

HASTINGS INSURANCE SERVICES LIMITED

FINANCIAL STATEMENTS FOR THE 6 MONTH PERIOD TO 31 DECEMBER 2010

COMPANY NUMBER 3116518



Hastings DIRECT
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HASTINGS INSURANCE SERVICES LIMITED

For the 6 month period to 31 December 2010

CONTENTS

	Page
Directors and General Information	1
Directors' Report	2
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6
Profit and Loss Account	7
Statement of Total Recognised Gains and Losses	7
Balance Sheet	8
Notes to the Financial Statements	9

HASTINGS INSURANCE SERVICES LIMITED

For the 6 month period to 31 December 2010

Directors (who held office at the date of this report)

E Fitzmaurice
T Ablett
R M Brewster
J Castagno
P B Pavey
N Utley
A Parry

Secretary

A S Leppard

Auditors

KPMG Audit plc
15 Canada Square
London
E14 5GL

Principal and Registered Office

Conquest House, Collington Avenue, Bexhill-on-Sea, East Sussex TN39 3LW
Tel 01424 735735 Fax 01424 735730
Registered Number 3116518

HASTINGS INSURANCE SERVICES LIMITED

For the 6 month period to 31 December 2010

DIRECTORS' REPORT

The Directors submit their Report and Financial Statements of the Company for the 6 month period ended 31 December 2010

PRINCIPAL ACTIVITY

The principal activity of the Company is the provision of insurance broking services

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

There have been no significant changes in the underlying activities of the Company during the period. No significant changes in the nature of the business are expected in 2011 and the Directors are confident that the Company will continue to be profitable during the coming year.

The Directors have elected to change the company's accounting year end to 31st December in order to aid in comparability with other insurance brokers and underwriters in the market.

On 31 July 2010 the net assets and trade of Renew Insurance Services Limited ("Renew"), a fellow subsidiary undertaking, were transferred to the Company at net book value.

PERFORMANCE AND KEY PERFORMANCE INDICATORS

The Directors monitor the performance of the business through a number of key performance indicators including turnover, administration expenses and average headcount.

Turnover for the period was £43,331,216 (year to June 2010 - £58,017,892)

The profit for the period after taxation amounted to £3,056,697. The profit after taxation for the year to June 2010 amounted to £5,876,483. The Directors do not recommend the payment of a dividend.

The Administration expenses for the period amounted to £39,055,108. The Administration expenses for the year to June 2010 amounted to £52,695,821.

The Average headcount for the period was 958. The Average headcount for the year to June 2010 was 701.

HASTINGS INSURANCE SERVICES LIMITED

For the 6 month period to 31 December 2010

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks that include credit risk, liquidity risk and interest rate risk

The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and the related finance costs

The Company's finance and compliance departments implement the policies set by the board of Directors

Competitive risk

Competitive pressure in the UK is a continuing risk for the Company, which could result in it losing sales to its key competitors. The Company maintains a competitive panel of insurers and constantly reviews margins to ensure competitive pricing. The Company further manages this risk by providing added value services to its customers, having fast response times not only in supplying products but also in handling all customer queries and by maintaining strong relationships with customers

Price risk

The Company is exposed to price risk due to normal inflationary increases in the purchase price of goods and services it purchases in the UK

Credit risk

The Company acts as an agent in broking insurable risks and is not liable as principal for premiums due to underwriters, premium refunds due to clients or for claims payable to clients. Consistent with this, the Company has secured risk transfer agreements from its panel of underwriters

Where the Company offers premium finance to the policy holders it becomes responsible for the collection of the premiums and effectively assumes the credit risk for the collection of this debt. The Company has monitoring and debt collection procedures in place to minimise this risk

Liquidity risk

The Company actively maintains a mixture of cash and current asset investments to ensure that it has sufficient available funds for its operations and planned expansion

Legislative, Regulatory and Solvency risk

The Company actively monitors its compliance and solvency requirements of the Financial Services Authority and is proactive in establishing robust policies and procedures to ensure effective compliance

Interest rate risk

The Company has both interest bearing assets and liabilities. Interest bearing assets include cash balances and money market liquidity funds which earn interest at fixed and variable rates. The Directors regularly review the appropriateness of this policy

HASTINGS INSURANCE SERVICES LIMITED

For the 6 month period to 31 December 2010

DIRECTORS' REPORT (continued)

DIRECTORS

The names of the Directors at the date of this report appear on page 1. Full details of changes in directors are shown below.

A Parry (appointed on 23 September 2010)

As permitted by the Companies Act 2006, the Company has maintained insurance cover for Directors and officers against liabilities arising in relation to the Company.

EMPLOYEES

The Directors recognise that staff should be kept informed, so far as practicable, on matters of interest and concern to them as employees and on matters affecting the Company's performance. Regular staff surveys such as the Your Voice survey are conducted throughout the year and the views of staff are widely sought and taken into account in making decisions which affect them. Information is conveyed through meetings and the distribution of circulars.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that the appropriate training is arranged.

It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

PROVISION 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 that Director is aware there is no relevant audit information of which the Company's auditors are unaware and
- each Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

AUDITORS

The auditors, KPMG, will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

By Order of the Board



E Fitzmaurice
Director

16 SEPTEMBER 2011
Company number 3116518

HASTINGS INSURANCE SERVICES LIMITED

For the 6 month period to 31 December 2010

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company Law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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 financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

HASTINGS INSURANCE SERVICES LIMITED

For the 6 month period to 31 December 2010

Independent Auditor's Report to the members of Hastings Insurance Services Limited

We have audited the financial statements of Hastings Insurance Services Limited for the six month period ended 31 December 2010 set out on pages 7 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the six month period then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Chris Moulder (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL
22 September 2011

HASTINGS INSURANCE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

For the 6 month period to 31 December 2010

	Notes	Period to 31 December 2010 £	Year to 30 June 2010 £
TURNOVER	1,3	43,331,216	58,017,892
Administrative expenses		(39,055,108)	(52,695,821)
OPERATING PROFIT	4	4,276,108	5,322,071
Interest receivable and similar income	6	215,254	526,664
Interest payable and similar charges	7	(6,135)	(933)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,485,227	5,847,802
Tax (charge)/credit on profit on ordinary activities	8	(1,428,530)	28,681
PROFIT FOR THE FINANCIAL PERIOD	17	3,056,697	5,876,483

All of the Company's operations are classed as continuing

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the 6 month period to 31 December 2010

	Period to 31 December 2010 £	Year to 30 June 2010 £
Profit for the financial period and total recognised gains and losses relating to the period	3,056,697	5,876,483
Prior year restatement	-	(2,107,231)
Total gains and losses recognised since last annual report	3,056,697	3,769,252

The notes on pages 9 to 16 form an integral part of these financial statements


HASTINGS INSURANCE SERVICES LIMITED

BALANCE SHEET

As at 31 December 2010

	Notes	As at 31 December 2010 £	As at 30 June 2010 £
FIXED ASSETS			
Investments	9	4,033,561	4,033,561
Tangible assets	10	6,600,553	5,576,154
Debtors due in more than 1 year	11	15,423,109	14,126,063
		<u>26,057,223</u>	<u>23,735,778</u>
CURRENT ASSETS			
Debtors due within 1 year	11	92,301,109	76,939,809
Current asset investments	12	25,005,120	13,516,057
Cash at bank and in hand	1(h)	9,658,015	19,473,933
		<u>126,964,244</u>	<u>109,929,799</u>
CREDITORS: Amounts falling due within one year	13	(121,581,038)	(105,958,262)
		<u>5,383,206</u>	<u>3,971,537</u>
NET CURRENT ASSETS			
		<u>31,440,429</u>	<u>27,707,315</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: Amounts falling due after more than one year	14	(5,439,468)	(4,417,171)
PROVISIONS FOR LIABILITIES & CHARGES	15	(2,958,980)	(3,304,860)
		<u>23,041,981</u>	<u>19,985,284</u>
NET ASSETS			
CAPITAL AND RESERVES			
Called up share capital	16	22,980,000	22,980,000
Profit and loss account	17	<u>61,981</u>	<u>(2,994,716)</u>
SHAREHOLDERS' FUNDS	17	<u>23,041,981</u>	<u>19,985,284</u>

These financial statements were approved and authorised for issue by the Board of Directors on 16 SEP 2011
and were signed on its behalf by


E Fitzmaurice
Director

The notes on pages 9 to 16 form an integral part of these financial statements

HASTINGS INSURANCE SERVICES LIMITED

For the 6 month period to 31 December 2010

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards in the United Kingdom, the Companies Act 2006 and on a going concern basis. The Directors believe this to be appropriate as they have reviewed the business plans and cash flow forecasts of the Company for a period of not less than 12 months from the date of signing these financial statements, which shows that the Company has sufficient resources to meet its obligations as they fall due.

(b) Group accounts

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 entity and not about its group.

(c) Cash flow statement

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements contain a consolidated statement of cash flows and are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with Financial Reporting Standard 1.

(d) Turnover

Turnover, represented predominantly by brokerage fees and commission, is recognised when funding is receivable with deferral of revenue for ongoing contractual obligations. Policy fees, including mid-term adjustments, are recognised on the effective date of that adjustment. Premium finance fee income is recognised at the inception of the agreement when the company has substantially met its obligations, which is considered to be at inception of the agreement, with a deferral of revenue for associated future costs.

(e) Marketing costs

Marketing costs are expensed as incurred.

(f) Tangible fixed assets

Tangible fixed assets, excluding Capital Work In Progress, are depreciated on a straight line basis over their useful economic lives and are stated in the balance sheet at cost less accumulated depreciation. All fixed assets are depreciated over 4 years, unless their useful economic life is assessed to be shorter, in which case the shorter period is used. Computer equipment is considered to have a useful economic life of 3 years.

(g) Current asset investment

Investments held as current assets are stated at fair value through profit and loss as determined by their price at the balance sheet date. This will be equivalent to cost since there is no element of capital appreciation within these funds.

(h) Insurance debtors and creditors

Insurance brokers normally act as agents in placing the insurable risks of their clients with insurers and, as such, generally are not liable as principals for amounts arising from such transactions. Notwithstanding such legal relationships, debtors and creditors arising from insurance broking transactions are shown as assets and liabilities in recognition of the fact that the insurance broker is entitled to retain investment income on any cash flows arising from such transactions.

Balances arising from insurance broking transactions included under debtors and creditors are only offset to the extent permitted under the provisions of Financial Reporting Standard 5 'Reporting the substance of transactions'.

The Company uses a trust account to hold premium and Insurance premium tax (IPT) receipts. Earned commissions are deducted prior to onward payment to insurers. Trust account balances amounting to £2,536,690 (June 2010 - £749,661) are included in the Company's Cash at Bank and in hand balances which are stated in these financial statements at £9,658,015 (June 2010 - £19,473,933).

HASTINGS INSURANCE SERVICES LIMITED

For the 6 month period to 31 December 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

(i) Leasing commitments

Assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The capital element of future obligations under finance leases is included within liabilities in the balance sheet and the interest element of obligations under finance leases is expensed on a sum of digits basis over the term of the lease.

Rentals payable under operating leases are expensed on a straight line basis over the term of the lease.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

(j) Pensions

Some employees participate in a defined contribution pension scheme. The pension charge represents the amount payable by the Company to that scheme in respect of the period.

(k) Deferred tax

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse based on current tax rates and laws.

Deferred tax assets and liabilities are not discounted, unless material.

2 Renew

On 31 July 2010 the net assets of Renew Insurance Services Ltd ("Renew"), a subsidiary of Hastings 888 Holdings Ltd which is the ultimate parent of Hastings Insurance Services Limited ("HISL"), were transferred to HISL for nil consideration and at fair value. All the trade and business associated with the Renew brand were also transferred to the Company. The net effect of the movements was as below:

	Balance as at 31 July 2010 per Renew £	Fair value Adjustments £	Balance as at 31 July 2010 per HISL £
Assets			
Fixed Assets	212,758	-	212,758
Current Assets	4,758,847	-	4,758,847
Cash at Bank and in Hand	2,801,896	-	2,801,896
Liabilities			0
Trade Creditors	(5,940,337)	-	(5,940,337)
Amounts owing to Group Companies	(1,189,302)	-	(1,189,302)
Other Creditors	(643,861)	-	(643,861)
Total	-	-	-

3 Turnover

Turnover represents net income from insurance broking and claims handling business, and legal representation fees receivable, all originating from within the United Kingdom.

HASTINGS INSURANCE SERVICES LIMITED

For the 6 month period to 31 December 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 Operating profit

The operating profit is stated after charging / (crediting)

	Period to 31 December 2010	Year to 30 June 2010
	£	£
Auditors remuneration - audit services	50,000	50,000
Auditors remuneration - taxation services from Rawlinson & Hunter	10,238	31,956
Depreciation - tangible fixed asset	1,569,212	2,485,551
Loss on disposal of tangible fixed assets	-	151,374
Operating lease rentals - land and buildings	278,065	615,045
Operating lease rentals - office equipment and vehicles	6,149	34,413

5 Staff costs

Staff costs were as follows

	Period to 31 December 2010	Year to 30 June 2010
	£	£
Salaries	11,137,419	16,950,714
Social security costs	1,101,202	1,669,112
Pension costs	162,741	293,092
	12,401,362	18,912,918

The average number of persons employed during the period was

Operations, sales and customer services	458	312
Claims	195	193
Administration	305	196
	958	701

The Directors' emoluments, excluding pension contributions during the period amounted to £615,474 (June 2010 - £1,204,747) The remuneration of the highest paid director during the period amounted to £285,722 (June 2010 - £798,734)

The aggregate value of Company pension contributions in respect of the Directors during the year amounted to £7,650 (2010 - £14,450) Company contributions to the defined contribution pension scheme in respect of the highest paid Director were nil (2010 - nil) There was 1 (2010- 1) Director in the Company's defined contribution scheme during the year

6 Interest receivable and similar income

	Period to 31 December 2010	Year to 30 June 2010
	£	£
Interest receivable comprises		
Interest on late payment	-	144,362
Income on current asset investments	57,114	90,235
Interest on loan to Hastings 888 (UK) Limited	38,812	98,729
Interest on loan to Lucky 888 Global Limited	112,276	177,378
Bank interest receivable	7,052	15,824
Other	-	136
	215,254	526,664

HASTINGS INSURANCE SERVICES LIMITED

For the 6 month period to 31 December 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Interest payable and similar charges

	Period to 31 December 2010 £	Year to 30 June 2010 £
Interest payable comprises		
Finance charges payable under finance leases	-	933
Interest payable on loan from Advantage	6,135	-
	6,135	933

8 Tax on loss on ordinary activities

(a) Analysis of taxation credit in period

	Period to 31 December 2010 £	Year to 30 June 2010 £
Current tax		
UK Corporation tax on profits/(losses) of the period	-	46,500
Over provision in respect of prior periods	(46,500)	-
Total current tax charge/(credit)	(46,500)	46,500
Deferred tax		
Current period deferred tax charge/ (credit) (Note 8(c))	1,475,030	(75,181)
Tax charge/ (credit) on ordinary activities	1,428,530	(28,681)

(b) Factors affecting tax charge for the period

	Period to 31 December 2010 £	Year to 30 June 2010 £
Profit/(loss) before taxation	4,485,227	5,847,802
Tax at 28% (June 2010 - 28%)	1,255,864	1,637,385
Disallowed expenditure	(15,035)	17,707
Depreciation in excess of capital allowances	205,224	188,864
Relief for expenditure of prior periods in current year	-	(1,797,456)
Taxable profits group relieved without payment	(74,498)	-
Taxable losses utilised	(1,371,555)	-
Adjustment in respect of prior periods	(46,500)	-
Current tax (credit)/ charge	(46,500)	46,500

(c) Deferred tax asset

The movement in the period in the net deferred tax asset (see Note 11) is as follows

	Period to 31 December 2010 £	Year to 30 June 2010 £
At beginning of period	3,899,530	3,824,349
Effect of tax rate change (Note 8(a))	(92,575)	-
Deferred tax (charge)/ credit for the period (Note 8(a))	(1,382,455)	75,181
Deferred tax acquired with Renew	357,134	-
At end of period	2,781,634	3,899,530

Deferred tax asset is analysed as follows

Decelerated capital allowances	952,000	840,705
Taxation losses	1,057,334	2,000,742
Other timing differences	772,300	1,058,083
	2,781,634	3,899,530

HASTINGS INSURANCE SERVICES LIMITED

For the 6 month period to 31 December 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Tax on loss on ordinary activities (cont)

The deferred tax asset of £952,000 (June 2010 - £840,705) relates to earned forward available capital allowances in excess of depreciation, £1,057,334 (June 2010 - £2,000,742) relates to taxation losses available for offset against future trading profits and £772,300 (June 2010 - £1,058,083) relates to other timing differences that are expected to reverse in later accounting periods

(d) Factors affecting the tax charge for future periods

Unprovided deferred tax asset in relation to trading losses amounts to Nil (June 2010 - Nil)

The Finance Act 2010 provided for a reduction in the main rate of UK corporation tax from 28% to 27% effective from 1 April 2011. The impact of this rate reduction is reflected in the closing deferred tax asset. The Chancellor had also indicated the intention to enact future reductions in the main tax rate of 1% each year down to 24% by 1 April 2014. In the 2011 Budget, the Chancellor announced the intention to instead reduce the main rate of UK Corporation tax to 26% from 1 April 2011, and still intends to enact future reductions in the main tax rate of 1% each year, resulting in a tax rate of 23% by 1 April 2014. If the closing deferred tax balance was valued at 23%, it would be £2,360,957

9 Investments

	Total £
<i>Cost</i>	
At 30 June 2010	4,033,561
Additions	-
At 31 December 2010	<u>4,033,561</u>

During the prior period the Company purchased 11 nil par value Ordinary Shares and 4,033,561 Preference Shares of £1 each in Lucky JV 888 Limited representing an 11% interest in that entity. Lucky JV 888 Limited is incorporated in the British Virgin Islands and is involved in the provision of loan arrangements. The Directors consider the underlying value of the investment to be at least equivalent to its carrying value in the Company's financial statements.

10 Tangible assets

	Fixtures and Fittings £	Computer Equipment £	Leasehold Improvements £	Capital Work in Progress £	Total £
<i>Cost</i>					
As at 1 July 2010	3,323,607	15,167,509	3,470,860	200,600	22,162,576
Hive across of Renew	31,910	152,426	31,463	-	215,799
Purchases	59,253	1,655,188	463,402	199,969	2,377,812
Transfer from WIP to asset	-	24,073	-	(24,073)	-
Disposal of obsolete assets	(6,376)	(130,697)	(87,671)	-	(224,744)
As at 31 December 2010	<u>3,408,394</u>	<u>16,868,499</u>	<u>3,878,054</u>	<u>376,496</u>	<u>24,531,443</u>
<i>Depreciation</i>					
As at 1 July 2010	3,039,017	11,030,778	2,516,627	-	16,586,422
Charge	73,662	1,154,818	202,923	-	1,431,403
Accelerated depreciation on obsolete assets	5,059	50,900	81,850	-	137,809
Disposal of assets	(6,376)	(130,697)	(87,671)	-	(224,744)
As at 31 December 2010	<u>3,111,362</u>	<u>12,105,799</u>	<u>2,713,729</u>	<u>-</u>	<u>17,930,890</u>
Net book value					
At 31 December 2010	<u>297,032</u>	<u>4,762,700</u>	<u>1,164,325</u>	<u>376,496</u>	<u>6,600,553</u>
At 30 June 2010	<u>284,590</u>	<u>4,136,731</u>	<u>954,233</u>	<u>200,600</u>	<u>5,576,154</u>

HASTINGS INSURANCE SERVICES LIMITED

For the 6 month period to 31 December 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Debtors	31 December 2010	30 June 2010
	£	£
Due in more than one year		
Deferred tax asset (Note 8(c))	2,781,634	3,899,530
Amounts owed by related companies (Note 21)	10,338,810	10,226,533
Amounts owed by Group companies	2,302,665	-
	<u>15,423,109</u>	<u>14,126,063</u>
Due within one year		
Trade debtors	84,361,950	70,139,830
Amounts owed by group companies	6,555,287	4,328,087
Other debtors	4,236	739,977
Prepayments and accrued income	1,379,636	1,731,915
	<u>92,301,109</u>	<u>76,939,809</u>
12 Current asset investment	31 December 2010	30 June 2010
	£	£
Money Market Funds	25,005,120	13,516,057
	<u></u>	<u></u>
13 Creditors - amounts falling due within one year	31 December 2010	30 June 2010
	£	£
Trade creditors	5,784,331	1,830,740
Amounts owed to group companies	-	451,581
Amounts owed to related companies (Note 21)	101,744,467	91,159,097
Obligations under finance leases (Note 13(a))	6,145	61,450
Accruals and deferred income	10,780,539	8,213,298
Other creditors including taxation and social security	3,265,556	4,242,096
	<u>121,581,038</u>	<u>105,958,262</u>
(a) Finance leases		
Amounts payable in respect of finance leases are as follows		
Amounts payable within one year	6,145	61,450
In two to five years	-	-
	<u>6,145</u>	<u>61,450</u>
Less finance charges allocated to future periods		0
	<u>6,145</u>	<u>61,450</u>
Finance lease obligations are analysed as follows		
Current obligations (Note 13)	6,145	61,450
Non-current obligations	-	-
	<u>6,145</u>	<u>61,450</u>
14 Creditors - amounts falling due after more than one year	31 December 2010	30 June 2010
	£	£
Amounts owed to related companies (Note 21)	340,000	-
Claims handling provision	5,099,468	4,417,171
	<u>5,439,468</u>	<u>4,417,171</u>

HASTINGS INSURANCE SERVICES LIMITED

For the 6 month period to 31 December 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 Provisions for Liabilities and Charges

	Lease commitments	Dilapidations	Total provisions
	£	£	£
At 30 June 2010	3,054,860	250,000	3,304,860
Utilised in the period	(345,880)	-	(345,880)
Charge/(credit) for period	-	-	-
At 31 Dec 2010	2,708,980	250,000	2,958,980

During the year to 30 June 2009, the Directors decided to close the Leicester and Manchester call centres. During that year the Leicester lease was surrendered but despite strenuous efforts and significant incentives offered, the Directors have been unable to identify new tenants for the Manchester premises. Due to the current economic climate and the location of the property, the Directors are of the opinion that they are unlikely to be able to sublet this premises without difficulty and so a provision for lease commitments was established. This provision is expected to be utilised over the remaining lease period up to 2015.

The provision relating to dilapidations was established to cover the costs relating to returning the Manchester offices to the condition agreed with the Landlord at the end of the lease.

16 Share capital

	31 December 2010	30 June 2010
	£	£
Allotted, called up and fully paid share capital		
Ordinary shares of £1 each	22,980,000	22,980,000
	22,980,000	22,980,000

17 Reserves and reconciliation of movement in shareholders' funds

	Share capital	Profit and loss account	Total shareholders' funds
	£	£	£
At 30 June 2010	22,980,000	(2,994,716)	19,985,284
Profit for the year	-	3,056,697	3,056,697
At 31 December 2010	22,980,000	61,981	23,041,981

HASTINGS INSURANCE SERVICES LIMITED

For the 6 month period to 31 December 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

18 Operating lease commitments

At 31 December 2010 the Company was committed to making the following payments under operating leases in the following year

	31 Dec 2010 Land and Buildings £	31 Dec 2010 Other £	30 Jun 2010 Land and Buildings £	30 Jun 2010 Other £
Operating leases which expire				
Within 1 year	24,750	21,520	17,250	12,297
Between 1 and 5 years	484,786	-	-	-
After 5 years	375,000	-	710,756	-
	884,536	21,520	728,006	12,297

19 Contingent Liabilities

The Company has, under the terms of a loan facility agreement, guaranteed a loan facility of the parent undertaking Hastings 888 (Holdings) Limited. The total loan guaranteed as at 31 December 2010 amounted to £20,000,000 which is secured against the Company's investments, goodwill and intellectual property.

20 Subsidiary undertakings

Investments in subsidiary undertakings at 31 December 2010 were as follows

	Ordinary Shareholding	Principal Activity
1066 Direct Limited	100%	Dormant
Advantage Insurance Services Limited	100%	Dormant
Hastings Direct Accident Management Limited	100%	Dormant
Hastings Direct Limited	100%	Dormant
Peoples Choice (Europe) Limited	100%	Dormant

All of the subsidiaries are incorporated in England and Wales

21 Related Parties

The Company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Hastings 888 (Holdings) Limited group

Conquest House Limited and Advantage Insurance Company Limited are both related parties of the Company by virtue of the common ownership of their ultimate parent undertaking, Advantage Global Holdings Limited and the Company's ultimate parent undertaking, Hastings 888 (Holdings) Limited

Commission earned by the Company in the period in respect of policies sold that were underwritten by Advantage Insurance Company Limited was £11,406,235 (June 2010 - £17,992,592). Amounts owed to related companies (Note 13) includes a creditor balance due to Advantage Insurance Company of £101,744,467 (June 2010 - £91,159,097)

In the period, Advantage Insurance Company Limited provided a loan to the Company of £900,000. Interest on the loan is charged at 5% per annum. Interest in the period was £6,135. The value of this loan as at 31 December 2010 was £826,135

Rent payable by the Company to Conquest House Limited during the period amounted to £187,500 (June 2010 - £200,000)

The Company provided a loan facility to Advantage Global Holdings Limited during 2009. Interest on the loan is charged at 2% over LIBOR. Interest in the period was £112,276 (June 2010 - £177,378). The value of this loan as at 31 December 2010 was £10,338,810 (June 2010 - £10,226,533) and it is repayable on 3 February 2014

22 Parent undertaking and controlling party

At the period end the Company's immediate parent undertaking is Hastings 888 (UK) Limited, whose registered office is at Conquest House, Collington Avenue, Bexhill-on-Sea, East Sussex, TN39 3LW

The ultimate controlling party is Hastings 888 (Holdings) Limited which owns 100% of the shares in Hastings 888 (UK) Limited. The consolidated accounts for Hastings 888 (Holdings) Limited are available upon request from its registered office