Hastings Group Holdings plc

Interim results announcement for the six months ended 30 June 2016

11 August 2016

Hastings Group Holdings plc (the 'Group', or 'Hastings'), one of the UK's fastest growing general insurance providers, today announces its interim results for the six months ended 30 June 2016.

The Group has continued its impressive momentum, with increased customer policy numbers, growing retail income, higher average premiums and disciplined underwriting driving strong profit growth.

Highlights

- **On track for another year of strong, profitable growth,** with gross written premiums up by 28% to £360.6 million (30 June 2015: £282.7 million), net revenue up by 27% to £282.7 million (30 June 2015: £222.6 million) and Group operating profit[1] up by 20% to £70.8 million (30 June 2015: £59.2 million).
- **Continuing increase in customers and market share,** with live customer policies up by 17% to 2.2 million (30 June 2015: 1.9 million) and market share of UK private car insurance increased to 6.2% (30 June 2015: 5.5%).
- **Continued growth in home and telematics,** with live customer policies increasing by 67% and 73% respectively, as we benefit from continued growth in price comparison website penetration.
- **Calendar year loss ratio[3] of 74.0%,** below the 75% to 79% target range over the insurance market cycle (30 June 2015: 73.6%).
- **Strong operational performance and lower financing costs** increase net income[2] by 55% to £51.9 million (30 June 2015: £33.5 million).
- **Ongoing cash generation and accelerated debt repayment**, with retail cash generation up 29% to £49.1 million (30 June 2015: £38.1 million) and net debt leverage multiple[4] reduced to 1.9x (30 June 2015: 3.2x).
- **Strong financial position,** with Solvency II coverage of 156% (31 December 2015: 156%).
- **Ongoing investment for growth,** with Guidewire now handling all new claims, the Guidewire broking platform commencing roll-out and over 700 colleagues in Leicester providing significant capacity for further growth.
- **Strengthened Board**, with Dr Teresa Robson-Capps and Alison Burns joining as independent non-executive Directors.
- **Interim dividend of 3.3p per share,** in line with the Group's dividend policy and reflecting the ongoing cash-generative nature of the business.

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

"Our agile, digital and data-driven approach continues to deliver strong profitable growth in line with our IPO promises, with operating profit increasing by 20% to £70.8 million for the period.

"Customer numbers are now 2.2 million reflecting both market share gains from price comparison website penetration and our focus on excellent customer service driving above industry-average retention rates. Gross written premiums were 28% higher which, combined with our sophisticated risk selection process and award winning counter-fraud operations, helped us deliver a loss ratio of 74.0%, below our target range.

"We continue to invest for the future, with over 700 colleagues now in Leicester, providing additional capacity for growth. Guidewire, our next-generation claims and broker platform, already handles all of our new claims and is now being rolled out to our retail operation for broking and billing. These investments will continue to deliver significant benefits and efficiencies for our colleagues, customers and the company.

"Our profitable, cash generative operations have allowed us to further strengthen our balance sheet and reduce leverage whilst delivering on our dividend policy by declaring an interim dividend of 3.3p per share.

"The Group's strong growth trajectory is driven by the commitment of our 2,700 colleagues as we remain focused on providing competitively priced insurance to UK customers. We remain well positioned to deliver continued profitable growth in 2016; the increases in premiums we've written will continue to earn through over the life of the policies, and we've seen no significant changes to the premium and claim inflation trends since the period end. We are firmly on track to meet, or beat, all of our targets."

The Group will host an update call for investors and analysts at 09:00am BST on 11 August 2016. Details are available on the Group's website www.hastingsplc.com.

About Hastings

Hastings is a fast growing, agile, digitally focussed general insurance provider to the UK market, with 2.2 million customers and employing over 2,700 colleagues at sites in Bexhill, Gibraltar, Leicester and Newmarket.

Hastings has built its business by championing the customer through its refreshingly straightforward service and products, offering car, bike, van and home insurance directly to the public.

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 directly underwrites car, bike and van business through its Gibraltar based insurer Advantage Insurance Company Limited. Home insurance is provided through a number of panel partners and a co-insurance agreement with AXA.

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Business Update

Hastings continues to demonstrate the successful growth trend of its business model which is the digital distribution of straightforward insurance through price comparison websites ('PCW'). The results for the six months ended 30 June 2016 show continued profitable growth consistent with the targets set at IPO.

Gross written premiums were up by 28% and market share of UK private car insurance increased to 6.2%. Net revenue increased by 27% benefitting from an 11% increase in average written premiums over the period combined with a 17% increase in live customer policies ('LCP'). The refinancing in August 2015 significantly reduced finance costs from £35.8 million for the six months ended 30 June 2015 to £5.4 million for 2016. Overall, the Group delivered a 20% increase in Group operating profit to £70.8 million.

Hastings continues to support further growth in the business by investing in colleagues and systems. New colleagues continue to join the Leicester office to provide additional scale, and the new state of the art Guidewire claims and broking platforms will enhance future capabilities. The significant cash generated by the business means these investments have been delivered whilst strengthening the balance sheet, reducing net debt and continuing to deliver on the targets set at IPO.

Key performance indicators ('KPIs')

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

	30 June 2016	30 June 2015	31 December 2015
Financial KPIs			
Group operating profit (£m)	70.8	59.2	126.1
Profit after tax (£m)	42.7	4.8	2.3
Group operating profit margin[1] (%)	25.0%	26.6%	26.2%
Calendar year loss ratio (%)	74.0%	73.6%	75.4%
Expense ratio (%)	15.2%	16.4%	15.9%
Combined operating ratio (%)	89.2%	90.0%	91.3%
Solvency II coverage (%)	156%	N/A	156%
Net debt leverage multiple (x)	1.9	3.2	2.1
Non-financial KPIs			
Market share of private UK car insurance (%)	6.2%	5.5%	5.8%
Live customer policies ('LCP')(m)	2.2	1.9	2.0

Full definitions for the above KPIs are provided on page 22 of the Hastings Group Holdings plc 2015 Annual Report.

IPO targets

During the IPO process the Group set four key targets which are well on track to be achieved within the target date.

Target set at IPO	Update
Calendar year loss ratio of between 75% and 79% through the insurance market cycle.	Calendar year loss ratio for the 6 months ended 30 June 2016 of 74.0%, below the target range.
Over 2.5 million customers by the end of 2017, but not at the expense of profitability.	2.2 million customers as at 30 June 2016, a 17% increase year on year (30 June 2015: 1.9 million).
Net debt to Group operating profit ratio of around 1.5x by 2017.	Net debt leverage multiple of 1.9x as at 30 June 2016, a reduction from 2.1x at 31 December 2015.
Dividend payout ratio of between 50% and 60% of adjusted profit after tax[5].	A 2016 interim dividend of 3.3p per share which is in line with the dividend policy.

Update on Guidewire

Hastings has continued to invest in Guidewire, its next-generation claims and broker platform. The claims platform successfully went live in November 2015 and all new claims are now being managed through the system. In July 2016 the broking platform went live with the first policies as part of a phased implementation.

Introducing Guidewire as an end to end solution for all customer policies and claims handling processes will bring significant benefits:

- **Customer experience** will be improved through redesigned online portal allowing comprehensive 24hr self-service functionality and more effective communications;
- **Cost efficiencies** to be gained from reducing customer contacts by providing more services online and reducing customer service handling times through more effective call management;
- **Improved workflow management** to shorten claims lifecycle and reduce indemnity spend; and
- **Data enhancements** provided by Guidewire will allow a Multicar offering to be extended, a growth market as 35% of households have more than one car, and enable development of new home products.

New policies will continue to be initiated on Guidewire during the second half of 2016 and 2017.

United Kingdom referendum to leave the European Union

On 23 June 2016 the United Kingdom ('UK') voted to leave the European Union ('EU'). Hastings sells direct private car, bike, van and home insurance exclusively in the UK through its Retail business based in the UK, and underwrites UK private car, bike, van and home insurance through its Underwriting business based in Gibraltar.

Gibraltar is part of the EU by virtue of the UK's membership and is not a separate member state. At present, pursuant to the Financial Services and Markets Act 2000 (Gibraltar) Order 2001 (the 'Gibraltar Order'), the UK treats Gibraltar-based insurers as European Economic Area ('EEA') insurers allowing them to underwrite UK business. The UK and Gibraltar governments are currently discussing proposals for the continuation of a common market between the UK and Gibraltar in the event of a UK exit from both the EU and the EEA. It is therefore expected that the Underwriting business would continue to underwrite UK business on a similar basis as it does currently.

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 at present the Group has no reason to anticipate any change to the regulatory environment, or solvency regimes, within which it operates.

The UK leaving the EU is not likely to impact the need for UK motorists and households to obtain insurance and is therefore unlikely to significantly affect demand for the Group's products.

The ongoing uncertainty as to timing and terms of the UK's exit from the EU may lead to further increased volatility in the financial markets and therefore could impact on the fair value of the Group's investments. This risk is mitigated by the conservative investment portfolio, which was demonstrated by the portfolio's resilience to the market volatility seen immediately after the referendum results announcement, and minimal exposure to foreign exchange movements.

Overall, the UK leaving the EU is not expected to significantly impact on the Group's operations or results.

Financial Review

Results

Summary consolidated statement of profit or loss

	Six months ended					
	30 June 2016			30 June 2015		
	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	360.6	-	360.6	282.7	-	282.7
Net earned premiums	156.1	-	156.1	118.0	-	118.0
Other revenue	123.7	-	123.7	101.6	-	101.6
Investment and interest income	2.9	-	2.9	3.0	-	3.0
Net revenue	282.7	-	282.7	222.6	-	222.6
Net claims incurred	(115.5)	-	(115.5)	(86.8)	-	(86.8)
Acquisition costs	(25.2)	-	(25.2)	(21.0)	-	(21.0)
Other operating expenses	(71.2)	(0.1)	(71.3)	(55.6)	(0.3)	(55.9)
Group operating profit[1]	70.8			59.2		
Amortisation and depreciation	(2.9)	(11.0)	(13.9)	(2.4)	(11.4)	(13.8)
Finance costs	(5.2)	(0.2)	(5.4)	(16.6)	(19.2)	(35.8)
Taxation	(10.8)	2.1	(8.7)	(6.7)	2.2	(4.5)
Profit after tax	51.9	(9.2)	42.7	33.5	(28.7)	4.8

Strong operational performance and significantly lower financing costs as a result of refinancing in 2015 have increased profit after tax by £37.9 million in the six months ended 30 June 2016 to £42.7 million (30 June 2015: £4.8 million).

Gross written premiums

	Six months ended	
	30 June 2016	30 June 2015
Gross written premiums by product	£m	£m
Private car	343.3	269.3
Bike	7.0	6.4
Van	8.5	5.8
Home	1.8	1.2
Total gross written premiums	360.6	282.7
Total gross earned premiums	324.2	252.2

Continued market-wide premium rate increases contributed to the growth in customers using PCW to buy insurance. The Group's digitally focused business model continued to benefit from increased PCW usage and, further supported by a strong retention rate, led to a 17% increase in LCP.

The Group continued to apply premium rate increases which, combined with the increase in LCP, contributed to the 28% increase in gross written premiums to £360.6 million and increased earned premiums over the period.

Home and telematics volumes continue to grow, benefitting from increased PCW activity and the Group successfully applying its digitally focused business model. As at 30 June 2016, home LCP were 158,000 and telematics were 39,000, a 67% and 73% increase respectively from 30 June 2015.

Net revenue

	Six months ended	
	30 June 2016	**30 June 2015**
Net revenue by type	**£m**	**£m**
Net earned premiums	156.1	118.0
Fees and commission	43.2	34.9
Ancillary product income	24.1	21.6
Premium finance interest	36.4	28.1
Reinsurance commissions	11.7	12.3
Other income	8.3	4.7
Other revenue	123.7	101.6
Investment and interest income	2.9	3.0
Net revenue	282.7	222.6

Alongside insurance premiums and reinsurance commissions earned by the Underwriting business, the Retail business generates a wide range of retail revenues including fees and commission on insurance products sold, income from the sale of ancillary products and premium finance interest income. Overall net revenue earned by the Group increased by 27%.

Net earned premiums increased by 32% over the prior period underpinned by growth in LCP and average written premiums.

Fees and commission on the sale of insurance contracts and ancillary product income increased due to growth in policies sold. Premium finance interest benefitted from the general premium rate increases applied by the business and an increase in the number of customers paying in monthly instalments.

Reinsurance commission volume increases were offset by the reduction in profit commission earned as a result of strengthening prior year reserves in relation to large losses.

Loss ratio

	Six months ended	
	30 June 2016	**30 June 2015**
Accident year loss ratio[7]	74.3%	79.9%
Prior year development[7]	(0.3%)	(6.3%)
Calendar year loss ratio	74.0%	73.6%

The Group's calendar year loss ratio of 74.0% (30 June 2015: 73.6%) remains below the Group's target loss ratio range of between 75 and 79%.

The accident year loss ratio improved compared to prior period due to the earning through of premium rate increases applied over the last 12 months outweighing claims inflation for the period. Average earned premiums have increased 11% year on year compared to claims inflation of 5%.

In respect of prior year development, the Group experienced a higher number of large losses in relation to the 2014 accident year than expected. The Group has accordingly strengthened its large loss reserves in relation to both the 2014 and 2015 accident years. These developments have been recognised whilst maintaining the Group's prudent claims reserving policy and a consistent risk margin over the actuarial best estimate of ultimate claims liabilities.

Expense ratio

	Six months ended	
	30 June 2016	**30 June 2015**
Expense ratio	15.2%	16.4%

Expense ratio is a measure of underwriting operational efficiency, representing incurred underwriting operational and acquisition expenses, net of expense contributions from our reinsurance partners, relative to net earned premiums. The expense ratio for the period reduced as the Group benefitted from increases in premiums growing at a faster rate than expenses.

Operating profit and profit after tax

	Six months ended	
	30 June 2016	**30 June 2015**
	£m	**£m**
Underwriting operating profit[1]	17.5	17.0
Retail operating profit[1]	52.2	40.6
Group operating profit[1]	70.8	59.2
Group net income[2]	51.9	33.5
Group profit after tax	42.7	4.8

Group operating profit increased by 20% to £70.8 million (30 June 2015: £59.2 million), which primarily reflects the growth in LCP and the earning through of higher average premiums written over the past year. The increase in Group operating profit has been primarily driven by the Retail business, whose diversified retail revenue streams on a growing book contributed towards the 29% increase in Retail operating profit to £52.2 million.

Financial Review (continued)

The following table sets out a reconciliation from profit after tax to Group operating profit:

	Six months ended	
	30 June 2016 £m	30 June 2015 £m
Profit after tax	42.7	4.8
Taxation expense	8.7	4.5
Interest expense	5.4	35.8
Restructuring, refinancing and transaction costs	0.1	0.3
Removal of the impact of accounting adjustments for business combinations	11.0	11.4
Operational amortisation and depreciation	2.9	2.4
Group operating profit	70.8	59.2

The interest expense for the six months ended 30 June 2016 reduced significantly as a result of the refinancing transactions during the second half of 2015; the £416.5 million Senior Secured Notes were redeemed, funded in part by a £300.0 million Term Loan bearing interest at a much lower interest rate, and the preference shares were converted into equity. For the six months ended 30 June 2016, £4.7 million of the total interest expense comprised interest on the Term Loan (30 June 2015: £nil) whereas, for the six months ended 30 June 2015, £15.6 million and £19.1 million comprised interest and preference share dividends on the Senior Secured Notes and the preference shares respectively.

The restructuring and transaction costs of £0.3 million for the six months ended 30 June 2015 and £0.1 million for the six months ended 30 June 2016 consist of non-trading costs in preparation for, and conclusion of, the IPO in the second half of 2015 respectively.

The accounting adjustments for business combinations comprise the non-cash amortisation of acquired intangibles amounting to £11.0 million (30 June 2015: £11.4 million).

Dividends

The interim dividend declared for 2016 is 3.3p per share, a total payment of £21.7 million. 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. The dividend payout ratio is targeted to be between 50% and 60% of adjusted Group profit after tax, of which the interim and final dividends are intended to represent approximately one third and two thirds of the total annual dividend respectively.

Financial Review (continued)

Summary consolidated balance sheet

	As at	
	30 June 2016 £m	31 December 2015 £m
ASSETS		
Goodwill	470.0	470.0
Intangible assets	99.9	102.8
Property and equipment	13.0	13.7
Reinsurance assets	610.9	547.5
Deferred acquisition costs	22.7	19.9
Insurance and other receivables	331.2	267.2
Financial assets at fair value	359.9	316.5
Cash and cash equivalents	140.1	152.2
Total assets	2,047.7	1,889.8
LIABILITIES		
Loans and borrowings	286.1	295.7
Insurance contract liabilities	1,023.8	912.1
Insurance and other payables	181.5	158.2
Deferred income tax liability	19.7	20.6
Total liabilities	1,511.1	1,386.6
Net assets	536.6	503.2

Net assets and working capital

The Group's net asset position has further strengthened, increasing from £503.2 million as at 31 December 2015 to £536.6 million as at 30 June 2016. This has been driven by the increase in profits retained within the business, after dividend payments of £14.5 million. 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.

Return on capital employed

	Six months ended	
	30 June 2016 £m	30 June 2015 £m
Average AICL deployed capital	205.8	115.3
Average HISL deployed capital	31.9	26.4
Average corporate free cash	7.2	21.9
Average capital employed	244.9	163.6
Net income	51.9	33.5
Return on capital employed (annualised)	42.4%	41.0%

The Group's return on capital employed increased reflecting the 55% growth in net income. Capital employed increased as the Group increased the capital held in the Underwriting business to further strengthen its solvency position. As well as retaining profits within the business, the Group allocated £50.0 million of net proceeds from the IPO to strengthen the Underwriting business' capital base.

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.

Investments

	As at	
Cash and cash equivalents and investments by rating	**30 June 2016 £m**	**31 December 2015 £m**
AAA and AA (or equivalent)	307.7	274.1
A (or equivalent)	94.4	98.6
BBB (or equivalent)	91.4	88.7
Less than BBB (or equivalent) or unrated	6.5	7.3
Total cash and cash equivalents and investments	500.0	468.7

The Group has a conservative investment strategy with a primary focus on capital preservation and during the period the Group increased its investments in AAA and AA or equivalent rated assets from 58% of the total portfolio as at 31 December 2015 to 62%. The weighted average credit rating of the investment portfolio continued to be A+ (31 December 2015: A+)

The Group's investment portfolio primarily comprises investment grade fixed income debt securities and a small proportion of investment funds managed by third parties:

	As at	
Cash and cash equivalents and investments by classification	**30 June 2016 £m**	**31 December 2015 £m**
Cash at bank and in hand	53.1	47.5
Money market funds	87.0	104.7
Debt securities	308.3	264.6
Investment funds	51.6	51.9
Total cash and cash equivalents and investments	500.0	468.7

Reserves and insurance contract liabilities

Total insurance contract liabilities as at 30 June 2016 of £1,023.8 million (31 December 2015: £912.1 million) comprise £356.8 million (31 December 2015: £320.4 million) of unearned premiums, which are deferred to be recognised in subsequent periods, and outstanding claims liabilities of £667.0 million (31 December 2015: £591.7 million). Gross outstanding liabilities have increased due to the greater exposure from the increase in total LCP, and the impact of claims inflation.

The provision for outstanding claims liabilities is an area of significant judgement as it estimates the cost required to settle all unpaid claims, both reported and incurred but not reported, at the balance sheet date. The Group manages this risk by applying a consistent reserving methodology to calculate an internal actuarial best estimate and then reserving an additional risk margin over and above this. This margin has been maintained at a consistent 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 2016 £m	31 December 2015 £m
AA (or equivalent)	382.2	337.2
A (or equivalent)	228.5	210.3
BBB (or equivalent)	0.2	-
Total reinsurance assets	610.9	547.5

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 motor event, including PPOs, to £1.0 million 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 terms of the quota share reinsurance contracts are such that whilst the Group cedes approximately 50% of motor premiums written, in return for which the reinsurance partners contribute 50% of the claims cost for motor insurance policies that the Group incurs, the Group expects to retain the majority of profit generated on these policies through commissions receivable. The final reinsurance commissions receivable are dependent upon achieving certain performance criteria, including target loss ratios. The majority of quota share contracts are now on a rolling renewal basis, with 63% by proportion of total 2016 programme value on two year minimum term arrangements. These contracts provide additional security and certainty regarding the availability of the Group's reinsurance arrangements.

Reinsurance assets, comprising reinsurers' share of outstanding claims liabilities, increased by 12% to £610.9 million as at 30 June 2016 (30 June 2015: £547.5 million) due to the greater exposure from increasing policy volumes. The Group carefully manages risk within the portfolio by working with a range of high quality, highly regarded and stable reinsurers.

Solvency

	As at	
	30 June 2016	31 December 2015
Solvency II:		
Underwriting own funds (£m)	228.4	208.1
Solvency Capital Requirement (£m)	146.5	133.1
Solvency II coverage ratio	156%	156%

The Underwriting business remains well capitalised under the Solvency II capital requirements which came into effect on 1 January 2016, replacing Solvency I. The table above presents the Underwriting business' Solvency II coverage ratio as at 31 December 2015 and as at 30 June 2016 calculated using the regulated entity's results.

Notes

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 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.

Notes

1 Operating profit is defined as profit before taxation expense, interest expense, amortisation and depreciation, certain non-trading costs and the effects of accounting for business combinations.

Group operating profit margin is defined as Group operating profit divided by underlying Group net revenue.

2 Group net income represents profit after tax from underlying trading, and is defined as profit after tax adjusted to exclude the impact of non-operational amortisation, certain non-trading costs, preference share dividends in prior periods and the effects of accounting for business combinations.

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

4 Net debt leverage multiple represents the Group’s net debt expressed relative to 12 months trailing Group operating profit.

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

6 IFRS results have been adjusted to present underlying trading figures, to reflect the underlying performance of the business, by excluding the effects of acquisition accounting and non-trading items representing costs incurred in preparation for the IPO.

7 The calculations of prior year development and accident year loss ratios have been amended so that prior period adjustments to risk margin are now recorded and presented within prior year development. This change has been reflected in the comparative accident year loss ratio and prior year development figures. This change does not impact on the reported calendar year loss ratio for any period, and does not reflect a change in reserving approach.

Condensed Consolidated Statement of Profit or Loss

for the six months ended 30 June 2016

	Note	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
Gross written premiums	6	360.6	282.7	614.9
Gross earned premiums	6	324.2	252.2	543.3
Earned premiums ceded to reinsurers	6	(168.1)	(134.2)	(287.4)
Net earned premiums	6	156.1	118.0	255.9
Other revenue	7	123.7	101.6	219.8
Investment and interest income	8	2.9	3.0	5.3
Net revenue		282.7	222.6	481.0
Claims incurred	9	(267.5)	(204.8)	(460.1)
Reinsurers' share of claims incurred	9	152.0	118.0	267.2
Net claims incurred	9	(115.5)	(86.8)	(192.9)
Acquisition costs		(25.2)	(21.0)	(44.3)
Other operating expenses before amortisation and depreciation	10	(71.3)	(55.9)	(120.1)
Add back: Restructuring and transaction costs	10	0.1	0.3	2.4
Group operating profit[1]		70.8	59.2	126.1
Amortisation and depreciation	10	(13.9)	(13.8)	(27.6)
Finance costs	11	(5.4)	(35.8)	(91.1)
Profit before tax		51.4	9.3	5.0
Taxation expense		(8.7)	(4.5)	(2.7)
Total profit attributable to the equity holders of the parent		42.7	4.8	2.3
Earnings per share attributable to the equity holders of the parent (expressed in pence per share)				
Basic and diluted earnings per share	12	6.5p	1.3p	0.5p

All results arose from continuing operations.

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

[1] Group operating profit represents profit before taxation expense, interest expense, amortisation and depreciation, certain non-trading costs and the effects of accounting for business combinations. 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 2016

		Six months ended		Year ended
		30 June 2016	30 June 2015	31 December 2015
	Note	£m	£m	£m
Total profit attributable to the equity holders of the parent		42.7	4.8	2.3
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Fair value gain/(loss) on available for sale investments	16	3.9	(0.9)	(1.3)
Total items that may be subsequently reclassified to profit or loss		3.9	(0.9)	(1.3)
Items that may not be subsequently reclassified to profit or loss				
Revaluation of property		-	-	0.7
Deferred tax charge on revaluation of property		-	-	(0.1)
Total items that may not be subsequently reclassified to profit or loss		-	-	0.6
Total other comprehensive gain/(loss)		3.9	(0.9)	(0.7)
Total comprehensive income attributable to the equity holders of the parent		46.6	3.9	1.6

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

Condensed Consolidated Balance Sheet
as at 30 June 2016

	Note	30 June 2016 £m	30 June 2015 £m	31 December 2015 £m
ASSETS				
Goodwill		470.0	470.0	470.0
Intangible assets		99.9	102.6	102.8
Property and equipment		13.0	12.4	13.7
Deferred income tax asset		4.0	2.9	3.4
Reinsurance assets	13	610.9	471.2	547.5
Deferred acquisition costs		22.7	18.4	19.9
Prepayments		14.3	5.4	2.2
Insurance and other receivables	14, 16	312.9	234.0	261.6
Financial assets at fair value	16	359.9	264.1	316.5
Cash and cash equivalents	15, 16	140.1	125.2	152.2
Total assets		2,047.7	1,706.2	1,889.8
LIABILITIES				
Preference shares	16	-	338.4	-
Loans and borrowings	16, 17	286.1	404.6	295.7
Insurance contract liabilities	13	1,023.8	785.7	912.1
Insurance and other payables	16, 18	172.9	160.3	156.2
Deferred income tax liability		19.7	22.9	20.6
Current tax liabilities		8.6	4.3	2.0
Total liabilities		1,511.1	1,716.2	1,386.6
EQUITY				
Share capital	19	13.1	7.6	13.1
Share premium		172.6	749.4	172.6
Merger reserve		(756.0)	(756.0)	(756.0)
Other reserves		3.2	(0.9)	(0.7)
Retained earnings		1,103.7	(10.1)	1,074.2
Total equity		536.6	(10.0)	503.2
Total equity and liabilities		2,047.7	1,706.2	1,889.8

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 2016

Year ended 31 December 2015	**Share capital £m**	**Share premium £m**	**Merger reserve £m**	**Other reserves £m**	**Retained earnings £m**	**Total equity £m**
As at 1 January 2015	7.6	749.4	(756.0)	-	(14.9)	(13.9)
Total profit attributable to the equity holders of the parent	-	-	-	-	2.3	2.3
Total other comprehensive loss	-	-	-	(0.7)	-	(0.7)
Total comprehensive profit/(loss) for the year	-	-	-	(0.7)	2.3	1.6
Transactions with equity holders of the parent						
Share based payments	-	-	-	-	0.5	0.5
Conversion of preference shares	3.4	339.6	-	-	-	343.0
Issue of shares	2.1	172.6	-	-	(2.7)	172.0
Capital reduction	-	(1,089.0)	-	-	1,089.0	-
Total transactions with equity holders of the parent	5.5	(576.8)	-	-	1,086.8	515.5
As at 31 December 2015	13.1	172.6	(756.0)	(0.7)	1,074.2	503.2

Six months ended 30 June 2016	Note	**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

Six months ended 30 June 2015	**Share capital £m**	**Share premium £m**	**Merger reserve £m**	**Other reserves £m**	**Retained earnings £m**	**Total equity £m**
As at 1 January 2015	7.6	749.4	(756.0)	-	(14.9)	(13.9)
Total profit attributable to the equity holders of the parent	-	-	-	-	4.8	4.8
Total other comprehensive loss	-	-	-	(0.9)	-	(0.9)
Total comprehensive profit/(loss) for the period	-	-	-	(0.9)	4.8	3.9
As at 30 June 2015	7.6	749.4	(756.0)	(0.9)	(10.1)	(10.0)

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

Condensed Consolidated Statement of Cash Flows
for the six months ended 30 June 2016

	Note	30 June 2016 £m	30 June 2015 £m	31 December 2015 £m
Profit after tax		42.7	4.8	2.3
Adjustments for:				
Restructuring and transaction costs	10	0.1	0.3	2.4
Depreciation of property and equipment	10	1.4	1.2	2.3
Amortisation of intangible assets	10	12.5	12.6	25.3
Net fair value gains/(losses) on financial assets at fair value through profit or loss	8	0.1	(1.0)	(0.8)
Other interest income	8	(3.0)	(2.0)	(4.5)
Loss on disposal of property and equipment		-	-	0.1
Finance costs	11	5.4	35.8	91.1
Taxation expense		8.7	4.5	2.7
Share based payments		1.3	-	0.5
Change in insurance and other receivables and prepayments		(63.1)	(25.7)	(48.9)
Change in insurance and other payables		19.9	10.7	12.3
Change in reinsurance assets	13	(63.4)	(46.2)	(121.0)
Change in deferred acquisition costs		(2.8)	(2.6)	(4.2)
Change in insurance contract liabilities	13	111.7	83.5	207.4
Taxation paid		(3.6)	(7.9)	(11.4)
Net cash flows from operating activities		67.9	68.0	155.6
Purchase of property and equipment		(0.7)	(2.5)	(5.2)
Acquisition of intangible assets		(10.1)	(10.7)	(24.8)
Interest received		0.3	0.2	0.5
Outlays for acquisition of financial assets at fair value		(72.7)	(94.9)	(189.4)
Proceeds from disposal of financial assets at fair value		35.6	57.6	100.1
Net cash flows from investing activities		(47.6)	(50.3)	(118.8)
Proceeds from issue of ordinary share capital	19	-	-	182.2
Proceeds from new loans and borrowings	17	-	-	300.0
Repayment of loans and borrowings	17	(10.0)	-	(416.5)
Interest paid on loans and borrowings		(5.8)	(15.6)	(32.4)
Other interest paid		-	(0.1)	(1.0)
Non-trading costs paid		(2.1)	(0.2)	(40.3)
Dividends paid		(14.5)	-	-
Net cash flows from financing activities		(32.4)	(15.9)	(8.0)
Net (decrease)/increase in cash and cash equivalents		(12.1)	1.8	28.8
Cash and cash equivalents at beginning of period/year		152.2	123.4	123.4
Cash and cash equivalents (outflow)/inflow for the period/year		(12.1)	1.8	28.8
Cash and cash equivalents at end of period/year	15	140.1	125.2	152.2

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 (the 'Company', 'Hastings', 'HGH') was initially incorporated on 11 June 2015, with its registered office situated in England and Wales. The Company's registered office and principal place of business is at Conquest House, Collington Avenue, Bexhill-on-Sea, TN39 3LW, United Kingdom.

The principal activities of the Group are to broker and underwrite private car, van, bike and home insurance within the United Kingdom (the 'UK').

The Condensed Consolidated Financial Statements comprise the consolidated results of the Company and its subsidiaries (together referred to as the 'Group') for the six months ended 30 June 2016 and comparative figures for the six months ended 30 June 2015.

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

These interim financial statements are not statutory accounts. The statutory accounts for the year ended 31 December 2015 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 results for 30 June 2016 and 30 June 2015 have been reviewed by the external auditors in accordance with their report included on page 42.

Reorganisation

The Company was incorporated for the purposes of acquiring the share capital of Hastings Insurance Group (Holdings) plc ('HIG(H)'), the ultimate parent company of Advantage Insurance Company Limited ('AICL') and Hastings Insurance Services Limited ('HISL'), the principal trading subsidiaries of HIG(H).

On 12 August 2015, the Company acquired the entire issued share capital of HIG(H) in a series of transactions referred to as the 'reorganisation'. On that day the Company issued roll up loan notes in exchange for the entire issued ordinary share capital and preference shares, accrued dividends thereon and roll up loan notes in HIG(H) for the value of £1,100.0 million. On the same day, HIG(H) then converted its preference shares, accrued dividends thereon and roll up loan notes into ordinary share capital. As a result, the Company's £1,100.0 million investment in HIG(H) represented the entire issued ordinary share capital of HIG(H). Subsequently, the Company converted its roll up loan notes into ordinary share capital.

Both HGH and HIG(H) were under common control before and after the reorganisation and, as a consequence, the Condensed Consolidated Financial Statements have been prepared under the principles of predecessor accounting. Under these principles, no acquirer is required to be identified and all entities are included at their pre-combination carrying amounts. This accounting treatment leads to a difference on consolidation between consideration paid and the book value of the underlying net assets acquired; this balance is included within equity as a merger reserve. Under predecessor accounting, the Group has included the results of the combined entities for both the current and prior period, rather than from the restructuring date.

a) Going concern

The financial performance and position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the Condensed Consolidated Financial Statements. The Business Update and Managing our risks sections within this interim report together with the Strategic Report in the Hastings Group Holdings plc 2015 Annual Report all provide further analysis of the Group's operations, capital management strategy, risk management practices and growth strategy.

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 functional currency is Pounds Sterling and 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 preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Condensed Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amounts, events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Condensed Consolidated Financial Statements, are disclosed in Note 3.

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 consolidate the financial statements of HGH, HIG(H) and all of the subsidiary undertakings for the six month periods ended 30 June 2016 and 30 June 2015.

The Condensed Consolidated Financial Statements are based on financial statements of subsidiaries whose year ends are coterminous with those of the Company and 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.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are initially measured at their fair value at the date of the acquisition.

Acquisition related costs, referred to as transaction costs, are expensed as incurred.

2. Accounting policies

The Group's accounting policies as disclosed on pages 87 to 94 of the Hastings Group Holdings plc 2015 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 and no new or revised accounting standards, interpretations or amendments endorsed by the EU since the year ended 31 December 2015, are considered to have an impact on the Group.

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, apart from those involving estimations, that the Directors have made in applying the Group's accounting policies that have the most significant effect on the amounts recognised in the Condensed Consolidated Financial Statements and the major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Claims liabilities

The estimation of liabilities arising from claims made under insurance contracts and the related reinsurance recoveries are the Group's most critical accounting estimates. Estimates, and the resulting loss ratios, are informed by detailed actuarial analysis and reflect a balanced assessment of risk and probability, resulting in a sufficiently prudent liability to give the Directors of the Group confidence that the Group is adequately provisioned to meet its future liabilities. The calculation of reinsurance recoveries is intrinsically linked to the calculation of outstanding claims liabilities, and requires the same estimations and judgements.

In order to reduce the risk of underestimation of these liabilities, a margin is maintained over and above the Group's internal actuarial best estimate of outstanding claims liabilities.

From time to time, periodical payment orders ('PPOs') are awarded as a result of claims made under insurance contracts, they are generally for a fixed instalment over an indeterminate time period. As such, reserving for PPOs granted inherently involves estimation by management as to the period over which the PPOs will be fulfilled. As at the period end, management may consider the award of certain PPOs to be probable and as such these will be included in claims liabilities. The value of instalments, the period over which these instalments will be payable and the likelihood of the PPO being granted are determined as a result of detailed review of the circumstances of each claim by management with support of the Group's actuaries.

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.

a) Risk management objectives and policies for mitigating insurance risk

A disciplined approach to risk management is adopted in accordance with strict protocols. It is believed that this approach provides the greatest long term likelihood of being able to meet the objectives of all stakeholders, including customers, lenders and shareholders. The risk management activities can be broadly separated into underwriting (acceptance and pricing of risk), reinsurance, claims management and investment management. The objective of these risk management functions is to enhance the longer term financial performance of the overall insurance operations.

Acceptance of risk

The Board of Directors of the Group's underwriting subsidiary, AICL, approves the underwriting and pricing policy, and reviews and monitors the underwriting and pricing standards and strategies. The Group's underwriting strategy is focused on a sophisticated data-driven approach to pricing and underwriting through:

- Collating and analysing comprehensive data from customers;
- Tight control over the pricing guidelines in order to target profitable business lines; and
- Fast and flexible responsiveness to market trends.

The underwriting of large numbers of uncorrelated individual risks reduces the variability in overall claims experience. Management information systems are maintained that provide up-to-date, reliable data on the risks to which the business is exposed at any point in time. Efforts are made, including the use of plain language policy terms, to ensure there is no misalignment between what customers perceive will be paid when a policy is initially entered and what is actually paid when a claim is made.

Pricing

Statistical models are used which combine historical and projected data to calculate premiums and monitor claims patterns. The data used includes historical pricing and claims analysis as well as current developments in the market.

All data used is subject to rigorous verification and reconciliation processes. The models incorporate consideration of market conditions.

Claims management

Initial claim determination is managed by claims handlers with the requisite degree of experience and competence with the assistance, where appropriate, of a loss adjuster or other party with specialist knowledge.

It is the Group's policy to respond to and settle claims quickly whenever possible and to pay claims fairly, based on customers' full entitlement in line with consumer and regulator expectations.

When PPOs are awarded as a result of claims made under insurance contracts, there is a risk that these may be of a high value and for a long term. As such, management perform detailed reviews of expected PPOs throughout the claims process to identify the expected ultimate value of such claims as early as possible and reserve appropriately.

Reinsurance contracts

Reinsurance contracts are used both to limit exposure to claims pervasively across the business, and specifically to limit exposure to large single claims and the accumulation of claims that arise from the same event or the accumulation of similar events.

The Group uses excess of loss reinsurance arrangements and the effect of such arrangements is that the Group should not suffer total net motor insurance losses of more than an inflation-adjusted £1.0 million, gross of quota share recoveries, on any single event including PPOs. For periods ended 31 December 2014 and prior, this threshold amount was £0.5 million on any single event. These arrangements have been in place for policies incepted by the Group since 1 January 2003 and for the year ended 31 December 2014 were subject to an aggregate deductible of £5.0 million.

The Group also uses excess of loss reinsurance arrangements for home insurance policies, the effect of which is that the Group should not suffer total net home insurance losses of more than £0.5 million on any individual event from 1 January 2016 (year ended 31 December 2015: £0.3 million), capped at £9.3 million liability per event (year ended 31 December 2015: £15.0 million).

Additionally, the Group has a 50% quota share arrangement in place, applicable on all new motor insurance policies incepted by AICL since 1 January 2011.

The use of reinsurance contracts does not discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim, the Group remains liable for the payment to the policyholder. As part of reinsurance contract risk management, the creditworthiness of reinsurers to control exposure to reinsurance counterparty default is considered on a quarterly basis by reviewing their financial strength. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy.

Investment management

Assets and liabilities are managed so as to effectively match the expected pattern of claims payments with the assets that are held to back outstanding claims liabilities. The mix of investment between cash and cash equivalents and marketable securities is managed to ensure that the Group has the ability to meet expected and unexpected requirements for cash.

b) Terms and conditions of insurance contracts

The terms and conditions attached to insurance contracts affect the level of insurance risk accepted. Insurance contracts written are entered into on a standard form basis. Insurance contracts are entered into on an annual basis and at the time of entering into a contract certain terms and conditions are negotiable or, in the case of renewals, renegotiable. There are no embedded derivatives that are separately recognised from a host insurance contract.

c) Concentrations of insurance risk

The exposure to concentrations of insurance risk is mitigated by a portfolio which is diversified across many different individual customers living in different parts of the UK. Therefore, the Directors do not believe there are significant concentrations of insurance risk.

d) Credit risk

The management of credit risk arising out of insurance contracts is explained in Note 16.

5. Segmental reporting

a) Segments

The Group has two reportable trading segments and a corporate head office, as described below. These segments represent the principal split of business that is regularly reported to the Group's chief operating decision maker in line with IFRS 8 Operating Segments.

Underwriting

The Underwriting segment comprises the Underwriting business which is based in Gibraltar. It includes AICL and its investment in Conquest House Limited. The principal activity of AICL is the underwriting of general insurance, predominantly private car insurance in the UK. Since 1 January 2015, AICL has also underwritten UK home policies under a co-insurance arrangement. Conquest House Limited owns property which is utilised by the Group.

Retail

The principal activity of the Retail segment is the provision of insurance broking services to the private car, van, bike and home markets in the UK through the UK trading subsidiary HISL, much of which is underwritten by the Underwriting segment. Broking services are also provided on behalf of a panel of external third-party insurers.

Corporate

The Corporate segment includes the results of various head office companies, whose primary activities are as holding and finance companies.

Consolidation adjustments

Consolidation adjustments comprise the adjustments required to consolidate the Group's results under IFRS, including the elimination of intercompany balances, revenue between operating segments and investments in subsidiaries. Sales between the Group's two reportable segments are carried out at arm's length.

Operational amortisation and depreciation

Operational amortisation and depreciation refers to the amortisation and depreciation recognised based on the underlying internal cost of assets. It does not include amortisation of intangible assets identified and fair valued upon acquisition which is included within the line item accounting for business combinations.

Accounting for business combinations

Accounting for business combinations reflects adjustments recognised in the period which relate to the restructuring as part of the Goldman Sachs investment on 8 January 2014.

Operating profit

Operating profit represents profit before taxation expense, interest expense, amortisation and depreciation, certain non-trading costs and the effects of accounting for business combinations.

b) Segment performance

The tables below present the Group's results by reportable 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)
Operating expenses	(49.2)	(90.1)	(2.6)	45.5	(96.4)
Operating profit	17.5	52.2	(2.6)	3.7	70.8
Interest expense					(5.4)
Operational amortisation and depreciation					(2.9)
Restructuring, refinancing and transaction costs					(0.1)
Accounting for business combinations					(11.0)
Profit before tax					51.4
Taxation expense					(8.7)
Total profit attributable to the equity holders of the parent					42.7

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

Six months ended 30 June 2015	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Net earned premiums	125.7	-	-	(7.7)	118.0
Other revenue	12.4	114.9	-	(25.7)	101.6
Investment and interest income	2.9	0.1	-	-	3.0
Net revenue	141.0	115.0	-	(33.4)	222.6
Net claims incurred	(86.8)	-	-	-	(86.8)
Operating expenses	(37.2)	(74.4)	(1.1)	36.1	(76.6)
Operating profit	17.0	40.6	(1.1)	2.7	59.2
Interest expense					(35.8)
Operational amortisation and depreciation					(2.4)
Restructuring, refinancing and transaction costs					(0.3)
Accounting for business combinations					(11.4)
Profit before tax					9.3
Taxation expense					(4.5)
Total profit attributable to the equity holders of the parent					4.8

Included within other revenue recognised by the Retail segment is £36.2 million arising from transactions with the Underwriting segment. Other revenue recognised by the Underwriting segment includes £0.2 million arising from transactions with the Retail segment.

	Underwriting	Retail	Corporate	Consolidation adjustments	Group
Year ended 31 December 2015	£m	£m	£m	£m	£m
Net earned premiums	273.6	-	-	(17.7)	255.9
Other revenue	29.0	243.4	-	(52.6)	219.8
Investment and interest income	5.0	0.2	0.1	-	5.3
Net revenue	307.6	243.6	0.1	(70.3)	481.0
Net claims incurred	(192.9)	-	-	-	(192.9)
Operating expenses	(76.8)	(153.7)	(2.2)	70.7	(162.0)
Operating profit/(loss)	37.9	89.9	(2.1)	0.4	126.1
Interest expense					(54.6)
Operational amortisation and depreciation					(4.6)
Restructuring, refinancing and transaction costs					(38.9)
Accounting for business combinations					(23.0)
Profit/(loss) before tax					5.0
Taxation expense					(2.7)
Total profit attributable to the equity holders of the parent					2.3

Included within other revenue recognised by the Retail segment is £75.9 million arising from transactions with the Underwriting segment. Other revenue recognised by the Underwriting segment includes £0.4 million 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 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 asset	-	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 liability	0.1	-	-	19.6	19.7
Current tax liabilities/ (assets)	0.2	9.9	(1.5)	-	8.6
Total liabilities	1,162.4	285.6	286.6	(223.5)	1,511.1
Total equity	211.5	56.1	1,008.0	(739.0)	536.6

Notes to the Condensed Consolidated Financial Statements (continued)

As at 30 June 2015	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Goodwill	-	1.9	-	468.1	470.0
Intangible assets	0.1	20.2	-	82.3	102.6
Investments in subsidiaries	-	-	1.0	(1.0)	-
Investments	3.7	-	-	(3.7)	-
Property and equipment	1.7	7.6	-	3.1	12.4
Deferred income tax asset	-	0.9	-	2.0	2.9
Reinsurance assets	472.4	-	-	(1.2)	471.2
Deferred acquisition costs	17.9	-	-	0.5	18.4
Prepayments	0.1	2.6	2.6	0.1	5.4
Insurance and other receivables	221.1	186.1	15.2	(188.4)	234.0
Financial assets at fair value	264.1	-	-	-	264.1
Cash and cash equivalents	48.8	53.1	23.3	-	125.2
Total assets	1,029.9	272.4	42.1	361.8	1,706.2
Preference shares	-	-	338.4	-	338.4
Loans and borrowings	-	-	404.6	-	404.6
Insurance contract liabilities	799.6	-	-	(13.9)	785.7
Insurance and other payables	107.5	233.9	13.2	(194.3)	160.3
Deferred income tax liability	-	-	-	22.9	22.9
Current tax liabilities/ (assets)	-	4.4	-	(0.1)	4.3
Total liabilities	907.1	238.3	756.2	(185.4)	1,716.2
Total equity	122.8	34.1	(714.1)	547.2	(10.0)

Notes to the Condensed Consolidated Financial Statements (continued)

As at 31 December 2015	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Goodwill	-	1.9	-	468.1	470.0
Intangible assets	-	32.2	-	70.6	102.8
Investments in subsidiaries	-	-	1,269.3	(1,269.3)	-
Investments	4.2	-	-	(4.2)	-
Property and equipment	1.7	8.1	-	3.9	13.7
Deferred income tax asset	-	0.8	-	2.6	3.4
Reinsurance assets	547.8	-	-	(0.3)	547.5
Deferred acquisition costs	23.6	-	-	(3.7)	19.9
Prepayments	0.2	2.0	-	-	2.2
Insurance and other receivables	246.3	213.0	21.2	(218.9)	261.6
Financial assets at fair value	316.5	-	-	-	316.5
Cash and cash equivalents	89.2	51.8	11.2	-	152.2
Total assets	1,229.5	309.8	1,301.7	(951.2)	1,889.8
Loans and borrowings	-	-	295.7	-	295.7
Insurance contract liabilities	926.4	-	-	(14.3)	912.1
Insurance and other payables	111.0	265.8	4.9	(225.5)	156.2
Deferred income tax liability	0.1	-	-	20.5	20.6
Current tax liabilities/ (assets)	0.4	1.7	(0.1)	-	2.0
Total liabilities	1,037.9	267.5	300.5	(219.3)	1,386.6
Total equity	191.6	42.3	1,001.2	(731.9)	503.2

Underwriting's investments comprise the property Conquest House. This is classified as property and equipment by the Group.

6. Insurance premiums

	Six months ended 30 June 2016			Six months ended 30 June 2015		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	£m	£m	£m	£m	£m	£m
Written premiums	360.6	(185.3)	175.3	282.7	(148.6)	134.1
Unearned premiums reserve brought forward at start of period	320.4	(166.8)	153.6	248.8	(133.3)	115.5
Unearned premiums reserve carried forward at end of period	(356.8)	184.0	(172.8)	(279.3)	147.7	(131.6)
Total earned premiums	324.2	(168.1)	156.1	252.2	(134.2)	118.0

	Year ended 31 December 2015		
	Gross	Reinsurers' share	Net
	£m	£m	£m
Written premiums	614.9	(320.9)	294.0
Unearned premiums reserve brought forward at start of period	248.8	(133.3)	115.5
Unearned premiums reserve carried forward at end of period	(320.4)	166.8	(153.6)
Total earned premiums	543.3	(287.4)	255.9

7. Other revenue

	Six months ended		Year ended
	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Fees and commission	43.2	34.9	73.5
Ancillary product income	24.1	21.6	45.0
Premium finance interest	36.4	28.1	61.3
Reinsurance commissions	11.7	12.3	28.6
Other income	8.3	4.7	11.4
Total other revenue	123.7	101.6	219.8

8. Investment and interest income

	Six months ended		Year ended
	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Net fair value gains/(losses) on financial assets at fair value	(0.1)	1.0	0.8
Other interest income	3.0	2.0	4.5
Total investment and interest income	2.9	3.0	5.3

9. Claims incurred

	Six months ended 30 June 2016			Six months ended 30 June 2015		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	£m	£m	£m	£m	£m	£m
Current period	(260.9)	144.9	(116.0)	(208.1)	113.8	(94.3)
Prior periods	(6.6)	7.1	0.5	3.3	4.2	7.5
Total claims incurred	(267.5)	152.0	(115.5)	(204.8)	118.0	(86.8)

	Year ended 31 December 2015		
	Gross	Reinsurers' share	Net
	£m	£m	£m
Current period	(451.6)	251.1	(200.5)
Prior periods	(8.5)	16.1	7.6
Total claims incurred	(460.1)	267.2	(192.9)

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 all previous years.

10. Other operating expenses

	Six months ended		Year ended
	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
Profit before taxation is stated after charging			
Buildings operating lease rentals	0.2	0.4	0.5
Employee benefits	35.9	26.1	56.3
Restructuring and transaction costs	0.1	0.3	2.4
Other administration and distribution costs	35.1	29.1	60.9
Other operating expenses before amortisation and depreciation	71.3	55.9	120.1
Amortisation of intangible assets	12.5	12.6	25.3
Depreciation of property and equipment	1.4	1.2	2.3
Total amortisation and depreciation	13.9	13.8	27.6
Total other operating expenses	85.2	69.7	147.7

11. Finance costs

	Six months ended		Year ended
	30 June 2016 £m	30 June 2015 £m	31 December 2015 £m
Interest on Senior Secured Notes	-	15.6	27.1
Interest on Term Loan	4.7	-	1.1
Non-cash amortisation of loans and borrowings	0.5	1.0	1.8
Preference share dividends	-	19.1	23.7
Other interest expense	0.2	0.1	0.9
Total interest expense	5.4	35.8	54.6
Refinancing costs	-	-	36.5
Total finance costs	5.4	35.8	91.1

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

Refinancing costs incurred in the year ended 31 December 2015 related to the early redemption of the Senior Secured Notes in 2015, which were settled in full in November 2015.

On 12 August 2015, as part of the reorganisation, the preference shares and accrued dividends thereon were converted into Ordinary Shares.

12. Earnings per share

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

Adjusted basic earnings per share is calculated by dividing Group net income attributable to the equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period. Group net income is profit after tax adjusted for restructuring, refinancing and transaction costs, preference share dividends and the impact of accounting for business combinations. The Directors believe this figure provides a better indication of operating performance.

The share awards issued by the Group have an inconsequential dilutive potential impact and therefore the basic and adjusted earnings per share equals the basic and adjusted diluted earnings per share respectively.

	Six months ended		Year ended
	30 June 2016	30 June 2015	31 December 2015
Profit attributable to the equity holders of the parent (£m)	42.7	4.8	2.3
Basic weighted average number of Ordinary Shares in issue	657,217,641	378,482,926	468,122,379
Basic and diluted earnings per share	6.5p	1.3p	0.5p

	Six months ended		Year ended
	30 June 2016	30 June 2015	31 December 2015
Profit attributable to the equity holders of the parent (£m)	42.7	4.8	2.3
Adjusted for (£m):			
Restructuring, refinancing and transaction costs	0.1	0.3	38.9
Preference share dividends	-	19.1	23.7
Impact of accounting for business combinations on finance costs	0.2	0.1	0.7
Non-operational amortisation	11.0	11.4	23.0
Tax effect of the above adjusting items	(2.1)	(2.2)	(12.4)
Group net income (£m)	51.9	33.5	76.2
Basic weighted average number of Ordinary Shares in issue	657,217,641	378,482,926	468,122,379
Adjusted basic and diluted earnings per share	7.9p	8.9p	16.3p

The adjusted basic and diluted earnings per share for the six months ended 30 June 2015 calculated on the number of shares that have been in issue since immediately after the Group's IPO in October 2015 would have been 5.1p per share (year ended 31 December 2015: 11.6p per share).

13. Reinsurance assets and insurance contract liabilities

	As at 30 June 2016			As at 30 June 2015		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	£m	£m	£m	£m	£m	£m
Claims reported and adjustments to claims reported	495.8	(291.2)	204.6	381.4	(227.8)	153.6
Claims incurred but not reported ('IBNR')	171.2	(135.7)	35.5	125.0	(95.7)	29.3
Outstanding claims liabilities	667.0	(426.9)	240.1	506.4	(323.5)	182.9
Unearned premiums reserve	356.8	(184.0)	172.8	279.3	(147.7)	131.6
Total insurance contract liabilities	1,023.8	(610.9)	412.9	785.7	(471.2)	314.5

	As at 31 December 2015		
	Gross	Reinsurers' share	Net
	£m	£m	£m
Claims reported and adjustments to claims reported	430.6	(254.9)	175.7
Claims incurred but not reported ('IBNR')	161.1	(125.8)	35.3
Outstanding claims liabilities	591.7	(380.7)	211.0
Unearned premiums reserve	320.4	(166.8)	153.6
Total insurance contract liabilities	912.1	(547.5)	364.6

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

14. Insurance and other receivables

	As at		
	30 June 2016 £m	30 June 2015 £m	31 December 2015 £m
Insurance receivables	232.6	183.0	206.6
Salvage and subrogation recoveries	32.2	20.9	21.1
Reinsurance receivables	25.5	14.8	11.1
Interest receivable	4.9	3.4	4.6
Other receivables	17.7	11.9	18.2
Total insurance and other receivables	312.9	234.0	261.6

15. Cash and cash equivalents

	As at		
	30 June 2016 £m	30 June 2015 £m	31 December 2015 £m
Cash at bank and in hand	53.1	41.0	47.5
Money market funds	87.0	84.2	104.7
Total cash and cash equivalents	140.1	125.2	152.2

Cash and cash equivalents include balances of £9.1 million (30 June 2015: £7.2 million; 31 December 2015: £6.8 million) relating to cash and cash equivalents held on an agency basis on behalf of other insurers.

16. 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 2016 £m	30 June 2015 £m	31 December 2015 £m
Financial assets			
Insurance and other receivables	312.9	234.0	261.6
Cash and cash equivalents	140.1	125.2	152.2
Total financial assets at amortised cost	453.0	359.2	413.8
Financial liabilities			
Senior Secured Notes	-	404.6	-
Preference shares	-	338.4	-
Term Loan	286.1	-	295.7
Insurance and other payables	172.9	160.3	156.2
Total financial liabilities at amortised cost	459.0	903.3	451.9

The fair value of the Senior Secured Notes as at 30 June 2015 was £431.1 million (Level 1 basis). The carrying value of all other financial instruments carried at amortised cost at 30 June 2016, 30 June 2015 and 31 December 2015 is considered to be an approximation of fair value.

At fair value

The table below analyses financial assets carried at fair value by valuation method. The different valuation levels are consistent with those defined in the Hastings Group Holdings plc Annual Report 2015. The level in which financial assets at fair value have been classified in their entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

	As at 30 June 2016			As at 30 June 2015		
	Level 1 £m	Level 2 £m	Total £m	Level 1 £m	Level 2 £m	Total £m
Fair value through profit or loss						
Investment funds	-	51.6	51.6	-	72.3	72.3
Total financial assets at fair value through profit or loss	-	51.6	51.6	-	72.3	72.3
Available for sale						
Debt securities	-	308.3	308.3	-	191.8	191.8
Total available for sale financial assets	-	308.3	308.3	-	191.8	191.8
Total financial assets at fair value	-	359.9	359.9	-	264.1	264.1

	As at 31 December 2015		
	Level 1 £m	Level 2 £m	Total £m
Fair value through profit or loss			
Investment funds	-	51.9	51.9
Total financial assets at fair value through profit or loss	-	51.9	51.9
Available for sale			
Debt securities	-	264.6	264.6
Total available for sale financial assets	-	264.6	264.6
Total financial assets at fair value	-	316.5	316.5

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) Objectives, policies and procedures for managing financial risks

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

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The main areas where the Group is exposed to credit risk are reinsurance assets, financial assets and cash and cash equivalents.

Notes to the Condensed Consolidated Financial Statements (continued)

The Group manages its exposure to credit risk on high liquidity investments by pursuing a strategy whereby all investments in money market funds have credit ratings of AA or above. The credit ratings of the Group's banks are monitored on a regular basis and where there is adverse movement appropriate action would be determined by the Board's Risk Committee.

Investment funds and debt securities are assessed by management to ensure that the level of credit risk is acceptable, ratings are sufficiently strong and that the investment is in line with the Group's investment policy.

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:

	Debt securities	Investment funds	Cash and cash equivalents	Total
As at 30 June 2016	£m	£m	£m	£m
AAA (or equivalent)	69.3	13.3	87.0	169.6
AA (or equivalent)	72.3	38.8	27.0	138.1
A (or equivalent)	75.3	(7.0)	26.1	94.4
BBB (or equivalent)	91.4	-	-	91.4
Less than BBB (or equivalent) or unrated	-	6.5	-	6.5
Total	308.3	51.6	140.1	500.0
As at 30 June 2015				
AAA (or equivalent)	22.1	6.0	84.2	112.3
AA (or equivalent)	22.7	24.1	41.0	87.8
A (or equivalent)	48.7	20.7	-	69.4
BBB (or equivalent)	97.3	10.4	-	107.7
Less than BBB (or equivalent) or unrated	1.0	11.1	-	12.1
Total	191.8	72.3	125.2	389.3
As at 31 December 2015				
AAA (or equivalent)	64.1	4.1	104.7	172.9
AA (or equivalent)	68.3	8.6	24.3	101.2
A (or equivalent)	42.3	33.1	23.2	98.6
BBB (or equivalent)	89.9	(1.2)	-	88.7
Less than BBB (or equivalent) or unrated	-	7.3	-	7.3
Total	264.6	51.9	152.2	468.7

The Standard & Poor's or equivalent credit ratings of the Group's reinsurers are analysed below:

	As at		
	30 June 2016	30 June 2015	31 December 2015
	£m	£m	£m
AA (or equivalent)	382.2	229.0	337.2
A (or equivalent)	228.5	242.2	210.3
BBB (or equivalent)	0.2	-	-
Total reinsurance assets	610.9	471.2	547.5

The Group has investment guidelines that restrict the amount of the investment portfolio that can be placed with a single counterparty.

The Group's maximum exposure to credit risk at 30 June 2016 is £1,423.8 million (30 June 2015: £1,094.5 million; 31 December 2015: £1,277.8 million), being the carrying value of insurance and other receivables, reinsurance assets, financial assets and cash and cash equivalents. The exposure is not hedged by the use of derivatives or similar instruments. Insurance receivables are monitored closely with a view to minimising the collection period of those items.

The Group's insurance receivables are an aggregation of small receivables and the Group uses multiple reinsurance providers to ensure that there are no significant concentrations of credit risk in relation to reinsurance assets. Since other assets such as cash and cash equivalents and financial assets at fair value are well diversified, the Directors believe that the Group does not hold any significant concentrations of risk.

17. Loans and borrowings

	As at		
	30 June 2016	**30 June 2015**	**31 December 2015**
	£m	**£m**	**£m**
8% Senior Secured Fixed Rate Notes due 2020	-	259.4	-
LIBOR + 6% Senior Secured Floating Rate Notes due 2019	-	145.2	-
Term Loan	286.1	-	295.7
Total loans and borrowings	286.1	404.6	295.7
Current	-	-	9.1
Non-current	286.1	404.6	286.6
Total loans and borrowings	286.1	404.6	295.7

The amounts in the table reflect the fair value of the loans and borrowings issued by the Group at the time of issue, including any applicable discounts, less any directly attributable transaction costs. Interest on loans and borrowings is accrued in the Condensed Consolidated Balance Sheet using the effective interest method and is recognised in insurance and other payables (see Note 18).

18. Insurance and other payables

	As at		
	30 June 2016	**30 June 2015**	**31 December 2015**
	£m	**£m**	**£m**
Amounts owed to reinsurers	71.3	70.3	72.2
Reinsurers' share of salvage and subrogation recoveries	15.7	12.4	10.3
Insurance premium tax	18.7	9.3	13.8
Accrued interest	0.1	5.3	1.1
Accrued expenses	33.6	27.9	31.4
Deferred income	13.4	16.2	8.7
Other payables	20.1	18.9	18.7
Total insurance and other payables	172.9	160.3	156.2
Current	171.1	159.2	148.1
Non-current	1.8	1.1	8.1
Total insurance and other payables	172.9	160.3	156.2

Insurance and other payables are unsecured, non-interest-bearing and are normally settled within 12 months. The balance has not been discounted because the effect of the time value of money is not material. The carrying amount of payables is a reasonable approximation of the fair value of the liabilities because of the short-term nature of the liabilities.

19. Share capital

Share capital

Share capital recognised as equity comprised shares authorised, issued and fully paid up as follows:

	As at		
	30 June 2016 £m	30 June 2015 £m	31 December 2015 £m
Authorised, issued and fully paid up ordinary share capital			
657,217,641 Ordinary Shares of 2p (30 June 2015: 378,482,926, 31 December 2015: 657,217,641)	13.1	7.6	13.1

20. Related party transactions

The following related party transactions with the Group took place during the six months ended 30 June 2016:

- As at 30 June 2016, the Group owned 21% of ordinary shares in E Touch Solutions Limited (30 June 2015: 23%; 31 December 2015: 21%). The fair value of this investment is £nil and as such no investment in associate is recognised in the Condensed Consolidated Balance Sheet. The Group recognised expenses of £0.1 million in respect of development fees charged by E Touch during the six months ended 30 June 2016 (six months ended 30 June 2015: £nil; year ended 31 December 2015: £0.1 million). In July 2016, the investment was sold for a cash consideration of £0.1 million;
- The Group, under the terms of a discretionary investment management agreement with its subsidiary entity AICL, was charged £0.2 million in fees by Goldman Sachs Asset Management International during the six months ended 30 June 2016 (six months ended 30 June 2015: £0.1 million; year ended 31 December 2015: £0.3 million). As at 30 June 2016, the outstanding balance was £0.1 million (30 June 2015: £0.1 million; 31 December 2015: £0.2 million); and
- During the period the Group was charged £0.2 million by Eclipse Resources Limited for the provision of key management personnel services (six months ended 30 June 2015: £nil; year ended 31 December 2015: £0.1 million).

21. Dividends

Dividends amounting to £14.5 million were paid during the six months ended 30 June 2016 (six months ended 30 June 2015: £nil: year ended 31 December 2015: £nil). On 10 August 2016, the Board declared an interim dividend in respect of the year ended 31 December 2016 of 3.3p per share.

Managing our risks

The 'Managing our risks' section on page 40 of the Hastings's 2015 Annual Report describes the Group's framework for identification, assessment and management of risk. The principal risks and uncertainties identified through this framework as at 30 June 2016 are summarised below:

Principal Risks and uncertainties

Principal Risks	Key Monitors
Commercial Performance Risk	
➢ Inability to manage reserving risk (Underwriting)	Regular internal and external reserving audits reporting to the Board of Underwriting and external actuaries that report to Underwriting's Reserving Committee.
➢ Market Risk	Constant market assessment and the implications for assets under management.
➢ Reinsurance risks (Underwriting)	Regular reviews of reinsurance arrangements and the stability of external partners that provide reinsurance programmes.
➢ Changes to the way that consumers purchase general insurance products – less use of PCWs	Assessing consumer preferences, and in particular the use of PCW for the purchase of general insurance products against our planning assumptions.
Liquidity and Capital Risk	
➢ Insufficient capital to service debt arrangements (Group)	Monitoring cash flow from trading entities and free cash position of the Group
➢ Insufficient capital to meet Solvency II requirements (Underwriting)	Management of own funds in accordance with Solvency II and Board reviews in Underwriting
➢ Insufficient capital to meet regulatory requirements (Retail)	Monitoring and measurement of risk and capital implications through stress, reverse stress and scenario testing, as captured in Underwriting's Own Risk and Solvency Assessment.
	Annual stress testing and management of finances in accordance with Group plans
Operational Risk	
➢ Business continuity events as a result of systems, property or supplier failure (Underwriting and Retail)	Regular reviews of resilience risks, contingent back up capability, system stability and supplier continuity plans
➢ Insufficient resources to meet the volume demand and deliver the technical and professional services	Robust and real time resource monitoring and long term planning to meet growth plans and continue to deliver a refreshingly straightforward claims and service experience
➢ Reliance on third-party suppliers to provide customer facing services, and technology capability	Ongoing supplier relationship and performance management, with regular due diligence reviews
➢ Information Security breaches	Ongoing IT infrastructure monitoring, data assessment and perimeter testing
➢ Increased exposure to claims fraud could increase claims related expenditure	Dedicated counter-fraud team that deploys effective and counter-fraud techniques.

External risks

Risk	Impact	Mitigation and movement in the period
Economic stress		**Status: Stable**
Failure to deliver the Group's strategy due to unforeseen economic changes	Adverse economic conditions could reduce the opportunity to deliver the strategic plan and/or reduce the income from investments. Whilst the car insurance industry has been relatively unaffected by economic downturn, as the Group diversifies into home products, more of its product exposure will be vulnerable to the effects of a sustained economic downturn.	The Group and trading entity Boards regularly consider the investment portfolios managed in the respective trading entities against the economic outlook and risk appetite. The strategy is to continue to grow the home product whilst keeping a watchful eye on the economy and the longer term impacts for the Group's product strategy. The economic situation and forecasting have been monitored and assessed against the strategic plan.
Regulatory change		**Status: Stable**
Changes to the regulatory environment that introduce inhibiters for income generation into the general insurance industry	The regulatory landscape is constantly being reformed and challenged which may introduce constraints that inhibit the income drivers from general insurance. The Group strategy is based on the current regulatory regime and guidelines. Any material shift in the regulations that apply to general insurance could impact the commercial plans of the Group.	The Group has an effective regulatory horizon scanning capability to review the potential implications for the Group and more importantly across its regulated trading entities. In addition the trading entities continue to foster good working relationships with their various regulators, and take the opportunity to embrace regulatory change early and, where appropriate, adjust the strategic plan to accommodate that change. Retail is often engaged in consultations with the FCA, providing its views on regulatory reform and gives the Group early insight and opportunity to contribute towards the shape of future regulation. During the year the Group has invested in developing its governance, risk and control in Underwriting in preparation for Solvency II. Within Retail and Underwriting, Risk and Compliance teams have been supplemented with additional resource and capability to strengthen the second line of defence.
Operational Risk		**Status: Stable**
Climate change that results in increased frequency and severity of claims that reduce the commercial performance of the Group	The Group's ability to deliver its strategic plan could be compromised in the event of increased claims frequency and/or severity.	Underwriting adopts a prudent approach to accepting risk and its pricing policy to reduce this risk. In addition the industry wide implications of increased claims as a result of climate change would probably result in premium inflation across the market. Maintaining the prudent underwriting approach will ensure that Hastings protects its revenue generation whilst minimising the cost implications of claims.
Market Conditions Risk		**Status: Stable**
Competition in the insurance market increases	Reduces or restricts the Group's market share resulting in an impaired commercial performance.	The Group has established an effective governance, risk and compliance approach that provides for the identification, assessment, mitigation and monitoring of risks and highlights areas of potential conflict with the various regulations that apply to the Group or its trading entities. This includes a targeted compliance monitoring programme that specifically addresses regulatory risks and controls.

Data Loss Risk		Status: Stable
Loss of data that relates to customers or commercial sensitivities	Adverse publicity that would follow a data loss could restrict the Group in achieving its plans for growth. In addition, operational expenses that could arise from remedial activities, redress and potential regulatory sanctions could impact the financial performance of the Group.	The Group continues to invest in its technology infrastructure and is so doing enhances and improves its physical control environment through the implementation of the new claims and broker platforms and associated system. The Group continues to further develop and strengthen its governance, awareness, identification and monitoring of Information Security Risks and Controls across its businesses

Internal Risks

Risk	Impact	Mitigation and movement in the period
Commercial Risk		**Status: Stable**
Commercial performance does not meet Group expectations or the Three Year Plan.	The Group either incurs additional expenses or is unable to generate sufficient income.	The Group, through Governance, Risk and Compliance functions, coupled with targeted Internal Audit in the respective trading entities, assesses the effectiveness of critical processes and procedures on a regular basis. These are assessed alongside the risk appetite at both Group and trading entity level through the management reporting that is provided at Risk Committees and Boards. This provides assurance to the Board that risks to commercial performance and the successful delivery of the Three Year Plan are adequately and effectively mitigated. During 2015 new technology introduced simplified processes for claims handling. This will be enhanced with additional technology to further improve policy administration processing, which will also improve the customer experience
Operational Risk		**Status: Improved**
Disruption event in a trading entity.	A sustained disruption event could materially affect the Group ability to deliver its strategic plans.	The Group has invested in power and systems resilience programmes that have, and will continue to improve the stability of Retail during a business interruption event. The Retail Board is satisfied that there are adequate and effective contingency plans and recovery capability to continue to conduct business in the event of a disruption event. The expansion of UK operating facilities also introduces options for natural resilience across the Retail locations. Underwriting has adequate and effective resilience plans to continue its operations. During the year there have been a number of improvements to power supply resilience and technology stability. The Boards of the respective trading entities review these risks on a regular basis against the risk appetite that is set and is confident that there are mitigating controls and recovery options to ensure that this is a well-managed risk.
Operational Risk		**Status: Stable**
Supplier failure.	A supplier, delivering a key service, fails leading to the Group not being able to continue to operate and deliver its strategic objectives.	The Group has policies and procedures in place to manage and monitor the procurement process and contract management in the trading entities. The Group monitors the key risks in each trading entity and the processes in place to ensure that the risk is within appetite. The Group has a clear view of the risks associated with suppliers, through the interaction that the respective trading entity Boards have with executive and senior leaders. Efforts continue to introduce additional controls and monitoring as well as develop the internal capabilities to drive good commercial value from supplier arrangements and minimise the risk.

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

Director

10 August 2016

Independent auditor's review report

INDEPENDENT REVIEW REPORT TO HASTINGS GROUP HOLDINGS PLC

Introduction

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 2016 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. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 Disclosure and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('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.

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 IFRS as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting 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.

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.

Conclusion

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 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Salim Tharani

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square

London

E14 5GL

10 August 2016

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

06 October 2016	–	Ex-dividend date
07 October 2016	–	Dividend record date
4 November 2016	–	Dividend payment date

Other information

Company information

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