



# Hastings Insurance Services Limited

## Annual Report and Financial Statements

for the year ended 31 December 2020

Registered number: 03116518



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## **Directors and other information**

<b>Directors</b>	T van der Meer
	P Blanc            Chair
	S A Amies-King
	V M Dias
<b>Secretary</b>	A S Leppard
<b>Auditor</b>	KPMG LLP
	15 Canada Square
	London
	E14 5GL
<b>Banker</b>	Barclays Bank Plc
	1 Churchill Place
	London
	E14 5HP
<b>Registered office</b>	Conquest House
	Collington Avenue
	Bexhill-on-Sea
	East Sussex
	TN39 3LW
<b>Registered number</b>	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'). There have been no significant changes to the underlying activities of the Company during the year.

### Group context

On 16 November 2020, a consortium consisting of Sampo plc ('Sampo') and Rand Merchant Investment Holdings Limited ('RMI') acquired the entire issued share capital of Hastings Group Holdings plc ('HGH'), the then ultimate parent company of the Company via a UK registered entity, Dorset Bidco Limited, subsequently renamed Hastings Group (Consolidated) Limited ('HGCL'). HGH delisted from the London Stock Exchange on 17 November 2020 and was subsequently renamed Hastings Group Holdings Limited. The Hastings group of companies ('Hastings Group') comprises HGCL and its subsidiaries, including the Company. The ultimate parent company of Hastings Group and the Company is Sampo.

### Performance

The Directors are pleased to report solid results and continued growth during a year dominated by the disruption and uncertainty of the COVID-19 pandemic. The Company implemented a fast and comprehensive response to the COVID-19 pandemic with key priorities of keeping colleagues safe, supporting customers and doing the right thing. The response included:

- Putting in place infrastructure for the majority of colleagues to be able to work from home within a few weeks of the initial lockdown.
- Ensuring all colleagues continued to be paid full salaries during any extended sick or parental leave as a result of the pandemic or associated lockdowns. The Company did not apply for any Government assistance or invoke the Government's furlough scheme.
- Providing additional support for customers including help for those in financial difficulty, fee waivers, price reductions, regular advice and support on the dedicated Coronavirus page on the Hastings Direct website.
- Providing free RAC breakdown cover and enhanced courtesy car cover to NHS and frontline care worker customers.
- Creating a dedicated COVID-19 community scheme which has supported over 200 charities local to our Bexhill and Leicester offices.
- Setting up a colleague hardship fund and making 80 awards to colleagues in need.
- Paying a "thank you" mid-year bonus to front-line call centre and support colleagues outside of the normal cycle in recognition for their hard work and commitment.

The Company provides straightforward insurance products to customers through a digital business model. 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 2% to £337.2m (2019: £330.3m)
- **Other expenses** increased by 19% to £283.1m (2019: £237.3m)
- **Adjusted operating profit<sup>1</sup>** decreased by 42% to £54.7m (2019: £94.0m)
- **Profit before tax** decreased by 61% to £30.7m (2019: £78.3m)

Revenue increased by 2% to £337.2m (2019: £330.3m), with an increase in commission and fee income from increased customer numbers, partially offset by a decrease in premium finance interest and fee waivers given to support customers impacted by the COVID-19 pandemic. Other expenses increased by 19% to £283.1m, partly due to investment in strategic initiatives, investment in colleagues, and an increase in customer acquisition costs. The Company also incurred COVID-19 related costs including the introduction of homeworking to the majority of colleagues, and the payment of an exceptional out of cycle bonus to reward front-line call centre and support colleagues. In addition, the Company recognised £4.9m of one off share based payment charges as a result of modifications to Hastings Group share schemes following the acquisition of Hastings Group by Sampo and RMI.

Profit before tax decreased by 61% to £30.7m (2019: £78.3m) as a result of the above and an increase in amortisation and impairment charge of £7.5m primarily relating to internally generated software assets. The Company paid dividends of £30.3m (2019: £45.3m), whilst maintaining at all times a significant excess over FCA minimum regulatory capital requirements.

### Non-financial highlights

- **Sustained growth in live customer policies** to 3.07m, increasing 7.7% from 2.85m last year, supported by strong retention rates.
- **Growing share** of the UK private car insurance market to 8.3% as at 31 December 2020 (7.7% as at 31 December 2019).
- **Continuing growth in home insurance to 268,000 live customer policies**, a 28% increase year on year.
- **Over 1.2 million mobile app downloads.** The app allows customers to transact with the Company and self-serve rather than needing to call the call centre. The app has consistently rated 4.7 out of 5.0 stars on the leading app store and is a key driver in the Hastings Group's vision of becoming the best and biggest digital insurance provider.
- **Significant improvement in net promoter score and reduction in customer complaints**, highlighting the Company's focus on customer service and increased digital capability.
- **Launch of YouDrive**, a digital telematics product that offers customers the opportunity to monitor their driving and make changes to their policy through the mobile app, as well as getting a discounted price and ongoing lower prices for good driving.

The Company actively encourages personal development by offering a range of development options to build the capabilities of its teams for the future and encourage the behaviours needed to deliver its business strategy. Through ongoing development, the Company is committed to developing the skills and careers of all of its colleagues and continually invests in its training and development programmes.

The Company continues to focus on Diversity and Inclusion and is committed to making sure that its workforce and senior leaders are representative of its customer base in terms of diversity. Currently 50% of the Company's Board members are women and during the year the Company was listed at number 37 in the Inclusive Top 50 UK employers league table.

The Company undertakes 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 setting up the COVID-19 community scheme.

### 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 2020 £'m	31 December 2019 £'m
Revenue	337.2	330.3
Adjusted operating profit	54.7	94.0
Profit before tax	30.7	78.3
Live customer policies as at 31 December (million)	3.1	2.9

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

<sup>1</sup> 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.

## Principal risks and uncertainties

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

- Pricing risk;
- Financial risk;
- Strategic risk;
- Conduct 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 continues to cause unprecedented disruption to the UK and worldwide economy and society. Management closely monitors the risks affecting its colleagues, customers, communities, and the Company itself. The pandemic is not expected to significantly impact the structure or demand for motor and home insurance products in the UK 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. The majority of colleagues are continuing to work from home, with only those colleagues who cannot do so, and who meet defined characteristics, working from the Company's offices. Strict safety protocols are enforced in offices in line with Government guidance. Colleagues have been supported in various ways including extended sick leave, holiday carry over, parental leave and caring flexibility, mental health and wellbeing support, as well as a Colleague Hardship Fund. The Company has not required support from the Government's furlough scheme.

In addition to the support given to colleagues, measures are being taken to help ensure that the Company continues to provide the best possible service and support to its customers. These include waiving certain fees, allowing payment holidays, reviewing cover levels with customers, premium reductions for mileage amendments, and complimentary RAC cover for frontline healthcare workers. Communications to customers have also been enhanced to ensure they are aware of these measures and how the Company continues to service them both digitally and over the phone.

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 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.

With the pandemic continuing to evolve, the Company is closely monitoring the latest Government strategy, the impact on colleagues, the needs of its customers, and the wider financial environment; it also continuing to support its local communities. A senior executive-led crisis management committee is overseeing COVID-19 developments and mitigating the impact of these developments on all of the Company's stakeholders and reporting to the Board on a regular basis.

## 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. Directors need to have regard, amongst other matters, 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.

The purpose of the Strategic Report is to guide and inform the Company's members as to how the Directors have performed their duty under section 172, and stakeholders should read this in its entirety to fully understand how the Directors have discharged these duties.

As is normal for large companies, 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.

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 (colleagues, customers, suppliers, shareholders, regulators, and the communities in which the business operates).

Although not an exhaustive list, below are some practical examples of how the Directors have had regard to the matters specifically set out in section 172 when discharging those duties during 2020, and the effect of that on certain decisions taken by them.

### 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.

### Capital allocation – dividends

The Board seeks to distribute excess capital to shareholders, where such capital is surplus and not required for growth or to satisfy the Company's regulatory requirements. The Board regularly and routinely monitors and reviews the Company's capital position, balance sheet, and going concern status, taking into account the risks and sensitivities for future performance, the ongoing need for strategic investment in the Company, as well as the expectations of shareholders and any impact to other stakeholders; it then determines the appropriate level of dividend payment.

### 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 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. Whilst the long term impact of the COVID-19 pandemic is as yet unknown, the Company has continued to operate, generate revenues, and service customers who need insurance or to make claims during the UK Government mandated lock downs, through increased home working, use of technology and other mitigating actions, and expects to be able to continue to do so. The Directors have considered the likely financial impacts that could result from the pandemic, including the subsequent economic consequences, and the potential impact on the Company from severe, but plausible, downside stresses that could result from the pandemic or resulting economic downturn. 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

18 March 2021

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 2020.

### 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                      |
| - S Sagayam      | Non-Executive. Resigned 15 December 2020 |
| - S A Amies-King | Non-Executive                            |
| - V M Dias       | Non-Executive                            |

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 £30.3m during the year (2019: £45.3m).

### 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 has:

- Constant assessment of market conditions and implications for its assets under management by third parties;
- Management of cash flow and the free cash position of the Company;
- Monitoring and measurement of risk and capital implications through stress and scenario testing.

#### c) 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;
- Invests 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 FCA's proposed General Insurance Pricing Policy consultation, Whiplash reforms, and residual post-Brexit impacts.
- Has ongoing supply chain management and review.

#### d) Conduct risk

The risk that the Company's operating model, culture, products, practices and actions result in unfair outcomes for customers, including vulnerable customers. 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.

#### **e) Data risk**

The risk that the culture, organisational set up or data management (availability, usability, integrity 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;
- Increased 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;
- An established data protection team, with technical expertise;
- Control and governance via policies and strategy;
- Formalised Data Privacy Impact Assessment processes within business operations.

#### **f) Operational risk**

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 review of resilience risks, contingency back up capability, system stability, and supplier continuity plans;
- Dedicated anti-fraud operations team operating an integrated, comprehensive risk profiling review process and loss validation division;
- Use of market leading anti-fraud detection technology driving benefits through analytics and machine learning;
- A supplier risk framework that enables ongoing supplier relationship, oversight and performance management, with regular due diligence reviews;
- Change discipline and process controls, supported by an over-arching control framework to underpin effective governance and quality;
- A risk event framework that enables escalation, resolution, and root cause learning;
- Investment in colleague wellbeing, benefits, career development, and flexible working arrangements.

#### **g) Legal and regulation**

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 defence, 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.

HMRC launched a consultation, 'Insurance Premium Tax: administration and unfair outcomes', in November 2020 with a closing date for responses of 5 February 2021. This consultation considered, amongst other things, a proposal for administration fees to become subject to Insurance Premium Tax ('IPT'). The Company welcomes the overall aim of the consultation to address outcomes that might be perceived as unfair and to improve the administration of IPT and has submitted a response to the consultation. However, the Company does not believe that the introduction of IPT on administration fees is necessary or proportionate (in context of the risks and burden on the industry). HMRC is currently analysing the responses and will publish the results of the feedback received in due course.

The FCA published the final report of its market study into the pricing of home and motor insurance on 22 September 2020 in which it proposed "when a customer renews their home or motor insurance policy, they pay no more than they would if they were new to their provider through the same sales channel". The Company considers its agile and price comparison website focused business model to be well placed to deal with these changes. The Company continues to closely monitor and assess further consultations on new measures that the FCA is considering, and the impacts of developments in this area, as well as supporting and engaging in FCA reviews, 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 best practice within the UK. As at 31 December 2020, the Board had three independent Non-Executive Directors and one Executive Director. The Board is chaired by an independent Non-Executive Director.

The Board's Terms of Reference provide that the Board should comprise a minimum of 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 or greater number of Non-Executive Directors than Executive Directors. No Director has unfettered powers.

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. It 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 or 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:** Effective board promoting the company's purpose and ensures that its values, strategy and culture align with that purpose

- The Board and its Committees are subject to a formal evaluation each year;
- 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:** 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 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:** Board and directors should have a clear understanding of their accountability and terms of reference. 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:** Board to 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:** 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:** 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 simple: 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.

A full breakdown of the Company's approach to ESG as part of the Hastings Group as well as targets achieved, such as becoming Carbon neutral certified and the highest ever colleague engagement in the Company's annual colleague engagement survey, can be found in the Hastings Group's Sustainability Report for 2020 at [www.hastingsgroup.uk](http://www.hastingsgroup.uk).

## Carbon reporting

### Greenhouse Gas Emissions ('GHG')

Tonnes CO <sub>2</sub> e	2020	2019
Scope 1	175	190
Scope 2	500	973
<b>Total Footprint</b>	<b>675</b>	<b>1,163</b>
Full time equivalent colleagues	2,989	2,929
CO <sub>2</sub> e per FTE colleague	0.23	0.40

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

Scope 2 – Energy indirect emissions from purchased grid electricity

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](http://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting). Emissions have been reported in tonnes of CO<sub>2</sub>e (carbon dioxide equivalent) which include CO<sub>2</sub>, CH<sub>4</sub> and N<sub>2</sub>O. The emissions have been calculated and the data validated by an independent energy consultancy – Concept Energy Solutions.

Scope 1 emissions are those from equipment directly owned or controlled by the organisation – this is applicable to gas and diesel consumption at Bexhill only.

Scope 2 emissions are from equipment that is not under the direct control of the Company (e.g. sites operated by a landlord, such as Leicester). This applies to electricity at both Bexhill and Leicester, and gas at Leicester.

Scope 1 and 2 emissions are reported and this is in respect of Bexhill and Leicester only.

GHG emissions primarily arise from the Company's electricity and gas consumption through the operation of its offices. For the second year in a row, there were no refrigerant gas emissions recorded in 2020 and the diesel-powered backup generator at Conquest House, the Company's head office, was only used for routine testing in 2020, resulting in minimal emissions which have been reported and are included above. Only offices which are solely occupied by the Company or leased offices where accurate data is available have been included in the reporting scope. The Company does not own any vehicles and business travel through private vehicles is limited – the data is not available/accurate. In view of this, the company elected to exclude transport emissions from the reporting scope.

Electricity and gas consumption data has been collated from supplier utility invoices and/or half hourly electricity data. Refrigerant gas (F-gas) losses have been based on the F-Gas log of refrigerant re-charged into the AC systems – in 2020 there were no losses reported. Diesel consumption (on site backup generator) has been reported from the tank meter readings taken, and there was minimal usage in 2020.

The annual level of greenhouse gas emissions resulting from activities for which the Company is responsible continued to decrease; 2020 emissions were 675 tonnes CO<sub>2</sub>e (2019: 1,163 TCO<sub>2</sub>e), a reduction of 42% on the previous year. This equates to 0.23 tonnes (2019: 0.40 tonnes) per employee. In 2020 the carbon emissions derived solely from electricity gas and diesel consumption (73.4%, 26.4% and 0.1% respectively); there were no emissions from refrigerant gases.

Overall electrical grid consumption was 3,049,473 kWh which was 18% lower than 2019 (3,739,930 kWh), primarily due to the majority of colleagues working from home during the pandemic.

Emissions associated with grid electricity consumption continued to decrease in 2020, due in part to the introduction of a renewable energy contract at Bexhill. In addition to this, there was further decarbonisation of the grid; the emission factor was 0.1640 kg CO<sub>2</sub>e/kWh in 2020, a decrease of 37% on 2019 (0.2600 kg CO<sub>2</sub>e/kWh).

Gas consumption decreased to 1,097,618 kWh in 2020 (2019: 1,140,443 kWh) primarily due to the majority of colleagues working from home during the pandemic.

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 and Board representatives to discuss key changes, and to provide invaluable feedback and insight from their respective departments. HCF meetings are regularly attended by the CEO and HR Director who each enjoy a positive and constructive relationship with the HCF. Regular updates are provided to other Board members on matters arising from these meetings.

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, or other factors.

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 the HCF, 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. The Policy provides guidance on the Company's expectations in relation to: conduct with customers, anti-corruption and anti-bribery, conflicts of interest, gifts and hospitality, colleague engagement and wellbeing, and the community within which the Company operates. Regular training is provided to colleagues on conduct matters and 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 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 currently occurring, has taken place in the past, or is likely to happen in the future. Colleagues can make a report anonymously should they so choose. 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 it 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**

The Company's ultimate parent company, Sampo plc, has decided to re-tender for its external audit services across the Sampo group. This process is due to complete with the usual shareholder vote at Sampo plc's forthcoming Annual General Meeting on 19 May 2021 and may result in a change of auditor for the Company. The appointment of the auditor will be confirmed in due course under the provisions of section 514 of the Companies Act 2006.

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



T van der Meer  
Director

Date: 18 March 2021

Registered number: 03116518



## **Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the Financial Statements**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with 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, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- State whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- Assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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**

### **Opinion**

We have audited the financial statements of Hastings Insurance Services Limited ('the Company') for the year ended 31 December 2020 which comprise the Statement of Profit or Loss, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

In our evaluation of the Directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for 'whistleblowing', as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Company Board minutes, Conduct Committee minutes and Risk and Compliance Committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Company's management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as contingent liabilities. On this audit we do not believe there is a fraud risk related to revenue recognition because sales are simple revenue transactions from few sources with few judgmental aspects to revenue recognition.

We also identified a fraud risk related to uncertain tax liabilities and contingent liabilities in response to possible bias in management's judgement in the assessment of the likelihood of the tax authorities accepting the basis of the Company's income tax filings

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Company-wide fraud risk management controls

We also performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted to unusual or seldom-used accounts, those recorded at the end of the period or as post-closing entries that have little or no explanation or descriptions, those with zero monetary values, those journal entries that are unbalanced, those made during weekends and holidays and those with unusual debits and/or credits made to cash accounts.
- Assessing the significant judgements in relation to uncertain tax liabilities and contingent liabilities for bias.

*Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **Strategic report and Directors' report**

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 17, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

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.

Jessica S.S. Katsouris

**Jessica Katsouris (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London, E14 5GL

18 March 2021

**Statement of Profit or Loss**  
for the year ended 31 December 2020

	Note	Year ended	
		31 December 2020 £'m	31 December 2019 £'m
Revenue	4	337.2	330.3
Other expenses	5	(283.1)	(237.3)
Finance income	7	0.6	1.0
<b>Adjusted operating profit<sup>1</sup></b>		<b>54.7</b>	<b>94.0</b>
Amortisation, depreciation and impairment	5	(23.5)	(15.3)
Finance costs	20	(0.5)	(0.4)
<b>Profit before tax</b>		<b>30.7</b>	<b>78.3</b>
Taxation expense	8	(6.3)	(15.1)
<b>Total profit for the year</b>		<b>24.4</b>	<b>63.2</b>

All results arose from continuing operations.

The Company did not have any other comprehensive income in the current or prior period.

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

<sup>1</sup> Adjusted operating profit represents profit before taxation expense, amortisation and depreciation. This is a non-IFRS measure used to measure the underlying trading of the business and is provided for information.

## Balance Sheet

as at 31 December 2020

	Note	31 December 2020 £'m	31 December 2019 £'m
<b>Non-current assets</b>			
Intangible assets	9	97.9	84.4
Property and equipment	10	15.3	18.1
Contract costs	11	23.2	22.7
<b>Total non-current assets</b>		<b>136.4</b>	<b>125.2</b>
<b>Current assets</b>			
Contract costs	11	27.7	26.3
Trade and other receivables	13, 15	359.5	363.8
Current tax assets		1.7	-
Prepayments		8.0	8.1
Cash and cash equivalents	14, 15	47.5	44.3
<b>Total current assets</b>		<b>444.4</b>	<b>442.5</b>
<b>TOTAL ASSETS</b>		<b>580.8</b>	<b>567.7</b>
<b>Equity</b>			
Share capital	16	8.0	8.0
Capital contribution from Parent		9.4	7.3
Retained earnings		156.3	162.2
<b>Total equity</b>		<b>173.7</b>	<b>177.5</b>
<b>TOTAL EQUITY</b>		<b>173.7</b>	<b>177.5</b>
<b>Non-current liabilities</b>			
Deferred income	19	2.0	1.9
Deferred tax	12	0.1	2.5
Trade and other payables	17, 18	13.1	8.5
<b>Total non-current liabilities</b>		<b>15.2</b>	<b>12.9</b>
<b>Current liabilities</b>			
Trade and other payables	15, 18	380.7	361.0
Deferred income	19	11.2	13.2
Current tax liabilities		-	3.1
<b>Total current liabilities</b>		<b>391.9</b>	<b>377.3</b>
<b>TOTAL LIABILITIES</b>		<b>407.1</b>	<b>390.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>580.8</b>	<b>567.7</b>

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

These Financial Statements were approved by the Board of Directors on 18 March 2021 and were signed on its behalf by:

T van der Meer

Director

Company Number: 03116518



**Statement of Changes in Equity**  
for the year ended 31 December 2020

		Share capital	Capital contribution from Parent	Retained earnings	Total equity
	Note	£'m	£'m	£'m	£'m
As at 1 January 2019		8.0	5.9	144.2	158.1
Total profit for the year		-	-	63.2	63.2
Capital contribution from Parent	17	-	1.4	-	1.4
Tax on share based payments		-	-	0.1	0.1
Dividends paid	24	-	-	(45.3)	(45.3)
As at 31 December 2019 and 1 January 2020		8.0	7.3	162.2	177.5
Total profit for the year		-	-	24.4	24.4
Capital contribution from Parent	17	-	2.1	-	2.1
Dividends paid	24	-	-	(30.3)	(30.3)
As at 31 December 2020		8.0	9.4	156.3	173.7

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



**Statement of Cash Flows**  
for the year ended 31 December 2020

		31 December 2020	31 December 2019
	Note	£'m	£'m
Profit after tax		24.4	63.2
<i>Adjustments for:</i>			
Finance income	7	(0.6)	(1.0)
Taxation expense	8	6.3	15.1
Amortisation of intangible assets	5, 9	11.7	10.0
Impairment of intangible assets	5, 9	5.8	-
Depreciation of property and equipment	5, 10	6.0	5.3
Derecognition and loss on disposal of property and equipment		-	0.2
Share based payment charge	17	9.0	1.6
Change in trade and other receivables		4.4	(16.2)
Change in contract cost assets		(1.9)	(2.2)
Change in trade and other payables		12.2	3.0
Change in prepayments		0.1	(1.0)
Taxation paid		(10.3)	(17.9)
Contribution to parent share based payment scheme		(0.6)	(0.2)
<b>Net cash flows from operating activities</b>		<b>66.5</b>	<b>59.9</b>
Acquisition of property and equipment		(3.2)	(5.2)
Acquisition of intangible assets		(27.1)	(18.8)
Interest received	7	0.6	1.0
<b>Net cash flows from investing activities</b>		<b>(29.7)</b>	<b>(23.0)</b>
Repayment of lease liabilities		(3.3)	(3.2)
Dividends paid	24	(30.3)	(45.3)
<b>Net cash flows from financing activities</b>		<b>(33.6)</b>	<b>(48.5)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3.2</b>	<b>(11.6)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>44.3</b>	<b>55.9</b>
Cash and cash equivalents inflow/(outflow) for the year		3.2	(11.6)
<b>Cash and cash equivalents at end of year</b>	14	<b>47.5</b>	<b>44.3</b>

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, TN39 3LW, United Kingdom. The Company's registered number is 03116518. On 16 November 2020, a consortium consisting of Sampo plc ('Sampo') and Rand Merchant Investment Holdings Limited ('RMI') acquired the entire issued share capital of Hastings Group Holdings plc ('HGH'), the then ultimate parent company of the Company via a UK registered entity, Dorset Bidco Limited, subsequently renamed Hastings Group (Consolidated) Limited ('HGCL'). HGH delisted from the London Stock Exchange on 17 November 2020 and was subsequently renamed Hastings Group Holdings Limited. The Hastings group of companies ('Hastings Group') comprises HGCL and its subsidiaries, including the Company. The ultimate parent company of Hastings Group and the Company is Sampo.

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

The Financial Statements comprise the results of the Company for the year ended 31 December 2020 and comparative figures for the year ended 31 December 2019.

The Company has prepared its Financial Statements in accordance with 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. Whilst the long term impact of the COVID-19 pandemic is as yet unknown, the Company has continued to operate, generate revenues, and service customers who need insurance or to make claims during the UK Government mandated lock downs, through increased home working, use of technology and other mitigating actions, and expects to be able to continue to do so. The Directors have considered the likely financial impacts that could result from the pandemic, including the subsequent economic consequences, and the potential impact on the Company from severe, but plausible, downside stresses that could result from the pandemic or resulting economic downturn.

Having considered the foregoing items and the most recently prepared budgets and cash flow forecasts for a period of at least 12 months from the date of signing these financial statements and, after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue to operate for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

#### b) Basis of measurement

The Company's functional currency is pound 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 financial assets and property which are measured at their fair value or revalued amounts.

#### c) Adoption of new IFRS

##### Amendments

On 1 January 2020, the Company adopted the following clarifications and amendments to the standards which were effective from 1 January 2020. These did not have a material impact upon the financial statements:

## Notes to the Financial Statements

- Amendments to IFRS 3 Business Combinations – endorsed by the EU on 21 April 2020. This amendment improves the definition of a business to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets;
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform – endorsed by the EU on 15 January 2020. The amendments address issues for hedging relationships directly affected by uncertainties arising from the interest rate benchmark reform, including cross-currency interest rate swaps, and provide relief for highly probable and prospective assessments required by IFRS 9 and IAS 39 and retrospective assessments under IAS 39;
- Amendments to IAS 1 and 8: Definition of Material (issued on 31 October 2018) – endorsed by the EU on 29 November 2019. Amendments to IAS 1 and 8: Definition of Material clarifies the definition of material to make it easier to understand but is not intended to alter the underlying concept of materiality;
- Amendments to References to the Conceptual Framework in IFRS Standards – endorsed by the EU on 6 December 2019. The Conceptual Framework provides a frame of reference for transactions and scenarios that are not accounted for under IFRS. The amendments include revised definitions and new guidance on presentation and disclosure, to the conceptual framework.

On 1 January 2020, the Company also adopted the following amendment to IFRS 16 which was effective from 1 June 2020. This did not have a material impact upon the financial statements:

- Amendment to IFRS 16: Leases Covid 19 Related Rent Concessions – effective from 1 June 2020 - endorsed by the EU on 9 October 2020. This amendment exempts 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 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 IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	Endorsed by the UK on 5 January 2021 and effective from 1 January 2021
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9	Endorsed by the UK on 5 January 2021 and effective from 1 January 2021

### **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.

## Notes to the Financial Statements (continued)

### ***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 second half of 2021 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 IFRS 4 Insurance Contracts – deferral of IFRS 9 (issued 25 June 2020)***

Endorsed by the UK on 5 January 2021, effective 1 January 2021. The Company has not deferred the implementation of IFRS 9 so this amendment will have no impact on the financial statements.

### ***Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued 27 August 2020)***

Endorsed by the UK on 5 January 2021, effective 1 January 2021. The Company is in the process of assessing the impact of the amendment 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, and other fees relating to the arrangement and handling of insurance contracts.

##### *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 at 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.

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

#### 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*

Prior to its acquisition, Hastings Group operated a number of equity-settled share based payment schemes under which the Company's employees could receive free share awards or nil cost options, depending on the scheme. Awards may have had service and performance conditions attached. Upon completion of the acquisition, all unexpired awards were either early settled or replaced with cash settled awards on similar terms.

For the equity settled schemes that were early settled during the year, the fair value of a share based payment award was 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 awards the scheme is accounted for as cash settled with a corresponding asset or liability for payments made less fair value earned. Expected vesting in respect of both service conditions and non-market performance conditions were reviewed at least annually and adjustments were made retrospectively to the cumulative expense recognised.

## Notes to the Financial Statements (continued)

For the cash settled schemes 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.

Awards issued are accounted for as a modification to an existing award when they are identified as replacement awards. For modifications to share schemes the revised awards are fair valued and expensed on a straight line basis over the vesting period, with the proportion of any increase in fair value relating to the service period already served expensed immediately. For schemes equity settled by the Group parent that are modified to cash settled schemes, the capital contribution to parent within equity is reversed by the fair value recognised up to modification date, and is recognised instead as a share based payment liability.

### c) Finance income

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

### d) 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 income tax assets and liabilities are recognised using the balance sheet method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred income tax liability is recognised for all taxable temporary differences except when they arise from the initial recognition of goodwill. Deferred income 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 income 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 income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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.

### e) Intangible assets

#### *Computer software*

Computer software is stated at cost less accumulated amortisation and accumulated 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 recoverable amount exceeds its carrying amount, the difference is recognised as an impairment loss in profit or loss.

## Notes to the Financial Statements (continued)

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.

### f) Tangible assets

Tangible assets consisting of fixtures, fittings and equipment, computer equipment and leasehold improvements, is 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.

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 recoverable amount exceeds its carrying 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.

### g) 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.

### h) 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.

### i) 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.

## Notes to the Financial Statements (continued)

### j) Financial assets

The Company's financial assets comprise trade and other receivables which are classified into the measurement category of amortised cost.

#### *Financial assets measured at amortised cost*

The Company's financial assets, including trade and other receivables, are measured at amortised cost 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.

#### *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.

### k) 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.

### l) Financial liabilities

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

### m) 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.

### n) 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, 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.



## Notes to the Financial Statements (continued)

### o) 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 8 and 25.

#### 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.

## Notes to the Financial Statements (continued)

### 4. Revenue

	Year ended	
	31 December 2020 £'m	31 December 2019 £'m
Brokerage and fees	232.5	224.5
Premium finance interest	102.0	105.6
Other income	2.7	0.2
<b>Total revenue</b>	<b>337.2</b>	<b>330.3</b>

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 2020 £'m	31 December 2019 £'m
<i>Profit before taxation is stated after charging</i>		
Auditor's remuneration		
Fees for audit services in respect of these financial statements	0.1	0.1
Employee benefits	127.3	93.7
Administration and distribution costs	155.7	143.5
<b>Other expenses</b>	<b>283.1</b>	<b>237.3</b>
Amortisation of intangible assets (Note 9)	11.7	10.0
Impairment of intangible assets (Note 9)	5.8	-
Depreciation of property and equipment (Note 10)	6.0	5.3
<b>Amortisation and depreciation</b>	<b>23.5</b>	<b>15.3</b>

### 6. Employee benefits

Included in other operating expenses were the following employee benefits:

	Year ended	
	31 December 2020 £'m	31 December 2019 £'m
Salaries	102.6	82.4
Social security charges	11.1	7.5
Defined contribution pension plan costs	4.6	2.2
Share based payment charge	9.0	1.6
<b>Total employee benefits</b>	<b>127.3</b>	<b>93.7</b>

## Notes to the Financial Statements (continued)

### Staff numbers (including Directors)

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

	Year ended	
	31 December 2020	31 December 2019
Operational staff	2,835	2,778
Support staff	154	151
Total staff	2,989	2,929

### Key management personnel emoluments

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

	Year ended	
	31 December 2020 £'m	31 December 2019 £'m
Short term employee benefits	1.9	1.7
Post employment benefits	0.1	0.1
Share based payment charges	0.9	0.3
Total key management personnel compensation	2.9	2.1

### Directors' emoluments

During the year, the compensation of the highest paid Director was £0.1m (2019: £0.3m).

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

	Year ended	
	31 December 2020 £'m	31 December 2019 £'m
Short term employee benefits	0.2	0.7
Share based payment charges	-	0.1
Total Directors' compensation	0.2	0.8

## Notes to the Financial Statements (continued)

### 7. Finance income

	Year ended	
	31 December 2020	31 December 2019
	£'m	£'m
Interest on cash and cash equivalents	0.6	1.0
Total finance income	0.6	1.0

### 8. Taxation expense

	Year ended	
	31 December 2020	31 December 2019
	£'m	£'m
<i>Current tax</i>		
Corporation tax on profits for the year	8.7	16.6
Adjustments for prior years	-	(3.3)
Current taxation expense	8.7	13.3
<i>Deferred tax</i>		
Deferred taxation movement relating to temporary differences	(2.7)	(1.3)
Impact of change in the UK Corporation tax rate	0.3	(0.2)
Adjustments for prior years	-	3.3
Deferred taxation (credit)/expense	(2.4)	1.8
Total taxation expense	6.3	15.1

#### Tax reconciliation:

	Year ended	
	31 December 2020	31 December 2019
	£'m	£'m
Profit before tax	30.7	78.3
Applicable tax charge at the statutory tax rate 19% (2019: 19%)	5.8	14.9
Expenses and provisions not deductible for tax purposes	0.2	0.4
Impact of change in the UK Corporation tax rate	0.3	(0.2)
Adjustments to tax charge for prior years - current tax	-	(3.3)
Adjustments to tax charge for prior years - deferred tax	-	3.3
Total taxation expense	6.3	15.1

The UK Corporation tax rate applicable to the Company was 19% for the year ended 31 December 2020 (2019: 19%). The Chancellor of the Exchequer in his Budget on 3 March 2021 announced that the UK corporation tax rate will remain at 19% until 31 March 2023, and will then increase to 25% from 1 April 2023. As at 31 December 2020 no legislation had been enacted to increase the rate to 25% and therefore the Company has applied the UK corporation tax rate of 19% in calculating its deferred tax balances (2019: 17%). The impact of the UK rate of corporation tax increasing to 25% from 1 April 2023 would not materially impact the Company's deferred income tax liabilities.

Further details in respect of the Company's taxation expense can be found in Note 25 Contingent Liabilities.

## Notes to the Financial Statements (continued)

### 9. Intangible assets

	Computer Software £'m	Work in progress £'m	Total £'m
<i>Cost</i>			
As at 1 January 2019	83.0	6.6	89.6
Additions	0.9	18.3	19.2
Transfers	8.6	(8.6)	-
As at 31 December 2019	92.5	16.3	108.8
<i>Accumulated amortisation</i>			
As at 1 January 2019	14.4	-	14.4
Amortisation for the year	10.0	-	10.0
As at 31 December 2019	24.4	-	24.4
Net book value as at 31 December 2019	68.1	16.3	84.4
<i>Cost</i>			
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
<i>Accumulated amortisation</i>			
As at 1 January 2020	24.4	-	24.4
Amortisation for the year	11.7	-	11.7
Impairment	-	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

Computer software held as at 31 December 2020 includes internally generated software carried at £68.1m (2019: £64.0m), which primarily consists 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 8 years remaining as at 31 December 2020. During the year, the amortisation and impairment charge relating to internally generated assets was £15.8m (2019: £8.3m).

## Notes to the Financial Statements (continued)

### 10. Property and equipment

	Leasehold improvements	Computer equipment	Fixtures, fittings and equipment	Work in progress	Right of use assets	Total
	£'m	£'m	£'m	£'m	£'m	£'m
<i>Cost</i>						
As at 1 January 2019	7.6	14.6	2.1	1.3	12.5	38.1
Additions	0.8	1.0	-	-	2.4	4.2
Derecognition	-	-	-	(0.2)	-	(0.2)
Transfers	0.4	0.4	-	(0.8)	-	-
As at 31 December 2019	8.8	16.0	2.1	0.3	14.9	42.1
<i>Accumulated depreciation</i>						
As at 1 January 2019	2.8	12.1	1.8	-	2.0	18.7
Charge for the year	0.7	1.6	0.3	-	2.7	5.3
As at 31 December 2019	3.5	13.7	2.1	-	4.7	24.0
Net book value as at 31 December 2019	5.3	2.3	-	0.3	10.2	18.1
<i>Cost</i>						
As at 1 January 2020	8.8	16.0	2.1	0.3	14.9	42.1
Additions	-	0.9	-	-	2.3	3.2
Transfers	-	0.1	-	(0.1)	-	-
As at 31 December 2020	8.8	17.0	2.1	0.2	17.2	45.3
<i>Accumulated depreciation</i>						
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	1.5	-	0.2	9.3	15.3

### 11. Contract costs

	As at	
	31 December 2020	31 December 2019
	£'m	£'m
Within 12 months	27.7	26.3
Over 12 months	23.2	22.7
Total contract cost assets	50.9	49.0

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 2020	31 December 2019
	£'m	£'m
Contract cost assets brought forward at start of year	49.0	46.8
Contact costs incurred	30.0	29.2
Contract cost recognised as expense during the year	(28.1)	(27.0)
Total contract cost assets at end of the year	50.9	49.0

## Notes to the Financial Statements (continued)

### 12. Deferred tax

	As at	
	31 December 2020 £'m	31 December 2019 £'m
<i>Deferred tax liability</i>		
Brought forward at start of year	(2.5)	(0.6)
Movement in year	2.4	(1.9)
Carried forward at end of year	(0.1)	(2.5)
Intangible assets	(2.5)	(2.5)
Depreciation in excess of capital allowances	1.1	0.9
Leases	0.2	0.2
Bad debt provision	0.4	0.4
Share based payments	1.3	-
Spreading of contract costs	(0.6)	(1.5)
Deferred tax liability at end of year	(0.1)	(2.5)

## Notes to the Financial Statements (continued)

### 13. Trade and other receivables

	As at	
	31 December 2020 £'m	31 December 2019 £'m
<i>Contract with customer receivables</i>		
Trade receivables	331.0	339.8
Other receivables	3.3	1.0
Total contract with customer receivables	334.3	340.8
<i>Non-contract with customer receivables</i>		
Receivable from related entity	24.7	22.1
Other receivables	0.5	0.9
Total non-contract with customer receivables	25.2	23.0
Trade and other receivables	359.5	363.8

The table below analyses trade and other 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. Overdue amounts comprise all amounts which remain uncollected after the date by which they were contractually due to be paid.

	Trade receivables £'m	Provision for impairment £'m	Net trade receivables £'m
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
As at 31 December 2019			
Current	343.7	(4.4)	339.3
Overdue	4.7	(4.2)	0.5
Total	348.4	(8.6)	339.8

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

	As at	
	31 December 2020 £'m	31 December 2019 £'m
Provision for impairment brought forward at start of year	8.6	11.9
Utilised during the year	(3.8)	(9.1)
Impairments recognised during the year	6.4	5.8
Total provision for impairment carried forward at end of year	11.2	8.6



## Notes to the Financial Statements (continued)

### 14. Cash and cash equivalents

	As at	
	31 December 2020 £'m	31 December 2019 £'m
Cash at bank and in hand	15.0	23.2
Money market funds	32.5	21.0
Short term deposits	-	0.1
Total cash and cash equivalents	47.5	44.3

Cash and cash equivalents include balances of £34.9m (31 December 2019: £23.7m) relating to cash and cash equivalents held on an agency basis on behalf of insurers.

### 15. 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 2020 £'m	31 December 2019 £'m
<i>Financial assets</i>		
Trade receivables	331.0	339.8
Receivable from related entity	24.7	22.1
Other receivables	3.8	1.9
Total financial assets at amortised cost	359.5	363.8
<i>Financial liabilities</i>		
Trade and other payables to related entities	313.9	317.0
Other trade payables	13.3	14.3
Lease liabilities	10.3	11.1
Other payables	56.3	27.1
Total financial liabilities at amortised cost	393.8	369.5

The carrying value of all financial instruments carried at amortised cost at 31 December 2020 and 31 December 2019 is considered to be an approximation of fair value.

#### 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 2020 is £407.0m (2019: £408.1m), being the carrying value of trade and other receivables and cash and cash equivalents.

## Notes to the Financial Statements (continued)

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:

	Rating	As at	
		31 December 2020 £'m	31 December 2019 £'m
Money market funds	AAA	32.5	21.0
Cash at bank and in hand	A	15.0	23.2
Short term deposits	A	-	0.1
Total cash and cash equivalents		47.5	44.3

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 13. 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.

### **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 are due within 12 months. In addition, the Company holds significant liquid assets and consequently, liquidity risk is not considered to be significant.

### **c) Objectives, policies and procedures for managing capital**

The Company's capital 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.

## Notes to the Financial Statements (continued)

### 16. Share capital

#### Share capital

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

	As at	
	31 December 2020	31 December 2019
	£'m	£'m
<i>Authorised, issued and fully paid up ordinary share capital</i>		
22,980,000 Ordinary Shares of 35p (31 December 2019: 22,980,000)	8.0	8.0

All shares in issue at 31 December 2020 are of a single class with common rights in relation to distribution, return of capital and voting.

#### Capital contributions from parent

The capital contribution relates to the share based payment charge in respect of employees of the Company that were equity settled by Hastings Group Holdings plc ('HGH'), the Company's ultimate parent company prior to the acquisition by Sampo plc, less any payments made by the Company in respect of the shares awarded.

### 17. Share based payments

During the year the Company's previous ultimate parent was acquired and delisted from the UK stock exchange, as part of this transaction all share options and awards were either early settled or replaced with cash settled awards on similar terms. The total charge for share based payments recognised in the profit and loss during 2020 was £9.0m (2019: £1.6m) with £4.4m (2019: £nil) relating to modifications to the schemes. The share based payment liability at 31 December 2020 was £6.3m.

#### a) Long term incentive plan

Certain management personnel were eligible to participate in the Hastings Long Term Incentive Plan ('LTIP') awarding them free shares in HGH. Vesting is subject to a three year service period and the achievement of certain performance conditions in respect of total shareholder return and adjusted earnings per share over a three year period.

During 2020, 4.4m options were granted, with a fair value of £5.4m (2019: 3.5m options with a fair value of £6.4m)

Awards subject to a market condition have been 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 are as follows:

	Year ended	
	31 December 2020	31 December 2019
Share price at grant date	183p	218p
Volatility per annum	28%	26%
Average comparator volatility per annum	35%	31%
Dividend yield per annum	n/a	n/a
Risk free rate per annum	0.14%	0.81%
Expected life	3 years	3 years

The expected life is 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.

## Notes to the Financial Statements (continued)

The following table details the outstanding number of LTIP share awards that vested or replaced with cash settled awards upon acquisition. Those awards replaced with cash settled awards were kept on existing or improved terms with the fair value difference expensed immediately to the Profit or Loss:

	31 December 2020 Number of share awards million	31 December 2019 Number of share awards million
At 1 January	7.6	6.7
Granted during the year	4.4	3.5
Exercised during the year	(2.5)	(1.6)
Forfeited during the year	(2.0)	(1.0)
Transferred between companies	(1.6)	-
Transferred to cash rewards	(5.9)	-
At 31 December	-	7.6

There were cash awards with a value of £13.4m outstanding at 31 December 2020.

### b) Restricted Stock Awards ('RSA')

Certain management personnel were granted RSAs under the LTIP, awarding them free shares in HGH. During the year 1.1m of RSAs conditional upon continued employment with the Hastings Group were granted with a value of £1.7m, due to be settled by HGH Ordinary shares in three equal tranches on 8 April 2021 and annually on 8 April for the two years following.

Upon the acquisition of the previous ultimate parent HGH, participants were granted replacement cash awards by HGCL. There were cash awards with a value of £2.7m outstanding at 31 December 2020.

### c) Share Incentive Plan

In April 2016, HGH, the Company's then ultimate parent company, set up an employee Share Incentive Plan ('SIP'). Under the SIP, colleagues were entitled to purchase shares in HGH through an employee benefit trust up to a value of £150 each month. The Company matched employee contributions up to £30 a month through free share awards, entitlement to which was based on a minimum service period of three years. Dividends are paid on shares, including matching shares, held in the trust by means of dividend shares. The fair value of such awards is estimated to be the market value of the awards on grant date. The Company contributed £0.6m during the year for this scheme.

In the year ended 31 December 2020, 145,256 matching shares (2019: 236,802) were granted to employees, with an estimated fair value of £0.3m (2019: £0.4m).

Upon acquisition of the ultimate parent the SIP was terminated with all participants receiving cash from the sale proceeds of shares held within the SIP.

### d) Capital Appreciation Plan

On 21 December 2017, 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 shares in HGH for every share that they place into trust. The awards were conditional upon total shareholder return over a five year period to 31 December 2022, with the number of awards dependent upon the level of return. There was also a cap on the number of shares which may be placed in the trust by each individual. Total entitlement to shares at the end of the performance period was to be released in three tranches; one third at the end of the performance period, a further third twelve months later, and the final third twelve months after that. Upon acquisition of the ultimate parent the CAP was terminated and as the performance criteria of the scheme were not met, the awards expired.

## Notes to the Financial Statements (continued)

The awards were valued using the Monte Carlo pricing model with inputs as follows:

	2017 CAP Grant
Share price at grant date	318
Volatility per annum	24%
Dividend yield per annum	n/a
Risk free rate per annum	0.8%
Expected life	5

The following table details the outstanding number of CAP share awards that expired upon acquisition:

	31 December 2020	31 December 2019
	Number of share awards million	Number of share awards million
Outstanding at 1 January	1.6	1.4
Granted during the year	-	0.6
Expired during the year	(1.6)	-
Forfeited during the year	-	(0.4)
Outstanding at 31 December	-	1.6

### 18. Trade and other payables

	As at	
	31 December 2020	31 December 2019
	£'m	£'m
Trade and other payables to related entities	313.9	317.0
Other trade payables	13.3	14.3
Lease liabilities	10.3	11.1
Other payables	56.3	27.1
Total trade and other payables	393.8	369.5
Current	380.7	360.8
Non-current	13.1	8.7
Total trade and other payables	393.8	369.5

### 19. Deferred income

	As at	
	31 December 2020	31 December 2019
	£'m	£'m
Due within one year	11.2	13.2
Due in more than one year	2.0	1.9
Total deferred income	13.2	15.1

## Notes to the Financial Statements (continued)

### 20. 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
<i>Cost</i>			
As at 1 January 2019	9.9	2.6	12.5
Opening adjustment	-	-	-
Additions	-	2.4	2.4
As at 31 December 2019	9.9	5.0	14.9
<i>Accumulated depreciation</i>			
As at 1 January 2019	1.2	0.8	2.0
Charge for the year	1.2	1.5	2.7
As at 31 December 2019	2.4	2.3	4.7
Net book value as at 31 December 2019	7.5	2.7	10.2
<i>Cost</i>			
As at 1 January 2020	9.9	5.0	14.9
Additions	-	2.3	2.3
As at 31 December 2020	9.9	7.3	17.2
<i>Accumulated depreciation</i>			
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

#### Lease liabilities

A movement reconciliation for the lease liabilities is shown below:

	As at	
	31 December 2020 £m	31 December 2019 £m
Opening lease liability	11.1	11.4
Remeasurement of lease liability	(0.3)	-
New leases during the year	2.3	2.4
Payments on lease liabilities	(3.3)	(3.2)
Interest on lease liability recognised in profit and loss	0.5	0.5
Closing lease liability	10.3	11.1

## Notes to the Financial Statements (continued)

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

	As at	
	31 December 2020	31 December 2019
	£'m	£'m
Within one year	3.2	3.3
Within two to five years	7.3	8.3
Over five years	0.9	2.4
Total undiscounted lease liabilities	11.4	14.0

## 21. 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 2020	31 December 2019
	£'m	£'m
<i>IT transaction and support costs</i>		
Within one year	12.2	10.5
Within two to five years	7.0	11.6
<i>IT software development costs</i>		
Within one year	1.5	0.4
Total other financial commitments	20.7	22.5

## 22. 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.

## 23. Related party transactions

The Company's subsidiaries are as follows:

Subsidiary	Country of incorporation	Class of shares held	% ownership	Principal activity
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 2020 the Company had the following related party transactions, with entities within the Hastings Group:

## Notes to the Financial Statements (continued)

- Commission earned by the Company in the year in respect of policies sold that were underwritten by Advantage Insurance Company Limited ('AICL') was £115.6m (31 December 2019: £94.2m). Amounts owed to related companies include a balance due to AICL of £312.8m (31 December 2019: £301.5m) which related to premiums and IPT payable net of commissions receivable on policies sold, offset by an intercompany receivable balance of £1.4m (31 December 2019: payable of £13.3m).
- Rent payable by the Company to Conquest House Limited during the year amounted to £0.4m (year ended 31 December 2019: £0.4m).
- At 31 December 2020 the Company had an intercompany balance receivable from Hastings Group Holdings Ltd of £5.5m (31 December 2019: payable of £1.1m).
- At 31 December 2020 the Company had an intercompany balance payable to Hastings Group (Finance) plc ('HGF') of £1.7m (31 December 2019: £2.2m).
- The Company was charged £1.1m by Hastings (US) Ltd for providing specialist management consulting and advisory services. At 31 December 2020 the Company had an intercompany balance payable to Hastings (US) Ltd of £0.8m (31 December 2019: £0.0m).
- The Company provides an unsecured £50.0m revolving credit facility agreement to HGF. Loan amounts drawn down on the facility incur interest at a margin above LIBOR and the balance is repayable on demand. Under this agreement, the amount advanced to HGF as at 31 December 2020 was £19.2m (31 December 2019: £21.1m). The interest charged during the year was £0.4m (31 December 2019: £0.7m).

There were no transactions with any other Sampo subsidiaries.

During the year ended 31 December 2020, the Company had the following related party transaction with a subsidiary of Rand Merchant Investment Holdings Limited, a company with significant influence over Hastings Group:

- Fees of £11.5m were charged by OUTsurance Shared Services Ltd for the provision of insurance intermediary support services (31 December 2019: £9.8m). At 31 December 2020 £0.6m was outstanding (31 December 2019: £1.3).

On 4 December 2019, the Company made a loan of £228,975 to an employee who is a key management person of the Company, at an interest rate of 2.5%. The purpose of the loan was to allow the employee to participate in the Group's Capital Appreciation Plan (Note 17). The loan, including accumulated interest, was repaid in full during the year.

### 24. Dividends

Dividends amounting to £30.3m were paid during the year (2019: £45.3m), equivalent to £1.32 per share (2019: £1.97 per share).

### 25. Contingent liabilities

Entities within Hastings Group 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 may have an additional tax liability. However the ongoing nature of the enquiry means that it is 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 quantification 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.