Hastings Group Holdings plc

Interim results announcement for the six months ended 30 June 2019

8 August 2019

Hastings Group Holdings plc (the 'Group', or 'Hastings'), the technology driven insurance provider, today announces its interim results for the six months ended 30 June 2019.

Financial highlights

- **Growth in live customer policies to 2.81 million,** increasing 4% in the six months to 30 June 2019 (31 December 2018: 2.71 million). UK car insurance market share increased to 7.8% (31 December 2018: 7.5%).
- **Gross written premiums up 3% to £499.2m** for the six months ended 30 June 2019 (30 June 2018: £485.6m).
- **Calendar year loss ratio[1] of 79.1%** before the impact of the Ogden rate change (30 June 2018: 73.8%) increased due to continued claims inflation. After the impact of the Ogden rate change the calendar year loss ratio was 81.1%.
- **Adjusted operating profit[2] of £59.7m** (30 June 2018: £105.1m), or £68.1m before the impact of the Ogden rate change, compared to £90.5m for the six months to 30 June 2018, before the VAT recovery in respect of prior periods. Profit after tax for the six months of £38.2m (30 June 2018: £72.9m).
- **Strong cash generation, with £99.0m free cash generated[3]** further reducing net debt to £218.2m as at 30 June 2019 (31 December 2018: £230.9m). Net debt leverage multiple[4] increased to 1.5x due to the movement in adjusted operating profit.
- **Strong solvency position, with Underwriting subsidiary achieving Solvency II coverage ratio of 160%** (31 December 2018: 161%).
- **Interim dividend proposed of 4.5p per share** (30 June 2018: 4.5p per share).

Operational highlights

- **Continued pricing discipline with risk adjusted average premiums increased by 3%.**
- **Retention rate improved** by five percentage points from 30 June 2018 following the roll out of new renewal pricing models and operational initiatives.
- **Record levels of digital adoption,** with the mobile app downloaded 317,000 times, 38% of customers making changes to their policies through the 'Myaccount' customer portal and 57% of total loss claims settled digitally.
- **New repair and mobility services providers are live**, and will start to deliver commercial benefits and better customer experience in the second half of the year.
- **Maintained a firm stance on combating fraud**, going live on the Group's next generation anti-fraud platform and working closely with the City of London Police to bring fraudsters to justice.
- **Operational efficiency maintained**, before the increase in underwriting levies in 2019 and VAT refund in 2018 in respect of prior periods, with continuing investment in the Group's capacity and strategic initiatives.
- **Ongoing commitment and focus on diversity and the environment,** active participation in female leader professional development initiatives, Women in Data, Women of Silicon Roundabout and the 30% Club, and by drastically reducing the amount of single-use plastic across the Group.

***Notes*[1 to 3]** *refer to the end of the Financial Review section for definitions and explanations.*

Toby van der Meer, Chief Executive Officer, commented:

"I am pleased by the strong progress we have made on our strategic initiatives whilst navigating current market conditions. We remain focused on pricing discipline, and have increased underlying average premiums by 3% in the six months to 30 June 2019. We have maintained our share of new business sales on the price comparison websites and customer numbers increased 4% to 2.81 million, primarily driven by our strong retention rates. Claims inflation has elevated slightly from 2018, to within the range of 6% to 7%, and we report a pre-Ogden loss ratio of 79.1%.

"Our focus on digital initiatives continues, resulting in both improvements in our net promotor scores and an 11% reduction in customer service phone calls per policy. Our strong capital position and continued positive cash generation means we are proposing an interim dividend of 4.5 pence per share. As always, my thanks go to the entire Hastings team for their hard work and dedication to each other and our customers."

Outlook statement

The Board remains confident in the Group's profitable growth opportunities thanks to its competitive advantages in the large motor and home markets, and the continuing progress on key initiatives, including renewals, anti-fraud capabilities and digital proposition, along with successfully embedding its new claims service partners. The Group's outlook and guidance for the full year 2019 is unchanged.

Webcast

The Group will host an update webcast for investors and analysts at 10:30am GMT on 8 August 2019. Details are available on the Group's website www.hastingsplc.com.

Forward looking statements

This results announcement, and associated presentation and conference calls, may contain forward looking statements, including statements about market trends and our strategy, investments, future operations, industry forecasts, regulatory framework and levels of leverage and indebtedness. Forward looking statements provide our current expectations, intentions or forecasts of future events. Forward looking statements include statements about expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not statements of historical fact. Words or phrases such as “anticipate”, “believe”, “continue”, “ongoing”, “estimate”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “target”, “seek” or similar words or phrases, or the negatives of those words or phrases, may identify forward looking statements, but the absence of these words does not necessarily mean that a statement is not forward looking.

Forward looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward looking statements. Our actual results could differ materially from those anticipated in our forward looking statements for many reasons, including the factors described in the section entitled “Managing our risks” in our 2018 Annual Report. In addition, even if our actual results are consistent with the forward looking statements, those results or developments may not be indicative of results or developments in subsequent periods.

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Business review

The Group reports another period of policy growth in the current market environment. Live customer policies ('LCP') has grown 4% to 2.81 million from 2.71 million at 31 December 2018, with volume growth principally achieved through improved retention of customers. The Group continues to work towards its target of 3 million customers, without chasing volume growth at the expense of profitability. Market share of UK private car insurance increased to 7.8%, from 7.5% at 31 December 2018.

Following a period of market rate reductions that began in the second half of 2017, the market has seen early signs of rate increases during the second quarter of 2019. Hastings has maintained its underwriting discipline throughout and underlying average premium prices increased 3% during the six months to 30 June 2019, without significantly impacting its competitiveness on price comparison websites. Average written premiums are down 3% with the increase in premium prices being offset by a reduction in the risk profile of business written. This change in risk mix was achieved through a combination of reduction in younger drivers and the introduction of new data sources which allows targeted pricing aimed at lower risk segments. Overall, combined with the growth in volume of policies, Hastings has grown gross written premiums by 3%.

Claims inflation has been above earned premium inflation, at an underlying rate of 6% to 7%, driven primarily by higher third party property damage costs and property damage repair costs, reflecting increased vehicle sophistication, continued inflation of paint, parts and labour, and increase in third party credit hire costs.

On 15 July 2019, the UK Government's Lord Chancellor announced that the outcome of a review of the discount rate for personal injury damages awards (the 'Ogden rate') was an increase in the current rate from minus 0.75% to minus 0.25%, with effect from 5 August 2019. The announced rate is lower than both the rate at which large bodily injury claims have been settling since the rate changed to minus 0.75%, and the original guidance provided by the Ministry of Justice of between 0% and 1%. The impact of this rate increase has been included within the reserving calculations for personal injury claims which increased open claims reserves for current and previous periods, resulting in a one-off pre-tax charge of £8.4m.

The Group delivered adjusted operating profit of £59.7m (30 June 2018: £105.1m). Adjusted operating profit on a like for like basis, before the impact of the Ogden rate change in 2019 as well as additional input VAT recoverable in 2018, would have been £68.1m, a 25% decrease from £90.5m in 30 June 2018. This reduction is due to claims inflation continuing ahead of earned premium inflation, combined with legislative changes which increased underwriting levies. Hastings continues to focus on strategic investment in its digital initiatives and improvements in customer experience, to drive future profitability and growth. Profit after tax decreased by 48% to £38.2m for the six months to 30 June 2019 (30 June 2018: £72.9m).

The Group reduced net debt[4] further to £218.2m at 30 June 2019 (31 December 2018: £230.9m), demonstrating its strong cash generation. The Board has declared an interim dividend of 4.5p, consistent with prior year.

Operational review

Hastings continue to focus on digital and technology investments, with progress made on enhancing digital capabilities and delivering operational benefits. More and more customers are contacting us via digital channels. The Group's mobile app is amongst the highest rated insurance apps in the UK app stores and has been downloaded by over 317,000 customers. Customers can manage their policies, view policy documents and make changes, as well as obtaining breakdown assistance via click to call on the mobile app, with more updates to follow before the end of the year. This enables us to offer our customers greater flexibility around how and when they contact us, which improves customer experience. 38% of policy adjustments are now completed digitally by customers.

Since the Group rolled out its digital total loss tool which provides customers with a quick and easy online claims settlement journey, over 57% of total loss claims are settled through digital channels rather than field based engineering teams.

Hastings has tested multiple new renewal pricing models over the last 12 months and used Guidewire to custom build a loyalty tool specifically for price comparison websites, along with colleague training to improve retention rates. Overall, retention rate has improved five percentage points which supports policy growth and will benefit profit margin over time. Customer net promoter scores have improved from last year as a result of better customer interactions through both digital and call centre channels.

During the year, Hastings has progressed with initiatives to transform the repair and mobility process and reduce claims service costs. The new fault repair services are now live, Vizion Network, with over 700 repair centres, and Autoglass Bodyrepairs, providing 150 mobile repair units, together providing repairs to a much wider range of vehicles. Customers are now able to book their repair services digitally. Enterprise Rent-A-Car, one of the largest fleets of hire cars in the UK, will start to provide non-fault hire and repair services by the end of this year.

Hastings has gone live with its next generation anti-fraud system which connects detailed quote and device data together with additional predictive analytics. The system detects unusual fraud profiles and falsified policy holder details. During the period, this new capability has already helped identify new types of fraud, including a new accidental damage claims fraud ring and additional ghost broking rings.

Environmental, Social and Governance

Hastings continued its focus on diversity and inclusion, particularly with its aim of having 30% female senior leaders at Hastings by 2020. Over the past six months, Hastings has taken part in Silicon Roundabout and Women in Data events, initiatives designed to encourage professional development in areas that are underrepresented by women, and the Group is on track to achieve its target of 30% female senior leaders at Hastings next year. Hastings' colleagues and leaders have also benefitted significantly by taking part in the 30% Club Mentoring Scheme and the Group remains committed to plans that help support future female leader initiatives.

Hastings has taken a proactive approach to protect the environment. During the year, Hastings drastically reduced the amount of single-use plastics available and provided compostable replacements in its premises, cutting down the use of nearly one million single-use plastic items per year. This initiative has been very well received and embraced by colleagues. The Group will continue to look for more opportunities to further enhance its environmentally-friendly activities.

Key Performance Indicators ('KPIs')

The Group's KPIs, which are defined on pages 24 to 26 of the Hastings Group Holdings plc 2018 Annual Report, are summarised below:

	Six months ended		Year ended
	30 June 2019	**30 June 2018**	**31 December 2018**
Financial KPIs			
Adjusted operating profit[2] (£m)	59.7	105.1	190.6
Adjusted operating profit margin (%)	16.1%	27.9%	25.2%
Profit after tax (£m)	38.2	72.9	130.6
Calendar year loss ratio[1] (%)	81.1%	73.8%	75.0%
Expense ratio[1] (%)	15.8%	13.9%	14.4%
Combined operating ratio (%)	96.9%	87.7%	89.4%
Solvency II coverage ratio (%)	160%	171%	161%
Net debt leverage multiple (x)[4]	1.5	1.1	1.2
Non-financial KPIs			
Share of total stock (UK private car)[5] (%)	7.8%	7.5%	7.5%
Live customer policies (million)	2.81	2.70	2.71

Financial review

Summary consolidated statement of profit or loss

	Six months ended					
	30 June 2019			30 June 2018		
	Underlying trading[6]	Non-trading items[6]	Total	Underlying trading[6]	Non-trading items[6]	Total
	£m	£m	£m	£m	£m	£m
Gross written premiums	499.2	-	499.2	485.6	-	485.6
Net earned premiums	215.6	-	215.6	219.2	-	219.2
Other revenue	149.8	-	149.8	154.0	-	154.0
Investment and interest income	4.9	-	4.9	3.1	-	3.1
Net revenue	370.3	-	370.3	376.3	-	376.3
Net claims incurred	(174.9)	-	(174.9)	(161.8)	-	(161.8)
Acquisition costs	(39.3)	-	(39.3)	(34.6)	-	(34.6)
Other expenses	(96.4)	-	(96.4)	(74.8)	-	(74.8)
Adjusted operating profit[2]	59.7			105.1		
Impact of Ogden rate change	8.4			-		
VAT refund in respect of prior periods	-			(14.6)		
Adjusted operating profit before specific items	68.1			90.5		
Amortisation and depreciation	(7.5)	(1.2)	(8.7)	(3.5)	(10.8)	(14.3)
Finance costs	(4.8)	(0.1)	(4.9)	(3.9)	(0.1)	(4.0)
Taxation	(8.1)	0.2	(7.9)	(15.8)	1.9	(13.9)
Profit after tax	39.3	(1.1)	38.2	81.9	(9.0)	72.9

Net revenue is slightly down at £370.3m (30 June 2018: £376.3m), reflecting earn through of lower than prior year written premiums and increased cost of reinsurance, partially offset by the growth in customer numbers and higher policy income. Adjusted operating profit decreased by 43% to £59.7m partly as a result of one-off items in both years. Excluding the impact of the Ogden rate change, adjusted operating profit is £68.1m, a decrease of 25% on a like for like basis from £90.5m, excluding VAT recoverable from prior years. This is driven by an increase in our calendar year loss ratio, increased underwriting levies and strategic investments, offset by growth of our book and higher policy income due to higher ancillary sales. Profit after tax decreased by 48% to £38.2m for the six months to 30 June 2019 (30 June 2018: £72.9m).

Gross written premiums

	Six months ended	
	30 June 2019	30 June 2018
Gross written premiums by product	£m	£m
Private car	480.1	464.6
Van	5.0	7.9
Bike	10.2	9.6
Home	3.9	3.5
Total gross written premiums	499.2	485.6
Total gross earned premiums	475.8	467.2

Gross written premiums increased by 3%, driven by a 6% increase in the volume of policies written in the six months to 30 June 2019 compared to the same period last year, partially offset by a 3% reduction in average written premiums. The Group increased motor written premiums by 3% on a like for like basis during the period, with this increase being offset by a reduction in the risk profile of business written which reduced premium prices by 6%. A combination of a higher uptake on lower risk drivers, which attract lower premiums, and introduction of new data sources resulted in a move to lower risk segments. The growth in policy numbers is supported by the ongoing investment and initiatives focusing on retention rates. Despite the backdrop of continued market price reductions observed throughout 2018, the Group has seen signs of market price increases in the second quarter. The Group's UK car market share increased to 7.8% from 7.5% at 31 December 2018.

Following the announcement of new home panel insurers in the second half of 2018, home policies have increased 10% from 31 December 2018, with customers now renewing through the Guidewire platform. Advantage Insurance Company Limited ('AICL'), the Group's Underwriting business, increased its share of underwriting risks for home policies as the lead insurer during the period. This is considered an area for profitable growth and the proposition continues to be selectively rolled out to customers ensuring that a disciplined approach is applied.

Net revenue

	Six months ended	
Net revenue by type	30 June 2019 £m	30 June 2018 £m
Net earned premiums	215.6	219.2
Fees and commission	52.1	52.1
Ancillary product income	29.2	25.3
Premium finance interest	52.2	50.9
Reinsurance commissions	6.9	17.8
Other income	9.4	7.9
Other revenue	149.8	154.0
Investment and interest income	4.9	3.1
Net revenue	370.3	376.3

Net revenue slightly reduced by 2% to £370.3m (30 June 2018: £376.3m) due to the earn through of lower average written premiums and reduced reinsurance commissions, offset by growth in LCP and policy income. Net earned premiums decreased by 2% to £215.6m over the prior period (30 June 2018: £219.2m) driven by the higher cost of reinsurance from January 2018 earning through, whilst ancillary product income increased due to higher customer uptake. Premium finance interest benefitted from the increase in customer volumes, partially offset by income on lower written premiums in the period.

Reinsurance commissions were down on prior period due to the higher loss ratio and impact of the Ogden rate change.

Loss ratio, expense ratio and combined operating ratio

Combined operating ratio reconciliation	Six months ended 30 June 2019	Six months ended 30 June 2018
Accident year loss ratio before the impact of change in Ogden rate	79.6%	75.2%
Prior year development before the impact of change in Ogden rate	(0.5%)	(1.4%)
Calendar year loss ratio before the impact of change in Ogden rate	79.1%	73.8%
Impact of change in Ogden rate	2.0%	-
Calendar year loss ratio[1]	81.1%	73.8%
Calendar year loss ratio[1]	81.1%	73.8%
Expense ratio[1]	15.8%	13.9%
Combined operating ratio[1]	96.9%	87.7%

The calendar year loss ratio excluding the impact of the Ogden rate change is 79.1%, at the top end of the Group's target loss ratio of 75% to 79%. The year on year increase in loss ratio is due to market wide claims inflation and lower earned premiums. Claims inflation remains at 6% to 7% and ahead of earned premium inflation, reflecting increased cost in vehicle repairs due to enhanced vehicle sophistication, continued inflation in paint, parts and labour and third party credit hire cost increases. The calendar year loss ratio including the impact of the Ogden rate change, which increased claims reserves for current period and previous years, is 81.1%.

The expense ratio increased to 15.8% due to the rise in the rate of Motor Insurers' Bureau underwriting levies.

Insurance contract liabilities

Total insurance contract liabilities of £1,985.6m at 30 June 2019 (30 June 2018: £1,791.8m) comprise £504.1m (30 June 2018: £490.7m) of unearned premiums, which are deferred and recognised in the Statement of Profit or Loss in subsequent periods, and outstanding claims liabilities of £1,481.5m (30 June 2018: £1,301.1m). Gross outstanding claims liabilities have increased due to the greater exposure from the increase in LCP, the impact of the change in Ogden rate and the impact of claims inflation.

The Group applies a consistent reserving methodology to calculate an internal actuarial best estimate and an additional risk margin. The Group's reinsurance programme, described below, manages insurance risk and protects against volatile movements typically caused by large bodily injury claims.

Reinsurance contracts

Reinsurance assets, comprising reinsurers' share of outstanding claims liabilities and unearned premiums, increased to £1,350.0m as at 30 June 2019 (30 June 2018: £1,199.6m) due to greater exposure from the increase in LCP, the impact of the change in Ogden rate and the increase in costs of accidental and third party property damage.

The Group uses excess of loss and quota share reinsurance arrangements to limit its exposure to claims. The excess of loss programme limits the Group's exposure on any individual event to £1m and the quota share arrangement provides 50% cover on motor claims incurred, after the excess of loss recoveries. These arrangements reduce the volatility that could otherwise be caused by individual large claims.

The Group carefully manages risk within the portfolio by working with a range of high quality, highly regarded and stable reinsurers.

Financial review (continued)

Cash and net debt

	As at	
	30 June 2019	**30 June 2018**
	£m	**£m**
Loans and borrowings	244.8	243.7
Add back transaction costs	5.2	6.3
Gross debt	250.0	250.0
Deduct:		
Retail free cash[3]	(26.9)	(11.8)
Corporate free cash[3]	(4.9)	(5.2)
Free cash[3]	(31.8)	(17.0)
Net debt[4]	218.2	233.0
Adjusted operating profit (for the preceding twelve months)	145.2	202.7
Net debt leverage multiple	1.5x	1.1x

The Group maintained its net debt leverage multiple around the target of 1.0x during the first quarter of the year, before the payment of the final dividend for 2018. As at 30 June 2019 the net debt leverage multiple was 1.5x, after the payment of the final dividend for 2018, the reduction in adjusted operating profit and the impact of the Ogden rate change.

The following table shows the net debt movement for the period:

	Six months ended	
	30 June 2019	**30 June 2018**
	£m	**£m**
Opening net debt	230.9	254.3
Retail free cash generated[3]	(44.0)	(67.8)
AICL dividend received	(55.0)	(40.0)
Group free cash generated	(99.0)	(107.8)
Retail and Corporate taxation paid	11.6	8.5
Capital expenditure	7.9	11.2
Dividends paid	59.5	55.9
Interest, corporate and refinancing costs	7.3	8.7
Discount on issue of 3% Bonds	-	2.2
Closing net debt	218.2	233.0

During the first half of the year, the Group generated £99.0m of free cash (30 June 2018: £107.8m). After adjusting for the £10.3m VAT refund in respect of prior periods received in June 2018, Group free cash generated increased by £1.5m for the six months to 30 June 2019.

Financial review (continued)

Investments

Cash and cash equivalents and investments by credit rating	As at 30 June 2019 £m	As at 31 December 2018 £m
AAA and AA	293.3	305.2
A	245.4	227.9
BBB	156.9	147.4
Less than BBB	12.5	12.8
Not rated	10.3	10.7
Total cash and cash equivalents and investments	718.4	704.0

The Group's conservative investment strategy primarily focuses on capital preservation and seeks to align the duration of the assets with the underlying insurance liabilities. As at 30 June 2019, the Group's percentage of the total portfolio of investments rated A or equivalent and above was 75% (31 December 2018: 76%). The weighted average credit rating of the investment portfolio continued to be A+ (31 December 2018: A+).

The Group's cash and cash equivalents and investment portfolio primarily comprises investment grade fixed income debt securities, money market funds and investment funds managed by third parties.

Return on capital employed

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m
Average AICL deployed capital[7]	282.1	277.4
Average HISL deployed capital[7]	59.4	44.5
Average corporate free cash[3]	4.1	4.9
Average capital employed	345.6	326.8
Net income[8]	39.3	81.9
Return on capital employed	22.7%	50.1%

Return on capital employed measures the capital efficiency of the Group and reflects net income over average capital employed. The Group's return on capital employed decreased during the year primarily driven by the reduced net income compared to prior year. Capital employed increased across the Group, strengthening the Group's overall capital position.

Dividends

The proposed interim dividend for the six months ended 30 June 2019 is £29.8m (30 June 2018: £29.6m), a payout of 4.5p per share (30 June 2018: 4.5p per share).

Dividends continue to be satisfied by the Group's free cash, which comprises cash generated by Retail and dividends received from AICL. During the period, the Group generated free cash of £99.0m.

Financial review (continued)

Solvency

The table below presents the unaudited Solvency II coverage ratio for AICL, the Group's Underwriting business, on a standard formula basis with undertaking specific parameters applied:

	As at	
	30 June 2019	**31 December 2018**
Solvency II:		
Own funds (£m)	288.7	270.4
Solvency Capital Requirement (£m)	181.0	168.2
Solvency II coverage ratio	160%	161%

Notes

1 Calendar year loss ratio is a measure of underwriting performance, representing net claims incurred as a percentage of net earned premiums. Expense ratio is a measure of underwriting operational efficiency, representing the Group's share of incurred operational and acquisition expenses over net earned premiums. The combined operating ratio is a measure of the Group's overall underwriting performance and is the sum of the calendar year loss ratio and the expense ratio. See page 35 for a reconciliation of the calendar year loss ratio, expense ratio and combined operating ratio.

2 Adjusted operating profit is defined as profit before taxation expense, finance costs, amortisation and depreciation and non-trading costs.

3 Group free cash consists of Retail free cash and Corporate free cash. Retail free cash comprises cash held by the Retail business in excess of the regulatory capital required, and excluding cash held on behalf of insurers. Corporate free cash comprises cash held in Group entities which are not subject to FCA or Solvency regulations. See page 36 for reconciliation of cash and cash equivalents to free cash and Group free cash generated.

4 Net debt represents gross debt, before the deduction of arrangement fees, less Group free cash. Net debt leverage multiple represents the Group's net debt expressed relative to 12 months trailing adjusted operating profit.

5 Total stock for UK private car is sourced from internal data and data from the Department for Transport.

6 Non-trading items are defined as expenses or earnings that are not representative of the operating activities of the Group and include Group reorganisation, refinancing and transaction costs and the impact of accounting for business combinations.

7 The deployed capital of HISL and AICL represents respectively the average of HISL's net tangible assets and the average of AICL's IFRS net assets during each year.

8 Net income is defined as profit after tax excluding the post-tax impact of non-trading items.

Managing our risks

The Directors continue to review, assess and manage the principal risks facing the Group, including those that would threaten its business model, future performance, resilience, solvency or liquidity.

The Group continues to consider its material risks to be as follows:

1. Commercial performance risk (includes reinsurance risk, market risk, pricing risk and reserving risk): The risk of loss resulting from failure to meet the Group's strategic objectives and deliver the Three Year Plan.
2. Liquidity risk: The risk of loss resulting from an inability to meet financial commitments as they fall due.
3. Operational risk: The risk of loss resulting from inadequate or failed internal processes, people or systems and external events.

A full description of these risks, including the potential impact, monitoring and mitigations are set out on pages 33 – 40 of the Hastings Group Holdings plc 2018 Annual Report.

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Profit or Loss

for the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Gross written premiums	6	499.2	485.6	958.3
Gross earned premiums	6	475.8	467.2	949.9
Earned premiums ceded to reinsurers	6	(260.2)	(248.0)	(509.2)
Net earned premiums	6	215.6	219.2	440.7
Other revenue	7	149.8	154.0	308.7
Investment and interest income	8	4.9	3.1	7.0
Net revenue		370.3	376.3	756.4
Claims incurred	9	(468.4)	(423.0)	(774.6)
Reinsurers' share of claims incurred	9	293.5	261.2	444.0
Net claims incurred	9	(174.9)	(161.8)	(330.6)
Acquisition costs		(39.3)	(34.6)	(74.6)
Other expenses	10	(96.4)	(74.8)	(160.6)
Adjusted operating profit[1]		59.7	105.1	190.6
Amortisation and depreciation	10	(8.7)	(14.3)	(29.0)
Finance costs	13	(4.9)	(4.0)	(8.7)
Profit before tax		46.1	86.8	152.9
Taxation expense		(7.9)	(13.9)	(22.3)
Total profit attributable to the equity holders of the parent		38.2	72.9	130.6
Earnings per share attributable to the equity holders of the parent (expressed in pence per share)				
Basic earnings per share	14	5.8p	11.1p	19.9p
Diluted earnings per share	14	5.8p	11.1p	19.8p

All results arose from continuing operations.

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

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

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2019

		Six months ended		Year ended
		30 June 2019	30 June 2018	31 December 2018
	Note	£m	£m	£m
Total profit attributable to the equity holders of the parent		38.2	72.9	130.6
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Fair value gain/ (loss) on available for sale investments	18	6.4	(3.8)	(6.8)
Total items that may be subsequently reclassified to profit or loss		6.4	(3.8)	(6.8)
Items that may not be subsequently reclassified to profit or loss				
Revaluation loss on property		-	-	(0.4)
Total items that may not be subsequently reclassified to profit or loss		-	-	(0.4)
Total other comprehensive profit		6.4	(3.8)	(7.2)
Total comprehensive income attributable to the equity holders of the parent		44.6	69.1	123.4

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

Condensed Consolidated Financial Statements

Condensed Consolidated Balance Sheet

as at 30 June 2019

	Note	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Assets				
Goodwill		470.0	470.0	470.0
Intangible assets		81.6	82.4	80.5
Property and equipment		23.2	22.9	22.7
Deferred income tax assets		4.7	7.1	6.6
Reinsurance assets	15	1,350.0	1,199.6	1,212.1
Deferred acquisition costs		35.0	33.9	34.5
Prepayments		8.7	6.3	7.6
Insurance and other receivables	16, 18	486.2	457.1	444.7
Financial assets at fair value	18	567.5	524.0	558.0
Cash and cash equivalents	17, 18	150.9	150.0	146.0
Total assets		3,177.8	2,953.3	2,982.7
Liabilities				
Loans and borrowings	18, 19	244.8	243.7	244.3
Insurance contract liabilities	15	1,985.6	1,791.8	1,820.8
Insurance and other payables	18, 20	294.8	260.4	243.4
Deferred income tax liabilities		6.6	13.9	8.5
Current tax liabilities		8.5	17.3	14.7
Total liabilities		2,540.3	2,327.1	2,331.7
Equity				
Share capital		13.2	13.2	13.2
Share premium		172.6	172.6	172.6
Merger reserve		(756.0)	(756.0)	(756.0)
Other reserves		1.2	(1.5)	(5.0)
Retained earnings		1,206.5	1,197.9	1,226.2
Total equity		637.5	626.2	651.0
Total equity and liabilities		3,177.8	2,953.3	2,982.7

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

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2019

		Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
As at 31 December 2017 as previously stated		13.1	172.6	(756.0)	2.5	1,180.7	612.9
Impact of implementing IFRS 15		-	-	-	-	(1.3)	(1.3)
Impact of implementing IFRS 16		-	-	-	-	(0.3)	(0.3)
Tax on opening balance adjustments		-	-	-	-	0.4	0.4
Adjusted as at 1 January 2018		13.1	172.6	(756.0)	2.5	1,179.5	611.7
Total profit attributable to the equity holders of the parent		-	-	-	-	130.6	130.6
Total other comprehensive income		-	-	-	(7.2)	-	(7.2)
Total comprehensive income for the year		-	-	-	(7.2)	130.6	123.4
Transactions with equity holders of the parent							
Share based payments		-	-	-	-	2.1	2.1
Tax on share based payments		-	-	-	-	(0.4)	(0.4)
Acquisition of own shares		-	-	-	(2.2)	-	(2.2)
Issue of shares		0.1	-	-	-	(0.1)	-
Dividends paid	22	-	-	-	-	(85.5)	(85.5)
Capital contribution		-	-	-	1.9	-	1.9
Total transactions with equity holders of the parent		0.1	-	-	(0.3)	(83.9)	(84.1)
As at 31 December 2018		13.2	172.6	(756.0)	(5.0)	1,226.2	651.0

Six months ended 30 June 2019	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
As at 1 January 2019		13.2	172.6	(756.0)	(5.0)	1,226.2	651.0
Total profit attributable to the equity holders of the parent		-	-	-	-	38.2	38.2
Total other comprehensive income		-	-	-	6.4	-	6.4
Total comprehensive income for the period		-	-	-	6.4	38.2	44.6
Transactions with equity holders of the parent							
Share based payments		-	-	-	-	1.2	1.2
Tax on share based payments		-	-	-	-	0.4	0.4
Acquisition of own shares		-	-	-	(0.2)	-	(0.2)
Dividends paid	22	-	-	-	-	(59.5)	(59.5)
Total transactions with equity holders of the parent		-	-	-	(0.2)	(57.9)	(58.1)
As at 30 June 2019		13.2	172.6	(756.0)	1.2	1,206.5	637.5

Condensed Consolidated Financial Statements

Six months ended 30 June 2018		Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
As at 31 December 2017 as previously stated		13.1	172.6	(756.0)	2.5	1,180.7	612.9
Impact of implementing IFRS 15		-	-	-	-	(1.3)	(1.3)
Impact of implementing IFRS 16		-	-	-	-	(0.3)	(0.3)
Tax on opening balance adjustments		-	-	-	-	0.2	0.2
Adjusted as at 1 January 2018		13.1	172.6	(756.0)	2.5	1,179.3	611.5
Total profit attributable to the equity holders of the parent		-	-	-	-	72.9	72.9
Total other comprehensive income		-	-	-	(3.8)	-	(3.8)
Total comprehensive income for the period		-	-	-	(3.8)	72.9	69.1
Transactions with equity holders of the parent							
Share based payments		-	-	-	-	1.5	1.5
Tax on share based payments		-	-	-	-	0.2	0.2
Acquisition of own shares		-	-	-	(0.2)	-	(0.2)
Issue of shares		0.1	-	-	-	(0.1)	-
Dividends paid	22	-	-	-	-	(55.9)	(55.9)
Total transactions with equity holders of the parent		0.1	-	-	(0.2)	(54.3)	(54.4)
As at 30 June 2018		13.2	172.6	(756.0)	(1.5)	1,197.9	626.2

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

Condensed Consolidated Financial Statements

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Profit after tax		38.2	72.9	130.6
Adjustments for:				
Depreciation of property and equipment	10	3.1	2.2	5.0
Amortisation of intangible assets	10	5.6	12.0	24.0
Net fair value (gains)/losses on financial assets recognised in profit or loss	8	(0.7)	0.7	1.3
Other interest income	8	(4.2)	(3.8)	(8.3)
Loss on disposal of property and equipment		-	-	1.3
Finance costs	13	4.9	4.0	8.7
Taxation expense		7.9	13.9	22.3
Share based payment charge		1.2	2.4	2.1
Change in insurance and other receivables and prepayments		(43.5)	(41.6)	(30.0)
Change in insurance and other payables		53.1	16.8	(6.5)
Change in reinsurance assets		(137.7)	(111.6)	(124.2)
Change in deferred acquisition costs		(0.5)	(2.4)	(3.0)
Change in insurance contract liabilities		164.2	125.6	154.4
Share based payments net settlement		-	(0.9)	-
Taxation paid		(13.7)	(10.0)	(26.3)
Net cash flows from operating activities		77.9	80.2	151.4
Purchase of property and equipment		(4.3)	(2.1)	(3.1)
Acquisition of intangible assets		(6.3)	(9.1)	(17.2)
Interest received		9.2	9.4	17.4
Outlays for acquisition of financial assets at fair value		(125.1)	(87.9)	(202.0)
Proceeds from disposal of financial assets at fair value		118.5	94.3	166.4
Net cash flows from investing activities		(8.0)	4.6	(38.5)
Purchase of own shares		(0.2)	(0.2)	(2.2)
Repayment of lease liabilities		(1.5)	(1.6)	(1.2)
Proceeds from new loans and borrowings		-	247.8	247.8
Repayment of loans and borrowings		-	(275.0)	(275.0)
Interest paid on loans and borrowings		(3.8)	(3.3)	(6.2)
Other interest and refinancing costs paid		-	(1.2)	(1.1)
Capital contribution		-	-	1.9
Dividends paid	22	(59.5)	(55.9)	(85.5)
Net cash flows from financing activities		(65.0)	(89.4)	(121.5)
Net movement in cash and cash equivalents		4.9	(4.6)	(8.6)
Cash and cash equivalents at beginning of period		146.0	154.6	154.6
Net movement in cash and cash equivalents		4.9	(4.6)	(8.6)
Cash and cash equivalents at end of period	17	150.9	150.0	146.0

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

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

Hastings Group Holdings plc's (the 'Company', 'Hastings', 'HGH') registered office and principal place of business is at Conquest House, Collington Avenue, Bexhill-on-Sea, TN39 3LW, United Kingdom. The Company's registered number is 09635183.

The Condensed Consolidated Financial Statements have been approved by the Directors and comprise the consolidated results of the Company and its subsidiaries (together referred to as the 'Group') for the six months ended 30 June 2019 and comparative figures for the six months ended 30 June 2018 and for the year ended 31 December 2018.

The Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

These Condensed Consolidated Financial Statements are not statutory accounts. The statutory accounts for the year ended 31 December 2018 were prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS'), have been audited and reported on by the Company's auditors and have been delivered to the Registrar of Companies. The auditor's report was:

- (i) unqualified;
- (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and
- (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The external auditor has reviewed the Condensed Consolidated Financial Statements in accordance with their report included on page 39. The Consolidated Financial Statements for the year ended 31 December 2018 are available on the Company website www.hastingsplc.com.

Principal activities

The principal activities of the Group are the broking and underwriting of UK private car, van, bike and home insurance.

Going concern

The financial performance and position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the primary statements and the subsequent notes. Further analysis of the Group's operations, capital management strategy, risk management practices and growth strategy may be found in the Hastings Group Holdings plc 2018 Annual Report.

Having considered the foregoing items, the Group's approved budget and cash flow forecasts for the next 12 months and beyond, and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Condensed Consolidated Financial Statements.

Basis of measurement

The Condensed Consolidated Financial Statements are presented in Pounds Sterling. Amounts are rounded to the nearest million with one decimal place (i.e. £0.1m) except where otherwise indicated.

The Condensed Consolidated Financial Statements are prepared on the historical cost basis, except for certain financial assets and property which are measured at their fair value or revalued amounts.

Basis of consolidation

The Condensed Consolidated Financial Statements incorporate the financial statements of the Company and all of its subsidiary undertakings. Accounting policies have been consistently applied throughout the Group.

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. Subsidiaries are consolidated from the date on which control commences until the date when control ceases. Intercompany balances and transactions are eliminated in the Condensed Consolidated Financial Statements.

d) IFRS developments

The following accounting standards and amendments to IFRS have been endorsed and have become effective in the EU during the period:

Notes to the Condensed consolidated financial statements (continued)

Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)

On 14 March 2019, the EU endorsed Annual Improvements to IFRS Standards 2015-2017 Cycle. The annual improvements were amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs. These did not have a material impact on the Group's financial statements upon adoption on 1 January 2019.

Amendments to IAS 19 Employee Benefits ('IAS 19')

On 13 March 2019, the EU endorsed Amendments to IAS 19: Plan Amendment, Curtailment or Settlement. This did not have a material impact on the Group's financial statements upon adoption on 1 January 2019.

Amendments to IAS 28 Investments in Associates and Joint Ventures ('IAS 28')

On 8 February 2019, the EU endorsed Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures. This did not have a material impact on the Group's financial statements upon adoption on 1 January 2019.

IFRIC 23 Uncertainty over Income Tax Treatments ('IFRIC 23')

On 23 October 2018, the EU endorsed IFRIC 23: Uncertainty over Income Tax Treatments, IFRIC 23 provides additional guidance on the application of IAS 12 Income Taxes. There has been no material impact on the Group's financial statements upon adoption of this guidance on 1 January 2019.

Amendments to IFRS 9 Financial Instruments ('IFRS 9')

On 22 March 2018, the EU endorsed Amendments to IFRS 9: Prepayment Features with Negative Compensation which became effective on 1 January 2019. The group has applied the temporary exemption for the adoption of IFRS 9 under IFRS 4. Further details can be found on pages 124 to 126 of the Hastings Group Holdings plc 2018 Annual Report.

IFRS 16 Leases ('IFRS 16')

IFRS 16 was early adopted by Hastings Group Holdings plc on 1 January 2018, further details can be found on pages 131 and 165 to 166 of the Hastings Group Holdings plc 2018 Annual Report.

Issued accounting standards not yet adopted

Accounting standards or amendments to IFRS issued by the IASB that are not yet effective that could be expected to have a material impact on the Condensed Consolidated Financial Statements are included on pages 125 and 126 of the Hastings Group Holdings plc 2018 Annual Report.

2. Accounting policies

The Group's accounting policies as disclosed on pages 126 to 134 of the Hastings Group Holdings plc 2018 Annual Report, have been applied consistently to all periods presented in these Condensed Consolidated Financial Statements. There have been no changes to accounting policies during the period.

3. Judgements in applying accounting policies and critical accounting estimates

The preparation of financial statements in accordance with IFRS requires the Directors to make judgements and assumptions that affect the assets and liabilities recognised as at the reporting date and the income and expense recognised during the reporting period as well as the content of any disclosures. Although these judgements and assumptions are based on the Directors' best knowledge of the amounts, events and actions, actual results may differ from these judgements and assumptions.

The judgements that the Directors have made in applying the Group's accounting policies and the major sources of estimation uncertainty that have a significant risk on the amounts recognised in the Condensed Consolidated Financial Statements are provided on pages 134 to 136 of the Hastings Group Holdings plc 2018 Annual Report.

There have been no significant changes to these judgements, assumptions and estimations, other than the additional certainty provided by the Ministry of Justice's announcement on 15 July 2019 regarding the change to the personal injury discount rate ('the Ogden rate'), the impact of which is disclosed in note 11, and HMRC withdrawing their appeal to the Upper Tier Tribunal. This removed a contingent liability in respect of VAT, and further information is provided in note 23.

4. Insurance contracts risk management

A key risk from operating in the general insurance industry is the exposure to insurance risk arising from underwriting insurance contracts. Insurance contracts transfer risk to the insurer by indemnifying the customers against adverse effects arising from the occurrence of specified uncertain future events. The risk is that the actual amount of claims to be paid in relation to contracts will be different from the amount estimated at the time the contract was designed and priced, which is before the losses relating to it are known. Hence the insurance business involves inherent uncertainty.

A fundamental part of the Group's overall risk management strategy is the effective governance and management of risks that impact the amount, timing and uncertainty of cash flows arising from insurance contracts. The Group's risk management objectives and policies for mitigating insurance risk are provided on pages 136 to 137 of the Hastings Group Holdings plc 2018 Annual Report and there have been no changes to this during the period.

5. Segmental reporting

Segment performance

The tables below present the Group's results by reportable segment:

	Underwriting	Retail	Corporate	Consolidation adjustments	Group
Six months ended 30 June 2019	£m	£m	£m	£m	£m
Net earned premiums	241.5	-	-	(25.9)	215.6
Other revenue	7.1	175.3	0.1	(32.7)	149.8
Investment and interest income	4.7	0.6	0.1	(0.5)	4.9
Net revenue	253.3	175.9	0.2	(59.1)	370.3
Net claims incurred	(174.9)	-	-	-	(174.9)
Other expenses	(70.6)	(121.1)	(3.3)	59.3	(135.7)
Adjusted operating profit	7.8	54.8	(3.1)	0.2	59.7
Amortisation and depreciation					(8.7)
Finance costs					(4.9)
Profit before tax					46.1

Included within other revenue is £59.6m recognised by the Retail segment arising from transactions with the Underwriting segment.

Six months ended 30 June 2018	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Net earned premiums	242.8	-	-	(23.6)	219.2
Other revenue	17.8	167.4	0.2	(31.4)	154.0
Investment and interest income	2.7	0.6	-	(0.2)	3.1
Net revenue	263.3	168.0	0.2	(55.2)	376.3
Net claims incurred	(161.8)	-	-	-	(161.8)
Other expenses	(69.2)	(96.7)	(4.1)	60.6	(109.4)
Adjusted operating profit	32.3	71.3	(3.9)	5.4	105.1
Amortisation and depreciation					(14.3)
Finance costs					(4.0)
Profit before tax					86.8

Included within other revenue recognised by the Retail segment is £63.4m arising from transactions with the Underwriting segment.

Year ended 31 December 2018	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Net earned premiums	490.8	-	-	(50.1)	440.7
Other revenue	36.4	331.6	0.4	(59.7)	308.7
Investment and interest income	6.2	1.3	-	(0.5)	7.0
Net revenue	533.4	332.9	0.4	(110.3)	756.4
Net claims incurred	(330.6)	-	-	-	(330.6)
Other expenses	(130.9)	(208.1)	(7.0)	110.8	(235.2)
Operating profit	71.9	124.8	(6.6)	0.5	190.6
Amortisation and depreciation					(29.0)
Finance costs					(8.7)
Profit before tax					152.9

Included within other revenue is £115.8m recognised by the Retail segment arising from transactions with the Underwriting segment.

Segment assets and liabilities

The tables below present the Group's assets and liabilities by reportable segment as at each reporting date.

Notes to the Condensed consolidated financial statements (continued)

As at 30 June 2019	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Goodwill	-	1.9	-	468.1	470.0
Intangible assets	-	77.5	-	4.1	81.6
Investments in subsidiaries	-	-	1,276.5	(1,276.5)	-
Investments	4.2	-	-	(4.2)	-
Property and equipment	1.2	19.9	-	2.1	23.2
Deferred income tax assets	-	-	0.1	4.6	4.7
Reinsurance assets	1,350.0	-	-	-	1,350.0
Deferred acquisition costs	28.7	48.0	-	(41.7)	35.0
Prepayments	2.3	7.0	0.1	(0.7)	8.7
Insurance and other receivables	472.6	357.9	(8.7)	(335.6)	486.2
Financial assets at fair value	567.5	-	-	-	567.5
Cash and cash equivalents	81.4	64.5	5.0	-	150.9
Total assets	2,507.9	576.7	1,273.0	(1,179.8)	3,177.8
Loans and borrowings	-	-	244.8	-	244.8
Insurance contract liabilities	2,009.4	-	-	(23.8)	1,985.6
Insurance and other payables	235.7	402.5	2.9	(346.3)	294.8
Deferred income tax liabilities	-	0.8	-	5.8	6.6
Current tax liabilities	1.3	7.2	-	-	8.5
Total liabilities	2,246.4	410.5	247.7	(364.3)	2,540.3
Total equity	261.5	166.2	1,025.3	(815.5)	637.5

As at 30 June 2018	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Goodwill	-	1.9	-	468.1	470.0
Intangible assets	-	66.3	-	16.1	82.4
Investments in subsidiaries	-	-	1,275.2	(1,275.2)	-
Investments	4.2	-	-	(4.2)	-
Property and equipment	1.7	19.0	0.3	1.9	22.9
Deferred income tax assets	-	-	0.6	6.5	7.1
Reinsurance assets	1,199.4	-	-	0.2	1,199.6
Deferred acquisition costs	31.7	43.9	-	(41.7)	33.9
Prepayments	1.0	5.7	0.1	(0.5)	6.3
Insurance and other receivables	451.5	326.9	(14.8)	(306.5)	457.1
Financial assets at fair value	524.0	-	-	-	524.0
Cash and cash equivalents	86.0	58.8	5.2	-	150.0
Total assets	2,299.5	522.5	1,266.6	(1,135.3)	2,953.3
Loans and borrowings	-	-	243.7	-	243.7
Insurance contract liabilities	1,819.7	-	-	(27.9)	1,791.8
Insurance and other payables	205.4	368.3	3.4	(316.7)	260.4
Deferred income tax liabilities	0.1	2.8	-	11.0	13.9
Current tax liabilities	4.1	13.2	-	-	17.3
Total liabilities	2,029.3	384.3	247.1	(333.6)	2,327.1
Total equity	270.2	138.2	1,019.5	(801.7)	626.2

Notes to the Condensed consolidated financial statements (continued)

As at 31 December 2018	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Goodwill	-	1.9	-	468.1	470.0
Intangible assets	-	75.2	-	5.3	80.5
Investments in subsidiaries	-	-	1,275.7	(1,275.7)	-
Investments	4.2	-	-	(4.2)	-
Property and equipment	1.2	19.4	-	2.1	22.7
Deferred income tax asset	-	-	0.6	6.0	6.6
Reinsurance assets	1,212.6	-	-	(0.5)	1,212.1
Deferred acquisition costs	30.3	46.8	-	(42.6)	34.5
Prepayments	1.0	7.1	0.1	(0.6)	7.6
Insurance and other receivables	451.2	315.8	(9.3)	(313.0)	444.7
Financial assets at fair value	558.0	-	-	-	558.0
Cash and cash equivalents	86.7	55.9	3.4	-	146.0
Total assets	2,345.2	522.1	1,270.5	(1,155.1)	2,982.7
Loans and borrowings	-	-	244.3	-	244.3
Insurance contract liabilities	1,846.6	-	-	(25.8)	1,820.8
Insurance and other payables	192.6	370.8	2.5	(322.5)	243.4
Deferred income tax liability	0.1	0.6	-	7.8	8.5
Current tax liabilities/ (assets)	3.2	11.4	-	0.1	14.7
Total liabilities	2,042.5	382.8	246.8	(340.4)	2,331.7
Total equity	302.7	139.3	1,023.7	(814.7)	651.0

6. Insurance premiums

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Gross £m	Reinsurers' share £m	Net £m	Gross £m	Reinsurers' share £m	Net £m
Written premiums	499.2	(273.8)	225.4	485.6	(266.8)	218.8
Unearned premiums reserve brought forward at start of the period	480.7	(261.1)	219.6	472.3	(247.5)	224.8
Unearned premiums reserve carried forward at end of the period	(504.1)	274.7	(229.4)	(490.7)	266.3	(224.4)
Total earned premiums	475.8	(260.2)	215.6	467.2	(248.0)	219.2

	Year ended 31 December 2018		
	Gross £m	Reinsurers' share £m	Net £m
Written premiums	958.3	(522.8)	435.5
Unearned premiums reserve brought forward at start of year	472.3	(247.5)	224.8
Unearned premiums reserve carried forward at end of year	(480.7)	261.1	(219.6)
Total earned premiums	949.9	(509.2)	440.7

Notes to the Condensed consolidated financial statements (continued)

7. Other revenue

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Fees and commission	52.1	52.1	101.2
Ancillary product income	29.2	25.3	49.6
Premium finance interest	52.2	50.9	104.0
Reinsurance commissions	6.9	17.8	35.3
Other retail income	9.4	7.9	18.6
Total other revenue	149.8	154.0	308.7

Fees and commission on panel providers, ancillary product income and other retail income are recognised as revenue from contracts with customers as defined by IFRS 15.

8. Investment and interest income

	Six months ended 30 June 2019 £m	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Net fair value gains/(losses) on financial assets at fair value	0.7	(0.7)	(1.3)
Interest income	4.2	3.8	8.3
Total investment and interest income	4.9	3.1	7.0

9. Claims incurred

	Six months ended 30 June 2019			Six months ended 30 June 2018		
	Gross £m	Reinsurers' share £m	Net £m	Gross £m	Reinsurers' share £m	Net £m
Current period	446.0	(273.7)	172.3	430.9	(266.0)	164.9
Prior periods	22.4	(19.8)	2.6	(7.9)	4.8	(3.1)
Total claims incurred	468.4	(293.5)	174.9	423.0	(261.2)	161.8

	Year ended 31 December 2018		
	Gross £m	Reinsurers' share £m	Net £m
Current period	789.1	(453.8)	335.3
Prior periods	(14.5)	9.8	(4.7)
Total claims incurred	774.6	(444.0)	330.6

Current period claims relate to claim events that occurred in the current year. Prior period claims relate to the reassessment of claim events that occurred in previous years.

Notes to the Condensed consolidated financial statements (continued)

10. Expenses

	Six months ended		Year ended
	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Profit before taxation is stated after charging:			
Employee benefits	50.1	47.8	95.6
VAT refund in respect of prior periods	-	(14.6)	(14.6)
Auditor remuneration	0.2	0.2	0.6
Other administration and distribution costs	46.1	41.4	79.0
Other expenses	96.4	74.8	160.6
Amortisation of intangible assets	5.6	12.0	24.0
Depreciation of property and equipment	3.1	2.3	5.0
Amortisation and depreciation	8.7	14.3	29.0

11. Ogden discount rate impact

The personal injury discount rate (or 'Ogden rate') is a rate set by the UK Government's Lord Chancellor that is used by the Courts to calculate lump sum personal injury compensation payments. The rate was set at 2.5% in 2001 and was reduced to minus 0.75% on 27 February 2017. On 19 March 2019, the Ministry of Justice announced that it was undertaking a review of the Ogden rate. The review concluded on 15 July 2019, with the announcement that the Ogden rate will increase from minus 0.75% to minus 0.25% with effect from 5 August 2019. The announced rate is lower than both the rate at which large bodily injury claims have been settling and the original guidance provided by Ministry of Justice of between 0% and 1%. The Group has reflected the rate change to minus 0.25% in estimating the claims liabilities at 30 June 2019 and the impact on the results for the year is shown below:

	Six months ended				
	30 June 2019				
	Underlying trading pre-Ogden rate change	Ogden discount rate impact	Underlying trading	Non-trading items	Total
	£m	£m	£m	£m	£m
Gross written premiums	499.2	-	499.2	-	499.2
Gross earned premiums	475.8	-	475.8	-	475.8
Earned premiums ceded to reinsurers	(260.2)	-	(260.2)	-	(260.2)
Net earned premiums	215.6	-	215.6	-	215.6
Other revenue	153.9	(4.1)	149.8	-	149.8
Investment and interest income	4.9	-	4.9	-	4.9
Net revenue	374.4	(4.1)	370.3	-	370.3
Claims incurred	(385.8)	(82.6)	(468.4)	-	(468.4)
Reinsurers' share of claims incurred	215.2	78.3	293.5	-	293.5
Net claims incurred	(170.6)	(4.3)	(174.9)	-	(174.9)
Acquisition costs	(39.3)	-	(39.3)	-	(39.3)
Other expenses	(96.4)	-	(96.4)	-	(96.4)
Adjusted operating profit	68.1	(8.4)	59.7		59.7
Amortisation and depreciation	(7.5)	-	(7.5)	(1.2)	(8.7)
Finance costs	(4.8)	-	(4.8)	(0.1)	(4.9)
Profit before tax	55.8	(8.4)	47.4	(1.3)	46.1
Taxation expense	(8.9)	0.8	(8.1)	0.2	(7.9)
Total profit attributable to the equity holders of the parent	46.9	(7.6)	39.3	(1.1)	38.2

Estimating the claims liabilities required at 30 June 2019 using an Ogden rate of minus 0.25%, announced on 15 July 2019, increased claims incurred by £82.6m as a result of the anticipated increase in the value of expected settlements of large personal injury claims. Of the gross amount, £78.3m is expected to be recovered from our reinsurance partners and has therefore increased the reinsurers' share of claims incurred and reinsurance assets. Net claims incurred increased by £4.3m and this subsequently reduced reinsurance profit commission by £4.1m, resulting in a net reduction in adjusted operating profit and profit before tax of £8.4m.

Notes to the Condensed consolidated financial statements (continued)

12. Non-trading items

	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018
	£m	£m	£m
Non-operational amortisation of intangibles recognised on acquisition	1.2	10.8	21.5
Non-trading amortisation	1.2	10.8	21.5
Non-cash unwind of fair value adjustments arising on business combination	0.1	0.1	0.2
Non-trading finance costs	0.1	0.1	0.2
Tax effect of the above non-trading items	(0.2)	(1.9)	(3.8)
Total non-trading items	1.1	9.0	17.9

13. Finance costs

	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018
	£m	£m	£m
Interest on 3% senior bonds due 2025	3.6	0.8	4.6
Fees and Interest on Revolving Credit Facility	0.4	2.4	2.5
Non-cash amortisation of loans and borrowings	0.5	0.5	1.0
Other interest expense	0.4	0.3	0.6
Total interest expense	4.9	4.0	8.7

14. Earnings per share

	Six months ended		Year ended
	30 June 2019	30 June 2018	31 December 2018
Profit attributable to the equity holders of the parent (£m)	38.2	72.9	130.6
Adjusted for non-trading items:			
Non-trading items net of taxation (£m)	1.1	9.0	17.9
Net income (£m)	39.3	81.9	148.5
Basic weighted average number of Ordinary Shares in issue (m)	658.2	657.4	656.9
Potential Ordinary Shares and contingently issuable shares (m)	0.6	2.3	2.2
Weighted average number of shares adjusted for dilutive potential Ordinary Shares (m)	658.8	659.7	659.1
Basic earnings per share	5.8p	11.1p	19.9p
Non-trading items net of taxation per share	0.2p	1.4p	2.7p
Adjusted earnings per share	6.0p	12.5p	22.6p
Diluted earnings per share	5.8p	11.1p	19.8p
Adjusted diluted earnings per share	6.0p	12.4p	22.5p

15. Reinsurance assets and insurance contract liabilities

	As at 30 June 2019			As at 30 June 2018		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	£m	£m	£m	£m	£m	£m
Claims incurred and reported	1,034.0	(712.6)	321.4	967.5	(671.2)	296.3
Claims incurred but not reported	447.5	(362.7)	84.8	333.6	(262.1)	71.5
Outstanding claims liabilities	1,481.5	(1,075.3)	406.2	1,301.1	(933.3)	367.8
Unearned premiums reserve	504.1	(274.7)	229.4	490.7	(266.3)	224.4
Total insurance contract liabilities	1,985.6	(1,350.0)	635.6	1,791.8	(1,199.6)	592.2

	As at 31 December 2018		
	Gross	Reinsurers' share	Net
	£m	£m	£m
Claims incurred and reported	1,000.9	(692.0)	308.9
Claims incurred but not reported	339.2	(259.0)	80.2
Outstanding claims liabilities	1,340.1	(951.0)	389.1
Unearned premiums reserve	480.7	(261.1)	219.6
Total insurance contract liabilities	1,820.8	(1,212.1)	608.7

All insurance contracts are annual policies and as such the unearned premiums reserve is released within 12 months of the reporting date.

	As at 30 June 2019			As at 30 June 2018		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	£m	£m	£m	£m	£m	£m
Outstanding claims liabilities brought forward at start of year	1,340.1	(951.0)	389.1	1,193.3	(840.2)	353.1
Claims paid	(337.0)	167.4	(169.6)	(324.0)	165.4	(158.6)
Movement in liabilities	478.4	(291.7)	186.7	431.8	(258.5)	173.3
Outstanding claims liabilities carried forward	1,481.5	(1,075.3)	406.2	1,301.1	(933.3)	367.8
Unearned premiums reserve brought forward at start of year	480.7	(261.1)	219.6	472.3	(247.5)	224.8
Deferral in period	499.2	(273.8)	225.4	485.6	(266.8)	218.8
Release in period	(475.8)	260.2	(215.6)	(467.2)	248.0	(219.2)
Unearned premiums reserve carried forward	504.1	(274.7)	229.4	490.7	(266.3)	224.4
Total insurance contract liabilities	1,985.6	(1,350.0)	635.6	1,791.8	(1,199.6)	592.2

	As at 31 December 2018		
	Gross	Reinsurers' share	Net
	£m	£m	£m
Outstanding claims liabilities brought forward at start of year	1,193.3	(840.2)	353.1
Claims paid	(648.0)	329.2	(318.8)
Movement in liabilities	794.8	(440.0)	354.8
Outstanding claims liabilities carried forward at end of year	1,340.1	(951.0)	389.1
Unearned premiums reserve brought forward at start of year	472.3	(247.5)	224.8
Deferral in period	958.3	(522.8)	435.5
Release in period	(949.9)	509.2	(440.7)
Unearned premiums reserve carried forward at end of year	480.7	(261.1)	219.6
Total insurance contracts liabilities	1,820.8	(1,212.1)	608.7

Movement in liabilities comprises changes in outstanding claims liabilities relating to claim events in previous periods and the expected cost of current year claims.

16. Insurance and other receivables

	As at		
	30 June 2019	30 June 2018	31 December 2018
	£m	£m	£m
Insurance receivables	349.9	319.4	309.8
Salvage and subrogation recoveries	49.0	56.1	53.1
Reinsurance receivables	53.8	51.4	51.0
Interest receivable	6.2	6.0	7.1
Other receivables	27.3	24.2	23.7
Total insurance and other receivables	486.2	457.1	444.7

17. Cash and cash equivalents

	As at		
	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Cash at bank and in hand	56.9	36.1	55.4
Money market funds	79.2	99.2	75.9
Short term deposits	14.8	14.7	14.7
Total cash and cash equivalents	150.9	150.0	146.0

18. Financial instruments, capital management and related disclosures

a) Financial assets and liabilities

The Group's financial instruments can be analysed as follows:

At amortised cost

The carrying values of all financial instruments carried at amortised cost are considered to be an approximation of fair value and the table below analyses these by balance sheet classification:

	As at		
	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Financial assets			
Insurance and other receivables (excluding salvage and subrogation assets)	437.2	401.0	391.6
Total financial assets at amortised cost	437.2	401.0	391.6
Financial liabilities			
Loans and borrowings	244.8	243.7	244.3
Insurance and other payables (excluding salvage and subrogation payables and deferred income)	250.0	211.9	204.5
Total financial liabilities at amortised cost	494.8	455.6	448.8

At fair value

The table below analyses financial assets carried at fair value by level within the fair value hierarchy. Debt securities and investment funds are valued by reference to the most recent observable market trade unless there is evidence of impairment. Where such trades are not sufficiently regular for the sales to be classified as an open market, these are classified as level 2.

	As at		
	30 June 2019 Level 2 £m	30 June 2018 Level 2 £m	31 December 2018 Level 2 £m
Fair value through profit or loss			
Investment funds	44.8	64.8	59.0
Total financial assets at fair value through profit or loss	44.8	64.8	59.0
Available for sale			
Debt securities	522.7	459.2	499.0
Total available for sale financial assets	522.7	459.2	499.0
Total financial assets at fair value	567.5	524.0	558.0

Notes to the Condensed consolidated financial statements (continued)

Investment funds comprise funds with investments in debt securities, equities, derivatives and cash and cash equivalents. The Group's investment in available for sale financial assets is mainly comprised of fixed income debt securities.

b) Credit risk

The credit rating of the investment managers and banks with which the Group has significant credit risk, in relation to its investments in cash and cash equivalents and financial assets at fair value, were as follows:

	Debt securities	Investment funds	Cash and cash equivalents	Total
	£m	£m	£m	£m
As at 30 June 2019				
AAA	77.4	4.2	79.6	161.2
AA	128.6	3.5	-	132.1
A	165.9	8.2	71.3	245.4
BBB	149.2	7.7	-	156.9
Less than BBB	1.6	10.9	-	12.5
Not rated	-	10.3	-	10.3
Total	522.7	44.8	150.9	718.4
As at 30 June 2018				
AAA	66.9	7.8	99.4	174.1
AA	88.9	11.5	-	100.4
A	171.2	16.5	35.6	223.3
BBB	132.2	9.2	15.0	156.4
Less than BBB	-	8.7	-	8.7
Not rated	-	11.1	-	11.1
Total	459.2	64.8	150.0	674.0
As at 31 December 2018				
AAA	62.7	6.3	76.1	145.1
AA	149.0	11.1	-	160.1
A	145.5	12.5	69.9	227.9
BBB	140.1	7.3	-	147.4
Less than BBB	1.7	11.1	-	12.8
Not rated	-	10.7	-	10.7
Total	499.0	59.0	146.0	704.0

The Group's maximum exposure to credit risk at 30 June 2019 is £2,554.6m (30 June 2018: £2,330.7m), being the carrying value of insurance and other receivables, reinsurance assets, financial assets and cash and cash equivalents. Insurance receivables are monitored closely with a view to minimising the collection period of those items.

The Group's exposure to reinsurers is analysed below by the credit rating of each reinsurer:

	As at		
	30 June 2019	30 June 2018	31 December 2018
	£m	£m	£m
AA	979.4	798.3	848.5
A	369.4	401.3	362.4
BBB	-	-	1.2
Unrated	1.2	-	-
Total reinsurance assets	1,350.0	1,199.6	1,212.1

19. Loans and borrowings

	As at		
	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
3% senior bonds due 2025	250.0	250.0	250.0
Arrangement fees and discounts	(5.2)	(6.3)	(5.7)
Total loans and borrowings	244.8	243.7	244.3
Current	-	-	-
Non-current	244.8	243.7	244.3
Total loans and borrowings	244.8	243.7	244.3

20. Insurance and other payables

	As at		
	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Amounts owed to reinsurers	132.3	110.1	97.5
Reinsurers' share of salvage and subrogation recoveries	24.3	27.8	26.3
Insurance premium tax	33.0	32.8	27.8
Accrued expenses	53.4	43.7	50.3
Deferred income	20.5	20.7	12.6
Lease liabilities	11.0	9.0	9.8
Other payables	20.3	16.3	19.1
Total insurance and other payables	294.8	260.4	243.4
Current	270.9	251.3	233.0
Non-current	23.9	9.1	10.4
Total insurance and other payables	294.8	260.4	243.4

21. Related party transactions

The Group undertakes transactions with related parties in the normal course of business and all transactions with related parties are made on normal, arm's length, commercial terms. During the six months ended 30 June 2019, the Group was charged £4.0m by OUTsurance Shared Services Limited, a subsidiary of a company with significant influence, for the provision of insurance intermediary support services (30 June 2018: £1.2m). There was an outstanding balance of £1.9m as at 30 June 2019 (30 June 2018: £0.5m).

Other than this, there have been no material changes in related parties and or the related party transactions undertaken during this period and they have remained consistent with those disclosed in the Hastings Group Holdings plc 2018 Annual Report.

22. Dividends

A final dividend in respect of the year ended 31 December 2018 amounting to £59.5m or 9.0p per share was paid on 31 May 2019 (2018: £55.9m).

On 7 August 2019, the Board declared an interim dividend in respect of the year ended 31 December 2019 of 4.5p per share, or £29.8m (31 December 2018: £29.6m).

23. Contingent liabilities

On 19 January 2018, the Group received the outcome of the First-tier Tribunal proceedings held in November 2016, which were brought by Hastings Insurance Services Limited ('HISL') as to whether insurance intermediary supplies provided by HISL and received by Advantage Insurance Company Limited ('AICL') should be treated as outside the scope of VAT. The First-tier Tribunal found in favour of HISL and concluded that the VAT incurred by HISL in relation to insurance intermediary supplies provided to AICL can be recovered. This has resulted in additional input VAT recoverable for periods up to 31 December 2017 of £14.6m which was recognised as a credit to other expenses during the period ended 31 December 2018.

On 16 March 2018, HMRC sought leave to appeal against the First-tier Tribunal decision and have the decision referred to the Upper Tribunal. HMRC was granted leave to appeal by the First-tier Tribunal on 14 June 2018 and submitted its Notice of appeal to the Upper Tribunal on 7 July 2018. However, on 27 June 2019, HMRC informed the Upper Tribunal that it intended to withdraw the appeal and consent for this was duly granted by the Upper Tribunal. As a result, the litigation in respect of this matter has now ended with the decision being in HISL's favour, thereby removing the contingent liability to repay HMRC had its appeal proved successful.

The Group's legal entities are subject to review and enquiries by the tax authorities in the UK and Gibraltar. The Group has been engaged in ongoing discussions and correspondence with HMRC since December 2016 regarding aspects of its business model and the allocation of certain elements of its profit between the Group's operating subsidiaries, HISL in the UK and AICL in Gibraltar. Based on a review of current and previous tax filings, and considering the nature of the ongoing enquiries, it is not considered appropriate to provide for any additional tax due. The Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities having taken consideration of any ongoing enquiries or reviews and based on guidance from professional firms. The final amounts paid may differ from the amounts provided depending on the ultimate resolution of such matters, and any changes to estimates or amounts payable in respect of prior periods are reported through adjustments relating to prior periods. Further information in respect of the enquiries has not been provided in accordance with IAS 37 on the grounds it is not practicable to do so based on the current information available.

Other information

KPIs and Reconciliations

Combined operating ratio reconciliation

The following tables reconcile the Group's acquisition costs and other expenses to the combined costs and operating expenses used to calculate the combined operating ratio and its two component measures: expense ratio and loss ratio. The combined operating ratio is the primary indicator used to measure overall performance of the Underwriting business and shows the amount of each premium spent on either indemnity costs (the loss ratio) or underwriting operating expenses (the expense ratio). The combined operating ratio is therefore a measure of underwriting profitability.

During the previous year, there were changes in the commercial terms of certain reinsurance contracts that altered the earning of certain reinsurance commissions without changing the underlying results or net impact in profit or loss. As a result, the Group amended the calculation of the expense ratio for the year ended 31 December 2018 to reflect the reinsurers' share of attributable underwriting expenses recovered through commission, direct cost contributions or other profit share arrangements. The ratio for 30 June 2018 has been restated to be on a consistent basis.

	Six months ended		
	30 June 2019 £m	30 June 2018 £m	31 December 2018 £m
Reconciliation of Acquisition costs and Other expenses to the Group's share of underwriting operating expenses.			
Acquisition costs	39.3	34.6	74.6
Other expenses	96.4	74.8	160.6
Less: Retail and other operating expenses	(67.7)	(48.4)	(108.0)
Less: Reinsurers' share of underwriting operating expenses	(34.0)	(30.5)	(63.6)
Group's share of underwriting operating expenses	34.0	30.5	63.6
Calculation of loss ratio, expense ratio and combined operating ratio:			
Loss ratio			
Net claims incurred	174.9	161.8	330.6
Net earned premiums	215.6	219.2	440.7
Loss ratio (%)	81.1%	73.8%	75.0%
Expense ratio			
Group's share of underwriting operating expenses	34.0	30.5	63.6
Net earned premiums	215.6	219.2	440.7
Expense ratio (%)	15.8%	13.9%	14.4%
Combined operating ratio			
Net claims incurred	174.9	161.8	330.6
Group's share of underwriting operating expenses	34.0	30.5	63.6
Combined claims costs and operating expenses	208.9	192.3	394.2
Net earned premiums	215.6	219.2	440.7
Combined operating ratio (%)	96.9%	87.7%	89.4%

Retail and other operating expenses are those costs incurred by the Retail business and Corporate in the provision of broking and administration services, and therefore do not include acquisition costs incurred in the sale of insurance contracts, claims handling costs and insurer service costs, which are recharged to the Underwriting business.

Reinsurers' share of underwriting operating expenses represents costs borne by reinsurance partners through commission, direct cost contributions or other profit share arrangements.

Other information

KPIs and Reconciliations

Free cash reconciliation

The following tables reconcile the Group's cash and cash equivalents per the Condensed Consolidated Financial Statements to the free cash reported in the Financial Review, and the increase in cash and cash equivalents to the Retail cash generated during the six months ended 30 June 2019.

Free cash is considered the more appropriate measure for use within the net debt calculation as it is not subject to Solvency II or other regulatory restrictions and Retail cash generated is the most accurate representation of the cash inflows available for unrestricted use.

	As at		
	30 June 2019	**30 June 2018**	**31 December 2018**
Free cash reconciliation	**£m**	**£m**	**£m**
Total cash and cash equivalents	150.9	150.0	146.0
Deduct restricted cash:			
Underwriting cash and cash equivalents	81.4	86.0	86.7
HISL cash held as agent on behalf of AICL and third party insurers	32.8	41.7	34.9
HISL regulatory cash requirement	4.9	5.3	5.3
Restricted cash held in regulated entities or on behalf of third parties	119.1	133.0	126.9
Closing free cash	31.8	17.0	19.1

	Six months ended		Year ended
	30 June 2019	**30 June 2018**	**31 December 2018**
Free cash generated reconciliation	**£m**	**£m**	**£m**
Net increase/(decrease) in cash and cash equivalents	4.9	(4.6)	(8.6)
Adjust for: net decrease in restricted cash	7.8	0.9	7.0
Net increase/(decrease) in free cash	12.7	(3.7)	(1.6)
Add back:			
Retail and Corporate taxation paid	11.6	8.5	20.5
Capital expenditure	7.9	11.2	20.0
Dividends paid	59.5	55.9	85.5
Repayment of Revolving Credit Facility	-	275.0	275.0
Proceeds from issuance of 3% senior bonds	-	(247.8)	(247.8)
Interest, corporate and refinancing costs	7.3	8.7	16.1
Group free cash generated	99.0	107.8	167.7
Deduct:			
AICL dividend received	(55.0)	(40.0)	(40.0)
Retail free cash generated	44.0	67.8	127.7

The HISL regulatory cash requirement is the amount of capital that is required to be held as cash and cash equivalents to meet FCA regulations under Threshold Condition 2.4 (TC2.4).

Other information

KPIs and Reconciliations

Operating profit reconciliation

	Six months ended		Year ended
	30 June 2019	**30 June 2018**	**31 December 2018**
	£m	**£m**	**£m**
Underwriting adjusted operating profit	7.8	32.3	71.9
Retail adjusted operating profit	54.8	71.3	124.8
Net impact of corporate and consolidation adjustments	(2.9)	1.5	(6.1)
Adjusted operating profit	59.7	105.1	190.6
Underlying amortisation and depreciation	(7.5)	(3.5)	(7.5)
Underlying finance costs	(4.8)	(3.9)	(8.5)
Tax on underlying trading	(8.1)	(15.8)	(26.1)
Net income	39.3	81.9	148.5
Non-trading expenses, net of tax	(1.1)	(9.0)	(17.9)
Profit after tax	38.2	72.9	130.6

Other information

Statement of directors' responsibilities in respect of the interim financial report

We confirm that to the best of our knowledge:

- the Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU
- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the Condensed Consolidated Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Toby van der Meer

Chief Executive Officer

7 August 2019

Other information

Independent auditor's review report

INDEPENDENT REVIEW REPORT TO HASTINGS GROUP HOLDINGS PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the Condensed Consolidated Statement of Profit or Loss, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA').

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Salim Tharani

for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL

7 August 2019

Other information

Shareholder information

Registered office

Conquest House

Collington Avenue

Bexhill-on-Sea

East Sussex

TN39 3LW

Corporate website

The Company's corporate website is www.hastingsplc.com where information about the Company and the Group is provided. The website also features the Group's financial reports and press releases as well as information about corporate responsibility and governance.

Financial calendar

03 October 2019	–	Ex-dividend date
04 October 2019	–	Interim dividend record date
18 October 2019	–	Dividend reinvestment plan election date
25 October 2019	–	Third quarter trading update
08 November 2019	–	Interim dividend payment date