

Hastings Insurance Services Limited

**Report of the Directors and Financial
Statements**

for the year ended 31 December 2015

Registered number: 03116518



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Directors and other information

Directors	G A Hoffman T van der Meer M D Lee J Castagno C Ryder T J Money P Blanc Chairman S Sagayam
Secretary	A S Leppard
Auditor	KPMG LLP 15 Canada Square London E14 5GL
Banker	Barclays Corporate Level 11 1 Churchill Place London E14 5HP
Registered office	Conquest House Collington Avenue Bexhill-on-Sea East Sussex TN39 3LW
Registered number	03116518 (England and Wales)

Strategic report

Performance and key performance indicators

The principal activity of the Company is the provision of insurance broking services to the private car, van, motorbike and home markets. There have been no significant changes in the underlying activities of the Company during the year. No significant changes in the nature of the business are expected in 2016. On 12 August 2015 the shareholders of Hastings Insurance Group (Holdings) plc, a parent company, carried out a group reorganisation. The reorganisation established a new intermediate parent company, Hastings Group Holdings plc ("HGH"), but this did not change the ultimate ownership of the Company. On 15 October 2015, HGH achieved a successful listing on the London Stock Exchange and subsequent admittance to the FTSE 250 index.

The Directors are pleased to report a profit before tax for the year of £84.8 million (2014: £65.9 million) which has been driven by attracting new customers, strong retention of existing customers and a continuous drive on cost management. Revenue grew to £243.4 million in the year ended 31 December 2015 (2014: £204.5 million), which represents a 19% increase. Operating profit⁽¹⁾ for the year has increased to £89.9 million (2014: £69.5 million), which represents a 29% increase. The Company's live customer policies increased 19% from 1.71 million to 2.04 million during the year.

The Company strengthened its balance sheet in the year, increasing net assets to £61.2 million (2014: £41.8 million). Cash and cash equivalents increased by 35% to £51.8 million at 31 December 2015 (2014: £38.4 million) demonstrating a strong liquidity position after dividend payments of £48.5 million during the year (2014: £47.2 million). The Company continued to invest in the business, and additions to intangible assets of £24.0 million primarily relate to the development of Guidewire, the Company's next generation claims and broking platform (2014: £7.1 million).

During the year, to support the growth strategy, the Company opened a third operational site in Leicester. The new Leicester customer service centre will play a significant role in the Company's plans for growth and expansion and in January 2016 we welcomed over 300 colleagues into our new permanent site.

The Company's Telematics offering grew live policies by 58% in the period. This performance is primarily being driven by new business due to the products popularity with new drivers and helping inexperienced drivers to effectively manage their insurance costs.

The Company's home product has also gained good momentum during the year with policy count increasing 87%. The Company is set to continue its expansion into the home insurance market where its business model is well placed to benefit from increased price comparison website penetration.

The Company has maintained its multi-award winning status securing several national awards across a broad range of categories reflecting the benefits of our culture built around the principles of the 4Cs; Colleagues, Customers, Company and Community.

¹ Operating profit represents profit before tax, amortisation, depreciation and certain non-trading costs. This is a non-IFRS measure used by management to measure the underlying trading of the business and is provided for information.

2015 Key achievements

- Awarded Consumer Moneyfacts 'Car Insurance Provider of the year' for the third year running
- 5 star rating from Defaqto for Car, Bike and Home for fourth consecutive year
- Awarded UK Broker Awards 'Personal Lines Broker of the year' for the third year running
- TV adverts launched
- Third UK site opens in Leicester
- Hastings Direct mobile app launched
- 2 million customers
- 100,000 home customers
- Claims platform Guidewire ClaimCenter goes live

The Company has recognised the need to diversify the way it interacts with its customers and is transitioning away from reliance on traditional modes of communication such as computers and landline phones and embracing greater accessibility via mobiles and tablets. The Company is currently in the development stage of a new system to provide richer and more expansive digital self service capabilities which is expected to be launched later this year. As part of continued improvement the Company enhanced its customer experience with the following initiatives during the period under review:

- Live webchat rolled out to provide customers with more ways to communicate
- Claims platform Guidewire ClaimCenter goes live
- Social media response team operating 24/7
- Mobile friendly website
- Online document retrieval
- New complaints system implemented enabling complaints to be handled and responded to quicker and enabling management to improve root cause analysis

The Directors use Key Performance Indicators (KPIs) to monitor the performance of the Company. The KPIs most relevant to the business are live customer policy count, revenue, operating profit and customer centric measures.

	Year ended 31 December 2015 £'000	Year ended 31 December 2014 £'000
Revenue	243,372	204,469
Operating profit	89,894	69,524
Profit before tax	84,836	65,873
Live customer policies as at 31 December ('000)	2,042	1,711

The Directors review performance on a regular basis and take appropriate remedial action for any underperformance. In addition, the Board continues to look for opportunities to maximise shareholder return, add value to the business and support continued growth.

Investment in colleagues remains a key focus area and the Company is committed to identifying and nurturing talent with the graduate training programme which mirrors the Company's in house leadership, values and development training. In 2015 the Company launched a new career framework for over 1,000 colleagues. This framework is designed to provide colleagues with the skills they need to advance with a clear career path and along with the leadership development programme provide the Company with a strong pipeline of future leaders.

The Company undertakes a proactive role in helping local charities, making financial, professional and physical support available to the local community. This year the Company has made various donations to support local causes. In November 2015, the Company launched a three-year education programme in partnership with a social enterprise called 'Be the Change'. This programme is the first of its kind in the UK and raises the aspirations of local thirteen year old students, helping them to remove barriers that make them disengaged at school and in life by providing them with life skills to help shape their future. It is a detailed and sustainable programme of activity designed to bring young people and business volunteers together over the course of the school year.

Principal risks and uncertainties


The Directors' Report details the key financial risks the Directors look to manage. These risks are also viewed as principal risks and uncertainties that the Company faces as part of its ongoing strategy as many of these risks are related to key business decisions that the Directors review and discuss on a regular basis (explained in detail in the Directors' Report):

- Competitive risk
- Price risk
- Credit risk
- Liquidity risk
- Legislative, Regulatory and Solvency risk
- Interest rate risk

Going concern

After a full review of the Company's financial position, cash flows and forecasts, including analysis of its KPIs for the next 12 months and after making appropriate enquiries, the Directors have a 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 in preparing the annual report and financial statements.

The Strategic Report has been approved by the Board of Directors and signed on its behalf by:

G A Hoffman 

Director

Date 30 March 2016

Registered number: 03116518

Directors' report

The Directors submit their report and the audited financial statements of Hastings Insurance Services Limited for the year ended 31 December 2015.

Directors

The Directors who served during the year are listed below:

- E M Fitzmaurice	Chairman (until 23 September 2015)	Resigned 23 October 2015
- G A Hoffman		
- T van der Meer		
- M D Lee		
- R M Brewster	Non-executive	Resigned 23 October 2015
- N A Utley	Non-executive	Resigned 23 October 2015
- J Castagno	Non-executive	
- C Ryder	Non-executive	
- M Titi-Cappelli		Resigned 16 October 2015
- T J Money		
- P Blanc	Chairman (from 23 September 2015)	Appointed 3 August 2015
- S Sagayam		Appointed 3 August 2015

Directors' and officers' liability insurance

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.

Employment policies

The Directors seek to achieve a common awareness among the Company's employees on matters of interest and concern to them and on matters affecting the Company's performance. Staff surveys are conducted annually and the views of staff are widely sought and taken into account in making decisions which affect them. Information is conveyed through staff roadshows, meetings and the distribution of circulars.

The Company is an equal opportunities employer. The Company's equal opportunities policy is designed to treat all job applicants and employees equally, based on individual ability regardless of race, religion and belief, gender, age or disability. This principle applies to recruitment and selection, promotion, transfer, training, discipline and grievance and all terms and conditions of employment.

Environment policy

The Company is committed to reducing its impact on the environment by:

- Minimising energy, water and paper use;
- Optimising waste recycling by providing facilities and encouraging employees to recycle;
- Reducing travel, encouraging employees to communicate without travelling when practicable;
- Encouraging staff members to cycle to work, use public transport and car share through its Travel Green Scheme;
- Ensuring appropriate regulatory compliance.

Dividends

The Directors declared dividends of £48.5 million during the year (2014: £47.2 million).

Financial risk management

The Company's operations expose it to a number of financial risks. The Company has in place a risk management framework that seeks to limit the adverse effects of these risks on the financial performance of the Company.

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 constantly reviews margins to ensure competitive pricing and also manages this risk through its advanced pricing capabilities and continual investment in technology to support these capabilities. Competitor reviews with market peers are also carried out on a regular basis to identify any emerging risks and opportunities. 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 is exposed to credit risk on cash and cash equivalents held by credit institutions and on instalment sales from customers who pay monthly. These balances are monitored regularly.

Liquidity risk

The Company actively manages a mixture of cash, current asset investments and intercompany balances that are designed to ensure the Company has sufficient available liquid resources for its operations.

Legislative, Regulatory and Solvency risk

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

Interest rate risk

The Company is exposed to interest rate risk on its cash and cash equivalents.

Provision 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 Directors are aware, there is no relevant information of which the Company's auditor has not been made aware; 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 auditor in connection with preparing their report and to establish that the Company's auditor is aware of that information.

Auditor

KPMG LLP have confirmed they are willing to be re-appointed as auditor for the financial year ending 31 December 2016. In accordance with section 487 of the Companies Act 2006, the auditor was re-appointed and KPMG LLP will therefore continue in office.

Approved by the Board of Directors and signed on its behalf by:

G A Hoffman



Director

Date 30 March 2016

Registered number: 03116518

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The Directors are responsible for preparing the Strategic Report, 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 IFRS as adopted by the EU 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 judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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 year ended 31 December 2015 set out on pages 11 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

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 the auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year 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.



Timothy Butchart (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date 13 April 2016

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Statement of Profit or Loss

For the year ended 31 December 2015

	Note	31 December 2015 £'000	31 December 2014 £'000
Revenue	4	243,372	204,469
Operating expenses	5	(154,218)	(135,282)
Finance income	7	193	337
Add back: Restructuring and transaction costs		547	-
Operating profit⁽¹⁾		89,894	69,524
Amortisation and depreciation	9, 10	(4,511)	(3,651)
Profit before tax		84,836	65,873
Taxation expense	8	(17,144)	(14,485)
Total profit for the year		67,692	51,388

All profit for the year arose from continuing operations.

The Company did not have any other comprehensive income to report in the current or prior periods.

The accompanying notes form an integral part of these financial statements.

¹ Operating profit represents profit before tax adjusted for amortisation, depreciation and certain non-trading costs. This is a non-IFRS measure used by management to measure the underlying trading of the business and is provided for information.

Balance Sheet

As at 31 December 2015

	Note	31 December 2015 £'000	31 December 2014 £'000
Non-current assets			
Intangible assets	9	32,170	10,489
Tangible assets	10	8,096	5,303
Deferred tax assets	11	799	782
Total non-current assets		41,065	16,574
Current assets			
Trade and other receivables	12,19	213,314	179,849
Prepayments		2,055	1,092
Cash and cash equivalents	13,19	51,803	38,386
Total current assets		267,172	219,327
TOTAL ASSETS		308,237	235,901
Equity			
Share capital	14	8,043	8,043
Capital contribution from Parent	14,15	272	-
Retained earnings	14	52,919	33,727
Total equity		61,234	41,770
TOTAL EQUITY		61,234	41,770
Non-current liabilities			
Deferred income	16	2,535	1,868
Provisions	17	200	-
Total non-current assets		2,735	1,868
Current liabilities			
Trade and other payables	18,19	230,118	178,369
Current tax		1,730	3,258
Deferred income	16	12,367	10,291
Provisions	17	53	345
Total current liabilities		244,268	192,263
TOTAL LIABILITIES		247,003	194,131
TOTAL EQUITY AND LIABILITIES		308,237	235,901

The accompanying notes form an integral part of these financial statements.

The financial statements on pages 12 to 33 were approved by the Board of Directors and signed on its behalf by:

G A Hoffman



Director

Date 30 March 2016

Registered number: 03116518

Statement of Changes in Equity

For the year ended 31 December 2015

		Share Capital	Capital contribution from Parent	Retained earnings	Total equity
	Note	£'000	£'000	£'000	£'000
At 1 January 2014		8,043	-	29,495	37,538
Total profit for the year		-	-	51,388	51,388
Dividends paid	20	-	-	(47,156)	(47,156)
At 31 December 2014 and 1 January 2015	14	8,043	-	33,727	41,770
Total profit for the year		-	-	67,692	67,692
Capital contribution from parent	15	-	272	-	272
Dividends paid	20	-	-	(48,500)	(48,500)
At 31 December 2015	14	8,043	272	52,919	61,234

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2015

		31 December 2015 £'000	31 December 2014 £'000
	Note		
Cash flows from operating activities			
Profit after tax		67,692	51,388
<i>Adjustments for:</i>			
Finance income	7	(193)	(337)
Income tax expense	8	17,144	14,485
Amortisation of intangible assets	9	2,328	2,047
Loss on disposal of intangible assets	9	-	6
Depreciation of tangible assets	10	2,183	1,604
Loss on disposal of tangible assets	10	40	5
Group share based payment charge	6	272	-
Decrease/(increase) in trade and other receivables		(46,956)	(26,016)
Increase/(decrease) in trade and other payables		55,469	(23,609)
Increase in prepayments		(963)	(186)
Decrease in provisions	17	(92)	(601)
Taxation paid		(5,199)	(5,395)
Net cash flows from operating activities		91,725	13,391
Cash flows from investing activities			
Acquisition of tangible assets	10	(5,016)	(2,106)
Acquisition of intangible assets		(24,985)	(5,799)
Dividends paid	20	(48,500)	(47,156)
Interest received	7	193	337
Net cash flows used in investing activities		(78,308)	(54,724)
Cash flows from financing activities			
Loan repaid by related entities	22	-	11,020
Net cash flows from financing activities		-	11,020
Net increase/(decrease) in cash and cash equivalents		13,417	(30,313)
Cash and cash equivalents at beginning of year	13	38,386	68,699
Net increase/(decrease) in cash and cash equivalents		13,417	(30,313)
Cash and cash equivalents at end of year	13	51,803	38,386

All cash flows for the year and for prior year arose from continuing operations.

The accompanying notes form an integral part of these financial statements.

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1. Basis of preparation

Hastings Insurance Services Limited (the 'Company') is a company incorporated in England and Wales. Its registered office is at Conquest House, Collington Avenue, Bexhill-on-Sea, East Sussex, TN39 3LW. The financial statements comprise the results of the Company for the year ended 31 December 2015 and comparative figures for the year ended 31 December 2014.

The Company has prepared its financial statements under International Financial Reporting Standards as adopted by the European Union that are in effect as at 31 December 2015 ("IFRS"). IFRS comprise standards and interpretations approved by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee ("IFRIC").

The Company has taken the exemption from preparing consolidated financial statements under IFRS 10, Consolidated Financial Statements. Hastings Group Holdings plc ('HGH') is the Company's most senior parent that produces consolidated financial statements prepared under IFRS that are available for public use and can be obtained from its registered address at Conquest House, Collington Avenue, Bexhill-on-Sea, East Sussex, TN39 3LW.

a) Going concern

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. The Balance Sheet of the Company, its cash flows, liquidity position and borrowing facilities are set out in the primary statements and described in the notes to the financial statements.

Having considered the foregoing items for the next 12 months and beyond, 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, they continue to adopt the going concern basis in preparing the financial statements.

b) Basis of measurement

The functional currency is sterling and the financial statements are presented in sterling. Amounts are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The financial statements are prepared on the historical cost basis.

c) Adoption of new IFRSs

On 1 January 2015, the Company adopted the following IFRSs which were issued and endorsed by the EU:

IFRS	Effective date
IFRIC 21 Levies	17 June 2014
Annual Improvements to IFRSs 2011–2013 Cycle (issued on 12 December 2013)	1 January 2015
Annual Improvements to IFRSs 2010–2012 Cycle (issued on 12 December 2013)	1 February 2015

There was no material financial impact on the financial statements on adoption of these new standards and amendments.

Notes to the financial statements (continued)

There were no other relevant IFRS which are expected to have a significant impact on the Company that have been issued and endorsed by the EU but are not yet effective.

d) Presentation of financial statements in accordance with IAS 1

The financial statements are prepared in accordance with IAS 1 Presentation of Financial Statements. The Company has elected to present a single Statement of Comprehensive Income. As there has been no other comprehensive income recognised in current or previous years, total comprehensive income for the year comprises and is equivalent to total profit for the year.

e) Application of IFRS

The accounting policies below, developed in accordance with the standards effective under IFRS as at 31 December 2015, have been applied consistently to all years presented in these financial statements. There have been no changes to accounting policies during the year with the exception of the adoption of new IFRS now effective in the EU.

2. Accounting policies

a) Revenue recognition

Revenue consists principally of brokerage, interest and other fees relating to the arrangement of insurance contracts.

Revenue from brokerage and other fees is measured at the fair value of the income receivable and is recognised on completion of the associated service. The fair value measurement makes allowance for expected future refunds to customers in the event of cancellation before the expiry of the policy. Discounts on revenue are deducted from the revenue streams to which they relate.

A portion of revenue is deferred where the Company retains the obligation to handle claims on policies placed.

Premium finance interest earned on instalment sales is recognised over the term of the related agreement using the effective interest method.

All revenue arises within the UK and is recorded net of sales tax.

b) Intangible assets

Computer software is stated at cost less accumulated amortisation and impairment losses.

Purchased computer software is initially recorded at cost, being the fair value of consideration transferred plus directly attributable costs incurred in order to prepare the asset for its intended use.

Internally developed computer software is only recognised as an asset when the costs can be measured reliably, completion is technically and financially feasible, future economic benefits are probable and there is intention to use or sell the asset. Other research and development expenditure is recognised in profit or loss as incurred.

Amortisation is provided on all computer software, at rates calculated to write off the cost of the assets less their estimated residual value over their expected useful lives. Amortisation is calculated using the straight line method and recorded in other operating expenses in profit or loss.

Expected useful economic lives and residual values are reviewed at each year end and, where necessary, changes are accounted for prospectively.

The expected useful economic lives are as follows:

Notes to the financial statements (continued)

Computer software 3 – 7 years

Carrying amounts are reviewed at each year end to determine if there are indications of impairment. Where these exist the asset's recoverable amount is estimated and compared to the carrying amount. The recoverable amount is the higher of the fair value less costs to sell and the asset's value in use. Where the asset's recoverable amount exceeds its carrying amount, the difference is recognised as an impairment loss in profit or loss.

Software is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset. On derecognition any gain or loss arising is calculated as the difference between the net disposal proceeds and the carrying amount of the item. This is recognised in profit or loss in the period of derecognition.

Assets in the course of construction or development but not yet brought to use are held as work in progress at the year end, being the cost incurred to date expected to be capitalised. Upon completion the asset is transferred to intangible assets.

c) Employee benefits

The Company operates a defined contribution pension scheme. The amount recognised in profit or loss in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Balance Sheet. The Company has no legal or constructive obligation to make any further payments to the plans other than the contributions due.

d) Financial assets

The Company's financial assets comprise trade and other receivables and cash and cash equivalents. For measurement purposes, financial assets are classified as loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method less accumulated impairment losses. Trade and other receivables and cash and cash equivalents are classified as loans and receivables for measurement purposes.

Impairment of financial assets

Management assess at each period end date whether there is objective evidence that a financial asset is impaired; only loans and receivables are subject to impairment reviews, with any losses on assets held at fair value through profit or loss recognised through an adjustment to fair value. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence that a financial asset is impaired includes observable data that comes to the attention of management about events such as:

- (i) significant financial difficulty of the issuer or debtor;
- (ii) a breach of contract, such as a default or delinquency in payments; or
- (iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the recoverable amount, which is the higher of its fair value less costs to sell and the present value of estimated future cash flows discounted at the financial asset's

Notes to the financial statements (continued)

original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss for the period.

If in a subsequent period, the amount of the impairment loss on financial assets decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved profitability of the debtor), the previously recognised impairment loss is reversed through profit or loss.

e) Financial liabilities

The Company's financial liabilities comprise trade and other payables. Financial liabilities are initially measured at fair value plus transaction costs and subsequently measured at amortised cost.

f) Leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the lease term. Any incentives provided by the lessor are recognised in profit or loss on a straight-line basis over the full lease term.

g) Tangible assets

Tangible assets, consisting of fixtures and fittings, computer equipment and leasehold improvements, are stated at historical cost less depreciation and impairment losses. Cost is the fair value of consideration transferred plus incidental costs incurred to bring an asset to the condition and location necessary for its intended use.

Subsequent costs incurred which relate to the initial production or improvement of an asset are added to its cost and depreciated over the asset's useful economic life. Costs incurred significantly later than the initial production of the asset are treated as a separate asset if they meet the criteria of IAS 16 Property, Plant and Equipment ("IAS16") or else are expensed as incurred.

Depreciation is provided on all tangible assets, at rates calculated to write off the cost of fixed assets less their estimated residual value over their expected useful lives. Depreciation is calculated using the straight line method.

The expected useful economic lives are as follows:

- | | |
|--------------------------|--------------|
| - Fixtures and fittings | 5 years |
| - Leasehold improvements | 4 - 10 years |
| - Computer equipment | 3-5 years |

Expected useful economic lives and residual values are reviewed at each year end and, where necessary, changes are accounted for prospectively.

Carrying amounts are reviewed at each year end to determine if there are indications of impairment. Where these exist the asset's recoverable amount is estimated and compared to the carrying amount. The recoverable amount is the higher of the fair value less costs to sell and the asset's value in use. Where the asset's recoverable amount exceeds its carrying amount, the difference is recognised as an impairment loss in profit or loss.

Tangible assets are derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset. On derecognition any gain or loss arising is calculated as the difference between the net disposal proceeds and the carrying amount of the item. This is recognised in the profit or loss in the year of derecognition.

Notes to the financial statements (continued)

Assets in the course of construction or development but not yet brought to use are held as work in progress at the year end, being the cost incurred to date expected to be capitalised. Upon completion the asset is transferred to tangible assets.

h) Taxation

Income tax on the result for the period comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates items recognised directly in equity.

Current taxation expense is the expected income tax payable on the taxable profit for the period, using UK tax rates enacted or substantively enacted at the reporting date and any adjustment to income tax payable in respect of previous financial years. Deferred taxation expense is the change in deferred income tax assets and liabilities between the reporting periods.

Deferred income tax assets and liabilities are recognised using the balance sheet method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

i) Insurance intermediary assets and liabilities

Debtors and creditors arising from insurance broking transactions are shown as assets and liabilities in recognition of the fact that the insurance broker has contractual rights to economic inflows from customers and obligations to third party insurers upon placement of insurance products with customers. Debtor balances are recognised when the Company provides financing to customers for instalment premiums payable to third party insurers. Creditor balances arise either where the Company has an obligation to remit a recognised debtor balance or premiums received to third party insurers.

j) Share capital

Ordinary shares are classified as equity. Share premium is the difference between the nominal value of the shares issued and the value of the consideration received.

3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements and assumptions that affect the assets and liabilities recognised as at the reporting date and the income and expense recognised during the reporting period as well as the content of any disclosures. Although these judgements and assumptions are based on the management's best knowledge of the amount, event or actions, actual results may differ from these judgements and assumptions.

The judgements, apart from those involving estimations, that management has made in applying the Company's accounting policies that have the most significant effect on the amount recognised in the financial statements and the major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Tangible assets and intangible assets

Management determines the estimated useful lives and residual values of tangible assets and intangible assets. The estimated useful lives are reviewed annually and the amortisation and depreciation charge is revised prospectively where useful lives or residual values are subsequently found to be different from those previously estimated.

Notes to the financial statements (continued)

Where tangible assets and intangible assets are classified as work in progress as at the reporting date, management have assessed that the criteria for recognition outlined in IAS 16 and IAS 38 Intangible Assets have been fulfilled.

b) Impairment of assets

Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired. The asset's recoverable amount, the higher of its fair value less costs to sell or value in use, is assessed and where this is significantly below its carrying amount, impairment is deemed to exist.

Estimating the recoverable amount of an asset requires a high degree of judgement, as does the assessment of what is deemed to be significant, and may to a large extent depend upon the selection of key assumptions about future events. Impairment historically relating to income not expected to be recoverable is measured in the same manner and takes into account recovery trends.

c) Revenue

Revenue is measured at the fair value of the income receivable and is recognised on completion of the associated service. The revenue recognised makes allowance for expected future refunds required in the event of cancellations of contracts by customers. Management judgement is required to estimate future refunds resulting from cancellations, based on cancellation experience.

A portion of revenue received for the arrangement of insurance contracts is deferred where the Company retains the obligation to handle claims on policies placed. The amount of revenue deferred is based on the forecast associated costs of claims handling at the reporting date plus the expected profit on those services.

Notes to the financial statements (continued)

4. Revenue

	31 December 2015 £'000	31 December 2014 £'000
Brokerage and fees	181,067	153,204
Premium finance interest	61,337	49,383
Other income	968	1,882
Total revenue	243,372	204,469

5. Operating expenses

	31 December 2015 £'000	31 December 2014 £'000
Depreciation of tangible assets	2,183	1,604
Amortisation of intangible assets	2,328	2,047
Auditor's remuneration - fees for audit services in respect of these financial statements	62	62
Auditor's remuneration - fees for audit services for other group companies	19	19
Operating lease rentals - land and buildings	841	892
Operating lease rentals - equipment	322	-
Employee benefit expense	54,195	50,834
Other administration and distribution costs	98,779	83,475
Total operating expenses	158,729	138,933

6. Employees' costs, headcount and key management personnel compensation

Included in operating expenses are the following:

	31 December 2015 £'000	31 December 2014 £'000
Salaries	48,377	45,423
Group share based payment charge	272	-
Social security costs	4,503	4,374
Pension costs	1,043	1,037
Total employee benefit expense	54,195	50,834

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund.

For the year ended 31 December 2015, key management personnel short term employee benefits and pension contributions amounted to £1.5 million and £0.2 million respectively (year ended 31 December 2014: £3.9 million and £0.1 million respectively).

The compensation of the highest paid Director during the year was £0.5 million (year ended 31 December 2014: £1.0 million). Directors' participation in the Company's defined contribution pension scheme during the year amounted to £0.1 million (year ended 31 December 2014: £0.1 million).

Group share based payment charges for key management personnel are disclosed in Note 15.

Average numbers of full time equivalent staff during the period were as follows:

	31 December 2015	31 December 2014
Operational staff	1,747	1,550
Support staff	140	119
Total staff	1,887	1,669

Notes to the financial statements (continued)

7. Finance income

	31 December 2015 £'000	31 December 2014 £'000
Interest on cash and cash equivalents	193	270
Interest from related entity	-	67
Total finance income	193	337

8. Taxation expense

	31 December 2015 £'000	31 December 2014 £'000
Current tax		
Current tax on profits for the year	17,248	14,008
Adjustment for prior years	(87)	275
Current tax charge	17,161	14,283
Deferred tax		
Origination and reversal of temporary differences	37	80
Impact of change in the UK tax rate	42	(6)
Adjustment for prior years	(96)	128
Deferred tax charge	(17)	202
Total taxation charge	17,144	14,485
Reconciliation:		
Profit before tax	84,836	65,873
Tax calculated at effective corporation tax rate 20.25% (2014: 21.50%)	17,179	14,163
Tax effects of:		
Expenses not deductible for tax purposes	106	58
Group relief claimed	-	(133)
Impact of change in the UK tax rate	42	(6)
Adjustment in respect of previous years - current tax	(87)	275
Adjustment in respect of previous years - deferred tax	(96)	128
Tax charge reported in the Statement of Profit or Loss	17,144	14,485

The UK Corporation tax rate applicable to the Company was 20.25% for the year ended 31 December 2015 (year ended 31 December 2014: 21.50%).

Factors affecting future tax charge

The UK corporation tax reduced to 20% effective from 1 April 2015. Further reductions to 19%, effective from 1 April 2017, and to 18%, effective 1 April 2020, were substantively enacted on 26 October 2015 and deferred tax has been calculated using these rates. A further reduction to 17% from 1 April 2020 was announced on 16 March 2016 but has not yet been substantively enacted.

Notes to the financial statements (continued)

9. Intangible assets

	Computer software £'000	Work in progress £'000	Total £'000
<i>Cost</i>			
At 1 January 2014	8,357	1,894	10,251
Additions	1,772	5,319	7,091
Transfers	600	(600)	-
Disposals	-	(6)	(6)
At 31 December 2014	10,729	6,607	17,336
<i>Accumulated amortisation</i>			
At 1 January 2014	4,800	-	4,800
Amortisation	2,047	-	2,047
At 31 December 2014	6,847	-	6,847
Net book value as at 31 December 2014	3,882	6,607	10,489
<i>Cost</i>			
At 1 January 2015	10,729	6,607	17,336
Additions	438	23,571	24,009
Transfers	9,818	(9,818)	-
Disposals	(587)	-	(587)
At 31 December 2015	20,398	20,360	40,758
<i>Accumulated amortisation</i>			
At 1 January 2015	6,847	-	6,847
Amortisation	2,328	-	2,328
Disposals	(587)	-	(587)
At 31 December 2015	8,588	-	8,588
Net book value as at 31 December 2015	11,810	20,360	32,170

Work in progress consists of costs of development for computer software that is being produced for a specific purpose but has not yet reached a state where it is ready for its intended use. As such no amortisation has yet been charged on these assets.

Computer software includes internally generated software carried at £10.9 million (31 December 2014: £2.9 million).

Notes to the financial statements (continued)

10. Tangible assets

	Fixtures & fittings £'000	Computer equipment £'000	Leasehold improvements £'000	Work in progress £'000	Total £'000
<i>Cost</i>					
At 1 January 2014	1,186	7,894	2,018	642	11,740
Additions	273	1,188	599	46	2,106
Transfers	24	-	617	(641)	-
Disposals	(14)	(6)	-	-	(20)
At 31 December 2014	1,469	9,076	3,234	47	13,826
<i>Accumulated depreciation</i>					
At 1 January 2014	661	5,171	1,102	-	6,934
Depreciation	209	1,174	221	-	1,604
Disposals	(14)	(1)	-	-	(15)
At 31 December 2014	856	6,344	1,323	-	8,523
Net book value as at 31 December 2014	613	2,732	1,911	47	5,303
<i>Cost</i>					
At 1 January 2015	1,469	9,076	3,234	47	13,826
Additions	521	706	559	3,230	5,016
Transfers	228	2,276	746	(3,250)	-
Disposals	(63)	(81)	4	-	(140)
At 31 December 2015	2,155	11,977	4,543	27	18,702
<i>Accumulated depreciation</i>					
At 1 January 2015	856	6,344	1,323	-	8,523
Depreciation	305	1,557	321	-	2,183
Disposals	(53)	(51)	4	-	(100)
At 31 December 2015	1,108	7,850	1,648	-	10,606
Net book value as at 31 December 2015	1,047	4,127	2,895	27	8,096

Work in progress includes assets in production which have not yet reached the state where they are ready for their intended use. As such no depreciation has yet been charged on these assets.

11. Deferred tax assets

Composition:	31 December 2015 £'000	31 December 2014 £'000
Accelerated capital allowances	741	782
Share based payments	58	-
Total deferred tax assets	799	782
<i>Movement:</i>		
At beginning of year	782	984
Accelerated capital allowances	(41)	(202)
Share-based payments	58	-
At end of year	799	782

Notes to the financial statements (continued)

12. Trade and other receivables

	31 December 2015 £'000	31 December 2014 £'000
Trade receivables	211,363	164,759
Receivable from related entity	969	14,185
Other receivables	982	905
Total trade and other receivables	213,314	179,849

The following table sets out trade receivables which are not overdue as well as an analysis of overdue amounts impaired and provided for:

	Trade receivables £'000	Provision for impairment £'000	Net trade receivables £'000
At 31 December 2015			
Current	212,177	(926)	211,251
Overdue	3,548	(3,436)	112
Total	215,725	(4,362)	211,363
At 31 December 2014			
Current	165,106	(407)	164,699
Overdue	3,333	(3,273)	60
Total	168,439	(3,680)	164,759

Movements on the Company's provision for impairment are as follows:

	31 December 2015 £'000	31 December 2014 £'000
At beginning of the year	3,680	5,488
Utilised during the year	(2,380)	(4,396)
Impairments recognised during the year	3,062	2,588
At end of the year	4,362	3,680

13. Cash and cash equivalents

	31 December 2015 £'000	31 December 2014 £'000
Cash at bank and in hand	14,803	12,386
Money market funds	37,000	26,000
Total cash and cash equivalents	51,803	38,386

Cash and cash equivalents at the end of the year include balances of £30.5 million (31 December 2014: £18.0 million) relating to cash and cash equivalents held on an agency basis behalf of insurers.

Notes to the financial statements (continued)

14. Share capital and reserves

	31 December 2015 £'000	31 December 2014 £'000
Share capital	8,043	8,043
Capital contribution from parent	272	-
Retained earnings	52,919	33,727
Total equity	61,234	41,770

	31 December 2015 £'000	31 December 2014 £'000
<i>Issued and fully paid up ordinary share capital</i>		
22,980,000 ordinary shares of £0.35 each (2014: 22,980,000)	8,043	8,043
Total	8,043	8,043

All shares in issue at 31 December 2015 are of a single class with common rights in relation to distribution, return of capital and voting.

The capital contribution represents the share based payment charge in respect of employees of the Company that will be equity settled by HGH, a parent company.

15. Share based payments

On 28 September 2015 Hastings Group Holdings plc ("HGH"), a senior parent company, granted share awards to certain key management personnel conditional upon the HGH listing on the London Stock Exchange ("LSE"). The awards are for a fixed cash value of £3.4 million payable in shares at or shortly before 31 December 2017 and 31 December 2018 based on the market value of the Company's shares at that date. The share awards are for shares of the same class listed on the LSE and have no performance conditions attached, other than the requirement for the members to remain in service until vesting and not be subject to gross misconduct and similar exceptions. The final number of shares that will vest will be to the value of £3.4 million and will be determined based on the share price on the vesting date. In the event that HGH's Board determines that the market price of shares has fallen materially since the grant of the awards, it may reduce the value of the awards at the time they become payable.

The estimated fair value of the awards on the grant date, taking into account the fixed price of the award and the period to vesting was £2.8 million. The awards are classified as equity settled share-based payments and at 31 December 2015, no awards had vested and £0.3 million was recognised as the total expense in the year with the corresponding credit recognised as a capital contribution from parent (year ended 31 December 2014: £nil).

16. Deferred income

	31 December 2015 £'000	31 December 2014 £'000
<i>Due within one year</i>		
Deferred income	12,367	10,291
<i>Due in more than one year</i>		
Deferred income	2,535	1,868

Notes to the financial statements (continued)

In May 2015 the Company received a £1.0 million grant from Leicester City Council, as part of the Regional Growth Fund and European Regional Development Fund initiatives, to support the new office and resulting jobs that were created in the city by the Company. This grant is being recognised over the qualifying period as the conditional associated salary costs are incurred. At 31 December 2015 £1.0 million was recognised as deferred income (31 December 2014: £nil).

17. Provisions

	Lease commitments £'000	Dilapidations £'000	Total provisions £'000
At 1 January 2014	880	66	946
Utilised	(601)	-	(601)
At 31 December 2014	279	66	345
At 1 January 2015	279	66	345
Recognised during the year	-	250	250
Written off in the period	(279)	(63)	(342)
At 31 December 2015	-	253	253

	31 December 2015 £'000	31 December 2014 £'000
Due within one year	53	345
Due in more than one year	200	-
Total	253	345

18. Trade and other payables

	31 December 2015 £'000	31 December 2014 £'000
<i>Due within one year</i>		
Trade payable to related entities	195,479	146,530
Other trade payables	17,919	17,284
Other payables	16,720	14,555
Total trade and other payables	230,118	178,369

19. Financial instruments, capital management and related disclosure

a) Financial assets and liabilities

The Company's financial assets held at amortised cost can be analysed as follows:

	31 December 2015 £'000	31 December 2014 £'000
Trade receivables	211,363	164,759
Receivable from related entity	969	14,185
Other receivables	982	905
Cash and cash equivalents	51,803	38,386
Total financial assets	265,117	218,235

Notes to the financial statements (continued)

The Company's financial liabilities held at amortised cost can be analysed as follows:

	31 December 2015 £'000	31 December 2014 £'000
<i>Due within one year</i>		
Trade payable to related entities	195,479	146,530
Other trade payables	17,919	17,284
Other payables	16,720	14,555
Total trade and other payables	230,118	178,369

b) Objectives, policies and procedures for managing financial assets and liabilities

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk for the Company are credit risk, market risk and liquidity risk.

Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The main areas where the Company is exposed to credit risk are brokerage not yet received, investments, loans and receivables and cash and cash equivalent holdings.

The Company manages its exposure to credit risk by establishing investments only in money market funds with credit ratings of AA or above. The credit rating of the Company's bank is monitored on a regular basis and where there is adverse movement appropriate action would be determined by the risk committee.

As at 31 December 2015 the credit ratings of the institutions and funds holding the Company's cash and cash equivalents were as follows:

		31 December 2015 £'000	31 December 2014 £'000
	Rating		
Money market funds	AAA	37,000	26,000
Bank current account	A	14,803	12,386
Total		51,803	38,386

In addition, the Company has investment guidelines that restrict the amount of the investment portfolio that can be placed with a single counterparty other than members of the Hastings Group.

Brokerage and fee receivables are monitored closely with a view to minimising the collection period of those items.

The Company's maximum exposure to credit risk at 31 December 2015 is £53.2 million (31 December 2014: £60.7 million), being the carrying value of brokerage and fee receivables, cash and cash equivalents and intercompany and other receivables. The exposure is not hedged by the use of derivatives or similar instruments. Bad debt expense exposure relating to policyholder debt charged to the income statement and the value of past due financial assets are disclosed in Note 12.

Market Risk

The only significant Market Risk the Company is exposed to is interest rate risk.

Interest rate risk is defined by the Company as the impact of unfavourable movements in market interest rates which consequently could produce adverse result on the values of financial assets and liabilities, or the future cash flows from them. This is applicable to cash and cash equivalents and intercompany loans receivable.

Notes to the financial statements (continued)

Cash and cash equivalent balances are held in current accounts or in short term money market instruments, these are generally less than 60 days in duration, considerably reducing sensitivity to significant movements in interest rates compared to longer duration assets.

Liquidity Risk

Liquidity risk is the risk that cash may not be available to meet obligations when due. The Company maintains significant holdings in liquid funds to mitigate this risk. The Company makes use of detailed forecasts and budgets to monitor and control its cash flow and working capital requirements.

Financial liabilities are settled in line with agreed payment terms and managed in accordance with cash availability and inflow expectations. All financial liabilities are due within 12 months.

In addition, the Company has significant liquid assets and consequently, liquidity risk is not considered to be significant.

c) Objectives, policies and procedures for managing capital

The Company's capital largely constitutes the residual profit from its broking activities.

The Directors regularly review the amount of capital of the Company through monitoring of the financial performance of the business. Daily cash flows are produced to accurately predict when the Company's liabilities will fall due. Trends against these forecasts are used to more accurately predict the maturity of short and long term liabilities

The Company as an insurance intermediary is also subject to a minimum capital requirement under Financial Conduct Authority rules. The Company exceeded that minimum capital requirement at all times during the year.

20. Dividends

Dividends for the year amounted to £48.5 million (year ended 31 December 2014: £47.2 million), made up of the following:

	Total Dividend paid £'000	Dividend per share (pence)
January 2015	12,000	52.2
April 2015	7,500	32.6
July 2015	12,000	52.2
November 2015	17,000	74.0
Total	48,500	211.0

21. Commitments

a) Operating leases

At 31 December 2015 the Company was committed to making the following payments under operating leases in the following years:

<i>Rentals on land and buildings are payable as follows:</i>	31 December 2015 £'000	31 December 2014 £'000
Within one year	1,118	790
Within two to five years	4,214	1,944
Over five years	3,748	2,875
Total operating lease commitments	9,080	5,609

Notes to the financial statements (continued)

b) Other commitments

The Company had the following amounts committed under other contracts in place as at 31 December 2015:

	31 December 2015 £'000	31 December 2014 £'000
<i>IT transaction and support costs</i>		
Within one year	7,396	1,198
Within two to five years	6,161	5,768
	13,557	6,966
<i>IT software development costs</i>		
Within one year	1,778	1,953
<i>Computer hardware costs</i>		
Within one year	-	2,230
Total	15,335	11,149

22. Related party transactions

The following companies are related parties of the Company by virtue of them belonging to the same group as the Company:

- Hastings Group Holdings plc ("HGH")
- Hastings Insurance Group (Holdings) plc ("HIG(H)")
- Hastings Insurance Group Limited ("HIG")
- Hastings Insurance Group (Finance) plc ("HIG(F)")
- Hastings Insurance Group (Investment) plc ("HIG(I)")
- Hastings Insurance Group (Layer Three) Limited ("HIG(L3)")
- Hastings Insurance Group (Layer Two) Limited ("HIG(L2)")
- Hastings (Holdings) Limited ("HHL")
- Hastings (UK) Limited ("HUK")
- Advantage Insurance Company Limited ("AICL")
- Advantage Global Holdings Limited ("AGH")
- Conquest House Limited ("CQH")

The Company's subsidiaries and other significant holdings are as follows:

Subsidiary	Country of incorporation	Class of shares held	% Ownership	Principal activity
Renew Insurance Services Limited	England and Wales	Ordinary	100%	Dormant
1066 Direct Limited	England and Wales	Ordinary	100%	Dormant
Advantage Insurance Services Limited	England and Wales	Ordinary	100%	Dormant
Hastings Direct Limited	England and Wales	Ordinary	100%	Dormant
Hastings Direct Accident Management Limited	England and Wales	Ordinary	100%	Dormant
People's Choice (Europe) Limited	England and Wales	Ordinary	100%	Dormant
E Touch Solutions Limited ("E Touch")	England and Wales	Ordinary	21%	Software development

Notes to the financial statements (continued)

During the year ended 31 December 2015 there were the following related party transactions with the Company:

- Commission earned by the Company in the year in respect of policies sold that were underwritten by AICL was £75.6 million (year ended 31 December 2014: £57.8 million). Amounts owed to related companies include a balance relating to premiums on policies sold due to AICL of £194.2 million (31 December 2014: £145.2 million) relating to the net of premiums and IPT payable and commissions receivable on policies sold due to AICL and an intercompany balance of £1.0 million (31 December 2014: £1.2 million).
- Rent payable by the Company to CQH during the year amounted to £0.4 million (year ended 31 December 2014: £0.4 million).
- The Company has a balance payable to HHL of £0.3 million (31 December 2014: receivable of £14.2 million) relating to payments made on its behalf. The balance receivable was offset by tax losses passed down to the Company which amounted to £13.5 million during 2015 (year ended 31 December 2014: £7.0 million).
- At 31 December 2015 the Company held 21% of E Touch (31 December 2014: 19%). This investment has nil fair value and no investment in associate is recognised in the Company's balance sheet. In June 2014, E Touch converted the Company's option to purchase additional capital in E Touch into an unsecured variable rate loan note of £0.3 million which was not recognised. Subsequently, the variable rate loan note was converted into equity increasing the Company's interest to 21%. The Company recognised expenses of £0.1 million in respect of development fees charged by E Touch (year ended 31 December 2014: £0.1 million).
- At 31 December 2015 the Company had an intercompany balance receivable from HGH of £1.0 million arising from payments made on its behalf (31 December 2014: £nil).

23. Ultimate controlling party

As at 31 December 2015, the Company's immediate parent company is Hastings (UK) Limited, whose registered office is at Conquest House, Collington Avenue, Bexhill-on-Sea, East Sussex, TN39 3LW.

At 31 December 2014 Hastings A, L.P. was the ultimate controlling party and Hastings Insurance Group (Holdings) plc was the Company's most senior parent that produced consolidated financial statements available for public use.

On 12 August 2015 the shareholders of Hastings Insurance Group (Holdings) plc carried out a group reorganisation. The reorganisation established a new intermediate parent company, Hastings Group Holdings plc, but this did not change the ultimate ownership of the group. Therefore, at 31 December 2015, Hastings A, L.P. is still considered the ultimate controlling party after the reorganisation. Hastings Group Holdings plc is the Company's most senior parent that produces consolidated financial statements available for public use.

24. Contingent liabilities

On 12 August 2015, HGH entered into a £320.0 million five year committed loan facility agreement with a group of financial institutions comprising a £300.0 million Term Loan and a £20.0 million Revolving Loan Facility. The Term Loan is unsecured and the HGH Group, comprising HGH and its subsidiaries, are subject to certain financial covenants of which the first testing date will be as at 30 June 2016. As part of the terms and conditions of the loan facility, HGH and certain of its subsidiaries (including the Company) are obligors to the agreement, either by virtue of being a borrower or a guarantor to the agreement. The £300.0 million term loan was fully drawn down on 25 November 2015 and remained outstanding at 31 December 2015. The Revolving Loan Facility remained undrawn at 31 December 2015.