Hastings DIRECT

Hastings Insurance Services Limited

Annual Report and Financial Statements

for the year ended 31 December 2021

Registered number: 03116518

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Directors and other information

Directors	T van der Meer
	V M Dias
	M Cliff Appointed 17 January 2022
	S A Amies-King
Secretary	A S Leppard
Auditor	Deloitte LLP Hill House 1 Little New Street London EC4A 3TR
Banker	Barclays Bank Plc 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

Principal Activity

The principal activity of Hastings Insurance Services Limited (the 'Company'), trading as 'Hastings Direct', is the provision of insurance broking services to the UK private car, van, motorbike and home markets. The Company is authorised and regulated in the UK by the Financial Conduct Authority ('FCA').

Performance

The Directors are pleased to report solid results during a year dominated by the continued disruption and uncertainty of the COVID-19 pandemic. Throughout the year, the Company continued to react to changing circumstances and government guidance and continued supporting remote working and enhanced safety in the office.

Good progress continues to be made on strategic initiatives, including the development of new pricing models, enhancements of claims and antifraud processes, digital growth, the roll-out of new products, and the launch of a new brand positioning.

During the year, the Company adopted a subrogation approach to repairs arising from non-fault incidents, with the objective of separating the management of repair contracts for third parties from the Company, allowing the Company to further focus on building strong relationships with its customers.

The Company provides straightforward insurance products and services to customers through a digital business model, and its agile approach, strong counter-fraud capabilities and targeted investments in strategic initiatives means that it continues to deliver profitable results and build for future growth.

Financial highlights

- **Revenue** increased by 11% to £375.4m (2020: £337.2m)
- **Other expenses** increased by 15% to £324.6m (2020: £283.1m)
- **Adjusted operating profit**[1] decreased by 7% to £51.1m (2020: £54.7m)
- **Profit before tax** decreased by 5% to £29.2m (2020: £30.7m)

Revenue increased by 11% to £375.4m (2020: £337.2m), with an increase in commission and fee income from customer policy growth due to strong retention rates, partially offset by a reduction in commissions per customer due to a competitive trading environment.

Profit before tax decreased by 5% to £29.2m (2020: £30.7m) as a result of the above. The Company paid dividends of £nil (2020: £30.3m), and maintained at all times an excess over FCA minimum regulatory capital requirements.

Non-financial highlights

- **Growth in live customer policies** to 3.14million, in competitive market condition, increasing 2.1% from 3.07million last year, supported by continued strong retention rates.
- **Growing share** of the UK private car insurance market to 8.4% as at 31 December 2021 (8.3% as at 31 December 2020).
- **Continuing growth in home insurance to 311,000 live customer policies,** a 16% increase year on year.
- **Digital adoption continued,** with a new digital customer journey launched and new functionality added on the mobile app, increasing app usage to over 350,000 unique customers per month.
- **Personal lending business further developed.** The Company entered into a £55.0m Revolving Credit Facility ('RCF') agreement to support growth.
- **In 2021 the highest ever colleague engagement score was achieved of 794,** up 17 points over 2020.

The Company continues to actively encourage colleague development and has begun launching new role-based progression schemes to build the capabilities of its teams for the future and encourage the behaviours needed to deliver its business strategy. The Company recognises the critical role leaders play in developing its employees and has successfully delivered the first phase of a leadership development programme for its leaders with positive results in both behavioural and technical capabilities.

The Company continues to focus on Diversity and Inclusion, during the year the Company was listed at number 29 in the Inclusive Top 50 UK employers league table, up 8 places from 2020.

The Company takes a proactive role in helping local charities, making financial, professional and physical support available to the local community. The Company has continued to make various donations to support local causes, including COVID-19 support grants and has a Colleague Hardship Fund to help colleagues in financial difficulty. In response to the recent crisis, the Company has donated to UNICEF for Ukraine.

Key performance indicators

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

	31 December 2021 £'m	31 December 2020 £'m
Revenue	375.4	337.2
Adjusted operating profit	51.1	54.7
Profit before tax	29.2	30.7
Live customer policies as at 31 December (million)	3.1	3.1

The Directors review the Company's 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.

Principal risks and uncertainties

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

- Pricing risk;
- Financial risk;
- Conduct risk;
- Strategic risk;
- Data risk;
- Operational risk;
- Legal and regulation risk.

Further detail on how these risks are managed can be found in the risk management section of the Directors' Report.

COVID-19

The COVID-19 pandemic continued to cause disruption to the UK and worldwide economy and society during the year. Management closely monitors the risks affecting its colleagues, customers, communities and the Company itself and continues to abide by the guidance set out by the UK Government. The pandemic has not significantly impacted the structure or demand for motor and home insurance products in the UK, and is not expected to do so over the medium term. Motor insurance remains compulsory in order for cars to be driven in the UK and home insurance is a requirement for homeowners that have a mortgage on their property.

Colleague safety and adherence to current Government guidance remains a priority in all plans to enable the ongoing servicing of customers and fulfilment of their needs. Throughout the year, the Company has enforced strict safety protocols in line with the Government guidance at the time. Colleagues have continued to be supported in various ways including extended sick leave, holiday carry over, parental leave and caring flexibility, mental health and wellbeing support, as well as the Colleague Hardship Fund. The Company has not required any Government support during the pandemic.

In addition to the support given to colleagues, the Company continues to provide the best possible service and support to its customers.

[1]Adjusted operating profit represents profit before taxation expense, finance costs, amortisation and depreciation and non-trading costs. This is a non-IFRS measure used to measure the underlying trading of the business and is provided for information.

The financial stability of the Company is regularly assessed, with the counterparty risk associated with its cash and Money Market Funds ('MMF') being monitored closely. The Company's cash deposits are with banks that are currently rated 'A' and above and MMF balances are with funds that are rated AAA.

The Hastings Group, of which the Company is part, remains strongly capitalised, with a relatively low risk investment portfolio, cash and MMF balances with strongly rated counterparties, and arrangements with reinsurers that are strongly rated.

Impact of conflict in Ukraine on the Hastings Group

The Hastings Group does not have operations in Russia, Ukraine or Belarus. As a result of the conflict in Ukraine, the Hastings Group has reviewed its investment portfolio and concluded that the fixed income portfolio has no direct exposure to Russia or Ukraine, and no portfolio holdings are subject to capital controls or sanctions. The strategic investment portfolio has very limited exposure to Russia, Ukraine and Belarus and the Hastings Group's MMFs have no direct exposures to these countries. There has been no downgrading of any of the Hastings Group's key relationship banks.

The Company has supported the humanitarian response by donating £0.1m to the UNICEF appeal. For Hastings home policy customers choosing to answer the Government's call to provide shelter for Ukrainian refugees, the Company has confirmed this will be covered as part of the customer's family for a period of up to 12 months, and therefore will benefit from the full protection of their Hastings home insurance policy.

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers in good faith would most likely promote the success of the company for the benefit of its members as a whole and in doing so has regard to the:

- Likely consequences of any decisions in the long-term;
- Interests of the Company's employees;
- Need to foster the Company's business relationships with suppliers, customers and others;
- Impact of the Company's operations on the community and environment;
- Desirability of the Company maintaining a reputation for high standards of business conduct; and
- Need to act fairly as between members of the Company.

In discharging section 172 duties the Board of Directors ('the Board' or 'the Directors') consider the factors set out above as well as other factors which they consider relevant to the decision being made, for example, the interests and views of regulators. The Directors seek to ensure that their decision-making process not only takes into account the Company's purpose, vision and values, together with its strategic priorities, but also reflects, as far as practical and possible, the interests of all stakeholders.

This statement sets out how the Board has discharged its duties required under Section 172 of the Companies Act 2006 during 2021.

The Company's culture and values are based on its 4Cs ways of working: serving and investing in Colleagues, Customers, Community, for the benefit of the Company. The Directors use the 4Cs to identify the Company's key stakeholders and as a clear, consistent and balanced approach to measuring the Company's performance and success from the perspective of all of its key stakeholders.

The Board delegates authority for day-to-day management of the Company to executives and engages management in setting, approving and overseeing execution of the business strategy and related policies. The Directors review and approve key health and safety, financial and operational performance, legal and regulatory compliance, and other key risks at Board or Board Committee meetings. The Directors also review other areas over the course of the financial year including the Company's business strategy, colleague engagement, corporate responsibility, and governance matters. Papers presented to the Board and its Committees, supported by relevant presentations by management, are prepared in a manner which enables the Board to review the impact of its decisions on the business and all key stakeholders where relevant and appropriate. Although not an exhaustive list, below are some practical examples of how the Directors have discharged their duties in 2021.

COVID-19

A primary focus in 2021 for the Directors was managing the operational and financial challenges faced with COVID-19. The Directors recognised that protecting the health and wellbeing of colleagues was key to maintaining effective customer support levels. To aid this, the Board endorsed the roll-out of the Modern Workplace programme, which provided colleagues with new IT equipment enabling them to work from home and provide effective support to customers whilst remaining connected to colleagues.

Three Year Plan

The Board reviews and approves the Company's Three Year Plan annually, which includes its strategy, commercial and operational performance projections, capital and cash management plans, and the sensitivities and assumptions applied. As part of the review and subsequent approval of the Three Year Plan, the Board considered the 4Cs context and the implications for all stakeholders over the short and medium term, including colleagues and their welfare, supply partners, customer outcomes, and the wider community. During the year the Board received reports on business performance in context of the Three Year Plan reflecting commercial and operational matters; strategic initiatives and investment; Environment, Social, and Governance strategy; colleague welfare and engagement; diversity and inclusion; and internal control, risk management, and compliance matters.

Employee Engagement Surveys

The Board understands the importance of colleague engagement and feedback and suggestions from colleagues are valuable in helping identify areas of improvement. Two 'YourVoice' surveys were conducted in the year providing colleagues with the opportunity to share their thoughts on life at the Company. Results were positive with 79.8% of colleagues participating in the end of year survey and the Company achieving its highest engagement score since the survey began; evidencing that colleagues align to the Company's objectives.

Customer Outcomes

During the year, the Directors considered matters that provided management with clearly defined expectations to ensure that the business continues to place the customer at the heart of the Company's operations. These covered:

- How the Company's customers should be treated throughout their interactions with the Company;
- Ensuring customers are provided with clear price and product information;
- Ensuring customers do not face unreasonable barriers post sale; and
- How the Company's products and services are sold and marketed and that these products perform as a customer would expect.

These outcomes are aligned with the expectations of the Company's regulator, the FCA. They provide the basis on which the Directors track and monitor management's performance in relation to the fair treatment of the Company's current and potential customers.

Further information on how the Board and the Company take other stakeholders into consideration when making decisions can be found in the Directors' Report.

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.

After a full review of the Company's financial position, financial performance, cash flows and forecasts for a period of at least 12 months from the date of signing these financial statements, 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, it continues 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:

T van der Meer

Director

26 April 2022

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 2021.

Directors

The Directors who served during the year, and up to the date of signing of this report, are listed below:

- T van der Meer	
- P Blanc	Non-Executive Chair Resigned 31 December 2021
- S A Amies-King	Non-Executive
- V M Dias	Non-Executive (Interim Chair from 1 January to 8 April 2022)
- M Cliff	Non-Executive Appointed 17 January 2022 (Chair from 8 April 2022)

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.

Dividends

The Directors declared and paid dividends of £nil during the year (2020: £30.3m).

Risk management

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

a) Pricing risk

If the Company's products are mis-priced it faces the risk that it fails to deliver its targeted profitability resulting in financial underperformance. To monitor and mitigate this, the Company:

- Continues to invest in pricing capability, modelling and systems;
- Closely monitors and reacts to competitor and market pricing.

b) Financial risk

The Company is exposed to various types of risk associated with financing and financial transactions, leading to financial loss and uncertainty as to its extent. To monitor and mitigate this risk the Company:

- Continuously assesses market conditions and implications for its assets under management by third parties;
- Closely manages cash flow and the free cash position of the Company;
- Monitors and measures of risk and capital implications through stress and scenario testing.

c) Conduct risk

This is the risk that the Company's operating model, culture, products, practices and actions result in unfair outcomes for customers, including customers in vulnerable circumstances. The Company monitors and mitigates this risk by:

- Ongoing monitoring of changes within regulatory landscapes together with the maintenance of open and transparent communication with the relevant regulators and authorities;
- A framework to periodically review product value;
- Oversight and challenge via the Board's Conduct Committee and management governance and accountability arrangements;
- Regular monitoring of customer service and complaints, as well as root cause analysis to identify further enhancements;
- Oversight, challenge and advice by the second line reviews, including independent assurance reviews and third line audit reviews.

d) Strategic risk

The Company is exposed to medium to long term risks affecting the Company's ability to meet strategic objectives and deliver its Three Year Plan. To monitor and mitigate this the Company:

- Monitors trading results closely to ensure tactical changes are implemented as and when required;
- Harnesses its pricing agility to enable the Company to react to external influences, ensuring that it is able to optimize commercial performance;
- Continues to invest in the transformation of repair and mobility services leading to improved commercial terms, better customer experience and new digital functionality;
- Monitors changes within the legal and regulatory landscapes, together with maintaining open and transparent communication with the relevant regulators and authorities and where necessary adapts to those changes; these currently include the General Insurance Pricing Practices, Whiplash reforms, and residual post-Brexit impacts.

- Manages its supply chains on an ongoing basis and conducts reviews to identify potential pressures in the supply chain.

e) Data risk

This is the risk that the culture, organisational set up, or data management (confidentiality, integrity, availability, usability and security) within the Company breeds, incentivises, or facilitates data misuse or theft, including cyber related risks. The Company monitors and mitigates this risk by:

- IT infrastructure monitoring, data assessment and perimeter testing;
- Investment in information security and cybercrime defences and controls;
- Ongoing training and a culture of compliance, both in first and second lines, to ensure the Company continues to protect itself from the various and changing cyber threats;
- Established data protection and data governance teams with technical expertise;
- Control and governance via policies and strategy;
- Formalised Data Privacy Impact Assessment processes within business operations.

f) Operational risk

This is the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events capable of impacting the Company's operations. The Company monitors and mitigates this risk by:

- Regular reviews of resilience, contingency back up capability, system stability and supplier continuity plans;
- Employing a dedicated anti-fraud operations team which operates an integrated, comprehensive risk profiling review process and loss validation division;
- Use of market leading anti-fraud detection technology, which drives benefits through analytics and machine learning;
- Using a supplier risk framework that enables ongoing supplier relationship, oversight and performance management, with regular due diligence reviews;
- Ensuring change discipline and processing controls, supported by an over-arching control framework to underpin effective governance and quality;
- Implementing a risk event framework that enables escalation, resolution, and root cause learning;
- Investing in colleague wellbeing, benefits, career development, and flexible working arrangements.

g) Legal and regulation

This is the risk of loss as a result of a breach or change in existing legal or regulatory requirements, or challenge to the Company's position. The Company monitors and mitigates this risk by:

- Effective regulatory horizon scanning to review the potential implications to the Company;
- Continued review and oversight by all three lines of defense, including second line compliance and assurance teams;
- Open, transparent, and timely engagement with regulators;
- Retaining appropriately qualified compliance tax, and legal professionals via employment and service contracts;
- Engagement in regulatory and HMRC consultations prior to legislation.

Insurance Premium Tax ('IPT'). HMRC has concluded its consultation and no further action is to be taken on changes to IPT. HMRC is due to consult on a Code of Conduct for Brokers but this is not currently expected to have a material impact on the Company.

The Company considers its agile and price comparison website focused business model to be well placed to deal with regulatory changes and continues to closely monitor and assess further consultations on new measures that the FCA is considering, as well as the impacts of developments in this area, supporting and engaging in FCA reviews, and with general insurance pricing practices continuing to be a key area.

Governance statement

The Company adopted the Wates Principles ('Wates') as its governance code at the beginning of 2019.

The Company has a unitary board of directors, in common with UK best practice. As at 31 December 2021, the Board had one Executive Director and two independent Non-Executive Directors, following the resignation of the Chair with effect from 31 December 2021. A third independent Non-Executive Director was appointed on 17 January 2022 and the Company continues to have three independent Non-Executive Directors. The Board is chaired by an independent Non-Executive Director.

The Board's Terms of Reference provide that the Board should comprise, as a minimum four Directors, at least of two of whom must be independent Non-Executive Directors. Should the number of Directors from time to time, exceed four, the Board must ensure that there shall at least be an equal number of Non-Executive Directors and Executive Directors.

The Board has delegated certain matters to two Committees, each with their own Board approved Terms of Reference:

- Risk and Compliance Committee;
- Conduct Committee.

The Risk and Compliance Committee advises the Board on risk management issues, recommends the framework of risk limits and risk appetite to the Board for approval, and oversees the risk management arrangements of the Company, including the embedding and maintenance of a supportive risk management culture. The Committee also monitors and promotes compliance by the Company with all of its regulatory obligations and provides assurance that these are being effectively complied with.

The Conduct Committee provides assurance to the Board that the fair treatment of customers remains at the heart of the Company's business model and monitors all aspects of the Company's operational performance that reflect whether the Company pays due regard to the interests of its customers, and is effectively mitigating conduct risk.

Both of these Committees are chaired by an independent Non-Executive Director and members and attendees comprise other Directors and members of senior management within the Company. The Committees meet on a regular basis throughout the year and formally report to the Board on all significant matters after each meeting. The Board meets at least six times each year. All Board and Committee meetings are minuted.

The Board has elected not to constitute an Audit Committee, with matters typically delegated to such a committee being considered directly by the Board.

The Board has applied Wates as follows:

Purpose: The Board should effectively promote the company's purpose and ensure that its values, strategy and culture align with that purpose:

- The Board and its Committees are subject to an annual formal evaluation;
- The Company has a clearly defined purpose and strategy and its performance is routinely monitored by the Board and its Committees;
- The Board actively promotes the Company's 4Cs cultural framework.

Composition: The Board should have an effective board composition with an effective chair and a balance of skills, backgrounds, experience, and knowledge. The size of a board should be guided by the scale and complexity of the company:

- The Board is normally composed of three Non-Executive and one Executive Director with a non-executive chair;
- The Board as a whole has the relevant knowledge and experience of the industry and market within which the Company operates as well as diverse experience of other industries and markets;
- The Board is diverse in terms of gender.

Responsibilities: The Board and directors should have a clear understanding of their accountability and the respective terms of reference for the Board and its Committees. Policies and procedures should support effective decision-making and independent challenge:

- The Board and its Committees have written terms of reference with delegated authorities which are reviewed annually;
- No one director has, or group of directors have, unfettered powers;
- Conflicts of interest are reviewed at each Board meeting;
- Systems of internal controls are regularly reviewed and challenged;
- Internal Audit and Compliance functions are in place to review and report on Company processes and regulatory and legislative compliance.

Opportunity and Risk: The Board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establish oversight for the identification and mitigation of risk:

- The Board reviews the Company's performance to agreed strategies and financial forecasts;
- The Risk and Compliance Committee oversees the Company's risks and risk management framework, and the Conduct Committee oversees conduct risk;
- Internal Audit and Compliance functions are in place to review and report on Company processes and regulatory and legislative compliance.

Remuneration: The Board should promote executive remuneration structures aligned to sustainable long-term success of a company, taking into account pay and conditions elsewhere in the company:

- Board oversees remuneration and incentive structures for all colleagues;
- Executive remuneration is monitored in liaison with the parent entity's Remuneration Committee;
- Remuneration is tied to market/industry benchmarking and bonuses are calculated based on performance within the 4Cs framework.

Stakeholders: The Directors should foster effective stakeholder relationships aligned to the company's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions:

- The Board receives biannual updates on colleague engagement surveys;
- The Company's performance and service to its customers are regularly reviewed and challenged by the Board and the Conduct Committee;
- Supplier performance is monitored by the Conduct Committee;
- Compliance with regulatory and legislative requirements is reviewed by the Risk and Compliance Committee.

Environment, Social and Governance ('ESG')

The Company's approach to ESG is based on its 4Cs ways of working: Colleagues, Customers, Company and Community. The 4Cs principles are straightforward: by creating the right culture for colleagues, and giving them the right tools to do their job, they will do more for customers, enabling the Company to grow profitably and sustainably, and allowing it to invest in the communities it serves.

Ethical conduct and strong governance is integral to meeting the needs of colleagues and customers and running a successful business, and a broader focus on the environmental and social impacts of the Company's activities underpins that philosophy.

The Company continues to make progress against its ESG strategy and sustainability goals, including CarbonNeutral® certification for the second year running, working on reducing the impact on the environment and having a positive societal impact. More information can be found in the Hastings Group Sustainability Report for 2021 at www.hastingsgroup.uk.

Carbon reporting

Greenhouse Gas Emissions ('GHG')

Tonnes CO_2e	**2021**	**2020**
Scope 1	190	175
Scope 2	28	500
Scope 3 (Mandatory only)	13	5
Total Footprint	**232**	**680**
Full time equivalent colleagues	2,969	2,989
CO_2e per FTE colleague	0.08	0.23

Scope 1 – Direct emissions resulting from natural gas & gasoil consumption and refrigerant gas release

Scope 2 – Energy indirect emissions from purchased grid electricity

Scope 3 – Business travels via rental or colleague owned cars

The Company has followed the methodology laid out in DEFRA's Environmental Reporting Guidelines and calculated the carbon emissions using the relevant carbon conversion factors as issued by DEFRA: www.gov.uk/government/collections/government-conversion-factors-for-company-reporting. Emissions have been reported in tonnes of CO_2e (carbon dioxide equivalent) which include CO_2, CH_4 and N_2O. The emissions have been calculated and the data validated by an independent energy consultancy – Concept Energy Solutions.

It is now mandatory for emissions for business travels via rental or colleague owned cars, (a scope 3 emission known as 'grey fleet') to be included in company emissions reporting. As such the Company's 2021 figures includes this data and 2020 comparatives have been shown.

The annual level of greenhouse gas emissions resulting from activities for which the Company is responsible has continued to decrease; 2021 emissions (including mandatory scope 3 emissions) were 232 tonnes of CO_2e (2020: 680 tonnes of CO_2e) a reduction of 66% on the previous year. This equates to 0.08 tonnes of CO_2e per full time employee ('FTE') of the Company in 2021 (2020: 0.23 tonnes of CO_2e per FTE). Scope 2 energy emissions were significantly reduced in 2021 following a switch to a renewable energy contract for the Company's Bexhill and Leicester sites resulting in a 94% emissions reduction.

The emissions of the additional scope 3 elements reported account for 6% of the total emissions in 2021. Grey fleet emissions increased by 9 tonnes of CO_2e in 2021 compared to 2020 due to travel restrictions being lifted.

The reporting period is in line with the Company's financial year.

Colleague Engagement

The Company's annual engagement survey, YourVoice, provides senior management and the Board with feedback on how colleagues feel about working for the Company. The results of annual and pulse surveys carried out throughout the year are presented to the Board. Key themes raised by colleagues are captured through company-wide and local action plans that drive improvements where necessary; progress is measured and monitored through the year.

The Hastings Colleague Forum ('HCF') is made up of, and chaired by, colleague-elected representatives from across the business who meet regularly, at least monthly, to discuss and consider issues impacting all colleagues. The HCF also regularly meets with senior management to discuss key changes, and to provide invaluable feedback and insight from their respective departments. HCF meetings are well attended, including by the CEO and HR Director, with constructive discussion on topics important to Colleagues.

The Company promotes a safe, diverse and inclusive environment, free from bullying, harassment and discrimination, within which all colleagues should be treated fairly and with respect. The Company is committed to eradicating all types of discrimination, whether based on disability, religious beliefs, gender, sexual orientation, age, race, or other factors and has a 'Dignity at Work' policy which clearly outlines our intent in this regard.

It is hoped that no colleague will need to raise a grievance against the Company and/or one of its colleagues. If a colleague wishes to raise a grievance, this is resolved informally and as quickly as is possible. Where it is not possible to resolve a grievance informally, a formal procedure is instigated.

Disciplinary procedures against colleagues are used as a last resort where a breach of the standards and/or performance expected from colleagues falls significantly short or where fraud or other criminal activity is proven. Treating colleagues fairly and consistently is key to maintaining the correct level of conduct. When a colleague fails to meet the required standards expected of them, other than in case of gross misconduct, they are coached and provided with development and training to improve. Referral to counselling or wellbeing services may also be offered. In the event that standards of conduct and/or performance do not improve over a period of time, then disciplinary measures may be required. Acts of gross misconduct by colleagues, such as a serious breach of the contractual relationship between the colleague and the Company, will be comprehensively investigated and may result in dismissal with or without notice.

Colleagues are free to be appropriately accompanied in relation to a grievance or disciplinary matter. In the event that a grievance is not upheld, or a disciplinary matter is not dealt with to the satisfaction of the colleague, they have the right to appeal. In addition should colleagues feel the need for additional support, the Company provides a colleague assistance programme, free of charge, so that colleagues can obtain free and independent external advice.

The Company does not formally recognise a trade union, preferring to communicate and engage with colleagues directly either through Hastings Colleague Forum, the YourVoice colleague survey, via email and intranet, or directly with individual colleagues as appropriate. Trade union membership is not, however, prohibited and the Company does not restrict union representation at a grievance or disciplinary meeting should any colleague request such.

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.

Conduct

The Company's Conduct Policy provides guidance on the appropriate and responsible conduct of colleagues and the ethical standards they are required to uphold. The Company strives to maintain the highest standards of governance, personal and corporate ethics, and compliance with legislation and regulation, and values integrity and honesty in dealings with all stakeholders. Regular training is provided to colleagues on conduct matters and it is monitored through regular assessment and half yearly personal development reviews.

Business ethics risks are reviewed by management and overseen by the individual governance forums on a regular basis. The Board's Conduct Committee provides assurance to the Board that the fair treatment of customers remains at the heart of the business model and monitors all aspects of the Company's operational performance that reflect whether the Company pays due regard to the interests of its customers, treats them fairly, and is effectively mitigating conduct risk.

Data and cyber security and privacy rights

The Company takes the protection and integrity of personal data very seriously. Management continually works on developing and enhancing the Company's information security framework which is designed to identify and understand potential threats as well as manage and mitigate potential risks. By investing in IT security and cyber resilience the Company is refining existing, and introducing additional, controls to protect the data it retains as well as to detect, prevent, and establish detailed plans to respond to cyber-attacks.

Management continues to focus on ensuring customers' statutory privacy rights are upheld, including a commitment to process personal data securely by means of appropriate technical and organisational measures. Information security, cyber security, data protection and data privacy policies are in place and sit alongside the technical and procedural controls to combat financial crime, bribery and corruption. Mandatory training on these matters is conducted across the Company for all colleagues and supplementary training is also provided where required.

The Company's cyber, data, and privacy governance links security and data activities to the Company's goals and strategy, engages and empowers colleagues who are responsible for making security and data decisions, and promotes effective management of cyber and data risks including building an adequate response to cyber-security threats. This governance framework seeks to address process and human vulnerabilities, reduce the complexity of the Company's technology and data estate, and embed cyber security consideration in all business decision making. Operational measures are in place to monitor and respond to data breaches and cyber-attacks. These measures are routinely and independently validated and tested, through vulnerability assessments and penetration testing.

Whistle blowing, anti-bribery and corruption

A whistle blowing policy is in force across the Company to enable colleagues to raise potential or actual serious matters of misconduct which they believe would damage the performance or reputation of the Company. A confidential, externally serviced hotline and web reporting tool that is open 24 hours a day, every day, is provided for all colleagues to raise matters of potential or actual misconduct. Colleagues are encouraged to disclose, in good faith, the actual or suspected activity where they believe that at least one relevant failure is either currently occurring, or has taken place in the past, or is likely to happen in the future. Colleagues can make a report anonymously should they wish. Any colleague that makes a report will be accorded protection under legislation and any colleague who makes a disclosure in good faith will not suffer reprisals, victimisation or discrimination.

Financial crime, for example money laundering and/or terrorist financing, is a serious matter for all companies and more so for those that operate within the financial services sector. The Company has policies in place in relation to combatting money laundering, terrorist funding, fraud, bribery, corruption and tax evasion. Colleagues are required to undertake regular awareness training on all types of financial crime and must follow policies, procedures, and guidelines in relation to all its operations. Background checks on prospective and existing colleagues are undertaken throughout the year to help combat internal fraud.

The Company also ensures that unethical practices do not take place relating to bribery and/or corruption and is committed to prohibiting such activities within its operations and dealing with suppliers and service providers. This prohibition also extends to facilitation payments that may be used in certain industries and/or countries where payment of cash or gifts to an official are used to enable transactions to be accelerated, by-passing usual bureaucratic processes.

The Company's Money Laundering Reporting Officer is responsible for the application of anti-bribery and anti-corruption measures and reporting, ensuring the business undertakes bribery and corruption risk assessments, and that regular training is provided to all colleagues. The Company has zero appetite for bribery and corruption whether offered to, or given by, any colleague and uses the definition of bribery contained within the UK Bribery Act 2010.

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 Director is aware, there is no relevant information of which the Company's auditor has not been made aware;
- 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

After a successful re-tendering conducted by the Company's ultimate parent company, Sampo plc, for its external audit services across the Group, the Company appointed Deloitte LLP as its new auditor. The appointment of Deloitte LLP was confirmed in line with section 485 of the Companies Act 2006 on 7 July 2021.

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

T van der Meer
Director
Date: 26 April 2022
Registered number: 03116518

Statement of Directors' responsibilities in respect of the Annual report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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, International Accounting Standard 1 requires that the Directors:

- Select suitable accounting policies and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and international accounting standards. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Hastings Insurance Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Hastings Insurance Services Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit or loss;
- the balance sheet;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in their preparation is applicable law, and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's regulatory permissions and environmental regulations.

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, 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.

We have nothing to report in respect of these matters.

Use of our report

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

Mark McQueen

Mark McQueen (Senior statutory auditor)

For and on behalf of Deloitte LLP

London

26 April 2022

Statement of Profit or Loss
for the year ended 31 December 2021

	Note	Year ended 31 December 2021 £'m	31 December 2020 £'m
Revenue	4	375.4	337.2
Other expenses	5	(324.6)	(283.1)
Finance income	8	0.3	0.6
Amortisation, depreciation and impairment	5	(21.3)	(23.5)
Finance costs	6	(0.6)	(0.5)
Profit before tax		29.2	30.7
Taxation expense	9	(5.3)	(6.3)
Total profit for the year		23.9	24.4

All results arose from continuing operations.

The accompanying Notes form an integral part of these Financial Statements.

Statement of Comprehensive Income
for the year ended 31 December 2021

	Note	Year ended 31 December 2021 £m	31 December 2020 £m
Total profit attributable to the equity holders of the parent		23.9	24.4
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Fair value (loss) on cashflow hedges	17	(0.1)	-
Total items that may be subsequently reclassified to profit or loss		(0.1)	-
Total other comprehensive (loss)/ gain		(0.1)	-
Total comprehensive income attributable to the equity holders of the parent		23.8	24.4

The items presented in the other comprehensive income are presented gross.

The accompanying notes form an integral part of these Financial Statements.

Balance Sheet

as at 31 December 2021

	Note	31 December 2021 £'m	31 December 2020 £'m
Non-current assets			
Intangible assets	10	123.3	97.9
Property and equipment	11	14.6	15.3
Deferred tax asset	13	2.5	-
Contract costs	12	22.5	23.2
Loan receivable from related entity	16	0.6	-
Total non-current assets		163.5	136.4
Current assets			
Contract costs	12	27.4	27.7
Trade and other receivables	14, 16	397.4	359.5
Current tax assets		3.1	1.7
Prepayments		9.2	8.0
Cash and cash equivalents	15, 16	32.6	47.5
Total current assets		469.7	444.4
TOTAL ASSETS		633.2	580.8
Equity			
Share capital	19	8.0	8.0
Capital contribution from Parent		10.0	9.4
Other reserves		(0.1)	-
Retained earnings		180.3	156.3
TOTAL EQUITY		198.2	173.7
Non-current liabilities			
Deferred income	22	3.0	2.0
Deferred tax liability	13	-	0.1
Loans and borrowings	18	9.9	-
Trade and other payables	16, 20, 21	15.8	13.1
Total non-current liabilities		28.7	15.2
Current liabilities			
Derivative liabilities	17	0.1	-
Trade and other payables	16, 21	392.7	380.7
Deferred income	22	13.5	11.2
Total current liabilities		406.3	391.9
TOTAL LIABILITIES		435.0	407.1
TOTAL EQUITY AND LIABILITIES		633.2	580.8

The accompanying Notes form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors and were signed on its behalf by:

T van der Meer

Director

Date: 26 April 2022

Company Number: 03116518

Statement of Changes in Equity

for the year ended 31 December 2021

	Note	Share capital	Capital contribution from Parent	Other reserves	Retained earnings	Total equity
		£'m	£'m	£'m	£'m	£'m
As at 1 January 2020		8.0	7.3	-	162.2	177.5
Total profit for the year		-	-	-	24.4	24.4
Total comprehensive income for the year		-	-	-	24.4	24.4
Equity settled share based payment charge	20	-	2.1	-	-	2.1
Dividends paid	27	-	-	-	(30.3)	(30.3)
As at 31 December 2020 and 1 January 2021		8.0	9.4	-	156.3	173.7
Total profit for the year		-	-	-	23.9	23.9
Total other comprehensive income		-	-	(0.1)	-	(0.1)
Total comprehensive income for the year		-	-	(0.1)	23.9	23.8
Equity settled share based payment charge	20	-	0.6	-	-	0.6
Tax on share based payments		-	-	-	0.1	0.1
As at 31 December 2021		8.0	10.0	(0.1)	180.3	198.2

The accompanying Notes form an integral part of these Financial Statements.

Statement of Cash Flows

for the year ended 31 December 2021

	Note	31 December 2021 £'m	31 December 2020 £'m
Profit after tax		23.9	24.4
Adjustments for:			
Finance income	8	(0.3)	(0.6)
Taxation expense	9	5.4	6.3
Amortisation of intangible assets	5, 10	15.3	11.7
Impairment of intangible assets	5, 10	-	5.8
Depreciation of property and equipment	5, 11	6.0	6.0
Share based payment charge	20	7.2	9.0
Change in trade and other receivables		(36.6)	4.4
Change in contract cost assets		0.7	(1.9)
Change in trade and other payables		8.3	12.2
Change in prepayments		(1.2)	0.1
Taxation paid		(6.1)	(10.3)
Contribution to parent share based payment scheme		-	(0.6)
Net cash flows from operating activities		22.6	66.5
Acquisition of property and equipment		(5.3)	(3.2)
Acquisition of intangible assets		(38.5)	(27.1)
Interest received	8	0.3	0.6
Net cash flows from investing activities		(43.5)	(29.7)
Repayment of lease liabilities		(3.3)	(3.3)
Loans issued to related entity		(0.6)	-
Amount drawn down on revolving credit facility	6	10.0	-
Interest paid on revolving credit facility	6	(0.1)	-
Dividends paid	27	-	(30.3)
Net cash flows from financing activities		6.0	(33.6)
Net (decrease)/increase in cash and cash equivalents		(14.9)	3.2
Cash and cash equivalents at beginning of year		47.5	44.3
Cash and cash equivalents (outflow)/inflow for the year		(14.9)	3.2
Cash and cash equivalents at end of year	15	32.6	47.5

The accompanying Notes form an integral part of these Financial Statements.

Notes to the Financial Statements

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, United Kingdom. The Company's registered number is 03116518.

The principal activities of the Company are to broker private car, van, bike and home insurance within the United Kingdom ('UK'), provide insurance outsourcing services, and to offer unsecured personal loans.

The Financial Statements comprise the results of the Company for the year ended 31 December 2021 and comparative figures for the year ended 31 December 2020.

The Company has prepared its Financial Statements in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

Under the provision of Section 400 of the Companies Act 2006, consolidated financial statements have not been prepared. Consolidated financial statements incorporating the results of the Company are prepared by the Company's ultimate parent undertaking, Sampo plc. The consolidated financial statements of Sampo plc can be obtained from its registered address at Fabianinkatu 27, 00100 Helsinki, Finland or available from its website: https://www.sampo.com/investors/financial-information/annual-reports.

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 Strategic Report and 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.

After a full review of the Company's financial position, financial performance, cash flows and forecasts for a period of at least 12 months from the date of signing these financial statements, 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, it continues to adopt the going concern basis in preparing the annual report and financial statements.

b) Basis of measurement

The Company's functional currency is pounds sterling and the financial statements are presented in pounds sterling. Amounts are rounded to the nearest million with one decimal place (e.g. £0.1m) 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, except for certain financials assets which are measured at their fair value.

c) Adoption of new IFRS

Amendments

On 1 January 2021, the Company adopted the following clarifications and amendments to the standards which were effective from 1 January 2021. These did not have a material impact upon the financial statements:

- Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 – endorsed by the UK on 5 January 2021, effective 1 January 2021. The Phase 2 amendments provide specific guidance on how to treat financial assets and financial liabilities where the basis for the contractual cash flow changes as a result of IBOR reform.

On 1 January 2021, the Company also adopted the following amendment to IFRS 16 which was effective from 1 April 2021. This did not have a material impact upon the financial statements:

Notes to the Financial Statements

- Amendment to IFRS 16: Leases Covid 19 Related Rent Concessions – issued on 31 March 2021 and effective from 1 April 2021. The Amendment increases the scope of COVID-19 Related Rent Concessions that was issued on 28 May 2020, exempting lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. The Amendment increase the eligibility period for the application of the practical expedient by 12 months from 30 June 2021 to 30 June 2022.

The following accounting standards have been issued by the IASB but are not yet effective in the UK and have not yet been adopted within these financial statements:

IFRS	Endorsement status
IFRS 17 Insurance contracts	Not yet endorsed by the UK
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	Not yet endorsed by the UK
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies	Not yet endorsed by the UK
Amendments to IFRS 3, IAS 16, IAS 37, Annual Improvements 2018, 2020	Not yet endorsed by the UK
Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	Not yet endorsed by the UK
Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Not yet endorsed by the UK

IFRS 17 Insurance Contracts ('IFRS 17')

The IASB issued IFRS 17 on 18 May 2017 to replace IFRS 4. IFRS 17 provides a comprehensive framework for accounting for insurance contracts and it is anticipated to impact the treatment and measurement of income, expenses, assets and liabilities arising from insurance contracts. In June 2020, the IASB published Amendments to IFRS 17, including the deferral of the effective date by two years. The standard incorporating the amendments is effective from 1 January 2023, subject to endorsement by the UK Endorsement Board ('UKEB').

The Company does not expect that the adoption of IFRS 17 will have a significant impact on the Financial Statements as the Company does not underwrite insurance contracts.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)

No expected endorsement date has been published with the effective date set as 1 January 2023. These amendments are not expected to have a significant impact on the Company's financial statements.

Amendment to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued 12 February 2021)

No expected endorsement date has been published with the effective date set as 1 January 2023. These amendments are not expected to have a significant impact on the Company's financial statements.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)

No expected endorsement date has been published with the effective date set as 1 January 2023. These amendments are not expected to have a significant impact on the Company's financial statements.

Amendments to IFRS 3, IAS 16, IAS 37, Annual Improvements 2018, 2020 (issued 14 May 2020)

These amendments are expected to be endorsed in the first half of 2022 to be, effective from 1 January 2022. The amendments to IFRS 3 and IAS 16 are not expected to have a significant impact on the Company's financial statements and the Company is in the process of assessing the impact of the amendment to IAS 37 on the Company's financial statements.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued 7 May 2021)

No expected endorsement date has been published with the effective date set as 1 January 2023. These amendments are not expected to have a significant impact on the Company's financial statements.

Notes to the Financial Statements (continued)

2. Accounting policies

a) Revenue recognition

Revenue consists principally of brokerage fees and commissions, premium finance interest, other fees relating to the arrangement and handling of insurance contracts, and personal lending income. All revenue arises within the UK and is recorded net of sales tax.

Revenue from contracts with customers

Revenue from contracts with customers arises primarily from insurance broking activities which consists principally of fees and commissions relating to the arrangement of third party underwritten insurance contracts and ancillary products. The Company's performance obligation under such contracts is to broker contracts between customers and underwriters or service providers.

Revenue from broking and other fees is measured at the fair value of the income receivable and is recognised on satisfaction of the Company's performance obligations. 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.

The Company satisfies its performance obligations for insurance broking contracts at a point in time; revenue is recognised on arrangement date unless the Company retains the obligation to handle claims on policies placed, whereby a portion of revenue is deferred and recognised as claims are handled.

Revenue arising from insurance broking activities is measured on an agency basis, net of cost, at the fair value of the income receivable after adjusting for any allowance for expected future cancellation refunds.

The Company may also provide contracts for the provision of other ad hoc, point in time services to customers. Such income is recognised when the performance obligation has been satisfied at the expected value of consideration and is included within other income.

The duration of all contracts is one year or less, therefore the transaction price allocated to any unsatisfied contracts is not disclosed as permitted under IFRS 15.

Premium finance interest

Premium finance interest, earned on instalment sales, where customers choose to pay in monthly instalments instead of one single, upfront payment, is recognised in profit or loss over the term of the related agreement using the effective interest method.

Personal lending income

Revenue recognised from personal loans comprised interest earned on each loan. Interest revenue is calculated using the effective interest method, whereby interest income is allocated at a constant rate over the term of the loan. The interest revenue is calculated by applying the effective interest rate to the gross carrying amount of the financial asset, which is the amortised cost of a financial asset before adjusting for any loss allowance.

Financial assets can subsequently become credit-impaired financial assets if there has been a significant increase in the credit risk of the customer since the origination of the loan thus become underperforming. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost of the financial asset in subsequent reporting periods. Interest revenue for underperforming loans is credited to the profit or loss statement by applying the effective interest rate to the amortised cost of the loan.

If the credit risk on the financial instrument improves so that the financial asset is no longer credit-impaired and is performing, the calculation of interest revenue reverts to the gross basis (calculated by applying the effective interest rate to the gross carrying amount of a financial asset) in subsequent periods if the asset is no longer credit-impaired.

When customers are unable to make their payments, there is a significant risk that these loans will default. When a loan defaults, which is considered to have occurred where a customer payment is 90 days or more past its due date, it moves from underperforming to non-performing. For loans that have defaulted the Company does not recognise any interest income.

b) Employee benefits

Pension contributions

The Company operates a defined contribution pension scheme. The amount charged to profit or loss in respect of pension costs is the amount of 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 obligation to make any further payments to the plans other than the contributions due. The assets of the scheme are held separately from those of the Company in an independently administered fund.

Share based payments

The Hastings Group operates a cash-settled long-term incentive scheme whereby the fair value of the award is determined at grant date and is expensed to the profit or loss on a straight line basis over the vesting period, with a corresponding credit recognised as a share based payment liability. The Company settles these awards upon vesting with payments deducted from the liability recognised. Expected vesting in respect of both service conditions and market and non-market performance conditions are reviewed at least annually and adjustments are made retrospectively to the cumulative expense recognised.

In the year ended 31 December 2021, the Hastings Group introduced an equity-settled share incentive scheme under which certain key management personnel could be awarded up to five free B Ordinary Shares in Hastings Group (Consolidated) Limited, a parent company, for every B Ordinary Share that they purchase, subject to performance thresholds based upon total shareholder return ('TSR'). The fair value of the share based payment award is determined at grant date and expensed on a straight line basis over the vesting period, with a corresponding credit recognised as a capital contribution within equity where the Company does not settle the obligation or repay the parent Company. Where the Company settles the share award, the scheme is accounted for as cash settled with a corresponding asset or liability for payments made less fair value earned.

c) Finance income

Finance income comprises interest received on cash and cash equivalents and is recognised in profit or loss using the effective interest method.

d) Finance costs

The Company's finance costs include interest due on financial liabilities held by the Company and amortisation of directly attributable transaction costs and any applicable discounts for these financial liabilities, which are recognised using the effective interest method in accordance with IFRS 9.

e) Taxation

Income tax on the result for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination, items recognised in other comprehensive income or items recognised directly in equity.

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

Deferred 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. A deferred income tax liability is recognised for all taxable temporary differences except when they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilised.

f) Intangible assets

Computer software

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

Purchased computer software is initially recognised 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 is recognised in profit or loss.

Expected useful economic lives and residual values are reviewed at each period end and, where necessary, changes are accounted for prospectively. The expected useful economic lives are between three and ten years for all of the Company's software.

Carrying amounts are reviewed at each period end to determine if there are indicators 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 carrying amount exceeds its recoverable 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.

g) Tangible assets

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

Costs incurred subsequent to the initial production of the asset are capitalised where they are deemed to have improved the original asset.

Depreciation is provided on all property and equipment, at rates calculated to write off the cost, or fair value in the case of property, of the assets less their estimated residual value over their expected useful lives. Depreciation is calculated using the straight line method and is recognised in profit or loss.

The expected useful economic lives of property and equipment are as follows:

• Leasehold improvements	Shorter of 4-10 years or the remaining lease period
• Computer equipment	2-5 years
• Fixtures and fittings	3-5 years

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

Carrying amounts are reviewed at each period end to determine if there are indicators 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 carrying amount exceeds its recoverable amount, the difference is recognised as an impairment loss in profit or loss.

Property and equipment 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.

h) Work in progress

Work in progress includes intangible and tangible assets in the course of development which are considered to be eligible for capitalisation but which have not yet reached the state where they are ready for their intended use. As such no amortisation or depreciation has yet been charged on these assets.

i) Contract cost assets

Contract cost assets consist of costs incurred to obtain and fulfill a contract. They are recognised over the life of the expected customer relationship.

Costs to obtain the contract are only recognised as a contract cost asset if they are recoverable and would only have been incurred if the contract is obtained. Costs that would have been incurred regardless of whether the contract was obtained are recognised as an expense when incurred.

Costs to fulfil a contract are only recognised as a contract cost asset if they meet the following criteria; they are not within the scope of another standard, relate directly to a contract, generate or enhance resources that will be used in satisfying (or in continuing to satisfy) performance obligations in the future and are expected to be recovered.

j) Leases

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement of a lease or contract containing a lease, the Company recognises a right of use asset and a lease liability on the balance sheet.

The Company initially measures a right of use asset at cost comprising the corresponding lease liability adjusted for any payments made at or before the commencement date plus any initial direct costs incurred and any dismantling costs, if applicable. Subsequently, from commencement date, a right of use asset is depreciated using the straight line method to profit or loss over the lease term or usage term. Right of use assets are reported in the balance sheet within property and equipment.

A lease liability is initially measured and recognised at the present value of outstanding lease payments at the lease commencement date, using the Company's incremental borrowing rate in most instances; unless the interest rate implicit in the lease can be readily determined, in which case this is used instead. Lease liabilities are reported in insurance and other payables in the balance sheet.

k) Financial assets

Financial assets measured at amortised cost

The Company's financial assets measured at amortised cost comprise cash at bank and in hand, loan receivables, personal lending receivables and trade and other receivables, and are held to collect contractual cash flows that are solely payments of principal and interest on specified dates on the principal amount outstanding. These 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 any additional accumulated impairment losses.

Trade receivables include amounts not yet due in respect of insurance premiums and connected income where the policyholder has elected to pay in instalments over the term of the policy.

Financial assets at fair value through profit or loss

The Company's money market funds are classified as financial assets at fair value through profit or loss by default as they are not held to collect contractual cash flows that are solely payments of principal and interest therefore do not meet the criteria of amortised cost or fair value through other comprehensive income.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported by the Company only when there is a current unconditional and legally enforceable right to offset the recognised amounts in all circumstances (including the default by, insolvency or bankruptcy of the Company and all counterparties), and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and substantially all the risks and rewards of ownership have been transferred. Any residual gains or losses resulting from derecognition of the asset are recognised in profit or loss in the period of derecognition.

Impairment of financial assets

For financial assets carried at amortised cost, the Company assesses impairment using the IFRS 9 expected credit loss model and does this on a collective basis for all financial assets that are not individually significant. The Company's trade receivables are collectively grouped together. A financial asset is impaired and impairment losses are incurred if the present value of all cash flows that the Company expects to receive is lower than the cash flows due to the Company in accordance with the contract.

For trade receivables, the Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. The expected credit losses have been calculated using the prior two years' credit loss experience and the credit risk of the trade receivables is monitored by management as part of the day to day running of the Company.

Potential future changes to the risk profile for the next year are considered as part of this monitoring process and are currently assessed as immaterial.

l) Cash and cash equivalents

The Company's cash and cash equivalents consist of cash in hand and at bank, investments in highly liquid money market funds, and other short term deposits that are redeemable within 90 days.

m) Financial liabilities

Financial liabilities at amortised cost

The Company's financial liabilities measured at amortised cost comprise trade and other payables and loans and borrowings. These financial liabilities are initially measured at fair value less any directly attributable transaction costs, which are capitalised and reduce the initial liability recognised. Subsequently, these financial liabilities are measured at amortised cost using the effective interest method.

Derivatives

The Company's derivatives are cash flow hedges and meet the hedge accounting requirements of IFRS 9. Derivatives are recognised initially at the fair value on the date a derivative contract is entered into and are remeasured subsequently at each reporting date at their fair value.

For derivatives that are designated as cash flow hedges and where the hedge accounting criteria are met, the effective portion of changes in the fair value is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recognised in the income statement when the income or expense on the hedged item is recognised in the income statement.

n) Insurance intermediary assets and liabilities

Receivables and payables arising from insurance broking transactions are shown as assets and liabilities in recognition of the fact that the Company as insurance broker has the contractual rights to economic inflows from customers and obligations to third party insurers upon placement of insurance products with customers. Receivables are recognised when the Company provides financing to customers for instalment premiums payable to third party insurers. Payables arise where the Company has an obligation to remit premiums received to third party insurers.

o) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other financial assets, or to exchange financial assets or liabilities under potentially unfavourable conditions. Where such an obligation exists, and the exception within IAS 32 paragraph 16 in respect of any option is not met, the share capital is recognised as a liability notwithstanding the legal form.

Incremental costs directly attributable to the issue of equity instruments are recognised as a deduction from share premium to the extent that there is sufficient share premium to do so, net of tax effects.

p) Dividends

Dividends are recognised directly in equity when approved and payable.

3. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in accordance with IFRS requires the Directors 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 Directors' best knowledge of the amounts, events and actions, actual results may differ from these judgements and assumptions.

Judgements

The judgements that have been applied in preparing the Financial Statements that could have a significant effect on the amounts recognised are as follows:

Taxation uncertainties

In preparing the Financial Statements, judgement is required in assessing the likely outcome, or range of outcomes, of uncertain tax liabilities and contingent liabilities and what could be considered probable or remote, to determine whether assets or liabilities should be recognised under the relevant accounting standards. HM Revenue & Customs ('HMRC') continues its enquiry into the attribution of profits for tax purposes between operating subsidiaries within the Hastings Group. This enquiry has created potential for uncertainty in the Company's income tax treatment. The Company has considered the requirements of IFRIC 23, including the requirement to consider the likelihood of the tax authorities accepting the basis of the Company's income tax filings. Additional information regarding these judgements is disclosed in Notes 9 and 28.

Critical accounting estimates

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) Property and equipment and intangible assets

Management determines the estimated useful lives and residual values of property and equipment 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.

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

b) 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 expected number of claims to be handled at the reporting date.

4. Revenue

	Year ended	
	31 December 2021 £'m	31 December 2020 £'m
Brokerage and fees	239.5	232.5
Premium finance interest	97.3	102.0
Repair income	36.8	-
Personal lending income	0.9	0.1
Other income	0.9	2.6
Total revenue	375.4	337.2

Brokerage and fees and Other income are recognised as revenue from contracts with customers as defined by IFRS 15.

5. Other expenses

	Year ended 31 December 2021 £'m	Year ended 31 December 2020 £'m
Profit before taxation is stated after charging		
Auditor's remuneration		
Fees for audit services in respect of these financial statements	0.1	0.1
Employee benefits	122.0	127.3
Administration and distribution costs	202.5	155.7
Other expenses	324.6	283.1
Amortisation of intangible assets (Note 10)	15.3	11.7
Impairment of intangible assets (Note 10)	-	5.8
Depreciation of property and equipment (Note 11)	6.0	6.0
Amortisation and depreciation	21.3	23.5

6. Finance costs

	Year ended 31 December 2021 £'m	Year ended 31 December 2020 £'m
Interest on Revolving Credit Facility	0.1	-
Interest on lease liabilities	0.5	0.5
Total interest expense	0.6	0.5

7. Employee benefits

Included in other operating expenses were the following employee benefits:

	Year ended 31 December 2021 £'m	Year ended 31 December 2020 £'m
Salaries and bonus	98.3	102.6
Social security charges	10.9	11.1
Defined contribution pension plan costs	5.6	4.6
Share based payment charge	7.2	9.0
Total employee benefits	122.0	127.3

Staff numbers (including Directors)

The average number of full-time equivalent staff was as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Operational staff	2,807	2,835
Support staff	162	154
Total staff	2,969	2,989

Key management personnel emoluments

Information relating to aggregate key management personnel emoluments is disclosed in the table below.

	Year ended 31 December 2021 £'m	Year ended 31 December 2020 £'m
Short term employee benefits	2.9	1.9
Post employment benefits	0.1	0.1
Share based payment charges	1.1	0.9
Total key management personnel compensation	4.1	2.9

Directors' emoluments

During the year, the compensation of the highest paid Director was £0.1m (2020: £0.1m).

Information relating to aggregate Directors' emoluments is disclosed in the table below.

	Year ended 31 December 2021 £'m	Year ended 31 December 2020 £'m
Short term employee benefits	0.2	0.2
Total Directors' compensation	0.2	0.2

8. Finance income

	Year ended 31 December 2021 £'m	Year ended 31 December 2020 £'m
Interest on cash and cash equivalents	0.3	0.6
Total finance income	0.3	0.6

9. Taxation expense

	Year ended 31 December 2021 £'m	Year ended 31 December 2020 £'m
Current tax		
Corporation tax on profits for the year	7.1	8.7
Adjustments for prior years	0.8	-
Current taxation expense	7.9	8.7
Deferred tax		
Deferred taxation movement relating to temporary differences	(1.4)	(2.7)
Impact of change in the UK Corporation tax rate	(0.3)	0.3
Adjustments for prior years	(0.9)	-
Deferred taxation (credit)	(2.6)	(2.4)
Total taxation expense	5.3	6.3

Notes to the Financial Statements (continued)

Tax reconciliation:

	Year ended	
	31 December 2021 £'m	31 December 2020 £'m
Profit before tax	29.2	30.7
Applicable tax charge at the statutory tax rate 19% (2020: 19%):	5.6	5.8
Non-taxable income and tax credits	(0.1)	-
Expenses and provisions not deductible for tax purposes	0.2	0.2
Impact of change in the UK Corporation tax rate	(0.3)	0.3
Adjustments to tax charge for prior years - current tax	0.8	-
Adjustments to tax charge for prior years - deferred tax	(0.9)	-
Total taxation expense	5.3	6.3

The UK Corporation tax rate applicable to the Company was 19.0% for the year ended 31 December 2021 (2020: 19.0%). The Chancellor of the Exchequer in his Budget on 3 March 2021 announced that the UK corporation tax rate will remain at 19.0% until 31 March 2023, and will then increase to 25% from 1 April 2023, this was substantively enacted on the 24 May 2021. Deferred tax assets and liabilities have been re-measured based on the expected timing of the reversal of the underlying temporary differences, resulting in a tax credit of £0.3m for the year.

Further details in respect of the Company's taxation expense can be found in Note 28 Contingent Liabilities.

Notes to the Financial Statements (continued)

10. Intangible assets

	Computer Software £'m	Work in progress £'m	Total £'m
Cost			
As at 1 January 2020	92.5	16.3	108.8
Additions	0.7	30.3	31.0
Transfers	22.4	(22.4)	-
As at 31 December 2020	115.6	24.2	139.8
Accumulated amortisation			
As at 1 January 2020	24.4	-	24.4
Amortisation for the year	11.7	-	11.7
Impairment Losses	-	5.8	5.8
As at 31 December 2020	36.1	5.8	41.9
Net book value as at 31 December 2020	79.5	18.4	97.9
Cost			
As at 1 January 2021	115.6	24.2	139.8
Additions	0.1	40.6	40.7
Transfers	35.9	(35.9)	-
Disposals	-	(5.8)	(5.8)
As at 31 December 2021	151.6	23.1	174.7
Accumulated amortisation			
As at 1 January 2021	36.1	5.8	41.9
Amortisation for the year	15.3	-	15.3
Disposals	-	(5.8)	(5.8)
As at 31 December 2021	51.4	-	51.4
Net book value as at 31 December 2021	100.2	23.1	123.3

Computer software held as at 31 December 2021 includes internally generated software carried at £89.8m (2020: £68.1m), which primarily consists of the development of the Guidewire platform. Guidewire is a state of the art, integrated end to end platform for claims handling, broking and billing. The Guidewire system has an expected useful economic life of 10 years, with 7 years remaining as at 31 December 2021. During the year, the amortisation and impairment charge relating to internally generated assets was £14.0m (2020: £15.8m).

Notes to the Financial Statements (continued)

11. Property and equipment

	Leasehold improvements	Computer equipment	Fixtures, fittings and equipment	Right of use assets	Total
	£'m	£'m	£'m	£'m	£'m
Cost					
As at 1 January 2020	8.8	16.3	2.1	14.9	42.1
Additions	-	0.9	-	2.3	3.2
As at 31 December 2020	8.8	17.2	2.1	17.2	45.3
Accumulated depreciation					
As at 1 January 2020	3.5	13.7	2.1	4.7	24.0
Charge for the year	1.0	1.8	-	3.2	6.0
As at 31 December 2020	4.5	15.5	2.1	7.9	30.0
Net book value as at 31 December 2020	4.3	1.7	-	9.3	15.3
Cost					
As at 1 January 2021	8.8	17.2	2.1	17.2	45.3
Additions	-	0.4	0.2	4.7	5.3
Expiration of right of use asset	-	-	-	(1.9)	(1.9)
As at 31 December 2021	8.8	17.6	2.3	20.0	48.7
Accumulated depreciation					
As at 1 January 2021	4.5	15.5	2.1	7.9	30.0
Charge for the year	1.3	1.0	0.1	3.6	6.0
Expiration of right of use asset	-	-	-	(1.9)	(1.9)
As at 31 December 2021	5.8	16.5	2.2	9.6	34.1
Net book value as at 31 December 2021	3.0	1.1	0.1	10.4	14.6

12. Contract costs

	As at	
	31 December 2021	31 December 2020
	£'m	£'m
Within 12 months	27.4	27.7
Over 12 months	22.5	23.2
Total contract cost assets	49.9	50.9

Contract costs assets consist of costs incurred to obtain and fulfill a contract. They are recognised over the life of the expected customer relationship.

	31 December 2021	31 December 2020
	£'m	£'m
Contract cost assets brought forward at start of year	50.9	49.0
Contact costs incurred	29.1	30.0
Contract cost recognised as expense during the year	(30.1)	(28.1)
Total contract cost assets at end of the year	49.9	50.9

Notes to the Financial Statements (continued)

13. Deferred tax

	As at	
	31 December 2021 £'m	31 December 2020 £'m
Deferred tax asset / (liability)		
Brought forward at start of year	(0.1)	(2.5)
Movement in year	2.6	2.4
Carried forward at end of year	2.5	(0.1)
Intangible assets	(2.7)	(2.5)
Depreciation in excess of capital allowances	1.4	1.1
Leases	0.1	0.2
Bad debt provision	0.4	0.4
Share based payments	3.3	1.3
Spreading of contract costs	-	(0.6)
Deferred tax asset / (liability) at end of year	2.5	(0.1)

14. Trade and other receivables

	As at	
	31 December 2021 £'m	31 December 2020 £'m
Contract with customer receivables		
Trade receivables	346.3	331.0
Personal lending receivables	25.0	3.1
Other receivables	1.4	0.2
Total contract with customer receivables	372.7	334.3
Non-contract with customer receivables		
Receivable from related entity	24.5	24.7
Other receivables	0.2	0.5
Total non-contract with customer receivables	24.7	25.2
Trade and other receivables	397.4	359.5

The tables below analyse trade and personal lending receivables between current and overdue as well as an analysis of any provisions held. The current portion comprises balances that are due to be settled within 12 months or are expected to be realised within the Company's normal operating cycle. Overdue amounts comprise all amounts which remain uncollected after the date by which they were contractually due to be paid.

	Trade receivables	Provision for impairment	Net trade receivables
	£'m	£'m	£'m
As at 31 December 2021			
Current	351.0	(4.8)	346.2
Overdue	10.1	(10.0)	0.1
Total	361.1	(14.8)	346.3
As at 31 December 2020			
Current	335.9	(5.2)	330.7
Overdue	6.3	(6.0)	0.3
Total	342.2	(11.2)	331.0

	Personal lending receivables	Provision for impairment	Net Personal lending receivables
	£'m	£'m	£'m
As at 31 December 2021			
Current	25.1	(0.6)	24.5
Overdue	0.8	(0.3)	0.5
Total	25.9	(0.9)	25.0
As at 31 December 2020			
Current	3.4	(0.3)	3.1
Total	3.4	(0.3)	3.1

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

	As at	
	31 December, 2021	31 December 2020
	£'m	£'m
Provision for impairment brought forward at start of year	11.5	8.6
Utilised during the year	(5.3)	(3.8)
Impairments recognised during the year	9.5	6.7
Total provision for impairment carried forward at end of year	15.7	11.5

15. Cash and cash equivalents

	As at	
	31 December 2021	31 December 2020
	£'m	£'m
Cash at bank and in hand	15.6	15.0
Money market funds	17.0	32.5
Total cash and cash equivalents	32.6	47.5

Cash and cash equivalents include balances of £14.5m (31 December 2020: £34.9m) relating to cash and cash equivalents held on an agency basis on behalf of insurers.

16. Financial instruments, capital management and related disclosures

a) Financial assets and liabilities

At amortised cost

The table below analyses financial instruments carried at amortised cost:

	As at 31 December 2021 £'m	As at 31 December 2020 £'m
Financial assets		
Trade receivables	346.3	331.0
Receivable from related entity	24.5	24.7
Retail lending receivables	25.0	3.1
Loan receivables	0.6	-
Cash at bank and in hand	15.6	15.0
Other receivables	1.6	0.7
Total financial assets at amortised cost	413.6	374.5
Financial liabilities		
Trade and other payables to related entities	315.8	313.9
Other trade payables	16.8	13.3
Lease liabilities	12.2	10.3
Other payables	63.7	56.3
Total financial liabilities at amortised cost	408.5	393.8

The carrying value of all financial instruments carried at amortised cost at 31 December 2021 and 31 December 2020 is considered to be an approximation of fair value.

At fair value

The table below analyses financial assets and financial liabilities carried at fair value by level within the fair value hierarchy. Cash equivalents are valued by reference to the most recent observable market trade unless there is evidence of impairment.

	As at 31 December 2021		As at 31 December 2020	
	Level 1 £m	Total £m	Level 1 £m	Total £m
Financial assets				
Money market funds	17.0	17.0	32.5	32.5
Total financial assets at fair value through profit or loss	17.0	17.0	32.5	32.5
Fiinancial liabilities				
Derivative liabilities	0.1	0.1	-	-
Total financial liabilities at fair value through other comprehensive income	0.1	0.1	-	-

b) Objectives, policies and procedures for managing financial risks

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 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, loans and receivables and cash and cash equivalents. The Company's maximum exposure to credit risk at 31 December 2021 is £430.0m (2020: £407.0m), being the carrying value of trade and other receivables and cash and cash equivalents.

The Company manages its exposure to credit risk on high liquidity investments by pursuing a strategy whereby all investments in money market funds have credit ratings of AA or above. The credit ratings of the Company's banks are monitored on a regular basis and where there is adverse movement appropriate action would be determined by the Board's Risk and Compliance Committee.

The credit rating of the banks with which the Company has significant credit risk, in relation to its investments in cash and cash equivalents were as follows:

		As at	
		31 December 2021	31 December 2020
	Rating	£'m	£'m
Money market funds	AAA	17.0	32.5
Cash at bank and in hand	A	15.6	15.0
Total cash and cash equivalents		32.6	47.5

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.

Trade and other receivables are monitored closely with a view to minimising the collection period of those items. 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 14. The Company can limit its exposure to only the period of cover by cancelling the customer policy in the event of continued non-payment.

Since other assets such as cash and cash equivalents and financial assets at fair value are well diversified, the Directors believe that the Company does not hold any significant concentrations of risk.

Market risk

The significant market risk which the Company is exposed to is interest rate risk and foreign exchange currency risk.

Interest rate risk is defined by the Company as the impact of unfavourable movements in market interest rates which could adversely affect the values of financial assets and liabilities, or reduce future cash flows arising from them.

Cash and cash equivalents are held in current accounts or in short term money market instruments. These are generally less than 90 days in duration, considerably reducing sensitivity to significant movements in interest rates compared to longer duration assets. The Directors consider that the exposure to interest rate risk of cash and cash equivalents balances is immaterial for the purposes of sensitivity analysis.

The interest rate used for the Company's loans and borrowings is calculated using the base margin of 2% plus the SONIA. For the Company's loans and borrowings for the year ended 31 December 2021, a 1% increase in interest rates would not have a material impact on profit after tax.

The Company's foreign exchange currency risk is created by the relationship between the Company and OUTsurance Shared Services Ltd ('OUTsurance'). Spend incurred with OUTsurance is invoiced to the Company in South African Rand ('ZAR') however all of the Company's income is denominated in Great British Pounds ('GBP') therefore this creates foreign currency exchange risk. This risk is hedged through the use of derivative foreign exchange forward contracts, see Note 17.

Liquidity risk

Liquidity risk is the risk that cash may not be available to meet obligations when they fall due. The Company maintains significant holdings in liquid funds to mitigate this risk. The Company makes use of regular 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 except loans and borrowings are due within 12 months.

Loans and borrowings consist of amounts drawn down on the Company's Revolving Credit Facility ('RCF'). In October 2021, the Company entered into a RCF agreement with Lloyds Bank plc for the purpose of funding the growth of the Company's personal loans business. This RCF has a commitment of £55.0m with any outstanding balances drawn on the RCF due for repayment at the end of the term in November 2023. As at 31 December 2021, the balance drawn down on this RCF was £10.0m.

The expected contractual undiscounted cash flows of loans and borrowings, including interest payments, and derivative liabilities fall due as follows:

	0-1 year	1-2 years	Over 2 years	Total
	£m	£m	£m	£m
As at 31 December 2021				
Revolving Credit Facility	0.7	10.6	-	11.3
Derivative liabilities	0.1	-	-	0.1
Total	0.8	10.6	-	11.4
As at 31 December 2020				
Revolving Credit Facility	-	-	-	-
Derivative liabilities	-	-	-	-
Total	-	-	-	-

c) Objectives, policies and procedures for managing capital

The Company's capital comprises equity.

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 and ensure that a sufficient level of capital is maintained.

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

17. Derivative financial instruments

The Company uses derivative financial instruments to manage certain foreign exchange currency risks arising from the relationship between the Company and certain overseas suppliers. The Company has designated its derivative financial instruments as hedging instruments in qualifying cash flow hedges. The Company's cash flow hedge relates to exposure to South African Rand ('ZAR'). The nature of the risk being hedged is the ZAR to Sterling Great British Pounds ('GBP') spot exchange rate risk arising from a highly probably forecast for spend denominated in ZAR that is expected to occur throughout the year of 2022.

The hedged item relates to the 75% of the forecast transactions expected to occur between December 2021 to December 2022 in respect of OUTsurance services. The hedging instruments are the ZAR forward contracts created specifically to meet 75% of the OUTsurance spend.

Prior to designating the hedge, the prospective effectiveness was demonstrated through a 'critical terms match' which exists at inception and is expected to apply in subsequent periods. The criteria for concluding that the hedge is expected to be effective, is to be expecting the hedge to be within 80-125% effective based on a review of terms. The expectation is that movement in fair value of the options will therefore be very closely aligned to spot rate used for actual payments, and well within tolerable range of 80-125%. At every reporting date after inception of the hedge the hedge effectiveness is tested. The criteria for concluding that the hedge has been effective, is that is has been within range of 80-125% effective, based on actual movements. Ineffectiveness can arise if there are changes in the date of the forecast transaction and changes in the credit risk or liquidity of the forward contract and the forward points that comprise an interest element that may not exist in the hedged item.

The Company's cash flow hedge is deemed to be effective and the fair value thereof has been deferred in equity within other reserves. There was no impact on the income statement in the year in respect of the movement in the fair value of ineffective cash flow hedges (2020: £nil).

The notional amounts and fair values of derivative financial instruments at the year end were as follows:

	As at 31 December 2021		As at 31 December 2020	
	Notional amount £m	Fair value liabilities £m	Notional amount £m	Fair value liabilities £m
Cash flow hedges				
Currency forwards	7.9	0.1	-	-
Derivative financial instruments	7.9	0.1	-	-

18. Loans and borrowings

	As at	
	31 December 2021 £'m	31 December 2020 £'m
Revolving Credit Facility	10.0	-
Arrangement fees and discounts	(0.1)	-
Total loans and borrowings	9.9	-

19. Share capital

Share capital

Share capital recognised as equity comprised shares authorised, issued and fully paid up as follows:

	As at	
	31 December 2021 £'m	31 December 2020 £'m
Authorised, issued and fully paid up ordinary share capital		
22,980,000 Ordinary Shares of 35p (31 December 2020: 22,980,000)	8.0	8.0

All shares in issue at 31 December 2021 are of a single class with common rights in relation to distribution, return of capital and voting.

Capital contributions from parent

The capital contribution movements during the year relate to the share based payment charge in respect of employees of the Company that will be equity settled by Hastings Group (Consolidated) Ltd ('HGCL') in the form of B Ordinary shares in HGCL, less any payments made by the Company in respect of the shares to be awarded.

Notes to the Financial Statements (continued)

20. Share based payments

The total charge for share based payments recognised in the profit and loss during 2021 was £7.2m (2020: £9.0m) with £nil (2020: £4.4m) relating to modifications to the schemes. The shared based payment liability at 31 December 2021 was £12.0m (2020: £6.3m).

a) Performance-Based Long Term Incentives

Certain management personnel participate in the Company's Long Term Incentive Plan ('LTIP') which is a cash settled scheme.

During 2020, the Company's previous ultimate parent, Hastings Group Holdings Limited, was acquired and delisted from the UK stock exchange, and as part of this transaction all share options and awards were either early settled or replaced with cash awards on similar terms. The table below shows the movement in equity settled LTIP share options:

	31 December 2021 million	31 December 2020 million
Number of equity settled LTIP share options		
At 1 January	-	7.6
Granted during the year	-	4.4
Exercised during the year	-	(2.5)
Forfeited during the year	-	(2.0)
Transferred between companies	-	(1.6)
Transferred to cash rewards	-	(5.9)
At 31 December	-	-

Under the previous LTIP schemes, prior to the delisting, vesting was subject to a three year performance period and the achievement of certain performance conditions in respect of total shareholder return relative to FTSE 350 performance and adjusted earnings per share over the performance period. The expected life was the award period adjusted to reflect management's best estimate of holder behaviour. Volatility was determined with reference to insurance companies within the FTSE 350.

Awards that were subject to market conditions were valued using the Monte Carlo pricing model and those not subject to a market condition were valued using the Black Scholes model. The model inputs were as follows:

	Year ended	
	31 December 2021	31 December 2020
Share price at grant date	n/a	183p
Volatility per annum	n/a	28%
Average comparator volatility per annum	n/a	35%
Dividend yield per annum	n/a	n/a
Risk free rate per annum	n/a	0.14%
Expected life	n/a	3 years

Under the new LTIP Scheme, all awards are cash based. Vesting is subject to a three year performance period and the achievement of certain performance conditions in respect of adjusted operating profit and live customer policies over the performance period.

During 2021, cash awards with fair value of £6.6m were granted (2020: £nil). The expected life is the contractual life of the award adjusted to reflect management's best estimate of holder behaviour.

There were cash awards with a value of £20.0m outstanding at 31 December 2021 (31 December 2020: £13.4m).

	31 December 2021 Fair value of cash awards £m	31 December 2020 Fair value of cash awards £m
At 1 January	13.4	-
Granted during the year	6.6	-
Issued on delisting in lieu of share awards	-	13.4
Exercised during the year	-	-
Forfeited during the year	-	-
Transferred between companies	-	-
At 31 December	20.0	13.4

b) Non-Performance-Based Long Term Incentives

Certain awards were granted of cash sums payable conditional upon their continued employment with the Group, vesting in equal tranches over a three year period. The expected life is the contractual life of the award adjusted to reflect management's best estimate of holder behaviour. During 2021, certain key management personnel were granted cash awards with a value of £0.3m (2020: £2.7m of cash replacement awards). There were cash awards of £2.2m outstanding at 31 December 2021 (31 December 2020: £2.7m).

c) Capital Appreciation Plan

In the year ended 31 December 2021, certain key management personnel were invited to participate in the Hastings Group's Capital Appreciation Plan ('CAP') under which they may be awarded up to five free B Ordinary Shares in HGCL, for every B Ordinary Share they purchase, subject to performance thresholds based upon total shareholder return ('TSR'). The total number of B Ordinary Shares allotted under the scheme in December 2021 was 0.4 million (year ended 31 December 2020: nil) at 213p per share and there were no forfeits during the year (2020: nil). Potential matching awards of B Ordinary Shares have the potential to vest in two tranches, with 50% being conditional upon a TSR measured over a four year period, and 50% being conditional upon TSR measured over a five year period, with the number of awards dependent upon the level of return between a minimum and maximum target. At the end of each performance period, one half of shares will vest immediately, and one half will be deferred for 12 months before becoming exercisable. The vesting is dependent on continuing service by the participant over the period of any deferment, so ranges from four to six years.

The TSR measure for these awards is calculated using an internal enterprise valuation model at issue date and end of the performance period and the growth in value on a per share base is combined with the dividends paid over the vesting period. The internal enterprise valuation model is a net present value calculation that considers the profit and resulting cashflow of the Hastings Group in the final year of the performance period and the resulting forecast future cashflows, without including benefit from future initiatives, discounted to present value using a market participant cost of equity. The fair value of the share awards at issue date of 213p per share was calculated using the internal enterprise valuation model and inputs including the Groups most recently approved three year plan, extrapolated growth declining to a terminal rate of 2% beyond the three year plan period, and a discount rate of 10%.

21. Trade and other payables

	As at 31 December 2021 £'m	 31 December 2020 £'m
Trade and other payables to related entities	315.8	313.9
Other trade payables	16.8	13.3
Lease liabilities	12.2	10.3
Other payables	63.7	56.3
Total trade and other payables	408.5	393.8
Current	392.7	380.7
Non-current	15.8	13.1
Total trade and other payables	408.5	393.8

22. Deferred income

	As at 31 December 2021 £'m	As at 31 December 2020 £'m
Due within one year	13.5	11.2
Due in more than one year	3.0	2.0
Total deferred income	16.5	13.2

23. Leases

Information about leases for which the Company is a lessee under IFRS 16 are presented below.

Right of use assets

The movement in the Company's right of use assets, by asset class, are shown below:

	Property £m	Hardware £m	Total £m
Cost			
As at 1 January 2020	9.9	5.0	14.9
Opening adjustment	-	-	-
Additions	-	2.3	2.3
As at 31 December 2020	9.9	7.3	17.2
Accumulated depreciation			
As at 1 January 2020	2.4	2.3	4.7
Charge for the year	1.2	2.0	3.2
As at 31 December 2020	3.6	4.3	7.9
Net book value as at 31 December 2020	6.3	3.0	9.3
Cost			
As at 1 January 2021	9.9	7.3	17.2
Additions	-	4.7	4.7
Expiration of right of use asset	-	(1.9)	(1.9)
As at 31 December 2021	9.9	10.1	20.0
Accumulated depreciation			
As at 1 January 2021	3.6	4.3	7.9
Charge for the year	1.5	2.1	3.6
Expiration of right of use asset	-	(1.9)	(1.9)
As at 31 December 2021	5.1	4.5	9.6
Net book value as at 31 December 2021	4.8	5.6	10.4

Lease liabilities

A movement reconciliation for the lease liabilities is shown below:

	As at	
	31 December 2021	31 December 2020
	£m	£m
Opening lease liability	10.3	11.1
Remeasurement of lease liability	-	(0.3)
New leases during the year	4.7	2.3
Payments on lease liabilities	(3.3)	(3.3)
Interest on lease liability recognised in profit and loss	0.5	0.5
Closing lease liability	12.2	10.3

A maturity analysis table for the contractual undiscounted cash flows for the lease liabilities is shown below:

	As at	
	31 December 2021	31 December 2020
	£'m	£'m
Within one year	3.5	3.2
Within two to five years	9.3	7.3
Over five years	0.3	0.9
Total undiscounted lease liabilities	13.1	11.4

24. Financial commitments

The Company is committed to making the following payments in future years under other contracts in place as at the year end:

	As at	
	31 December 2021	31 December 2020
	£'m	£'m
IT transaction and support costs		
Within one year	16.8	12.2
Within two to five years	27.8	7.0
IT software development costs		
Within one year	-	1.5
Total other financial commitments	44.6	20.7

25. Ultimate controlling party

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.

Sampo plc ('Sampo') is the Company's ultimate parent company. The Group headed by Sampo is the largest and the smallest group into which the Financial Statements are consolidated. The consolidated financial statements of Sampo may be obtained from its registered address at Fabianinkatu 27, 00100 Helsinki, Finland.

26. Related party transactions

The Company's subsidiaries are as follows:

Subsidiary	Country of incorporation	Class of shares held	% ownership	Principal activity
Hastings Financial Services Limited (formerly known as 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
People's Choice (Europe) Limited	England and Wales	Ordinary	100%	Dormant

All the above companies have a registered address of Conquest House, 32-34 Collington Avenue, Bexhill-On-Sea, East Sussex, TN39 3LW, UK.

During the year ended 31 December 2021 the Company had the following related party transactions, with entities within the Hastings Group:

- Commission earned by the Company in the year in respect of policies sold that were underwritten by Advantage Insurance Company Limited ('AICL') was £127.0m (31 December 2020: £115.6m). Amounts owed to related companies include a balance due to AICL of £309.4m (31 December 2020: £312.8m) which related to premiums and IPT payable net of commissions receivable on policies sold, offset by an intercompany payable balance of £2.3m (31 December 2020: receivable of £1.4m).
- During the year, the Company adopted a subrogation approach to repairs arising from non-fault incidents via Hastings Repair Services Limited ('HRSL') and AICL. The Company received repair income of £36.8m from AICL during 2021 (2020: £nil), but incurred offsetting repair costs of £36.8m (2020: nil) with HRSL. At 31 December 2021 the Company had an intercompany balance receivable from HRSL of £4.8m (31 December 2020: receivable of £nil).
- Rent payable by the Company to Conquest House Limited during the year amounted to £0.4m (year ended 31 December 2020: £0.4m).
- At 31 December 2021 the Company had an intercompany balance receivable from Hastings Group Holdings Limited of £12.5m (31 December 2020: receivable of £5.5m).
- At 31 December 2021 the Company had an intercompany balance receivable from Hastings Group (Consolidated) Limited of £0.5m (31 December 2020: receivable of £nil).
- At 31 December 2021 the Company had an intercompany balance payable to Hastings Group (Finance) plc ('HGF') of £2.8m (31 December 2020: payable of £1.7m).
- The Company was charged £1.5m (31 December 2020: £1.1m) by Hastings (US) Limited for providing specialist management consulting and advisory services. At 31 December 2021 the Company had an intercompany balance payable to Hastings (US) Limited of £1.3m (31 December 2020: payable of £0.8m).
- The Company provides an unsecured £50.0m revolving credit facility agreement to HGF. Up until 30 November 2021 loan amounts drawn down on the facility incurred interest at a margin above LIBOR. Post 30 November 2021 interest incurs on amounts drawn down on the facility at a margin above the Bank of England Base rate; and the balance is repayable on demand. Under this agreement, the amount advanced to HGF as at 31 December 2021 was £6.7m (31 December 2020: £19.2m). The interest charged during the year was £0.2m (31 December 2020: £0.4m).

There were no transactions with any other Sampo subsidiaries.

During the year ended 31 December 2021, the Company had the following related party transaction with a subsidiary of Rand Merchant Investment Holdings Limited ('RMI'), a company that held significant influence over Hastings Group during the year:

- Fees of £13.3m were charged by OUTsurance Shared Services Ltd for the provision of insurance intermediary support services (31 December 2020: £11.5m). At 31 December 2021 £0.5m was outstanding (31 December 2020: £0.6).

On 8 December 2021, Sampo plc and RMI came to agreement in which Sampo plc purchased RMI's share in Hastings Group (Consolidated) Ltd leading to Sampo plc becoming a 100% shareholder of Hastings Group (Consolidated) Limited. As of 8 December 2021, OUTsurance Shared Services Ltd, a subsidiary of RMI, ceased being a related party.

27. Dividends

Dividends amounting to £nil were paid during the year (2020: £30.3m), equivalent to £nil per share (2020: £1.32 per share).

28. Contingent liabilities

Entities within the Hastings Group, including the Company, are subject to review by tax authorities in the UK and Gibraltar. HMRC in the UK opened enquiries in December 2016 regarding aspects of the Hastings Group's business model and the allocation of certain elements of its profit between its main operating subsidiaries, the Company in the UK and AICL in Gibraltar. During the year, the Company has continued to engage in correspondence and meetings with HMRC. The Company has reviewed current and previous tax filings and considered the nature of the ongoing enquiries and does not consider it appropriate to provide for any additional tax due. The Company provides for potential tax liabilities that may arise on the basis of the amount expected to be paid to the tax authorities having taken into consideration any ongoing enquiries or reviews and based on guidance from professional firms. The final amounts paid may differ from the amounts provided depending on the ultimate resolution of such matters and any changes to the estimates or amounts payable in respect of prior periods are reported through adjustments relating to prior periods. In the event that the tax authorities do not ultimately accept the filed tax position, it is possible that the Company will have an additional tax liability. However the ongoing nature of the enquiry means that is its inherently difficult to predict a range of potential outcomes with certainty. Based on the information received from HMRC to date, the Company does not believe that it is probable that any additional amounts will ultimately become payable. Further information in respect of the enquiries has therefore not been provided in accordance with IAS 37 on the grounds it is not practicable to do so.

29. Events after the reporting period

There were no events after the reporting date requiring disclosures in these financial statements.

30. Reconciliations

Adjusted operating profit represents profit before taxation expense, finance costs, amortisation and depreciation. This is a non-IFRS measure used by management to measure the underlying trading of the business and is provided for information.

	Year ended	
	31 December 2021 £'m	31 December 2020 £'m
Adjusted operating profit reconciliation		
Profit before tax	29.2	30.7
Add back:		
Amortisation, depreciation and impairment	21.3	23.5
Finance costs	0.6	0.5
Adjusted operating profit	51.1	54.7