Roebling Paton Corbett (appointed 29 June 2017)
David Phillip Howden (appointed 29 June 2017)
Mark Skimming Craig (appointed 17 October 2018)

Political contributions

The Company did not make any political donations in the period ended 30 September 2018.

Charitable donations

The Company did not make any charitable donations in the period ended 30 September 2018.

Research and development activities

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

Post balance sheet events

See note 21 for details.

Matters covered in the strategic report

The following information has been included in the strategic report and incorporated into this report by reference:

- Financial risk management objectives and policies
- Future developments

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

Directors' indemnities

Hyperion Insurance Group Limited, the immediate and ultimate holding company, has made qualifying third party indemnity provisions for the benefits of the Company Directors which were made during the period and remain in force at the date of this report.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Auditors

The auditors, Deloitte LLP, which has expressed its willingness to continue in office, will be deemed reappointed.

This report was approved by the board on 14 December 2018 and signed on its behalf.

Andrew John Moore
Secretary

STRATEGIC REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

Business review

The Company provides financing services to Hyperion Insurance Group Limited and its UK and overseas operating subsidiaries. During the period the Company acquired Hyperion Development Jersey Limited, Hyperion Euro Growth Limited and preference shares of Hyperion Development UK Limited from a fellow Hyperion Group subsidiary, in exchange for taking a number of intercompany liabilities. In addition, on 20 December 2017 and 20 June 2018 the Company, which is a borrower on the Group's main lending facility, drew down €200m and €50m respectively on the EUR term loan. As a financing company, the Company considers its KPI in relation to the carrying value of its receivables. No impairments were noted in the period to 30 September 2018.

The Company made a profit after tax for the period ended 30 September 2018 of £138,328,398. The profit for the period was predominantly due to preference share dividends received in the period of £166,783,892.

Financial position

As at 30 September 2018, the Company has net assets of £73,776,502 and net current assets of £660,516,990. After making appropriate enquires, the Directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis of preparation for the annual report and financial statements. See note 2.3 for further details.

Principal risks and uncertainties

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'.

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 Development Jersey Limited and Hyperion Euro Growth Limited. More details are provided in note 15. 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 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 15 for more details.

The Company's principal financial assets are bank balances and cash as well as trade 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 large 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 19, the Company is a party to and guarantor of the Hyperion Group's main financing facilities taken out by a fellow subsidiary of the Group.

STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

Following the United Kingdom referendum result to exit the EU on 23 June 2016, the impact on market conditions, currency values and the wider economic environment is volatile, but 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 development

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

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

William David Bloomer
Director

Date: 14 December 2018

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 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

Opinion

In our opinion the financial statements of HIG Finance 2 Limited (the 'company'):
- **give a true and fair view of the state of the company's affairs as at 30 September 2018 and of its profit for the period 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;
- the related notes 1 to 22.

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).

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.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Valuation of complex financial instruments
Materiality	The materiality that we used in the current year was £5.3m which was determined on the basis of 0.4% of total assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:
- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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.

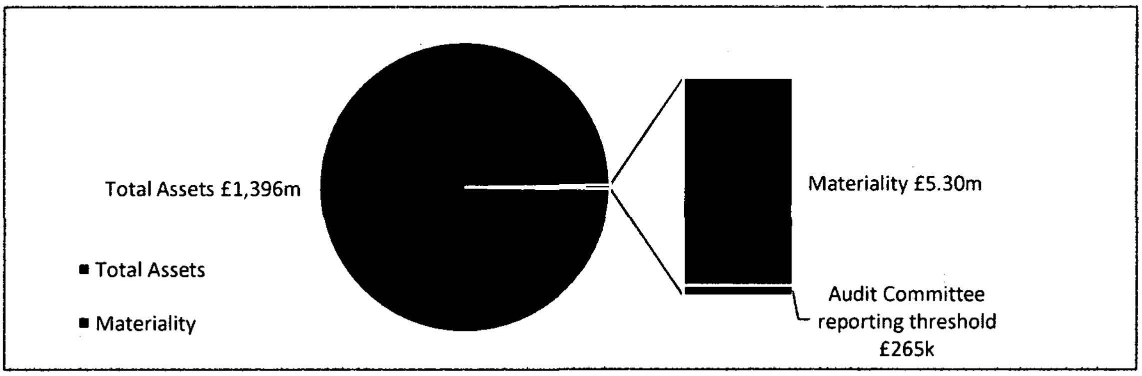
Valuation of Complex Financial Instruments	
Key audit matter description	Given the inherent complexity around valuing complex financial instruments, we have identified a significant risk specifically around the valuation of the seven interest rate swaps entered in to during the period ended 30 September 2018. The valuation of derivatives remains a significant risk given the complexity of valuation methods and the judgemental nature of market inputs, specifically the discount factor applied and the credit valuation adjustments required. Further details are included within the Strategic Report under Financial risk management, as well as thein note 2.8, 3 and 15 to the financial statements.
How the scope of our audit responded to the key audit matter	We evaluated the design and implementation of the key controls related to the valuation of complex financial instruments. We obtained the most recent audited financial information of the related investments to determine whether they supported the carrying value. We performed tests on a sample of complex financial instruments, including the application of management's assumptions, methodology and model inputs. We agreed all terms of a sample of open derivatives to the underlying contracts and requested independent confirmation from counterparties of all open derivative positions at the year-end date.
Key observations	Based on the work performed we concluded that the valuation of complex financial instruments was reasonable.

Our application of 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	£5.3m
Basis for determining materiality	The basis of materiality is Total Assets, taking into account Group materiality, the materiality is approximately 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 owners of the entity, Hyperion Insurance Group, to assess the viability of the company.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £265k, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

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.

Other information

We have nothing to report in respect of these matters.

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the 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

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.***
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.***

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.

Adam Ely

Adam Ely, ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
14 December 2018

INCOME STATEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Note	2018 £
Administrative expenses		(1,496,660)
Operating loss		(1,496,660)
Income from other fixed asset investments	5	10,042,321
Interest receivable and similar income	6	188,779,604
Interest payable and similar expenses	7	(66,494,312)
Profit before tax		130,830,953
Tax on profit	8	7,497,445
Profit for the financial period		138,328,398

The notes on pages 16 to 30 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Note	2018 £
Profit for the financial period		138,328,398
Change in fair value of cash flow hedging instruments, net of tax	15	12,375,144
Amounts recycled in respect of cash flow hedges, net of tax	15	(120,697)
Other comprehensive income for the period		12,254,447
Total comprehensive income for the period		150,582,845

The notes on pages 16 to 30 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018

	Note		2018 £
Fixed assets			
Investments	9		325,726,204
			325,726,204
Current assets			
Debtors: amounts falling due after more than one year	10	463,768,876	
Debtors: amounts falling due within one year	10	742,680,125	
Cash at bank and in hand	11	48,915,114	
		1,255,364,115	
Creditors: amounts falling due within one year	12	(594,847,125)	
Net current assets			660,516,990
Total assets less current liabilities			986,243,194
Creditors: amounts falling due after more than one year	13		(912,466,692)
			73,776,502
Net assets			73,776,502
Capital and reserves			
Called up share capital	17		1
Capital redemption reserve	18		43,193,656
Other reserves	18		12,254,447
Profit and loss account	18		18,328,398
			73,776,502

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 SEPTEMBER 2018

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 December 2018.

William David Bloomer
Director

The notes on pages 16 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Called up share capital	Capital contribution reserve	Cash flow hedge reserve	Profit and loss account	Total equity
At 29 June 2017	£	£	£	£	£
Comprehensive income for the period					
Profit for the period	-	-	-	138,328,398	138,328,398
Movement in cash flow hedge	-	-	12,254,447	-	12,254,447
Other comprehensive income for the period	-	-	12,254,447	-	12,254,447
Total comprehensive income for the period	-	-	12,254,447	138,328,398	150,582,845
Dividends	-	-	-	(120,000,000)	(120,000,000)
Shares issued during the period	1	-	-	-	1
Movement in capital contribution reserve	-	43,193,656	-	-	43,193,656
At 30 September 2018	1	43,193,656	12,254,447	18,328,398	73,776,502

The notes on pages 16 to 30 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018

1. General information

The company is a private company limited by shares and was incorporated on 29 June 2017 in the England and Wales. The address of its registered office is 16 Eastcheap, London, EC3M 1BD.

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts 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.

2. Accounting policies

2.1 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 as modified by financial instruments recognised at fair value.

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 accounting period that the financial statements have been prepared for is 29 June 2017 to 30 September 2018. This is the first period for which the financial statements have been prepared.

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
- Requirements of IFRS 13 Financial Instruments paragraphs 91 to 99.

This information is included in the consolidated financial statements of Hyperion Insurance Group Limited, a company incorporated in England and Wales, as at 30 September 2018 and these financial statements may be obtained from The Group Finance Department, 16 Eastcheap, London, EC3M 1BD.

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. As at 30 September 2018, the Company has net assets of £73,776,502 and net current assets of £660,516,990. 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. Accounting policies (continued)

2.4 Impairments of fixed assets and goodwill

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 (or cash-generating unit to which the asset has been allocated) 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 (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). 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.

Investments in unlisted Company shares are stated at historical cost less impairment.

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.

2.8 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 held at cost, loans and receivables, and derivative financial assets.

2. Accounting policies (continued)

2.8 Financial instruments (continued)

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 or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective 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 profit or loss" 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)

2.8 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 IAS 39, 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, 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 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 profit or loss for the period.

Hedge accounting is discontinued then 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 profit or loss.

2.11 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 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 Income Statement within 'other operating income'.

2.12 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.

2. Accounting policies (continued)

2.13 Interest income

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

2.14 Borrowing costs

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

2.15 Taxation

Tax is recognised in the Income Statement, 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.

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

The Directors make a number of estimates and assumptions regarding the future, and make significant judgements in applying the accounting policies. The estimates and assumptions that have a significant effect on the carrying amounts 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. 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 earning and which multiple to use based on recent market trends.

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.

4. Operating loss

The operating loss is stated after charging:

	2018
	£
Foreign exchange differences	1,487,620
Fees payable to the Company's auditor for the audit of the company's financial statements	20,000

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

5. Income from investments

	2018
	£
Income from fixed asset investments in fellow group undertakings	10,042,321
	10,042,321

6. Interest receivable

	2018
	£
Interest receivable from fellow group undertakings	18,101,207
Exchange gains on refinancing balances	3,069,828
Preference share dividends treated as interest receivable	166,783,892
Other interest receivable	824,677
	188,779,604

7. Interest payable and similar expenses

	2018
	£
Bank interest payable	5,791,924
Interest on loans from fellow group undertakings	55,141,165
Amortisation of bank and loan arrangement fees	4,110,419
Exchange loss on refinancing balances	1,450,804
	66,494,312

8. Taxation

	2018
	£
Corporation tax	
Current tax on profits for the year	(7,497,445)
	(7,497,445)
Total current tax	(7,497,445)

The tax effect relating to components of other comprehensive income was a tax charge of £2,917,201.

Factors affecting tax charge for the period
The Company's profit for the accounting period to 30 September 2018 were taxed at an effective rate of 19%.

Previously enacted changes to the UK corporation tax rate will result in a reduction in the rate to 17% from April 2020. The Company's deferred tax balances have been recognised at 19% or 17% depending on when the temporary differences are expected to reverse.

The tax assessed for the period is the same as the standard rate of corporation tax in the UK of 19% as set out below:

	2018
	£
Profit on ordinary activities before tax	130,830,953
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	24,857,881
Effects of:	
Non-taxable income	(33,596,980)
Transfer pricing adjustments	51,309
Tax rate changes	(6,137)
Deferred tax not recognised relating to corporate interest restriction	1,196,482
Total tax charge for the period	(7,497,445)

9. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
Additions	325,552,673
Fair value hedge movement	173,531
At 30 September 2018	325,726,204
Net book value	
At 30 September 2018	325,726,204

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

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

The aggregate of the share capital and reserves as at 30 September 2018 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
Hyperion Euro Growth Limited	47,106,413	2,582,480
Hyperion Development Jersey Limited	99,317,484	2,240,796

10. Debtors

	2018
	£
Due after more than one year	
Amounts owed from fellow group undertakings	21,104,686
Derivatives with fellow group undertakings	5,394,387
Loans receivable from fellow group undertakings	436,458,236
Derivative financial instruments	811,567
	463,768,876

	2018
	£
Due within one year	
Amounts owed from fellow group undertakings	57,360,902
Loans receivable from fellow group undertakings	679,293,466
Other debtors	27,747
Derivatives from fellow group undertakings	1,996,573
Tax recoverable	3,811,454
Derivative financial instruments	189,983
	742,680,125

11. Cash and cash equivalents

	2018
	£
Cash at bank and in hand	48,915,114
	48,915,114

A portion of the Company's cash balance is not available for use due to legal and creditor restrictions. At 30 September 2018 the Company's restricted cash balance was £48,871,225.

12. Creditors: Amounts falling due within one year

	2018 £
Bank loans	1,230,332
Amounts owed to fellow group undertakings	585,586,507
Loans owed to fellow group undertakings	7,051,917
Derivatives with fellow group undertakings	385,851
Other taxation and social security	1,714
Other creditors	44,683
Accruals and deferred income	280,932
Derivative financial instruments	265,189
	594,847,125

On 20 December 2017 and 20 June 2018 and the Company drew down €200m and €50m respectively on the EUR term loan which has a carrying amount of £214,899,576 at 30 September 2018. 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 1.0% of the original loan principal per annum with the remaining balance due at final maturity on 20 December 2024.

The Company, also became the part of and the main party on the Groups 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 maturing on 20 December 2022. The interest rate for this facility is 3.5% with a LIBOR of 1%. At 30 September 2018 the Company had drawn down £nil on this facility.

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

	2018 £
Bank loans	213,669,185
Loans owed to fellow group undertakings	694,909,472
Deferred tax (see note 16)	2,917,201
Derivatives with fellow group undertakings	141,550
Derivative financial instruments	829,284
	912,466,692

The amounts owed to fellow group undertakings mature in 2024. These bear interest of 3.61% plus LIBOR.

14. Loans

Analysis of the maturity of external loans is given below:

	2018 £
Amounts falling due within one year	
Bank loans	1,230,332
	1,230,332
Amounts falling due 1-5 years	
Bank loans	4,921,328
	4,921,328
Amounts falling due after 5 years	
Bank loans	208,747,857
	208,747,857
Bank loans	214,899,517

Details regarding repayments and interest has been provided in note 13.

15. Financial instruments

	2018 £
Derivatives	
Financial assets measured at fair value through profit or loss	6,770,634

Derivatives assets (£8,392,509) and liabilities (£1,621,875) 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 balance sheet. 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. Including impact of deferred tax, the swaps and caps had a net credit of £12,375,144 recorded in other comprehensive income relating to effective hedges and £120,697 was reclassified to the income statement during the period ended 30 September 2018. A total credit of £227,777 was recorded in the income statement reflecting hedge ineffectiveness and time value movements relating to the interest rate caps.

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 £173,531 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.

16. Deferred taxation

	2018 £
Deferred tax charge in other comprehensive income for the period	(2,917,201)
At 30 September 2018	(2,917,201)

The deferred taxation balance is made up as follows:

	2018 £
Deferred tax relating to derivative instruments	(2,917,201)
	(2,917,201)

17. Share capital

	2018 £
Authorised, issued and fully paid	
100 Ordinary shares of £0.01 each	1

On 29 June 2017 100 Ordinary share were issues at par value.

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

18. Reserves

Capital contribution reserve

This reserve relates to the contribution of assets from the parent company.

Profit and loss account

This reserve is made up of the cumulative profits and losses of the Company, after the payment of dividends. Dividends totalling £120,000,000 were paid during the period to 30 September 2018. The dividend paid per share during the period to 30 September 2018 was £1,200,000.

Cash flow hedge reserve

This reserve is made up of the total historical movement in the fair value of the interest rate swaps in use.

19. Contingent liabilities

On 20 December 2017, the ultimate parent company Hyperion Insurance Group 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.

20. 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

21. Post balance sheet events

On 7 December 2018, HIG Finance 2 Limited, which is a borrower on the Group's main lending facility, completed an incremental financing to raise an additional $115m in relation to the financing agreement with Morgan Stanley Senior Funding, Inc., Barclays Bank PLC, J.P. Morgan Securities PLC, Royal Bank of Canada, HSBC Securities (USA) Inc., Lloyds Securities Inc. and Lloyds bank PLC through Hyperion Refinance S.a.r.l., a fellow subsidiary of the Group.

22. Controlling party

The immediate and ultimate parent company is Hyperion Insurance Group Limited, a company incorporated in the United Kingdom and registered in England and Wales.

The largest and smallest group of which the Company is a member for which group financial statements are drawn up is that of Hyperion Insurance Group Limited. The registered address of this company is 16 Eastcheap, London, EC3M 1BD. Copies of the financial statements of this company can be obtained from the Group Finance Department, 16 Eastcheap, London, EC3M 1BD.