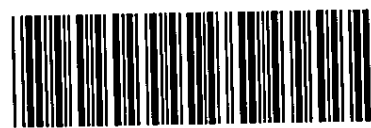


3116518

# **HASTINGS INSURANCE SERVICES LIMITED**

## **ANNUAL REPORT AND ACCOUNTS** **For the six month period to 30 June 2007**

WEDNESDAY



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30/04/2008

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COMPANIES HOUSE

**Hastings**DIRECT  
0800 00 1066

# **HASTINGS INSURANCE SERVICES LIMITED**

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## **HASTINGS INSURANCE SERVICES LIMITED**

### **Directors**

M Hawker (resigned 1 March 2007)  
P Knight (resigned 29 June 2007)  
G Seymour (resigned 3 September 2007)  
D J Pye (resigned 20 November 2007)  
P Barette (resigned 31 December 2007)  
C L Day (resigned 22 January 2008)  
I A Godfrey (resigned 22 January 2008)  
A S Pickup (resigned 22 January 2008)  
P Connell (resigned 28 March 2008)  
T A Ablett (appointed 22 January 2008)  
J Castagno (appointed 22 January 2008)  
M Hutton (appointed 22 January 2008)  
N Potts (appointed 22 January 2008)  
I R Sutherland (appointed 22 January 2008)  
N A Utley (appointed 22 January 2008)

### **Secretary**

P Knight (resigned 29 June 2007)  
V Cuggy (appointed as Company Secretary 29 June 2007)  
S Griffin (appointed as joint Company Secretary 31 August 2007)

### **Auditors**

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
8 Salisbury Square  
London EC4Y 8BB

### **Principal and Registered Office**

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

# **HASTINGS INSURANCE SERVICES LIMITED**

## **REPORT OF THE DIRECTORS**

The Directors submit their Report and Accounts of the company for the period ended 30 June 2007

### **PRINCIPAL ACTIVITY**

The principal activity of the company is the provision of insurance services

### **BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

There have been no significant changes in the activities of the company during the 6 months  
Turnover for the 6 months was £32,766,751 (2006 (12 months) - £70,415,090)

On 29th September 2006 the company's parent, Logan Consultants Limited, was acquired by Insurance Australia Group Limited (IAG) This change in ownership has not affected the principal activity of the company

Due to the change in ownership, the company's financial year end has been changed to 30th June, therefore these accounts are for 6 months only

No significant changes in the nature of the business are expected in 2008 and the directors are confident of future prospects

### **FINANCIAL RISK MANAGEMENT**

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk

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

The company's finance department implements the policies set by the board of directors

#### *Price risk*

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

#### *Credit risk*

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

#### *Liquidity risk*

The company actively maintains a mixture of debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions

#### *Interest rate risk*

The company has both interest bearing assets and liabilities Interest bearing assets include cash balances which earn interest at fixed rates and short term listed investments The company maintains a mixture of debt finance at both fixed and variable rates The directors review the appropriateness of this policy regularly

### **RESULTS FOR THE PERIOD**

The profit for the period after taxation amounted to £372,530 The loss after taxation for 2006 (12 months) amounted to £(5,778,037) The Directors do not recommend the payment of a dividend

# **HASTINGS INSURANCE SERVICES LIMITED**

## **DIRECTORS**

The names of the Directors at the date of this report appear on page 3 They served throughout the period

Mr M Hawker resigned as a Director of the Company on 1st March 2007

Mr P Knight resigned as a Director of the Company on 29th June 2007

G Seymour resigned as a Director of the Company on 3rd September 2007

D J Pye resigned as a Director of the Company on 20th November 2007

P Barette resigned as a Director of the Company on 31st December 2007

C L Day resigned as a Director of the Company on 22nd January 2008

I A Godfrey resigned as a Director of the Company on 22nd January 2008

A S Pickup resigned as a Director of the Company on 22nd January 2008

P Connell resigned as a Director of the Company on 28th March 2008

T A Ablett was appointed as a Director of the Company on 22nd January 2008

J Castagno was appointed as a Director of the Company on 22nd January 2008

M Hutton was appointed as a Director of the Company on 22nd January 2008

N Potts was appointed as a Director of the Company on 22nd January 2008

I R Sutherland was appointed as a Director of the Company on 22nd January 2008

N A Utley was appointed as a Director of the Company on 22nd January 2008

According to the register kept for the purposes of the Companies Act 1985, no Director had any beneficial interest in the shares of the company

As permitted by the Companies Act 1985, the Group has maintained insurance cover for directors and officers against liabilities arising in relation to the Group

## **Disclosure of information to the auditors**

The directors who held office at the date approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

## **EMPLOYEES**

The Directors recognise that staff should be kept informed, so far as practicable, on matters of interest and concern to them as employees Their views are sought and taken into account in making decisions which affect them Information is conveyed through meetings and the distribution of circulars

The company is very conscious of the difficulties experienced by people with disabilities Its attitude to the employment of disabled persons is the same as that relating to all other staff in matters of recruitment, continuity of employment, training, development and promotion, and it will take sympathetic account of individual circumstances

## **AUDITORS**

An elective resolution has been made by the shareholders of the Company to dispense with the obligation to appoint auditors annually under Section 386 and Section 366a of the Companies Act 1985 Consequently, KPMG Audit plc shall be deemed to be re-appointed for financial year whilst the election is in force

## **DONATIONS**

The company made donations of £2,819 (2006 - £9,541) for charitable purposes

By Order of the Board



S T Griffin

Secretary

30th April 2008

## **HASTINGS INSURANCE SERVICES LIMITED**

### **STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

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

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

The company's financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit and loss for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts,
- prepare accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping proper accounting records that 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 of 1985. They have a 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 the financial statements may differ from legislation in other jurisdictions

# **HASTINGS INSURANCE SERVICES LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HASTINGS INSURANCE SERVICES LIMITED**

We have audited the financial statements of Hastings Insurance Services Limited for the period ended 30 June 2007 which comprises the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2007 and its profit of the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*KPMG Audit Plc*

KPMG AUDIT Plc  
Chartered Accountants  
Registered Auditor  
8 Salisbury Square  
London EC4Y 8BB

*30 April 2008*

# **HASTINGS INSURANCE SERVICES LIMITED**

## **PROFIT AND LOSS ACCOUNT for the period ended 30 June 2007**

	Notes	6 months to June 2007 £	2006 £
<b>TURNOVER</b>		32,766,751	70,415,090
Administrative expenses		(25,014,472)	(73,780,240)
Goodwill amortisation	9	(390,178)	(780,356)
<b>OPERATING PROFIT/(LOSS)</b>		<u>7,362,101</u>	<u>(4,145,506)</u>
Interest receivable and similar income	5	606,684	971,744
Interest payable and similar charges	6	<u>(350,328)</u>	<u>(3,388,596)</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2	7,618,457	(6,562,358)
Taxation	7	<u>(7,245,927)</u>	<u>784,321</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>	8	372,530	(5,778,037)
<b>RETAINED PROFIT/(LOSS) FOR THE PERIOD</b>		<u><u>372,530</u></u>	<u><u>(5,778,037)</u></u>

All of the company's operations are classed as continuing  
For an explanation of exceptional items, see note 19

## **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the period ended 30 June 2007**

	2007 £	2006 £
Retained profit/(loss) for the financial year and total recognised gains and (losses) relating to the period	<u>372,530</u>	<u>(5,778,037)</u>
Total profit/(losses) and gains recognised since last annual report	<u><u>372,530</u></u>	<u><u>(5,778,037)</u></u>

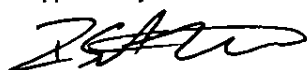


# **HASTINGS INSURANCE SERVICES LIMITED**

## **BALANCE SHEET as at 30 June 2007**

	Notes	2007 £	2006 £
<b>FIXED ASSETS</b>			
Intangible assets	9	5,324,656	5,697,396
Tangible assets	10	3,840,343	4,044,039
Investments	11	-	-
		<u>9,164,999</u>	<u>9,741,435</u>
<b>CURRENT ASSETS</b>			
Debtors	12	59,118,164	59,299,565
Deferred Tax Asset	12	930,105	7,086,824
Listed current asset investment		298,850	1,415,880
Cash at bank and in hand		4,378,540	8,557,985
		<u>64,725,659</u>	<u>76,360,254</u>
<b>CREDITORS: Amounts falling due within one year</b>	13	(66,202,174)	(78,683,337)
<b>NET CURRENT ASSETS</b>		(1,476,515)	(2,323,083)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		7,688,484	7,418,352
<b>CREDITORS: Amounts falling due after more than one year</b>	15	(228,692)	(331,090)
<b>NET ASSETS</b>		<u><u>7,459,792</u></u>	<u><u>7,087,262</u></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	14	5,000	5,000
Profit and loss account	8	<u>7,454,792</u>	<u>7,082,262</u>
<b>SHAREHOLDERS' FUNDS</b>		<u><u>7,459,792</u></u>	<u><u>7,087,262</u></u>

Approved by the Board of Directors and signed on its behalf



I R Sutherland  
Director  
30th April 2008

# **HASTINGS INSURANCE SERVICES LIMITED**

## **NOTES TO THE ACCOUNTS**

### **1 Statement of accounting policies**

#### **(a) Basis of preparation**

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards, which have been consistently applied, except as stated in 1(b) below

#### **(b) Turnover**

Turnover represents commissions on insurance policies and income from related credit products

Commission, less an appropriate deferral for amounts repayable in the event of policy cancellation, is recognised at the date of the transaction. In addition, an element of income is deferred to take account of future servicing obligations

All turnover relates to business written in the UK

#### **(c) Goodwill**

Goodwill represents the excess of cost of acquisition over the fair value of separable net assets acquired. The carrying value of goodwill is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable

The directors consider the estimated useful economic life of the goodwill to be 10 years and goodwill is amortised in equal annual instalments over this period

#### **(d) Intangible fixed assets**

Intangible fixed assets are amortised on a straight line basis of their useful economic lives and are stated in the balance sheet at cost less accumulated amortisation. All intangible assets are amortised over 4 years

#### **(e) Tangible fixed assets**

Tangible fixed assets are depreciated on a straight line basis over their useful economic lives and are stated in the balance sheet at cost less accumulated depreciation. All fixed assets are depreciated over 4 years

#### **(f) Fixed asset investments**

Fixed asset investments are stated at cost less impairment

#### **(g) Insurance debtors and creditors**

The company acts as an agent in broking insurable risks and, generally, is not liable as a principal for premiums due to underwriters, premium refunds due to clients or for claims payable to clients

Notwithstanding the company's legal relationship with clients and underwriters, and, since in practice premium and claim moneys are usually accounted for by insurance intermediaries, the company has followed generally accepted accounting practice by showing debtors and creditors relating to insurance business as assets and liabilities of the company itself

#### **(h) Current asset investments**

Current asset investments are stated at the lower of cost and net realisable value, which at the balance sheet date was equal to their market value and are classified as liquid resources

#### **(i) Issue costs**

Costs incurred directly in association with the issue of borrowings are capitalised and netted against the liability presented in the balance sheet. Capitalised issue costs are released over the estimated life of the instrument to which they relate. If it becomes clear that the instrument will be redeemed early, the amortisation of the issue costs will be accelerated

## **HASTINGS INSURANCE SERVICES LIMITED**

### **(j) Deferred tax**

Deferred taxation is provided for on a full provision basis on all timing differences, which have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of gains on sale of assets where those assets are rolled over into replacement assets. A deferred tax asset is not recognised to the extent that the transfer of economic benefit in future is uncertain. Any assets and liabilities recognised have not been discounted.

### **(k) Leasing commitments**

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

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

### **(l) Pensions**

Some employees participate in a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

### **(m) Cashflow statement**

Under Financial Reporting Standard No 1 Cash flow statements (revised 1996) (FRS 1) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of Insurance Australia Group Limited a company that prepares a consolidated cash flow statement.

## **2 Profit on ordinary activities before taxation**

The profit on ordinary activities before taxation is stated after charging / (crediting)

	Six months to 30 June 2007 £	Year to 31 December 2006 £
Auditors remuneration		
- Audit services	80,000	60,760
Depreciation - Tangible fixed asset	935,880	1,814,714
Amortisation - Intangible fixed asset	78,172	22,366
Amortisation of goodwill	390,178	780,356
(Profit)/Loss on disposal of tangible fixed assets	37,920	(1,883)
(Profit) on disposal of investment	-	(9,490)
Operating lease rentals - land and buildings	1,233,849	1,825,849
Operating lease rentals - office equipment and vehicles	49,684	49,858

Depreciation in respect of assets held under finance leases amounted to £169,925 (2006 - £326,913)

## **3 Directors' emoluments**

	Six months to 30 June 2007 £	Year to 31 December 2006 £
(a) The emoluments of the Directors for the year were as follows		
Remuneration and other emoluments	426,736	606,539
Pension contributions	43,000	59,566
(b) The emoluments of the highest paid Director were		
Remuneration and other emoluments	126,762	204,147
Pension Contributions	12,500	20,205

(c) The defined contribution pension scheme contributions above are in respect of seven current directors

## **HASTINGS INSURANCE SERVICES LIMITED**

### **4 Staff costs**

Staff costs were as follows

	Six months to 30 June 2007 £	Year to 31 December 2006 £
Salaries	7,897,951	32,295,669
Social security costs	(1,395,566)	5,323,728
Pension costs	214,543	407,435
	<u>6,716,928</u>	<u>38,026,832</u>

The average number of persons employed during the year was

Sales and Customer Services	730	711
Claims	248	204
Administration	320	321
	<u>1,298</u>	<u>1,236</u>

### **5 Interest receivable and similar income**

Interest receivable comprises

	Six months to 30 June 2007 £	Year to 31 December 2006 £
Income on current asset investments	208,287	278,069
Interest on loan to Logan Consultants Limited (see note 16)	374,903	647,957
Bank interest receivable	23,494	45,718
	<u>606,684</u>	<u>971,744</u>

### **6 Interest payable and similar charges**

Interest payable comprises

	Six months to 30 June 2007 £	Year to 31 December 2006 £
Finance charges payable under finance leases	15,092	55,909
Other interest	149,741	2,800,446
Interest payable on receivables financing	185,495	532,241
	<u>350,328</u>	<u>3,388,596</u>

## HASTINGS INSURANCE SERVICES LIMITED

### 7 Tax on profit on ordinary activities

	Six months to 30 June 2007 £	Year to 31 December 2006 £
The tax charge is based on the profit for the period/year and comprises		
UK Corporation tax at 30% (2006 - 30%)	1,808,640	(3,608,265)
Under Provision in respect of prior periods	2,888,833	6,173,944
Current period deferred tax (credit)/charge	2,548,454	(3,350,000)
Current tax (benefit)/charge for the period/year	7,245,927	(784,321)

	Six months to 30 June 2007 £	Year to 31 December 2006 £
<b>Tax reconciliation</b>		
Profit/(Loss) before taxation	7,618,457	(6,562,358)
Tax at 30% (2006 - 30%)	2,285,537	(1,968,707)
Disallowed expenditure	(10,754)	3,742,807
Expenditure allowed in current period - disallowed in previous periods		(3,900,000)
Capital allowances in excess of depreciation	186,080	307,290
Utilisation of tax losses brought forward	(652,223)	(1,789,655)
	1,808,640	(3,608,265)

### Deferred Tax Asset

The movement in the period in the net deferred tax asset is as follows

	Six months to 30 June 2007 £	Year to 31 December 2006 £
At beginning of period	7,086,824	128,559
Deferred tax charge for the year	(6,156,719)	6,958,265
Transfer to current tax	-	-
At end of year	930,105	7,086,824

Deferred tax asset is analysed as follows

Accelerated capital allowances	128,559	128,559
Other timing differences	801,546	6,958,265
	930,105	7,086,824

A deferred tax asset of £128,559 (2006 - £128,559) relating to capital allowances in deficit of depreciation, has been recognised within other debtors. A deferred tax asset of £801,546 (2006 - £6,958,265) relating to other timing differences has been recognised within other debtors.

The company has further unrecognised deferred tax assets of £nil (2006 - £652,223) relating to tax losses carried forward within its acquired Peoples Choice division. The asset has not been recognised on the basis that its utilisation is not sufficiently probable.

## **HASTINGS INSURANCE SERVICES LIMITED**

### **8 Movements on reserves**

	Share capital	Profit and loss account	Total shareholders' funds
	£	£	£
At 1 January 2007	5,000	7,082,262	7,087,262
Profit on ordinary activities after taxation	-	372,530	372,530
Carried forward at 30 June 2007	5,000	7,454,792	7,459,792

### **9 Intangible assets**

	2007	2006
	£	£
<i>Cost</i>		
At 1 January and 30 June		
Goodwill	7,803,559	7,803,559
Other intangibles	679,990	584,380
	<u>8,483,549</u>	<u>8,387,939</u>
<i>Amortisation</i>		
At 1 January	2,690,543	1,887,821
Charge for the year - Goodwill	390,178	780,356
Charge for the year - Other	78,172	22,366
At 30 June and 31 December	<u>3,158,893</u>	<u>2,690,543</u>
Net book value at 30 June and 31 December	<u>5,324,656</u>	<u>5,697,396</u>

### **10 Tangible assets**

	Fixtures and Fittings	Computer Equipment	Motor Vehicles	Leasehold Improvements	Total
	£	£	£	£	£
<i>Cost</i>					
At 1 January 2007	4,384,306	11,957,345	80,299	2,201,103	18,623,053
Purchases in the year	109,412	608,988	-	22,260	740,660
Disposals	-	(340,877)	(49,351)	-	(390,228)
At 30 June 2007	<u>4,493,718</u>	<u>12,225,456</u>	<u>30,948</u>	<u>2,223,363</u>	<u>18,973,485</u>
<i>Depreciation</i>					
At 1 January 2007	3,065,561	9,876,898	63,204	1,573,352	14,579,015
Charge for the year	298,377	509,334	2,346	125,823	935,880
Disposals	-	(340,877)	(40,876)	-	(381,753)
At 30 June 2007	<u>3,363,938</u>	<u>10,045,355</u>	<u>24,674</u>	<u>1,699,175</u>	<u>15,133,142</u>
Net book value					
At 30 June 2007	<u>1,129,780</u>	<u>2,180,101</u>	<u>6,274</u>	<u>524,188</u>	<u>3,840,343</u>
At 31 December 2006	<u>1,318,745</u>	<u>2,080,447</u>	<u>17,095</u>	<u>627,751</u>	<u>4,044,038</u>

The net book value of computer equipment above includes £458,173 (2006 - £501,343) in respect of assets held under finance leases

The net book value of fixtures & fittings above includes £249,352 (2006 - £317,357) in respect of assets held under finance leases

## **HASTINGS INSURANCE SERVICES LIMITED**

### **11 Investments**

	<b>2007</b>	<b>2006</b>
<i>Cost</i>	<b>£</b>	<b>£</b>
At 1 January 2007	-	510
Additions	-	-
Disposals	-	(510)
	<hr/>	<hr/>
At 30 June	-	-

On 27 April 2005 the company acquired 51% of the share capital of Text2Insure Limited for a consideration of £510

During 2006 the company disposed of 51% of the share capital of Text2Insure Limited, and purchased 100 Class A shares at par. These were disposed of in 2006 for a consideration of £10,000

### **12 Debtors**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Debtors comprise		
Trade debtors	35,361,955	37,410,356
Amounts owed by Logan Consultants Limited (see note 16)	17,552,749	17,150,318
Other debtors	223,299	133,799
Deferred Tax Asset	930,105	7,086,824
Prepayments and accrued income	5,980,161	4,605,092
	<hr/>	<hr/>
	60,048,269	66,386,389

### **13 Creditors – amounts falling due within one year**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Creditors comprise		
Receivables finance	2,328,384	7,916,043
Less: deferred issue costs	(84,861)	(116,684)
	<hr/>	<hr/>
	2,243,523	7,799,359
Trade creditors	39,446,286	35,670,506
Bank overdraft	3,359,632	5,313,541
Obligations under finance leases (see note 15)	502,397	446,195
Accruals and deferred income	10,895,137	10,324,628
Other creditors including taxation and social security	9,755,199	19,129,108
	<hr/>	<hr/>
	66,202,174	78,683,337

The company has entered into a receivables financing agreement for a minimum period of 3 years commencing 8 November 2005. The facility under the agreement is £15,000,000 and interest is charged at LIBOR plus 1.25%.

A fixed and floating charge has been put in place over all assets of the company for securing all monies due or becoming due to Barclays Bank plc from the company or Logan Consultants Limited (see note 16).

## **HASTINGS INSURANCE SERVICES LIMITED**

### **14 Share capital**

	2007 £	2006 £
Authorised, allotted, called up and fully paid share capital		
A Ordinary shares of £1 each	3,750	3,750
B Ordinary shares of £1 each	625	625
C Ordinary shares of £1 each	625	625
	<u>5,000</u>	<u>5,000</u>

The holders of the A Ordinary shares are entitled to participate in the distributable profits of the company and are thus entitled to any dividends declared. The holders of B and C Ordinary shares have no entitlement to participate in any profit distributions. On winding up, after returning the nominal value of Ordinary shares, any assets are distributed amongst the holders of A, B and C Ordinary shares pro rata. A, B and C Ordinary shares carry one vote per member.

### **15 Financial commitments**

#### **Finance leases**

Amounts payable in respect of finance leases for plant and machinery are as follows

	2007 £	2006 £
Amounts payable within one year	523,278	473,278
In two to five years	237,351	348,638
	<u>760,629</u>	<u>821,916</u>
Less finance charges allocated to future periods	(29,540)	(44,631)
	<u>731,089</u>	<u>777,285</u>

Finance lease obligations are analysed as follows

Current obligations (see note 13)	502,397	446,195
Non-current obligations	228,692	331,090
	<u>731,089</u>	<u>777,285</u>

Analysis of changes in finance leases during the year

	£
At 1 January 2007	777,285
Inception of finance lease contracts	117,500
Less capital element of finance lease payments	<u>(163,696)</u>
At 30 June 2007	<u>731,089</u>

#### **Operating leases**

At 30 June the company was committed to making the following payments under operating leases in the following year

	2007 Land and Buildings £	2007 Other £	2006 Land and Buildings £	2006 Other £
Operating leases which expire				
Within 2 - 5 years	675,700	184,733	625,700	150,894
After 5 years	1,421,381	-	1,421,381	-
	<u>2,097,081</u>	<u>184,733</u>	<u>2,047,081</u>	<u>150,894</u>



## **HASTINGS INSURANCE SERVICES LIMITED**

### **16 Related party transactions**

During 2002 the company provided a loan facility to Logan Consultants Limited as financial assistance towards the acquisition of the shares of the company from the former immediate holding company. Interest on the loan is charged at 1.5% over LIBOR. Interest in the period was £374,903 (2006 - £647,957) (see note 5). The value of this loan as at 30 June 2007 was £17,552,749 (2006 - £17,150,318) (see note 12).

One director of the Company during the period, Mr Godfrey, is also a director of Advantage Insurance Company Limited. All transactions between the company and Advantage Insurance Company Limited have been conducted on an arms length basis.

Commission earned by the company in the period in respect of policies sold that were underwritten by Advantage Insurance Company was £15,091,422 (2006 - £22,909,223). Trade creditors include a creditor balance due to Advantage Insurance Company of £33,958,889 (2006 - £27,230,874). Trade debtors include a debtor balance due from Advantage Insurance Company of £2,190,101 which relates to claims.

Within trade creditors is an amount for rent payable to IAG Conquest House Limited of £900,000 (2006 - £300,000). All transactions have been conducted on an arms length basis.

### **17 Subsidiary undertakings**

Investments in subsidiary undertakings at 30 June 2007 were as follows:

	<b>Ordinary Shareholding %</b>	<b>Principal Activity</b>
1st Advantage Insurance Services Limited	100%	Dormant
121 Auto Insurance Services Limited	100%	Dormant
1066 Direct Limited	100%	Dormant
250/500 Insurance Services Limited	100%	Dormant
Aardvark Insurance Management Limited	100%	Dormant
Advantage Insurance Services Limited	100%	Dormant
Agenda Insurance Services Limited	100%	Dormant
Angel Insurance Services Limited	100%	Dormant
Auto 121 Direct Limited	100%	Dormant
Call 2000 Plus Insurance Services Limited	100%	Dormant
Halo Insurance Management Limited	100%	Dormant
Hastings Direct Accident Management Limited	100%	Dormant
Hastings Direct Limited	100%	Dormant
Help Insurance Services Limited	100%	Dormant
Peoples Choice (Europe) Limited	100%	Dormant
Powerline Insurance Services Limited	100%	Dormant
Ridesure Insurance Services Limited	100%	Dormant
Student Finance Company Limited	100%	Dormant
The Automobile Insurance Services Centre Limited	100%	Dormant

Group accounts have not been prepared as the subsidiaries are immaterial.

## **HASTINGS INSURANCE SERVICES LIMITED**

### **18 Contingent liability**

A dispute exists with International Insurance Company of Hannover Limited, which the Board intends to defend vigorously. At this stage it is not possible to quantify the value of the claim and accordingly no provision has been made in these accounts.

### **19 Exceptional items**

The company is in negotiation with the HM Revenue & Customs ("HMRC") regarding the taxation of certain arrangements entered into in previous periods. The appropriate treatment of those arrangements is uncertain but provision was made in the 2006 accounts for the estimated full potential costs associated with them. Since the accounts were finalised, certain matters have been agreed with HMRC and a proportion of the provision released. However, the disposition of the charges between different captions of the accounts has changed as a result of the matters agreed thus far, as shown in the 2007 column below.

	2007 £'000	2006 £'000
Administrative expenses	(7,412)	12,464
Interest payable	40	2,670
Current and Deferred tax charge	5,437	1,473
Deferred tax credit	-	(3,350)
	<u>(1,935)</u>	<u>13,257</u>

The company has the benefit of a tax indemnity provided to its intermediate parent company, IAG International Pty Limited, by the vendor of its immediate parent company in 2006. The indemnity is secured at a level which is expected to exceed the ultimate liability to HMRC. It is anticipated that IAG International Pty Limited will seek to make any recoveries due under this indemnity and accordingly no recoveries have been assumed in these accounts.

### **20 Holding company**

The Company's immediate holding company is Logan Consultants Limited, which is incorporated in Gibraltar and whose registered office is at Suite 23, Portland House, Glacis Road, Gibraltar.

As from 29th September 2006, the Company's ultimate parent undertaking is Insurance Australia Group Limited, incorporated in Australia.

The largest group in which the results are consolidated is that headed by Insurance Australia Group Limited, incorporated in Australia.

The consolidated financial statements of these groups are available to the public and may be obtained from, [www.iag.com.au](http://www.iag.com.au)