Hastings Group Holdings plc

Interim results announcement for the six months ended 30 June 2017

9 August 2017

Hastings Group Holdings plc (the 'Group', or 'Hastings'), one of the fastest growing general insurance providers to the UK market, today announces its interim results for the six months ended 30 June 2017.

The Group continues to maintain its strong momentum and is on track for another year of profitable growth.

Highlights

- **Continued growth**, with gross written premiums up 28% to £462.0m (30 June 2016: £360.6m) and net revenue up 22% to £345.2m (30 June 2016: £282.7m).
- **Strong trading performance** with a 22% increase in adjusted operating profit[1] to £86.5m (30 June 2016: £70.8m).
- **Sustained increases in customers** with live customer policies up by 15% to 2.54 million (30 June 2016: 2.20 million).
- **Growing market share** to 7.0% of UK private car insurance (30 June 2016: 6.2%).
- **Calendar year loss ratio[2] of 73.4%** for the period ended 30 June 2017, below the target range of between 75% and 79% (30 June 2016: 74.0%).
- **Consistent growth in profitability** with an increase in profit after tax of 36% to £57.9m (30 June 2016: £42.7m).
- **Ongoing cash generation and reduction in net debt leverage multiple[3]**, with free cash generated up 34% to £65.8m (30 June 2016: £49.1m) and net debt leverage multiple reduced to 1.7x (31 December 2016: 1.9x).
- **Continued investment in the business,** including Guidewire, the Group's next generation claims and broking platform, which will enable future growth opportunities and operational efficiencies.
- **A significant improvement in solvency,** with a Solvency II coverage ratio of 173% (31 December 2016: 140%), benefiting from the use of Undertaking Specific Parameters in the calculation.
- **Interim dividend for 2017 of 4.1 pence per share (30 June 2016: 3.3 pence per share)** reflecting increasing earnings and strong cash generation.

Gary Hoffman, Chief Executive Officer of Hastings Group Holdings plc, commented:

"I am delighted that Hastings continues on its profitable growth trajectory. We've delivered another strong financial performance for the first half of 2017 with net revenue increasing by 22% to £345.2m, live customer policies up by 15% and adjusted operating profit 22% higher at £86.5m for the period.

"Our significant presence and strategic focus on price comparison websites, together with our straightforward insurance offering appeals to customers and we continue to grow our market share by both attracting new customers and maintaining strong retention levels.

''We continue to invest in our digital and data-driven model to ensure that we price our business in an agile and responsive manner. This approach allows us to maintain our robust underwriting discipline and has delivered a loss ratio for the period of 73.4%, which is below our target range.

"Our profitable business model is highly cash generative and we have further reduced our net debt in line with our targets whilst improving the solvency coverage ratio to 173%. Our profitability and healthy financial position means we are declaring an interim dividend of 4.1 pence per share, a 24% increase from 2016.

"Supported by our 2,900 colleagues, we are well on course to deliver on our ambitious 2019 targets and continue our strong momentum into the second half.''

The Group will host an update call for investors and analysts at 09:00am GMT on 9 August 2017. Details are available on the Group's website www.hastingsplc.com.

About Hastings

Founded in 1996 in Bexhill-on-Sea on the Sussex coast, the Hastings Group is now one of the fastest growing general insurance providers to the UK market, with over 2.5m live customer policies and employing over 2,900 colleagues at sites in Bexhill, Newmarket, Leicester and Gibraltar.

Hastings provides refreshingly straightforward products and services to UK car, bike, van and home insurance customers with around 90% of policies directly underwritten by its Gibraltar based insurer, Advantage Insurance Company Limited.

Hastings Direct is a trading name of Hastings Insurance Services Limited, the Group's UK broker, which also trades via 'Hastings Premier', 'Hastings Essential', 'Hastings Direct SmartMiles', 'People's Choice' and 'insurePink'.

The Group operates as an integrated insurance provider with two businesses. The Group's Retail business, Hastings Insurance Services Limited, is responsible for the end customer pricing, fraud management, product design, distribution and management of the underlying customer relationships. The Group's Underwriting business, Advantage Insurance Company Limited, engages in risk selection, underlying technical pricing, reserving and claims handling.

Retail is supported by, and benefits from, Underwriting's prudent approach to risk and reserving and also benefits from a panel of insurance partners who provide additional underwriting capacity. The Group's integrated model deliberately separates underlying product manufacturing from its distribution.

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 2016 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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Notes

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

(2) Calendar year loss ratio is a measure of underwriting performance, representing net claims incurred divided by net earned premiums.

(3) Net debt leverage multiple represents the Group's net debt expressed relative to 12 months trailing adjusted operating profit.

Business update

Hastings continues to demonstrate the successful growth trend of its business model which is the digital distribution of insurance products through price comparison websites ('PCW'). The results for the six months ended 30 June 2017 show continued profitable growth. Hastings' success since listing allowed the Board to set challenging new targets in March 2017 and progress against these updated targets is shown in the table below:

Updated targets	Update
Calendar year loss ratio[2] of between 75% and 79%.	Calendar year loss ratio for the six months ended 30 June 2017 of 73.4%, below the target range.
3 million customer policies during 2019, but not at the expense of profitability.	2.54 million customer policies as at 30 June 2017, a 15% increase year on year (30 June 2016: 2.20 million).
Net debt leverage multiple[3] of 1.0x during 2019.	Net debt leverage multiple of 1.7x as at 30 June 2017, a reduction from 1.9x at 31 December 2016.
Dividend payout ratio of between 50% and 60% of adjusted profit after tax[4].	An interim dividend of 4.1p per share.

Gross written premiums were up by 28% and market share of UK private car insurance increased to 7.0%. Market wide increases in average written premiums following the revision of the Ogden rate announced in February 2017 resulted in increased PCW activity, which benefitted the Group and contributed to the increase in new business sales. Net revenue increased by 22% benefitting from a 7% increase in average earned premiums over the period combined with a 15% increase in live customer policies ('LCP').

The significant cash generated by the business means that Hastings has continued to pay dividends whilst strengthening the balance sheet, reducing net debt and being on track to deliver the updated targets.

Key performance indicators ('KPIs')

The Group's successful growth strategy is reflected in the KPIs for the period which are summarised below:

	30 June 2017	30 June 2016	31 December 2016
Financial KPIs			
Adjusted operating profit[1] (£m)	86.5	70.8	132.1
Profit after tax (£m)	57.9	42.7	78.4
Adjusted operating profit margin[1] (%)	25.1%	25.0%	22.4%
Calendar year loss ratio[2] (%)	73.4%	74.0%	77.7%
Expense ratio (%)	15.5%	15.2%	13.6%
Combined operating ratio (%)	88.9%	89.2%	91.3%
Solvency II coverage ratio (%)	173%	156%	140%
Net debt leverage multiple[3] (x)	1.7	1.9	1.9
Non-financial KPIs			
Share of total stock (UK private car) (%)	7.0%	6.2%	6.5%
Live customer policies (million)	2.5	2.2	2.4
Live customer policies per FTE	976.9	923.2	925.9

Full definitions for the above KPIs are provided on pages 22 to 24 of the Hastings Group Holdings plc 2016 Annual Report.

Solvency II and undertaking specific parameters

The Gibraltar Financial Services Commission has granted the Group's Underwriter, Advantage Insurance Company Limited ('AICL') the right to apply undertaking specific parameters ('USPs') when calculating its solvency coverage requirement. The use of USPs better reflects AICL's business model by allowing the company to use its own data and experience for premium and reserve risk, rather than the prescribed universal standard risk factors. The coverage benefit realised from the application of USPs, combined with the continued capital growth of the Underwriting business, improved AICL's Solvency Coverage Ratio from 140% to 173%.

Refinancing

On 28 April 2017, the Group completed the amendment and extension of its existing loan facilities. Upon completion, the fixed loan of £290.0m and revolving credit facility of £20m were replaced with a £310m revolving credit facility. As well as providing additional flexibility over repayment, the amendment extends the term of the facility by 6 months to April 2021 and reduces the margin payable. Following a £5.0m repayment in June 2017, the total gross debt drawn under the revised facility had been reduced to £285.0m at 30 June 2017.

Summary Condensed Consolidated Statement of Profit or Loss

	Six months ended					
	30 June 2017			30 June 2016		
	Underlying trading[5]	Non-trading items[5]	Total	Underlying trading[5]	Non-trading items[5]	Total
	£m	£m	£m	£m	£m	£m
Gross written premiums	462.0	-	462.0	360.6	-	360.6
Net earned premiums	195.1	-	195.1	156.1	-	156.1
Other revenue	147.0	-	147.0	123.7	-	123.7
Investment and interest income	3.1	-	3.1	2.9	-	2.9
Net revenue	345.2	-	345.2	282.7	-	282.7
Net claims incurred	(143.3)	-	(143.3)	(115.5)	-	(115.5)
Acquisition costs	(31.7)	-	(31.7)	(25.2)	-	(25.2)
Other expenses	(83.7)	-	(83.7)	(71.2)	-	(71.2)
Adjusted operating profit	86.5			70.8		
Amortisation and depreciation	(2.8)	(10.7)	(13.5)	(2.9)	(11.0)	(13.9)
Finance costs	(3.9)	(0.2)	(4.1)	(5.2)	(0.3)	(5.5)
Taxation	(12.9)	1.9	(11.0)	(10.8)	2.1	(8.7)
Profit after tax	66.9	(9.0)	57.9	51.9	(9.2)	42.7

Strong growth in LCP combined with average written premium increases have driven growth in profit after tax to £57.9m for the six months ended 30 June 2017 (30 June 2016: £42.7m).

Gross written premiums

	Six months ended	
	30 June 2017	30 June 2016
Gross written premiums by product	£m	£m
Private car	438.9	343.3
Bike	8.2	7.0
Van	12.4	8.5
Home	2.5	1.8
Total gross written premiums	462.0	360.6
Total gross earned premiums	403.2	324.2

Gross written premiums have increased by 28%, driven primarily by private car as Hastings continued to grow market share. Through agile pricing and data enrichment, the Group has continued to make targeted rate increases resulting in average written premiums per policy increasing by 8% whilst maintaining its above market average retention rate.

Financial review (continued)

Furthermore, the Group's digitally focused business model has allowed it to benefit as customers shop around for the best deal available in the face of market-wide inflation in car premiums, with the Group increasing its market share to 7.0%. Hastings has also continued to grow its bike and van books, with the Group's share of the UK market now 8.4% and 3.9% respectively.

The Group has continued to apply its retail optimisation techniques to the home insurance market and now has 175,000 home LCP, up 11% on 30 June 2016. These continue to be under a coinsurance arrangement, or through panel insurers, whilst the Underwriting business builds home underwriting capabilities.

Net revenue

	Six months ended	
Net revenue by type	30 June 2017 £m	30 June 2016 £m
Net earned premiums	195.1	156.1
Fees and commission	49.9	43.2
Ancillary product income	25.5	24.1
Premium finance interest	44.9	36.4
Reinsurance commissions	19.0	11.7
Other income	7.7	8.3
Other revenue	147.0	123.7
Investment and interest income	3.1	2.9
Net revenue	345.2	282.7

Net revenue has grown by 22% to £345.2m for the period (30 June 2016: £282.7m) through growth in earned premium and non-risk based revenue streams.

Net earned premiums increased by 25% to £195.1m over the prior period (30 June 2016: £156.1m) due to sustained LCP growth and the earn through of higher average written premiums.

The growth in policies sold has increased fees and commission on the sale of insurance contracts and ancillary product income. Premium finance interest income benefitted from the combination of premium rate increases and an increase in the number of customers paying in monthly instalments.

Reinsurance commissions recognised have grown as a result of an increase in underlying earned premiums, and the reduction in accident year and calendar year loss ratios compared to the prior period.

Loss ratio, expense ratio and combined operating ratio

	Six months ended	
Combined operating ratio reconciliation	30 June 2017	30 June 2016
Accident year loss ratio	74.1%	74.3%
Prior year development	(0.7%)	(0.3%)
Calendar year loss ratio	73.4%	74.0%
Expense ratio	15.5%	15.2%
Combined operating ratio	88.9%	89.2%

The Group's combined operating ratio reduced slightly as the reduction in the calendar year loss ratio offset the slight increase in the expense ratio.

Financial review (continued)

The accident year loss ratio for the 6 months to 30 June 2017 improved compared to the prior period due to the earn through of premium rate increases applied over the last 12 months outweighing claims inflation for the period. Average earned premiums have increased 7% year on year compared to claims inflation of 5%, reducing the Group's calendar year loss ratio to 73.4%.

The expense ratio for the period increased slightly as the Group continued to invest in the business to support growth.

Adjusted operating profit and profit after tax

	Six months ended	
	30 June 2017 £m	30 June 2016 £m
Underwriting adjusted operating profit	26.2	17.5
Retail adjusted operating profit	61.9	52.2
Net impact of corporate and consolidation adjustments	(1.6)	1.1
Adjusted operating profit	86.5	70.8
Underlying amortisation and depreciation	(2.8)	(2.9)
Underlying finance costs	(3.9)	(5.2)
Tax on underlying trading	(12.9)	(10.8)
Net income[6]	66.9	51.9
Non-trading expenses, net of tax	(9.0)	(9.2)
Profit after tax	57.9	42.7

The 22% increase in adjusted operating profit to £86.5m (30 June 2016: £70.8m) primarily reflects the growth in LCP and the earn through of higher average premiums.

Profit after tax increased 36% due to the higher adjusted operating profit, lower underlying finance costs and a reduction in non-trading expenses.

Dividends

The interim dividend declared for the six months ended 30 June 2017 is £26.9m (30 June 2016: £21.7m), a payout of 4.1 pence per share (30 June 2016: 3.3 pence per share). This takes into account the strong trading results in the first six months and the Board's confidence in the ongoing cash generative nature of the business.

Net assets and working capital

The Group's net asset position has further strengthened, increasing from £553.6m as at 31 December 2016 to £569.1m as at 30 June 2017. This has been driven by the increase in profits retained within the business, after a dividend payment of £43.4m.

In addition to increasing retained earnings, the growth in LCP has driven the increase in working capital, insurance contract liabilities, reinsurance assets and insurance and other receivables.

Financial review (continued)

Return on capital employed

	Six months ended	
	30 June 2017 £m	30 June 2016 £m
Average AICL deployed capital[7]	234.7	205.8
Average HISL deployed capital[7]	35.1	31.9
Average corporate free cash[8]	3.5	7.2
Average capital employed	273.3	244.9
Net income	66.9	51.9
Return on capital employed	49.0%	42.4%

The Group's return on capital employed increased reflecting the 29.0% growth in net income. Capital employed in the Underwriting business increased as capital generated from the profitable growth in LCP was retained in the business, thereby maintaining its strong solvency position.

Cash and net debt

	As at	
	30 June 2017 £m	30 June 2016 £m
Term loan per balance sheet	281.6	286.1
Add back acquisition costs	3.4	3.9
Gross debt	285.0	290.0
Retail free cash[8]	(28.8)	(27.5)
Corporate free cash[8]	(2.0)	(3.3)
Net debt	254.2	259.2
Adjusted operating profit (for the preceding twelve months)	147.8	137.8
Net debt leverage multiple	1.7x	1.9x

Adjusted operating profit growth, combined with the Group's strong cash generation has resulted in a fall in the net debt leverage multiple to 1.7x (30 June 2016: 1.9x), compared with a multiple of 1.9x for the year ended 31 December 2016.

Financial review (continued)

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

	Six months ended	
	30 June 2017 £m	30 June 2016 £m
Opening net debt	255.7	271.1
Retail cash generated[8]	(61.8)	(49.1)
AICL dividend received	(4.0)	-
Taxation paid	7.4	2.0
Capital expenditure	8.1	10.8
Dividends paid	43.4	14.5
Interest, corporate and transaction costs	5.4	9.9
Closing net debt	254.2	259.2

The Group's activities continue to be highly cash generative and net cash inflow from operating activities during 2017 was £121.9m (30 June 2016: £65.8m), of which £61.8m was free cash generated from the Retail business (30 June 2016: £49.1m). This was partially offset by dividend payments, interest and loan repayments and capital expenditure, principally on the development of the Guidewire system.

Investments

	As at	
Cash and cash equivalents and investments by Standard and Poor's (or equivalent) credit rating	30 June 2017 £m	31 December 2016 £m
AAA and AA	303.6	279.6
A	176.3	162.5
BBB	143.9	119.9
Less than BBB	4.8	4.8
Unrated	5.0	4.8
Total cash and cash equivalents and investments	633.6	571.6

The Group has a conservative investment strategy that primarily focuses on capital preservation and ensuring the duration of the assets is closely aligned to the underlying insurance liabilities. As at 30 June 2017, the Group's percentage of investments rated A or equivalent and above of the total portfolio was 76% (31 December 2016: 77%). The weighted average credit rating of the investment portfolio continued to be A+ (31 December 2016: A+).

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

Insurance contract liabilities

Total insurance contract liabilities of £1,485.1m at 30 June 2017 (31 December 2016: £1,299.5m) comprise £456.4m (31 December 2016: £397.6m) of unearned premiums, which are deferred and recognised in the statement of profit or loss in subsequent periods, and outstanding claims liabilities of £1,028.7m (31 December 2016: £901.9m). Gross outstanding liabilities have increased due to the greater exposure from the increase in LCP and the impact of claims inflation.

The Group manages insurance risk by applying a consistent reserving methodology to calculate an internal actuarial best estimate and then reserving an additional risk margin. The risk margin has been maintained at a consistent confidence level year on year.

The Group's reinsurance programme, described below, protects against the more volatile movements that can typically be caused by large claims and periodical payment orders ('PPOs').

Reinsurance contracts

	As at	
	30 June 2017	**31 December 2016**
Reinsurance contract assets by Standard and Poor's (or equivalent) credit rating	**£m**	**£m**
AA	599.1	512.6
A	352.0	308.5
BBB	1.0	0.9
Total reinsurance assets	952.1	822.0

Reinsurance assets, comprising reinsurers' share of outstanding claims liabilities, increased by 16% to £952.1m as at 30 June 2017 (31 December 2016: £822.0m) due to the greater exposure from increasing policy volumes.

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, including PPOs, to £1.0m and the quota share arrangement provides 50% cover on motor claims incurred, after the excess of loss recoveries. The combination of these arrangements reduces volatility that could otherwise be caused by the accumulation of losses and individual large claims.

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

Solvency

The table below presents the Underwriting business' unaudited Solvency II coverage ratio, calculated for AICL, the regulated entity, as at 30 June 2017 on a standard formula basis with undertaking specific parameters and as at 31 December 2016 on a standard formula basis only.

	As at	
	30 June 2017	**31 December 2016**
Solvency II:		
Own funds (£m)	286.1	251.1
Solvency Capital Requirement (£m)	164.9	179.0
Solvency II coverage ratio	173%	140%

Financial review (continued)

Notes

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

Adjusted operating profit margin is defined as adjusted operating profit divided by net revenue.

2 Calendar year loss ratio is a measure of underwriting performance, representing net claims incurred divided by net earned premiums.

3 Net debt leverage multiple represents the Group's net debt expressed relative to 12 months trailing adjusted operating profit.

4 Adjusted profit after tax for the purposes of dividend payout ratio is net income adjusted to exclude the impact of share scheme costs.

5 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, preference share dividends and the impact of accounting for business combinations.

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

7 Advantage Insurance Company Limited ('AICL') and Hastings Insurance Services Limited ('HISL') deployed capital represents respectively the average of AICL's net assets and the average of HISL's total capital resources as stipulated by FCA regulations during each year. The corporate free cash represents the average cash held during each year in the Group's other corporate entities.

8 Retail free cash comprises cash held by the Retail business in excess of the regulatory capital required, which is not held on behalf of insurers.

Corporate free cash includes cash held in entities which are not subject to FCA or Solvency regulations.

Free cash includes both of the above and dividends to the Company approved, but not yet paid, by AICL.

Condensed Consolidated Statement of Profit or Loss
for the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 £m	Six months ended 30 June 2016 £m	Year ended 31 December 2016 £m
Gross written premiums	6	462.0	360.6	769.0
Gross earned premiums	6	403.2	324.2	691.8
Earned premiums ceded to reinsurers	6	(208.1)	(168.1)	(357.0)
Net earned premiums	6	195.1	156.1	334.8
Other revenue	7	147.0	123.7	248.3
Investment and interest income	8	3.1	2.9	7.2
Net revenue		345.2	282.7	590.3
Claims incurred	9	(363.2)	(267.5)	(711.8)
Reinsurers' share of claims incurred	9	219.9	152.0	451.7
Net claims incurred	9	(143.3)	(115.5)	(260.1)
Acquisition costs		(31.7)	(25.2)	(51.9)
Other expenses	10	(83.7)	(71.2)	(146.2)
Adjusted operating profit[1]		86.5	70.8	132.1
Amortisation and depreciation	10	(13.5)	(13.9)	(27.6)
Finance costs	11	(4.1)	(5.5)	(10.2)
Profit before tax		68.9	51.4	94.3
Taxation expense	12	(11.0)	(8.7)	(15.9)
Total profit attributable to the equity holders of the parent		57.9	42.7	78.4
Earnings per share attributable to the equity holders of the parent (expressed in pence per share)				
Basic earnings per share	13	8.8p	6.5p	11.9p
Diluted earnings per share	13	8.8p	6.5p	11.9p

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 Statement of Comprehensive Income

for the six months ended 30 June 2017

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
	£m	£m	£m
Total profit attributable to the equity holders of the parent	57.9	42.7	78.4
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Fair value (loss)/gain on available for sale investments	(1.4)	3.9	5.7
Total items that may be subsequently reclassified to profit or loss	(1.4)	3.9	5.7
Items that may not be subsequently reclassified to profit or loss			
Revaluation of property	-	-	0.1
Total items that may not be subsequently reclassified to profit or loss	-	-	0.1
Total other comprehensive (loss)/gain	(1.4)	3.9	5.8
Total comprehensive income attributable to the equity holders of the parent	56.5	46.6	84.2

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

Condensed Consolidated Balance Sheet

as at 30 June 2017

	Note	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
ASSETS				
Goodwill		470.0	470.0	470.0
Intangible assets		89.5	99.9	97.2
Property and equipment		13.4	13.0	12.7
Deferred income tax assets		5.4	4.0	4.5
Reinsurance assets	14	952.1	610.9	822.0
Deferred acquisition costs		29.3	22.7	24.2
Prepayments		5.5	14.3	4.0
Insurance and other receivables	15, 17	415.0	312.9	356.5
Financial assets at fair value	17	467.4	359.9	403.6
Cash and cash equivalents	16, 17	166.2	140.1	168.0
Total assets		2,613.8	2,047.7	2,362.7
LIABILITIES				
Loans and borrowings	17, 18	281.6	286.1	286.6
Insurance contract liabilities	14	1,485.1	1,023.8	1,299.5
Insurance and other payables	17, 19	250.7	172.9	198.1
Deferred income tax liabilities		17.4	19.7	18.5
Current tax liabilities		9.9	8.6	6.4
Total liabilities		2,044.7	1,511.1	1,809.1
EQUITY				
Share capital		13.1	13.1	13.1
Share premium		172.6	172.6	172.6
Merger reserve		(756.0)	(756.0)	(756.0)
Other reserves		3.2	3.2	4.9
Retained earnings		1,136.2	1,103.7	1,119.0
Total equity		569.1	536.6	553.6
Total equity and liabilities		2,613.8	2,047.7	2,362.7

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

Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 June 2017

Year ended 31 December 2016		Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
As at 1 January 2016		13.1	172.6	(756.0)	(0.7)	1,074.2	503.2
Total profit attributable to the equity holders of the parent		-	-	-	-	78.4	78.4
Total other comprehensive income		-	-	-	5.8	-	5.8
Total comprehensive income for the year		-	-	-	5.8	78.4	84.2
Transactions with equity holders of the parent							
Share based payments		-	-	-	-	2.4	2.4
Tax on share based payments		-	-	-	-	0.1	0.1
Acquisition of own shares		-	-	-	(0.2)	-	(0.2)
Dividends paid	21	-	-	-	-	(36.1)	(36.1)
Total transactions with equity holders of the parent		-	-	-	(0.2)	(33.6)	(33.8)
As at 31 December 2016		13.1	172.6	(756.0)	4.9	1,119.0	553.6

Six months ended 30 June 2017	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
As at 1 January 2017		13.1	172.6	(756.0)	4.9	1,119.0	553.6
Total profit attributable to the equity holders of the parent		-	-	-	-	57.9	57.9
Total other comprehensive income		-	-	-	(1.4)	-	(1.4)
Total comprehensive income for the period		-	-	-	(1.4)	57.9	56.5
Transactions with equity holders of the parent							
Share based payments		-	-	-	-	2.5	2.5
Tax on share based payments		-	-	-	-	0.2	0.2
Acquisition of own shares		-	-	-	(0.3)	-	(0.3)
Dividends paid	21	-	-	-	-	(43.4)	(43.4)
Total transactions with equity holders of the parent		-	-	-	(0.3)	(40.7)	(41.0)
As at 30 June 2017		13.1	172.6	(756.0)	3.2	1,136.2	569.1

Six months ended 30 June 2016		Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
As at 1 January 2016		13.1	172.6	(756.0)	(0.7)	1,074.2	503.2
Total profit attributable to the equity holders of the parent		-	-	-	-	42.7	42.7
Total other comprehensive income		-	-	-	3.9	-	3.9
Total comprehensive income for the period		-	-	-	3.9	42.7	46.6
Transactions with equity holders of the parent							
Share based payments		-	-	-	-	1.3	1.3
Dividends paid	21	-	-	-	-	(14.5)	(14.5)
Total transactions with equity holders of the parent		-	-	-	-	(13.2)	(13.2)
As at 30 June 2016		13.1	172.6	(756.0)	3.2	1,103.7	536.6

Condensed Consolidated Statement of Cash Flows
for the six months ended 30 June 2017

		Six months ended		Year ended
		30 June 2017	**30 June 2016**	**31 December 2016**
	Note	**£m**	**£m**	**£m**
Profit after tax		57.9	42.7	78.4
Adjustments for:				
Depreciation of property and equipment		1.3	1.4	2.7
Amortisation of intangible assets		12.2	12.5	24.9
Net fair value (losses)/gains on financial assets at fair value through profit or loss		(0.2)	0.1	(1.1)
Other interest income		(2.9)	(3.0)	(6.1)
Finance costs		4.1	5.4	10.2
Taxation expense		11.0	8.7	15.9
Share based payments		2.5	1.3	2.4
Change in insurance and other receivables and prepayments		(59.6)	(63.1)	(91.1)
Change in insurance and other payables		54.6	17.9	42.5
Change in reinsurance assets		(130.1)	(63.4)	(274.5)
Change in deferred acquisition costs		(5.1)	(2.8)	(4.3)
Change in insurance contract liabilities		185.5	111.7	387.4
Taxation paid		(9.3)	(3.6)	(14.8)
Net cash flows from operating activities		121.9	65.8	172.5
Purchase of property and equipment		(2.1)	(0.7)	(1.6)
Acquisition of intangible assets		(6.0)	(10.1)	(19.3)
Interest received		0.1	0.3	0.5
Outlays for acquisition of financial assets at fair value		(94.6)	(72.7)	(162.2)
Proceeds from disposal of financial assets at fair value		31.6	35.6	81.9
Net cash flows from investing activities		(71.0)	(47.6)	(100.7)
Purchase of own shares		(0.3)	-	(0.2)
Repayment of loans and borrowings		(5.0)	(10.0)	(10.0)
Interest paid on loans and borrowings		(3.5)	(5.8)	(9.7)
Refinancing costs paid		(0.5)	-	-
Dividends paid		(43.4)	(14.5)	(36.1)
Net cash flows from financing activities		(52.7)	(30.3)	(56.0)
Total net cash flows for the period		(1.8)	(12.1)	15.8
Cash and cash equivalents at beginning of period		168.0	152.2	152.2
Total net cash flows for the period		(1.8)	(12.1)	15.8
Cash and cash equivalents at end of period	16	166.2	140.1	168.0

The accompanying notes form an integral part of these 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 principal activities of the Group are the broking and underwriting of UK private car, van, bike and home insurance.

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 2017 and comparative figures for the six months ended 30 June 2016 and for the year ended 31 December 2016.

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 2016 were prepared in accordance with IFRS 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 auditors' 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 auditors have reviewed the Condensed Consolidated Financial Statements in accordance with their report included on page 33.

a) 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 2016 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.

b) Basis of measurement

The Condensed Consolidated Financial Statements are presented in Pounds Sterling. Amounts are rounded to the nearest million with one decimal place (ie £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.

c) Basis of consolidation

The Condensed Consolidated Financial Statements incorporate the financial statements of the Company and all of its subsidiary undertakings for the six month periods ended 30 June 2017 and 30 June 2016.

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.

2. Accounting policies

The Group's accounting policies as disclosed on pages 98 to 106 of the Hastings Group Holdings plc 2016 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.

No new IFRS or interpretations have been endorsed by the EU during the period. In addition to the accounting standards issued by the IASB but not yet effective in the EU listed on page 97 of the Hastings Group Holdings plc 2016 Annual Report, the IASB issued IFRS 17 Insurance Contracts ('IFRS 17') on 18 May 2017. IFRS 17 replaces IFRS 4 Insurance Contracts and has not yet been endorsed by the EU but is expected to be applicable for accounting periods beginning on or after 1 January 2021. The Group is currently assessing the impact that the adoption of the standard will have on the Group's Consolidated Financial Statements.

3. Critical accounting estimates and judgements in applying accounting policies

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

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 106 to 108 of the Hastings Group Holdings plc 2016 Annual Report.

There have been no significant changes to these judgements, assumptions and estimations during the period.

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 108 to 109 of the Hastings Group Holdings plc 2016 Annual Report and there have been no changes to this during the period.

5. Segmental reporting

a) Segment performance

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

Six months ended 30 June 2017	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Net earned premiums	210.8	-	-	(15.7)	195.1
Other revenue	19.1	172.0	0.2	(44.3)	147.0
Investment and interest income	3.0	0.1	-	-	3.1
Net revenue	232.9	172.1	0.2	(60.0)	345.2
Net claims incurred	(143.3)	-	-	-	(143.3)
Other expenses	(63.4)	(110.2)	(3.7)	61.9	(115.4)
Adjusted operating profit	26.2	61.9	(3.5)	1.9	86.5
Amortisation and depreciation					(13.5)
Finance costs					(4.1)
Profit before tax					68.9

Included within other revenue is £54.8m recognised by the Retail segment and £0.2m recognised by the Corporate segment, arising from transactions with the Underwriting segment. Other revenue recognised by the Underwriting segment includes £0.2m arising from transactions with the Retail segment.

Six months ended 30 June 2016	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Net earned premiums	167.6	-	-	(11.5)	156.1
Other revenue	11.8	142.2	-	(30.3)	123.7
Investment and interest income	2.8	0.1	-	-	2.9
Net revenue	182.2	142.3	-	(41.8)	282.7
Net claims incurred	(115.5)	-	-	-	(115.5)
Other expenses	(49.2)	(90.1)	(2.6)	45.5	(96.4)
Adjusted operating profit	17.5	52.2	(2.6)	3.7	70.8
Amortisation and depreciation					(13.9)
Finance costs					(5.5)
Profit before tax					51.4

Included within other revenue recognised by the Retail segment is £46.4m arising from transactions with the Underwriting segment. Other revenue recognised by the Underwriting segment includes £0.2m arising from transactions with the Retail segment.

Notes to the Condensed Consolidated Financial Statements (continued)

Year ended 31 December 2016	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Net earned premiums	359.6	-	-	(24.8)	334.8
Other revenue	16.8	288.5	-	(57.0)	248.3
Investment and interest income	7.0	0.2	-	-	7.2
Net revenue	383.4	288.7	-	(81.8)	590.3
Net claims incurred	(260.1)	-	-	-	(260.1)
Other expenses	(93.0)	(187.5)	(5.0)	87.4	(198.1)
Operating profit	30.3	101.2	(5.0)	5.6	132.1
Amortisation and depreciation					(27.6)
Finance costs					(10.2)
Profit before tax					94.3

Included within other revenue recognised by the Retail segment is £86.7m arising from transactions with the Underwriting segment. Other revenue recognised by the Underwriting segment includes £0.4m arising from transactions with the Retail segment.

c) Segment assets and liabilities

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

As at 30 June 2017	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Goodwill	-	1.9	-	468.1	470.0
Intangible assets	-	51.7	-	37.8	89.5
Investments in subsidiaries	-	-	1,272.6	(1,272.6)	-
Investments	4.2	-	-	(4.2)	-
Property and equipment	1.8	7.8	-	3.8	13.4
Deferred income tax assets	-	1.8	0.3	3.3	5.4
Reinsurance assets	951.3	-	-	0.8	952.1
Deferred acquisition costs	31.0	-	-	(1.7)	29.3
Prepayments	0.4	5.3	0.1	(0.3)	5.5
Insurance and other receivables	403.5	298.2	21.5	(308.2)	415.0
Financial assets at fair value	467.4	-	-	-	467.4
Cash and cash equivalents	74.7	89.5	2.0	-	166.2
Total assets	1,934.3	456.2	1,296.5	(1,073.2)	2,613.8
Loans and borrowings	-	-	281.6	-	281.6
Insurance contract liabilities	1,505.0	-	-	(19.9)	1,485.1
Insurance and other payables	185.5	375.5	2.8	(313.1)	250.7
Deferred income tax liabilities	0.1	-	-	17.3	17.4
Current tax liabilities	(0.3)	11.5	(1.4)	0.1	9.9
Total liabilities	1,690.3	387.0	283.0	(315.6)	2,044.7

As at 30 June 2016	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Goodwill	-	1.9	-	468.1	470.0
Intangible assets	-	40.3	-	59.6	99.9
Investments in subsidiaries	-	-	1,270.2	(1,270.2)	-
Investments	4.2	-	-	(4.2)	-
Property and equipment	1.7	7.5	-	3.8	13.0
Deferred income tax assets	-	1.0	0.1	2.9	4.0
Reinsurance assets	611.5	-	-	(0.6)	610.9
Deferred acquisition costs	26.2	-	-	(3.5)	22.7
Prepayments	11.7	2.6	-	-	14.3
Insurance and other receivables	267.6	242.7	21.0	(218.4)	312.9
Financial assets at fair value	359.9	-	-	-	359.9
Cash and cash equivalents	91.1	45.7	3.3	-	140.1
Total assets	1,373.9	341.7	1,294.6	(962.5)	2,047.7
Loans and borrowings	-	-	286.1	-	286.1
Insurance contract liabilities	1,039.8	-	-	(16.0)	1,023.8
Insurance and other payables	122.3	275.7	2.0	(227.1)	172.9
Deferred income tax liabilities	0.1	-	-	19.6	19.7
Current tax liabilities	0.2	9.9	(1.5)	-	8.6
Total liabilities	1,162.4	285.6	286.6	(223.5)	1,511.1

Notes to the Condensed Consolidated Financial Statements (continued)

As at 31 December 2016	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Goodwill	-	1.9	-	468.1	470.0
Intangible assets	-	48.7	-	48.5	97.2
Investments in subsidiaries	-	-	1,271.0	(1,271.0)	-
Investments	4.2	-	-	(4.2)	-
Property and equipment	1.8	7.1	-	3.8	12.7
Deferred income tax asset	-	1.2	0.3	3.0	4.5
Reinsurance assets	822.3	-	-	(0.3)	822.0
Deferred acquisition costs	28.8	-	-	(4.6)	24.2
Prepayments	0.4	3.5	-	0.1	4.0
Insurance and other receivables	336.7	264.5	23.5	(268.2)	356.5
Financial assets at fair value	403.6	-	-	-	403.6
Cash and cash equivalents	93.8	69.2	5.0	-	168.0
Total assets	1,691.6	396.1	1,299.8	(1,024.8)	2,362.7
Loans and borrowings	-	-	286.6	-	286.6
Insurance contract liabilities	1,316.6	-	-	(17.1)	1,299.5
Insurance and other payables	150.4	325.0	0.5	(277.8)	198.1
Deferred income tax liability	0.1	-	-	18.4	18.5
Current tax liabilities/ (assets)	(0.9)	7.3	-	-	6.4
Total liabilities	1,466.2	332.3	287.1	(276.5)	1,809.1

Underwriting’s investments comprise a property, Conquest House, which is leased to another group company. This is classified as property and equipment in the Condensed Consolidated Balance Sheet.

6. Insurance premiums

	Six months ended 30 June 2017			Six months ended 30 June 2016		
	Gross £m	Reinsurers' share £m	Net £m	Gross £m	Reinsurers' share £m	Net £m
Written premiums	462.0	(241.3)	220.7	360.6	(185.3)	175.3
Unearned premiums reserve brought forward at start of the period	397.6	(204.3)	193.3	320.4	(166.8)	153.6
Unearned premiums reserve carried forward at end of the period	(456.4)	237.5	(218.9)	(356.8)	184.0	(172.8)
Total earned premiums	403.2	(208.1)	195.1	324.2	(168.1)	156.1

	Year ended 31 December 2016		
	Gross £m	Reinsurers' share £m	Net £m
Written premiums	769.0	(394.5)	374.5
Unearned premiums reserve brought forward at start of year	320.4	(166.8)	153.6
Unearned premiums reserve carried forward at end of year	(397.6)	204.3	(193.3)
Total earned premiums	691.8	(357.0)	334.8

7. Other revenue

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
	£m	£m	£m
Fees and commission	49.9	43.2	88.5
Ancillary product income	25.5	24.1	48.4
Premium finance interest	44.9	36.4	78.2
Reinsurance commissions	19.0	11.7	16.4
Other retail income	7.7	8.3	16.8
Total other revenue	147.0	123.7	248.3

8. Investment and interest income

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
	£m	£m	£m
Net fair value gains/(losses) on financial assets at fair value	0.2	(0.1)	1.1
Other interest income	2.9	3.0	6.1
Total investment and interest income	3.1	2.9	7.2

9. Claims incurred

	Six months ended 30 June 2017			Six months ended 30 June 2016		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	£m	£m	£m	£m	£m	£m
Current period	(345.4)	200.7	(144.7)	(260.9)	144.9	(116.0)
Prior periods	(17.8)	19.2	1.4	(6.6)	7.1	0.5
Total claims incurred	(363.2)	219.9	(143.3)	(267.5)	152.0	(115.5)

	Year ended 31 December 2016		
	Gross	Reinsurers' share	Net
	£m	£m	£m
Current period	(644.8)	388.4	(256.4)
Prior periods	(67.0)	63.3	(3.7)
Total claims incurred	(711.8)	451.7	(260.1)

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.

10. Expenses

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
	£m	£m	£m
Profit before taxation is stated after charging:			
Buildings operating lease rentals	0.9	0.2	0.8
Employee benefits	44.4	36.1	77.0
Other administration and distribution costs	38.4	34.9	68.4
Other expenses	83.7	71.2	146.2
Amortisation of intangible assets	12.2	12.5	24.9
Depreciation of property and equipment	1.3	1.4	2.7
Amortisation and depreciation	13.5	13.9	27.6

11. Finance costs

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
	£m	£m	£m
Interest on Term Loan	3.5	4.7	8.6
Non-cash amortisation of loans and borrowings	0.5	0.5	0.9
Other interest expense	0.1	0.3	0.7
Total interest expense	4.1	5.5	10.2

Non-cash amortisation of loans and borrowings comprises amortisation of directly attributable transaction costs and applicable discounts, recognised under the effective interest method.

12. Taxation expense

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
	£m	£m	£m
Current tax			
Corporation tax on profits for the year	12.8	10.2	19.5
Adjustments for prior years	-	-	(0.3)
Current taxation expense	12.8	10.2	19.2
Deferred tax			
Deferred taxation movement relating to temporary differences	(1.8)	(1.4)	(3.1)
Impact of change in the UK Corporation tax rate	-	(0.1)	(0.1)
Adjustments for prior years	-	-	(0.1)
Deferred taxation expense	(1.8)	(1.5)	(3.3)
Total taxation expense	11.0	8.7	15.9

Factors affecting total taxation expense are:

	Six months ended		Year ended
	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Profit before tax	68.9	51.4	94.3
Applicable tax charge at the statutory tax rate of 19.25% (2016: 20.00%):	13.3	10.3	18.9
Impact of different tax rates in foreign jurisdictions	(2.0)	(1.3)	(2.1)
Non-taxable income	(0.3)	(0.3)	(0.7)
Expenses and provisions not deductible for tax purposes	-	0.1	0.3
Adjustment relating to prior periods	-	-	(0.4)
Impact of change in the UK Corporation tax rate	-	(0.1)	(0.1)
Total taxation expense	11.0	8.7	15.9

For the six months ended 30 June 2017 the UK Corporation tax rate applicable to the Company was 19.25% (2016: 20.00%).

Factors that may impact future tax charges

Effective from 1 April 2017, the UK Corporation tax rate reduced from 20% to 19%, and will be reduced further to 17% from 1 April 2020. The Gibraltar rate of tax has remained at 10% and is expected to remain constant for the foreseeable future. The Group's legal entities are subject to routine review and enquiries by tax authorities in the UK and Gibraltar. The Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities. The final amounts paid may differ from the amounts provided depending on the ultimate resolution of such matters.

13. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of Ordinary Shares in issue during the period.

Adjusted earnings per share is a non-IFRS measure calculated by dividing net income attributable to the equity holders of the parent by the weighted average number of Ordinary Shares in issue during the period. Net income is profit after tax adjusted for non-trading items including reorganisation and transaction costs, the impact of accounting for business combinations and the related tax effect. The Directors believe this figure provides a better indication of the Group's trading performance.

Diluted earnings per share and adjusted diluted earnings per share are calculated respectively by dividing the profit attributable to the equity holders of the parent, and the net income attributable to the equity holders of the parent, by the weighted average number of Ordinary Shares in issue during the year adjusted for the dilutive impact of unvested shares and contingently issuable shares arising from the share based payment arrangements.

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Profit attributable to the equity holders of the parent (£m)	57.9	42.7	78.4
Adjusted for non-trading items (£m):			
Impact of accounting for business combinations on finance costs	0.2	0.3	0.6
Non-operational amortisation	10.7	11.0	22.0
Non-trading items	10.9	11.3	22.6
Tax effect of non-trading items	(1.9)	(2.1)	(4.1)
Net income (£m)	66.9	51.9	96.9
Basic weighted average number of Ordinary Shares in issue (m)	657.2	657.2	657.2
Potential Ordinary Shares and contingently issuable shares (m)	2.9	-	1.8
Weighted average number of shares adjusted for dilutive potential Ordinary Shares	660.1	657.2	659.0
Basic earnings per share	8.8p	6.5p	11.9p
Non trading items per share	1.7p	1.7p	3.4p
Tax effects of non-trading items per share	(0.3)p	(0.3)p	(0.6)p
Adjusted earnings per share	10.2p	7.9p	14.7p
Diluted earnings per share	8.8p	6.5p	11.9p
Adjusted diluted earnings per share	10.1p	7.9p	14.7p

14. Reinsurance assets and insurance contract liabilities

	As at 30 June 2017			As at 30 June 2016		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	£m	£m	£m	£m	£m	£m
Claims reported and adjustments to claims reported	741.3	(499.9)	241.4	495.8	(291.2)	204.6
Claims incurred but not reported	287.4	(214.7)	72.7	171.2	(135.7)	35.5
Outstanding claims liabilities	1,028.7	(714.6)	314.1	667.0	(426.9)	240.1
Unearned premiums reserve	456.4	(237.5)	218.9	356.8	(184.0)	172.8
Total insurance contract liabilities	1,485.1	(952.1)	533.0	1,023.8	(610.9)	412.9

	As at 31 December 2016		
	Gross	Reinsurers' share	Net
	£m	£m	£m
Claims reported and adjustments to claims reported	587.2	(360.0)	227.2
Claims incurred but not reported	314.7	(257.7)	57.0
Outstanding claims liabilities	901.9	(617.7)	284.2
Unearned premiums reserve	397.6	(204.3)	193.3
Total insurance contract liabilities	1,299.5	(822.0)	477.5

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

15. Insurance and other receivables

	As at		
	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Insurance receivables	288.9	232.6	255.7
Salvage and subrogation recoveries	65.8	32.2	46.7
Reinsurance receivables	36.4	25.5	29.7
Interest receivable	5.8	4.9	5.8
Other receivables	18.1	17.7	18.6
Total insurance and other receivables	415.0	312.9	356.5

16. Cash and cash equivalents

	As at		
	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Cash at bank and in hand	26.0	38.3	30.9
Money market funds	135.2	87.0	119.7
Short term deposits	5.0	14.8	17.4
Total cash and cash equivalents	166.2	140.1	168.0

Cash and cash equivalents include balances of £11.0m (30 June 2016: £9.1m; 31 December 2016: £9.2m) relating to cash and cash equivalents held on behalf of other insurers on an agency basis.

17. 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 table below analyses financial instruments carried at amortised cost, by balance sheet classification.

	As at		
	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Financial assets			
Insurance and other receivables (excluding salvage and subrogation assets)	349.2	280.7	309.8
Total financial assets at amortised cost	349.2	280.7	309.8
Financial liabilities			
Term Loan	281.6	286.1	286.6
Insurance and other payables (excluding salvage and subrogation payables and deferred income)	198.2	143.8	165.5
Total financial liabilities at amortised cost	479.8	429.9	452.1

The carrying value of all financial instruments carried at amortised cost at 30 June 2017, 30 June 2016 and 31 December 2016 is considered to be an approximation of fair value.

At fair value

The table below analyses financial assets carried at fair value by level within the fair value hierarchy. Debt securities 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. Investment funds relate to investments in a portfolio of assets that are valued in line with the valuation policies of the fund manager. These comprise both level 1 and level 2 financial assets, and are therefore classified at level 2.

	As at 30 June 2017			As at 30 June 2016		
	Level 1 £m	Level 2 £m	Total £m	Level 1 £m	Level 2 £m	Total £m
Fair value through profit or loss						
Investment funds	-	48.6	48.6	-	51.6	51.6
Total financial assets at fair value through profit or loss	-	48.6	48.6	-	51.6	51.6
Available for sale						
Debt securities	-	418.8	418.8	-	308.3	308.3
Total available for sale financial assets	-	418.8	418.8	-	308.3	308.3
Total financial assets at fair value	-	467.4	467.4	-	359.9	359.9

	As at 31 December 2016		
	Level 1 £m	Level 2 £m	Total £m
Fair value through profit or loss			
Investment funds	-	48.5	48.5
Total financial assets at fair value through profit or loss	-	48.5	48.5
Available for sale			
Debt securities	-	355.1	355.1
Total available for sale financial assets	-	355.1	355.1
Total financial assets at fair value	-	403.6	403.6

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 Standard & Poor's or equivalent 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:

Notes to the Condensed Consolidated Financial Statements (continued)

As at 30 June 2017	Debt securities £m	Investment funds £m	Cash and cash equivalents £m	Total £m
AAA	65.7	5.0	135.2	205.9
AA	87.5	10.2	-	97.7
A	140.5	18.6	17.2	176.3
BBB	125.1	5.0	13.8	143.9
Less than BBB	-	4.8	-	4.8
Unrated	-	5.0	-	5.0
Total	418.8	48.6	166.2	633.6
As at 30 June 2016				
AAA	69.3	13.3	87.0	169.6
AA	72.3	38.8	27.0	138.1
A	75.3	(7.0)	26.1	94.4
BBB	91.4	-	-	91.4
Less than BBB	-	-	-	-
Unrated	-	6.5	-	6.5
Total	308.3	51.6	140.1	500.0
As at 31 December 2016				
AAA	69.0	6.0	119.9	194.9
AA	75.8	8.9	-	84.7
A	106.2	19.1	37.2	162.5
BBB	104.1	4.9	10.9	119.9
Less than BBB	-	4.8	-	4.8
Unrated	-	4.8	-	4.8
Total	355.1	48.5	168.0	571.6

The Group’s maximum exposure to credit risk at 30 June 2017 is £2,000.7m (30 June 2016: £1,423.8m), 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 Standard & Poor's or equivalent credit ratings of the Group's reinsurers are analysed below:

	As at		
	30 June 2017	30 June 2016	31 December 2016
	£m	£m	£m
AA	599.1	382.2	512.6
A	352.0	228.5	308.5
BBB	1.0	0.2	0.9
Total reinsurance assets	952.1	610.9	822.0

18. Loans and borrowings

	As at		
	30 June 2017	30 June 2016	31 December 2016
	£m	£m	£m
Term Loan	281.6	286.1	286.6
Total loans and borrowings	281.6	286.1	286.6
Current	-	-	8.9
Non-current	281.6	286.1	277.7
Total loans and borrowings	281.6	286.1	286.6

On 28 April 2017, the Group signed an amendment to the Term Loan agreement which replaced the previous £290m term loan and £20m revolving credit facility with a revolving credit facility to cover the entire loan commitment of £310m and remove the requirement to make repayments before the end of the facility. In addition, the term of the facility was extended by 6 months, with any balance outstanding repayable in full in April 2021, and the margin above LIBOR was reduced.

19. Insurance and other payables

	As at		
	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Amounts owed to reinsurers	101.6	71.3	89.3
Reinsurers' share of salvage and subrogation recoveries	35.0	15.7	23.0
Insurance premium tax	27.7	18.7	20.5
Accrued interest	-	0.1	-
Accrued expenses	38.9	33.6	38.4
Deferred income	17.5	13.4	9.6
Other payables	30.0	20.1	17.3
Total insurance and other payables	250.7	172.9	198.1
Current	249.1	171.1	196.5
Non-current	1.6	1.8	1.6
Total insurance and other payables	250.7	172.9	198.1

20. 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 2017, there have been no material changes in related parties and related party transactions during this period have been consistent with those disclosed in the Hastings Group Holdings plc 2016 Annual Report.

21. Dividends

Dividends in respect of the year ended 31 December 2016 amounting to £43.4m or 6.6 pence per share, were paid on 31 May 2017 (30 June 2016: £14.5m).

On 8 August 2017, the Board declared an interim dividend in respect of the year ended 31 December 2017 of 4.1 pence per share, totaling £26.9m.

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.

Gary Hoffman

Chief Executive Officer

8 August 2017

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 2017 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 2017 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the 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. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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. 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.

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 Report of the Group is 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

8 August 2017

Other information

Reconciliations

Combined operating ratio reconciliation

The following tables reconcile the Group's profit before tax to the net underwriting margin 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 businesses 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.

	Six months ended		Year ended
	30 June 2017	**30 June 2016**	**31 December 2016**
	£m	**£m**	**£m**
Reconciliation of profit after tax to net underwriting margin, net claims incurred and net underwriting expenses:			
Profit before tax	68.9	51.4	94.3
Add: Finance costs	4.1	5.5	10.2
Retail and other operating expenses	64.5	55.3	115.9
Retail and Group amortisation and depreciation	12.3	12.8	25.4
Less: Retail, investment and other income	(128.2)	(108.1)	(216.6)
Net underwriting margin	21.6	16.9	29.2
Less: Net earned premiums	(195.1)	(156.1)	(334.8)
Add: Net claims incurred	143.3	115.5	260.1
Net underwriting expenses	(30.2)	(23.7)	(45.5)
Calculation of combined operating ratio, expense ratio and loss ratio			
Combined operating ratio			
Net earned premiums	195.1	156.1	334.8
Less: Net underwriting margin	(21.6)	(16.9)	(29.2)
Net underwriting claims costs and expenses	173.5	139.2	305.6
Net earned premiums	195.1	156.1	334.8
Combined operating ratio (%)	88.9%	89.2%	91.3%
Expense ratio			
Net underwriting expenses	30.2	23.7	45.5
Net earned premiums	195.1	156.1	334.8
Expense ratio (%)	15.5%	15.2%	13.6%
Loss ratio			
Net claims incurred	143.3	115.5	260.1
Net earned premiums	195.1	156.1	334.8
Loss ratio (%)	73.4%	74.0%	77.7%

Retail, investment and other income are net revenues and income excluding net earned premiums and expense contributions receivable from reinsurance partners.

Retail operating expenses are those costs incurred by the Retail business in the provision of broking 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.

Retail amortisation and depreciation is the share of the Group charge incurred by the retail business.

Other information

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 2017.

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.

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
Free cash reconciliation	£m	£m	£m
Total cash and cash equivalents	166.2	140.1	168.0
Deduct restricted cash:			
Underwriting cash and cash equivalents	74.7	91.1	93.8
HISL cash held as agent on behalf of AICL and third party insurers	56.2	14.0	35.7
HISL regulatory cash requirement	4.5	4.2	4.2
Restricted cash held in regulated entities or on behalf of third parties	135.4	109.3	133.7
Closing free cash	30.8	30.8	34.3

	Six months ended		Year ended
	30 June 2017	30 June 2016	31 December 2016
Retail cash generated reconciliation	£m	£m	£m
Net (decrease)/increase in cash and cash equivalents	(1.8)	(12.1)	15.8
Adjust for: net decrease/(increase) in restricted cash	(1.7)	14.0	(10.4)
Net (decrease)/increase in free cash	(3.5)	1.9	5.4
Add back adjustments:			
Retail and Corporate taxation paid	7.4	2.0	10.9
Capital expenditure	8.1	10.8	20.6
Dividends paid	43.4	14.5	36.1
Loan repayment	5.0	10.0	10.0
Interest and corporate costs	5.0	7.8	13.0
Reorganisation, refinancing and transaction costs	0.4	2.1	2.1
Deduct adjustments:			
Underwriting contribution to free cash	(4.0)	-	-
Retail cash generated	61.8	49.1	98.1

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 the Mortgage and Insurance Prudential Standard ('MIPRU') 4. Capital Resources.

Other information

Managing our risks

The Director’s continue to review, assess and manage the principal risks facing the Group, including those that would threaten its business model, future performance, 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 38 – 45 of the Hastings Group Holdings 2016 Annual Report and Accounts.

The Board also disclosed its assessment of the risk to the business from the UK’s vote to leave the European Union on page 42 of Hastings Group Holdings 2016 Annual Report and Accounts. Whilst there remains ongoing uncertainty to the terms and timing of the UK’s exit, the Board’s assessment has not changed. It is not expected that there will be any immediate or short term regulatory change in Gibraltar or the UK as a result of the UK leaving the EU and therefore it is not expected that Brexit will significantly impact on the Group’s operations.

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 provides the Group's financial reports and press releases as well as information about corporate responsibility and governance.

Financial calendar

27 October 2017	–	Third quarter trading update
5 October 2017	–	Ex dividend date
6 October 2017	–	Dividend record date
10 November 2017	–	Dividend payment date