Hastings

Hastings Group Holdings plc

Preliminary results announcement for the year ended 31 December 2015

15 March 2016

Hastings Group Holdings plc (the 'Group', or 'Hastings'), one of the UK's fastest growing general insurance providers, today announces its preliminary results for the year ended 31 December 2015.

2015 was another very strong year for Hastings. The Group maintained its profitable growth trajectory, with continuing increases in customer policy numbers, rising premiums, disciplined underwriting and control over costs. In October the Group successfully completed its flotation on the London Stock Exchange, and was subsequently admitted to the FTSE 250 index.

Highlights

- **Another year of strong, profitable growth,** with gross written premiums up 27% to £614.9 million (2014: £483.4 million[(1)]), net revenue up 20% to £481.0 million (2014: £400.9 million[(1)]) and Group operating profit[(2)] up 19% to £126.1 million (2014: £105.7 million[(1)]):
  - **Continued increase in customer policies and market share,** with live policies up 19% to 2.04 million (31 December 2014: 1.71 million) and market share of UK private car increased to 5.8% (31 December 2014: 5.1%).
  - **Continued upward trajectory in home and telematics,** with policy number increasing 87% and 58% respectively.
  - **Continued investment for future growth,** with implementation of Guidewire to support claims handling and process improvement and opening of new Leicester site.
- **Calendar year loss ratio[(3)] of 75.4%,** maintained at low end of 75% to 79% target range (2014: 72.4%[(4)]).
- **Delivery of healthy cash flow and accelerated debt repayment**, with retail cash generation up 28% to £81.2 million (2014: £63.3 million) and net debt leverage multiple[(5)] reduced to 2.1x (31 December 2014: 3.6x).
- **Ongoing active risk management,** with all 2016 reinsurance cover in place and approaching 50% of quota share arrangements by value now on minimum of two year terms.
- **Strong financial position,** with Solvency I coverage of 373% (31 December 2014: 268%) and Solvency II coverage (unaudited) of 156%.
- **Proposed maiden dividend of 2.2p per share,** which represents a payout ratio of 56.5% of one third of adjusted profit after tax in line with the intentions set out by the Board at the time of the IPO.

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

"2015 was a year of significant achievement for Hastings. Our agile, data-driven model has continued to deliver strong profitable growth, with gross written premiums up 27% and Group profits at record levels. We continue to deliver on our promises made at the time of the IPO and are pleased to announce our first dividend as a public company of 2.2p per share.

"Our business goes from strength to strength. Our unique approach has attracted over 2 million live customers, helped us to grow our market share in UK private car to 5.8% and to increase home policies by 87% and telematics policies by 58% in the year. Our innovative use of data across the business, rigorous focus on underwriting discipline and award winning counter-fraud operations have helped deliver a loss ratio of 75.4%, at the low end of our target range.

"At the same time, we achieved a successful IPO in October and this, together with the profitability of our operations, has helped us to further strengthen our solvency position and to reduce leverage to 2.1x. We have also invested in the future growth of the business, in particular in the roll-out of the Guidewire system and welcoming 300 colleagues to our new Leicester site.

"I'm extremely proud of our 2,300 colleagues who helped us achieve our successes in 2015. Building on this momentum, we have had a positive start to the current year and remain well positioned to continue to deliver profitable growth in 2016. We remain on track to meet or beat the four targets we set at our IPO."

The Group will host an update call for investors and analysts at 12:00pm GMT on 15 March 2016. Details are available on the Group's website www.hastingsplc.com.

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About Hastings

Hastings is a fast growing, agile, digitally focussed general insurance provider to the UK market, with over 2 million customers and employing over 2,300 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 '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.

We are a multi award winning business, most recently as:

- 2015 Car Insurance Provider of the Year, Consumer Moneyfacts Awards
- 2015 Personal Lines Broker of the Year, UK Broker Awards
- 2015 Team of the Year, Financial Experience Awards

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) To facilitate year on year comparison, the financial information for the year ended 31 December 2014 is presented on an underlying basis, excluding the effects of accounting for business combinations.

(2) Group 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.

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

(4) The 2014 Group calendar year loss ratio has been adjusted to reflect a change in the current year quota share reinsurance contracts whereby the Group now retains a higher proportion of premiums written, but consequently receives reduced reinsurance commissions.

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

Chairman's statement

“It has been a landmark year.”

Overview and strategy

I am pleased to introduce the maiden Annual Report and Accounts for Hastings Group Holdings plc for the year ended 31 December 2015. It has been a landmark year for the Company achieving a successful listing on the London Stock Exchange on 15 October 2015 and subsequent admittance to the FTSE 250 index. This report covers the performance of the Group’s pre-IPO parent company, Hastings Insurance Group (Holdings) plc from 1 January 2015 until 11 August 2015 and the current Group parent company, Hastings Group Holdings plc from 12 August 2015 to 31 December 2015.

Building on proven, sustainable growth the Group achieved a milestone this year by insuring over 2 million customers. The Group also launched a new system for its Claims platform and is due to launch a new system in Retail in 2016. To meet the needs of a growing business the Group also opened a new site in Leicester to complement its existing offices in Bexhill, Newmarket and Gibraltar.

2015 Review

Performance

The year was one of increasing premiums for the car insurance market which coincided with claims inflation. Against this backdrop, along with increased policy numbers, the Group’s operating profit for the year increased to £126.1 million (2014: £105.7 million). This growth was as a result of improved new business and renewal volumes as well as strong growth in home and car telematics products. Live customer policies (“LCPs”) exceeded 2 million just prior to the end of the year and the Group is well on its way to achieve its goal of insuring 1 in 10 by 2020.

As the Group continues to grow it is with great pleasure that we welcome colleagues at the new site in Leicester to the Hastings family. Centrally located with excellent transport links across the Midlands, Leicester is a natural fit for the Group’s third location in the United Kingdom due to the quality and diversity of talent available.

Technology investment

The Group has made significant investment in two new major systems for its Broking and Claims platforms. These systems will deliver a step change improvement in the Group’s ability to interact with customers, improving customer service and providing up to the minute management information. I am very pleased to announce that the implementation of the Claims platform was successfully launched in November last year and the Broking platform is on track to be launched later this year.

Solvency II preparation and capital structure

During the year the Group continued to develop systems and procedures to enable it to comply with Solvency II which came into effect from 1 January 2016. Interactions with the regulator in Gibraltar have been positive and the Group’s insurance company, Advantage Insurance Company Limited, is well capitalised.

The Board and governance

As Chairman I am ably supported by a Board of appropriate experience and calibre. Following rigorous and stringent candidate searches Thomas Colraine joined the Board as Senior Independent Non-Executive Director in September 2015 along with fellow independent Non-Executive Directors, Malcolm Le May, Pierre Lefevre and Ian Cormack.

The appointment of four other Non-Executive Directors was also confirmed in September 2015. Pursuant to a relationship agreement between the major shareholders of the Company, Sumit Rajpal and Michele Titi-Cappelli represent the Goldman Sachs investors and Richard Brewster and Edward Fitzmaurice represent the pre-IPO Founder shareholders. Gary Hoffman continued as Chief Executive Officer and Richard Hoskins was appointed as Chief Financial Officer; both have extensive experience in financial services and the insurance sector. All Directors bring a wealth of strengths, skills and experience to the oversight and governance of the Company and the Group.

At the time of the IPO two Directors who had previously represented our pre-IPO major shareholders stood aside. Along with the other Goldman Sachs and Founder representatives, Andrew Wolff and Neil Utley helped to guide Hastings towards its IPO and I thank them for their contribution over the years. As it currently stands the composition of the Board does not yet fully comply with the UK Corporate Governance Code 2014 (the “Code”) in that it stipulates at least half the Directors excluding the Chairman should be independent of the Group. Hastings is intent on becoming fully compliant by the end of 2016.

In compliance with the Code, I chair the Nomination Committee, Malcolm Le May chairs the Remuneration Committee, Tom Colraine the Audit Committee and Pierre Lefevre the Risk Committee.

Optimising shareholder value - dividends

The Board remains confident in the Group's long term prospects and is pleased to propose a final dividend of 2.2p per share, to be paid on 31 May 2016 to shareholders on the register on 22 April 2016 with an ex-dividend date of 21 April 2016. This is the Company's first dividend for the year and is subject to shareholder approval at the Annual General Meeting to be held on 25 May 2016.

Outlook

As I close my first financial year as Chairman, I am able to report that current trading is in line with the Board's expectations and means we begin the current financial year well positioned to continue with sustained growth. The Board remains confident that its strategy to provide refreshingly straightforward insurance, drive sustainable growth underpinned by prudent underwriting, combined with investment in digital and mobile channels will deliver enhanced shareholder returns for the future.

On behalf of the Board I would like to express my thanks to all colleagues who continue to work diligently for the Group. It is the knowledge, skills and professionalism of all our colleagues that make a difference to our customers and enables us to continue to grow the Hastings brand and reputation.

Mike Fairey

Non-Executive Chairman

14 March 2016

CEO Q&A

"It has been another year of strong performance and delivering on promises."

It's been quite a year for the business, what have been your personal highlights?

2015 has been an extraordinary year for Hastings. We've gone through another year of strong performance and delivering on promises. We have delivered profitable growth for shareholders, broken through the 2 million customer milestone, welcomed over 300 colleagues at our new site in Leicester and of course become a listed company following our IPO in October. I'm extremely proud of my 2,300 colleagues who have helped us achieve these successes and believe we're better positioned than ever to ensure the IPO is the beginning of our journey and not the end. As you would expect, this type of transformation didn't come without its challenges and we are as focussed on the long term as we are on our annual performance. We've made significant investment in our infrastructure and colleagues by opening our third UK site and implementing a new system within our Claims operation.

On a personal note my highlight has to be when we were invited to open the London Stock Exchange on our first day of trading. It was a hugely proud moment and I got to share this experience with some of our long serving colleagues who have been with us since Hastings began in 1996. They've witnessed first-hand our transformation into the fast growing and successful company we are today.

It looks like financially the business has continued to go from strength to strength.

It has indeed been another strong year for the business with LCPs showing a 19% increase to 2 million, our share of the UK private car market increasing to 5.8% and driving growth across all key metrics. Gross Written Premiums continued to rise, up 27% to £614.9 million and driving revenues of £481.0 million. Crucially our profitable growth was achieved whilst maintaining our disciplined approach to underwriting with a loss ratio of 75.4%, at the low end of our stated target of between 75% and 79%. We're delighted to achieve such strong results in what remains a competitive marketplace and such performance is testament to the agile, data-driven business model that we've built and the dedication of our colleagues to ensure our proposition is delivered in a refreshingly straightforward way for our customers.

What factors do you think have powered the business' successes in 2015?

Our successes have been driven by a number of factors. Firstly our achievements reflect the refreshingly straightforward business model we've built. The way in which customers buy insurance has changed. The world is now digitally led and we've created a model that is built to take advantage of this shift throughout the entire customer journey. Whether that's through the price comparison website ("PCW") distribution of our products, which account for around 90% of our new business sales, our innovative use of data or through our advanced risk selection and fraud detection capabilities. Every element of our business is optimised for a digital world. Secondly we've remained agile as we've grown in size and our model, in particular our innovative use of data, enables us to respond quickly to changing market conditions, averaging 49 changes to pricing strategies per month, giving us a significant advantage over our competitors. Finally we underpin everything with our unique culture built around the principles of the 4Cs; Colleagues, Customers, Company and Community. This approach has ensured we've remained entrepreneurial with a can-do attitude that reflects itself throughout every level of the business on a daily basis.

How is the new site at Leicester progressing?

We opened our third UK site in Leicester in May last year with 25 colleagues in temporary offices and had planned to have around 200 in place by the end of the year. In January this year we welcomed over 300 colleagues into our permanent city centre site and recruitment continues to support our growth strategy. It's been a hugely successful move and allows us to attract the best talent so we continue to deliver refreshingly straightforward service to our growing customer base.

What plans do you have for further investment in the business?

Continuing to invest in our systems and infrastructure for our colleagues and customers remains our key priority. The implementation of our new Claims platform in November has been a key milestone in this process and our focus for 2016 is on implementing a new platform for our Broking platform and customer self-serve capabilities. We're making good progress and this significant investment is set to deliver further benefits and efficiencies for our colleagues, customers and the company.

What are your plans for the business in 2016?

Whilst the successful listing of the Company in 2015 was a key moment for the business, it was very much the start of the journey and it's important that we continue our current growth trajectory whilst maintaining our strong underwriting discipline and delivering on our loss ratio target. We've stated that our vision is to protect 1 in 10 by 2020 and therefore growth remains a focus, but not at the expense of risk. We're also continuing to enhance customer service and operational efficiency by investing in our infrastructure and systems including a new broking platform within Retail. This will make sure that we continue to provide customers with our straightforward service and maintain our good retention rates. We have a continued focus on profitably expanding our core motor business and of course we are always looking to innovate further. I believe there are some exciting opportunities arising in car, van and bike, for example in our telematics and multi-car proposition. Home is another area of focus for us and I expect to see further growth in our book as customers shop increasingly on price comparison websites and digitally.

You've previously talked a lot about Hastings' expansion into home. How is this progressing?

Our expansion into home is something we've talked about for some time and we've continued to make steady progress in executing this element of our growth strategy with an 87% increase in policy numbers throughout 2015 albeit from a small book. Whilst our approach to market entry is prudent and measured, it is an area that is structurally attractive with consistent profitability and good retention rates. Furthermore we're seeing more customers using PCWs to buy their policies instead of through the traditional mortgage lender or bank route. This is good news as it's a trend we're well placed to take advantage of.

What is your outlook for the wider market?

Looking more broadly, the market remains very competitive and we're delighted that the business model and proposition we've built has performed so well in a difficult environment where pricing pressure and claims inflation have been ever present threats. Looking ahead into 2016, the pricing cycle has undoubtedly turned. With further rate rises likely to encourage consumers to shop around through PCWs, our business model is well positioned to take advantage of this trend. Whilst claims inflation remains an issue for the sector we're confident that we have initiatives in place to mitigate the effect for our customers and with growing regulatory pressure on claims management firms, both the industry and consumers look set to benefit from this tougher stance.

Gary Hoffman

Chief Executive Officer

14 March 2016

Business review

Hastings Insurance Services Limited – Retail

Overview

The Group's product offerings include private car insurance as well as bike, van and home insurance in the UK. In 2014, the Group increased its strategic focus on home insurance in order to increase the Group's offerings to customers and expand its footprint. The Group also offers optional add-on products to customers alongside its primary insurance products, which are underwritten separately from the primary policy. Key add-on products include legal expenses cover, breakdown cover, substitute vehicle cover and home emergency and replacement key cover.

Retail offers a range of brands and products to the UK market that appeal to different customer groups. Brand awareness of the flagship Hastings Direct brand has grown through continued targeted investment in TV advertising and digital media in 2015. TV advertising is optimised carefully using disciplined testing and analysis of performance. The Group's core product offering; private car insurance, constituted 86% of the Group's LCP as at 31 December 2015 with home, bike and van policies constituting the remainder. Within this market, the business has chosen to focus primarily on digital distribution through PCWs and direct distribution through the Hastings Direct website. Retail supports PCW and direct distribution through brand advertising and online direct marketing.

The Group's focus on digital channels has allowed it to benefit from the ongoing growth in consumer adoption of PCWs. Retail has built up a range of capabilities to support success on PCWs. These include sophisticated market pricing, the ability to implement price changes rapidly, large scale data processing and a 5-star rated, quality product range. The business has grown its market share of PCWs consistently since 2010, with an increasing number of consumers choosing to switch to the Group's brands.

Of the policies sold by Retail in the year 90% were placed within the Group's insurer, Advantage Insurance Company Limited. Retail also operates a full broker capability utilising a panel of insurer partners which enable the Group to increase its distribution potential on a risk free basis. Home insurance is a growing part of the Group's offering and a product where Retail mainly uses external insurers, but retains full customer ownership and broking income streams. Retail benefits from diverse income streams including ancillary product revenues, premium finance, fees and commissions and other income.

Performance and progress

Net revenue in the period increased by 19% to £243.6 million (2014: £205.5 million).This performance was as a result of year-on-year LCP and PCW market volume growth driven by market wide price rises and subsequent increased customer shopping activity. LCP at the end of the year were just over 2 million; 19% ahead of last year. New business volumes were also ahead of the prior year driven by strong growth in all products including car telematics and home volumes.

The Group had 2.04 million LCP as at 31 December 2015 compared to 1.71 million LCP as at 31 December 2014. The Group's continued growth in its number of LCP is a result of a number of factors, including the Group's ability to attract new customers through its PCW focussed strategy complemented by the Group's competitive risk-based pricing, its ability to retain existing customers on renewal, and its ability to reduce cancellation rates among the Group's existing customers.

During the year as part of the Group's growth strategy, Retail opened a fourth operational site in Leicester. Centrally located with excellent transport links across the Midlands, Leicester was a natural fit for a third location in the United Kingdom due to the quality and diversity of talent available. Working closely with Leicester and De Montfort universities and Leicester College the Group plans to help identify a broad range of career opportunities. The new Leicester customer service centre will play a significant role in the Group's plans for growth and expansion and already accommodates over 300 colleagues.

The Group's telematics offering as part of its car product grew by 58% in the period. This performance is primarily being driven by new business due to the products popularity with new drivers and helping inexperienced drivers to effectively manage their insurance costs. Telematics provides the Group with up-to-date driver information to enable it to intervene where a driver is not driving as expected. By communicating with the driver concerned, the Group is able to educate its policyholders on the merits of better and safer driving and enables the Group as a whole to enhance its loss ratio performance.

Retail's home product has also gained good momentum during the period increasing policy count. In recent years there has been an increased penetration of PCWs for home insurance in a market that has traditionally been static, dominated by traditional players with customers predominantly not changing provider; the Group is well positioned to benefit from these changes to customer behaviours.

Retail's award winning anti-fraud team, Insight, provides quote validation based on customer inputs as part of their PCW journey to ensure that customers are not manipulating data inputs to achieve a better quote. Insight validated over 27.5 million quotes last year (2014: 20.3 million), an increase of 35%.

With the ever increasing use of mobile devices across all age groups, the Group has recognised the need to diversify the way it interacts with its customers. Transitioning away from over-reliance on traditional modes of communication such as computers and landline phones and embracing greater accessibility via mobiles and tablets allows Retail's customers to buy insurance the way they chose to. Retail is currently in the development stage of a new system to provide richer and more expansive digital self service capabilities. The new Retail platform is expected to be launched later this year.

As part of the Group's continued improvement Retail enhanced its customer experience with the following initiatives during the period under review:

- Live webchat rolled out to provide customers with more ways to communicate
- Social media response team operating 24/7
- Mobile friendly website
- Online document retrieval
- New complaints system implemented enabling complaints to be handled and responded to quicker and enabling Management to improve root cause analysis

Advantage Insurance Company Limited – Underwriting

Overview

The Underwriting business is a Gibraltar-based insurer which underwrites car, bike, van and home insurance. It currently underwrites most of Retail's private car, bike and van policies and from the beginning of 2015 also co-insured home insurance with AXA, one of Retail's panel insurers.

Underwriting is managed from Gibraltar and oversees a dedicated outsourced, insurer services team at the Group's office in Bexhill which includes claims operations. The Underwriting business utilises a data intensive process specifically designed to provide superior underwriting results in the highly competitive PCW market. The underwriting process consists of fraud detection, market analysis, risk pricing, portfolio investment, reinsurance, claims handling and reserving. Claims handling has two core objectives; the first is delivering excellent, straightforward quality service to the Group's customers in their time of need following an incident, and secondly to control payments to third parties through efficient pro-active case management.

Performance and progress

Net revenue for Underwriting increased by 23% to £307.6 million (2014: £251.1 million) as a result of the Underwriting business being well positioned at the beginning of the year to take full benefit of a hardening market. Following a strong track record in a soft market, Underwriting implemented strategic price rises where necessary due to market claims inflation during 2015. Combined with controlled LCP growth, further price increases during the year provided Underwriting with an improved base position for 2016.

As an agile and straightforward general insurance provider, the Group recognises that customers wish to communicate with the Group through a number of channels, both inside and outside usual business hours. Having made significant investment in its systems for claims handling, a new Claims platform was successfully launched in November 2015. This investment has created an integrated claims handling platform to enable the Group to interact with customers when and how they wish to communicate by making the claims journey simpler and smoother. This will help reduce call lengths and waiting times by enabling claims handlers to be more responsive to customer requests and enquiries and improve the overall claims experience. Internally the new Claims platform will enhance the Group's decision making and response times deriving cost saving benefits.

As part of the benefits of the new claims system, the Group is well positioned to increase its underwriting sophistication through a more timely and granular use of data and experience. Better use of data, continuous monitoring of results, advanced analytic capabilities and rapid execution provide the Group with the ability to respond within the marketplace to identify risks and exploit opportunities.

The period under review saw an increase in claims inflation across the market driven in part by the re-emergence of claims farming and continued increases in the incidence of soft tissue bodily injuries such as whiplash. As a result and recognising a hardening car insurance market early in the year, Underwriting introduced a number of strategic price rises which enabled the Group to protect its loss ratio while enhancing its already strong competitive position.

During the year the Group strengthened its anti-fraud capabilities tackling serious and complex insurance fraud crimes even further with the establishment of a Specialist Investigation team that incorporates intelligence and analyst teams. This team is led by the former head of the City of London Police's Insurance Fraud Enforcement Department. Fraud is an increasing risk for insurers and brokers alike whether at point of quote or claim; the Group is at the forefront of identifying and repudiating fraudulent claims, bringing fraudsters to justice and lowering prices for customers.

Sophisticated risk pricing is achieved by the Underwriting business employing significant analytic capabilities bolstered by data enrichment. The Group's underwriting capabilities are enhanced by enriching data for a selective footprint to significantly reduce risk that the general market is under-pricing. This entails harnessing data collected from customers who use PCWs, overlaying other external data points and creating new variables and pieces of information that translate into rating variables. The combination of enrichment and fraud prevention enables Underwriting to price appropriately to achieve very competitive rates while achieving target loss ratio.

Coming into effect at the start of January 2016, Underwriting was well-prepared for the introduction of Solvency II that replaced Solvency I. Interactions with the Gibraltar regulator, the Financial Services Commission, have been positive and transparent throughout the programme of planning, design and implementation. The Underwriting business is well capitalised above the levels required under Solvency II. As at 31 December 2015, under Solvency I, Underwriting had a coverage ratio of 373% (2014: 268%).

CFO statement

"2015 was another very successful year for Hastings; we completed our IPO and are on track to deliver on our promises and meet the targets we have set ourselves."

Introduction

I am pleased to present a strong set of results in our maiden Annual Report as a public company. We have successfully grown our top line and our market share. Gross written premiums are up 27% on a full year basis (1) and our market share of UK private car insurance is now 5.8%. We have maintained our rigorous focus on underwriting discipline with a calendar year loss ratio of 75.4% and we delivered a 19% (1) increase in Group operating profit (2) to £126.1 million. We also significantly strengthened our balance sheet in the year, reflecting both the cash generative nature of our operations and cash raised at the IPO.

During the period we successfully refinanced the business. As a result, we will have a materially lower interest charge going forward, with a proforma interest coverage ratio of approximately 12x, when comparing Group operating profit for 2015 with the Group's future expected interest cost. Net debt leverage is now down to 2.1x, the profile is trending downwards and we have a sound capital structure to support our growth. Our proposed maiden dividend as a public company demonstrates the confidence we have looking forward, and is in line with guidance at the time of our IPO, and we intend to make a £10.0 million early repayment of our Term Loan during the first half of 2016.

We also achieved several significant milestones for the business during the year, including the 2 million customer milestone, going live with Guidewire ClaimCenter and listing on the London Stock Exchange.

During the IPO process we set four key targets which we are well on track to meet within our 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 2015 of 75.4%, at the lower end of the target range.
Over 2.5 million customers by the end of 2017, but not at the expense of profitability.	2.04 million customers as at 31 December 2015 (31 December 2014: 1.71 million); a 19% increase year on year.
Net debt to Group operating profit ratio of around 1.5x by 2017.	Net debt leverage multiple of 2.1x as at 31 December 2015, a reduction from 3.6x a year ago.
Dividend pay-out ratio of between 50% and 60% of adjusted Group profit after tax (1).	A pro-rata 2015 final dividend pay-out ratio of 56.5%.

Our investment in the future includes implementing the Guidewire Claims and Broker platforms to support claims handling and process improvement and commencing operations in Leicester in May 2015. We have invested £29.1 million in capital expenditure this year along with ongoing operating investment. We expect this investment to improve customer experience and increase customer retention, and it affords us a robust foundation for growth.

We have improved the Group's solvency and ensured a smooth transition to Solvency II requirements. Solvency I coverage increased to 373% (31 December 2014: 268%) and unaudited draft Solvency II coverage is 156% at the year end.

Overall, I am pleased that the profitable growth of the business has allowed us to reduce our leverage, increase our solvency coverage ratio and propose a final dividend of 2.2p per share (£14.5 million).

Richard Hoskins

Chief Financial Officer

14 March 2016

Summary Consolidated Profit or Loss

	Year ended						
	31 December 2015			31 December 2014			
	Underlying trading(5a)	Non-trading items(5b)	Total	Underlying trading(5a)	Trading for the period ended 7 January 2014(5a)	Non-trading items(5b)	Total
	£m	£m	£m	£m		£m	£m
Gross written premiums	**614.9**	**-**	**614.9**	483.4	(8.0)	-	475.4
Net earned premiums	**255.9**	**-**	**255.9**	202.5	(3.4)	-	199.1
Other revenue	**219.8**	**-**	**219.8**	194.6	(3.9)	(10.5)	180.2
Investment and interest income	**5.3**	**-**	**5.3**	3.8	(0.1)	-	3.7
Net revenue	**481.0**	**-**	**481.0**	400.9	(7.4)	(10.5)	383.0
Net claims incurred	**(192.9)**	**-**	**(192.9)**	(152.4)	2.7	-	(149.7)
Acquisition costs	**(44.3)**	**-**	**(44.3)**	(37.9)	0.8	11.4	(25.7)
Other operating expenses	**(117.7)**	**(2.4)**	**(120.1)**	(104.9)	1.7	(10.2)	(113.4)
Group operating profit [1]	**126.1**			105.7			
Amortisation and depreciation	**(4.6)**	**(23.0)**	**(27.6)**	(3.8)	0.1	(24.2)	(27.9)
Finance costs	**(30.2)**	**(60.9)**	**(91.1)**	(33.1)	0.2	(34.8)	(67.7)
Profit/(loss) before tax	**91.3**	**(86.3)**	**5.0**	68.8	(1.9)	(68.3)	(1.4)

The 2014 underlying trading figures include the full calendar year of trading and are presented in order to provide more meaningful comparative data.

Gross written premiums

	Year ended		
	31 December 2015	31 December 2014 Underlying trading(5)	31 December 2014
Gross written premiums by product	**£m**	£m	£m
Private car	**587.4**	464.4	456.6
Bike	**11.3**	10.2	10.1
Van	**13.1**	8.8	8.7
Home	**3.1**	-	-
Total gross written premiums	**614.9**	483.4	475.4
Total gross earned premiums	**543.3**	449.3	441.4

Gross written premiums increased by 27% year on year[1] to £614.9 million due to the increase in live customer policies and premium rate increases applied by the business.

Live customer policies increased by 19% principally through continuing to grow the Group's sales on price comparison websites (PCWs), increasing market share of sales made through PCWs and maintaining a strong retention rate. The Group started applying premium rate increases during the second half of 2014 and during 2015 increased motor average written premium by 9.6%. This increase in average written premium will continue to benefit earned premiums throughout 2016. The Group has a strong track record of growth through the recent period of declining average premium in the market and is well positioned to benefit now that the insurance market cycle has turned and prices in the market are increasing.

The Group started to underwrite home insurance policies under a co-insurance agreement with AXA from 1 January 2015, having not previously underwritten any of the home policies sold by the Group. The 2014 IFRS results exclude the seven days of trading prior to 8 January 2014 as a result of acquisition accounting, and on this basis, gross written premiums increased by 29%. The 2014 underlying trading figures include the full calendar year of trading and are presented in order to provide more meaningful comparative data.

Net revenue

	Year ended		
	31 December 2015	31 December 2014 Underlying trading[5]	31 December 2014
Net revenue by type	**£m**	£m	£m
Net earned premiums	**255.9**	202.5	199.1
Fees and commission	**73.5**	62.6	61.6
Ancillary product income	**45.0**	38.1	37.4
Premium finance interest	**61.3**	49.4	48.5
Reinsurance commissions	**28.6**	34.5	23.0
Other income	**11.4**	10.0	9.7
Other revenue	**219.8**	194.6	180.2
Investment and interest income	**5.3**	3.8	3.7
Net revenue	**481.0**	400.9	383.0

The Group benefits from a wide range of risk and non-risk based revenue streams. Alongside the insurance premiums and reinsurance commissions earned in the Underwriting business, the Retail business generates a diverse and sustainable range of retail revenues including fees and commission on insurance products sold, income from the sale of ancillary products and premium finance interest income.

Net earned premiums increased by 26% over the full prior year[1] principally due to increases in the number of live customer policies and average premium, and due to changes in the structure of the Group's reinsurance contracts. The Group now retains a higher proportion of premiums written but in return receives lower profit commission from its reinsurance partners. The net economic impact of these changes to operating profit is broadly neutral; net earned premiums increased as a result and reinsurance commissions reduced to £28.6 million, from £34.5 million in the prior year[1].

Fees and commissions on the sale of insurance contracts and ancillary products have increased in line with the growth in live customer policies. Premium finance interest benefitted from an increased proportion of our customers choosing to pay in monthly instalments during the year, as well as the general premium rate increases applied by the business.

Investment income grew in line with the growth of the Underwriting business's investment portfolio and the conservative investment strategy delivered a relatively stable investment return. Overall net revenue has increased by 20% year on year[1].

On an IFRS basis, which excludes trading in the seven days prior to 8 January 2014, the increase in net revenue was 26%, with net earned premium having increased by 29% and other revenue, investment and interest income by 22%.

Loss ratio

	Year ended	
	31 December 2015	31 December 2014
Accident year loss ratio(3)	**76.7%**	74.6%
Prior year development	**(1.3%)**	(2.2%)
Calendar year loss ratio(3)	**75.4%**	72.4%

The Group's calendar year loss ratio of 75.4% is at the lower end of the Group's target loss ratio range demonstrating the business' continued focus on underwriting discipline. The increase on the Group's prior year calendar year loss ratio of 72.4%, which is after normalising for the impact of the changes to quota share contracts as described above(3), is a result of the impact of claims inflation and the flood events at the end of the year on the accident year loss ratio. This increase has been offset to some degree by the earn-through of higher premiums which accelerated during the second half of the year.

The positive prior year development included in the net loss ratio for 2015 of 1.3%, or £3.4 million, reflects a consistent reduction in the net ultimate loss expectations for the 2011, 2012 and 2013 accident years as those years have developed, offset by a strengthening of reserves for the 2014 accident year predominantly to recognise an increase in frequency on small bodily injury claims. These developments have been recognised while maintaining the Group's prudent claims reserving policy and a consistent risk margin over the internal actuarial best estimate of ultimate claims liabilities.

Expense ratio

	Year ended	
	31 December 2015	31 December 2014
Expense ratio	**15.9%**	16.3%

The Group's expense ratio has continued to reduce year on year as the Group benefits from economies of scale as a result of the increasing number of live customer policies and also benefits from a maturing book. The Group now services more live customer policies per full time equivalent employee than ever before.

Operating profit and profit/(loss) after tax

	Year ended	
	31 December 2015 £m	31 December 2014 £m
Underwriting operating profit (2)	**37.9**	37.4
Retail operating profit (2)	**89.9**	69.9
Group operating profit (2)	**126.1**	105.7
Group profit/(loss) after tax	**2.3**	(8.4)

Group operating profit increased by 19% to £126.1 million (2014: £105.7 million), which primarily reflects the growth in live customer policies, the current and prior year premium rate increases earning through and operating expense efficiencies driven by economies of scale, partly offset by the increase in loss ratio and continued investment in the business. The increase in the Group's operating profit has been mainly contributed by the Retail business, whose operating profit increased by 29% to £89.9 million. The growth in premiums earned in the Underwriting business was largely offset by the increase in loss ratio, resulting in a consistent Underwriting operating profit of £37.9 million in 2015.

The following table sets out a reconciliation from profit/(loss) after tax to Group operating profit:

	Year ended	
	31 December 2015	31 December 2014
	£m	£m
Profit/(loss) after tax	**2.3**	(8.4)
Taxation expense	**2.7**	7.0
Interest expense	**54.6**	67.7
Restructuring, refinancing and transaction costs	**38.9**	9.7
Removal of the impact of accounting adjustments for business combinations	**23.0**	25.9
Operational amortisation and depreciation	**4.6**	3.8
Group operating profit	**126.1**	105.7

The profit after tax of £2.3 million (2014: £8.4 million loss) includes the significant non-trading costs of the IPO and refinancing, the effects of accounting for the Goldman Sachs investment and associated reorganisation in 2014 and accrued dividends on preference shares, which were part of the capital structure prior to the IPO.

Interest expense includes £27.1 million of interest relating to the Senior Secured Notes (which have now been redeemed) together with the accrual of preference share dividends of £23.7 million (2014: £33.7 million) which were treated as debt interest in accordance with IFRS. The preference shares and accrued dividends thereon were converted into equity in August 2015 and therefore no further accrual of preference share dividends will be required.

The redemption of all of the Group's £416.5 million Senior Secured Notes in 2015 resulted in early repayment costs, which together with the costs of arranging the new £300.0 million Term Loan amounted to £36.5 million. The restructuring and transaction costs relating to the IPO in 2015 recognised in the Consolidated Statement of Profit or Loss amounted to £2.4 million.

In 2014, the £9.7 million restructuring costs comprised non-trading costs relating to the Goldman Sachs investment on 8 January 2014.

The accounting adjustments for business combinations primarily comprise the non-cash amortisation of acquired intangibles amounting to £23.0 million (2014: £24.2 million) together with other non-cash adjustments arising as a result of applying fair value acquisition accounting in 2014.

Dividends

The final dividend proposed for 2015 is 2.2p per share. This is equal to 56.5% of one third of adjusted Group profit after tax[4] in line with the target set by the Board at the time of the IPO. For the future, it is intended that the dividend pay-out ratio will be between 50% and 60% of adjusted Group profit after tax, of which the interim and final dividends will represent approximately one third and two thirds of the total annual dividend respectively.

Summary Consolidated Balance Sheet

Summarised	As at 31 December 2015 £m	 31 December 2014 £m
ASSETS		
Goodwill	**470.0**	470.0
Intangible assets	**102.8**	104.3
Property and equipment	**13.7**	10.1
Reinsurance assets	**547.5**	426.5
Deferred acquisition costs	**19.9**	15.7
Insurance and other receivables	**267.2**	219.4
Financial assets at fair value	**316.5**	224.9
Cash and cash equivalents	**152.2**	123.4
Total assets	**1,889.8**	1,594.3
LIABILITIES		
Preference shares	**-**	319.3
Loans and borrowings	**295.7**	403.6
Insurance contract liabilities	**912.1**	704.7
Insurance and other payables	**158.2**	153.6
Deferred income tax liability	**20.6**	27.0
Total liabilities	**1,386.6**	1,608.2
Net assets	**503.2**	(13.9)

Net assets and working capital

The Group's net assets at 31 December 2015 were £503.2 million (2014: net liabilities of £13.9 million). The growth in net assets is driven by the combined effect of the growth in live customer policies on total assets and of the net proceeds from the Group's IPO and conversion of debt to equity on total liabilities.

The growth in the total number of live customer policies has driven an increase in reinsurance assets, insurance receivables and cash generated by the business, which is held both as cash and invested in financial assets. This growth has also driven the increase in insurance contract liabilities.

The Group completed its IPO by issuing 107,217,645 new shares priced at 170p per share. This raised proceeds of approximately £169.6 million (net of fees, commissions and expenses), which has been used to reduce external borrowing and to contribute capital to the Underwriting business, as discussed in more detail below. The reduction in loans and borrowings combined with the conversion of preference shares and accrued dividends thereon into equity as part of restructuring the Group in August 2015, has resulted in a significant reduction in total liabilities.

Overall, the IPO, the conversion of preference shares and accrued dividends thereon to equity and cash generated by the business has significantly increased the net assets and working capital of the Group.

Return on capital employed

Return on capital employed	Year ended 31 December 2015 £m	31 December 2014 £m
Average AICL deployed capital	**149.8**	106.1
Average HISL deployed capital	**30.2**	31.7
Average corporate free cash	**15.9**	10.4
Average capital employed	**195.9**	148.2
Net income	**76.2**	57.5
Return on capital employed	**38.9%**	38.8%

The Group has maintained a consistent return on capital employed for 2015. This reflects the Group's 33% growth in net income, while the capital employed has been increased as we have allocated additional capital to our Underwriting business in anticipation of Solvency II.

AICL and HISL deployed capital represent the average of AICL's net assets and the average of HISL's total capital resources as stipulated by FCA regulations respectively during each year. The corporate free cash represents the average cash held during each year in the Group's unregulated corporate entities.

Refinancing

During the year, the Group used IPO proceeds and a subsequent refinancing to repay the £416.5 million outstanding Senior Secured Notes. The refinancing was provided by a new facility consisting of a £300.0 million five year committed Term Loan and a £20.0 million Revolving Loan Facility which has not been drawn down. The Term Loan incurs interest at LIBOR plus a variable margin linked to net debt leverage multiple, initially set at 2.75%.

The Term Loan has a much lower interest rate than the Senior Secured Notes which will result in a significant reduction in annual interest payments, from approximately £31 million to around £10 million per year (assuming current LIBOR rates remain in effect). This gives a proforma interest coverage ratio of approximately 12x, when comparing Group operating profit for 2015 with the Group's future expected interest cost.

The Term Loan is unsecured and the Group is subject to certain financial covenants relating to net debt leverage multiple and interest coverage.

Cash and deleverage

	As at 31 December 2015 £m	31 December 2014 £m
Gross debt(6)	**(300.0)**	(416.5)
Retail free cash(7)	**17.7**	17.4
Corporate free cash(8)	**11.2**	20.6
Net debt	**(271.1)**	(378.5)
Net debt leverage multiple(9)	**2.1x**	3.6x

The Group's operating activities continue to be highly cash generative and during 2015 cash inflow from operating activities was £155.6 million, of which £81.2 million was free cash from our Retail business. This free cash was offset by the refinancing costs described above, IPO costs and ongoing investment in infrastructure and systems. The capital expenditure during the year primarily related to investment in the continued development of Guidewire, the Group's next generation claims and broking platform.

The following table sets out a reconciliation of free cash flow from our Retail business to Group closing free cash:

	Year ended	
	31 December 2015	31 December 2014
	£m	£m
Opening free cash	**38.0**	6.7
Retail cash generated	**81.2**	63.3
Tax paid	**(5.2)**	(5.7)
Underwriting contribution to free cash	**-**	34.8
Capital expenditure	**(27.7)**	(6.4)
Interest and corporate costs	**(33.4)**	(36.4)
Restructuring, refinancing and transaction costs	**(24.0)**	(18.3)
Closing free cash	**28.9**	38.0

Overall, the increase in Group operating profit and reduction in net debt has resulted in a continued reduction in the Group's net debt leverage multiple from 4.9x when the Senior Secured Notes were issued in October 2013 to 2.1x at 31 December 2015. Furthermore, the Group is currently intending to make a £10.0 million repayment of its Term Loan ahead of schedule in order to accelerate deleveraging the business.

Investments

	As at	
	31 December 2015	31 December 2014
Cash and cash equivalents and investments by rating	**£m**	£m
AAA and AA (or equivalent)	**274.1**	131.5
A (or equivalent)	**98.6**	91.2
BBB (or equivalent)	**88.7**	82.1
Less than BBB (or equivalent) or unrated	**7.3**	43.5
Total cash and cash equivalents and investments	**468.7**	348.3

The Group has a conservative investment strategy with a primary focus on capital preservation. During the year the proportion of investments that are high grade has been increased to reduce risk further. Year on year investments rated AAA and AA increased by £142.6 million to 58% of the total portfolio (2014: 38%) and the weighted average credit rating on our portfolio increased from A- to A+.

Investments are made to correspond with the expected insurance contract liability payment profiles. The Group's investment portfolio primarily comprises investment grade quality fixed income debt securities and a small proportion of investment funds managed by third parties as follows:

	As at	
Investments by classification	**31 December 2015 £m**	31 December 2014 £m
Cash at bank	**47.5**	48.9
Money market funds	**104.7**	74.5
Debt securities	**264.6**	161.9
Investment funds	**51.9**	63.0
Total cash and cash equivalents and investments	**468.7**	348.3

Reserves and insurance contract liabilities

Total insurance contract liabilities as at 31 December 2015 of £912.1 million comprises £320.4 million of unearned premiums, which are deferred to be recognised in subsequent periods (31 December 2014: £248.8 million), and outstanding claims liabilities of £591.7 million (31 December 2014: £455.9 million). These have increased by 30% year on year due to the greater exposure from the increase in total live customer policies, and the impact of claims inflation.

The provision for outstanding claims liabilities is an area of significant judgment 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 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"). The combination of the prudent reserving policy and effective reinsurance means the Group has experienced favourable net development of ultimate claims liabilities during 2015 for four of the last five accident years. The reserves in respect of the 2014 accident year were strengthened by £2.1 million, or 1.2%, in the year to reflect an increase in frequency on small bodily injury claims.

Reinsurance contracts

	As at	
	31 December 2015 £m	31 December 2014 £m
AA (or equivalent)	**337.2**	198.8
A (or equivalent)	**210.3**	227.7
Total reinsurance assets	**547.5**	426.5

The Group uses non-proportional excess of loss and quota share reinsurance arrangements to limit its exposure to claims, and therefore protect its solvency and underwriting capability. The excess of loss programme limits the Group's exposure on any individual motor claim, including PPOs, to £1.0 million (£0.5 million for the 2014 accident year and prior), 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 for achieving certain performance criteria, including target loss ratios. Since the year end the Group has agreed new contracts with its quota share reinsurers at improved rates compared to the 2015 contracts, which reflects the Group's stable loss ratio and established track record. The majority of quota share contracts are now on a rolling renewal basis, with approaching 50% by value now 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 28% year on year to £547.5 million at 31 December 2015 (31 December 2014: £426.5 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. The 31 December 2015 asset is recoverable from over 30 reinsurers, all of whom are rated A- or above.

Solvency

	As at	
	31 December 2015	31 December 2014
Solvency I:		
Solvency I coverage ratio[10]	**373%**	268%
Solvency II:		
Underwriting funds (unaudited, £m)	**208.1**	N/A
Solvency Capital Requirement ("SCR") (unaudited, £m)	**133.1**	N/A
Solvency II coverage ratio (unaudited)	**156%**	N/A

The Underwriting business remains well capitalised, following the allocation of £50.0 million of net proceeds from the IPO to further strengthen its capital base, with a Solvency I coverage ratio as at 31 December 2015 of 373%, compared to 268% as at 31 December 2014.

The new Solvency II capital requirements came into effect on 1 January 2016, replacing Solvency I. The Group had fully prepared for this implementation and the table above presents the Underwriting business's unaudited draft Solvency II coverage ratio as at 31 December 2015 calculated using the regulated entity's results.

Footnotes:

(1) To facilitate year on year comparison, the financial information for the "full year ended" 31 December 2014 is presented on an underlying basis, excluding the effects of accounting for business combinations and therefore including the effect of the seven days of trading prior to the acquisition on 8 January 2014.

(2) Group operating profit is profit before taxation expense, interest expense, amortisation and depreciation, certain non-trading costs and the effects of accounting for business combinations.

(3) The Group's calendar year loss ratio and accident year loss ratio for the year ended 31 December 2014 have been calculated on a full year basis (see footnote 1) normalised for the impact of changes to quota share contracts, whereby the Group now retains a higher proportion of premiums written but in return receives lower profit commission from its reinsurance partners. The impact of this normalisation on premiums reduces the accident year loss ratio from 77.6% as previously reported by 3 percentage points to 74.6%, while the calendar year loss ratio reduces from 75.3% to 72.4% for the year ended 31 December 2014. Prior year development is unaffected.

(4) Group profit after tax adjusted to exclude the impact of non-operational amortisation, share scheme costs and other non-recurring items.

(5) IFRS results have been adjusted to present underlying trading figures, to reflect the underlying performance of the business, by excluding:
   a. the effects of acquisition accounting and non-trading items (see footnote 5b), and by including the effect of the seven days of trading prior to the acquisition on 8 January 2014. The presented underlying trading figures in both years therefore enable a 365 day, like for like comparison of the Group's performance.
   b. non-trading items, representing significant costs incurred as a result of the IPO and refinancing in 2015, the effects of accounting for the Goldman Sachs investment and associated reorganisation in 2014 and accrued dividends on preference shares, which were part of the capital structure prior to the IPO.

(6) Gross debt as at 31 December 2014 comprises £266.5 million of 8% Senior Secured Fixed Rate Notes due 21 October 2020 and £150.0 million of LIBOR + 6% Senior Secured Floating Rate Notes due 21 October 2019 issued by a subsidiary. Gross debt as at 31 December 2015 comprises the new £300.0 million Term Loan. All figures exclude IFRS adjustments.

(7) This comprises cash held by the Retail business in excess of the regulatory capital required, which is not held on behalf of other insurers.

(8) Corporate free cash includes cash held in the Group's unregulated head office entities.

(9) Represents the Group's net debt at each year end divided by Group operating profit for the year.

(10) As stipulated by Underwriting's regulator, the Financial Services Commission ("FSC") in Gibraltar, it is defined as net admissible assets divided by the required minimum margin ("RMM"), both as at the end of the year.

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Note	31 December 2015 £m	31 December 2014 £m
Gross written premiums	5	**614.9**	475.4
Gross earned premiums	5	**543.3**	441.4
Earned premiums ceded to reinsurers	5	**(287.4)**	(242.3)
Net earned premiums	5	**255.9**	199.1
Other revenue	6	**219.8**	180.2
Investment and interest income	7	**5.3**	3.7
Net revenue		**481.0**	383.0
Claims incurred	8	**(460.1)**	(354.9)
Reinsurers' share of claims incurred	8	**267.2**	205.2
Net claims incurred	8	**(192.9)**	(149.7)
Acquisition costs		**(44.3)**	(25.7)
Other operating expenses	9	**(120.1)**	(113.4)
Add back: Restructuring and transaction costs	9	**2.4**	9.7
Impact of business combinations		**-**	(0.4)
Group operating profit [1]		**126.1**	103.5
Amortisation and depreciation	9	**(27.6)**	(27.9)
Finance costs	10	**(91.1)**	(67.7)
Profit/(loss) before tax		**5.0**	(1.4)
Taxation expense		**(2.7)**	(7.0)
Total profit/(loss) attributable to the equity holders of the parent		**2.3**	(8.4)
Earnings per share attributable to the equity holders of the parent (expressed in pence per share)			
Basic and diluted earnings/(loss) per share	11	**0.5p**	(2.2)p

All results arose from continuing operations.

The accompanying notes form an integral part of these 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. Group operating profit for the full year ended 31 December 2014 would have been £105.7 million if adjusted to include the seven days pre-acquisition trading.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	Note	**31 December 2015 £m**	31 December 2014 £m
Total profit/(loss) attributable to the equity holders of the parent		**2.3**	(8.4)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Fair value loss on available for sale investments	15	**(1.3)**	-
Total items that may be subsequently reclassified to profit or loss		**(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 loss		**(0.7)**	-
Total comprehensive income/(loss) attributable to the equity holders of the parent		**1.6**	(8.4)

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2015

	Note	31 December 2015 £m	31 December 2014 £m
ASSETS			
Goodwill		**470.0**	470.0
Intangible assets		**102.8**	104.3
Property and equipment		**13.7**	10.1
Deferred income tax asset		**3.4**	5.6
Reinsurance assets	12	**547.5**	426.5
Deferred acquisition costs		**19.9**	15.7
Prepayments		**2.2**	1.2
Insurance and other receivables	15,13	**261.6**	212.6
Financial assets at fair value	15	**316.5**	224.9
Cash and cash equivalents	15,14	**152.2**	123.4
Total assets		**1,889.8**	1,594.3
LIABILITIES			
Preference shares	15	**-**	319.3
Loans and borrowings	15,16	**295.7**	403.6
Insurance contract liabilities	12	**912.1**	704.7
Insurance and other payables	15,17	**155.9**	146.9
Provisions		**0.3**	0.3
Deferred income tax liability		**20.6**	27.0
Current tax liabilities		**2.0**	6.4
Total liabilities		**1,386.6**	1,608.2
EQUITY			
Share capital	18	**13.1**	7.6
Share premium	18	**172.6**	749.4
Merger reserve	18	**(756.0)**	(756.0)
Other reserves	18	**(0.7)**	-
Retained earnings	18	**1,074.2**	(14.9)
Total equity		**503.2**	(13.9)
Total equity and liabilities		**1,889.8**	1,594.3

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 14 March 2016 and were signed on its behalf by:

Gary Hoffman

Chief Executive Officer

Hastings Group Holdings plc

Company Number: 09635183

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
As at 1 January 2014	18	7.6	749.4	(756.0)	-	(6.5)	(5.5)
Total loss attributable to the equity holders of the parent		-	-	-	-	(8.4)	(8.4)
Total comprehensive loss for the year		-	-	-	-	(8.4)	(8.4)
As at 31 December 2014 and 1 January 2015	18	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 (loss)/income for the year		**-**	**-**	**-**	**(0.7)**	**2.3**	**1.6**
Transactions with equity holders of the parent							
Share based payments	18	**-**	**-**	**-**	**-**	**0.5**	**0.5**
Conversion of preference shares	18	**3.4**	**339.6**	**-**	**-**	**-**	**343.0**
Issue of shares	18	**2.1**	**172.6**	**-**	**-**	**(2.7)**	**172.0**
Capital reduction	18	**-**	**(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	18	**13.1**	**172.6**	**(756.0)**	**(0.7)**	**1,074.2**	**503.2**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	**31 December 2015 £m**	31 December 2014 £m
Profit/(loss) after tax		**2.3**	(8.4)
Adjustments for:			
Restructuring and transaction costs	9	**2.4**	9.7
Depreciation of property and equipment	9	**2.3**	1.4
Amortisation of intangible assets	9	**25.3**	26.5
Net fair value gains on financial assets at fair value through profit or loss	7	**(0.8)**	(2.1)
Other interest income	7	**(4.5)**	(1.5)
Loss on disposal of property and equipment		**0.1**	-
Finance costs	10	**91.1**	67.7
Taxation expense		**2.7**	7.0
Share based payments		**0.5**	-
Change in insurance and other receivables and prepayments		**(48.9)**	(8.7)
Change in insurance and other payables		**12.3**	(9.5)
Change in reinsurance assets	12	**(121.0)**	(83.8)
Change in deferred acquisition costs		**(4.2)**	(13.2)
Change in insurance contract liabilities	12	**207.4**	115.5
Change in provisions		**-**	(0.6)
Taxation paid		**(11.4)**	(9.0)
Net cash flows from operating activities		**155.6**	91.0
Purchase of property and equipment		**(5.2)**	(2.3)
Acquisition of intangible assets		**(24.8)**	(5.8)
Interest received		**0.5**	-
Release of cash held in escrow		**-**	415.0
Net outlay for acquisition of subsidiary		**-**	(343.1)
Outlays for acquisition of financial assets at fair value		**(189.4)**	(98.6)
Proceeds from disposal of financial assets at fair value		**100.1**	48.9
Net cash flows from investing activities		**(118.8)**	14.1
Proceeds from issue of preference shares		**-**	144.6
Proceeds from issue of ordinary share capital	18	**182.2**	1.0
Proceeds from new loans and borrowings	16	**300.0**	-
Repayment of loans and borrowings	16	**(416.5)**	(83.8)
Interest paid on loans and borrowings		**(32.4)**	(33.8)
Other interest paid		**(1.0)**	-
Non-trading costs paid		**(40.3)**	(9.7)
Net cash flows from financing activities		**(8.0)**	18.3
Net increase in cash and cash equivalents		**28.8**	123.4
Cash and cash equivalents at beginning of year		**123.4**	-
Cash and cash equivalents inflow for the year		**28.8**	123.4
Cash and cash equivalents at end of year	14	**152.2**	123.4

The accompanying notes form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1. Basis of preparation

Hastings Group Holdings plc (the "Company", "HGH") was initially incorporated as Hastings Group 123 Limited on 11 June 2015, with its registered office situated in England and Wales. The Company was renamed as Hastings Group Holdings Limited on 17 July 2015 and on 23 September 2015 it re-registered as a public company limited by shares and was renamed as Hastings Group Holdings plc. 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 financial statements comprise the consolidated results of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2015 and comparative figures for the year ended 31 December 2014.

The Consolidated Financial Statements have been prepared and approved by the Directors in accordance with IFRS as adopted by the EU ("IFRS") that are in effect as at 31 December 2015. IFRS comprise standards and interpretations approved by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee ("IFRIC").

Reorganisation

The Company was incorporated for the purposes of acquiring the share capital of Hastings Insurance Group (Holdings) plc ("HIG(H)"). HIG(H) at the time was the ultimate parent company of Advantage Insurance Company Limited ("AICL") and Hastings Insurance Services Limited ("HISL"), the principal trading companies of the HIG(H) Group, as a result of its own acquisition of Hastings Insurance Group Limited ("HIG") and its subsidiaries (together referred to as the "HIG Group") on 8 January 2014. Prior to 8 January 2014, HIG was the parent company within the corporate structure.

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 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 differences on consolidation between consideration paid and the book value of the underlying net assets acquired; this difference 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 primary statements and the subsequent notes. Further analysis of the Group's operations, capital management strategy, risk management practices and growth strategy is provided in the Strategic report.

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

b) Basis of measurement

The functional currency is sterling and the financial statements are presented in pounds sterling. Amounts are rounded to the nearest million with one decimal place (ie £0.1m) except where otherwise indicated.

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of the 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 financial statements, are disclosed in Note 3.

The 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) Adoption of new IFRS

On 1 January 2015, the Group adopted the following IFRS which were issued and endorsed by the EU:

IFRS	EU effective date
Annual Improvements to IFRSs 2010–2012 cycle (issued on 12 December 2013)	Annual periods beginning on or after 1 February 2015
Annual Improvements to IFRSs 2011–2013 cycle (issued on 12 December 2013)	Annual periods beginning on or after 1 January 2015
IFRIC 21 Levies	Annual periods beginning on or after 17 June 2014

There was no material financial impact on the financial statements on adoption of these new IFRS.

There are no other relevant IFRS which are expected to have a significant impact on the Group that have been issued and endorsed by the EU but are not yet effective.

d) Presentation of financial statements in accordance with IAS 1

The Consolidated Financial Statements are prepared in accordance with IAS 1 Presentation of Financial Statements. The Group has elected to present a separate Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income.

e) Application of IFRS

The accounting policies below, developed in accordance with the standards effective under IFRS as at 31 December 2015, have been applied consistently to all periods presented in these financial statements. There have been no changes to accounting policies during the year with the exception of the adoption of new IFRS now effective in the EU.

f) Basis of consolidation

The Consolidated Financial Statements consolidate the financial statements of HGH, HIG(H) and all of the subsidiary undertakings for the years ended 31 December 2015 and 31 December 2014.

The 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 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

a) Revenue recognition

Premiums and profit commission

Premiums related to insurance contracts are recognised as revenue proportionally over the period of cover provided. Premiums with an inception date after the period end are held in the Consolidated Balance Sheet in deferred income. Outstanding collection of premiums from customers at the period end are recognised within insurance receivables.

Premiums ceded to reinsurers are recognised in profit or loss in the same accounting period as the related direct insurance business.

Under certain reinsurance contracts, profit commission may become receivable or payable on a particular underwriting year dependent on the difference between the ultimate loss ratio and the loss ratio threshold set out in the contract. Profit commission receivable or payable at each reporting date is recognised based on the estimated ultimate loss ratio for that underwriting year at the reporting date. Any movement on the profit commission receivable or payable in the period is recognised in profit or loss within reinsurance commissions.

Other reinsurance commissions are recognised as profit or loss within reinsurance commissions in the period to which they relate.

Revenue from insurance broking activities

Revenue from insurance broking activities consists principally of brokerage fees and commissions relating to the arrangement of insurance contracts, ancillary product income and other income. Revenue is measured at the fair value of the income receivable and is recognised in profit or loss on completion of the associated service. The fair value measurement makes allowance for expected future refunds to customers in the event of cancellation before the expiry of the policy.

Premium finance interest

Premium finance interest, earned on sales where customers choose to pay in monthly instalments instead of one single, upfront payment, is recognised in profit or loss over the term of the related agreement using the effective interest method.

Investment and interest income

Investment and interest income from financial assets comprises interest income and net gains and losses on certain financial assets at fair value.

Interest income for all interest-bearing financial assets, including financial assets measured at fair value through profit or loss and available for sale, is recognised in profit or loss within investment and interest income using the effective interest rate method.

Investment and interest income also includes all realised investment gains and losses on financial instruments measured at fair value through profit or loss and available for sale as well as the unrealised gains and losses on financial instruments measured at fair value through profit or loss. Any unrealised gains and losses on available for sale financial assets are recognised directly in other comprehensive income and accumulated in other reserves. They are reclassified to profit or loss on derecognition of the assets.

Dividends received from investments in subsidiaries are eliminated upon consolidation.

Discounts

Premium discounts on policies underwritten by parties external to the Group are deducted from fees and commission within other income. Premium discounts for policies underwritten by the Group are deducted from gross written premiums and are recognised proportionally over the period of cover provided.

Other discounts on revenue are deducted from the revenue streams to which they relate.

b) Insurance contracts and reinsurance assets

Unearned premiums reserve

Premiums on policies with an inception date before the period end but with unexpired risks after the period end are held in the Consolidated Balance Sheet in the unearned premiums reserve. The gross unearned premiums reserve and reserve for unearned premiums ceded to reinsurers are presented separately.

Claims

Gross outstanding claims liabilities are recognised at the value of expected future payments relating to claims incurred at the reporting date. The expected future payments include those in relation to claims reported but not yet paid or not yet paid in full and claims incurred but not reported ("IBNR"). The liabilities are not discounted to present value.

Reinsurance assets are measured consistent with the amounts recognised for the associated reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance assets are not discounted to present value.

Both outstanding claims liabilities assumed and reinsurance assets acquired in a business combination are discounted to present value on acquisition and these discounts are subsequently unwound over their expected settlement period.

While the Directors consider that the gross outstanding claims liabilities and the related reinsurance assets are fairly stated on the basis of the information currently available to them, the amount they ultimately settle at will vary as a result of subsequent information and events and may result in significant adjustments to the amounts recognised.

Adjustments to the amounts of outstanding claims liabilities established in prior years are reflected in profit or loss for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

From time to time, periodical payment orders ("PPOs") are awarded as a result of claims made under insurance contracts. Such awards are generally for a fixed instalment over an indeterminate time period. Claims settled, or expected to be settled, by means of a PPO are recognised at the present value of expected future cash flows of the award granted over the expected term of the PPO, and are recognised immediately when the award is considered probable. Discounting is implicit within these reserving calculations at each period end for each expected PPO. Reinsurance assets relating to PPOs are recognised alongside the related gross claims liabilities.

Reinsurance contracts

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more insurance contract issued by the Group are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts consist of short-term balances due from reinsurers, recognised as reinsurance receivables, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts, recognised as reinsurance assets.

Reinsurance liabilities are primarily premiums payable to reinsurers under reinsurance contracts held and are recognised when due. Amounts recoverable from or due to reinsurers are measured consistent with the amounts recognised for the associated reinsured insurance contracts and in accordance with the terms of each reinsurance contract held.

The Group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss.

Where obligations with reinsurers are commuted, the related reinsurance assets and liabilities are settled in the period in which the agreement is signed, on the basis that the reinsurer is discharged from all obligations relating to the contract. Any gain or loss is recognised in the profit or loss in the same period.

Unexpired risks reserve

A review of the carrying amount of the unearned premiums reserve is conducted at each reporting date. If current estimates of the present value of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance contracts exceed the unearned premiums reserve less related costs including deferred acquisition costs, then the unearned premiums reserve is deemed to be deficient.

The test is performed at the level of a portfolio of contracts that are subject to broadly similar risks and that are managed together as a single portfolio. If any deficiency arises from the test, first an impairment to the deferred acquisition costs is recognised in profit or loss, and then if necessary an unexpired risk reserve is recognised in the Consolidated Balance Sheet, through profit or loss. Any movement on that reserve is recognised in profit or loss.

Salvage and subrogation recoveries

Some insurance contracts permit the Group to pursue salvage recoveries through the sale of (usually damaged) property acquired in settling a claim. The Group may also have the right to subrogation recoveries, where third parties are pursued for payment of some or all costs.

Salvage and subrogation recoveries, gross of any amounts which fall under reinsurance contracts held, are included in insurance and other receivables and the corresponding reinsurance amounts arising out of reinsurance contracts are included in insurance and other payables. For salvage recoveries, the amount recognised is the amount that can be reasonably recovered from the disposal of the property. For subrogation reimbursements, the amount recognised is the amount that can be recovered from the action against the liable third party.

Levies

The Group incurs levies as a consequence of both its insurance broking and underwriting activities. The Group is charged levies by the Motor Insurers' Bureau, Financial Conduct Authority, Financial Services Commission and other regulatory bodies in the UK and Gibraltar. In line with IFRIC 21 Levies, these are accrued in full when the activity that gives rise to the liability occurs and are recognised in profit or loss over a period equivalent to that over which the underlying benefit is earned.

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 amount recognised in the 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.

When 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.

b) Revenue from insurance broking activities

Revenue from insurance broking activities is measured at the fair value of the income receivable and is recognised on completion of the associated service. The revenue recognised makes allowance for expected future refunds required in the event of cancellations of contracts by customers. Management judgement is required to estimate future refunds resulting from cancellations, based on cancellation experience.

4. 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. From 1 January 2015, AICL underwrites 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.

Removal of trading for the period ended 7 January 2014

This adjustment removes the HIG Group's result for the first seven days of trading in 2014, prior to its acquisition by the Group on 8 January 2014.

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, whereby HIG(H) acquired the HIG Group.

For the year ended 31 December 2015, this comprises non-operational amortisation arising on assets fair valued under acquisition accounting.

Operating profit

Operating profit represents profit before taxation expense, interest expense, amortisation and depreciation, revaluation of property, 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.

Year ended 31 December 2015	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £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. All other revenues presented arose from transactions with external customers.

Year ended 31 December 2014	Underwriting £m	Retail £m	Removal of trading for the period ended 7 January 2014 £m	Corporate £m	Consolidation adjustments £m	Group £m
Net earned premiums	212.7	-	(3.4)	-	(10.2)	199.1
Other revenue	34.9	205.2	(3.9)	-	(56.0)	180.2
Investment and interest income	3.5	0.3	(0.1)	-	-	3.7
Net revenue	251.1	205.5	(7.4)	-	(66.2)	383.0
Net claims incurred	(152.6)	-	2.7	-	0.2	(149.7)
Operating expenses	(61.1)	(135.6)	2.5	(10.9)	75.3	(129.8)
Operating profit	37.4	69.9	(2.2)	(10.9)	9.3	103.5
Interest expense						(67.7)
Operational amortisation and depreciation						(3.8)
Restructuring, refinancing and transaction costs						(9.7)
Accounting for business combinations						(23.7)
Profit/(loss) before tax						(1.4)
Taxation expense						(7.0)
Total loss attributable to the equity holders of the parent						(8.4)

Included within other revenue recognised by the Retail segment is £57.8 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. All other revenues presented arose from transactions with external customers.

Operating profit for the full year ended 31 December 2014 would have been £105.7 million if adjusted to include the seven days pre-acquisition trading.

c) Segment assets and liabilities

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

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 [1]	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	265.5	4.9	(225.5)	155.9
Provisions	-	0.3	-	-	0.3
Deferred income tax liability	0.1	-	-	20.5	20.6
Current tax liabilities	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

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

As at 31 December 2014	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Goodwill	-	1.9	-	468.1	470.0
Intangible assets	0.2	10.5	-	93.6	104.3
Investments in subsidiaries	-	-	1.0	(1.0)	-
Investments [1]	3.7	-	-	(3.7)	-
Property and equipment	1.7	5.3	-	3.1	10.1
Deferred income tax asset	-	0.8	-	4.8	5.6
Reinsurance assets	428.1	-	-	(1.6)	426.5
Deferred acquisition costs	14.9	-	-	0.8	15.7
Prepayments	-	1.1	0.1	-	1.2
Insurance and other receivables	204.3	166.0	6.6	(164.3)	212.6
Financial assets at fair value	224.8	-	-	0.1	224.9
Cash and cash equivalents	64.2	38.4	20.8	-	123.4
Total assets	941.9	224.0	28.5	399.9	1,594.3
Preference shares	-	-	319.3	-	319.3
Loans and borrowings	-	-	403.6	-	403.6
Insurance contract liabilities	717.1	-	-	(12.4)	704.7
Insurance and other payables	113.6	197.5	5.8	(170.0)	146.9
Provisions	-	0.3	-	-	0.3
Deferred income tax liability	-	-	-	27.0	27.0
Current tax liabilities	3.1	3.3	-	-	6.4
Total liabilities	833.8	201.1	728.7	(155.4)	1,608.2
Total equity	108.1	22.9	(700.2)	555.3	(13.9)

5. Insurance premiums

	Year ended 31 December 2015			Year ended 31 December 2014		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	£m	**£m**	**£m**	£m	£m	£m
Written premiums	**614.9**	**(320.9)**	**294.0**	475.4	(254.1)	221.3
Unearned premiums reserve brought forward at start of year	**248.8**	**(133.3)**	**115.5**	-	-	-
Acquired through business combinations	**-**	**-**	**-**	214.8	(121.5)	93.3
Unearned premiums reserve carried forward at end of year	**(320.4)**	**166.8**	**(153.6)**	(248.8)	133.3	(115.5)
Change in the unearned premiums reserve	**(71.6)**	**33.5**	**(38.1)**	(34.0)	11.8	(22.2)
Total earned premiums	**543.3**	**(287.4)**	**255.9**	441.4	(242.3)	199.1

Unearned premiums reserve acquired through business combinations in the prior year comprises amounts acquired upon acquisition of the HIG Group on 8 January 2014.

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

6. Other revenue

	Year ended	
	31 December 2015	31 December 2014
	£m	£m
Fees and commission	**73.5**	61.6
Ancillary product income	**45.0**	37.4
Premium finance interest	**61.3**	48.5
Reinsurance commissions	**28.6**	23.0
Other income	**11.4**	9.7
Total other revenue	**219.8**	180.2

7. Investment and interest income

	Year ended	
	31 December 2015	31 December 2014
	£m	£m
Net fair value gains on financial assets at fair value	**0.8**	2.2
Other interest income	**4.5**	1.5
Total investment and interest income	**5.3**	3.7

8. Claims incurred

	Year ended 31 December 2015			Year ended 31 December 2014		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	£m	**£m**	**£m**	£m	£m	£m
Claims paid	**(336.1)**	**177.8**	**(158.3)**	(286.7)	137.8	(148.9)
Change in the provision for claims	**(134.2)**	**86.7**	**(47.5)**	(80.9)	70.9	(10.0)
Salvage and subrogation reserve movement	**1.3**	**2.7**	**4.0**	6.8	(3.5)	3.3
Other claims income	**8.9**	**-**	**8.9**	5.9	-	5.9
Total claims incurred	**(460.1)**	**267.2**	**(192.9)**	(354.9)	205.2	(149.7)
Current period	**(451.6)**	**251.1**	**(200.5)**	(362.4)	202.1	(160.3)
Prior periods	**(8.5)**	**16.1**	**7.6**	7.5	3.1	10.6
Total claims incurred	**(460.1)**	**267.2**	**(192.9)**	(354.9)	205.2	(149.7)

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, including an enhancement in PPO reserving methodology during the year which increased gross and reinsurers' share of claims incurred by £13.1 million, with no impact on net claims incurred.

9. Other operating expenses

	Year ended	
	31 December 2015 £m	31 December 2014 £m
Profit/(loss) before taxation is stated after charging		
Buildings operating lease rentals	**0.5**	0.5
Employee benefits	**56.3**	51.4
Restructuring and transaction costs	**2.4**	9.7
Other administration and distribution costs	**60.9**	51.8
Other operating expenses before amortisation and depreciation	**120.1**	113.4
Amortisation of intangible assets	**25.3**	26.5
Depreciation of property and equipment	**2.3**	1.4
Total amortisation and depreciation	**27.6**	27.9
Total other operating expenses	**147.7**	141.3

10. Finance costs

	Year ended	
	31 December 2015 £m	31 December 2014 £m
Interest on Senior Secured Notes	**27.1**	31.1
Interest on Term Loan	**1.1**	-
Non-cash amortisation of loans and borrowings	**1.8**	1.9
Preference share dividends	**23.7**	33.7
Other interest expense	**0.9**	1.0
Total interest expense	**54.6**	67.7
Refinancing costs	**36.5**	-
Total finance costs	**91.1**	67.7

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 relate to the early redemption of the Senior Secured Notes in 2015, see Note 16. They include early redemption charges and the write off of remaining directly attributable transaction costs and applicable discounts.

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

11. Earnings per share

Basic earnings per share is calculated by dividing the profit/loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

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

Share awards issued in the year have an inconsequential dilutive potential and therefore the basic and adjusted earnings per share equals the basic and adjusted diluted earnings per share respectively.

	Year ended	
	31 December 2015	31 December 2014
Profit/(loss) attributable to owners of the parents (in £m)	**2.3**	(8.4)
Basic weighted average number of ordinary shares in issue	**468,122,379**	378,482,926
Basic and diluted earnings per share	**0.5p**	(2.2)p

	Year ended	
	31 December 2015	31 December 2014
Profit/(loss) attributable to owners of the parents (in £m)	**2.3**	(8.4)
Adjusted for (in £m)		
Restructuring, refinancing and transaction costs	**38.9**	9.7
Preference share dividends	**23.7**	33.7
Impact of accounting for business combinations on finance costs	**0.7**	1.1
Non-operational amortisation	**23.0**	24.2
Other effects of accounting for business combinations	**-**	(0.4)
Tax effect of the above adjusting items	**(12.4)**	(3.9)
Total adjusted profit after tax (in £m)	**76.2**	56.0
Basic weighted average number of ordinary shares in issue	**468,122,379**	378,482,926
Adjusted basic and diluted earnings per share	**16.3p**	14.8p

12. Reinsurance assets and insurance contract liabilities

a) Claims development

	As at 31 December 2015			As at 31 December 2014		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	£m	**£m**	**£m**	£m	£m	£m
Claims reported and adjustments to claims reported	**430.6**	**(254.9)**	**175.7**	334.8	(204.8)	130.0
Claims incurred but not reported ("IBNR")	**161.1**	**(125.8)**	**35.3**	121.1	(88.4)	32.7
Outstanding claims liabilities	**591.7**	**(380.7)**	**211.0**	455.9	(293.2)	162.7
Unearned premiums reserve	**320.4**	**(166.8)**	**153.6**	248.8	(133.3)	115.5
Total insurance contract liabilities	**912.1**	**(547.5)**	**364.6**	704.7	(426.5)	278.2

Given the uncertainty in establishing the outstanding claims liabilities, it is likely that the final outcome will be different from the original liability established. Claims development refers to the financial adjustment in the current accounting period relating to claims incurred in previous accounting periods because of new and more up to date information that has become available and to reflect changes in inflation.

The timing of the settlements for the net and gross claims liabilities are shown in Note 15.

The following table shows the development of the originally estimated gross ultimate claims liabilities relative to the current estimates of gross ultimate claims liabilities, both net of salvage and subrogation recoveries. The development is presented for each of the most recent five accident periods and all historic periods prior to these from incorporation of the Group's underwriter (2002) (ie including accident periods prior to the creation of the Group), as estimated at each reporting date. It includes the effect of an enhancement in PPO reserving methodology during the year which increased gross and reinsurers' share of outstanding claims liabilities by £13.1 million, with no impact on the net position. The table also shows a reconciliation of the gross outstanding claims liabilities, net of salvage and subrogation recoveries, to the gross outstanding claims liabilities on the Consolidated Balance Sheet as at 31 December 2015.

The information is presented on an accident period basis. The fair value acquisition adjustment relates to accounting for the acquisition of HIG on 8 January 2014.

	Year ended						
	Prior periods	December 2011	December 2012	December 2013	December 2014	December 2015	**Total**
	£m	£m	£m	£m	£m	£m	**£m**
Development							
At end of current period	765.2	172.6	245.8	316.3	375.2	460.6	**2,335.7**
One period earlier	762.8	170.4	250.2	308.8	374.4	-	**1,866.6**
Two periods earlier	753.4	179.1	256.6	310.7	-	-	**1,499.8**
Three periods earlier	750.6	176.3	242.9	-	-	-	**1,169.8**
Four periods earlier	740.3	169.1	-	-	-	-	**909.4**
Payments to date	(727.0)	(153.8)	(200.9)	(233.9)	(258.9)	(187.2)	**(1,761.7)**
Gross outstanding claims liabilities, net of salvage and subrogation recoveries	38.2	18.8	44.9	82.4	116.3	273.4	**574.0**
Reconciliation to gross outstanding claims liabilities							
Anticipated salvage and subrogation recoveries							**21.1**
Fair value acquisition adjustment							**(3.4)**
Gross outstanding claims liabilities						Note 12(a)	**591.7**

The following table shows the development of the outstanding claims liabilities net of salvage and subrogation recoveries as above but on a net basis, together with a reconciliation of these to the gross outstanding claims liabilities on the Consolidated Balance Sheet as at 31 December 2015.

	Year ended						
	Prior periods	December 2011	December 2012	December 2013	December 2014	December 2015	**Total**
	£m	£m	£m	£m	£m	£m	**£m**
Development							
At end of current period	641.1	96.4	107.5	129.5	171.4	209.5	**1,355.4**
One period earlier	640.9	96.9	111.4	135.1	169.3	-	**1,153.6**
Two periods earlier	637.8	99.4	117.2	140.7	-	-	**995.1**
Three periods earlier	642.3	100.4	119.7	-	-	-	**862.4**
Four periods earlier	644.4	99.4	-	-	-	-	**743.8**
Payments to date	(633.3)	(91.3)	(95.9)	(108.9)	(129.4)	(93.8)	**(1,152.6)**
Net outstanding claims liabilities, net of salvage and subrogation recoveries	7.8	5.1	11.6	20.6	42.0	115.7	**202.8**
Reconciliation to net outstanding claims liabilities							
Anticipated salvage and subrogation recoveries							**21.1**
Reinsurers' share of salvage and subrogation recoveries							**(10.3)**
Fair value acquisition adjustment							**(2.6)**
Net outstanding claims liabilities						Note 12(a)	**211.0**
Reinsurers' share of outstanding claims liabilities							**380.7**
Gross outstanding claims liabilities						Note 12(a)	**591.7**

Conditions and trends that have affected the development of the liabilities in the past may, or may not, occur in the future, and accordingly, conclusions about future results may not necessarily be derived from the information presented in the tables above.

b) Movements in reinsurance assets and insurance contract liabilities

	As at 31 December 2015			As at 31 December 2014		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	£m	**£m**	**£m**	£m	£m	£m
Outstanding claims liabilities brought forward at start of year	**455.9**	**(293.2)**	**162.7**	-	-	-
Acquired through business combinations	**-**	**-**	**-**	371.9	(219.6)	152.3
Claims paid	**(336.1)**	**177.8**	**(158.3)**	(286.7)	137.8	(148.9)
Movement in liabilities	**471.9**	**(265.3)**	**206.6**	370.7	(211.4)	159.3
Total outstanding claims liabilities carried forward at end of year	**591.7**	**(380.7)**	**211.0**	455.9	(293.2)	162.7
Unearned premiums reserve brought forward at start of year	**248.8**	**(133.3)**	**115.5**	-	-	-
Acquired through business combinations	**-**	**-**	**-**	214.8	(121.5)	93.3
Deferral in period	**614.9**	**(320.9)**	**294.0**	475.4	(254.1)	221.3
Release in period	**(543.3)**	**287.4**	**(255.9)**	(441.4)	242.3	(199.1)
Unearned premiums reserve carried forward at end of year	**320.4**	**(166.8)**	**153.6**	248.8	(133.3)	115.5
Total insurance contracts liabilities	**912.1**	**(547.5)**	**364.6**	704.7	(426.5)	278.2

Outstanding claims liabilities and unearned premiums reserve acquired through business combinations in the prior year comprise amounts acquired upon acquisition of the HIG Group on 8 January 2014.

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

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

13. Insurance and other receivables

	As at	
	31 December 2015 £m	31 December 2014 £m
Insurance receivables	**206.6**	164.8
Salvage and subrogation recoveries	**21.1**	19.8
Reinsurance receivables	**11.1**	16.9
Interest receivable	**4.6**	3.4
Other receivables	**18.2**	7.7
Total insurance and other receivables	**261.6**	212.6

The table below analyses insurance and other receivables between current and overdue as well as an analysis of any provisions held. The current portion comprises balances that are normally settled within 12 months. Overdue amounts comprise all amounts which remain uncollected after the date by which they were contractually due to be paid in full.

	Insurance and other receivables £m	Provision for impairment £m	Net insurance and other receivables £m
As at 31 December 2015			
Current	**262.5**	**(0.9)**	**261.6**
Overdue	**3.5**	**(3.5)**	**-**
Total	**266.0**	**(4.4)**	**261.6**
As at 31 December 2014			
Current	213.0	(0.4)	212.6
Overdue	3.3	(3.3)	-
Total	216.3	(3.7)	212.6

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

	As at	
	31 December 2015 £m	31 December 2014 £m
Provision for impairment brought forward at start of year	**3.7**	-
Acquired through business combinations	**-**	5.5
Utilised during the year	**(2.4)**	(4.4)
Impairments recognised during the year	**3.1**	2.6
Total provision for impairment carried forward at end of year	**4.4**	3.7

Provisions acquired through business combinations in the prior year comprise provisions assumed upon acquisition of the HIG Group on 8 January 2014.

14. Cash and cash equivalents

	As at	
	31 December 2015 £m	31 December 2014 £m
Cash at bank and in hand	**47.5**	48.9
Money market funds	**104.7**	74.5
Total cash and cash equivalents	**152.2**	123.4

The carrying amount of cash and cash equivalents presented on the Consolidated Balance Sheet is the same as that used for the purposes of the Consolidated Statement of Cash Flows as there are no bank overdrafts used which are repayable upon demand.

Cash and cash equivalents include balances of £6.8 million (31 December 2014: £5.5 million) relating to cash and cash equivalents held on an agency basis on behalf of other insurers.

15. 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	
	31 December 2015 £m	31 December 2014 £m
Financial assets		
Insurance and other receivables	**261.6**	212.6
Cash and cash equivalents	**152.2**	123.4
Total financial assets at amortised cost	**413.8**	336.0
Financial liabilities		
Senior Secured Notes	**-**	403.6
Preference shares	**-**	319.3
Term Loan	**295.7**	-
Insurance and other payables	**155.9**	146.9
Total financial liabilities at amortised cost	**451.6**	869.8

The fair value of the Senior Secured Notes as at 31 December 2014 was £425.8 million (Level 1 basis).

The carrying value of all other financial instruments carried at amortised cost at 31 December 2015 and 31 December 2014 is considered to be an approximation of fair value.

At fair value

The table below analyses the movement in financial assets carried at fair value by classification.

	Investment funds £m	Debt securities £m	Total £m
As at 1 January 2014	-	-	-
Additions through business combinations	62.5	109.0	171.5
Net increases/(decreases) to the fair value of assets held recognised in profit or loss	0.4	1.8	2.2
Net additions /(disposals) to assets held	0.1	51.1	51.2
As at 31 December 2014 and 1 January 2015	63.0	161.9	224.9
Net increases/(decreases) to the fair value of assets held recognised in profit or loss	**1.0**	**(0.2)**	**0.8**
Net decreases to the fair value of assets held recognised in other comprehensive income	**-**	**(1.3)**	**(1.3)**
Net additions /(disposals) to assets held	**(12.1)**	**104.2**	**92.1**
As at 31 December 2015	**51.9**	**264.6**	**316.5**

Additions through business combinations in the prior year comprise assets acquired upon acquisition of the HIG Group on 8 January 2014.

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 holdings.

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 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 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
	£m	£m	£m	£m
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**
31 December 2014				
AAA (or equivalent)	19.4	3.6	74.5	97.5
AA (or equivalent)	9.9	8.3	15.8	34.0
A (or equivalent)	46.0	12.1	33.1	91.2
BBB (or equivalent)	71.8	10.3	-	82.1
Less than BBB (or equivalent) or Unrated	14.8	28.7	-	43.5
Total	161.9	63.0	123.4	348.3

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

	As at	
	31 December 2015	31 December 2014
	£m	£m
AA (or equivalent)	**337.2**	198.8
A (or equivalent)	**210.3**	227.7
Total reinsurance assets	**547.5**	426.5

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 31 December 2015 is £1,277.8 million (31 December 2014: £987.4 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 exposure to bad debt expense relates to policyholder debt charged to profit or loss and the value of past due financial assets, which has not resulted in impairment in either the current or prior periods. There were no other impairments in either the current or prior periods.

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.

The following table indicates the expected timing of net cash outflows resulting from insurance contract liabilities and reinsurance assets at the year end:

	0-1 year	1-2 years	Over 2 years	Total
	£m	£m	£m	£m
31 December 2015				
Outstanding claims liabilities	**165.3**	**66.7**	**359.7**	**591.7**
Unearned premiums provision	**131.3**	**100.1**	**89.0**	**320.4**
Less reinsurance assets	**(145.7)**	**(83.1)**	**(318.7)**	**(547.5)**
Net cash outflows	**150.9**	**83.7**	**130.0**	**364.6**
31 December 2014				
Outstanding claims liabilities	150.7	98.9	206.3	455.9
Unearned premiums provision	102.0	77.7	69.1	248.8
Less reinsurance assets	(136.3)	(100.0)	(190.2)	(426.5)
Net cash outflows	116.4	76.6	85.2	278.2

The gross contractual undiscounted cash flows of loans and borrowings, including interest payments, assuming LIBOR stays constant, fall due as follows:

	0-1 year	1-2 years	2-5 years	Over 5 years	Total
		£m	£m	£m	£m
31 December 2015					
Term Loan	**20.7**	**20.2**	**308.6**	**-**	**349.5**
Total	**20.7**	**20.2**	**308.6**	**-**	**349.5**
31 December 2014					
Senior Secured Notes	31.2	31.2	243.2	287.3	592.9
Preference shares	-	-	-	319.3	319.3
Total	31.2	31.2	243.2	606.6	912.2

Actual cash flows of loans and borrowings will vary to the extent that LIBOR increases and decreases in these time periods.

c) Objectives, policies and procedures for managing capital

The Group's capital is primarily made up of total equity (see Note 18) and loans and borrowings (see Note 16). As at 31 December 2014, the Group's capital also included preference shares issued by the Group on 8 January 2014 which were subsequently converted into equity.

The Directors regularly review the amount of capital of the Group through monitoring of the financial performance of its subsidiaries. Regular cash flow forecasts are produced to accurately predict when liabilities will fall due and trends in these forecasts are used to aid the prediction of future cash flows.

The Group's subsidiary AICL, as an insurance company, is subject to the provisions of the solvency regulations set by the FSC in Gibraltar. It exceeded the minimum requirements for capital at all times since AICL has been part of the Group.

The table below shows the minimum required capital for AICL and the regulatory capital held against it.

	As at	
	31 December 2015	31 December 2014
	£m	£m
Regulatory capital held ('Admissible Assets')	**191.4**	107.9
Minimum regulatory capital ('Required Minimum Margin')	**51.3**	40.2
Excess	**140.1**	67.7

The Group's subsidiary HISL, as an insurance intermediary in the UK, is also subject to a minimum capital requirement under Financial Conduct Authority ("FCA") rules; it exceeded that minimum capital requirement at all times during the year.

16. Loans and borrowings

	As at	
	31 December 2015	31 December 2014
	£m	£m
8% Senior Secured Fixed Rate Notes due 2020	**-**	258.9
LIBOR + 6% Senior Secured Floating Rate Notes due 2019	**-**	144.7
Term Loan	**295.7**	-
Total loans and borrow ings	**295.7**	403.6
Current	**9.1**	-
Non-current	**286.6**	403.6
Total loans and borrow ings	**295.7**	403.6

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 Consolidated Balance Sheet using the effective interest method and is recognised in insurance and other payables (see Note 17).

Loan facility agreement

On 12 August 2015, the Group entered into a £320.0 million five year committed loan facility agreement with a group of financial institutions comprising a £300.0 million Term Loan and a £20.0 million Revolving Loan Facility. The Term Loan is repayable in full in five years from the date of admission to the London Stock Exchange on 15 October 2015, with instalment repayments due up to the amount of any dividend paid limited to £10.0 million pa. The Term Loan, which was fully drawn down on 25 November 2015, incurs interest at LIBOR plus a variable margin linked to net debt leverage multiple, initially set at 2.75%. The Revolving Loan Facility remained undrawn as at 31 December 2015.

The Term Loan is unsecured and the Group is subject to certain financial covenants of which the first testing date will be as at 30 June 2016. Any repayments rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally. Under the agreement, certain entities in the Group, including the Company, are obligors to the agreement, either by virtue of being a borrower or a guarantor to the agreement: namely, HIG(H), Hastings Insurance Group (Investment) plc ("HIG(I)"), HIG(F), HIG, Advantage Global Holdings Limited ("AGH"), Hastings (Holdings) Limited ("HHL"), Hastings (UK) Limited ("HUK") and Hastings Insurance Services Limited ("HISL").

Senior Secured Notes

On 21 October 2013, the HIG(H) Group issued £416.5 million of Senior Secured Notes at £415.0 million and entered into a £20.0 million multi-currency Revolving Credit Facility in order to part fund the acquisition of HIG). The Senior Secured Notes were redeemed in full and the Revolving Credit Facility was terminated in the year ended 31 December 2015 and at redemption, the liability, together with the related security interests granted over certain assets of some of the subsidiaries were discharged in full.

17. Insurance and other payables

	As at	
	31 December 2015 £m	31 December 2014 £m
Amounts owed to reinsurers	**72.2**	70.2
Reinsurers' share of salvage and subrogation recoveries	**10.3**	13.0
Insurance premium tax	**13.8**	7.7
Accrued interest	**1.1**	5.3
Accrued expenses	**31.1**	23.0
Deferred income	**8.7**	12.6
Other payables	**18.7**	15.1
Total insurance and other payables	**155.9**	146.9
Current	**147.8**	121.5
Non-current	**8.1**	25.4
Total insurance and other payables	**155.9**	146.9

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.

18. Share capital and reserves

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
As at 1 January 2014	7.6	749.4	(756.0)	-	(6.5)	(5.5)
Total loss attributable to the equity holders of the parent	-	-	-	-	(8.4)	(8.4)
Total comprehensive loss for the year	-	-	-	-	(8.4)	(8.4)
As at 31 December 2014 and 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 income/(loss) for the year	**-**	**-**	**-**	**(0.7)**	**2.3**	**1.6**
Transactions with equity holders						
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	**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**

Share capital and share premium

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

	As at	
	31 December 2015	31 December 2014
	£m	£m
Authorised, issued and fully paid up ordinary share capital		
657,217,641 ordinary shares of 2p (31 December 2014: 378,482,926)	**13.1**	7.6

On 11 June 2015, the Company was incorporated with an issued share capital consisting of one ordinary share of £1 nominal value, which was issued for cash consideration at par. On 3 August 2015, the £1 share was divided into 50 shares of £0.02 nominal value, each having the same rights and subject to the same restrictions as the single £1 ordinary share.

On 12 August 2015, pursuant to the reorganisation, the Company converted roll up loan notes amounting to £1,100.0 million into ordinary share capital consisting of 549,999,946 additional shares with £0.02 nominal value, at a premium of £1.98 per share, fully paid and ranking pari passu with the existing 50 shares.

Of the shares issued, 171,517,055 were issued as part of the conversion of £343 million of preference shares and accrued interest thereon into ordinary share capital. This is reflected in the Consolidated Statement of Changes in Equity as an increase in share capital of £3.4 million and share premium of £339.6 million in the year.

The remaining 378,482,891 shares were issued in exchange for the entire issued share capital of HIG(H) and, under the principals of predecessor account described in Note 1, the resulting share capital of £7.6 million and share premium of £749.4 million have been presented as if they were in issue at 1 January 2014, the beginning of the previous accounting period.

Upon admission to the London Stock Exchange on 15 October 2015, the Company allotted and issued 107,217,645 shares of £0.02 each at a premium of £1.68 per share, each credited as fully paid. This increased share capital by £2.1 million and share premium by £180.1 million, less associated costs of £7.5 million and £2.7 million of costs incurred by the subsidiaries recognised in retained earnings.

Merger reserve

As described in Note 1, the Consolidated Financial Statements have been prepared under the principles of predecessor accounting, incorporating the consolidated results of HGH plc and the HIG(H) Group for both the current and prior periods. Under this method, the difference on consolidation between consideration paid and the book value of the underlying net assets acquired on the date of the reorganisation is included within the merger reserve in the Consolidated Financial Statements.

Other reserves

Unrealised fair value movements on available for sale financial assets (Note 15) and property held at revalued amounts are recognised in other comprehensive income and accumulated within other reserves.

Share capital reduction

On 2 December 2015, the Company received approval from the Companies Court to undertake a share capital reduction. This reduced share premium and increased retained earnings by £1,089.0 million.

19. Dividends

No dividends were paid during the year (2014: £nil). On the 14 March 2016, the Board recommended the payment of a final dividend in respect of the 2015 financial year of 2.2p per share, subject to shareholder approval at the AGM in May 2016.

Statutory information

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2015 and 31 December 2014 but is derived from the statutory accounts for the year ended 31 December 2015. Statutory accounts for 2015 will be delivered in due course to the registrar of companies. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor 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.

As this Company was only incorporated in the year ended 31 December 2015, there were no statutory accounts for the year ended 31 December 2014.