Registered number: 03116518

REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

FOR

HASTINGS INSURANCE SERVICES LIMITED

HASTINGS INSURANCE SERVICES LIMITED
For the year ended 31 December 2014

CONTENTS

DIRECTORS AND OTHER INFORMATION

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

STRATEGIC REPORT

PERFORMANCE AND KEY PERFORMANCE INDICATORS

The principal activity of the Company has been the provision of insurance broking services to the car, van, motorbike and home markets. There have been no significant changes in the underlying activities of the Company during the year. No significant changes in the nature of the business are expected in 2015.

The purpose of this Strategic Report is to inform members of the Company and to help assess how the Directors have performed their duty under Section 172 of the Companies Act 2006.

The Directors are extremely pleased to report a profit before tax for the year of £65.9m (2013 £37.8m) which has been driven by winning new customers, a high retention level of existing customers and a continuous drive on cost management. Revenue has grown to £204.5m in the year to 31 December 2014 (2013 £171.5m), which represents a 19.2% increase. EBITDA (Earnings before intercompany interest, interest expense, tax, depreciation and amortisation) for the last year has increased to £69.5m (year to 31 December 2013 £40.6m), which represents a 70.9% increase. The Company's live customer policies increased 20.7% from 1.418m to 1.711m during the year.

The Company strengthened its balance sheet in the year, increasing net assets to £41.8m (2013: £37.5m). Cash and cash equivalents decreased by 44.1% to £38.4m at 31 December 2014 (2013: £68.7m) after increased dividend payments during the year of £47.2m (2013: £18.7m).

On 8 January 2014, the holders of the entire issued share capital of Hastings Insurance Group ("HIG"), the Company's ultimate controlling party at that date, transferred their shares to Hastings Insurance Group (Finance) plc ("HIG(F)"), a related party of the Company. This formed part of a transaction (the "Transaction") which saw the creation of an enlarged group with Hastings Insurance Group (Holdings) plc ("HIG(H)") as the new parent entity within the corporate structure, in which former shareholders of HIG acquired 50% of the voting rights and a partnership related to The Goldman Sachs Group, Inc. acquired the remaining 50%. This is an exciting step for the Company and is a strong endorsement of the efforts and achievements of the Company and its employees to date and its future growth and development plans.

The Company has maintained its multi-award winning status securing several national awards across a broad range of categories demonstrating an excellence focused approach in services provided to customers, work practices, employee welfare and support of the community. The Company was named Car Insurance provider of the year for 2015 (third consecutive year) by Consumer Moneyfacts and Personal Lines Broker of the Year for 2014 at both the British Insurance Awards and UK Broker Awards. The Company has also won several awards for its HR practices including HR Distinction and HR Excellence Awards during 2014 and was named Employer of the Year for 2014 at the Women in Business Awards. Closer to home, the Company was named the Best Big Business in 2014 at the 1066 Business Awards.

The Company's "Standard" and "Premier" car and motorbike insurance products, together with the Company's People's Choice car and motorbike insurance products, have been rated 5 Star for the fourth year running by independent rating company Defaqto. The Company's Smartmiles product has also maintained its 5 star rating since 2013 as has the Home Insurance product from March 2014. A Defaqto rating reflects the quality of a financial product; 5 stars being the highest rating a product can attain.

STRATEGIC REPORT (continued)

PERFORMANCE AND KEY PERFORMANCE INDICATORS (continued)

The Directors use Key Performance Indicators (KPIs) to monitor the performance of the Company. The KPIs most relevant to the business are live customer policy count, a number of revenue and cost measures and numerous customer centric measures including customer satisfaction, net promoter score and customer ease. The Directors review performance on a regular basis and take appropriate remedial action for any underperformance.

	2014	2013
	£'000	£'000
Revenue	**204,469**	171,541
EBITDA	**69,457**	40,641
Profit before tax	**65,873**	37,791
Live customer policies ('000)	**1,711**	1,418

The Company incurred significant one off costs in 2013 due to the Transaction and the impairment of the investment in Lucky JV Limited. Removing the significant one off costs in regards to these transactions, the Company's comparative profit before tax and EBITDA was:

	2014	2013
	£'000	£'000
One off transaction costs and impairments	**-**	9,795
EBITDA before one off transaction costs and impairments	**69,457**	50,436
Profit before tax before one off transaction costs and impairments	**65,873**	47,586

In addition, the Board continues to look for opportunities to maximise shareholder return, add value to the business and support continued growth.

Investment in colleagues remains a key focus area and the Company is committed to identifying and nurturing talent with the graduate training programme which mirrors the Company's in house leadership, values and development training.

The Company undertakes a proactive role in helping local charities, making financial, professional and physical support available to the local community. This year the Company has made various donations to support local causes.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

STRATEGIC REPORT (continued)

In the opinion of the Directors there is no undisclosed information, either occurred or in negotiation, that would be seriously prejudicial to the interests of the Company.

GOING CONCERN

After a full review of the Company's cash flows and forecasts, including analysis of its KPIs for the next 12 months and after making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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

G A Hoffman
Director

Date 25 March 2015

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 2014.

DIRECTORS

The Directors who served during the year are listed below:

E M Fitzmaurice	Chairman	
G A Hoffman		
T van der Meer		
M D Lee		
P Pavey		resigned 17 February 2014
R M Brewster	Non-executive	
N A Utley	Non-executive	
J Castagno	Non-executive	
C Ryder	Non-executive	
M Titi-Cappelli		appointed 5 February 2014
T J Money		appointed 17 February 2014

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

EMPLOYMENT POLICIES

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

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

ENVIRONMENT POLICY

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

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

DIVIDENDS

The Directors declared dividends of £47.2m during the year (2013: £18.7m) and £12.0m after the year end.

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT

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

Competitive risk
Competitive pressure in the UK is a continuing risk for the Company, which could result in it losing sales to its key competitors. The Company constantly reviews margins to ensure competitive pricing and also manages this risk through its advanced pricing capabilities and continual investment in technology to support these capabilities. Competitor reviews with market peers are also carried out on a regular basis to identify any emerging risks and opportunities. The Company further manages this risk by providing added value services to its customers, having fast response times, not only in supplying products but also in handling all customer queries and by maintaining strong relationships with customers.

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

Credit risk
The Company is exposed to credit risk on cash and cash equivalents held by credit institutions and on instalment sales from customers who pay monthly. These balances are monitored regularly.

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

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

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

PROVISION OF INFORMATION TO AUDITOR

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

- so far as the Directors are aware, there is no relevant information of which the Company's auditor has not been made aware, and
- each Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditor in connection with preparing their report and to establish that the Company's auditor is aware of that information.

DIRECTORS' REPORT (continued)

AUDITOR

The Company's previous auditor, KPMG Audit Plc, instigated an orderly wind down of business and notified the Company that it would not be seeking reappointment for the Company's 2014 audit. In its place, KPMG LLP, an intermediate parent, has been appointed as the Company's new auditor.

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

G A Hoffman
Director

Date 25 March 2015

Registered number: 03116518

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

The Directors are responsible for preparing the Strategic Report and 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 financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HASTINGS INSURANCE SERVICES LIMITED

We have audited the financial statements of Hastings Insurance Services Limited for the year ended 31 December 2014 set out on pages 12 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

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

Respective responsibilities of directors and the auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

T. B

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

25 March 2015

HASTINGS INSURANCE SERVICES LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

In this section:

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £'000	2013 £'000
Revenue	3	**204,469**	171,541
Operating expenses	4	**(138,933)**	(134,296)
Operating profit		**65,536**	37,245
Finance income	6	**337**	546
Profit before tax		**65,873**	37,791
Taxation expense	7	**(14,485)**	(10,571)
Total profit for the year		**51,388**	27,220
Profit attributable to:			
Equity holders of the parents		**51,388**	27,220
Total attributable profit for the year		**51,388**	27,220

All profit for the year arose from continuing operations.
The Company did not have any other comprehensive income to report in the current or prior periods.

The notes on pages 17 to 37 form an integral part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2014

	Note	2014 £'000	2013 £'000
Non-current assets			
Intangible assets	8	**10,489**	5,451
Property, plant and equipment	9	**5,303**	4,806
Deferred tax assets	10	**782**	984
		16,574	11,241
Current assets			
Trade and other receivables	11,17	**179,849**	160,878
Loan receivable	17, 21	**-**	11,020
Prepayments	17	**1,092**	906
Cash and cash equivalents	12,17	**38,386**	68,699
		219,327	241,503
TOTAL ASSETS		**235,901**	252,744
Equity			
Share capital	13	**8,043**	8,043
Retained earnings	13	**33,727**	29,495
		41,770	37,538
TOTAL EQUITY		**41,770**	37,538
Non-current liabilities			
Deferred income	14	**1,868**	2,208
Provisions	15	**-**	321
		1,868	2,529
Current liabilities			
Trade and other payables	16,17	**178,369**	201,196
Current tax		**3,258**	1,496
Deferred income	14	**10,291**	9,360
Provisions	15	**345**	625
		192,263	212,677
TOTAL LIABILITIES		**194,131**	215,206
TOTAL EQUITY AND LIABILITIES		**235,901**	252,744

The financial statements on pages 12 to 37 were approved by the Board of Directors and signed on its behalf by:

G A Hoffman
Director

Date 25 March 2015

Registered number: 03116518

The notes on pages 17 to 37 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Share Capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2014		**8,043**	**29,495**	**37,538**
Total profit for the year		**-**	**51,388**	**51,388**
Dividends paid	18	**-**	**(47,156)**	**(47,156)**
Balance at 31 December 2014	13	**8,043**	**33,727**	**41,770**
Balance at 1 January 2013		22,980	6,001	28,981
Total profit for the year		-	27,220	27,220
Dividends paid	18	-	(18,663)	(18,663)
Reduction in share capital		(14,937)	14,937	-
Balance at 31 December 2013	13	8,043	29,495	37,538

The notes on pages 17 to 37 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
Profit after tax		**51,388**	27,220
Adjustments:			
Net finance income	6	**(337)**	(546)
Income tax expense	7	**14,485**	10,571
Amortisation of intangible assets	8	**2,047**	1,210
Impairment of intangible assets	8	**6**	33
Depreciation of property, plant and equipment	9	**1,604**	1,842
Impairment of property, plant and equipment	9	**5**	8
Impairment of investments	20	**-**	4,334
		69,198	44,672
Increase in trade and other receivables		**(26,016)**	(28,674)
(Decrease)/Increase in trade and other payables		**(23,609)**	52,319
Increase in prepayments		**(186)**	-
Decrease in provisions	15	**(601)**	(523)
Taxation paid		**(5,395)**	(17,160)
Net cash flows from operating activities		**13,391**	50,634
Cash flows from investing activities			
Acquisition of property plant and equipment	9	**(2,106)**	(3,054)
Acquisition of intangible assets		**(5,799)**	(3,208)
Dividends paid	18	**(47,156)**	(18,325)
Interest received	6	**337**	546
Net cash flows used in investing activities		**(54,724)**	(24,041)
Cash flows from financing activities			
Repayment of borrowings		**-**	(162)
Loan repaid by related entities	20	**11,020**	-
Net cash flows from/(used in) financing activities		**11,020**	(162)
Net (decrease)/increase in cash and cash equivalents		**(30,313)**	26,431
Cash and cash equivalents at beginning of year	12	**68,699**	42,268
Net (decrease)/increase in cash and cash equivalents		**(30,313)**	26,431
Cash and cash equivalents at end of year	12	**38,386**	68,699

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

The notes on pages 17 to 37 form an integral part of these financial statements.

INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

Hastings Insurance Services Limited (the 'Company') is a company incorporated in England and Wales. Its registered office is at Conquest House, Collington Avenue, Bexhill-on-Sea, East Sussex TN39 3LW. The financial statements comprise the results of the Company for the year ended 31 December 2014 and comparative figures for the year ended 31 December 2013.

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

a) Statement of compliance with IFRS
The Company has prepared its financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union. IFRS comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) as adopted in the European Union that are in effect as at 31 December 2014.

b) Overall consideration
The financial statements have been prepared on the historical cost basis, except for where adopted IFRS require an alternative treatment. Historical cost is generally based on the fair value of the consideration given in exchange for acquired assets or issued liabilities.

The significant accounting policies that have been applied in the preparation of these financial statements are outlined below. The accounting policies have been used consistently throughout all years presented in the financial statements.

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

Having considered the foregoing items for the next 12 months and beyond, and after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

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

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) IFRSs issued but not yet effective

The Company has not early adopted the following IFRSs which have been issued and endorsed by the EU, but are not yet effective:

IFRS	Effective date
IFRIC 21 Levies	17 June 2014
Annual Improvements to IFRSs 2011–2013 Cycle (issued on 12 December 2013)	1 January 2015
Amendments to IAS 19 Contributions attributed to periods of service	1 February 2015
Annual Improvements to IFRSs 2010–2012 Cycle (issued on 12 December 2013)	1 February 2015

The expected impact of the IFRSs issued but not yet effective is still being assessed, however, the Company does not anticipate that the above IFRSs will have a significant impact in the period of initial application.

f) Presentation of financial statements in accordance with IAS 1

The financial statements are prepared in accordance with IAS 1 'Presentation of Financial Statements'. The Company has elected to present a single Statement of Comprehensive Income. As there has been no other comprehensive income recognised in current or previous years, the Company has disclosed a Statement of Profit or Loss only.

g) Adoption of new IFRSs

On 1 January 2014, the Company adopted the following IFRSs which were issued and endorsed by the EU:

Standard	Effective date
IFRS 12 Disclosure of interest in other entities	1 January 2014
IAS 27 Separate financial statements (as revised in 2011)	1 January 2014
IAS 28 Investment in associates and joint ventures (as revised in 2011)	1 January 2014

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

The accounting policies below, developed in accordance with the standards effective under IFRS for the year ended 31 December 2014, have been applied consistently to all years presented in these financial statements.

h) Change in presentation

After review of the disclosures during 2014, certain balances in respect of instalment sales were reclassified to Trade and other receivables within the Balance Sheet in order to achieve a more appropriate accounting presentation and this necessitated re-presentation of prior year comparatives. The impact of the change in presentation on the prior period comparatives is noted below:

2013	As previously presented	Re-classified balances	As re-presented
Trade and other receivables	176,885,302	(16,007,095)	160,878,207
Deferred income	(25,367,478)	16,007,095	(9,360,383)

The re-presentation had no impact on the Statement of Profit or Loss.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting policies

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

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

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

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

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

b) Intangible assets
Computer software is stated at cost less accumulated amortisation and impairment losses.

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

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

Amortisation is provided on all computer software, including those held under finance lease, at rates calculated to write off the cost of the assets less their estimated residual value over their expected useful lives.

Amortisation is calculated using the straight line method and recorded in other operating expenses in the Statement of Profit or Loss.

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

The expected useful economic lives are as follows:

Computer software 3 – 6 years

Carrying amounts are reviewed at each year end to determine if there are indications of impairment. If there are indications of impairment 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. Impairment losses are recognised in the Statement of Profit or Loss.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Intangible assets (continued)

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

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

c) Employee benefits

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

d) Financial instruments

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and liabilities are measured subsequently as described below.

- **Loans and receivables**
  Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any impairment losses. Loans and receivables comprise trade and other receivables, intercompany loans and related party loans.

- **Cash and cash equivalents**
  Cash and cash equivalents include current accounts at banks and money market funds. Money market funds are funds which have a redemption period of no more than 1 day. Cash and cash equivalents are designated on initial recognition as at fair value through Statement of Profit or Loss.

- **Financial liabilities**
  The Company's financial liabilities include intercompany loans, external borrowings, trade and other payables and related entity payables. Borrowings, trade and other payables are initially measured at fair value plus transaction costs and subsequently measured at amortised cost.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial instruments (continued)

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

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

  If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Statement of Profit or Loss for the period.

  If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved profitability of the debtor), the previously recognised impairment loss is reversed and the amount of the reversal is recognised in the Statement of Profit or Loss for the period.

e) Leases

In accordance with IAS 17 'Leases', leases are classified as finance leases, where the Company assumes substantially all the risks and rewards of ownership. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant interest rate on the balance outstanding.

The asset subject to the finance lease is depreciated over the shorter of its useful life and the lease term. The corresponding rental obligations, net of finance charges, are included as a liability.

All other leases are treated as operating leases. Payments made under operating leases are charged to the Statement of Profit or Loss on a straight-line basis over the lease term. Incentives provided by the lessor are credited to the Statement of Profit or Loss on a straight-line basis over the full lease term.

f) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and less any recognised 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.

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

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Property, plant and equipment (continued)

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

The expected useful economic lives are as follows:

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

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

Carrying amounts are reviewed at each year end to determine if there are indications of impairment. If there are indications of impairment 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. If the recoverable amount is less than the carrying amount, the difference is recognised as an impairment loss. Impairment losses are recognised immediately in the Statement of Profit or Loss.

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset. On de-recognition any gain or loss arising is calculated as the difference between the net disposal proceeds and the carrying amount of the item. This is recognised in the Statement of Profit or Loss in the year of de-recognition.

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

g) Taxation

Income tax on the result for the year comprises current and deferred tax. Income tax is recognised in the Statement of Profit or Loss.

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

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

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Balance Sheet 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 can be utilised.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Insurance intermediary assets and liabilities

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

i) Share capital

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

j) Investment in associate

Investments in associates are investments over which the Company exercises a significant influence. Such investments are held at cost, which is the fair value of consideration provided. Carrying amounts are reviewed at each year end to identify any indications of impairment.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgements and assumptions that affect the reported amounts of assets and liabilities and the reported income and expense during the reported periods as well as the content of any disclosures. Although these judgements and assumptions are based on the Directors' best knowledge of the amount, event or actions, actual results may differ from these estimates.

The estimates, assumptions and judgements that have a significant effect on the carrying amounts of Company's assets and liabilities are:

a) Property, plant and equipment and intangible assets
Assets are carried at historical cost less depreciation/amortisation calculated to write off the cost of such assets over their estimated useful lives. Management determines the estimated useful lives and residual values. The estimated useful life is reviewed annually and the depreciation/amortisation charge is revised where useful lives or residual values are subsequently found to be different to those previously estimated.

b) Impairment of assets
Assets not measured at fair value in the Balance Sheet are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the asset exceeds its recoverable amount. Management judgement is required to establish indicators of impairment based upon knowledge of the business strategy and results and upon expected future cash flows.

c) Provisions
The Company measures provisions at the Directors' best estimate of expenditure required to settle the obligation at the Balance Sheet date. Estimates are made taking account of information available and different possible outcomes. Provisions historically relating to income not expected to be recoverable is measured in the same manner and taking into account trends in recovery.

d) Revenue
A portion of revenue received for the arrangement of insurance contracts is deferred where the Company retains the obligation to handle claims on policies placed. The amount of revenue deferred is based on the forecast associated costs of claims handling at the Balance Sheet date plus the expected profit on those services. In addition, the fair value of the revenue measured on recognition makes allowance for anticipated cancellations of contracts by customers.

e) Deferred tax assets
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The tax rates used are the current rates anticipated to be effective at the date the taxable profits would be recognised. These are subject to any changes in tax laws and rates effective at that date.

3 REVENUE

	2014	2013
	£'000	£'000
Brokerage and fees	153,204	129,842
Interest income	49,383	40,246
Other income	1,882	1,453
	204,469	171,541

4 OPERATING EXPENSES

	2014	2013
	£'000	£'000
Depreciation of property, plant and equipment	1,604	1,842
Amortisation of intangible assets	2,047	1,210
Auditor's remuneration - statutory audit work	86	86
Operating lease rentals - land and buildings	892	849
Staff costs	50,834	45,753
Other administration and distribution costs	83,470	84,556
	138,933	134,296

5 EMPLOYEES' COSTS, HEADCOUNT AND KEY MANAGEMENT PERSONNEL COMPENSATION

Employees' costs:	2014	2013
	£'000	£'000
Salaries	45,423	40,785
Social security costs	4,374	4,239
Pension costs	1,037	729
	50,834	45,753

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £1,037,087 for the year (2013: £728,847). Directors' participation in the Company's defined contribution pension scheme during the year amounted to £99,598 (2013: £103,608).

The key management personnel compensation, excluding pension contributions, during the year amounted to £3,943,683 (2013: £2,718,716). The compensation of the highest paid Director during the year was £1,004,564 (2013: £458,000).

Average full time equivalent employees during the year:

	2014	2013
Customer facing employees	1,230	1,138
Non-customer facing employees	439	379
	1,669	1,517

6 FINANCE INCOME AND FINANCE COSTS

Finance income	2014	2013
	£'000	£'000
Interest from external sources	270	344
Interest from related entity	67	202
	337	546

7 TAXATION EXPENSE

	2014	2013
	£'000	£'000
Tax expense comprises:		
Current year tax:		
Current tax on profits for the year	14,008	10,765
Adjustment for prior years	275	(273)
	14,283	10,492
Deferred tax:		
Origination and reversal of temporary differences	80	28
Impact of change in the UK tax rate	(6)	147
Adjustment for prior years	128	(96)
	202	79
Total taxation charge	14,485	10,571
Reconciliation:		
Profit before tax	65,873	37,791
Tax calculated at effective corporation tax rate 21.5% (2013: 23.25%)	14,163	8,787
Tax effects of :		
Income not taxable for tax purposes	-	(44)
Expenses not deductible for tax purposes	58	2,050
Group relief claimed	(133)	-
Impact of change in the UK tax rate	(6)	147
Adjustment in respect of previous years - current tax	275	(273)
Adjustment in respect of previous years - deferred tax	128	(96)
Tax charge reported in the Statement of Profit or Loss	14,485	10,571

8 INTANGIBLE ASSETS

	Computer software £'000	Work in progress £'000	Total £'000
As at 31 Dec 2014			
Cost			
Balance at 1 Jan 2014	**8,357**	**1,894**	**10,251**
Additions	**1,772**	**5,319**	**7,091**
Transfers	**600**	**(600)**	**-**
Derecognitions	**-**	**(6)**	**(6)**
Balance at 31 Dec 2014	**10,729**	**6,607**	**17,336**
Amortisation			
Balance at 1 Jan 2014	**4,800**	**-**	**4,800**
Amortisation	**2,047**	**-**	**2,047**
Balance at 31 Dec 2014	**6,847**	**-**	**6,847**
As at 31 Dec 2013			
Cost			
Balance at 1 Jan 2013	6,767	312	7,079
Additions	1,315	1,893	3,208
Transfers	280	(280)	-
Derecognitions	(5)	(31)	(36)
Balance at 31 Dec 2013	**8,357**	**1,894**	**10,251**
Amortisation and impairment loss			
Balance at 1 Jan 2013	3,593	-	3,593
Amortisation	1,210	-	1,210
Derecognitions	(3)	-	(3)
Balance at 31 Dec 2013	**4,800**	**-**	**4,800**
Carrying amount			
At 31 Dec 2014	**3,882**	**6,607**	**10,489**
At 31 Dec 2013	3,557	1,894	5,451

Work in progress includes assets in production which are considered to fulfil the criteria for recognition outlined in IAS 38 but which have not yet reached the state where they are ready for their intended use. As such no amortisation has yet been charged on these assets.

9 PROPERTY, PLANT AND EQUIPMENT

	Fixtures & fittings £'000	Computer equipment £'000	Leasehold improvements £'000	Work in progress £'000	Total £'000
As at 31 Dec 2014					
Cost					
Balance at 1 Jan 2014	**1,186**	**7,894**	**2,018**	**642**	**11,740**
Additions	**273**	**1,188**	**599**	**46**	**2,106**
Transfers	**24**	**-**	**617**	**(641)**	**-**
Derecognitions	**(14)**	**(6)**	**-**	**-**	**(20)**
Balance at 31 Dec 2014	**1,469**	**9,076**	**3,234**	**47**	**13,826**
Accumulated depreciation					
Balance at 1 Jan 2014	**661**	**5,171**	**1,102**	**-**	**6,934**
Depreciation	**209**	**1,174**	**221**	**-**	**1,604**
Derecognitions	**(14)**	**(1)**	**-**	**-**	**(15)**
Balance at 31 Dec 2014	**856**	**6,344**	**1,323**	**-**	**8,523**
As at 31 Dec 2013					
Cost					
Balance at 1 Jan 2013	1,122	5,324	2,032	361	8,839
Additions	39	2,276	122	617	3,054
Transfers	29	294	11	(334)	-
Derecognitions	(4)	-	(147)	(2)	(153)
Balance at 31 Dec 2013	**1,186**	**7,894**	**2,018**	**642**	**11,740**
Accumulated depreciation					
Balance at 1 Jan 2013	446	3,796	995	-	5,237
Depreciation	217	1,375	250	-	1,842
Derecognitions	(2)	-	(143)	-	(145)
Balance at 31 Dec 2013	**661**	**5,171**	**1,102**	**-**	**6,934**
Carrying amount					
At 31 Dec 2014	**613**	**2,732**	**1,911**	**47**	**5,303**
At 31 Dec 2013	525	2,723	916	642	4,806

Work in progress includes assets in production and which are considered to fulfil the criteria for recognition outlined in IAS 16 but which have not yet reached the state where they are ready for their intended use. As such no depreciation has yet been charged on these assets.

10 DEFERRED TAX ASSETS

a) Composition	2014	2013
	£'000	£'000
Accelerated capital allowances	782	984
	782	984

b) Movements	2014	2013
	£'000	£'000
At beginning of year	984	1,063
Accelerated capital allowances	(202)	(79)
At end of year	782	984

There are no unrecognised deferred tax assets at the Balance Sheet date nor in the comparative year.

The Finance Act 2013 enacted the reduction in corporation tax rate to 21% with effect from April 2014 and 20% from April 2015. Deferred tax assets are measured at the tax rate of 20% as the assets are expected to be realised after April 2015.

11 TRADE AND OTHER RECEIVABLES

	2014	2013
Due within one year	£'000	£'000
Trade receivables	164,759	143,401
Receivable from related entity	14,185	16,695
Other receivables	905	782
	179,849	160,878

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

	Trade receivables	Provision for impairment	Net trade receivables
At 31 December 2014	£'000	£'000	£'000
Current	165,106	(407)	164,699
Overdue	3,333	(3,273)	60
	168,439	(3,680)	164,759
At 31 December 2013			
Current	144,646	(1,347)	143,299
Overdue	4,243	(4,141)	102
	148,889	(5,488)	143,401

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

	2014	2013
	£'000	£'000
At beginning of the year	5,488	5,431
Utilised	(4,396)	(4,307)
Increase in provision	2,588	4,364
At end of the year	3,680	5,488

12 CASH AND CASH EQUIVALENTS

	2014	2013
	£'000	£'000
Cash at bank and in hand	**12,386**	34,235
Money market funds	**26,000**	34,464
Cash and cash equivalents	**38,386**	68,699

Cash and cash equivalents at the end of the year include deposits with banks of £18,035,244 (2013: £59,274,077) relating to cash held on behalf of insurers.

13 SHARE CAPITAL AND RESERVES

	2014	2013
	£'000	£'000
Share capital	**8,043**	8,043
Retained earnings	**33,727**	29,495
Total equity	**41,770**	37,538

	2014	2013
	Issued share	Issued share
Allotted, called up and fully paid	**capital**	capital
	£'000	£'000
Ordinary shares of £0.35 each (2013: £0.35 each)	**8,043**	8,043

Rights in relation to shares
All shares in issue at 31 December 2014 are of a single class with common rights in relation to distribution, return of capital and voting.

14 DEFERRED INCOME

	2014	2013
	£'000	£'000
Due within one year:		
Deferred income	**10,291**	9,360

	2014	2013
	£'000	£'000
Due in more than one year:		
Deferred income	**1,868**	2,208

15 PROVISIONS

	Lease commitments £'000	Dilapidations £'000	Total provisions £'000
Due within one year:			
At 1 Jan 2014	**625**	**-**	**625**
Utilised	**(601)**	**-**	**(601)**
Transfer from non-current provision	**255**	**66**	**321**
At 31 Dec 2014	**279**	**66**	**345**
At 1 Jan 2013	620	-	620
Utilised	(588)	-	(588)
Transfer from non-current provision	593	-	593
At 31 Dec 2013	625	-	625
Due in more than one year:			
At 1 Jan 2014	**255**	**66**	**321**
Transfer to current provision	**(255)**	**(66)**	**(321)**
At 31 Dec 2014	**-**	**-**	**-**
At 1 Jan 2013	783	66	849
Amounts written off	65	-	65
Transfer to current provision	(593)	-	(593)
At 31 Dec 2013	255	66	321
Total due:			
At 31 Dec 2014	**279**	**66**	**345**
At 31 Dec 2013	880	66	946

The above relates to a property lease in Manchester which became onerous when the Company closed its call centre there. The provision relating to dilapidations was established to cover the costs of returning the Manchester offices to the condition agreed with the landlord at the end of the lease.

16 TRADE AND OTHER PAYABLES

	2014	2013
Due within one year:	**£'000**	£'000
Trade payable to related entity	**146,530**	174,416
Other trade payables	**17,284**	15,641
Other payables	**14,555**	11,139
	178,369	201,196

17 FINANCIAL INSTRUMENTS, CAPITAL MANAGEMENT AND RELATED DISCLOSURES

a) Financial assets and liabilities

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

	2014	2013
	£'000	£'000
Financial Assets:		
Trade receivables	164,759	143,401
Receivable from related entity	14,185	16,695
Other receivables	905	782
Loan receivable	-	11,020
	179,849	171,898

	2014	2013
	£'000	£'000
Financial Liabilities:		
Trade payable to related entity	146,530	174,416
Other trade payables	17,284	15,641
Other payables	14,555	11,139
	178,369	201,196

The carrying value of financial instruments held at amortised cost is considered to be an approximation of fair value.

The Company's financial instruments held at fair value can be analysed as follows:

	2014	2013
Level 1 Fair Value	£'000	£'000
Financial Assets:		
Cash and cash equivalents	38,386	68,699
	38,386	68,699

Fair value hierarchy level is determined by the methods used in establishing the value of financial assets and liabilities.

Assets and liabilities held at level 1 are those for which valuations can be obtained by reference to identical assets or liabilities traded on an active market. The Company did not hold any financial instruments within the Level 2 or Level 3 hierarchy whose fair value would be defined by having inputs that are observable or not observable.

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

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

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

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

17 FINANCIAL INSTRUMENTS, CAPITAL MANAGEMENT AND RELATED DISCLOSURES (continued)

As at 31 December 2014 the credit ratings of the institutions and funds holding the Company's cash and cash equivalents were as follows:

	Rating	**2014** **£'000**	2013 £'000
Money market funds	AAA	**26,000**	34,464
Bank current account	A	**12,386**	34,235
		38,386	68,699

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

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

The Company's maximum exposure to credit risk at 31 December 2014 is £60,749,699 (2013: £75,757,847), being the carrying value of brokerage and fee receivables, investments, cash and cash equivalents and loans receivable. The exposure is not hedged by the use of derivatives or similar instruments. Bad debt expense exposure relating to policyholder debt charged to the income statement and the value of past due financial assets are disclosed in Note 11.

Market Risk

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

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

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

At 31 December 2013, the Company had a loan receivable from Advantage Global Holdings Limited of £11,020,030 which was fully repaid during the year. Interest on the loan was charged at 1.5% over LIBOR. The impact of a rise of 100 bps in interest rates at 31 December 2013, on an annualised basis, would have increased equity and profit by £100,470.

Liquidity Risk

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

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

Liquidity risk is thus not considered to be significant.

17 FINANCIAL INSTRUMENTS, CAPITAL MANAGEMENT AND RELATED DISCLOSURES (continued)

c) Objectives, policies and procedures for managing capital

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

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

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

18 DIVIDENDS

Dividends for the year amounted to £47,156,000 (2013: £18,662,500), made up of the following:

	Dividend paid £'000	**Dividend pence per share**
January 2014	**3,402**	**14.8**
February 2014	**7,726**	**33.6**
March 2014	**3,812**	**16.6**
April 2014	**4,695**	**20.4**
July 2014	**2,521**	**11.0**
October 2014	**25,000**	**108.8**
	47,156	**205.2**

19 COMMITMENTS

a) Operating leases

At 31 December 2014 the Company was committed to making the following payments under operating leases in the following years:

	2014 Land and Buildings	2013 Land and Buildings
Rentals are payable as follows:	**£'000**	£'000
Within one year	**790**	829
Years 2 through 5 combined	**1,944**	1,677
Over 5 years	**2,875**	3,250
	5,609	5,756

19 COMMITMENTS (continued)

b) Other commitments

The Company had the following amounts committed under IT contracts in place as at 31 December 2014:

	2014	2013
	£'000	£'000
IT transaction and support costs payable as follows:		
Within one year	**1,198**	1,309
Years 2 through 5 combined	**5,768**	-
	6,966	1,309
Computer software development costs payable as follows:		
Within one year	**1,953**	1,064
Computer hardware acquisition costs payable as follows:		
Within one year	**2,230**	-
	11,149	2,373

20 RELATED PARTY TRANSACTIONS

- The following companies are related parties of the Company by virtue of them belonging to the same group as the Company:
  - Advantage Insurance Company Limited ("AICL")
  - Advantage Global Holdings Limited ("AGH")
  - Conquest House Limited ("CQH")
  - Hastings Insurance Group (Holdings) plc ("HIG(H)")
  - Hastings Insurance Group Limited ("HIG")
  - Hastings Insurance Group (Finance) plc ("HIG(F)")
  - Hastings Insurance Group (Investments) plc ("HIG(I)")
  - Hastings (Holdings) Limited ("HHL")
  - Hastings UK Limited ("HUK")

- Commission earned by the Company in the year in respect of policies sold that were underwritten by AICL was £60,582,724 (2013: £45,100,690). Amounts owed to related companies include a balance relating to premiums on policies sold due to AICL of £145,186,403 (2013: £174,451,020) relating to the net of premiums and IPT payable and commissions receivable on policies sold due to AICL.

- Rent payable by the Company to CQH during the year amounted to £375,000 (2013: £375,000).

- During a prior period the Company provided a loan facility to AGH. Interest on the loan was charged at 1.5% over LIBOR. Interest received on this loan during the year was £67,101 (2013: £202,218). The value of the loan at 31 December 2013 was £11,020,030 and the loan was fully repaid during the year.

- The Company has a balance receivable from HHL of £14,184,585 (2013: £16,694,854) relating to payments made on its behalf. The balance receivable was offset by tax losses passed down to the Company which amounted to £7,045,088 during 2014 (2013:nil).

20 RELATED PARTY TRANSACTIONS (continued)

- At 31 December 2014 the Company held 19.2% (31 December 2013: 23%) of the share capital of E Touch Solutions Limited, a software production company which creates mobile based software for use by the insurance market. The investment had no value for the Company and as such, the investment in associate of £300,000 was fully impaired in 2013.

  On 26 June 2014, E Touch converted the Company's option to purchase additional capital in the associate into an unsecured variable rate loan note of £325,000 which has not been recognised by the Company. Interest income of £5,687 was received during the year in relation to the loan. The Company recognised expenses of £55,590 in respect of development fees charged by the associate during 2014.

- On 4 October 2013, the investment in Lucky JV 888 Limited was fully impaired and as a result, £4,034,000 was written off during 2013. No transactions were recognised in relation to the investment during 2014.

21 ULTIMATE CONTROLLING PARTY

As at 31 December 2014, 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. HIG(H) is the Company's most senior parent that produces consolidated financial statements available for public use.

In October 2013 a holding company structure was established in Jersey, comprising HIG(H) and subsidiaries including HIG(I) and HIG(F). HIG(F) was the lowest subsidiary of this group of holding companies. On 8 January 2014, HIG(H) issued ordinary shares to Hastings A L.P. and other minority investors, such that Hastings A L.P. held 100% of the voting rights of this group of holding companies.

On the same date, subsequent to the share issue described above, 100% of the issued share capital of HIG was acquired by HIG(F) for consideration of £596.0 million. This purchase price included consideration in the form of ordinary and preference shares in HIG(H) and preference shares in HIG(I). The transaction had the effect of diluting the voting rights held by Hastings A L.P. such that both the previous shareholders of HIG and Hastings A L.P. each held 50% of the voting share capital of the resulting new group, with Hastings A L.P. having the controlling interest.

As such, at 31 December 2014 the ultimate controlling party is Hastings A L.P.

22 CONTINGENT LIABILITIES

On 21 October 2013, HIG(F), issued Senior Secured Fixed Rate and Senior Secured Floating Rate Notes (together, the "Senior Secured Notes") with an aggregate principal amount of £416.5m to fund the acquisition of HIG, which took place on 8 January 2014, and to repay HIG's loan notes and other borrowings. On the same date HIG(F) also entered into a £20.0m multi-currency Revolving Credit Facility (the "Facility") agreement available from the date of the acquisition of HIG.

On 8 January 2014, security interests were granted over the entire issued and outstanding share capital of HIG in favour of the Senior Secured Notes and the Facility.

On 21 February 2014, security interests in favour of the Senior Secured Notes and the Facility were granted over certain assets of HIG and its subsidiaries (including the Company). Also on 21 February 2014, HIG and its subsidiaries (including the Company) became a guarantor of the Senior Secured Notes and the Facility.

22 CONTINGENT LIABILITIES (continued)

In the case of the Company, the security interests granted in relation to the Senior Secured Notes and the Facility include a floating charge only over cash available to HIG which from time to time the Board of Directors of the Company, acting reasonably and in good faith, determines may be paid to the noteholders without causing the Company or any of its Directors to breach its or their obligations under all applicable laws and regulations including Threshold Condition 2.4 of the FCA Handbook. Also excluded from any such security are any net premiums receivable which are owed by customers of the Company and all monies owing by the Company to insurers, including AICL.

As at 31 December 2013, the Senior Secured Notes and the Facility were not guaranteed by any company in the Group and no security interests over the Group were in place in favour of the Senior Secured Notes and the Facility.

As at 31 December 2014 the total amounts owing by HIG(F) in relation to its Senior Secured Notes, including accumulated interest and any premiums on early redemption, stood at £466.1m (2013: £489.3m).

The Facility was undrawn at 31 December 2014 and 31 December 2013.

23 SUBSEQUENT EVENTS

The directors proposed and paid a dividend of £12m, 52.2 pence per share, to shareholders in January 2015.