

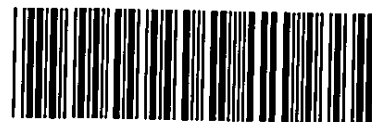
HASTINGS INSURANCE SERVICES LIMITED

FINANCIAL STATEMENTS 30 JUNE 2010

COMPANY NUMBER 3116518

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HASTINGS INSURANCE SERVICES LIMITED

For the year to 30 June 2010

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HASTINGS INSURANCE SERVICES LIMITED

For the year to 30 June 2010

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

E Fitzmaurice
I Ablett
R M Brewster
J Castagno
P B Pavey
N Utley

Secretary

A S Leppard

Auditors

Rawlinson & Hunter
Eighth Floor
6 New Street Square
New Fetter Lane
London EC4A 3AQ

Principal and Registered Office

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

HASTINGS INSURANCE SERVICES LIMITED

For the year to 30 June 2010

DIRECTORS' REPORT

The Directors submit their Report and Financial Statements of the Company for the year ended 30 June 2010

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

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

Performance and key performance indicators

Turnover for the year was £58,017,892 (2009 - £47,845,366)

The profit for the year after taxation amounted to £5,876,483. The profit after taxation for 2009 amounted to £1,204,668 (as restated). The Directors do not recommend the payment of a dividend.

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

| | 2010 | 2009 (As restated) | Change % |
|-------------------------|-------------|-------------------------------------|-----------------|
| Turnover | £58,017,892 | £47,845,366 | 21.3% |
| Administration expenses | £52,695,821 | £53,268,137 | (1.1%) |
| Average headcount | 701 | 726 | (3.4%) |

The Directors were very pleased that turnover for the year to 30 June 2010 has increased over the previous year. Administration expenses have also been reduced as operational efficiency continues to be improved. The Directors are optimistic and confident that the performance of the Company will continue to show growth and improvement in 2011.

HASTINGS INSURANCE SERVICES LIMITED

For the year to 30 June 2010

DIRECTORS' REPORT (continued)

HMRC assessment

On 23 September 2008 HM Revenue & Customs ("HMRC") issued an assessment challenging the Company's VAT partial exemption status. The Company does not agree with HMRC's opinion and has appealed against the challenge. However, as it is possible that HMRC's position may be upheld, the Company has made payments to HMRC for VAT on the basis of the amounts claimed.

Change of accounting policies

The Directors have identified that the treatment of certain deferred marketing costs (as detailed in Note 2) whilst in line with acceptable accounting practice did not reflect the most appropriate accounting treatment or prevalent industry practice. This has resulted in a change in the treatment of these marketing costs onto a more prudent basis and necessitated a prior year restatement of the comparatives.

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 and compliance departments implement the policies set by the board of Directors.

Competitive risk

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

Price risk

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

Credit risk

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

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

Liquidity risk

The Company actively maintains a mixture of cash and current asset investments to ensure the Company has sufficient available funds for operations and planned expansions.

Legislative, Regulatory and Solvency risk

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

Interest rate risk

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

HASTINGS INSURANCE SERVICES LIMITED

For the year to 30 June 2010

DIRECTORS' REPORT (continued)

DIRECTORS

The names of the current Directors appear on page 1. There have been no changes in Directors in the year.

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

EMPLOYEES

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

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

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

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

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

AUDITORS

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

By Order of the Board


E. J. Maurice
Director

20 OCTOBER 2010

HASTINGS INSURANCE SERVICES LIMITED

For the year to 30 June 2010

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

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

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

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

In preparing these financial statements the Directors are required to

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

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

HASTINGS INSURANCE SERVICES LIMITED

For the year to 30 June 2010

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

We have audited the financial statements of Hastings Insurance Services Limited ("the Company") for the year ended 30 June 2010 which comprises the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 30 June 2010 and of its profit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

HASTINGS INSURANCE SERVICES LIMITED

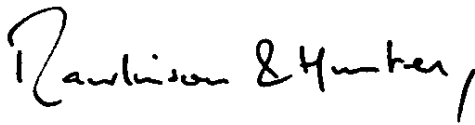
For the year to 30 June 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HASTINGS INSURANCE SERVICES LIMITED (continued)

Matters on which we are required to report by exception

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

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



Kulwarr Nagra (Senior Statutory Auditor)
for and on behalf of Rawlinson & Hunter
Statutory Auditor & Chartered Accountants
Eighth Floor
6 New Street Square
New Fetter Lane
London EC4A 3AQ

20 October 2010

HASTINGS INSURANCE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

For the Year to 30 June 2010

| | Notes | Year Ended 30 June 2010 £ | Year Ended 30 June 2009 (as restated) £ |
|---|-------|------------------------------------|---|
| TURNOVER | 13 | 58 017 892 | 47 845 366 |
| Administrative expenses | | (52,695 821) | (53,268 137) |
| OPERATING PROFIT/(LOSS) | 4 | 5,322 071 | (5,422 771) |
| Interest receivable and similar income | 6 | 526,664 | 1 068 041 |
| Interest payable and similar charges | 7 | (933) | (794 954) |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | | 5 847 802 | (5,149 684) |
| Tax credit on profit/(loss) on ordinary activities | 8 | 28 681 | 6,354 352 |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | 17 | 5,876,483 | 1,204,668 |

All of the company's operations are classed as continuing

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 30 June 2010

| | 2010 £ | 2009 (as restated) £ |
|--|------------------|----------------------------|
| Profit for the financial year and total recognised gains and losses relating to the year | 5 876 483 | 1 204 668 |
| Prior year restatement | (2,107 231) | - |
| Total gains and losses recognised since last annual report | 3,769,252 | 1,204,668 |

The notes on pages 10 to 20 form an integral part of these financial statements

HASTINGS INSURANCE SERVICES LIMITED

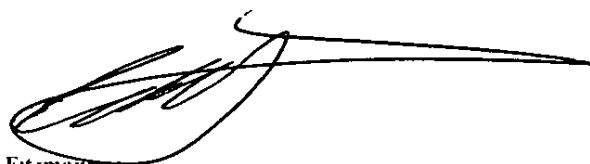
Company Number 3116518

BALANCE SHEET

As at 30 June 2010

| | Notes | 2010 £ | 2009 (as restated) £ |
|---|-------|--------------------|----------------------------|
| FIXED ASSETS | | | |
| Investments | 9 | 4 033 561 | - |
| Tangible assets | 10 | 5 576 154 | 4 409,675 |
| | | <u>9,609,715</u> | <u>4,409,675</u> |
| CURRENT ASSETS | | | |
| Debtors | 11 | 91 065 872 | 48 668 264 |
| Listed current asset investment | 12 | 13 516 057 | 20,000,000 |
| Cash at bank and in hand | 1(h) | 19,473,933 | 15,354 270 |
| | | <u>124 055,862</u> | <u>84,022,534</u> |
| CREDITORS Amounts falling due within one year | 13 | (105,958,262) | (65 365,474) |
| | | <u>18,097 600</u> | <u>18,657 060</u> |
| NET CURRENT ASSETS | | | |
| | | <u>27,707 315</u> | <u>23 066 735</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| CREDITORS Amounts falling due after more than one year | 14 | (4,417,171) | (3,817,526) |
| PROVISIONS FOR LIABILITIES & CHARGES | 15 | (3 304,860) | (5 140 408) |
| | | <u>19,985,284</u> | <u>14,108,801</u> |
| NET ASSETS | | | |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 16 | 22,980,000 | 22,980 000 |
| Profit and loss account | 17 | <u>(2 994 716)</u> | <u>(8 871 199)</u> |
| SHAREHOLDERS' FUNDS - All equity | 17 | <u>19,985,284</u> | <u>14,108,801</u> |

These financial statements were approved and authorised for issue by the Board of Directors on 20 October 2010 and were signed on its behalf by



E Fitzmaurice
Director

The notes on pages 10 to 20 form an integral part of these financial statements

HASTINGS INSURANCE SERVICES LIMITED

For the year to 30 June 2010

NOTES TO THE FINANCIAL STATEMENTS

1 Statement of accounting policies

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

(a) Basis of preparation

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

(b) Group accounts

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual entity and not about its group.

(c) Cash flow statement

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

(d) Turnover

Turnover, represented by brokerage commission, is recognised when cover commences with deferral of revenue for ongoing contractual obligations. Policy fees, including mid-term adjustments, are recognised when received. Premium finance fee income is recognised at the inception of the agreement when the Company has substantially met its obligations, which is considered to be at inception of the agreement with a deferral of revenue for associated future costs.

(e) Marketing costs

Marketing costs are expensed as incurred.

The Directors have identified that the treatment of certain deferred marketing costs directly related to the introduction of customers whilst in line with acceptable accounting practice did not reflect the most appropriate accounting treatment or prevalent industry practice. This has resulted in a change in the treatment of these marketing costs onto a more prudent basis and necessitated a prior year restatement of the comparatives. These marketing costs are now expensed as incurred. The impact on these financial statements of this change in policy is detailed in note 2.

HASTINGS INSURANCE SERVICES LIMITED

For the year to 30 June 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 Statement of accounting policies (continued)

(f) Tangible fixed assets

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

(g) Listed investments

Investments held as current assets are stated at the lower of cost and net realisable value as determined by their quoted price at the balance sheet date.

(h) Insurance debtors and creditors

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

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

The Company uses a trust account to hold premium and Insurance premium tax (IPT) receipts. Earned commissions are deducted prior to onward payment to insurers. Trust account balances amounting to £749,661 (2009 - £2,591,145) are included in the Company's Cash and Bank balances which are stated in these financial statements at £19,473,935 (2009 - £15,354,270).

(i) Leasing commitments

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

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

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

(j) Pensions

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

(k) Deferred tax

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

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

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

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

HASTINGS INSURANCE SERVICES LIMITED

For the year to 30 June 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Prior year restatement

The Directors have identified that the treatment of certain deferred marketing costs directly related to the introduction of customers whilst in line with acceptable accounting practice did not reflect the most appropriate accounting treatment or prevalent industry practice. This has resulted in a change in the treatment of these marketing costs onto a more prudent basis and necessitated a prior year restatement of the comparatives. These marketing costs are now expensed as incurred.

The impact of the change of accounting policies on the prior period comparatives is noted below.

| | As previously reported | Prior period restatement | As restated |
|---|---------------------------|-----------------------------|--------------|
| | £ | £ | £ |
| 2009 | | | |
| Administrative expenses | (50,855,433) | (2,412,704) | (53,268,137) |
| (Loss) on ordinary activities before taxation | (2,736,980) | (2,412,704) | (5,149,684) |
| Tax credit on (loss) on ordinary activities | 5,534,873 | 819,479 | 6,354,352 |
| Profit on ordinary activities after taxation | 2,797,893 | (1,593,225) | 1,204,668 |
| Debtors | 50,775,495 | (2,107,231) | 48,668,264 |
| Profit and loss account reserve | (6,763,968) | (2,107,231) | (8,871,199) |

The profit and loss account reserve prior period restatement adjustment of £2,107,231 includes an adjustment to the reserves as at 1 July 2008 of £514,006 as detailed in Note 17.

The impact of the change of accounting policies on the current year financial results is noted below.

| | Reportable under previous policy | Impact of policy change | As reported |
|---|--|----------------------------|--------------|
| | £ | £ | £ |
| 2010 | | | |
| Administrative expenses | (49,291,588) | (3,404,233) | (52,695,821) |
| Profit on ordinary activities before taxation | 9,252,035 | (3,404,233) | 5,847,802 |

3 Turnover

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

4 Operating profit/(loss)

The operating profit/(loss) is stated after charging / (crediting)

| | Year to 30 June 2010 | Year to 30 June 2009 |
|---|----------------------------|----------------------------|
| | £ | £ |
| Auditors remuneration - audit services | 50,000 | 50,000 |
| Auditors remuneration - non-audit services | 31,956 | 69,151 |
| Depreciation - tangible fixed asset - owned | 2,485,551 | 1,721,308 |
| - leased | - | 361,864 |
| Loss on disposal of tangible fixed assets | 151,374 | 469,233 |
| Operating lease rentals - land and buildings | 615,045 | 741,005 |
| Operating lease rentals - office equipment and vehicles | 34,413 | 35,562 |

HASTINGS INSURANCE SERVICES LIMITED

For the year to 30 June 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 Staff costs

| | Year to 30 June 2010 £ | Year to 30 June 2009 £ |
|-----------------------------|---|---|
| Staff costs were as follows | | |
| Salaries | 16,950,714 | 18,958,450 |
| Social security costs | 1,669,112 | 1,455,013 |
| Pension costs | 293,092 | 354,363 |
| | 18,912,918 | 20,767,826 |

The average number of persons employed during the year was

| | | |
|---|------------|------------|
| Operations, sales and customer services | 312 | 321 |
| Claims | 193 | 181 |
| Administration | 196 | 224 |
| | 701 | 726 |

The Directors' emoluments, excluding pension contributions, during the year amounted to £1,204,747 (2009 - £898,170). The remuneration of the highest paid director during the year amounted to £798,734 (2009 - £782,915).

The aggregate value of Company pension contributions in respect of the Directors during the year amounted to £14,450 (2009 - £35,945). Company contributions to the defined contribution pension scheme in respect of the highest paid director were £nil (2009 - £nil). There was 1 (2009 - 2) Director in the Company's defined contribution scheme during the year.

6 Interest receivable and similar income

| | Year to 30 June 2010 £ | Year to 30 June 2009 £ |
|---|---|---|
| Interest receivable comprises | | |
| Interest on late payment | 144,362 | - |
| Interest on loan to Logan Consultants Limited | - | 381,887 |
| Income on current asset investments | 90,235 | - |
| Interest on loan to Hastings 888 (UK) Limited | 98,729 | 24,723 |
| Interest on loan to Lucky 888 Global Limited | 177,378 | 8,626 |
| Bank interest receivable | 15,824 | 652,805 |
| Other | 136 | - |
| | 526,664 | 1,068,041 |

7 Interest payable and similar charges

| | Year to 30 June 2010 £ | Year to 30 June 2009 £ |
|--|---|---|
| Interest payable comprises | | |
| Finance charges payable under finance leases | 933 | 10,695 |
| Interest payable on subordinated loans with former group undertaking | - | 159,014 |
| Interest payable to Advantage Insurance Company Limited | - | 616,978 |
| Other interest | - | 8,267 |
| | 933 | 794,954 |

HASTINGS INSURANCE SERVICES LIMITED

For the year to 30 June 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Tax on loss on ordinary activities

(a) Analysis of taxation credit in year

| | Year to 30 June 2010 | Year to 30 June 2009 (as restated) |
|--|----------------------------|---|
| | £ | £ |
| Current tax | | |
| UK Corporation tax on profits/(losses) of the year | 46 500 | - |
| Over provision in respect of prior periods | - | (3 460 108) |
| Total current tax charge/(credit) | 46,500 | (3,460 108) |
| Deferred tax | | |
| Current period deferred tax credit (Note 8(c)) | (75 181) | (2 894 244) |
| Tax credit on ordinary activities | (28 681) | (6 354,352) |

(b) Factors affecting tax charge for the period

| | Year to 30 June 2010 | Year to 30 June 2009 (as restated) |
|---|----------------------------|---|
| | £ | £ |
| Profit/(Loss) before taxation | 5,847 802 | (5,149,684) |
| Tax at 28% (2009 - 28%) | 1 637,385 | (1,441 911) |
| Disallowed expenditure | 17 707 | 64 792 |
| Depreciation in excess of capital allowances | 188,864 | 414,515 |
| Relief for expenditure of prior periods in current year | (1 797 456) | (2 325,665) |
| Tax losses group relieved without payment | - | 154,471 |
| Tax losses carried forward | - | 3,133 798 |
| Adjustment in respect of prior periods | - | (3 460 108) |
| Current tax credit | 46 500 | (3,460 108) |

(c) Deferred tax asset

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

| | Year to 30 June 2010 | Year to 30 June 2009 (as restated) |
|--|----------------------------|---|
| | £ | £ |
| At beginning of year | 3 824,349 | 930,105 |
| Deferred tax credit for the period (Note 8(a)) | 75 181 | 2,894 244 |
| At end of period | 3 899,530 | 3,824 349 |

Deferred tax asset is analysed as follows

| | | |
|--------------------------------|------------------|------------------|
| Decelerated capital allowances | 840,705 | 1,083,072 |
| Taxation losses | 2,000 742 | 2 192 719 |
| Other timing differences | 1 058,083 | 548,558 |
| | 3 899,530 | 3 824,349 |

The deferred tax asset of £840,705 (2009 - £1,083 072) relates to carried forward available capital allowances in excess of depreciation £2,000 742 (2009 - £2 192 719) relates to taxation losses available for offset against future trading profits and £1 058,083 (2009 - £548 558) relates to other timing differences that are expected to reverse in later accounting periods

(d) Factors affecting the tax charge for future periods

Unprovided deferred tax asset in relation to trading losses amounts to £Nil (2009 - £1 085 000)

HASTINGS INSURANCE SERVICES LIMITED

For the year to 30 June 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 Investments

| | Total £ |
|-----------------|--------------------|
| <i>Cost</i> | |
| At 1 July 2009 | - |
| Additions | 4,033,561 |
| At 30 June 2010 | <u>4,033,561</u> |

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

10 Tangible assets

| | Fixtures and Fittings £ | Computer Equipment £ | Leasehold Improvements £ | Capital Work in Progress £ | Total £ |
|-----------------------|--|-------------------------------------|---|---|--------------------|
| <i>Cost</i> | | | | | |
| At 1 July 2009 | 3,175,206 | 11,991,479 | 2,976,710 | 367,151 | 18,510,546 |
| Purchases in the year | 134,696 | 1,745,037 | 493,343 | 1,430,328 | 3,803,404 |
| Reclassifications | 13,705 | 1,430,993 | 807 | (1,445,505) | - |
| Disposals | - | - | - | (151,374) | (151,374) |
| At 30 June 2010 | <u>3,323,607</u> | <u>15,167,509</u> | <u>3,470,860</u> | <u>200,600</u> | <u>22,162,576</u> |
| <i>Depreciation</i> | | | | | |
| At 1 July 2009 | 2,884,168 | 9,038,094 | 2,178,609 | - | 14,100,871 |
| Charge for the year | 154,849 | 1,992,684 | 338,018 | - | 2,485,551 |
| Reclassifications | - | - | - | - | - |
| Disposals | - | - | - | - | - |
| At 30 June 2010 | <u>3,039,017</u> | <u>11,030,778</u> | <u>2,516,627</u> | <u>-</u> | <u>16,586,422</u> |
| <i>Net book value</i> | | | | | |
| At 30 June 2010 | <u>284,590</u> | <u>4,136,731</u> | <u>954,233</u> | <u>200,600</u> | <u>5,576,154</u> |
| At 30 June 2009 | <u>291,038</u> | <u>2,953,385</u> | <u>798,101</u> | <u>367,151</u> | <u>4,409,675</u> |

The net book value of tangible fixed assets above includes £Nil (2009 - £Nil) in respect of assets held under finance leases.

HASTINGS INSURANCE SERVICES LIMITED

For the year to 30 June 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Debtors

| | 30 June 2010 | 30 June 2009 (as restated) |
|---|-------------------------|---|
| | £ | £ |
| Due in more than one year | | |
| Deferred tax asset (Note 8(c)) | 3,899,530 | 3,824,349 |
| Amounts owed by related companies (Note 21) | 10,226,533 | 749,156 |
| Due within one year | | |
| Trade debtors | 70,139,830 | 36,155,047 |
| Amounts owed by group companies | 4,328,087 | 3,309,491 |
| Other debtors | 739,977 | 3,203,009 |
| Prepayments and accrued income | 1,731,915 | 1,427,212 |
| | 91,065,872 | 48,668,264 |

12 Listed current asset investment

| | 30 June 2010 | 30 June 2009 |
|--------------------|-------------------------|-------------------------|
| | £ | £ |
| Listed investments | 13,516,057 | 20,000,000 |

The market value of the listed investments is not materially different from their carrying amount

13 Creditors amounts falling due within one year

| | 30 June 2010 | 30 June 2009 |
|--|-------------------------|-------------------------|
| | £ | £ |
| Trade creditors | 1,830,740 | 1,780,994 |
| Amounts owed to group companies | 451,581 | - |
| Amounts owed to related companies (Note 21) | 91,159,097 | 52,762,284 |
| Obligations under finance leases (Note 14(a)) | 61,450 | 11,468 |
| Accruals and deferred income | 8,213,298 | 9,940,326 |
| Other creditors including taxation and social security | 4,242,096 | 870,402 |
| | 105,958,262 | 65,365,474 |

14 Creditors amounts falling due after more than one year

| | 30 June 2010 | 30 June 2009 |
|--|-------------------------|-------------------------|
| | £ | £ |
| Obligations under finance leases (Note 14 (a)) | - | - |
| Claims handling provision | 4,417,171 | 3,817,526 |
| | 4,417,171 | 3,817,526 |

(a) Finance leases

Amounts payable in respect of finance leases are as follows

| | | |
|---|---------------|---------------|
| Amounts payable within one year | 61,450 | 12,401 |
| In two to five years | - | - |
| | 61,450 | 12,401 |
| Less: finance charges allocated to future periods | - | (933) |
| | 61,450 | 11,468 |

Finance lease obligations are analysed as follows

| | | |
|-------------------------------|---------------|---------------|
| Current obligations (Note 13) | 61,450 | 11,468 |
| Non-current obligations | - | - |
| | 61,450 | 11,468 |

HASTINGS INSURANCE SERVICES LIMITED

For the year to 30 June 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

15 Provisions for Liabilities and Charges

| | Lease commitments | Dilapidations | Total provisions |
|--------------------------|------------------------------|----------------------|-------------------------|
| | £ | £ | £ |
| At 1 July 2009 | 4,183,813 | 956,595 | 5,140,408 |
| Utilised in the year | (1,128,953) | (48,807) | (1,177,760) |
| Charge/(credit) for year | - | (657,788) | (657,788) |
| At 30 June 2010 | 3,054,860 | 250,000 | 3,304,860 |

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

During the year a further evaluation was made of the Company's repairing lease properties. As a consequence of this review the provision in order to make good maintenance and decorative obligations was reduced to £250,000. This provision is expected to be utilised between one to three years.

16 Share capital

| | 30 June 2010 £ | 30 June 2009 £ |
|--|-------------------------------|-------------------------------|
| Allotted, called up and fully paid share capital | | |
| Ordinary shares of £1 each | 22,980,000 | 22,980,000 |
| | 22,980,000 | 22,980,000 |

HASTINGS INSURANCE SERVICES LIMITED

For the year to 30 June 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

17 Reserves and reconciliation of movement in shareholders' fund

| | Share capital | Profit and loss account | Total shareholders' funds |
|--|---------------|-------------------------|---------------------------|
| | £ | £ | £ |
| At 1 July 2008 (as previously reported) | 5 005,000 | (9,561 861) | (4 556 861) |
| Prior year restatement | - | (514,006) | (514,006) |
| At 1 July 2008 (as restated) | 5,005 000 | (10,075 867) | (5,070 867) |
| Issued share capital | 17,975,000 | - | 17,975 000 |
| Profit for the year (as previously reported) | - | 2 797 893 | 2,797 893 |
| Prior year restatement | - | (1,593 225) | (1,593 225) |
| At 1 July 2009 (as restated) | 22,980,000 | (8,871,199) | 14,108 801 |
| Profit for the year | - | 5 876,483 | 5 876 483 |
| At 30 June 2010 | 22,980,000 | (2 994,716) | 19,985 284 |

The profit and loss reserve and total shareholders funds have been restated following the prior year restatement as detailed in Note 2. Details of the amounts at which these were originally stated are detailed below

| | Profit and loss account | Total shareholders' funds |
|---|-------------------------|---------------------------|
| | £ | £ |
| At 1 July 2009 (as previously reported) | (6,763 968) | 16,216,032 |
| Prior year restatement | (2 107,231) | (2 107 231) |
| At 1 July 2009 (as restated) | (8,871 199) | 14,108 801 |

18 Operating lease commitments

At 30 June the Company was committed to making the following payments under operating leases in the following year. These figures do not include the commitments arising on the Leicester and Manchester property leases (see Note 15) which have been fully provided for within these financial statements

| | 2010 Land and Buildings £ | 2010 Other £ | 2009 Land and Buildings £ | 2009 Other £ |
|-------------------------------|------------------------------------|--------------------|------------------------------------|--------------------|
| Operating leases which expire | | | | |
| Within 1 - 2 years | 17,250 | 12 297 | - | 6,186 |
| Between 2 - 5 years | - | - | - | 20 924 |
| After 5 years | 710 756 | - | 538,964 | - |
| | 728,006 | 12,297 | 538,964 | 27,110 |

HASTINGS INSURANCE SERVICES LIMITED

For the year to 30 June 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

19 Exceptional items

| | 30 June 2010 | 30 June 2009 |
|-------------------------|-------------------------|-------------------------|
| | £ | £ |
| Administrative expenses | - | 5 846 995 |

During the year the Company incurred exceptional costs of £nil (2009 - £5,846 995). The exceptional item in the prior year principally related to an increase in the provision for the Leicester and Manchester properties (see note 15).

20 Subsidiary undertakings

Investments in subsidiary undertakings at 30 June 2010 were as follows:

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

All of the subsidiaries are incorporated in England and Wales.

21 Related Parties

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

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

Commission earned by the Company in the period in respect of policies sold that were underwritten by Advantage Insurance Company Limited was £17 992 592 (2009 - £22,556 878). Amounts owed to related companies (Note 13) include a creditor balance due to Advantage Insurance Company of £91 159,097 (2009 - £52,762 284).

Rent payable by the Company to Conquest House Limited during the year amounted to £200 000 (2009 - £783 333). Included within accruals is an amount payable to Conquest House Limited of £Nil (2009 - £83 333).

The Company provided a loan facility to Lucky 888 Global Limited during 2009. Interest on the loan is charged at 2% over LIBOR. Interest in the period was £177 378 (2009 - £8,626). The value of this loan as at 30 June 2010 was £10,226,533 (2009 - £749,156) and it is repayable on 2 February 2012.

HASTINGS INSURANCE SERVICES LIMITED

For the year to 30 June 2010

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Parent undertaking and controlling party

At the year end the Company's immediate parent undertaking is Hastings 888 (UK) Limited whose registered office is at Conquest House Collington Avenue, Bexhill-on-Sea, East Sussex TN39 3LW. The consolidated accounts for Hastings 888 (UK) Limited are available upon request from its registered office.

The ultimate controlling party is Hastings 888 (Holdings) Limited which owns 100% of the shares in Hastings 888 (UK) Limited.

23 Post Balance Sheet event

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