

An aerial photograph of a modern building's central courtyard. The courtyard is paved with a radial pattern of light-colored lines. In the center is a tall, ornate column with a decorative top. Several people are walking around the courtyard. The surrounding buildings have multiple floors with large windows and balconies.

ANNUAL REPORT AND ACCOUNTS

2018



HANSARD
GLOBAL PLC



Hansard is a specialist long-term savings provider that has been providing innovative financial solutions for international clients since 1987. We focus on helping financial advisors and institutions to provide their clients (individual and corporate investors) with saving and investment products in secure life assurance wrappers to meet long-term savings and investment objectives

We administer assets in excess of £1 billion for just under 40,000 client accounts located in up to 155 countries.

Hansard Global plc Report and Accounts

For the year ended 30 June 2018



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Chairman's Statement

The Chairman reviews our performance, and the relevant issues affecting our business and how we operate.

Strategic Report

A narrative review of the Group's performance that includes an overview from the Chief Executive and details of our business. You can also find out about our approach to risk management.

Governance Information

In this section you can find out more on our Directors' background and experience, their specific responsibilities in relation to the Annual Report and Accounts, the key parts of our governance framework and how it was implemented during the year as well as reports from the various Board committees.

Financial Information

The Group's IFRS financial statements which include detailed analysis of the Group's performance, assets and liabilities. You will also find the Company financial statements in this section.

European Embedded Value

The Group's EEV Information which includes detailed analysis of the Group's performance.

Shareholder Information

Further information for shareholders such as our financial calendar and how to get in touch.

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Chairman's Statement

Philip Gregory

On 26th September, 2018 Dr Polonsky retired as a Director of the Company and was replaced by Marc Polonsky, who has been his Alternate Director since 2013. I would like to thank Leonard for his immense contribution to the Company during his time on the Board. As founder of the Group, there would be no Hansard if it had not been for Leonard's vision and drive. Dr Polonsky will continue to be the Group's President.



We are seeing new distribution relationships flourish and are well positioned to maintain this growth in 2019 with additional business streams.



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New business

Total new business levels declined by 1% to £146.6m PVNBP. Within this result we achieved good growth in Latin America, offset by a decline in the Far East. During the year we have exited certain distribution channels which no longer have a strategic future, whether because of their business model or regulatory change. In the future Hansard will focus on a smaller number of territories with more integrated relationships to high quality distributors. Combined with our stated strategy of acquiring additional local licenses, we believe this will provide the foundations to grow to more profitable levels of new business in future years.

Our new business margin has switched from a marginally positive figure of 0.9% last year to a marginally negative figure of -0.7% for 2018. The main reasons for this are a less profitable product mix and increased expenses as we continue to invest for the future and successfully defend our position in litigation.

Of our larger distribution initiatives, we believe there is much more to be achieved with our strategic alliance in the UAE. We are working hard with our distribution partners in the UAE and to leverage off what we know is market leading technology for our industry in that region.

Financial performance

Our IFRS profit for the year after taxation was £6.8m (2017: £7.7m). This figure incorporates litigation and non-recurring costs of £1.7m (2017: £2.1m), predominantly litigation related costs associated with Hansard Europe. Underlying profit before tax for 2018 was £8.6m compared to £9.8m for 2017. This underlying performance reflects on-going declining income from our closed book, Hansard Europe, together with increased administrative costs across a number of categories. During the year, the Group undertook a detailed review of its cost base and identified a number of cost efficiency opportunities, particularly through a recently commenced IT driven initiative to realise significant long term savings.

On an European Embedded Value (EEV) basis, a loss after taxation of £6.0m was incurred (2017: profit of £11.7m) as large investment gains in the prior year were not repeated.

Net cash inflows before dividends were £6.9m for 2018 (2017: £5.8m), which allows us to invest in revenue generating opportunities while covering the rebased dividend.

Regulatory developments

The Isle of Man Financial Services Authority ("FSA") Roadmap for updating the Isle of Man's Regulatory Framework for Insurance Business has been a large focus of 2018. The Roadmap seeks to ensure that the Isle of Man has a proportionate and robust regime for the regulation and supervision of insurance business, as reflected

in relevant international standards. The Group has expended significant financial and human resources in addressing these requirements and believes it is well placed to adopt all relevant provisions.

In May, 2018 Hansard Worldwide Limited was granted an external insurance licence by the Insurance Commission of The Bahamas. We expect this new subsidiary to commence trading in the later part of 2018.

During 2018 the Group has made significant progress in preparing to submit a licence application in Japan.

Capitalisation and solvency

The Group remains well capitalised to meet the requirements of regulators, contract holders, intermediaries and other stakeholders. With the implementation of risk based capital regulations in the Isle of Man, total Group Free Assets in excess of the Solvency Capital Requirements of our insurance subsidiaries were £90.5m (237%). We have maintained our prudent investment policy for shareholder assets, which minimises market risk and has provided a stable and resilient solvency position over recent years.

Dividends

The Board has resolved to pay a final dividend of 2.65p per share (2017: 5.3p), in line with previous guidance. The dividend is subject to approval at the Annual General Meeting. If approved, this will represent total dividends for the financial year of 4.45p per share (2017: 8.9p). The final dividend will be paid on 15 November 2018. The ex-dividend date will be 4 October 2018 and the record date will be 5 October 2018.

Concluding remarks

The Board is taking a number of steps to position the Group to grow its revenue, through our strategic alliance in the UAE, focusing on our main supporting IFAs and the pursuit of new local licences. We are confident that there are significant good opportunities to capitalise upon in the next financial year and that we have the appropriate structures and capabilities in place to do so.

Philip Gregory
Chairman
26 September 2018

Group Chief Executive Officer's Overview

Gordon Marr

The 2018 financial year has been one of consolidation of growth achieved in the past two years. It has seen further progress on our medium term re-positioning of the business to ensure it fits in with future global regulatory change and development. We have undertaken a major exercise this year to consider which sales channels we will focus on in 2019 and beyond as the Isle of Man Regulatory Roadmap comes into force. We will be focusing on our primary and high potential sales intermediaries going forward, standing down those channels and intermediaries which do not make a sufficient contribution or fall outside of our risk appetite.

We have also taken a strategic look at our operational platform and cost base and will be implementing a number of cost saving initiatives in the coming 12-24 months.

I am conscious that our financial returns need to improve, but I remain confident that we are doing the right things to address both the revenue and expense lines and that we have the right people and technology to execute upon the opportunities before us.





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Strategy development

We announced last year that we had established a dedicated strategy team and appointed a Chief Strategy Officer.

This team was assigned three main aims:

- i) to capitalise on near term strategic opportunities;
- ii) to ensure the Group is correctly positioned for future regulatory developments and change; and
- iii) to consider and plan for longer term industry and technological evolution.

During the past financial year, the following have been focused on:

- assessing our distribution strategy in light of the incoming Isle of Man Regulatory Roadmap;
- establishing a new Group insurance company in The Bahamas;
- assessing the ongoing need for certain branches and satellite operations;
- preparing a licence application in Japan;
- assessing the opportunity for additional inwards reinsurance arrangements;
- assessing our IT infrastructure for the future; and
- assessing our product and fund range for the future.

We have made excellent progress in each of these areas and expect to further communicate progress with our key stakeholders over the course of the coming year.

Results for the year under review

We believe that the following areas are the fundamental factors for the success of the Group.

1. Sourcing significant flows of regular premium new business flows from diversified target markets;
2. Managing our exposure to business risk;
3. Positioning ourselves to incorporate ever-increasing levels of regulation into our business model;
4. Leveraging Hansard Online developments; and
5. Managing our cash flows through the cycle to fund the appropriate balance of investment in new business and dividends.

I would draw your attention to the following, additional information is contained in the Business and Financial Review on pages 14 to 25.

1. New Business distribution

The level of new business* we earned during the financial year ("FY") was £146.6m (using the Present Value of New Business Premiums ("PVNBP") metric), marginally down on the FY 2017 figure of £148.3m.

Single premiums were up 5% with regular premiums down 7%. Latin America continued to be our fastest growing region as enhanced relationships produced positive results. Our recently announced license in The Bahamas will assist us to further build and capitalise on growth in this market.

We have exited certain distribution channels in the Far East to reflect regulatory developments and to re-position the business for the future. This has impacted on our sales levels in the region during 2018. Our strategy for this region in FY 2019 will be to focus on establishing locally licensed opportunities and to drive growth through those channels. This is similar to our experience last year in the Middle East and Africa where we have re-focussed and transitioned towards locally licensed business.

* Following the closure of Hansard Europe DAC (previously Hansard Europe Limited) to new business with effect from 30 June 2013, new business performance commentary within this document will relate to Hansard International Limited alone, except where indicated.

Group Chief Executive Officer's Overview *continued*

Gordon Marr

2. Operational, Business and Financial Risks

Our business model involves the acceptance of a number of risks. We maintain an enterprise risk management framework to identify, assess, manage, monitor and control current and emerging risks. However the system of internal control can only provide reasonable and not absolute assurance against material misstatement or loss. The Group's internal control and risk management processes have operated satisfactorily throughout the year. There are a number of areas outlined below which are of significance for understanding the results and operating environment of the Group.

2.1. Complaints and potential litigation

We continue to deal with complaints in circumstances where a contract holder believes that the performance of an asset linked to a particular contract is not satisfactory. We do not give investment advice and are not party to the selection of the asset and therefore we believe that such claims have no merit. A number of these complaints arising within our closed-book, Hansard Europe, have progressed to litigation with the resulting increase in cost and resource to the Group. In many cases the litigation relates to decisions taken by individuals during, or as a result of, the global financial crisis some years ago.

During the year, Hansard Europe successfully defended nine cases with net exposures of approximately £7.3m, including our largest single case in Belgium. This continues to affirm confidence in the Group's legal arguments. Six of these cases have however been subsequently appealed. While we assess the risk of loss from these cases to now be lower, we have retained their exposures in full within the contingent liabilities total.

The total level of net exposures outstanding at the end of the year was €20.1m, or £17.8m when translated to sterling, (30 June 2017: €16.9m / £14.8m). The primary driver of the increase has been in relation to a new group action in Italy focussed on a range of funds which have been illiquid for a number of years. At this time it is not possible to put a reliable estimate on the ultimate liability of such writs. Such writs continue to be treated as contingent liabilities within the Annual Report and Accounts.

3. Leverage Hansard Online

Hansard Online is a powerful sales and business administration tool that is used by IFAs and clients the world over. It is an integral part of the Group's operating model and allows us to better service IFAs and clients, embed process efficiencies and be flexible in operational deployment.

Hansard Online provides IFAs and clients with a reliable online self-service model which they can access 24/7 from anywhere around the world with an internet connection. It provides an important foundation to our strategic goal of delivery of excellent customer service.

Additional information concerning developments in Hansard Online is set out in the Business and Financial Review.



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4. Operating cash flows and dividends

The Group generates positive operating cash flows to fund investment in new business and support dividend payments.

Operating cash flows have recovered in line with increasing assets under administration over the past number of years. As outlined in the Cash Flow analysis section of the Business Review, the Group generated £6.9m (2017: £5.8m) in overall net cash flows before dividends, after the investment of £18.5m (2017: £17.4m) in acquiring new business and £0.9m (2017: £0.4m) in equipment and IT costs. Dividends of £9.8m were paid in the financial year (2017:

£12.2m), reflecting the previously announced reduction in dividend rate to right-size our cash inflows and outflows while we seek to grow the business.

An interim dividend of 1.8p per share was declared on 22 February 2018. A final dividend of 2.65p per share has been proposed by the Board and will be considered at the Annual General Meeting on 7 November 2018. When the final dividend is paid at this level, these dividends will total 4.45p per share in respect of this financial year.



Group Chief Executive Officer's Overview *continued*

Gordon Marr

Financial performance

Results for the year

Financial performance is summarised as follows. A detailed review of performance is set out in the Business and Financial Review that follows this report.

| | 2018 £m | 2017 £m |
|------------------------------|------------|------------|
| New business sales – PVNBP | 146.6 | 148.3 |
| Underlying IFRS profit | 8.6 | 9.8 |
| IFRS profit after tax | 6.8 | 7.7 |
| New business contribution | (1.0) | 1.3 |
| EEV operating loss after tax | (13.7) | (8.2) |
| EEV loss/profit after tax | (6.0) | 11.7 |
| EEV at 30 June | 179.8 | 195.5 |

IFRS results

Fees and commissions were £52.6m for the year, equal to 2017. Fees from Hansard International were up by £0.9m to £47.8m from 2017, primarily due to higher fund management charges. Income from Hansard Europe has continued to fall, as expected, and is £0.9m down on the prior year. Further detail and analysis is contained in the Business and Financial Review.

Administrative and other expenses were £29.4m for the year, increased from £27.1m in 2017. £1m of these costs relate to additional fee income which is collected and passed on to distributors. Litigation defence and settlement costs for 2018 were £1.2m.

After eliminating litigation and non-recurring items, the underlying profit was £8.6m compared to £9.8m in 2017.





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EEV results

New Business Contribution has reduced from that of the prior year due to a combination of slightly lower overall new business, a less profitable business mix and higher expenses. A negative contribution of -£1.0m was produced compared to a positive £1.3m in 2017.

Overall, an EEV loss after tax of £6.0m was incurred for the year (2017: profit of £11.7m). The difference from the prior year was predominantly due to strong positive investment returns in 2017 which were not repeated in 2018. In addition there were a number of expense and other variances which are outlined further in the EEV section of this report.

The key drivers of these variances were:

| | FY 2018 £m | FY 2017 £m |
|--|---------------|---------------|
| Investment performance of contract holder funds | 6.5 | 14.9 |
| On-going expense assumptions changes and experience variances | (6.2) | (5.5) |
| Contract holder activity margins assumption changes and experience variances | (1.8) | 5.2 |
| Full encashment experience variances | (1.2) | (2.0) |

Following the payment of dividends of £9.8m (2017: £12.2m), the Group's EEV was £179.8m at 30 June 2018 (30 June 2017: £195.5m).

Capitalisation and solvency

Our key financial objective is to ensure that the Group's solvency is managed safely through the economic cycle to meet the requirements of regulators, contract holders, intermediaries and shareholders. The Group is well capitalised. With the implementation of risk based capital regulations in the Isle of Man, total Group Free Assets in excess of the Solvency Capital Requirements of our insurance subsidiaries were £90.5m (237% coverage). Shareholder assets are typically held in a wide range of deposit institutions and in highly-rated money market liquidity funds. This prudent investment policy for shareholder assets minimises market risk and has provided a stable and resilient solvency position over recent years.

We recognise that Hansard Europe's capital surplus is not available for distribution in the near future. It is therefore included within the total of Required Capital of £27.6m in the analysis of the Group's EEV balance sheet at 30 June 2018. Allowing for this, the EEV balance sheet reflects that the Group has a free surplus of £16.9m (2017: £21.4m) available for investment and distribution.

Our people

Our people are the bedrock of our business. We have a dedicated dynamic workforce across a number of locations around the world. These teams have contributed hugely to a range of critical projects which they have been asked to deliver over the past year. These include working on new business initiatives including new licenses, implementing a heavy schedule of new regulatory change, assessing our cost base and IT environment and assessing our strategy and culture. I offer my thanks to all those who have put in that extra effort this year.

G S Marr
Group Chief Executive Officer
26 September 2018

Our Business Model and Strategy

Our Business Model and Strategy

Hansard is a specialist long-term savings provider that has been providing innovative financial solutions for international clients since 1987. We focus on helping financial advisors and institutions to provide their clients (individual and corporate investors) with savings and investment products in secure life assurance wrappers to meet long-term savings and investment objectives.

Business

The Company's head office is in Douglas, Isle of Man, and its principal subsidiaries operate from the Isle of Man and the Republic of Ireland.

Hansard International Limited ("Hansard International") is regulated by the Financial Services Authority of the Isle of Man Government and has a branch in Malaysia, regulated by the Labuan Financial Services Authority, to support business flows from Asian growth economies. Through its relationship with a local insurer in the UAE, Hansard International reinsures business written in the UAE.

Hansard Europe DAC ("Hansard Europe", previously Hansard Europe Limited) is regulated by the Central Bank of Ireland. Hansard Europe ceased accepting new business with effect from 30 June 2013.

Our products are designed to appeal to affluent international investors, institutions and wealth-management groups. They are distributed exclusively through independent financial advisors ("IFAs") and the retail operations of financial institutions.

Our network of Account Executives provides local language-based support services to financial advisors in key territories around the world, supported by our multi-language online platform, Hansard Online.

Strategy

During 2018, we undertook a detailed review of our vision and strategy to ensure that it would continue to support our growth aspirations over the long-term. The review concluded that our vision needed to be reframed to specifically reflect our focus on client outcomes.

Our vision is now:

"to provide understandable innovative financial solutions that align our success with that of our clients".

To deliver this vision it is clear that client outcomes will become the central focus within our business and, consequently, we will need to look at all aspects of our products, processes and distribution in order to constantly improve.

Our talented people are the foundation of our business. We have created an empowering culture, which values innovation, quality, integrity and respect.

Our strategy to improve, grow and future-proof our business will be delivered through three key areas of strategic focus:

- i. Improve our business: We will improve customer outcomes through the introduction of new disclosures, the provision of new products and services, focusing on the quality of our IFAs with whom we work with and continuing to drive up the engagement of our people within our business.
- ii. Grow our business: We have established a new life company in The Bahamas, we will continue to seek the required licences to access the Japanese market and we will leverage our strategic alliance with Union Insurance in the UAE. We are seeking opportunities to replicate this model in other targeted jurisdictions over the coming years.
- iii. Future-proof our business: We are actively testing innovative technologies, propositions and business models in order to remain a market leader in this area. It remains critical to support the online and digital needs of our clients alongside improving organisational efficiency and scalability.



We administer assets in excess of £1 billion for just under 40,000 client accounts located in up to 155 countries



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Products

The Group's products are unit-linked regular or single premium life assurance and investment contracts which offer access to a wide range of investment assets. The contracts are flexible, secure and held within "wrappers" allowing life assurance cover or other features depending upon the needs of the client. The contract benefits are directly linked to the value of those assets that are selected by, or on behalf of, the client and held within the wrapper. The Group does not offer investment advice. Contract holders bear the investment risk.

The Group's products do not include any contracts with financial options and/or guarantees regarding investment performance and, hence, unlike the situation faced by some other life assurers, the Group carries no guarantee risk that can cause capital strain.

As a result of high levels of service, the nature of the Group's products, the functionality of Hansard Online, and the ability of the contract holder to reposition assets within a contract, we expect to retain the contract holder relationship over the long term.

Contract holder servicing and related activities are performed by Hansard Administration Services Limited, which is authorised by the Financial Services Authority of the Isle of Man Government to act as an Insurance Manager to both Hansard International and Hansard Europe.

Revenues

The main sources of income for the Group are the fees earned from the administration of insurance contracts. These fees are largely fixed in nature and amount. Approximately 30% of the Group's revenues, under IFRS, are based upon the value of assets under administration. The new business generated in a particular year is expected to earn income for an average period of 14 years. Our business is therefore long term in nature both from a contract holder perspective and with regards to the income that is generated.

From this income we meet the overheads of the business, invest in our business, invest to acquire new insurance contracts and pay dividends.

Managing Risk

Risk can arise from a combination of macro events and company specific matters. On the macro side, events such as the UK referendum result on EU membership, terrorist attacks and geo-political tensions can cause significant volatility to stock market and foreign exchange markets. We therefore continue to maintain a robust, low risk balance sheet. We believe this prudent approach to be appropriate to meet the requirements of regulators, contract holders, intermediaries and shareholders.

We are conscious that managing operational risk is critical to our business and we are continuously developing our enterprise risk management system and controls. Further details of our approach to risk management and the principal risks facing the Group are outlined in the Risk Management and Internal Control Section on pages 26 to 31.

Hansard Online

Hansard Online is a powerful and secure tool that is used by our IFAs around the world. It allows them to access vast amounts of information about their clients, to generate reports for their clients, to submit new business applications online, to place dealing and switch instructions online, to access all client correspondence and to access a library of forms and literature.

Almost all investment transactions are processed electronically by intermediaries, on behalf of their clients, using Hansard OnLine and over 90% of all new business applications are submitted via the platform.

The straight-through processing of contract holder instructions (whether received directly or through their appointed agents) reduces the Group's operational risk exposures, as does the ability of the Group to communicate electronically with contract holders and intermediaries, irrespective of geographical boundaries.

The benefit of Hansard OnLine is recognised by many IFA's as market leading, which was recently independently acknowledged with Hansard International winning the prestigious International Life Award 2017 for the "Best Online Proposition – Middle East". This is one of, if not the largest International IFA markets in the world.



Our Business Model and Strategy *continued*

Online Accounts

Whilst many of our IFAs are technologically sophisticated and have been utilising our online offering for years, our client base has typically lagged behind. However, we are now observing a growing trend amongst our clients to take more control of their financial wellbeing by embracing mobile technology to better monitor and manage their finances.

To support our commitment to delivering 'excellent customer service', we believe it is vital to provide our clients with a modern and secure online platform that allows them to access their finances easily and comprehensively, 24/7. We provide this through our client-facing version of Hansard OnLine, called Online Accounts. Similar to our IFA-facing online platform, the client's Online Account allows them to access all their policy information, valuation statements, transaction history, premium reports, switch funds online, access all correspondence, access a library of forms and literature, and more.

A large and increasing number of clients have signed up for this service which allows them to view all documentation and communications relating to their contracts via their Online Account as well as choosing to receive post electronically, rather than in hard-copy form. This not only provides a more secure, faster and cost efficient means of communication with clients but also the convenience to manage their own contract within a timeframe which is more suitable.

Continuous Improvements to our Online Proposition

When it comes to improving how we operate and the proposition we offer, we value the views of our clients and IFAs. This means that we regularly seek feedback through surveys and office visits in order to identify ways in which we can improve our systems and processes to best meet their needs.

However, it is not just functionality that is important, we also have running alongside a continuous programme to enhance the overall user experience, for both IFA's and our clients.

Cyber Security

As cyber crime continues to increase and target commercial and public enterprises alike, Hansard has continued to invest in its cyber security. This includes continuous upgrades to our firewall protection, encryption of data, tokenisation of sensitive data and annual external review and testing.

Excellent Customer Service

We strive to provide excellent customer service and turn-around times to our clients. Our service levels to IFA's have been recognised externally by IFA's in Malaysia, where we have won the International Life Award "Readers' Choice" award in 2017 and 2016.

Key Performance Indicators



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Key Performance Indicators

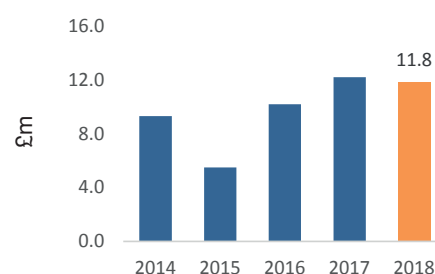
The Group's senior management team monitors a wide range of Key Performance Indicators, both financial and non-financial, that are designed to ensure that performance against targets and expectations across significant areas of activity are monitored and variances explained.

The following is a summary of the key indicators that were monitored during the financial year under review.

New Business – The Group's internal indicator of calculating new business production, Compensation Credit ("CC") reflects the amount of base commission payable to intermediaries. Incentive arrangements for intermediaries and the Group's Account Executives incorporate targets based on CC (weighted where appropriate).

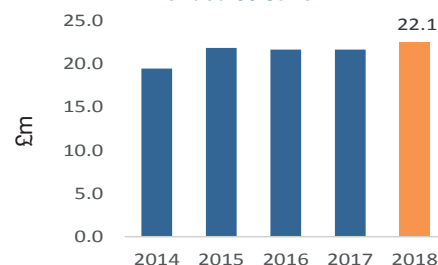
New business levels are reported daily and monitored weekly against target levels. While new business levels have been flat this year, on-going initiatives are being developed to further grow the business in 2019 and beyond.

Issued CC for years ended 30 June



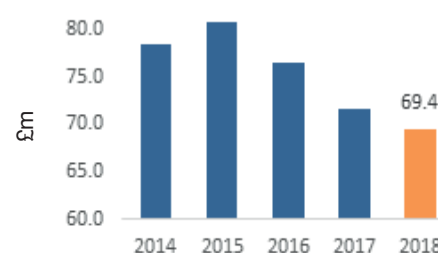
Administrative Expenses (excl. litigation and non-recurring items) – The Group maintains a rigorous focus on expense levels and the value gained from such expenditure. The objective is to develop processes to restrain increases in administrative expenses to the rates of inflation assumed in the charging structure of the Group's policies. The Group's administrative and other expenses for the year (excl. litigation and non-recurring items) were £22.1m compared to £20.7m in the previous year. Further detail is contained in the section on Administrative and other expenses on page 19.

Group Admin and other expenses for year ended 30 June



Cash – Bank balances and significant movements on balances are reported weekly. The Group's liquid funds at the balance sheet date were £69.4m (2017: £71.6m). The change is reflective of the level of dividends paid and the level of new business written during the year which has an initial cash flow strain.

Total cash balances at 30 June



Business continuity – Maintenance of continual access to data is critical to the Group's operations. This has been achieved throughout the year through a robust infrastructure. The Group is pro-active in its consideration of threats to data, data security and data integrity. Business continuity and penetration testing is carried out regularly by internal and external parties.

Risk profile – The factors impacting on the Group's risk profile are kept under continual review. Senior management review operational risk issues at least weekly. The significant risks faced by the Group are summarised later in this Strategic Report.

Business and Financial Review

Strategy development

We announced last year that we had established a dedicated strategy team and appointed a Chief Strategy Officer.

This team was assigned three main aims:

- i) to capitalise on near term strategic opportunities;
- ii) to ensure the Group is correctly positioned for future regulatory developments and change; and
- iii) to consider and plan for longer term industry and technological evolution.

During the past financial year, the following have been focused on:

- assessing our distribution strategy in light of the incoming Isle of Man Roadmap;
- establishing a new Group insurance company in The Bahamas;
- assessing the ongoing need for certain branches and satellite operations;
- progressing our licence application in Japan;
- assessing the opportunity for additional inwards reinsurance arrangements;
- assessing our IT infrastructure for the future;
- assessing our product and fund range for the future.

Going forward, our strategy to improve, grow and future-proof our business will be delivered through three key areas of strategic focus:

- i. Improve our business: We will improve customer outcomes through the introduction of additional disclosures, the provision of new products and services, focusing on the quality of our IFAs with whom we work with and continuing to drive up the engagement of our people within our business.
- ii. Grow our business: We have established a new life company in The Bahamas and we will continue to seek the required licences to access the Japanese market and we will leverage our strategic alliance with Union Insurance in the UAE. We are seeking opportunities to replicate this model in other targeted jurisdictions over the coming years.
- iii. Future-proof our business: We are actively testing innovative technologies, propositions and business models in order to remain a market leader in this area. It remains critical to support the online and digital needs of our clients alongside improving organisational efficiency and scalability.

Regulatory change

The Isle of Man Financial Services Authority (“FSA”) has been engaged for a number of years in the introduction of significant regulatory change to the island’s insurance landscape via its “Roadmap for updating the Isle of Man’s Regulatory Framework for Insurance Business”. In common with many other jurisdictions around the world, the intention of these changes is to implement regulatory best practice, consistent with international standards, and to ensure the continued reputation of the Isle of Man as a stable and well-regulated jurisdiction. Recent and incoming changes include the transition to a risk based capital enhanced requirements around consumer disclosures, certain minimum standards for distribution relationships and a Solvency II equivalent risk based capital regime.

We have continued our pro-active work to adapt the Hansard model and strategic and business plans in line with the intent and objectives of the regulatory changes ahead, working transparently with our regulators to shape the practical implementation of the Roadmap and develop robust transition plans.

The Group has also successfully delivered its project to achieve and maintain compliance with the provisions, requirements and obligations arising under the General Data Protection Regulation, which came into force 25 May 2018 and which requires the principles of data protection to be met by design and by default. The project has further prepared the Group for continuing compliance with equivalent obligations arising under applicable local and international regimes.



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New Business Flows – Year Ended 30 June 2018

New business performance for the year is summarised in the table below:

| Basis | 2018 £m | 2017 £m | % change |
|--|------------|------------|-------------|
| Present Value of New Business Premiums | 146.6 | 148.3 | (1.1%) |
| Annualised Premium Equivalent | 22.4 | 23.2 | (3.4%) |
| Compensation Credit | 11.8 | 12.4 | (4.8%) |

New business figures were marginally lower than the prior year as different geographical regions performed quite differently. We experienced rapid growth in Latin America during the year for example, but significantly less business in the Far East as we exited certain channels due to regulatory change.

■ Present Value of New Business Premiums (“PVNBP”)

New business flows for Hansard International on the basis of PVNBP are summarised as follows:

| PVNBP by product type | 2018 £m | 2017 £m | % change |
|-----------------------|------------|------------|-------------|
| Regular premium | 70.2 | 75.3 | (6.8%) |
| Single premium | 76.4 | 73.0 | 4.7% |
| Total | 146.6 | 148.3 | (1.1%) |

| PVNBP by region | 2018 £m | 2017 £m | % change |
|------------------------|------------|------------|-------------|
| Rest of World | 55.8 | 53.4 | 4.5% |
| Middle East and Africa | 40.5 | 40.6 | (0.2%) |
| Latin America | 25.8 | 18.9 | 36.5% |
| Far East | 24.5 | 35.4 | (30.8%) |
| Total | 146.6 | 148.3 | (1.1%) |

We continue to receive business from a diverse range of financial advisors around the world. There has been no significant change in the currencies in which contractual premiums were received.

| Currency denominations (as a percentage of PVNBP) | 2018 % | 2017 % |
|--|-----------|-----------|
| US dollar | 67.9 | 63.4 |
| Sterling | 23.0 | 30.0 |
| Euro | 6.5 | 4.6 |
| Other | 2.6 | 2.0 |
| | 100.0 | 100.0 |

■ New business margins

New business margins (calculated on a PVNBP basis) are sensitive to sales levels and product mix (regular premium products and smaller premium sizes typically have a higher margin). During FY 2018, we experienced marginally lower new business levels than FY 2017 which together with a less profitable product mix than the past, and increased expenses has reduced our margins. Overall, our new business margin has reduced to minus 0.7% for the year, compared to 0.9% for FY 2017.

Business and Financial Review *continued*

Presentation of financial results

Our business is long term in nature. For this reason we present the results on an EEV basis in addition to the statutory IFRS basis. We believe that EEV is a valid measure of profitability and shareholder value. Our embedded value is based on the EEV principles which were set out as an industry standard by the Chief Financial Officers (CFO) Forum in 2004 and most recently extended in 2016.

The profit that the Group expects to earn from the issue of an insurance contract is the same, irrespective of the basis of measurement, however:

- The EEV result is a discounted cash flow valuation of the future profits expected to emerge from the current book of insurance contracts and provides a more complete recognition of management's activity throughout the financial year. It demonstrates the expected emergence of shareholder cash over the long term, by reflecting the net present value of the expected future cash flows.
- The IFRS methodology smooths recognition of profit from new business by spreading the initial costs (and revenues) evenly over the life of the business. The IFRS result therefore, reflects neither the future shareholder value added, nor the cash impact of the new business in a particular year.

Results for the year

The following is a summary of key items to allow readers to better understand the results for the year. A small number of comparative figures have been restated in this section to ensure consistency of presentation. IFRS profit after tax for the year is £6.8m (2017: £7.7m).

IFRS profit in 2018 was reduced by a number of litigation and non-recurring expense items totalling £1.7m, the largest of which was litigation defence and settlement costs (2017: £2.1m arising from provisions for doubtful debts and litigation costs).

Operating profit prior to litigation and non-recurring items was £8.6m in 2018 compared to £9.8m in 2017.

Abridged consolidated income statement

The consolidated statement of comprehensive income presented under IFRS reflects the financial results of the Group's activities during the year. This income statement however, as a result of its method of presentation, incorporates a number of features that might affect an understanding of the results of the Group's underlying transactions. This relates principally to:

- Investment gains during the year attributable to contract holder assets of £20.4m (2017: £134.5m) and;
- Fund management fees paid by the Group to third parties having a relationship with the underlying contract. In 2018, third party fund management fees attributable to contract holder assets were £5.4m (2017: £4.3m). These are reflected in both income and expenses under the IFRS presentation on page 60.

An abridged non-GAAP consolidated income statement in relation to the Group's own activities is presented below, excluding the items of income and expenditure indicated above.



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| | 2018 £m | 2017 £m |
|--|------------|------------|
| Fees and commissions attributable to Group activities | 47.2 | 48.3 |
| Investment and other income | 1.5 | 1.5 |
| | 48.7 | 49.8 |
| Origination costs | (18.0) | (19.3) |
| Administrative and other expenses attributable to the Group, before litigation and non-recurring items | (22.1) | (20.7) |
| Operating profit for the year before litigation and non-recurring items | 8.6 | 9.8 |
| Litigation and non-recurring expense items | (1.7) | (2.1) |
| Profit for the year before taxation | 6.9 | 7.7 |
| Taxation | (0.1) | - |
| Profit for the year after taxation | 6.8 | 7.7 |

Fees and commissions

Fees and commissions for the year attributable to Group activities were £47.2m, down 2% on the 2017 total of £48.3m.

Contract fee income totalled £33.3m for the year (2017: £34.6m). Contract fee income includes the amortised element of up-front income deferred under IFRS and contract-servicing charges. Hansard International fee income has increased reflecting increases in AuA-based streams. Against this we have seen a further reduction in the year of £0.9m due to the continuing run-off of Hansard Europe which closed to new business in 2013.

Fund management fees accruing to the Group and commissions receivable from third parties totalling £13.9m (2017: £13.7m) are related directly to the value of assets under administration and are therefore exposed to market movements, currency rates and valuation judgements.

A summary of fees and commissions is set out below:

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Contract fee income | 33.3 | 34.6 |
| Fund management fees accruing to the Group | 9.0 | 9.1 |
| Commissions receivable | 4.9 | 4.6 |
| | 47.2 | 48.3 |

Included in contract fee income is £17.3m (2017: £18.1m) representing the amortisation of fees prepaid in previous years, as can be seen in the analysis set out below:

| | 2018 £m | 2017 £m |
|---------------------------------|-------------|-------------|
| Amortisation of deferred income | 17.3 | 18.1 |
| Income earned during the year | 16.0 | 16.5 |
| Contract fee income | 33.3 | 34.6 |

Business and Financial Review *continued*

Investment and other income

Whilst interest rates have picked up marginally, historically low UK interest rates continue to result in relatively modest levels of interest income earned on the Group's deposits and money market funds.

| | 2018 £m | 2017 £m |
|------------------------|------------|------------|
| Bank interest | 1.0 | 1.0 |
| Other operating income | 0.5 | 0.5 |
| | 1.5 | 1.5 |

Origination costs

Under IFRS, new business commissions paid, together with the directly attributable incremental costs incurred on the issue of a contract, are deferred and amortised over the anticipated life of that contract to match the longer-term income streams expected to accrue from the contracts issued this year. Typical terms range between 6 years and 16 years, depending on the nature of the product. Other elements of the Group's new business costs, for example recruitment costs and initial payments to new Account Executives, which reflect investment in distribution resources in line with our strategy, are expensed as incurred.

With flat new business volumes during 2018 compared to 2017, origination costs incurred were also of a similar level to the prior year. Overall, net origination costs expensed to the consolidated statement of comprehensive income were slightly lower at £18.0m compared to £19.3m in 2017.

| | 2018 £m | 2017 £m |
|---|------------|------------|
| Origination costs – deferred to match future income streams | 17.0 | 16.8 |
| Origination costs – expensed as incurred | 3.2 | 3.2 |
| Total origination costs incurred in the year | 20.2 | 20.0 |
| Net amortisation of deferred origination cost | (2.2) | (0.7) |
| | 18.0 | 19.3 |

Amounts totalling £14.8m (2017: £16.1m) have been expensed to match contract fee income earned this year from contracts issued in previous financial years, as can be seen in the analysis below.

Origination costs in the year were:

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Amortisation of deferred origination costs | 14.8 | 16.1 |
| Other origination costs incurred during the year | 3.2 | 3.2 |
| | 18.0 | 19.3 |



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Administrative and other expenses

We continue to manage our expense base robustly to control administrative expenses while supporting our strategic developments and other new business growth activities with targeted expenditure.

An analysis of administrative and other expenses is set out in notes 8 and 9 to the consolidated financial statements under IFRS. The following summarises some of the expenses attributable to the Group's own activities.

| | 2018 £m | 2017 £m |
|--|-------------|-------------|
| Salaries and other employment costs | 10.0 | 9.3 |
| Other administrative expenses | 6.8 | 6.5 |
| Professional fees, including audit | 3.3 | 2.5 |
| Recurring administrative and other expenses | 20.1 | 18.3 |
| Growth investment spend | 2.0 | 2.4 |
| Administrative and other expenses, excl. litigation and non-recurring expense items | 22.1 | 20.7 |
| Litigation defence and settlement costs | 1.2 | 1.0 |
| Provision for branch closures | 0.2 | - |
| Provision for doubtful debts | 0.3 | 1.1 |
| Total administrative and other expenses | 23.8 | 22.8 |

Salaries and other employment costs have increased by £0.7m or 8% to £10.0m. Basic salaries in general have reduced slightly as headcount numbers have been reduced. Discretionary bonuses, together with the cost of a long term share reward scheme, of £0.7m were incurred in 2018, with no bonuses payable in 2017.

The average Group headcount for the 2018 financial year was 196 people (2017: 204 people) as we sought to make sustainable headcount savings in the business.

Other administrative expenses have increased marginally from £6.5m to £6.8m.

Professional fees including audit in the year include amounts totalling £0.6m paid to the Group's auditor (2017: £0.5m); £0.5m (2017: £0.5m) for administration, custody, dealing and other charges paid under the terms of the investment processing outsourcing arrangements; recruitment costs of £0.1m (2017: £0.1m) and costs of Investor Relations activities of £0.3m (2017: £0.4m). General legal and professional fees were £1.8m (2017: £1.0m) reflecting the adoption of a range of regulatory and legislative changes including the Isle of Man Regulatory Roadmap and Risk Based Capital reporting as well as the new General Data Protection Regulations ("GDPR").

Growth investment spend represents internal and external costs to generate opportunities for growth. The Group continues to invest to build its business and to implement product and technological changes to support intermediaries, contract holders and other stakeholders. Specifically, this year's figure includes costs associated with setting up our subsidiary in The Bahamas, seeking additional regulatory licenses and systems development costs.

Litigation defence and settlement costs represent those costs incurred in defending Hansard Europe against writs taken against it, as described more fully in the Contingent Liabilities note to the consolidated financial statements.

Provision for branch closures reflects provisions for branches no longer required under the current distribution strategy. They reflect modest office lease and employment exit costs.

Provision for doubtful debts reflects provisions or write-offs of amounts owed by independent financial advisors. In 2017 a significant charge of £1.1m was taken as a provision against balances due from a brokerage firm which experienced financial difficulties.

Business and Financial Review *continued*

Cash flow analysis

Operating cash flows have continued to increase this year reflecting improved levels of new business over the past two years, more than offsetting the run-off of Hansard Europe.

The operational cash surplus (fees deducted from contracts and commissions received, less operational expenses paid) for the year was £25.0m (2017: £22.7m). This surplus funds the cost of new business acquisition for the year which totalled £18.5m (2017: £17.4m).

Writing new business, particularly regular premium business, produces a short-term cash strain as a result of the commission and other costs incurred at the inception of a contract. Annual management charges offset this strain and produce a positive return over time.

Future increases in new business levels can be funded where necessary by the Group's significant cash resources, but over time as the level of contract holder assets is built up, the annual management charges that are earned from the Group's newer products will become sufficient to sustain new business growth and dividends.

The following non-GAAP tables summarise the Group's own cash flows in the year. This analysis demonstrates that the in-force contract book generated the cash required to support the Group's primary business objective of investing in new business whilst enhancing distribution and other infrastructure. Dividends of £9.8m (2017: £12.2m) paid during the year were covered by the Group's excess cash resources. The full year effect of our previously communicated 50% dividend reduction will reduce the dividend outflow to 50% of 2017's £12.2m, or £6.1m. This will better match the level of operating cash flows generated and allow the Group to take advantage of other new business development and strategic opportunities.

Overall cash and deposits have decreased from £71.6m at 30 June 2017 to £69.4m at 30 June 2018.

| | 2018 £m | 2017 £m |
|--|--------------|--------------|
| Net cash surplus from operating activities | 25.0 | 22.7 |
| Interest received on shareholder bank deposits | 1.3 | 1.0 |
| Net cash inflow from operations | 26.3 | 23.7 |
| Net cash investment in new business | (18.5) | (17.4) |
| Purchase of property and computer equipment | (0.9) | (0.4) |
| Corporation tax paid | - | (0.1) |
| Net cash inflow before dividends | 6.9 | 5.8 |
| Dividends paid | (9.8) | (12.2) |
| Net cash outflow | (2.9) | (6.4) |

| | 2018 £m | 2017 £m |
|---|-------------|-------------|
| Net cash outflow | (2.9) | (6.4) |
| Increase in amounts due to contract holders | 0.9 | 1.0 |
| Net Group cash movements | (2.0) | (5.4) |
| Group cash at beginning of year | 71.6 | 76.6 |
| Effect of exchange rate changes | (0.2) | 0.4 |
| Group cash and deposits at end of year | 69.4 | 71.6 |

Bank deposits and money market funds

The Group holds its liquid assets in highly-rated money market liquidity funds and with a wide range of deposit institutions to minimise market risk. Deposits totalling £15.8m have original maturity dates greater than 3 months and are therefore excluded from the definition of "cash and cash equivalents" under IFRS as reflected in note 16 to the consolidated balance sheet (2017: £14.4m). The following table summarises the total shareholder cash and deposits at the balance sheet date.



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| | 2018 £m | 2017 £m |
|---|-------------|-------------|
| Money market funds | 48.9 | 49.2 |
| Short-term deposits with credit institutions | 4.7 | 8.0 |
| Cash and cash equivalents under IFRS | 53.6 | 57.2 |
| Shareholders' longer-term deposits with credit institutions | 15.8 | 14.4 |
| Shareholder cash and deposits | 69.4 | 71.6 |

The longer-term term deposits have maturity dates of between 4 months and 7 months from the balance sheet date.

Abridged consolidated balance sheet

The consolidated balance sheet on page 62 presented under IFRS reflects the financial position of the Group at 30 June 2018. As a result of its method of presentation, the consolidated balance sheet incorporates the financial assets held to back the Group's liability to contract holders, and also incorporates the net liability to those contract holders of £1,036.0m (2017: £1,049.7m). Additionally, that portion of the Group's capital that is held in bank deposits is disclosed in "cash and cash equivalents" based on original maturity terms, as noted above.

The abridged consolidated balance sheet presented below, adjusted for those differences in disclosure, allows a better understanding of the Group's own capital position.

| | 2018 £m | 2017 £m |
|--------------------------------------|--------------|--------------|
| Assets | | |
| Deferred origination costs | 113.8 | 111.6 |
| Other assets | 8.0 | 7.3 |
| Bank deposits and money market funds | 69.4 | 71.6 |
| | 191.2 | 190.5 |
| Liabilities | | |
| Deferred income | 130.3 | 129.2 |
| Other payables | 32.4 | 29.6 |
| | 162.7 | 158.8 |
| Net assets | 28.5 | 31.7 |
| Shareholders' equity | | |
| Share capital and reserves | 28.5 | 31.7 |

Deferred origination costs

The deferral of origination costs reflects that the Group will earn fees over the long-term from contracts issued in a given financial year. These costs are recoverable out of future net income from the relevant contract and are charged to the income statement on a straight-line basis over the life of each contract.

The movement in value over the financial year is summarised below.

| Carrying value | 2018 £m | 2017 £m |
|---|--------------|--------------|
| At beginning of financial year | 111.6 | 110.9 |
| Origination costs incurred during the year | 17.0 | 16.8 |
| Origination costs amortised during the year | (14.8) | (16.1) |
| | 113.8 | 111.6 |

Business and Financial Review *continued*

Deferred income

The treatment of deferred income ensures that contract fees are taken to the consolidated statement of comprehensive income in equal installments over the longer-term, reflecting the services to be provided over the period of the contract. This is consistent with the treatment of deferred origination costs. Deferred income at the balance sheet date is the unamortised balance of accumulated initial amounts received on new business.

The proportion of income deferred in any one year is dependent upon the mix and volume of new business flows in previous years. The Group's focus on regular premium business means that these fees are received over the initial period of the contract, rather than being received up front, as is often the case with single premium contracts.

The majority of initial fees collected during the year relates to charges taken from contracts issued in prior financial years demonstrating the cash generative nature of the business. Regular premium contracts issued in this financial year will generate the majority of their initial fees over the next 18 months on average.

The movement in value of deferred income over the financial year is summarised below.

| Carrying value | 2018 £m | 2017 £m |
|--|------------|------------|
| At beginning of financial year | 129.2 | 130.5 |
| Income received and deferred during the year | 18.4 | 16.8 |
| Income recognised in contract fees during the year | (17.3) | (18.1) |
| | 130.3 | 129.2 |

Contract holder assets under administration

In the following paragraphs, contract holder assets under administration ("AuA"), refers to net assets held to cover financial liabilities, as analysed in note 17 to the consolidated financial statements presented under IFRS.

The Group enjoys a stream of cash flows from the large number of regular premium contracts administered on behalf of clients around the world. The Group has continued to build an increasing stream of single premium business which increased to £78.1m this year (2017: £66.4m). The majority of premium contributions are designated in currencies other than sterling, reflecting the wide geographical spread of those contract holders. Premium contributions during the

year also includes additional contributions of approximately £3.3m (2017: £4.0m) relating to single and regular premium contracts issued by Hansard Europe in prior years.

These flows are offset by charges and withdrawals, by premium holidays affecting regular premium policies and by market valuation movements.

The currency composition of AuA at the balance sheet date is similar to that as at 30 June 2017, with 63% of AuA designated in US dollar (2017: 60%) and 14% in euro (2017: 19%).

The value of AuA at 30 June 2018 was £1,036.0m. Modest market gains were more than offset by increased levels of redemptions during the year.

| | 2018 £m | 2017 £m |
|---|------------|------------|
| Deposits to investment contracts – regular premiums | 73.9 | 84.5 |
| Deposits to investment contracts – single premiums | 78.1 | 66.4 |
| Withdrawals from contracts and charges | (186.1) | (159.2) |
| Effect of market movements | 36.4 | 123.8 |
| Effect of currency movements | (16.0) | 10.7 |
| Movement in year | (13.7) | 126.2 |
| At beginning of financial year | 1,049.7 | 923.5 |
| | 1,036.0 | 1,049.7 |

The analysis of AuA held by each Group subsidiary to cover financial liabilities is as follows:

| Fair value of AuA at 30 June | 2018 £m | 2017 £m |
|------------------------------|------------|------------|
| Hansard International | 913.6 | 878.5 |
| Hansard Europe | 122.4 | 171.2 |
| | 1,036.0 | 1,049.7 |

As expected the level of assets in Hansard Europe continues to decline after closing to new business in 2013.



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Complaints and potential litigation

In valuation issues such as those referred to above, financial services institutions can be drawn into disputes in cases where the performance of assets selected directly by or on behalf of contract holders through their advisors fails to meet their expectations. This is particularly relevant in the case of more complex products distributed throughout Europe.

Even though the Group does not give any investment advice, as this is left to the contract holder directly or through an agent, advisor or an entity appointed at their request or preference, the Group has been subject to a number of complaints in relation to the performance of assets linked to contracts.

As at 30 June 2018, the Group had been served with cumulative writs with a net exposure totalling €20.1m, or £17.8m, (30 June 2017: €16.9m / £14.8m) arising from contract holder complaints and other asset performance-related issues. The primary driver of the increase has been in relation to a new group action in Italy focussed on a range of funds which have been illiquid for a number of years.

During the year, the Group successfully defended nine cases with net exposures of approximately £7.3m, including our largest single case in Belgium. This continues to affirm confidence in the Group's legal arguments. Six of these cases have however been subsequently appealed. While we assess the risk of loss from these cases to now be lower, we have retained their exposures in full within the contingent liabilities total.

While it is not possible to forecast or determine the final results of such litigation, based on the pleadings and advice received from the Group's legal representatives, we believe we have a strong chance of success in defending these claims. The writs have therefore been treated as contingent liabilities and are disclosed in note 26 to the consolidated financial statements.

Results for the year under European Embedded Value

Headline Results

During the course of the 2018 financial year, the Group made a European Embedded Value ("EEV") loss of £6.0m (2017: profit of £11.7m), analysed into an EEV operating loss of £13.7m (2017: loss of £8.2m) and gains from investment return variances and economic assumption changes of £7.7m (2017: gains of £19.9m).

The EEV operating loss is primarily driven by a negative operating assumption changes of £7.1m and a negative experience variance of £3.8m. Experience variances arise when actual experience differs from that assumed in the prior year's EEV. Operating assumption changes reflect changes in management's view of the behaviour of the existing business and future expenses.

Headline results for the EEV are shown in the tables below:

| | 2018 £m | 2017 £m |
|---|--------------|-------------|
| EEV operating loss after tax | (13.7) | (8.2) |
| Investment return variances & economic assumption changes | 7.7 | 19.9 |
| EEV (loss)/profit | (6.0) | 11.7 |

| | 2018 £m | 2017 £m |
|--|--------------|--------------|
| EEV before dividends | 189.6 | 207.7 |
| Dividends paid during the financial year | (9.8) | (12.2) |
| Closing Embedded Value | 179.8 | 195.5 |

The EEV at 30 June 2018 of £179.8m has declined from the previous year as a result of the payment of dividends of £9.8m for the year (2017: £12.2m) and a number of operating assumption changes.

Business and Financial Review *continued*

Sales Metrics

New business comparatives are shown below:

| | 2018 | 2017 |
|-----------------------------------|----------------|---------|
| New business sales ("PVNBP") | £146.6m | £148.3m |
| New Business Contribution ("NBC") | (£1.0m) | £1.3m |
| New Business Margin ("NBM") | (0.7%) | 0.9% |

New Business Contribution and Margin were impacted in 2018 by increased expense levels and the mix of business written, with regular premium business having a larger margin than single premium business. During 2018, a higher proportion of single premium business was written than in 2017.

The high-level components of the EEV are shown in the table below:

| | 2018 £m | 2017 £m |
|--|--------------|------------|
| Free Surplus | 16.9 | 21.4 |
| Required Capital | 27.6 | 27.8 |
| Net Worth | 44.5 | 49.2 |
| Value of In-Force ("VIF") | 143.9 | 152.6 |
| Other | (8.6) | (6.3) |
| Value of Future Profits ("VFP") | 135.3 | 146.3 |
| EEV | 179.8 | 195.5 |

Net Worth has reduced to £44.5m from £49.2m as profits earned from the existing business are offset by the dividend paid. It is represented by liquid cash and money market balances.

Free Surplus, which is available for investment and distribution, has reduced to £16.9m from £21.4m in line with the reduction in Net Worth. Required Capital has not changed significantly. It currently includes approximately £20m of Hansard Europe capital, the use of which management estimates is constrained for up to three years.

The decrease in VFP largely reflects the changing product mix with newer products having lower fees than legacy business and increased renewal expenses.

The Other component of VFP includes a reduction for non-market risk and frictional costs. The Company has reviewed methodology used in the calculation of the reduction for non-market risk. Following this review, and based mainly on emerging market practice, the Company has updated the methodology which has had a £2.4m negative impact on the EEV.

Change In Net Worth

| | 2018 £m | 2017 £m |
|---|---------------|------------|
| Opening Net Worth | 49.2 | 55.5 |
| Expected new Net Worth from existing business | 32.0 | 27.9 |
| Time value | (1.0) | 0.1 |
| Net worth variance | (5.4) | (1.3) |
| Net Worth from Existing Business | 25.6 | 26.7 |
| New Business Strain | (20.6) | (20.8) |
| Dividends paid | (9.8) | (12.2) |
| Closing Net Worth | 44.5 | 49.2 |

The Net Worth is lower than projected by £5.4m (2017: lower by £1.3m) primarily because of worse than assumed operating experience during the year. The Net Worth has grown by £25.6m (2017: £26.7m), of which £20.6m (2017: £20.8m) has been invested in new business (shown as New Business Cashflows) and £9.8m has been paid in dividends (2017: £12.2m).

EEV Profit after tax

The Group incurred an EEV loss after tax of £6.0m (2017: profit of £11.7m). New business, experience variances, operating assumptions and model changes drive this result at an operating profit or loss level. The positive investment return variances and economic assumption changes were not large enough to fully offset the operating losses.

| | 2018 £m | 2017 £m |
|---|---------------|------------|
| New Business Contribution | (1.0) | 1.3 |
| Experience Variances | (3.8) | (4.7) |
| Operating Assumption & Model Changes | (7.3) | (5.6) |
| Expected Return on new, existing business and Net Worth | 0.8 | 0.8 |
| Other operating variances | (2.4) | - |
| EEV operating loss after tax | (13.7) | (8.2) |
| Investment Return Variances | 7.1 | 16.8 |
| Economic Assumption Changes | 0.6 | 3.1 |
| EEV (loss) / profit after tax | (6.0) | 11.7 |



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Experience Variances

| | 2018 £m | 2017 £m |
|--|--------------|--------------|
| Ongoing expenses | (1.2) | (0.2) |
| Full encashments | (1.2) | (2.0) |
| Contract holder activity margins | (1.0) | - |
| One-off expenses | (1.1) | (0.5) |
| Premium reductions, paid up policies and underpayments | 0.5 | (2.1) |
| Other | 0.2 | 0.1 |
| Experience variances | (3.8) | (4.7) |

Experience variances arise when the behavior of the existing book differs from that assumed. Major contributors to the experience variances this year are worse than assumed encashments, expenses and lower than expected contract holder activity margins.

Operating Assumption Changes

| | 2018 £m | 2017 £m |
|-------------------------------------|--------------|--------------|
| Ongoing expenses | (5.0) | (5.3) |
| Contract holder activity margins | (2.4) | 1.4 |
| Premium persistency | 0.9 | (2.1) |
| Partial encashment | (0.9) | 0.7 |
| Full encashment | 0.5 | (0.6) |
| Other | (0.2) | - |
| Operating Assumption Changes | (7.1) | (5.9) |

The primary change in operating assumption changes during the year was a strengthening of the expenses assumed to be borne by each in-force contract. This was to reflect a lengthier period being taken by the Group to achieve the scale assumed in its long-term assumptions, impacted also by the closure to new business of Hansard Europe.

Other operating variances

With the implementation of risk based capital regulations in the Isle of Man, the Company undertook a review of the methodology used in the calculation of the reduction for non-market risk. Following this review, and based mainly on emerging market practice, the Company has updated the methodology which has resulted in the variance above.

Investment Return Variances

Investment performance principally reflects the investment choices, by nature and currency, made by contract holders. It is therefore largely outside the Group's control.

| | 2018 £m | 2017 £m |
|---|------------|-------------|
| Investment performance of contract holder funds | 6.5 | 14.9 |
| Shareholder return | 1.3 | - |
| Exchange rate movements | (1.0) | 1.1 |
| Other | 0.3 | 0.8 |
| Investment Return Variances | 7.1 | 16.8 |

Economic Assumption Changes

There was a positive variance of £0.6m (2017: £3.1m) from economic assumption changes. This reflects changes to swap yields for the currencies to which the Group is exposed in line with EEV Principles.

| | 2018 £m | 2017 £m |
|-------------------------------------|------------|------------|
| Contract holder activity margins | 1.6 | 3.8 |
| Risk discount rates and unit growth | (1.0) | (0.7) |
| Economic Assumption Changes | 0.6 | 3.1 |

Net asset value per share

On an EEV basis, the net asset value per share at 30 June 2018 is 130.7p (2017: 142.3p) based on the EEV at the balance sheet date divided by the number of shares in issue at that date, being 137,557,079 ordinary shares (2017: 137,444,792 shares).

The net asset value per share at 30 June 2018 on an IFRS basis, is 21.1p (2017: 23.1p).

Risk Management and Internal Control

Risk management and internal control

As with all businesses, the Group is exposed to risk in pursuit of its objectives. The Board of Hansard Global plc (“the Board”) has overall responsibility for the Group’s system of risk management and internal control and for reviewing its effectiveness. The schedule of powers reserved to the Board ensures that the Directors are responsible for determining, evaluating and controlling the nature and extent of the principal risks which the Board is willing to take in achieving its strategic objectives and the Board oversees the strategies for principal risks that have been identified.

The Executive Management Team works within the risk appetite established by the Board and the governance, risk management and internal control arrangements which constitute the Group Enterprise Risk Management (“ERM”) Programme and which direct the Group, including setting the cultural tone and expectations from the top, delegating authorities and monitoring compliance.

Having regard to the Financial Reporting Council’s ‘Guidance on Risk Management, Internal Control and Related Financial and Business Reporting’, the ERM Programme encompasses the policies, processes, tasks, behaviours and other aspects of the Group’s environment, which cumulatively:

- Facilitate the effective and efficient operation of the Group and its subsidiaries by enabling appropriate responses to be made to significant business, operational, financial, compliance and other risks to business objectives, so safeguarding the assets of the Group;
- Help to ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the Group;
- Seek to ensure compliance with applicable laws and regulations and also with internal policies with respect to the conduct of business.

Approach

The ERM Programme is structured in accordance with the component elements and supporting principles of the Committee of Sponsoring Organisations of the Treadway Commission (“COSO”) Enterprise Risk Framework and has been designed to be appropriate to the nature, scale and complexity of the Group’s business at both corporate and subsidiary level. A comprehensive review of the component elements of the ERM Programme was undertaken during the year ended 30 June 2017 to strengthen the governance arrangements associated with the identification and management of risks across the Group and to enhance the reporting arrangements which assist the Directors in their assessment of the adequacy and effectiveness of the Group’s risk management and

internal control systems. Work to consolidate the outputs of this review and prepare for the incoming risk based solvency regime under the Isle of Man Regulatory Roadmap have continued during the year ended 30 June 2018.

The ERM Programme continues to be built upon the ‘three lines of defence’ model, which addresses how specific duties relating to risk management and internal control are assigned and coordinated between front line management (first line), risk and compliance monitoring functions (second line) and the independent assurance services of internal audit (third line). Each of the three lines plays a distinct role within the Group’s overarching governance framework.

The ERM Programme seeks to add value through embedding risk management and effective internal control systems as continuous and developing processes within strategy setting, programme level functions and day-to-day operating activities. The ERM Programme also acknowledges the significance of the Group’s operating culture and values in relation to risk management and their impact on the overall effectiveness of the internal control framework.

The ERM Programme promotes the pursuit of its overarching performance, information and compliance objectives through focus on five interrelated elements, which enable the management of risk at strategic, programme and operational level to be integrated, so that layers of activity support each other. The five interrelated elements are defined as:

- Management oversight and the control culture
- Risk recognition and assessment
- Control activities and segregation of duties
- Information and communication
- Monitoring activities and correcting deficiencies.

Risk management processes are undertaken on both a bottom-up and top-down basis. The top-down aspect involves the Board assessing, analysing and evaluating what it believes to be the principal risks facing the Group. The bottom-up approach involves the identification, review and monitoring of current and forward-looking risks on a continuous basis at functional and divisional levels, with analysis and formal reporting to the Executive Risk Committee, established by the Board, on a quarterly basis and onward analytical reporting to the Board. The terms of reference of the Committee are published on the Company’s website.

The system of internal control is designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.



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Review of risk management and internal control systems

The results of the risk management processes combine to facilitate identification of the principal business, financial, operational and compliance risks and any associated key risks at a subordinate level. Established reporting cycles enable the Board to maintain oversight of the quality and effectiveness of risk management and internal control activities throughout the year and ensure that the entirety of the governance, risk management and internal control frameworks, which constitute the ERM Programme, are operating as intended. These processes have been in place throughout the year under review and up to the date of this report.

Independently of the quarterly cyclical risk reporting arrangements and in accordance with provision C.2.1 of the UK Corporate Governance Code, the Board has conducted its annual review of the effectiveness of the company's risk management and internal control systems including financial, operational and compliance controls. This review is undertaken in collaboration with the Audit Committee and is based upon analysis and evaluation of:

- Attestation reporting from subsidiary companies of the Group as to the effective functioning of the risk management and internal control framework and the ongoing identification and evaluation of risk within each subsidiary;
- Formal compliance declarations from senior managers at divisional level that key risks are being managed appropriately within the functional and operational areas falling under their span of control and that controls have been examined and are effective;
- The cumulative results of cyclical risk reporting by senior and executive management via the Executive Risk Committee, covering financial, operational and compliance controls;
- Independent assurance work by the Group Internal Audit Department to identify any areas for enhancements to internal controls and work with Management to define associated action plans to deliver them.

The Board has determined that there were no areas for enhancement which constituted a significant weakness for the year under review and they are satisfied that the Group's governance, risk management and internal control systems are operating effectively and as intended.

Financial reporting process

The Group maintains a process to assist the Board in understanding the risks to the Group of failing to meet its objectives. This incorporates a system of planning and sensitivity analysis incorporating Board approval of forecast financial and other information. The Board receives regular representations from the senior executives.

Performance against targets is reported to the Board quarterly through a review of the Group's and Company's results based on accounting policies that are applied consistently throughout the Group. Financial and management information is prepared quarterly by the Chief Financial Officer ("CFO") and presented to the Board and Audit Committee. The members of the Audit Committee review the draft financial statements for the half year ended 31 December annually and for the full financial year, and meet with the CFO to discuss and challenge the presentation and disclosures therein. Once the draft document is approved by the Audit Committee, it is reviewed by the Board before final approval at a Board meeting.

Outsourcing

The majority of investment dealing and custody processes in relation to contract holder assets are outsourced to Capital International Limited ("CIL"), a company authorised by the Isle of Man Financial Services Authority and a member of the London Stock Exchange.

These processes are detailed in a formal contract that incorporates notice periods and a full exit management plan. Delivery of services under the contract is monitored by a dedicated relationship manager against a documented Service Level Agreement and Key Performance Indicators.

CIL is required to confirm monthly that no material control issues have been identified in their operations; this is overseen via the delivery of services monitoring performed by the relationship manager. Each year CIL are required to confirm and evidence the adequacy and effectiveness of their internal control framework through an Assurance report, with an external independent review performed every second year. The last such report, which included an external independent review, was issued by CIL on 5 June 2018 and did not reveal any material control deficiencies in the period reviewed from 1 January 2017 to 31 December 2017.



Risk Management and Internal Control *continued*

Risks relating to the Group's financial and other exposures

Hansard's business model involves the controlled acceptance and management of risk exposures. Under the terms of the unit-linked investment contracts issued by the Group, the contract holder bears the investment risk on the assets in the unit-linked funds, as the policy benefits are directly linked to the value of the assets in the funds. These assets are administered in a manner consistent with the expectations of the contract holders. By definition, there is a precise match between the investment assets and the contract holder liabilities, and so the market risk and credit risk lie with contract holders.

The Group's exposure on this unit-linked business is limited to the extent that income arising from asset management charges and commissions is generally based on the value of assets in the funds, and any sustained falls in value will reduce earnings. In addition, there are certain financial risks (credit, market and liquidity risks) in relation to the investment of shareholders' funds. The Group's exposure to financial risks is explained in note 3 to the consolidated financial statements.

The Board believes that the principal risks facing the Group's earnings and financial position are those risks which are inherent to the Group's business model and operating environment. The regulatory landscape continues to evolve at both a local and international level and the risk management and internal control frameworks of the Group must remain responsive to developments which may change the nature, impact or likelihood of such risks.



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Principal Risks

The following table sets out the principal inherent risks that may impact the Group's strategic objectives, profitability or capital and how such risks are managed or mitigated. The Board robustly reviews and considers its principal risks on at least an annual basis.

| Risk | Risk factors and management |
|---|---|
| Legal and regulatory risk attaching to the Group's business model | <p>The scale and pace of change in regulatory and supervisory standards at an international level continue to drive developments at a jurisdictional level. The interpretation or application of regulation over time may impact market accessibility, broker relationships and / or competitive viability. If the Group fails to monitor the regulatory environment or adequately integrate the management of associated obligations within strategic, business model or business planning processes there may be material risk to the achievement of strategic objectives both in the short and longer term.</p> <p>How we manage the risk:</p> <ul style="list-style-type: none">■ Robust strategic planning processes informed by analytical review of the external environment and consideration of associated risk in the short and longer term.■ Continuous monitoring and review of developments in local and international law and regulation.■ Engagement with regulatory authorities and industry bodies, including active engagement in and responding to regulatory consultation exercises. |
| Production and intermediary risk arising from market changes, technological advancement, or competitor activity | <p>The business environment in which the international insurance industry operates is subject to continuous change as new market and competitor forces come into effect and as technology continues to evolve. Hansard may fail to sufficiently differentiate itself from its competitors and global brands and as a result be unable to build and sustain successful distribution relationships.</p> <p>How we manage the risk:</p> <ul style="list-style-type: none">■ Close monitoring of marketplaces and competitor activity for signs of threats to forecast new business levels.■ Revised strategies designed to add additional scale to the business, on a more diversified basis, through organic growth at acceptable levels of risk and profitability.■ Continuous development of technology. |
| Conduct risk arising from any failure of the Group's governance, risk management and internal control arrangements | <p>Any failure to adequately assess, monitor, manage and mitigate risks to the delivery of fair customer outcomes, or to market integrity, can be expected to result in material detriment to the achievement of strategic objectives and could incur regulatory censure, financial penalty, contract holder litigation and / or reputational damage.</p> <p>How we manage the risk:</p> <ul style="list-style-type: none">■ Developments in the Group's ERM framework will continue to drive and deliver the integration of conduct risk management at both a cultural and practical level.■ Business activities designed to manage the volume and velocity of regulatory change are fundamentally concerned with ensuring compliance with conduct risk obligations, managing conflicts of interest, preventing market abuse and building robust governance arrangements around new product development and product suitability processes.■ The Group maintains regular dialogue with its regulatory authorities and with its advisors in relation to developments in the regulatory environment in which we operate. |

Risk Management and Internal Control *continued*

Information Systems and cyber risk arising from the increased digitalisation of business activities and reliance upon technology

The increasing digitalisation of business activities incurs an inherent exposure to the risk of cybercrime together with the risk of significant, costly interruptions, customer dissatisfaction and regulatory censure in the event of any material failure in our core business systems, or business processes. If the Group fails to take adequate and appropriate measures to protect its systems and data from the inherent risk of attack, disruption and/or unauthorised access by internal or external parties could arise, resulting in confidential data being exposed and/or systems interruption. A significant cybercrime event could result in reputational damage, regulatory censure and financial loss.

How we manage the risk:

- Continuous focus on the maintenance of a robust, secure and resilient IT environment that protects customer and corporate data.
- Control techniques deployed to evaluate the security of systems and proactively address emerging threats both internally within the organisation and externally, through regular engagement with internet and technology providers and through industry forums.
- Maintenance of detailed and robust Business Continuity Plans, including full data replication at an independent recovery centre, which can be invoked when required.
- Frequent and robust testing of business continuity and disaster recovery arrangements.

Employee engagement and cultural risk arising from any failure to drive the right corporate culture and attract, develop, engage and retain key personnel

Delivery of the Group's strategy is dependent on attracting and retaining experienced and high-performing management and staff. The knowledge, skills, attitudes and behaviours of our employees are central to our success. We must attract, integrate, engage and retain the talent required to deliver our strategy and have the appropriate processes and culture in place. The inability to retain key people, and adequately plan for succession can be expected to negatively impact the performance of the Group.

How we manage the risk:

- Significant resources focussed on communicating strategy and desired cultural behaviours to all employees.
- Forums established for employees to provide feedback for continuous improvement.
- Employee engagement monitored and measured through periodic employee surveys.
- Group performance management system in place, which measures both hard and soft skills.
- Training and development strategy in place to manage talent, provide development opportunities and address any skill gaps.
- Remuneration models and trends monitored closely by the Group's Human Resources Department and the Remuneration Committee.
- Succession planning strategy in place, to manage and mitigate 'key person' risk.



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Other Key Risks

In addition to the principal risks identified above, there are other key risks that the Group is subject to that derive from the nature of the business it operates. These are outlined below, together with how they are managed.

| Risk | Risk factors and management |
|-----------------------|--|
| Market risk | <p>While the Group does not invest shareholder funds in assets subject to any significant market risk, the Group's earnings and profitability are influenced by the performance of contract holder assets and the fees derived from their value. Significant changes in equity markets and interest rates can adversely affect fee income earned.</p> <p>Extreme market conditions can influence the purchase of financial services products and the period over which business is retained.</p> <p>How we manage the risk – These risks are inherent in the provision of investment-linked products. We model our business plans across a broad range of market and economic scenarios and take account of alternative economic outlooks within our overall business strategy.</p> |
| Credit risk | <p>In dealing with financial institutions, banking, money market and settlement, custody and other counterparties the Group is exposed to the risk of financial loss and operational disruption of our business processes.</p> <p>How we manage the risk – The Group seeks to limit exposure to loss from counterparty and third party failure through selection criteria, minimum rating agency limits, pre-defined risk based limits on concentrations of exposures and monitoring positions.</p> |
| Liquidity risk | <p>If the Group does not have sufficient liquid assets available to pay its creditors, the Group may fail to honour its obligations as they fall due, or may have to incur significant loss or cost to do so.</p> <p>How we manage the risk – The Group maintains highly prudent positions in accordance with its risk appetite and investment policies which ensures a high level of liquidity is available in the short term at all times. Generally, shareholder assets are invested in cash or money market instruments with highly rated counterparties.</p> |
| Currency risk | <p>The Group operates internationally and earns income in a range of different currencies. The vast majority of its operational cost base is denominated in Sterling. The movement of Sterling against US Dollars is the most significant exposure to reported income levels.</p> <p>How we manage the risk – We seek to match currency assets and liabilities to mitigate against currency movements to the extent possible. As the Group's products are long term products, over time currency movements tend to even out, reducing the need for active hedging policies. Long term trends are monitored however and considered in pricing models.</p> |

Further detail around financial risks is outlined in note 3 (Financial Risk Management) to the consolidated financial statements.

Board of Directors

We recognise our obligations to adopt a responsible attitude towards our stakeholders. The Board believes that the Group continues to demonstrate such an attitude but recognises that the Group is a relatively small organisation.

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Board of Directors

The Directors serving at the date of approval of this Report and Accounts are as follows:



Philip Gregory

Non-executive Chairman

Chairman of Nominations Committee. Member of Audit and Remuneration Committees.

Philip was appointed Chairman of the Board with effect from 30 June 2014. He was appointed an independent non-executive Director with effect from 1 October 2011.

Philip is a chartered accountant. He has been CEO of HSBC Insurance Brokers Limited, Tullett & Tokyo Liberty plc, Municipal Mutual Insurance Limited; CFO of Marsh – Europe, Middle East and Africa and Sema Group plc; and is an Independent non-executive Director of CFC Group Limited.



Gordon Marr

Group Chief Executive Officer

Gordon was appointed Group Chief Executive Officer with effect from 1 January 2013. He has previously served as Managing Director and Group Counsel. He joined the Group in 1988.

Gordon is a Solicitor and a member of the Law Society.



Tim Davies

Group Chief Financial Officer

Tim was appointed as Chief Financial Officer with effect from 8 April 2015 and subsequently appointed as an executive Director with effect from 1 December 2015. He is a Fellow of Chartered Accountants Ireland.

Prior to joining the Company, Tim was Managing Director of HSBC Life (Europe) Limited in Ireland, having joined as Finance Director in 2004. Prior to that he was a Senior Manager with PricewaterhouseCoopers in both Dublin and Boston, having worked for nine years within its insurance and financial services division.



Maurice Dyson

Senior Independent non-executive Director

Chairman of Audit and Remuneration Committees. Member of Nominations Committee.

Maurice was appointed the Senior Independent Director with effect from 30 June 2014, having been appointed

an independent non-executive Director on 24 November 2006.

Maurice is currently a Director and Trustee of several companies and trusts involved with corporate re-construction, investment and pensions. He is a Fellow of the Institute of Actuaries, and an Associate of the CFA Society of the UK. Previously he was Deputy Chairman and Managing Director of Aon's consulting division in the UK, was the Head of the Actuarial Practice at Alexander Clay & Partners and a Partner in the actuarial firm, Clay & Partners.



Andy Frepp

Independent non-executive Director

Member of Audit, Nominations and Remuneration Committees.

Andy was appointed an independent non-executive Director with effect from 1 January 2014. He is a Fellow of the Faculty of Actuaries and is currently the

Managing Director responsible for Moody's Analytics software business. Having joined Barrie & Hibbert in 2007, Andy was the Chief Executive Officer until Barrie & Hibbert was acquired by Moody's in 2012.

Prior to Barrie & Hibbert, Andy held numerous roles at Scottish Widows from 1988 to 2007. From 2003 to 2007 he was the Director of Sales and Marketing for Scottish Widows Investment Partnership, the asset management company of Scottish Widows.



Marc Polonsky

Non-executive Director

Marc was appointed as a non-executive director on 26 September 2018, having previously served as an alternate director to Dr Polonsky since 26 September 2013. He is managing trustee of The Polonsky Foundation, a UK-registered charity supporting cultural heritage and

humanities education. He is Retired Partner of Counsel with international law firm White & Case, and a solicitor qualified in England and Wales.

Dr Leonard Polonsky, CBE

President

Dr Polonsky resigned as a director on 26 September 2018 having served as non-executive director during the year. He will continue with the honorary title of President to reflect his role having founded the Group in 1970.

Directors' Report

Financial statements

The Directors have pleasure in submitting their Annual Report on the affairs of the Company and the Group together with the financial statements and the auditor's report for the year ended 30 June 2018. Where the context requires "the Group" means Hansard Global plc and its wholly owned subsidiaries.

Hansard Global plc is the holding company of the Group and has a Premium Listing on the London Stock Exchange. The Company is a limited liability company incorporated and domiciled in the Isle of Man.

Activities

The principal activity of the Company is to act as the holding company of the Hansard Group of companies. The activities of the principal operating subsidiaries include the transaction of life assurance business and related activities.

Principal operating subsidiaries

The following companies are wholly-owned subsidiaries of the Company and represent its principal operating subsidiaries at the balance sheet date and at the date of this report. All companies are incorporated in the Isle of Man with the exception of Hansard Europe, which is incorporated in the Republic of Ireland. Hansard Europe was closed to new business with effect from 30 June 2013.

| Company | Business |
|--|------------------------------------|
| Hansard International Limited* | Life Assurance |
| Hansard Europe Designated Activity Company | Life Assurance |
| Hansard Administration Services Limited** | Administration services |
| Hansard Development Services Limited | Marketing and development services |

* Hansard International Limited has two overseas branches in Labuan and Japan.

** Hansard Administration Services Limited has a branch in Ireland.

Results and dividends

The results of trading of the Group for the year under IFRS are set out in the consolidated statement of comprehensive income on page 60. The consolidated financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union ("IFRS"). The financial statements of the parent company have been prepared under UK Generally Accepted Accounting Practice ("UK GAAP"), including Financial Reporting Standard 102.

Additionally, certain information relating to embedded value is presented using the European Embedded Value ("EEV") methodology. The Board believes that EEV Information provides additionally meaningful information on the financial position and performance of the Group in a particular financial year than that provided by IFRS reporting alone. The results of trading of the Group for the year on an EEV basis are set out in the EEV Information on pages 94 to 99.

Results under IFRS

Profit after tax for the year was £6.8m, compared with a profit for the prior year of £7.7m.

Dividends totalling £9.8m were paid during the year (2017: £12.2m).

Results under EEV

Due to business mix and increased expenses, New Business Contribution deteriorated to a negative £1.0m from a positive £1.3m in 2017. The strong economic and investment experience returns of 2017 were not repeated to the same extent in 2018, resulting in an overall EEV loss after tax of £6.0m (2017: profit of £11.7m). After payment of dividends of £9.8m during the year, the EEV of the Group as at 30 June 2017 was £179.8m (2017: £195.5m).

Proposed final dividend

The Board has resolved to pay a final dividend of 2.65p per share on 15 November 2018, subject to approval at the Annual General Meeting "AGM", to shareholders on the register on 5 October 2018 (with the ex dividend date being 4 October 2018). If approved, this would bring the total dividends in respect of the year ended 30 June 2018 to 4.45p per share.



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Business review and future developments

A full review of the Group's activities during the year, recent events and future developments is contained in the Chairman's Statement on pages 2 and 3, the Chief Executive Officer's Review on pages 4 to 9, and the Business and Financial Review on pages 14 to 25.

Principal risks and uncertainties

The Board has established a process for identifying, evaluating and managing the significant risks the Group faces. A summary of the principal risks and uncertainties can be found on pages 29 and 30.

Corporate governance and corporate social responsibility

The Corporate Governance Report on pages 40 to 45 provides full details on the efforts made by the Group in the areas of corporate governance and corporate social responsibility within the business.

Directors' remuneration

Details of Directors' remuneration for the year can be found in the Report of the Remuneration Committee on pages 50 to 56.

Directors

Details of Board members at the date of this report, together with their biographical details, are set out in the previous section of this Annual Report and Accounts. Except where otherwise noted, all Board members served throughout the financial year and to the date of this report.

In accordance with the Articles of Association all of the Directors will retire at the Annual General Meeting and, being eligible, seek election or re-election.

Share Capital

At 30 June 2018, the Company's issued Share Capital comprised 137,557,079 ordinary shares of 50 pence each. As at 30 June 2018, the total voting rights of the Company were 137,557,079. There have been no changes to the issued Share Capital and total voting rights during the period from 30 June 2018 until the date of this Report.

Details of the authorised and issued share capital together with details of movements in share capital during the year are included in note 21 to the consolidated financial statements. The Company has one class of share in issue, ordinary shares of 50 pence each, all of which are fully paid.

Each ordinary share in issue carries equal rights including one vote per share on a poll at general meetings of the Company, subject to the terms of the Company's Articles of Association and applicable laws. Votes may be exercised by shareholders attending or otherwise duly represented at general meetings. Deadlines for the exercise of voting rights by proxy on a poll at a general meeting are detailed in the notice of meeting and proxy cards issued in connection with the relevant meeting. There are no restrictions on voting rights or on the transfer of shares.

At the Company's AGM in 2017, shareholders renewed the authority for the Company to make market purchases of up to 5,000,000 of its own ordinary shares. As at 30 June 2018, and to the date of this report, none of this authority had been exercised. A similar authority from shareholders will be sought at the Company's forthcoming AGM on 7 November 2018.

Substantial shareholdings

At 30 June 2018 the Company had been notified of the following holdings in its share capital.

| Name | Shares (millions) | % holding |
|--------------------------------|-------------------|-----------|
| Dr L S Polonsky CBE * | 50.3 | 36.6 |
| Aberforth Partners LLP | 19.8 | 14.5 |
| Mr M A L Polonsky * | 7.8 | 5.7 |
| The Polonsky Foundation | 7.7 | 5.6 |
| Miton Asset Management Limited | 6.9 | 5.1 |

*Including holdings of spouse

On 29 May 2018 Dr Leonard Polonsky transferred 49,946,319 ordinary shares of 50 pence each in the capital of the Company for nil consideration to the Leonard Polonsky Revocable Trust, a US-established trust of which Dr Polonsky is the sole beneficiary and sole trustee. The Company was informed that the transfer was for estate planning purposes. There has been no change in the total number of voting rights in the Company directly or indirectly held by Dr Polonsky as a result of the transfer.

Subsequent to the year-end, Dr Polonsky purchased an additional 500,000 shares during July 2018. As a result he holds 50.8 million shares (including his wife's holdings) as at the date of this report, which represents 36.9% of the total share capital in issue.

There have been no other significant changes in these holdings between the balance sheet date and the date of this report.

Directors' Report *continued*

Employee Benefit Trusts

An Employee Benefit Trust ("EBT") was established in November 2011 with a gift of 400,000 Hansard Global plc shares from Dr Polonsky. No distributions were made from the EBT during the year. The EBT increased its holding to 860,820 shares at 30 June 2018 (2017: 803,949 shares) with the purchase of 56,871 shares on 15 December 2017.

A new Employee Benefit Trust was established on 16 February 2018 for the purpose of providing share based reward in future years. As at 30 June 2018 a total of 585,000 shares had been purchased. No further transactions have been made since the year end.

Share incentive schemes

Save As You Earn share save programme

A Save As You Earn share save programme allows eligible employees to have the opportunity of acquiring an equity interest in the Company. The Save As You Earn programme was renewed for a further ten years at the 2017 AGM.

At the balance sheet date 1,492,979 options remain outstanding (2017: 1,126,193), details of which can be found in the Report of the Remuneration Committee.

Information about securities carrying voting rights

The following information is disclosed in accordance with DTR 7.2.6 of the FCA's Disclosure Guidance and Transparency Rules:

- The Company's capital structure and voting rights are summarised on page 35;
- Details of Company's substantial shareholders of the Company are detailed on page 35;
- There are no restrictions concerning the transfer of securities in the Company; no restrictions on voting rights; no special rights with regard to control attached to securities; and no agreements between holders of securities regarding the transfer to the Company;
- An amendment to the Company's Articles of Association and the giving of powers to issue or buy back the Company's shares requires an appropriate resolution to be passed by shareholders. A proposal to grant powers to the Board to issue and buy back shares are set out in the notice of the AGM.

Directors' interests

Directors' interests in shares in the Company and in options granted under the Save As You Earn programme are disclosed in the Report of the Remuneration Committee on pages 50 to 55 together with details of their contractual arrangements with the Group.

Controlling Shareholder

Dr Polonsky is the controlling shareholder of the Group. To ensure compliance with independence provisions set out in Listing Rule 6.5.4 a summary of the most recent written and legally binding agreement, dated 22 September 2014, governing his relationship with the Group (the "Agreement") is set out in the Report of the Remuneration Committee on page 50 to 55.

Other than as described in the section on Directors' interests in shares and the items mentioned below, there were no significant transactions between the Group and Dr Polonsky during the year.

- Dr Polonsky received fees of £50,000 (2017: £50,000) for services provided to the Group under the terms of his service agreement dated 22 September 2014. This fee represents the standard arm's length fee paid to each of the Group's non-executive directors.
- Dr Polonsky has an investment contract issued by the Group on terms available to employees in general. During the year withdrawals of £13.2m were made from this contract. At 30 June 2018 the contract had a fair value of £2.4m (2017: £15.7m).

In accordance with Listing Rule 9.8.4 R (14), since entering into the Agreement, the Company has fully complied with the independence provisions included within this Agreement, and, so far as the Company is aware, the controlling shareholder and its associates has also complied with the independence provisions set out in Listing Rule 6.5.4 during the period under review.

Company Secretary

The Company Secretary at 30 June 2018 was Manoj Patel who was appointed on 30 March 2018 following the resignation of Stephen Bland.



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Forward-looking statements

The Chairman's statement, the Group Chief Executive Officer's overview, the Business and Financial Review and other sections of this Annual Report and Accounts may contain forward-looking statements about the Group's current plans, goals and expectations on future financial conditions, performance, results, strategy and objectives. Statements containing the words: 'believes', 'intends', 'expects', 'plans', 'seeks', 'anticipates' and other words of similar meaning are forward-looking. All forward-looking statements involve risk and uncertainty. This is because they relate to future events and circumstances that are beyond the Group's control.

As a result, the Group's future financial condition, performance and results may differ materially from the plans, goals and expectations set out in the forward-looking statements. The Company will not undertake any obligation to update any of the forward-looking statements in this Annual Report and Accounts.

Annual General Meeting

The Annual General Meeting ("AGM") of the Company will be held on 7 November 2018 at the Company's registered office.

A copy of the notice of the AGM, with each separate issue presented as a separate resolution, will be circulated with this Annual Report and Accounts to shareholders. As well as the business normally conducted at such a meeting, shareholders will be asked to:

- renew the authority for the Directors to make market purchases of the Company's shares;
- renew the general authority of the Directors to allot shares and dis-apply pre-emption rights and;
- elect or re-elect all Directors.

The Directors consider that all the resolutions to be put to the AGM are in the best interests of the Company and its shareholders as a whole and will be voting in favour of them. The Board undertakes to apply the Listing Rules in relation to the re-appointment of the independent non-executive directors. This requires that re-election is by majority of votes cast by independent shareholders as well as by majority of all shareholders. This is in relation to resolutions 5 and 8 to be presented at the AGM.

The Company further confirms, as required by the Listing Rules, that it has an agreement in place with Dr Polonsky, as the controlling shareholder and that the Company has complied with the requirements of the agreement throughout the year to 30 June 2018.

The notice of the AGM and the Annual Report and Accounts are also available at www.hansard.com. As required by the UK Corporate Governance Code, copies of the Letters of Appointment for the non-executive Directors, are available for inspection at the Company's registered office until the conclusion of the meeting.

In accordance with the Group's normal practice, the total number of proxy votes lodged at the meeting on each resolution (categorised as for; against; and votes withheld) will be made available both at the meeting and subsequently on the Company's website.

Political donations

The Group did not make any political donations during the year (2017: £nil).

Adequacy of the information supplied to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as each is aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The Company's auditor, PricewaterhouseCoopers LLC ("PwC"), has indicated its willingness to continue in office. The Audit Committee has recommended that PwC be reappointed as the Company's auditor. Accordingly, a resolution to reappoint PwC as auditor to the Company, and to authorise the Directors to determine its remuneration, will be proposed at the AGM.

The Board has agreed that the audit will be put out to tender over the course of the coming financial year with a view to an appointment being recommended to the 2019 AGM in relation to the audit of the financial year ended 30 June 2020.

Going concern

As shown within the Business and Financial Review, the Group's capital position is strong and considerably in excess of regulatory requirements. The long-term nature of the Group's business results in considerable cash generated from existing business. The Directors believe that the Group is well placed to manage its business risks successfully.

The Directors are satisfied that the Company and the Group have adequate resources to continue to operate as a going concern for the foreseeable future, being a period of 12 months from the approval of the Annual Report and Accounts, and have prepared the financial statements on that basis.

Directors' Report *continued*

Post balance sheet events

There have been no material post-balance sheet events, which would require disclosure in, or adjustment to, these consolidated financial statements.

Longer-term viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code and Listing Rule 9.8.6, the Directors have assessed the prospects of the Group over a five year period and have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of assessment.

The assessment of prospects is considered over a five year period as this matches the period over which business plans are considered by the Board. The Board also considers it a reasonable period in light of rapidly changing regulation, competitive landscape and IT advancements.

The Group's business plan and associated scenario modelling includes projections of the Group's profit, capital, liquidity and solvency. Scenario and stress testing considers the Group's capacity to absorb or respond to potential economic, contract holder activity or operational stresses. These include for example material investment market declines, interest rate movements, mass surrenders by contract-holders and operational losses. Reverse stress tests are also considered to provide insight into the level of stress needed to breach regulatory solvency requirements.

The Group's insurance subsidiaries are required to maintain at all times minimum regulatory solvency capital levels based on the size and nature of business written.

In making its overall assessment, the Board has also considered the principal risks and associated mitigating strategies which it has identified and outlined on page 26 to 30. The Directors confirm that their assessment of the principal risks facing the Group was robust.

Statement of Directors' responsibilities in respect of the Report and the financial statements

The Directors are responsible for preparing the Annual Report and Accounts, the Report of the Remuneration Committee and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with IFRS as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' (FRS 102).

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRS as adopted by the European Union and applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.



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The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing the Directors' report, the Report of the Remuneration Committee and a Corporate Governance Report that comply with that law and those regulations.

The Directors have chosen to present supplementary information in accordance with the European Embedded Value Principles issued in May 2004 by the Chief Financial Officers Forum and most recently extended in April 2016 ('the EEV Principles'). When compliance with the EEV Principles is stated, those principles require supplementary information to be prepared in accordance with the Embedded Value methodology contained in the EEV Principles and to disclose and explain any non-compliance with the EEV Guidance included in the EEV Principles.

In preparing the EEV supplementary information, the Directors have had:

- the supplementary information prepared in accordance with the EEV Principles;
- the business covered by the EEV Principles identified and described;
- the EEV Principles applied consistently to the covered business;
- determined assumptions on a realistic basis, having regard to past, current and expected future experience and to any relevant external data, and then applied them consistently and;
- estimates made that are reasonable and consistent.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the Board of Directors section of the Annual Report and Accounts confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the European Embedded Value ("EEV") supplementary information has been prepared in accordance with the European Embedded Value principles issued in May 2004 by the Chief Financial Officers Forum and most recently extended in April 2016 ('the EEV Principles') and;
- the Business and Financial Review referenced to in the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By Order of the Board

Manoj Patel
Company Secretary
26 September 2018

Corporate Governance Report

Compliance with Companies Acts

As an Isle of Man incorporated company, the Company's primary obligation is to comply with the Isle of Man Companies Acts 1931 to 2004. The Board confirms that the Company is in compliance with the relevant provisions of the Companies Acts.

Compliance with the UK Corporate Governance Code 2016 ("the Code")

The Board believes high standards of corporate governance are integral to the delivery of the Group strategy and so the Board maintains a strong commitment to achieving the highest standards of corporate governance with the application of the provisions and principles of the Code to the business. A copy of the Code is available on the website of the Financial Reporting Council at www.frc.org.uk.

Details on how we have applied the provisions and principles of the Code to our activities throughout the financial year and to the date of this report (as well as any exceptions to the Code) are set out in this Corporate Governance Report, in the Directors' Report on pages 34 to 39 and/or in the Report of the Remuneration Committee on pages 50 to 55 and/or in the Report of the Nominations Committee on pages 48 to 49 and/or in the Report of the Audit Committee on pages 46 to 47.

The Board is of the opinion that the Board composition and governance frameworks are sufficient to maintain compliance with the principles of the Code and there are no exceptions to the Code to bring to the reader's attention.

Compliance with the Market Abuse Regulation

In order to ensure compliance with the Market Abuse Regulation ('MAR'), the Company maintains internal policies, procedures and controls in respect of market abuse, market manipulation and insider dealing. A Share Dealing Code is in place which all employees must adhere to. The Company has complied with this Share Dealing Code and MAR throughout the period.

Role of the Board of Directors and its principal Committees

The primary role of the Board is to provide leadership of the Company. The Company is directed and controlled both by its Board of Directors and through systems of delegation and escalation, in order to achieve its business objectives in accordance with high standards of transparency, probity and accountability.

It achieves these goals by making decisions relating to a number of key areas for the business, by overseeing the activities of the executive management team, and by delegating certain matters for resolution through the principal Board Committees, namely the Audit Committee, the Executive Committee, the Executive Risk Committee, the Remuneration Committee and the Nominations Committee.

The specific duties of the Board are clearly set out in a Board Procedures Manual that addresses a wide range of corporate governance issues and lists those items that are specifically reserved for decision by the Board.

The primary responsibilities of the Board include, but are not limited to:

- formulation of medium and long-term direction and strategy for the Group;
- establishment of capital structure and dividend policy;
- ensuring the Group's operations are well managed and proper succession plans are in place;
- review of major transactions or initiatives proposed by management;
- implementation of policy and procedures to support the governance framework of the Group;
- regular review of the results and operations of the Group;
- ensuring that proper accounting records are maintained and adequate controls are in place to safeguard the assets of the Group from fraud and other significant risks;
- regular evaluation of board performance;
- oversight of the Group's Enterprise Risk Management framework and;
- decisions regarding the Group's policy on charitable and political donations.

The duties of the principal Board Committees are detailed in the relevant terms of reference, which are reviewed annually and are available on the Company's website, www.hansard.com.

Board composition and key roles

At the date of this report the Board comprises the non-executive Chairman, two independent non-executive Directors, one non-executive Director, the Group Chief Executive Officer and the Group Chief Financial Officer.

The Code requires that the Boards of "smaller companies", excluding the Chairman, should comprise at least two independent non-executive Directors. Having considered directors' independence, the Board confirms that it is in compliance with the Code in this respect.

As required by the Articles of Association, the full Board offer themselves for re-election at the AGM.

The Board supports greater transparency in regard to the election and re-election of independent non-executive directors. In compliance with the Listing Rules, the Company, operates a dual voting structure for any resolutions on the re-election of the independent non-executive directors. The results from the AGM votes on any such resolutions, together with other information normally circulated following the conclusion of the meeting, will be



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disclosed through the Regulatory Information Services following the conclusion of the Meeting. In the event that the majority of independent shareholders are shown to have voted against these resolutions, a further vote will be called after 90 days.

Chairman

Philip Gregory was appointed the Company's non-executive Chairman with effect from 30 June 2014 and as required by the Code, was considered independent upon appointment. He leads the Board within a solid governance framework, and he ensures that the Board provides effective leadership for the Group including strategy and direction. As part of the appointment process the time commitments required for this role were considered.

Group Chief Executive Officer

Gordon Marr was appointed the Group Chief Executive Officer ("CEO") with effect from 1 January 2013. As CEO, he leads the senior executive team in the day to day running of the Group's business, including execution of the Group's business plans and objectives and communicating its decisions and recommendations to the Board.

The division of responsibilities between the Chairman and the CEO is clearly defined and has been approved by the Board. The Chairman has no day-to-day involvement in the management of the Group. The CEO has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.

Senior Independent Director

As recommended by provision A.4.1 of the Code, the Board appointed Maurice Dyson as the Senior Independent Director on 30 June 2014.

Non-executive Directors

Maurice Dyson and Andy Frepp are considered by the Board to be independent non-executive directors in accordance with the Code definition. Philip Gregory, as non-executive Chairman was considered independent on appointment. Dr Polonsky, a non-executive director until 26 September 2018 and in his continuing position as President of the Group, is not considered to be independent for the purposes of the Code. Marc Polonsky, a non-executive director since 26 September 2018, is not considered to be independent for the purposes of the Code.

The non-executive Directors fulfil a critical role to constructively challenge all recommendations presented to the Board for approval and to provide the benefit of their experience and expertise to manage risk within the Group and enhance delivery of the overall strategy.

Alternate Director

Under the Isle of Man Companies Acts 1931 to 2004 and in accordance with the Articles of Association Marc Polonsky was appointed as an Alternate Director to Dr Polonsky with effect from 26 September 2013. As an Alternate Director Marc Polonsky received notice of all board meetings and in the absence of Dr Polonsky attended and voted at such meetings on behalf of Dr Polonsky. In the event that Marc Polonsky and Dr Polonsky were present at the same meeting then only Dr Polonsky was entitled to vote.

Following the 2017 AGM results, the Board noted that a significant proportion of votes (27%) were cast against the reappointment of Mr Polonsky as an alternate director to Dr Polonsky CBE. The Board has reached out to its main institutional shareholders to understand their views and to explain that this appointment is part of a long term succession plan for the Polonsky family and the Polonsky Foundation holdings and as such the Company decided not to take any further action at that time.

In accordance with the aforementioned succession plan, Dr Polonsky resigned as a director and was replaced by Marc Polonsky on 26 September 2018.

Board independence

The Board's policy is to appoint and retain independent non-executive Directors who can apply their wider knowledge and experiences to their understanding of the Group. The process for appointing new Directors is conducted by the Nominations Committee.

It is the Board's view that an independent non-executive Director also needs to be able to present an objective, rigorous and constructive challenge to management. To be effective, an independent non-executive Director needs to acquire a sound understanding of the industry and the Company so as to be able to evaluate properly the information provided.

Each independent non-executive Director serves for a fixed term not exceeding three years that may be renewed by mutual agreement and subject to shareholder approval at the AGM. Subject to the Board being satisfied with a Director's performance, independence and commitment, there is no specified limit regarding the number of terms an independent non-executive Director may serve, subject to any explanation, if required under the provisions of B.1.1 of the Code.

A review of the current arrangements affecting all non-executive directors covering the current term of appointment and review of their independence (where relevant) was undertaken during 2018 by the Nomination Committee. The meeting also considered the need to refresh the Board (particularly in light of Mr Dyson being appointed since November 2006). The Committee was satisfied that that based on their performance during the year including their input (based on their experiences) both Mr Dyson and Mr Frepp (who was first elected

Corporate Governance Report *continued*

to the Board in January 2014) remain independent and that in light of the changes envisaged in the regulatory environment and the general uncertainty in the markets no change to the Board composition was warranted at the current time. Furthermore, at the Company's 2017 AGM, votes in favour of the re-appointment of independent non-executive directors were 96.3% in favour of Mr Dyson and 99.7% in favour of Mr Frepp. Votes from independent shareholders excluding the controlling shareholder/related parties were 88.6% in favour of Mr Dyson and 99.1% in favour of Mr Frepp.

Mr Gregory, as Chairman, was considered independent upon appointment.

Board meeting attendance

The Board meets regularly to determine the Company's strategic direction, to review the Company's operating and financial performance and to provide oversight that the Company is adequately resourced and effectively controlled.

The Company requires Directors to devote sufficient time to the Company in order to perform their duties. If Directors are not able to attend a meeting they have the opportunity to submit their comments in advance to the Chairman or the Company Secretary. If necessary, they can follow up with the Chairman of the meeting.

The attendance of the Directors at the Board and Committee meetings held during the year (and the maximum number of meetings that each Director could have attended) was as follows:

| | Board | Audit | Nominations | Remuneration |
|-----------------------------------|----------------|-------|-------------|--------------|
| Number of meetings | 6 [#] | 4 | 5 | 5 |
| Dr Leonard Polonsky ^{**} | 3/6 | n/a | n/a | n/a |
| Maurice Dyson ^{**} | 5/6 | 4/4 | 5/5 | 5/5 |
| Andy Frepp [*] | 5/6 | 3/4 | 4/5 | 5/5 |
| Philip Gregory [^] | 5/6 | 4/4 | 5/5 | 5/5 |
| Marc Polonsky [~] | 5/6 | n/a | n/a | n/a |
| Gordon Marr | 6/6 | n/a | n/a | n/a |
| Tim Davies | 6/6 | n/a | n/a | n/a |

Including one ad-hoc meeting represented by the executive directors

* Some meetings attended by telephone.

+ Resigned as a Director 26 September 2018.

^ Chairman of the Audit and Remuneration Committees throughout the year

> Chairman of the Nominations Committee throughout the year

~ Alternate to Dr Polonsky until 26 September 2018. Appointed as a Director 26 September 2018.

Board committees

The Board has established a number of standing committees to oversee important issues of policy and maintain such oversight outside the main Board meetings. Each committee operates within defined terms of reference, which can be accessed on the Company's website. The committee positions held by the directors is summarised below:

- Audit Committee (Chair: Maurice Dyson. Members: Andy Frepp, Philip Gregory);
- Executive Committee (Chair: Gordon Marr. Member: Tim Davies);
- Executive Risk Committee (Members: Gordon Marr, Tim Davies);
- Nominations Committee (Chair: Philip Gregory. Members: Maurice Dyson, Andy Frepp);
- Remuneration Committee (Chair: Maurice Dyson. Members: Andy Frepp, Philip Gregory).

Throughout the year, the Chairman of each Committee provided the Board with a summary of the key issues considered at the meetings of the Committees and the minutes of the meetings were circulated to the Board.

Board Committees are authorised to engage the services of external advisers as they deem necessary in the furtherance of their duties, at the Company's expense.

Reports from the Audit, Nominations and Remuneration Committees are set out in this Annual Report and Accounts, together with a summary of their activities during the year. The activities of the Executive Risk Committee are summarised in the Risk Management and Internal Control Report on pages 26 to 31.

The Executive Committee is chaired by the Group Chief Executive Officer and currently meets weekly. The Executive Committee has responsibility for the day-to-day management of the Group, and other items as delegated from time to time by the Board. In addition to Gordon Marr and Tim Davies, the Executive Committee is currently comprised of Ollie Byrne (Chief Strategy Officer), Karen Corran (Head of Human Resources), Angela McCraith (Head of Group Risk and Compliance), Graham Morrall (Global Sales and Marketing Director) and Leslie Wong (Chief Operating Officer).

The Executive Risk Committee is chaired by the Head of Group Risk and Compliance and meets on a quarterly basis. The Executive Risk Committee is currently comprised of Gordon Marr, Tim Davies, Ollie Byrne, Karen Corran, Angela McCraith, Graham Morrall, Leslie Wong, Ailish Sherlin (Group Chief Actuary) and Matthew Coffey (General Manager, Hansard Europe dac).



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Board processes

The agenda for each Board and Committee meeting is considered by the Chairman or Committee Chairman and the papers for each meeting are distributed by the Company Secretary to the Board or Committee members beforehand. As a standard agenda item during the scheduled Board meetings, the Chairman and non-executive Directors meet without the executives present. The Chairman maintains regular contact with the CEO and with the non-executive Directors, outside of Board meetings or calls, in order to discuss specific issues.

Board evaluation and effectiveness

The effectiveness of the Board is vital to the success of the Group. The Company undertakes an evaluation each year in order to assess the performance of the Board, its committees, the Directors and the Chairman. The aim is to improve the effectiveness of the Board and its committees and the Group's performance. The process is led by the Chairman and supported by the Company Secretary through the use of a questionnaire by way of a self-evaluation. The analysis and summary of responses in the year under review did not identify any significant issues.

As part of the Chairman's evaluation the independent non-executive Directors meet separately under the leadership of the Senior Independent Director who, in turn, engages in reviews with the Chairman.

Following these reviews, the Directors have concluded that the Board and its Committees operate effectively. Additionally, the Chairman and the Senior Independent Director have concluded that each Director contributes effectively and demonstrates full commitment to his duties.

Remuneration of Directors

The principles and details of Directors' remuneration, as well as the composition and working of the Remuneration Committee, are contained in the Report of the Remuneration Committee on pages 50 to 55.

Insurance

The Company maintains insurance cover with respect to the liabilities of Directors and Officers within the Group. In addition, qualifying third party indemnity arrangements are in force for the benefit of the Directors within the Group and were in force for the benefit of former Directors of the Group during the year under review.

Board support

Directors are fully briefed in advance of Board and Committee meetings on all matters to be discussed. The Company Secretary is responsible for following Board procedures and advising the Board, through the Chairman, on governance matters. All Directors have access to his advice and services.

The Board has adopted a procedure whereby Directors may, in the performance of their duties, seek independent professional advice at the Company's expense if considered appropriate.

Directors of the life companies are required to complete a number of mandatory training sessions during each year, for example on Anti-Money Laundering responsibilities (provided by the MLRO). Training and support is also provided on any other key topics that the Board feel appropriate in addition to their individual professional Continuing Professional Development requirements.

Risk management and internal controls

The Board has overall responsibility for the Group's system of risk management and internal control, which is effected via the Group Enterprise Risk Management ("ERM") Programme, and for reviewing its effectiveness. The ERM Programme is intended to reduce, but cannot eliminate, the range of possibilities which might cause detriment to the Group. Similarly the ERM Programme cannot provide protection with certainty against any failure of the Group to meet its business objectives, or guard against material errors, losses, fraud, or breaches of laws and regulations. Taking all of these factors into account the ERM Programme is intended to provide reasonable, but not absolute, assurance against material mis-statement or losses and / or the breach of any laws or regulations.

The primary responsibility for developing and implementing internal control and risk management procedures covering all aspects of the business lies with the Executive Management Team. As part of the reporting processes from the ERM Programme, the Board regularly receives written reports covering all such aspects in addition to overseeing controls and risk management procedures via the Audit Committee.

Individual managers have primary responsibility for ensuring compliance with Group policies, principles and compliance obligations within their respective span of control. This includes the identification, evaluation, monitoring, management and reporting of risks within their areas of responsibility. The substance and form of risk management activities and the quality of their application are regularly reviewed by the Executive Risk Committee and objectively analysed and evaluated by the Group's Internal Audit function, with oversight by and reporting to the Audit Committee, which is ultimately responsible for reporting on the same to the Board.

Corporate Governance Report *continued*

Processes for identifying, evaluating and managing the risks faced by the Group have been in place throughout the year under review and up to the date of this report. They are regularly reviewed by the Board, with the assistance of the Audit and Risk Committees.

The Board (through the Audit Committee) has reviewed the effectiveness of the Company's risk management and internal control systems including financial, operational and compliance controls.

The Board has further undertaken a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity, in accordance with C.2.1. of the UK Corporate Governance Code. Additional information on the principal risks and uncertainties faced by the Group, together with steps taken to manage them, can be found in the Strategic Report on pages 29 and 30.

Financial reporting process

The Group maintains a process to assist the Board in understanding the risks to the Group failing to meet its objectives. This incorporates a system of planning and sensitivity analysis incorporating Board approval of forecast financial and other information. Operational management reports monthly to the Executive Committee on a wide range of key performance indicators and other significant matters. The Board receives regular representations from the senior executives. Performance against targets is reported to the Board quarterly through a review of the Group's and Company's results based on accounting policies that are applied consistently throughout the Group. Draft management financial statements are prepared quarterly by the Chief Financial Officer ("CFO").

The members of the Audit Committee review the draft financial statements for the half year ended 31 December and for the full financial year, and meet with the CFO to discuss and challenge the presentation and disclosures therein. Once the draft document is approved by the Audit Committee, it is reviewed by the Board before final approval at a Board meeting.

Financial reporting

The statement on the responsibilities of the Directors in relation to the preparation of the accounts and the Directors' evaluation of the business as a going concern is contained in the Directors' Report on pages 34 to 37.

The Directors as at the date of this report consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Human resources

The Group's principal administrative operations are performed in the Isle of Man. Management of Hansard Europe Designated Activity Company and certain support functions are located in the Republic of Ireland. Account Executives and related market development resources are based in local markets to support Independent Financial Advisors and other intermediaries that introduce business to the Group. The principal locations at 30 June 2018 are the Middle East and Africa, the Far East, and Latin America.

At 30 June, the number of the Group's employees by location was as follows:

| Location | Number 2018 | Number 2017 |
|---------------------|----------------|----------------|
| Isle of Man | 155 | 161 |
| Republic of Ireland | 16 | 16 |
| Other | 16 | 26 |
| | 187 | 203 |

The gender profile of the Group at 30 June 2018 is split with a total of 103 male and 84 female employees (2017: 101 male and 102 female). Within the executive management team, there are 5 male executives and 2 female executives.

Environmental responsibility

The Group continues its efforts to reduce and restrain our carbon footprint both in relation to daily operations, and in our communications. At the Group's locations we have regard to energy efficiency and ensure that appropriate waste is recycled. Whenever possible we conduct meetings using video conferencing facilities installed at the Group's offices to reduce travel requirements.

Online propositions provide increasing electronic access to information and allow us to be more creative with printing requirements, including deliberately keeping the print runs to a minimum. Provision of an electronic version of the Annual Report and Accounts, where shareholders have chosen this option, and other market information has reduced the need to publish and distribute copies. In order to support this, shareholders are asked to contact the Registrars and elect the electronic option for future receipt of the Annual Report and Accounts.



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Corporate and social responsibility

Hansard is committed to being a socially responsible employer and member of the corporate community in all jurisdictions in which we have offices. The Group seeks to act fairly, responsibly and transparently in its operations and relationships with stakeholders.

Our community

As a major employer, we recognise the importance of supporting our local community. We encourage employees in their efforts to support local causes, through collections in the office, financial top-ups to funds raised by our people and time off to support the community.

The Group has also supported a number of initiatives to support young people in education. Examples include providing work experience placements and internships, scholarships and providing experts to deliver presentations on specific topics to students, particularly in the IT space. Hansard was one of the founder members of the ICT University on the Isle of Man which will specialise in the provision of leading information and communication technology for business use.

During the year the Company matched donations made by employees in support of a number of registered charities, primarily in the Isle of Man and the Republic of Ireland. Our chosen charity focus in 2017/18 was 'Inspiring Young Children', which has seen us help youth football teams attend international tournaments, provide equipment for centres for children with learning difficulties, facilitate coaching courses for netball teams and also raising over £25,000 for an Isle of Man charity that provides services for children, young people and families across the Island. This has resulted in a total of over £30,000 (2017: £13,413) being donated to various charities during the year ended 30 June 2018.

Our People

We recognise that our team of people play a key role in delivering the strategic objectives of the business. Our core values of Innovation, Quality, Integrity and Respect were defined by our people and are central to our culture. We believe all of our people can make a difference and we continually work to ensure that they are appropriately developed, engaged, rewarded and retained.

Communications with stakeholders

We recognise our obligations to adopt a responsible attitude towards our stakeholders. The Board believes that the Group continues to demonstrate such an attitude but recognises that the Group is a relatively small organisation.

The Board believes that Hansard's policies and actions fulfil the Group's obligations.

Engagement with shareholders

The Board is accountable to the shareholders for creating and delivering value through the effective governance of the business. The Group places considerable importance on developing its relationships with our shareholders and it aims to achieve this by way of the following regular communication activities:

- Regular dialogue with major institutional shareholders, both directly and through the Company's advisors;
- Market announcements, corporate presentations and other Company information which are available on our website at www.hansard.com and;
- The Annual Report and Accounts issued to all registered shareholders, either in hard copy or electronically for those that have elected to receive it in that form.

There have been regular meetings with the investor community, major shareholders and analysts during the financial year. This included formal meetings with investors, analysts and media at various points throughout the year.

In addition the Chairman is available to meet with and has met major shareholders to discuss any areas of concern not resolved through normal channels of investor communication. Arrangements can be made to meet with the Chairman through the Chief Financial Officer or Company Secretary.

The Board is equally interested in communications with private shareholders and the Chief Financial Officer oversees communication with these investors. All information reported to the regulatory information services is simultaneously published on the Company's website, affording the widest possible access to Company announcements.

The Board receives regular feedback on the views of shareholders on the Company from its executive management team after meetings with those shareholders, as well as from reports from the Company's corporate brokers, the Chairman and the Senior Independent Director.

By Order of the Board

Manoj Patel
Company Secretary
26 September 2018

Report of the Audit Committee

Purpose and terms of reference

This report provides details of the role of the Group Audit Committee and the work it has undertaken during the year. The role, responsibilities and work of the Committee can best be understood by reference to its written terms of reference. These are published on the Company's website, www.hansard.com.

A summary is set out below:

- advising the Board on the Group's interim and annual financial statements, its accounting policies and compliance with accounting standards to ensure that the financial and non-financial information supplied to shareholders provides a fair, balanced and understandable assessment of the Group's position;
- monitoring the effectiveness and objectivity of the internal and external auditors and;
- keeping under review the effectiveness of the systems of internal control and risk management.

Composition and structure

During the year the members of the Committee were the Group Chairman, Philip Gregory, and the Group's independent non-executive Directors being Maurice Dyson and Andy Frepp. The Board is satisfied that all members of the Committee have considerable recent and relevant financial experience. All members served on the Committee throughout the year and to the date of this report and have competence relevant to the sector in which the company operates. Maurice Dyson is the Chairman of the Committee.

The Company Secretary acts as the secretary to the Committee. The Chairman of the Committee reports to each subsequent meeting of the Board on the Committee's work and the Board receives a copy of the minutes of each meeting of the Committee.

Meetings and frequency

The Committee met on four occasions during the financial year. The members' attendance record is set out in the Corporate Governance Report.

During the year, the Chairman invited the Chief Financial Officer, representatives from the Group Internal Audit function and PwC (the external auditor) to attend all meetings of the Committee. Other members of senior management, including the Group Chief Executive Officer, the Appointed Actuary and the Group Chief Actuary were also invited to attend as appropriate.

It is the Committee's practice to meet separately, at least once a year, with both the Internal Audit function and with the engagement partner of the external auditor, without any members of management being present. In addition, outside the structure of formal meetings, Maurice Dyson (as Chairman of the Committee) has had separate

meetings throughout the year directly with the external auditor and the Internal Audit function. He also meets and has regular contact with the Group Chief Executive Officer, the Chief Financial Officer, the Group Chief Actuary and the Head of Group Risk and Compliance.

In performing its duties, the Committee has access to the services of the Internal Audit Function, the Company Secretary and, if required, external professional advisers.

Subsidiary company audit committees

Each of the Group's life assurance subsidiaries has established an audit committee that provides an oversight role for its own business. The chairman of each of those committees is an independent non-executive director of the relevant company. Each committee operated throughout the financial year and considered specifically the reporting of outsourced services and the valuation of contract holder liabilities, having regard to the opinion of the independent Appointed Actuary/Head of Actuarial Function.

The minutes of the meetings of those committees are circulated to the Group Audit Committee which monitors in particular the adherence of the subsidiaries to regulatory requirements.

Committee activities during the financial year

1. Review of accounting and reporting

During the financial year the Committee:

- agreed the annual audit plan with the external auditor, considered the auditor's reports and monitored management actions in response to the issues raised;
- reviewed the annual and half yearly report and accounts, including the external auditor's reports, and associated announcements;
- reviewed the reports of the reviewing actuaries and considered disclosure and the recommendations for improvements;
- monitored compliance with the relevant parts of the UK Corporate Governance Code, the effectiveness of internal controls and reporting procedures for risk management processes;
- continued to monitor the application of the Group's policy on whistle-blowing and;
- reviewed other Stock Exchange reporting prior to publication of each announcement.

Whilst reviewing the annual and half yearly report and accounts, the Committee focussed on the following areas where significant financial judgements were required:

- The accounting principles, policies, assumptions and practices adopted;



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- Judgements exercised in the production of the financial results including, the valuation of certain financial investments, deferred origination costs and deferred income, and the appropriateness of assumptions in the Group's EEV reporting and;
- The status of known or potential claims against the Group.

To assist the Committee's review of key judgements, expert input was received from actuarial and legal advisors.

2. Review of Internal Audit

The Group's internal audit function reports to the Audit Committee on the effectiveness of the Group's systems of internal controls, the adequacy of those systems to manage business risk and to safeguard the Group's assets and resources. The internal audit function provides objective assurance on risks and controls to the Committee.

The plans, the level of resources and the budget of the internal audit function are reviewed at least annually by the Committee. During the financial year the Committee monitored and reviewed the effectiveness of the internal audit function, including consideration of the internal audit plan (including changes thereof) and results from completed audits and concluded that the function was fit for purpose. The committee also considered and approved external outsourcing of certain internal audits during the year.

3. Review of External Audit

PricewaterhouseCoopers LLC ("PwC") is the appointed external auditor for the Group. The Group has in place a policy to ensure the independence and objectivity of the external auditor.

During the year, the Committee performed its annual review of the independence, effectiveness and objectivity of PwC, assessing the audit firm, the audit partner and the audit teams. This is performed through written documentation provided by PwC which is discussed and challenged where appropriate by the Committee. In relation to independence, the Committee considered confirmations concerning rotation of the engagement partners and senior members of the team. The Committee considered auditor rotation and was satisfied in regards to its compliance with the Code. The current audit partner has served since the 2016 financial year audit.

Based on this review and with input from Group management and Internal Audit, the Committee concluded that the audit service of PwC was fit for purpose and provided a robust overall examination of the Group's business and the risks involved.

The Committee has therefore recommended to the Board that PwC be re-appointed as the Group's auditor and that auditor remuneration and terms of engagement also be recommended.

The Committee monitored compliance with the Group policy for the provision of non-audit services by the external auditor. This policy aims to ensure that external auditor objectivity and independence is

safeguarded and sets out the categories of non-audit services which the external auditor is allowed to provide to the Group. Financial limits for non-audit related advice and consultancy work by the external audit firm apply to each company in the Group with a limit of £25,000 per company per year. Non-audit assignments exceeding the agreed limits, either individually or cumulatively, must have the prior approval of the Group Audit Committee. During the year, the Committee approved audit related assurance services relating to Solvency II and the Isle of Man's risk based solvency regime.

Details of the amount paid to the external auditors during the year for audit and non-audit related services are set out in note 8 to the consolidated financial statements.

4. Review of internal controls

The Committee has reported to the Board regarding the review of the Group's risk management and internal control systems in accordance with provision C.2.3 of the UK Corporate Governance Code.

The Committee took into account events during the year and to the date of signing of the Accounts, including internal reporting structures together with reporting from internal audit, external audit and the Group's reporting actuaries.

5. Review of Committee performance

In line with the Code requirements, the Board undertook a review of the effectiveness of all its committees during the year, including the Audit Committee. In addition, the Committee also carried out a self-evaluation of its effectiveness. No significant issues were identified. The self-evaluation was carried out through response to a questionnaire and analysing the responses compared to prior years' responses and other factors.

For the Board

Maurice Dyson
Chairman of the Audit Committee
26 September 2018

Report of the Nominations Committee

This report provides details of the role of the Nominations Committee and the work it has undertaken during the year.

Purpose and terms of reference

The role, responsibilities and work of the Committee can best be understood by reference to its written terms of reference. These are published on the Company's website. A summary is set out below:

- To regularly review the structure, size and composition required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
- To give full consideration to succession planning for Directors and other senior executives and;
- To be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.

The Committee keeps under review the balance of skills on the Board and the knowledge, experience, length of service and performance of the Directors. It also reviews their external interests with a view to identifying any actual, perceived or potential conflicts of interests, including the time available to commit to their duties to the Company.

The Group ensures that each of its companies is compliant with relevant applicable legislation relating to Health and Safety, employment legislation including sex, race and other discrimination rules, in striving to be an equal opportunity employer. The Group's recruitment process seeks to find candidates most suited for the job.

The Group respects the dignity of individuals and their beliefs and does not tolerate any sexual, racial, physical or any other form of harassment of staff nor tolerate any discrimination in the workplace.

Membership

During the year the members of the Committee were independent non-executive Directors being Maurice Dyson and Andy Frepp and the non-executive Group Chairman, Philip Gregory. All members served on the Committee throughout the year and to the date of this report. Philip Gregory is Chairman of the Committee.

The Company Secretary acts as the secretary to the Committee. The Chairman of the Committee reports to each subsequent meeting of the Board on the Committee's work and the Board receives a copy of the minutes of each meeting of the Committee.

Activities of the Committee during the year

The Committee met on five occasions during the year. The members' attendance record is set out in the Corporate Governance Report.

During the year the Committee considered the following:

- considered and approved the appointment of Manoj Patel as Company Secretary;
- noted the appointment of the Group Financial Controller;
- noted the appointment of the Compliance Officer;
- noted the appointment of Hansard Europe's General Manager;
- considered and approved the appointment of the Head of Internal Audit;
- reviewed and agreed job descriptions for the Chief Executive Officer, Chief Financial Officer, Chairman and Senior Independent Director;

Subsequent to the end of the year, the Committee considered and accepted the resignation of Dr Polonsky and considered and accepted the appointment of Marc Polonsky.

Diversity

The Committee and Board acknowledges the importance of diversity, including gender diversity, for the Company.

The Board has established the following objectives in relation to the Board:

- All Board appointments will be made on merit, in the context of the skills, knowledge and experience that are needed for the Board to be effective;
- Any long lists of potential directors to include diverse candidates of appropriate merit;
- When engaging with executive search firms, the Company will only engage with those firms who have signed up to the voluntary Code of Conduct on gender diversity and best practice.



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Review of Committee performance

In line with the Code requirement the Board undertook a review of the effectiveness of all its committees during the year, including the Nominations Committee. The Board will keep the process under review to ensure that analysis of the data obtained from this and future evaluations is utilised by the Board, the Chairman and the Committee.

Philip Gregory had regular meetings during the year with the Group Chief Executive Officer, Group Financial Officer and the non-executive Directors. In addition, after each Board meeting, the Chairman held informal sessions with the full Board (without management being present) and also with only the independent non-executive Directors in attendance (without executive directors being present). An evaluation of the performance of the Chairman is performed by the non-executive directors led by the Senior Independent Director.

For the Board

Philip Gregory

Chairman of the Nominations Committee

26 September 2018



Report of the Remuneration Committee

This report provides details of the role of the Committee and the work it has undertaken during the year.

Purpose and terms of reference

The main purpose of the Committee is to determine the overall remuneration policy and the remuneration packages and service contracts of the executive Directors, the Company Secretary and such other members of the executive management as it considers appropriate, including the operation of incentive schemes. The Committee aims to set remuneration at an appropriate level to promote the long term success of the Group.

- recognise the need to be competitive in an international market, though taking account of the local knowledge and packages in the UK and the Isle of Man;
- support key business strategies and create a strong, performance-orientated environment;
- attract, motivate and retain talent and;
- be aligned to proper risk management consistent with risk tolerance set out by the Board as part of its strategy.

The role, responsibilities and work of the Committee can best be understood by reference to its terms of reference. These are published on the Company's website.

Membership

During the year the members of the Committee were independent non-executive Directors being Maurice Dyson and Andy Frepp and the non-executive Group Chairman, Philip Gregory. All members served on the Committee throughout the year and to the date of this report.

Maurice Dyson was Chairman of the Committee throughout the year.

The Company Secretary acts as the secretary to the Committee. The Chairman of the Committee reports to each subsequent meeting of the Board on the Committee's work and the Board receives a copy of the minutes of each meeting of the Committee.

Activities of the Committee during the year

During the year there were five meetings of the Committee. The members' attendance record is set out in the Corporate Governance Report.

At the request of the Committee, Gordon Marr, the Group Chief Executive Officer, also attends meetings and makes recommendations to the Committee regarding changes to particular remuneration packages (excluding himself) or to policy generally. Such recommendations are discussed by the Committee and adopted or amended as it sees fit. The Head of HR provides all necessary support to Remuneration Committee in executing their duties.

During the year the Committee addressed a number of issues concerning remuneration and incentive schemes implemented by the Group, in particular:

- Considered and recommended to shareholders the proposal to renew the existing Save As You Earn programme for a further ten years. The shareholders approved the plan at the AGM in 2017;
- Agreed annual cash bonus scheme for staff;
- Agreed deferred bonus scheme for the Executive Committee;
- Having regard to market data, considered and approved reviews in remuneration for senior management effective from 1 July 2017;
- Agreed discretionary bonuses for Executive Committee members, based on Company and individual performance targets;
- Considered and approved the proposal to establish a new employee benefit trust;
- Reviewed staff benefits;
- Reviewed Directors' fees; and
- Considered new pensions legislation in the Isle of Man and approved the appointment of a new pension provider for future contributions from October 2018.

Incentive Schemes

Cash-settled bonus scheme

The Committee approved the continuation of a bonus scheme for all employees. The terms of the scheme that are effective from 1 July 2018 incorporate targets for both company and individual performance. Bonuses earned will be paid in the October following the end of the financial year.



Long-term Incentive Plan

The deferred bonus scheme was approved at the AGM on 8 November 2016 and incorporates targets for both company and individual performance. No awards were paid for the year ending 30 June 2017. Awards, if any, for the year ending 30 June 2018 will be considered in October 2018 and the criteria for the 2018-2019 period will be considered at the same meeting.

SAYE Share-save Programme

112,287 options over shares were exercised under the Scheme rules during the year (2017: 4,366).

At the date of this report, the following options remain outstanding under each tranche:

| Scheme year | 2018 No. of options | 2017 No. of options |
|-------------|---------------------------|---------------------------|
| 2014 | 21,686 | 70,550 |
| 2015 | 512,985 | 666,158 |
| 2016 | 81,848 | 117,846 |
| 2017 | 134,326 | 271,639 |
| 2018 | 742,134 | - |
| | 1,492,979 | 1,126,193 |

The scheme was renewed for a further 10 years at the AGM in 2017.

Employee Benefit Trusts

An Employee Benefit Trust ("EBT") was established in November 2011 with a gift of 400,000 Hansard Global plc shares from Dr Polonsky. The EBT provides cash awards to long standing employees assuming certain financial targets are achieved. At 30 June 2018, following the purchase of shares using dividend proceeds, the EBT holds 860,820 shares (2017: 803,949 shares). No distributions were made from the EBT during the year (2017: £nil).

An additional Employee Benefit Trust was established on 16 February 2018 in order to provide certain discretionary share-based awards as part of an overall compensation and retention package. As at the 30 June 2018 the new EBT holds 585,000 shares. Any applicable distributions under the EBT will first be made during 2020 and are subject to the satisfaction of the award criteria.

Directors' employment terms and conditions

In accordance with the Articles of Association all Directors are subject to annual re-election. All Directors serving on 8 November 2017 were re-elected at the AGM held at that date.

The key terms and benefits of the contractual arrangements between each Director and the Company are as follows:

Dr Leonard Polonsky – Non-executive director (up until 26 September 2018) – President.

The letter of appointment effective from 22 September 2014 reflects Dr Polonsky's appointment as a non-executive Director and President and incorporates the requirements of the Listing Rules of the Financial Conduct Authority in relation to Dr Polonsky as controlling shareholder of the Group.

A summary of the agreement, dated 22 September 2014, governing his relationship with the Group is available for inspection at the Company's registered office and will be made available to shareholders at the AGM to be held on 7 November 2018. In order to maintain effective corporate governance the agreement contains the following terms:

- All transactions between Dr Polonsky and the Group are to be conducted at arm's length and on normal commercial terms;
- Dr Polonsky will take no actions which would prevent the Company from complying with its obligations under the Listing Rules, or propose a resolution to circumvent the proper application of the Listing Rules;
- Dr Polonsky will exercise his voting rights to ensure a requisite number of independent non-executive directors are appointed to and retained by the Board and;
- Will consult with independent non-executive directors where proposals have been made by the Board in relation to its composition.

Consistent with other non-executive Directors, Dr Polonsky received a fee for his participation on the Board of £50,000 per annum. Marc Polonsky received no fees for acting as an Alternate Director to Dr Polonsky.

There were no significant transactions between the Group and Dr Polonsky during the year under review, except as noted in the Director's Report.

Report of the Remuneration Committee *continued*

Gordon Marr – Group Chief Executive Officer. Housing allowance; company contribution into personal pension arrangements; private health insurance for himself and his spouse; permanent health insurance; life assurance; full-pay sick leave for a maximum of eight weeks of absence, whether or not consecutive, in any 12-month period due to illness or injury and 30 days annual leave in addition to public holidays. Other than the right to receive a payment in lieu of notice upon termination, his service agreement dated 24 November 2006 does not provide for any benefits upon termination of employment. The notice period (by either party) is 12 months.

Mr Marr was appointed to the Board on 27 April 2005 and last re-elected on 8 November 2017.

Mr Marr is a member of the deferred bonus scheme which is based on Company and individual Performance. Mr Marr's potential earnings under the scheme for the 2018 financial year range from nil to 50% of salary. He is also entitled to receive benefits under the existing Employee Benefit Trust in the same manner as all employees. Under the new Employee Benefit Trust and subject to fulfilling the criteria he is entitled to receive 75,000 shares in July 2020. Additionally he has been granted an option to require the Company to acquire a residential property from him for the sum of £481,000. Mr. Marr purchased the property in July 2011 for £501,000.

Tim Davies – Group Chief Financial Officer. Company contribution into personal pension arrangements; private health insurance for himself, his spouse and dependent children; permanent health insurance; life assurance; full-pay sick leave for a maximum of eight weeks of absence, whether or not consecutive, in any 12-month period due to illness or injury and 30 days annual leave in addition to public holidays. Other than the right to receive a payment in lieu of notice upon termination, his service agreement dated 3 March 2015 does not provide for any benefits upon termination of employment. The notice period (by either party) is six months.

Mr Davies was appointed to the Board on 1 December 2015.

Mr Davies is a member of the deferred bonus scheme which is based on Company and Individual Performance. Mr Davies' potential earnings under the scheme for the 2018 financial year range from nil to 50% of salary. He is also entitled to receive benefits under the existing Employee Benefit Trust in the same manner as all employees. Under the new Employee Benefit Trust and subject to fulfilling the criteria he is entitled to receive 50,000 shares in July 2020.

Non-executive Directors. The appointment of each non-executive Director has been confirmed by an individual letter of appointment which includes a one month notice provision. The non-executive Directors do not have service contracts or any benefits-in-kind arrangements and do not participate in any of the Group's pension or long-term incentive arrangements.

Policy on salary of Executive Directors

It is the policy of the Committee to pay base salaries to the Executive Directors at broadly market rates (taking account of the Isle of Man location where relevant) compared with those of executives of companies of a similar size and international scope, whilst also taking into account the executives' personal performance and the performance of the Group. In addition reliance is placed on the Human Resource function to provide appropriate benchmarking data.

CEO salary

The CEO's salary was reviewed during 2017 and after due care and consideration the Committee determined that the salary was appropriate for the size and scope of the role and therefore this was not increased following the review.

| Name | Salary as at 30 June 2018 | Salary as at 30 June 2017 | Increase |
|-------------|---------------------------|---------------------------|----------|
| Gordon Marr | 325,000 | 325,000 | 0% |

The Committee will continue to review salaries on a regular basis and may make increases in future years as roles develop.

Our policy on fees for non-executive Directors

It is our policy to set the fees for each non-executive Director so that they reflect the time commitment in preparing for and attending meetings, the responsibility and duties of the position and the contribution that is expected from them. Our policy is to pay a market rate which is set annually by the Board.



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Directors' remuneration and other benefits in the financial year ended 30 June 2018

The following table, which includes audited information has been prepared in accordance with regulatory requirements, sets out the elements of aggregate emoluments for the year ended 30 June 2018 for each Director who served during that year.

| Name | Salary and fees 2018 £ | Pension 2018 £ | Bonus 2018 £ | Other ⁵ 2018 £ | Aggregate 2018 £ | Aggregate 2017 £ |
|--------------------------------|---------------------------------|----------------------|--------------------|---------------------------------|------------------------|------------------------|
| Executive Directors | | | | | | |
| Gordon Marr (CEO) | 325,000 | 45,500 | — | 37,184 | 407,684 | 432,184 |
| Tim Davies (CFO) | 161,500 | 24,500 | 15,000 | 1,480 | 202,480 | 204,980 |
| Non-executive Directors | | | | | | |
| Maurice Dyson ¹ | 68,000 | — | — | — | 68,000 | 68,000 |
| Andy Frepp | 50,000 | — | — | — | 50,000 | 50,000 |
| Philip Gregory ² | 68,780 | — | — | — | 68,750 | 67,500 |
| Dr L S Polonsky ³ | 50,000 | — | — | — | 50,000 | 50,000 |
| Marc Polonsky ⁴ | — | — | — | — | — | — |
| Total | 723,250 | 70,000 | 15,000 | 38,664 | 846,914 | 872,664 |

1 Mr Dyson receives additional fees in relation to his position as Chairman of the Board of Hansard International Limited.

2 For the year Mr Gregory's fee as Chairman was agreed at £85,000, however Mr Gregory agreed to waive £16,250 of his fees (waived in 2017: £17,500).

3 Dr Polonsky resigned as a Director on 26 September 2018.

4 Alternate Director to Dr Polonsky from 26 September 2013 to 26 September 2018.

5 "Other" includes healthcare benefits and in respect of Mr Marr, contractual benefits relating to accommodation costs of £36,000 per annum.

Report of the Remuneration Committee *continued*

Directors' estimated remuneration and other benefits for the financial year ending 30 June 2019

The following table sets out the elements of estimated aggregate emoluments for the year ending 30 June 2019 for each Director, as agreed by the Board.

| Name | Salary and fees 2019 £ | Pension 2019 £ | Bonus 2019 £ | Other ⁵ 2019 £ | Aggregate 2019 £ |
|--------------------------------|---------------------------------|----------------------|--------------------|---------------------------------|------------------------|
| Executive Directors | | | | | |
| Gordon Marr | 325,000 | 45,500 | – | 37,184 | 407,684 |
| Tim Davies | 161,500 | 24,500 | – | 1,480 | 187,480 |
| Non-executive Directors | | | | | |
| Maurice Dyson ¹ | 68,000 | – | – | – | 68,000 |
| Andy Frepp | 50,000 | – | – | – | 50,000 |
| Philip Gregory ² | 85,000 | – | – | – | 85,000 |
| Dr L S Polonsky ³ | 12,500 | – | – | – | 12,500 |
| Marc Polonsky ⁴ | 37,500 | – | – | – | 37,500 |
| Total | 739,500 | 70,000 | – | 38,664 | 848,164 |

1 Mr Dyson receives additional fees in relation to his position as Chairman of the Board of Hansard International Limited.

2 Chairman of the Group Board. Mr Gregory's fees for the year as Chairman is £85,000, however he has agreed to waive fees ranging from nil to £20,000 based on a sliding scales relating to new business volumes.

3 Resigned as a Director 26 September 2018.

4 Alternate Director to Dr Polonsky from 26 September 2013 to 26 September 2018. Appointed as a Director 26 September 2018.

5 "Other" includes healthcare benefits and in respect of Mr Marr, contractual benefits relating to accommodation costs of £36,000 per annum.





Directors' interests in share capital

The following information, including the table below, includes audited information.

There are no requirements for any director to have a shareholding in the Company. At 30 June 2018 Dr Polonsky held 49,946,319 shares in the Company's share capital, or 36.3% (2017: 36.3%) and an additional 400,000 shares are held by his wife. On 29 May 2018 Dr Polonsky transferred 49,946,319 shares for nil consideration to the Leonard Polonsky Revocable Trust, a US-established trust of which Dr Polonsky is the sole beneficiary and sole trustee. The Company was informed that the transfer was for estate planning purposes. There has been no change in the total number of voting rights in the Company directly or indirectly held by Dr Polonsky as a result of the transfer.

The Polonsky Foundation (a UK Registered Charity of which Dr Polonsky and Mr Marc Polonsky are among the trustees) has a beneficial interest in 7,686,888 shares in the Company's share capital, or 5.6% (2017: 5.7%).

During July 2018, Dr Polonsky purchased an additional 500,000 shares.

The table set out below shows the beneficial interests of other Directors and their spouses in the Company's share capital, at 30 June 2018 and at 30 June 2017.

| Number of shares | Direct | Indirect | Total 2018 | Direct | Indirect | Total 2017 |
|----------------------------------|-----------|----------|------------|-----------|----------|------------|
| Executive Director | | | | | | |
| Gordon Marr ^{1,2&3} | – | 530,494 | 530,494 | 225,000 | 305,494 | 530,494 |
| Tim Davies ^{4&5} | 23,000 | – | 23,000 | – | – | – |
| Non-executive Directors | | | | | | |
| Maurice Dyson | 32,500 | – | 32,500 | 32,500 | – | 32,500 |
| Philip Gregory ¹ | 15,462 | – | 15,462 | 15,462 | – | 15,462 |
| Marc Polonsky ^{1&6} | 7,800,000 | – | 7,800,000 | 7,500,000 | – | 7,500,000 |

1 Direct holdings include shares held by spouse.

2 Held by self-invested pension plan where Mr Marr is a trustee for the relevant scheme. During the year Mr Marr transferred 225,000 shares into his self-invested pension plan.

3 Mr Marr participated in the new Employee Benefit Trust whereby 75,000 shares will be available on maturity in July 2020.

4 Mr Davies participated in the 2017 SAYE share programme whereby 21,428 share options will be available on maturity in 2018.

5 Mr Davies participated in the new Employee Benefit Trust whereby 50,000 shares will be available on maturity in July 2020.

6 Alternate Director to Dr Polonsky until 26 September 2018. Appointed as a Director 26 September 2018.

There have been no significant changes in these holdings between the balance sheet date and the date of this report.

For the Board

Maurice Dyson
Chairman of the Remuneration Committee
26 September 2018

Requirements of the Listing Rules

The following table provides references to where the information required by Listing Rule 9.8.4R is disclosed

| Listing Rule requirement | Location in annual report |
|---|--|
| A statement of the amount of interest capitalised during the period under review and details of any related tax relief. | Not applicable |
| Information required in relation to the publication of unaudited financial information. | Not applicable |
| Details of any long-term incentive schemes. | Report of the Remuneration Committee, pages 50 to 55 |
| Details of any arrangements under which a director has waived emoluments, or agreed to waive any future emoluments, from the company. | Report of the Remuneration Committee, pages 50 to 55 |
| Details of any non pre-emptive issues of equity for cash | No such share allotments |
| Details of any non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking. | Not applicable |
| Details of any contract of significance in which a director is or was materially interested. | Not applicable |
| Details of any contract of significance between the company (or one of its subsidiaries) and a controlling shareholder. | Directors' Report, pages 34 to 39 |
| Details of waiver of dividends by a shareholder. | Not applicable |
| Board statement in respect of relationship agreement with the controlling shareholder. | Report of the Remuneration Committee, pages 50 to 55 |



Independent auditor's report to the members of Hansard Global plc

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, Hansard Global plc's consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 30 June 2018 and of its profit and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Isle of Man Companies Acts 1931 to 2004.

What we have audited

Hansard Global plc's consolidated financial statements (the 'financial statements') comprise:

- the consolidated balance sheet as at 30 June 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Certain required disclosures have been presented elsewhere in the Report of the Remunerations Committee, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the ethical requirements of the United Kingdom Financial Reporting Council's Ethical Standard that are relevant to our audit of the financial statements in the Isle of Man. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the United Kingdom Financial Reporting Council's Ethical Standard.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter - Litigation and claims

Refer to the Directors' Report, note 2.2 and note 26 to the financial statements.

The Group is subject to a number of legal claims from policyholders in relation to the performance of assets linked to contracts and other asset-related issues. As set out note 26, the cumulative exposure totalled £17.8m at 30 June 2018.

Management evaluate each claim, taking into consideration the assessment and advice of external legal counsel.

It is the Group's position that all such legal claims will be contested. This is on the basis that the Group does not provide investment advice and that any investment advice received by the policyholder would have been provided by a professional intermediary appointed by the policyholder. Based on legal advice management and the Directors believe that the Group has strong defences and is more likely than not to be successful in contesting all such legal claims.

On the basis of the above assessment the legal claims are disclosed as contingent liabilities in the financial statements and no amounts have been provided for.

The cumulative exposure at 30 June 2018 is material to the Group's financial statements and the key judgement as to whether the Group is more likely than not to be successful in contesting these claims is highly subjective. As a result, this judgement was a key audit matter.

Independent auditor's report to the members of Hansard Global plc *continued*

How our audit addressed the key audit matter

We obtained a listing of ongoing legal claims from the Group. To assess the completeness of the listing we have performed procedures including, reviewing the legal expenses ledgers, minutes of meetings, the complaints register and regulatory correspondence.

We gained an understanding of the individual cases, case developments during the year and understood management's and the Director's assessment of the likelihood of success in defending the individual claims.

The Group engages external legal counsel to advise and assist in the defence of the claims. We understood the status of the claims through discussions with management and the Directors.

We obtained confirmation from external legal counsels for a sample of the Group's legal claims.

We understood the Group's process for determining the value of the exposure for each legal claim and agreed a sample of these values to the underlying policy data.

We challenged the judgements regarding whether the Group was more likely than not to be successful in contesting the legal claims.

We satisfied ourselves that management's and the Director's conclusion that a successful outcome "is more likely than not" is supportable based on the legal assessments.

Key audit matter - Risk of fraud in revenue recognition

Refer to the Directors' Report, note 2.2, note 5 and note 7 to the financial statements.

The Group earns fees and charges on investment contracts. Determining revenue for the year can be complex where the fee calculation includes judgement or a high degree of manual preparation together with the related expenses.

We focussed on areas of revenue where the recognition can be judgemental. These areas relate to the estimated average contract lives over which upfront fees and origination costs are deferred and revenue is earned and expenses recognised.

We also focussed on fees on certain policies that are calculated by the actuarial function rather than by the Group's policy administration system.

How our audit addressed the key audit matter

We tested the effectiveness of management controls over the amounts of fees and charges recorded and recognised.

We independently assessed the judgements relating to the determination of the expected contract lives and hence the reasonableness of the amortisation period over which upfront fees and origination costs are deferred and recognised as revenue and expenses. Specifically we considered the Group's experience on the investment contracts (e.g. lapses and surrenders) and re-performed the amortisation calculation with respect to the deferred income and origination costs.

For fees which are calculated by the actuarial function, we independently re-calculated a sample of fees based on the underlying policy information.

We noted no material exceptions in our testing and concluded that the judgements applied by management and the Directors were supported by the evidence available.

Other information

The other information comprises all of the information in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and Isle of Man law, for the group and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 15 of the Isle of Man Companies Act 1982 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on other legal and regulatory requirements

Adequacy of accounting records and information and explanations received

Under the Isle of Man Companies Acts 1931 to 2004 we are required to report to you by exception if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper books of account have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the books of account and returns; and
- certain disclosures of directors' loans and remuneration specified by law have not been complied with.

Under the Listing Rules we are required to review:

- the directors' statement, set out on pages 37 and 38, in relation to going concern and longer term viability; and
- the parts of the Corporate Governance Statement relating to the Group's compliance with the eleven provisions of the UK Corporate Governance Code specified for our review.

We have no exceptions to report arising from these responsibilities.

Other matter

We have reported separately on the parent company financial statements of Hansard Global plc for the year ended 30 June 2018.

Nicholas Mark Halsall, Responsible Individual
For and behalf of PricewaterhouseCoopers LLC
Chartered Accountants, Douglas, Isle of Man
26 September 2018

Consolidated Statement of Comprehensive Income for the year ended 30 June 2018

| | | Year ended 30 June 2018 £m | Year ended 30 June 2017 £m |
|--|-------|-------------------------------------|-------------------------------------|
| | Notes | | |
| Fees and commissions | 5 | 52.6 | 52.6 |
| Investment income | 6 | 21.5 | 135.5 |
| Other operating income | | 0.6 | 0.5 |
| | | 74.7 | 188.6 |
| Change in provisions for investment contract liabilities | | (20.4) | (134.5) |
| Origination costs | 7 | (18.0) | (19.3) |
| Administrative and other expenses | 8 | (29.4) | (27.1) |
| | | (67.8) | (180.9) |
| Profit before taxation | | 6.9 | 7.7 |
| Taxation | 10 | (0.1) | - |
| Profit and total comprehensive income for the year after taxation | | 6.8 | 7.7 |

Earnings per share

| | Note | 2018 (p) | 2017 (p) |
|---------|------|-------------|-------------|
| Basic | 11 | 4.9 | 5.6 |
| Diluted | 11 | 4.9 | 5.6 |

The notes on pages 64 to 83 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity for the year ended 30 June 2018

| | Share capital £m | Other reserves £m | Retained earnings £m | Total £m |
|---|------------------------|-------------------------|----------------------------|-------------|
| At 1 July 2016 | 68.7 | (48.3) | 15.8 | 36.2 |
| Profit and total comprehensive income for the year after taxation | - | - | 7.7 | 7.7 |
| Transactions with owners | | | | |
| Dividends paid | - | - | (12.2) | (12.2) |
| At 30 June 2017 | 68.7 | (48.3) | 11.3 | 31.7 |

| | Share capital £m | Other reserves £m | Retained earnings £m | Total £m |
|---|------------------------|-------------------------|----------------------------|-------------|
| At 1 July 2017 | 68.7 | (48.3) | 11.3 | 31.7 |
| Profit and total comprehensive income for the year after taxation | - | - | 6.8 | 6.8 |
| Share based payments reserve | - | 0.1 | - | 0.1 |
| Reserve for own shares held within EBT | - | (0.4) | - | (0.4) |
| Transactions with owners | | | | |
| Shares allotted | 0.1 | - | - | 0.1 |
| Dividends paid | - | - | (9.8) | (9.8) |
| At 30 June 2018 | 68.8 | (48.6) | 8.3 | 28.5 |

The notes on pages 64 to 83 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 30 June 2018

| | Notes | 30 June 2018 £m | 30 June 2017 £m |
|--|-------|-----------------------|-----------------------|
| Assets | | | |
| Property, plant and equipment | 13 | 1.5 | 1.0 |
| Deferred origination costs | 14 | 113.8 | 111.6 |
| Financial investments | | | |
| Equity securities | | 25.3 | 20.5 |
| Investments in collective investment schemes | | 905.8 | 920.9 |
| Fixed income securities | | 24.8 | 22.0 |
| Deposits and money market funds | | 97.6 | 103.1 |
| Other receivables | 15 | 4.8 | 5.2 |
| Cash and cash equivalents | 16 | 53.6 | 57.2 |
| Total assets | | 1,227.2 | 1,241.5 |
| Liabilities | | | |
| Financial liabilities under investment contracts | 17 | 1,036.0 | 1,049.7 |
| Deferred income | 18 | 130.3 | 129.2 |
| Amounts due to investment contract holders | | 23.7 | 22.8 |
| Other payables | 19 | 8.7 | 8.1 |
| Total liabilities | | 1,198.7 | 1,209.8 |
| Net assets | | 28.5 | 31.7 |
| Shareholders' equity | | | |
| Called up share capital | 21 | 68.8 | 68.7 |
| Other reserves | 22 | (48.6) | (48.3) |
| Retained earnings | | 8.3 | 11.3 |
| Total shareholders' equity | | 28.5 | 31.7 |

The notes on pages 64 to 83 form an integral part of these financial statements.

The financial statements on pages 60 to 83 were approved by the Board on 26 September 2018 and signed on its behalf by:



G S Marr
Director



T N Davies
Director

Consolidated Cash Flow Statement for the year ended 30 June 2018

| | 2018 £m | 2017 £m |
|--|--------------|---------------|
| Cash flow from operating activities | | |
| Profit before tax for the year | 6.9 | 7.7 |
| Adjustments for: | | |
| Depreciation | 0.4 | 0.4 |
| Dividends receivable | (4.3) | (3.9) |
| Interest receivable | (1.0) | (0.8) |
| Foreign exchange gains | 0.2 | (0.4) |
| Changes in operating assets and liabilities | | |
| Decrease/(increase) in other receivables | 0.4 | (0.7) |
| Dividends received | 4.3 | 3.9 |
| Interest received | 0.9 | 0.8 |
| Increase in deferred origination costs | (2.2) | (0.7) |
| Increase/(decrease) in deferred income | 1.1 | (1.3) |
| Increase in creditors | 1.5 | 3.5 |
| Decrease/(increase) in financial investments | 13.0 | (126.3) |
| (Decrease)/increase in financial liabilities | (13.7) | 126.3 |
| Cash flow from operations | 7.5 | 8.5 |
| Corporation tax paid | - | (0.1) |
| Cash flow from operations after taxation | 7.5 | 8.4 |
| Cash flows from investing activities | | |
| Issue of share capital | 0.1 | - |
| Purchase of fixed assets | (0.9) | (0.4) |
| Proceeds from sale of investments | 0.2 | 0.3 |
| Purchase of investments | (0.1) | (0.2) |
| Purchase of own shares | (0.4) | - |
| Cash flows used in investing activities | (1.1) | (0.3) |
| Cash flows from financing activities | | |
| Dividends paid | (9.8) | (12.2) |
| Cash flows used in financing activities | (9.8) | (12.2) |
| Net decrease in cash and cash equivalents | (3.4) | (4.1) |
| Cash and cash equivalents at beginning of year | 57.2 | 60.9 |
| Effect of exchange rate changes | (0.2) | 0.4 |
| Cash and cash equivalents at year end | 53.6 | 57.2 |

The notes on pages 64 to 83 form an integral part of these financial statements.

Notes to the consolidated financial statements for the year ended 30 June 2018

1 Principal accounting policies

Hansard Global plc (“the Company”) is a limited liability company, incorporated in the Isle of Man, whose shares are publicly traded. The principal activity of the Company is to act as the holding company of the Hansard group of companies. The registered office of the Company is Harbour Court, Lord Street, Box 192, Douglas, Isle of Man, IM99 1QL.

These consolidated financial statements incorporate the assets, liabilities and the results of the Company and its subsidiary undertakings (“the Group”). The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below or, in the case of accounting policies that relate to separately disclosed values in the primary statements, within the relevant note to these consolidated financial statements. These policies have been consistently applied, unless otherwise stated.

1.1 Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRSs”), International Financial Reporting Standards Interpretations Committee (“IFRSIC”) interpretations, and with the Isle of Man Companies Acts 1931 to 2004. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial investments and financial liabilities at fair value through profit or loss. The Group has applied all International Financial Reporting Standards adopted by the European Union and effective at 30 June 2018.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

There has been no significant impact in the financial statements due to the mandatory application of new accounting standards for the year ended 30 June 2018.

The following new standards and interpretations are in issue but not yet effective and have not been early adopted by the Group:

- IFRS 15, ‘Revenue from contracts with customers’, effective for accounting periods from 1 July 2018
- IFRS 9, ‘Financial instruments’, effective for accounting periods from 1 July 2018
- IFRS 16, ‘Leases’, effective for accounting periods from 1 July 2019
- IFRS 17, ‘Insurance contracts’, not yet endorsed by the EU
- Amendment to IFRS 4, ‘Insurance contracts’ regarding the implementation of IFRS 9, ‘Financial instruments’, effective for accounting periods from 1 July 2018.

Based on the work performed to date, the adoption of the above standards is not expected to have any material impact on the Group’s results. The full impact of IFRS 16 is still being assessed.

There are no other standards, amendments or interpretations to existing standards that are not yet effective, that would have a material impact on the Group’s financial statements.

The financial statements are presented in pounds sterling rounded to the nearest one hundred thousand pounds.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting year. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2.

1.2 Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and the results of the Company and of its subsidiary undertakings. Subsidiaries are those entities in which the Company directly or indirectly has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, accounting policies applied by subsidiary companies have been adjusted to present consistent disclosures on a consolidated basis. Intra-group transactions, balances and unrealised gains and losses arising from intra-group transactions, are eliminated in preparing these consolidated financial statements.

2 Critical accounting estimates and judgements in applying accounting policies

Estimates, assumptions and judgements are used in the application of accounting policies in these financial statements. Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. Estimates, assumptions and judgements are evaluated continually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from assumptions and estimates made by management.

2.1 Accounting estimates and assumptions

The principal areas in which the Group applies accounting estimates and assumptions are in deciding the type of management expenses that are treated as origination costs and the period of amortisation of deferred origination costs and deferred income. Estimates are also applied in determining the recoverability of deferred origination costs.

2.1.1 Origination costs

Management expenses have been reviewed to determine the relationship of such expense to the issue of an investment contract. Certain expenses vary with the level of new business production and have been treated as origination costs. Other expenses are written off as incurred.

2.1.2 Amortisation of deferred origination costs and deferred income

Deferred origination costs and deferred income are amortised on a straight-line basis over the life of the underlying investment contract.

2.1.3 Recoverability of deferred origination costs

Formal reviews to assess the recoverability of deferred origination costs on investment contracts are carried out at each balance sheet date to determine whether there is any indication of impairment based on the estimated future income levels by product family level.

If, based upon a review of the remaining contracts, there is any other indication of irrecoverability or impairment, the contract's recoverable amount is estimated. Impairment losses are reversed through the consolidated statement of comprehensive income if there is a change in the estimates used to determine the recoverable amount. Such losses are reversed only to the extent that the contract's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation where applicable, if no impairment loss had been recognised.

2.2 Judgements

The primary areas in which the Group has applied judgement in applying accounting policies are as follows:

- The classification of contracts between insurance and investment business. All contracts are treated as investment contracts as they do not transfer significant insurance risk;
- The Group has elected to treat all assets backing its contracts at fair value through profit or loss although some of the assets in question may ultimately be held to maturity;
- The fair value of certain financial investments. Where the Directors determine that there is no active market for a particular financial instrument, fair value is assessed using valuation techniques based on available relevant information and an appraisal of all associated risks. This process requires the exercise of significant judgement on the part of Directors, as is discussed further in note 3.5 to these consolidated financial statements and;
- To determine whether a provision is required in respect of any pending or threatened litigation, which is addressed in note 26.

3 Financial risk management

Risk management objectives and risk policies

The Group's objective in the management of financial risk is to minimise, where practicable, its exposure to such risk, except when necessary to support other objectives. The Group seeks to manage risk through the operation of unit-linked business whereby the contract holder bears the financial risk. In addition, shareholder assets are invested in highly rated investments.

Overall responsibility for the management of the Group's exposure to risk is vested in the Board. To support it in this role, an enterprise risk management framework is in place comprising risk identification, risk assessment, control and reporting processes. Additionally, the Board and the Boards of subsidiary companies have established a number of Committees with defined terms of reference. These are the Actuarial Review, Audit, Executive, Investment and Risk Committees. Additional information concerning the operation of the Board Committees is contained in the Corporate Governance section of this Annual Report and Accounts.

The more significant financial risks to which the Group is exposed are set out below. For each category of risk, the Group determines its risk appetite and sets its investment, treasury and associated policies accordingly.

3.1 Market risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, analysed between price, interest rate and currency risk. The Group adopts a risk averse approach to market risk, with a stated policy of not actively pursuing or accepting market risk except where necessary to support other objectives. However, the Group accepts the risk that the fall in equity or other asset values, whether as a result of price falls or strengthening of sterling against the currencies in which contract holder assets are denominated, will reduce the level of annual management charge income derived from such contract holder assets and the risk of lower future profits.

Sensitivity analysis to market risk

The Group's business is unit-linked and the direct associated market risk is therefore borne by contract holders (although there is a secondary impact as shareholder income is dependent upon the markets, as mentioned above). Financial assets and liabilities to support Group capital resources held outside unitised funds primarily consist of units in money market funds, cash and cash equivalents, and other assets and liabilities. Cash held in unitised money market funds and at bank is valued at par and is unaffected by movement in interest rates. Other assets and liabilities are similarly unaffected by market movements.

As a result of these combined factors, the Group's financial assets and liabilities held outside unitised funds are not materially subject to market risk, and movements at the reporting date in interest rates and equity values have an immaterial impact on the Group's profit after tax and equity. Future revenues from annual management charges may be affected by movements in interest rates, foreign currencies and equity values.

(a) Price risk

Unit linked funds are exposed to securities price risk as the investments held are subject to prices in the future which are uncertain. The fair value of financial assets (designated at fair value through profit or loss) exposed to price risk at 30 June 2018 was £956.3m (2017: £963.4m). In the event that investment income is affected by price risk then there will be an equal and opposite impact on the value of the changes in provisions for investment contract liabilities in the same accounting period. The impact on the profit or loss before taxation in a given financial year is negligible.

An overall change in the market value of the unit-linked funds would affect the annual management charges accruing to the Group since these charges, which are typically 1% per annum, are based on the market value of contract holder assets under administration. The approximate impact on the Group's profits and equity of a 10% change in fund values, either as a result of price, interest rate or currency fluctuations, is £1.6m (2017: £1.3m).

(b) Interest rate risk

Interest rate risk is the risk that the Group is exposed to lower returns or loss as a direct or indirect result of fluctuations in the value of, or income from, specific assets arising from changes in underlying interest rates.

The Group is primarily exposed to interest rate risk on the balances that it holds with credit institutions and in money market funds. A change of 1% p.a. in interest rates will result in an increase or decrease of approximately £0.7m (2017: £0.8m) in the Group's annual investment income and equity.

A summary of the Group's liquid assets at the balance sheet date is set out in note 3.2.

(c) Currency risk

Currency risk is the risk that the Group is exposed to higher or lower returns as a direct or indirect result of fluctuations in the value of, or income from, specific assets and liabilities arising from changes in underlying exchange rates.

(c)(i) Group foreign currency exposures

The Group is exposed to currency risk on the foreign currency denominated bank balances, contract fees receivable and other liquid assets that it holds to the extent that they do not match liabilities in those currencies. The impact of currency risk is minimised by frequent repatriation of excess foreign currency funds to sterling. The Group does not hedge foreign currency cash flows. At the balance sheet date the Group had exposures in the following currencies:

| | 2018 US\$m | 2018 €m | 2018 ¥m | 2017 US\$m | 2017 €m | 2017 ¥m |
|-------------------------------|---------------|------------|------------|---------------|------------|------------|
| Gross assets | 16.3 | 4.7 | 191.2 | 15.2 | 3.8 | 202.8 |
| Matching currency liabilities | (11.2) | (3.3) | (175.3) | (10.8) | (5.2) | (97.8) |
| Uncovered currency exposures | 5.1 | 1.4 | 15.9 | 4.4 | (1.4) | 105.0 |
| Sterling equivalent (£m) | 3.9 | 1.3 | 0.1 | 3.4 | (1.3) | 0.7 |

The approximate effect of a 5% change: in the value of US dollars to sterling is £0.2m (2017: less than £0.1m); in the value of the euro to sterling is £0.1m (2017: £0.1m); and in the value of the yen to sterling is less than £0.1m (2017: less than £0.1m).

(c) (ii) Financial investments by currency

Certain fees and commissions are earned in currencies other than sterling, based on the value of financial investments held in those currencies from time to time.

The sensitivity of the Group to the currency risk inherent in investments held to cover financial liabilities under investment contracts is incorporated within the analysis set out in (a) above.

At the balance sheet date the analysis of financial investments by currency denomination is as follows, US dollars: 69.2% (2017: 59.6%); euro: 14.2% (2017: 18.9%); sterling: 20.5% (2017: 18.9%); other: 2.4% (2017: 2.6%).

3.2 Credit risk

Credit risk is the risk that the Group is exposed to lower returns or loss if another party fails to perform its financial obligations to the Group. The Group has adopted a risk averse approach to such risk and has a stated policy of not actively pursuing or accepting credit risk except when necessary to support other objectives.

The clearing and custody operations for the Group's security transactions are mainly concentrated with one broker, namely Capital International Limited, a member of the London Stock Exchange. At 30 June 2018 and 2017, substantially all contract holder cash and cash equivalents, balances due from broker and financial investments are placed in custody with Capital International Limited. These operations are detailed in a formal contract that incorporates notice periods and a full exit management plan. Delivery of services under the contract is monitored by a dedicated relationship manager against a documented Service Level Agreement and Key Performance Indicators, and attested periodically by external advisors. Investment risk is borne by the contract holder.

The Group has an exposure to credit risk in relation to its deposits with credit institutions and its investments in unitised money market funds. To manage these risks; deposits are made, in accordance with established policy, with credit institutions having a short-term rating of at least F1 and P1 from Fitch IBCA and Moody's respectively and a long-term rating of at least A and A3. Investments in unitised money market funds are made only where such fund is AAA rated. Additionally maximum counterparty exposure limits are set both at an individual subsidiary company level and on a Group-wide basis.

At the balance sheet date, an analysis of the Group's own cash and cash equivalent balances and liquid investments was as follows (an analysis by maturity date is provided in note 3.4):

| | 2018 £m | 2017 £m |
|-----------------------------------|------------|------------|
| Deposits with credit institutions | 20.5 | 22.4 |
| Investments in money market funds | 48.9 | 49.2 |
| | 69.4 | 71.6 |

3.3 Liquidity risk

Liquidity risk is the risk that the Group, though solvent, does not have sufficient financial resources to enable it to meet its obligations as they fall due, or can only secure them at excessive cost. The Group is averse to liquidity risk and seeks to minimise this risk by not actively pursuing it except where necessary to support other objectives.

The Group's objective is to ensure that it has sufficient liquidity over short- (up to one year) and medium-term time horizons to meet the needs of the business. This includes liquidity to cover, amongst other things, new business costs, planned strategic activities, servicing of equity capital as well as working capital to fund day-to-day cash flow requirements.

Liquidity risk is principally managed in the following ways:

- Assets of a suitable marketability are held to meet contract holder liabilities as they fall due.
- Forecasts are prepared regularly to predict required liquidity levels over both the short- and medium-term.

The Group's exposure to liquidity risk is considered to be low since it maintains a high level of liquid assets to meet its liabilities.

3.4 Undiscounted contractual maturity analysis

Set out below is a summary of the undiscounted contractual maturity profile of the Group's assets.

| | 2018 £m | 2017 £m |
|---|------------|------------|
| Maturity within 1 year | | |
| Deposits and money market funds | 69.4 | 71.6 |
| Other assets | 2.6 | 2.3 |
| | 72.0 | 73.9 |
| Maturity from 1 to 5 years | | |
| Other assets | - | - |
| | - | - |
| Assets with maturity values | 72.0 | 73.9 |
| Other shareholder assets | 118.0 | 115.8 |
| Shareholder assets | 190.0 | 189.7 |
| Gross assets held to cover financial liabilities under investment contracts | 1,037.2 | 1,051.8 |
| Total assets | 1,227.2 | 1,241.5 |

There is no significant difference between the value of the Group's assets on an undiscounted basis and the balance sheet values.

Assets held to cover financial liabilities under investment contracts are deemed to have a maturity of up to one year since the corresponding unit-linked liabilities are repayable and transferable on demand. In certain circumstances the contractual maturities of a portion of the assets may be longer than one year, but the majority of assets held within the unit-linked funds are highly liquid. The Group actively monitors fund liquidity.

The contractual maturity analyses of financial and other liabilities are included in notes 17 and 19 to the consolidated balance sheet.

3.5.1 Fair value estimation

The Group closely monitors the valuation of assets in markets that have become less liquid. Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured. Where the directors determine that there is no active market for a particular financial instrument, for example where a particular collective

investment scheme is suspended from trading, fair value is assessed using valuation techniques based on available, relevant, information and an appraisal of all associated risks. When a collective investment scheme recommences regular trading, the value would be transferred back to Level 1. This process requires the exercise of significant judgement on the part of Directors.

IFRS 13 requires the Group to classify fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring that fair value. The hierarchy is as follows:

- Level 1: fair value is determined as the unadjusted quoted price for an identical instrument in an active market.
- Level 2: fair value is determined using observable inputs other than unadjusted quoted prices for an identical instrument and that does not use significant unobservable inputs.
- Level 3: fair value is determined using significant unobservable inputs.

The following table analyses the Group's financial assets and liabilities at fair value through profit or loss, at 30 June 2018:

| | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|--|----------------|---------------|---------------|----------------|
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | 25.3 | - | - | 25.3 |
| Collective investment schemes | 874.6 | - | 31.2 | 905.8 |
| Fixed income securities | 24.8 | - | - | 24.8 |
| Deposits and money market funds | 97.6 | - | - | 97.6 |
| Total financial assets at fair value through profit or loss | 1,022.3 | - | 31.2 | 1,053.5 |

Transfers into and out of Level 3 in 2018

During this financial year ended 30 June 2018, no assets were transferred from Level 2 to Level 1. Assets with a fair value of £3.2m were transferred from Level 1 to Level 3, due to the change in market for the related assets.

In total, assets with a fair value of £31.2m are classified as Level 3 as the Directors believe that valuations can no longer be obtained for these assets from an observable market price due to suspension in trading or the asset becoming illiquid. During the year ended 30 June 2018, illiquid assets within this category were subject to a net reduction of fair value written down by approximately £39.1m as a result of updated information on the assets in question, including certain collective investment scheme holdings being ordered into liquidation. The Directors value these assets at the latest available NAV of the investment unless there is more appropriate information which indicates a reduction to the fair value.

No assets were transferred from Level 3 to Level 1 or Level 2 during the financial year.

| | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|---|---------------|----------------|---------------|----------------|
| Financial liabilities at fair value through profit or loss | - | 1,036.0 | - | 1,036.0 |

The following table analyses the Group's financial assets and liabilities at fair value through profit or loss, at 30 June 2017:

| | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|--|---------------|---------------|---------------|----------------|
| Financial assets at fair value through profit or loss | | | | |
| Equity securities | 20.5 | - | - | 20.5 |
| Collective investment schemes | 853.8 | - | 67.1 | 920.9 |
| Fixed income securities | 22.0 | - | - | 22.0 |
| Deposits and money market funds | 103.1 | - | - | 103.1 |
| Total financial assets at fair value through profit or loss | 999.4 | - | 67.1 | 1,066.5 |

Transfers into and out of Level 3 in 2017

During the financial year ended 30 June 2017, no assets were transferred from Level 2 to Level 1. Assets with a fair value of £8.5m were transferred from Level 1 to Level 3, due to the change in market for the related assets. Assets with a value of £2.1m were reclassified from Level 1 to Level 3 and subsequently valued at zero by the Directors, as they believe this reflects the fair value of these assets at the balance sheet date. Assets with a fair value of £67.1m were classified as Level 3 as the directors believe that valuations can no longer be obtained for these assets from an observable market price due to suspension in trading or the asset becoming illiquid. The Directors value these assets at the latest available NAV of the investment unless there is more appropriate information which indicates a reduction to the fair value. No assets were transferred from Level 3 to Level 1 or Level 2 during the financial year.

| | Level 1 £m | Level 2 £m | Level 3 £m | Total £m |
|---|---------------|----------------|---------------|----------------|
| Financial liabilities at fair value through profit or loss | - | 1,049.7 | - | 1,049.7 |

Due to the unit-linked nature of the contracts administered by the Group's insurance undertakings, any change in the value of financial assets held to cover financial liabilities under those contracts will result in an equal and opposite change in the value of contract liabilities. The separate effect on financial assets and financial liabilities is included in investment income and investment contract benefits, respectively, in the consolidated statement of comprehensive income.

4 Segmental information

Disclosure of operating segments in these financial statements is consistent with reports provided to the Chief Operating Decision Maker ("CODM") which, in the case of the Group, has been identified as the Executive Committee of Hansard Global plc.

In the opinion of the CODM, the Group operates in a single reportable segment, that of the distribution and servicing of long-term investment products. New business development, distribution and associated activities in relation to the Republic of Ireland ceased with effect from 30 June 2013. All other activities of the Group are continuing.

The Group's Executive Committee uses two principal measures when appraising the performance of the business: Net Issued Compensation Credit ("NICC") and expenses. NICC is the amount of basic initial commission payable to intermediaries for business sold in a period and is calculated on each piece of new business. It excludes override commission paid to intermediaries over and above the basic level of commission. NICC is a high level measure of the value of new in-force business and top-ups on existing single premium contracts and is supplemented by a quarterly review of New Business Contribution at a product level.

The following table analyses NICC geographically and reconciles NICC to origination costs incurred during the year as set out in the Business and Operating Review section of this Annual Report and Accounts.

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Middle East and Africa | 3.5 | 3.0 |
| Rest of the World | 3.5 | 3.0 |
| Far East | 1.7 | 2.9 |
| Latin America | 2.3 | 1.6 |
| Net Issued Compensation Credit | 11.0 | 10.5 |
| Other commission costs paid to third parties | 4.8 | 4.9 |
| Enhanced unit allocations | 1.2 | 1.4 |
| Origination costs incurred during the year | 17.0 | 16.8 |

The net issued compensation credit figure of £11.0m for the year all relates to continuing operations based in the Isle of Man (2017: £10.5m).

Revenues and expenses allocated to geographical locations contained in sections 4.1 to 4.4 below reflect the revenues and expenses generated in or incurred by the legal entities in those locations.

4.1 Geographical analysis of fees and commissions by origin

| | 2018 £m | 2017 £m |
|---------------------|------------|------------|
| Isle of Man | 47.8 | 46.9 |
| Republic of Ireland | 4.8 | 5.7 |
| | 52.6 | 52.6 |

4.2 Geographical analysis of profit before taxation

| | 2018 £m | 2017 £m |
|---------------------|------------|------------|
| Isle of Man | 7.2 | 7.8 |
| Republic of Ireland | (0.3) | (0.1) |
| | 6.9 | 7.7 |

4.3 Geographical analysis of gross assets

| | 2018 £m | 2017 £m |
|---------------------|------------|------------|
| Isle of Man | 1,077.3 | 1,038.6 |
| Republic of Ireland | 149.9 | 202.9 |
| | 1,227.2 | 1,241.5 |

4.4 Geographical analysis of gross liabilities

| | 2018 £m | 2017 £m |
|---------------------|------------|------------|
| Isle of Man | 1,067.7 | 1,025.8 |
| Republic of Ireland | 131.0 | 184.0 |
| | 1,198.7 | 1,209.8 |

5 Fees and commissions

Fees are charged to the contract holders of investment contracts for contract administration services, investment management services, payment of benefits and other services related to the administration of investment contracts. Fees are recognised as revenue as the services are provided. Initial fees that exceed the level of recurring fees and relate to the future provision of services are deferred in the balance sheet and amortised on a straight-line basis over the life of the relevant contract. These fees are accounted for on the issue of a contract and on receipt of incremental premiums on existing single premium contracts.

Regular fees charged to contracts are recognised on a straight-line basis over the period in which the service is provided. Transactional fees are recorded when the required action is complete.

Commissions receivable arise principally from fund houses with which investments are held. Commissions are recognised on an accruals basis in accordance with the relevant agreement.

| | 2018 £m | 2017 £m |
|-------------------------|------------|------------|
| Contract fee income | 33.3 | 34.6 |
| Fund management charges | 14.4 | 13.4 |
| Commissions receivable | 4.9 | 4.6 |
| | 52.6 | 52.6 |

6 Investment income

Investment income comprises dividends, interest and other income receivable, realised gains and losses on investments and unrealised gains and losses. Movements are recognised in the statement of comprehensive income in the period in which they arise. Dividends are accrued on the date notified. Interest is accounted for on a time proportion basis using the effective interest method.

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Interest income | 0.9 | 0.8 |
| Dividend income | 4.3 | 4.4 |
| Gains on realisation of investments | 41.3 | 27.2 |
| Movement in unrealised gains /(losses) | (25.0) | 103.1 |
| | 21.5 | 135.5 |

7 Origination costs

Origination costs include commissions, intermediary incentives and other distribution-related expenditure. Origination costs which vary with, and are directly related to, securing new contracts and incremental premiums on existing single premium contracts are deferred to the extent that they are recoverable out of future net income from the relevant contract. Deferred origination costs are amortised on a straight-line basis over the life of the relevant contracts. Origination costs that do not meet the criteria for deferral are expensed as incurred.

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Amortisation of deferred origination costs | 14.8 | 16.1 |
| Other origination costs | 3.2 | 3.2 |
| | 18.0 | 19.3 |

8 Administrative and other expenses

Included in administrative and other expenses are the following:

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Auditors' remuneration: | | |
| - Fees payable to the Company's auditor for the audit of the Company's annual accounts | 0.1 | 0.1 |
| - Fees payable for the audit of the Company's subsidiaries pursuant to legislation | 0.4 | 0.3 |
| - Other services provided to the Group | 0.1 | 0.1 |
| Employee costs (see note 9) | 11.1 | 10.6 |
| Directors' fees | 0.3 | 0.3 |
| Fund management fees | 4.2 | 4.7 |
| Renewal and other commission | 1.2 | 1.4 |
| Professional and other fees | 3.3 | 2.8 |
| Impairment of broker balances receivable | 0.3 | 1.1 |
| Litigation fees and settlements | 1.2 | 1.0 |
| Operating lease rentals | 0.7 | 0.9 |
| Licences and maintenance fees | 1.1 | 1.0 |
| Insurance costs | 1.2 | 1.1 |
| Depreciation of property, plant and equipment | 0.4 | 0.4 |
| Communications | 0.5 | 0.6 |

9 Employee costs

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

The Group pays fixed pension contributions on behalf of its employees (defined contribution plans). Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

The Group operates an annual bonus plan for employees. An expense is recognised in the consolidated statement of comprehensive income when the Group has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

9.1 The aggregate remuneration in respect of employees (including sales staff and executive Directors) was as follows:

| | 2018 £m | 2017 £m |
|--------------------------------|------------|------------|
| Wages and salaries | 11.1 | 10.9 |
| Social security costs | 1.0 | 1.0 |
| Contributions to pension plans | 1.0 | 0.9 |
| | 13.1 | 12.8 |

Total salary and other staff costs for the year are incorporated within the following classifications:

| | 2018 £m | 2017 £m |
|-----------------------------------|------------|------------|
| Administrative and other expenses | 11.1 | 10.6 |
| Origination costs | 2.0 | 2.2 |
| | 13.1 | 12.8 |

The above information includes Directors' remuneration (excluding non-executive directors' fees). Details of the Directors' remuneration, share options, pension entitlements and interests in shares are disclosed in the Report of the Remuneration Committee on pages 50 to 55.

9.2 The average number of employees during the year was as follows:

| | 2018 No. | 2017 No. |
|----------------------------|-------------|-------------|
| Administration | 137 | 138 |
| Distribution and marketing | 25 | 32 |
| IT development | 34 | 34 |
| | 196 | 204 |

10 Taxation

Taxation is based on profits and income for the period as determined with reference to the relevant tax legislation in the countries in which the Company and its subsidiaries operate. Tax payable is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Tax is recognised in the income statement except to the extent that it relates to items recognised in equity. Tax on items relating to equity is recognised in equity.

The Group's profits arising from its Isle of Man-based operations are taxable at 0% (2017: 0%). Profits in the Republic of Ireland are taxed at 12.5% (2017: 12.5%). Hansard International's administrative branch in Japan is taxed based on local tax rates, with the national corporate tax rate being 23.4% (2017: 23.4%). The current year Group tax charge of £0.1m (2017: £nil) includes amounts for Japan and other operations.

There is no material difference between the current tax charge in the income statement and the current tax charge that would result from applying standard rates of tax to the profit before tax.

11 Earnings per share

The calculation for earnings per share is based on the profit for the year after taxation divided by the weighted average number of shares in issue throughout the year.

| | 2018 | 2017 |
|---|------------|------------|
| Profit after tax (£m) | 6.8 | 7.7 |
| Weighted average number of shares in issue (millions) | 137.6 | 137.4 |
| Basic and diluted earnings per share in pence | 4.9 | 5.6 |

The Directors believe that there is no material difference between the weighted average number of shares in issue for the purposes of calculating either basic or diluted earnings per share. Earnings under either measure is 4.9p per share (2017: 5.6p).

12 Dividends

Interim dividends payable to shareholders are recognised in the year in which the dividends are paid. Final dividends payable are recognised as liabilities when approved by the shareholders at the Annual General Meeting.

The following dividends have been paid by the Group during the year:

| | Per share 2018 p | Total 2018 £m | Per share 2017 p | Total 2017 £m |
|---|------------------------|---------------------|------------------------|---------------------|
| Final dividend in respect of previous financial year | 5.3 | 7.3 | 5.3 | 7.3 |
| Interim dividend in respect of current financial year | 1.8 | 2.5 | 3.6 | 4.9 |
| | 7.1 | 9.8 | 8.9 | 12.2 |

The Board has resolved to pay a final dividend of 2.65p per share on 7 November 2018, subject to approval at the Annual General Meeting, based on shareholders on the register on 5 October 2018.

13 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and any impairment. The historical cost of property, computer equipment and fixtures & fittings is the purchase cost, together with any incremental costs directly attributable to the acquisition. The historical cost of computer software is the purchase cost. Computer software is recognised as an intangible asset.

Depreciation is calculated so as to amortise the cost of tangible and intangible assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned and is included in administration and other expenses in the consolidated statement of comprehensive income.

The carrying amount, residual value and useful life of the Group's plant and equipment is reviewed annually to determine whether there is any indication of impairment, or a change in residual value or expected useful life. If there is any indication of impairment, the asset's carrying value is revised.

The economic lives used for this purpose are:

| | |
|---------------------------------|--------------|
| Freehold property | 50 years |
| Computer equipment and software | 3 to 5 years |
| Fixtures & fittings | 4 years |

The cost of property, computer equipment and fixtures & fittings at 30 June 2018 is £10.0m (2017: £9.6m), with a net book value of £1.0m (2017: £1.0m). The cost of computer software at 30 June 2018 is £1.2m (2017: £0.7m), with a net book value of £0.5m (2017: £nil).

Accumulated depreciation at 30 June 2018 is £9.7m (2017: £9.3m).

14 Deferred origination costs

Amortisation of deferred origination costs is charged within the origination costs line in the consolidated statement of comprehensive income.

Formal reviews to assess the recoverability of deferred origination costs on investment contracts are carried out at each balance sheet date to determine whether there is any indication of impairment. If there is any indication of irrecoverability or impairment, the asset's recoverable amount is estimated. Impairment losses are reversed through the consolidated statement of comprehensive income if there is a change in the estimates used to determine the recoverable amount. Such losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation where applicable, if no impairment loss had been recognised.

The movement in value over the financial year is summarised below.

| | 2018 £m | 2017 £m |
|---|------------|------------|
| Carrying value | | |
| At beginning of financial year | 111.6 | 110.9 |
| Origination costs incurred during the year | 17.0 | 16.8 |
| Origination costs amortised during the year | (14.8) | (16.1) |
| | 113.8 | 111.6 |

| | 2018 £m | 2017 £m |
|-----------------------------------|------------|------------|
| Contractual carrying value | | |
| Current | 11.2 | 11.0 |
| Non-current | 102.6 | 100.6 |
| | 113.8 | 111.6 |

15 Other receivables

Other receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

| | 2018 £m | 2017 £m |
|---|------------|------------|
| Contract fees receivable | - | 0.1 |
| Commission receivable | 2.7 | 2.4 |
| Other debtors | 2.1 | 2.7 |
| | 4.8 | 5.2 |
| Expected to be settled within 12 months | 4.7 | 5.1 |
| Expected to be settled after 12 months | 0.1 | 0.1 |
| | 4.8 | 5.2 |

There are no receivables overdue but not impaired (2017: £nil). Due to the short-term nature of these assets the carrying value is considered to reflect fair value.

16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less, net of short-term overdraft positions where a right of set-off exists. In the below table, Money market funds includes all immediately available cash, other than specific short term deposits.

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Money market funds | 48.9 | 49.2 |
| Short-term deposits with credit institutions | 4.7 | 8.0 |
| | 53.6 | 57.2 |

17 Financial liabilities under investment contracts

17.1 Investment contract liabilities, premiums and benefits paid

17.1.1 Investment contract liabilities

Investment contracts consist of unit-linked contracts written through subsidiary companies in the Group. Unit-linked liabilities are measured at fair value by reference to the value of the underlying net asset value of the Group's unitised investment funds, determined on a bid basis, at the balance sheet date.

The decision by the Group to designate its unit-linked liabilities at fair value through profit or loss reflects the fact that the liabilities are calculated with reference to the value of the underlying assets.

17.1.2 Investment contract premiums

Investment contract premiums are not included in the statement of comprehensive income but are reported as deposits to investment contracts and are included in financial liabilities in the balance sheet. On existing business, a liability is recognised at the point the premium falls due. The liability for premiums received on new business is deemed to commence at the acceptance of risk.

17.1.3 Benefits paid

Withdrawals from policy contracts and other benefits paid are not included in the statement of comprehensive income but are deducted from financial liabilities under investment contracts in the balance sheet. Benefits are deducted from financial liabilities and transferred to amounts due to investment contract holders on the basis of notifications received, when the benefit falls due for payment or, on the earlier of the date when paid or when the contract ceases to be included within those liabilities.

17.2 Movement in financial liabilities under investment contracts

The following table summarises the movement in liabilities under investment contracts during the year:

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Deposits to investment contracts | 152.0 | 150.9 |
| Withdrawals from contracts and charges | (186.1) | (159.2) |
| Change in provisions for investment contract liabilities | 20.4 | 134.5 |
| Movement in year | (13.7) | 126.2 |
| At beginning of year | 1,049.7 | 923.5 |
| | 1,036.0 | 1,049.7 |

| | £m | £m |
|--|---------|---------|
| Contractually due to be settled within 12 months | 30.6 | 28.5 |
| Contractually due to be settled after 12 months | 1,005.4 | 1,021.2 |
| | 1,036.0 | 1,049.7 |

The change in provisions for investment contract liabilities includes dividend and interest income and net realised and unrealised gains and losses on financial investments held to cover financial liabilities. Dividend income, interest income and gains and losses are accounted for in accordance with note 6.

17.3 Investments held to cover liabilities under investment contracts

The Group classifies its financial assets into the following categories: financial investments and loans and receivables. Financial investments consist of units in collective investment schemes, equity securities, fixed income securities and deposits with credit institutions. All financial investments are designated at fair value through profit or loss.

The decision by the Group to designate its financial investments at fair value through profit or loss reflects the fact that the investment portfolio is managed, and its performance evaluated, on a fair value basis.

The Group recognises purchases and sales of investments on trade date. Investment transaction costs are written off in administration expenses as incurred.

All gains and losses derived from financial investments, realised or unrealised, are recognised within investment income in the consolidated statement of comprehensive income in the period in which they arise.

The value of financial assets at fair value through profit or loss that are traded in active markets (such as trading securities) is based on quoted market prices at the balance sheet date. The quoted market price for financial assets held by the Group is the current bid price. Investments in funds are valued at the latest available net asset valuation provided by the administrators or managers of the funds and companies, unless the directors are aware of good reasons why such valuations would not be the most appropriate or indicative of fair value. Where necessary, the Group uses other valuation methods to arrive at the stated fair value of its financial assets, such as recent arms' length transactions or reference to similar listed investments.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables consist, primarily, of contract fees receivable, long-term cash deposits (i.e. with an original maturity duration in excess of three months) and cash and cash equivalents.

The following investments, cash and cash equivalents, other assets and liabilities are held to cover financial liabilities under investment contracts. They are included within the relevant headings on the consolidated balance sheet.

| | 2018 £m | 2017 £m |
|---|----------------|----------------|
| Equity securities | 25.3 | 20.5 |
| Investments in collective investment schemes | 905.4 | 920.4 |
| Fixed income securities | 24.8 | 22.0 |
| Deposits and money market funds | 81.7 | 88.8 |
| Total assets | 1,037.2 | 1,051.7 |
| Other payables | (1.2) | (2.0) |
| Net financial assets held to cover financial liabilities | 1,036.0 | 1,049.7 |

18 Deferred income

Fees charged for services related to the management of investment contracts are recognised as revenue as the services are provided. Initial fees which exceed the level of recurring fees and relate to the future provision of services are deferred. These are amortised over the anticipated period in which services will be provided.

The movement in value of deferred income over the financial year is summarised below.

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Carrying value | | |
| At beginning of financial year | 129.2 | 130.5 |
| Income received and deferred during the year | 18.4 | 16.8 |
| Income recognised in contract fees during the year | (17.3) | (18.1) |
| | 130.3 | 129.2 |

| | 2018 £m | 2017 £m |
|-----------------------------------|------------|------------|
| Contractual carrying value | | |
| Current | 12.9 | 13.0 |
| Non-current | 117.4 | 116.2 |
| | 130.3 | 129.2 |

19 Other payables

Other payables are initially recognised at fair value and subsequently measured at amortised cost. They are recognised at the point where service is received but payment is due after the balance sheet date.

| | 2018 £m | 2017 £m |
|------------------------------|------------|------------|
| Commission payable | 1.4 | 1.4 |
| Other creditors and accruals | 7.3 | 6.7 |
| | 8.7 | 8.1 |

All payable balances, including amounts due to contract holders, are deemed to be current. Due to the short-term nature of these payables the carrying value is considered to reflect fair value.

Included within other payables, is a provision of £0.2m (2017: nil) for the closure of branches and satellite offices which are no longer part of the distribution strategy.

20 Capital management

It is the Group's policy to maintain a strong capital base in order to:

- satisfy the requirements of its contract holders, creditors and regulators;
- maintain financial strength to support new business growth and create shareholder value;
- match the profile of its assets and liabilities, taking account of the risks inherent in the business and;
- generate operating cash flows to meet dividend requirements.

Within the Group each subsidiary company manages its own capital. Capital generated in excess of planned requirements is returned to the Company by way of dividends. Group capital requirements are monitored by the Board.

The Group's policy is for each company to hold the higher of:

- the company's internal assessment of the capital required; and
- the capital requirement of the relevant supervisory body plus a specified margin over this to absorb changes.

For the year ended 30 June 2018, Hansard International implemented the Isle of Man's new solvency regime which calculated solvency in an equivalent manner to the European Solvency II regime. This did not result in any material change to the amount of capital required by Hansard International.

There has been no material change in the Group's management of capital during the period and all regulated entities exceed significantly the minimum solvency requirements at the balance sheet date.

The capital held within Hansard Europe is considered not to be available for dividend to Hansard Global plc until such time as the legal cases referred to in note 26 are resolved.

21 Called up share capital

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Authorised: | | |
| 200,000,000 ordinary shares of 50p | 100.0 | 100.0 |
| Issued and fully paid: | | |
| 137,557,079 (2017: 137,444,792) ordinary shares of 50p | 68.8 | 68.7 |

112,287 (2017: 4,336) shares were issued in the year under the terms of the share save scheme.

22 Other reserves

Other reserves comprise the merger reserve arising on the acquisition by the Company of its subsidiary companies on 1 July 2005, the share premium account and the share save reserve. The merger reserve represents the difference between the par value of shares issued by the Company for the acquisition of those companies, compared to the par value of the share capital and the share premium of those companies at the date of acquisition.

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Merger reserve | (48.5) | (48.5) |
| Share premium | 0.1 | 0.1 |
| Share based payments reserve | 0.1 | - |
| Share save reserve | 0.1 | 0.1 |
| Reserve for own shares held within EBT | (0.4) | - |
| | (48.6) | (48.3) |

Included within other reserves is an amount representing 585,000 ordinary shares held by the Group's employee benefit trust ('EBT') which were acquired at a cost of £0.4m (see note 23.2). The ordinary shares held by the trustee of the Group's employee benefit trust are treated as treasury shares in the Consolidated Balance Sheet in accordance with IAS 32 "Financial Instruments: Presentation".

This reserve arose when the Group acquired equity share capital under its EBT, which is held in trust by the trustee of the Group's employee benefit trust. Treasury shares cease to be accounted for as such when they are sold outside the Group or the interest is transferred in full to the employee pursuant to the terms of the incentive plan. See note 23.2 for further details.

23 Equity settled share-based payments

The Company has established a number of equity-based payment programmes for eligible employees. The fair value of expected equity-settled share-based payments under these programmes is calculated at date of grant using a standard option-pricing model and is amortised over the vesting period on a straight-line basis through the consolidated statement of comprehensive income. A corresponding amount is credited to equity over the same period.

At each balance sheet date, the Group reviews its estimate of the number of options expected to be exercised. The impact of any revision in the number of such options is recognised in the consolidated statement of comprehensive income so that the charge to the consolidated statement of comprehensive income is based on the number of options that actually vest. A corresponding adjustment is made to equity.

The estimated fair value of the schemes and the imputed cost for the period under review is not material to these financial statements.

23.1 SAYE programme

This is a standard scheme approved by the Revenue authorities in the Isle of Man that is available to all employees where individuals may make monthly contributions over three or five years to purchase shares at a price not less than 80% of the market price at the date of the invitation to participate.

At the date of this report, the following options remain outstanding under each tranche:

| Scheme year | 2018 No. of options | 2017 No. of options |
|--------------------|--------------------------------|--------------------------------|
| 2014 | 21,686 | 70,550 |
| 2015 | 512,985 | 666,158 |
| 2016 | 81,848 | 117,846 |
| 2017 | 134,326 | 271,639 |
| 2018 | 742,134 | - |
| | 1,492,979 | 1,126,193 |

A summary of the transactions in the existing SAYE programmes during the year is as follows:

| | 2018 | | 2017 |
|----------------------------------|-----------------------|--|-----------------------|
| | No. of options | Weighted average exercise price (p) | No. of options |
| Outstanding at the start of year | 1,126,193 | 78 | 1,052,119 |
| Granted | 772,617 | 62 | 271,639 |
| Exercised | (112,287) | 69 | (4,336) |
| Forfeited | (293,544) | 74 | (193,229) |
| Outstanding at end of year* | 1,492,979* | 67 | 1,126,193 |

*249,609 of these options are exercisable as at 30 June 2018.

Financial assumptions underlying the calculation of fair value

The fair value expense has been based on the fair value of the options granted, as calculated using the Black Scholes pricing model. Expected volatility is based on an analysis of the Group's share price volatility on the London Stock Exchange.

The fair value of the share options granted during the year has been calculated using the following assumptions:

| 2018 award assumptions | 3-year | 5-year |
|-------------------------------|---------------|---------------|
| Date of grant | 26 April 2018 | 26 April 2018 |
| Fair value (pence) | 16 | 16 |
| Exercise price (pence) | 62 | 62 |
| Share price (pence) | 80 | 80 |
| Expected volatility | 28 % | 28 % |
| Expected dividend yield | 5.5% | 5.5% |
| Risk-free rate | 0.93% | 1.23% |

2018 award details

| | |
|--------------------------|-------------------------------|
| Date of grant | 26 April 2018 |
| No. of shares awarded | 772,617 |
| Vesting conditions | 3- or 5-year savings term |
| Exercise period - 3-year | 1 June 2021 - 1 December 2021 |
| Exercise period - 5-year | 1 June 2023 - 1 December 2023 |

23.2 Incentive Plan Employee Benefit Trust

An Employee Benefit Trust was established in February 2018 to hold shares awarded to employees as an incentive on a deferred basis.

Shares awarded under the scheme are purchased by the Trust in the open market and held until vesting. Awards made under the scheme would normally vest after three years. There were no awards which vested during the year (2017: not applicable).

The Trust has been funded with a loan of £446,000 during the year (2017: not applicable). At the date of this Report and Accounts, the loan to the Trust had an outstanding balance of £446,000 (2017: not applicable) and the Trust holds 585,000 shares (2017: not applicable), following the purchase of 585,000 shares in the year.

24 Financial commitments

Operating leases are defined as leases in which the lessor retains a significant proportion of the risks and rewards. Costs in respect of operating leases, less any incentives received from the lessor, are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term.

The total of future minimum lease payments under non-cancellable operating leases for property rental is as follows:

| | 2018 £m | 2017 £m |
|----------------------------|--------------------|--------------------|
| Amounts due: | | |
| Within one year | 0.6 | 0.6 |
| Between two and five years | 1.0 | 1.4 |
| After five years | - | - |
| | 1.6 | 2.0 |

25 Related party transactions

25.1 Intra-group transactions

Various subsidiary companies within the Group perform services for other Group companies in the normal course of business. The financial results of these activities are eliminated in the consolidated financial statements.

25.2 Key management personnel compensation

Key management consists of 12 individuals (2017: 10), being members of the Group's Executive Committee and executive Directors of direct subsidiaries of the Company.

The aggregate remuneration paid to key management as at 30 June 2018 is as follows:

| | 2018 £m | 2017 £m |
|-----------------------------|------------|------------|
| Salaries, wages and bonuses | 2.1 | 2.0 |

The total value of investment contracts issued by the Group and held by key management is zero (2017: zero).

25.3 Transactions with controlling shareholder

Dr L S Polonsky is regarded as the controlling shareholder of the Group, as defined by the Listing Rules of the Financial Conduct Authority. Except as reported below, there were no significant transactions between the Group and Dr Polonsky during the year under review.

- As reported in the Report of the Remuneration Committee on page 51, Dr Polonsky received fees of £50,000 (2017: £50,000) for services provided to the Group under the terms of his service agreement dated 22 September 2016. This fee represents the standard arm's length fee paid to each of the Group's non-executive directors.
- Dr Polonsky has an investment contract issued by the Group on terms available to employees in general. At 30 June 2018 this contract had a fair value of £2.4m (2017: £15.7m). During the year, withdrawals of £13.2m were made from this contract.

25.4 Employee Benefit Trust

An Employee Benefit Trust was established in November 2011 with the transfer to it of 400,000 ordinary shares in Hansard Global plc by Dr Polonsky. The purpose of the Trust is to use the income derived from dividends to reward longer serving staff, where sales targets are met. At the date of this Annual Report and Accounts, the Trust holds 860,820 shares (2017: 803,949 shares), following the purchase of 56,871 shares in the year. There were no awards paid by the Trust during the year as the performance targets were not met (2017: £nil).

25.5 Incentive Plan Employee Benefit Trust

An Employee Benefit Trust was established in February 2018 to hold shares awarded to employees as an incentive on a deferred basis. The Trust has been funded with a loan of £446,000 during the year (2017: not applicable). At the date of this Annual Report and Accounts, the loan to the Trust had an outstanding balance of £446,000 (2017: not applicable) and the Trust holds 585,000 shares (2017: not applicable), following the purchase of 585,000 shares in the year. There were no awards which vested during the year (2017: not applicable).

25.6 Other related party transactions

The Company entered into a contract in July 2011 with Mr. Gordon Marr, the Group Chief Executive Officer, to purchase a residential property for the sum of £481,000, exercisable at his discretion. Mr. Marr purchased the property in July 2011 for £501,000. The contract has not been exercised at the date of this Annual Report and Accounts.

26 Contingent liabilities

The Group does not give any investment advice. Investment decisions are taken either by the contract holder directly or through a professional intermediary appointed by the contract holder. Contract holders bear the financial risk relating to the investments underpinning their contracts, as the policy benefits are linked to the value of the assets. Notwithstanding the above, financial services institutions are frequently drawn into disputes in cases where the value and performance of assets selected by or on behalf of contract holders fails to meet their expectations. At the balance sheet date a number of fund structures remain affected by liquidity or other issues that hinder their sales or redemptions on normal terms with a consequent adverse impact on policy transactions.

As reported previously, the Group has been subject to a number of complaints in relation to the selection and performance of assets linked to contracts. The Company has been served with a number of writs arising from such complaints and other asset-related issues.

As at 30 June 2018, the Group had been served with cumulative writs with a net exposure totalling €20.1m, or £17.8m in sterling terms (30 June 2017: €16.9m/£14.8m) arising from contract holder complaints and other asset performance-related issues. The primary driver of the increase has been in relation to a new group action in Italy focussed on a range of funds which have been illiquid for a number of years.

During the year, the Group successfully defended nine cases with net exposures of approximately €8.2m, or £7.3m, including our largest single case in Belgium. This affirms confidence in the Group's legal arguments. Six of these cases have however been subsequently appealed. While we assess the risk of loss from these cases to now be lower, we have retained their exposures in full within the contingent liabilities total. In addition, two cases with net exposures of €3.4m, or £3.0m, have been removed from contingent liabilities due to the indefinite suspension of those court proceedings.

While it is not possible to forecast or determine the final results of pending or threatened legal proceedings, based on the pleadings and advice received from the Group's legal representatives, the Directors believe that the Group has strong defences to such claims. Notwithstanding this, there may be circumstances where in order to avoid the expense and distraction of protracted litigation the Board may consider it in the best interests of the Group and its shareholder to reach a commercial resolution with regard to certain of these claims. Such cases totalled £0.2m (2017: £nil) during the year. It is not possible at this time to make any further estimates of liability.

27 Foreign exchange rates

The Group's presentational and functional currency is pounds sterling, being the currency of the primary economic environment in which the Group operates.

Foreign currency transactions are translated into sterling using the applicable exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date, and the gains or losses on translation are recognised in the consolidated statement of comprehensive income.

Non-monetary assets and liabilities that are held at historical cost are translated using exchange rates prevailing at the date of transaction; those held at fair value are translated using exchange rates ruling at the date on which the fair value was determined.

The closing exchange rates used by the Group for the conversion of significant consolidated balance sheet items to sterling were as follows:

| | 2018 | 2017 |
|--------------|-------|-------|
| US Dollar | 1.32 | 1.30 |
| Japanese Yen | 146.4 | 146.5 |
| Euro | 1.13 | 1.14 |

Independent auditor's report to the members of Hansard Global plc

Report on the audit of the parent company financial statements

Our opinion

In our opinion, Hansard Global plc's parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 30 June 2018 and of its cash flows for the year then ended in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as applied in accordance with the provision of the Isle of Man Companies Act 1982; and
- have been properly prepared in accordance with the requirements of the Isle of Man Companies Acts 1931 to 2004.

What we have audited

Hansard Global plc's parent company financial statements (the "financial statements") comprise:

- the parent company balance sheet as at 30 June 2018;
- the parent company statement of changes in equity for the year then ended;
- the parent company cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Certain required disclosures have been presented elsewhere in the Annual Report and Accounts, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the ethical requirements of the United Kingdom Financial Reporting Council's Ethical Standard that are relevant to our audit of the financial statements in the Isle of Man. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the United Kingdom Financial Reporting Council's Ethical Standard.

Other information

The other information comprises all of the information in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with United Kingdom Accounting Standards and Isle of Man law, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the parent company's financial reporting process.

Independent auditor's report to the members of Hansard Global plc *continued*

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

This report, including the opinion, has been prepared for and only for the parent company's members as a body in accordance with Section 15 of the Isle of Man Companies Act 1982 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Report on other legal and regulatory requirements

Adequacy of accounting records and information and explanations received

Under the Isle of Man Companies Acts 1931 to 2004 we are required to report to you by exception if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper books of account have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the books of account and returns; and
- certain disclosures of directors' loans and remuneration specified by law have not been complied with.

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the consolidated financial statements of Hansard Global plc for the year ended 30 June 2018.

**Nicholas Mark Halsall, Responsible Individual
for and on behalf of PricewaterhouseCoopers LLC
Chartered Accountants, Douglas, Isle of Man
26 September 2018**

Hansard Global plc

Parent Company Statement of Changes in Equity

for the year ended 30 June 2018

| | Share capital £m | Other reserves £m | Retained earnings £m | Total £m |
|---|------------------------|-------------------------|----------------------------|-------------|
| At 1 July 2016 | 68.7 | 0.2 | 14.3 | 83.2 |
| Profit and total comprehensive income for the year after taxation | - | - | 6.6 | 6.6 |
| Transactions with owners | | | | |
| Dividends paid | - | - | (12.2) | (12.2) |
| At 30 June 2017 | 68.7 | 0.2 | 8.7 | 77.6 |

| | Share capital £m | Other reserves £m | Retained earnings £m | Total £m |
|---|------------------------|-------------------------|----------------------------|-------------|
| At 1 July 2017 | 68.7 | 0.2 | 8.7 | 77.6 |
| Profit and total comprehensive income for the year after taxation | - | - | 9.7 | 9.7 |
| Share based payments reserve | - | 0.1 | - | 0.1 |
| Transactions with owners | | | | |
| Shares allotted | 0.1 | - | - | 0.1 |
| Dividends paid | - | - | (9.8) | (9.8) |
| At 30 June 2018 | 68.8 | 0.3 | 8.6 | 77.7 |

The notes on pages 89 to 93 form an integral part of these financial statements.

Hansard Global plc

Parent Company Balance Sheet

as at 30 June 2018

| | Notes | 2018 £m | 2017 £m |
|---------------------------------------|-------|-------------|-------------|
| Assets | | | |
| Fixed assets | | | |
| Intangible assets | 6 | 0.4 | - |
| Tangible assets | 7 | 0.5 | 0.5 |
| Investment in subsidiary companies | 4 | 72.1 | 71.8 |
| Current assets | | | |
| Cash and cash equivalents | | 3.1 | 2.5 |
| Amounts due from subsidiary companies | 5 | 2.6 | 3.4 |
| Other receivables | | 0.4 | 0.3 |
| Total assets | | 79.1 | 78.5 |
| Liabilities | | | |
| Other payables | | 1.4 | 0.9 |
| Total liabilities | | 1.4 | 0.9 |
| Net assets | | 77.7 | 77.6 |
| Shareholders' equity | | | |
| Called up share capital | 8 | 68.8 | 68.7 |
| Share premium | | 0.1 | 0.1 |
| Retained earnings | | 8.6 | 8.7 |
| Share based payments reserve | | 0.1 | - |
| Share save reserve | | 0.1 | 0.1 |
| Total shareholders' equity | | 77.7 | 77.6 |

The notes on pages 89 to 93 form an integral part of these financial statements.

The parent company financial statements on pages 86 to 93 were approved by the Board on 26 September 2018 and signed on its behalf by:



G S Marr
Director



T N Davies
Director

Hansard Global plc

Parent Company Cash Flow Statement

for the year ended 30 June 2018

| | 2018 £m | 2017 £m |
|--|--------------|---------------|
| Cash flow from operating activities | | |
| Profit before tax for the year | 9.7 | 6.6 |
| Adjustments for: | | |
| Dividends received | (15.0) | (10.0) |
| Changes in operating assets and liabilities | | |
| Decrease in amounts due from subsidiaries | 0.8 | 3.8 |
| (Increase) / decrease in debtors | (0.1) | 0.1 |
| Increase in creditors | 0.6 | - |
| Cash flow from operations | (4.0) | 0.5 |
| Cash flows from investing activities | | |
| Share capital issued | 0.1 | - |
| Dividends received | 15.0 | 10.0 |
| Purchase of intangible fixed assets | (0.4) | - |
| Purchase of investments | (0.3) | - |
| Cash flows from investing activities | 14.4 | 10.0 |
| Cash flows from financing activities | | |
| Dividends paid | (9.8) | (12.2) |
| Cash flows from financing activities | (9.8) | (12.2) |
| Net decrease in cash and cash equivalents | 0.6 | (1.7) |
| Cash and cash equivalents at beginning of year | 2.5 | 4.2 |
| Cash and cash equivalents at year end | 3.1 | 2.5 |

The notes on pages 89 to 93 form an integral part of these financial statements.

1. General information

Hansard Global plc ("the Company") is a limited liability company, and is incorporated and domiciled in the Isle of Man. The registered office of the company is Harbour Court, Lord Street, Box 192, Douglas, Isle of Man, IM99 1QL. The Company is listed on the London Stock Exchange.

The principal activity of the Company is to act as the holding company of the Hansard group of companies ("the Group").

2. Significant accounting policies

2.1 Basis of preparation

The individual financial statements of the Company have been prepared on a going concern basis in compliance with United Kingdom Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Isle of Man Companies Acts 1931 to 2004. They are prepared under the historical cost convention. In accordance with the provisions of the Isle of Man Companies Act 1982 the Company has not presented its own profit and loss account. The Company's profit for the year ended 30 June 2018, including dividends received from subsidiaries, is £9.7m (2017: £6.6m).

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. 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.

2.2 Investment income

Investment income includes interest and dividends. Interest is accounted for on an accruals basis. Dividends are accrued on an ex-dividend basis.

2.3 Dividends payable

Dividends payable to shareholders are recognised in the year in which the dividends are approved. These amounts are recognised in the statement of changes in equity.

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The Company recognises revenue when the services are rendered, the amount of revenue can be measured reliably and it is probable that future economic benefits will flow to the company.

2.5 Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

The Company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Notes to the parent company financial statements

continued

2.6 Investments in subsidiaries

Investments in subsidiary companies are held at cost, adjusted for any impairment.

2.7 Foreign currencies

The Company's presentational and functional currency is pounds sterling, being the currency of the primary economic environment in which the Company operates.

Foreign currency transactions are translated into sterling using the approximate exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date and the gains or losses on translation are recognised in the profit and loss account.

2.8 Tangible assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation.

The cost of of intangible assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal rates used for this purpose are:

| | |
|-----------------------|----------|
| Freehold property | 50 years |
| Computer equipment | 3 years |
| Fixtures and fittings | 4 years |

2.9 Intangible assets

Intangible fixed assets are stated at historic purchase cost less accumulated amortisation.

The cost of intangible assets is their purchase cost, together with any incidental costs of acquisition. Amortisation is calculated so as to write off the cost of intangible assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. At present the intangible asset balance represents work in progress in relation to a new computer system which has not yet begun its useful economic life.

2.10 Cash and cash equivalents

Cash at bank and in hand comprise of cash at bank, deposits held at banks and highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

2.11 Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other receivables, (i.e. debtors and amounts due from group undertakings) and cash at bank, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including accruals and other creditors, and amounts due to group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Other creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

2.12 Operating lease assets

Leases that do not transfer all of the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

2.13 Share capital

Ordinary shares are classified as equity.

2.14 Related parties

The Company discloses transactions with related parties which are not wholly owned by the same group. It does not disclose transactions with members of the same group that are wholly owned.

3 Critical accounting estimates and judgements in applying accounting policies

Estimates, assumptions and judgements are used in the application of accounting policies in these financial statements. Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. Estimates, assumptions and judgements are evaluated continually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from assumptions and estimates made by management.

3.1 Accounting estimates and assumptions

The principal areas in which the Company applies accounting estimates and assumptions include:

(a) Investment in subsidiary companies

Management assesses the net asset value of the underlying investments and considering they are part of the Group it is considered its best estimate.

Notes to the parent company financial statements

continued

4 Investments in subsidiary companies

The following schedule reflects the Company's subsidiary companies at the balance sheet date and at the date of this report. All companies are wholly owned and incorporated in the Isle of Man, except where indicated.

Subsidiary company

Hansard International Limited

Hansard Europe Designated Activity Company (incorporated in the Republic of Ireland)

Hansard Development Services Limited

Hansard Administration Services Limited

Hansard Worldwide Limited (incorporated in the Bahamas during the year and not yet trading)

5 Amounts due from subsidiary companies

The Company and various subsidiary companies within the Group perform services for other Group companies in the normal course of business. All balances are unsecured, interest free and repayable on demand.

6 Intangible assets

The intangible asset shown represents work in progress in relation to a new computer system. During the current financial year £0.4m of costs have been capitalised in relation to the development of the system. No amortisation will be applicable until the system is complete and has begun its useful life.

7 Tangible assets

The Company purchased a freehold property in July 2014 for £0.4m and spent a further £0.1m to bring the property to a useable condition. Depreciation is included in the profit and loss account and calculated in line with the accounting policy published above.

8 Share capital

| | 2018 £m | 2017 £m |
|--|------------|------------|
| Authorised: | | |
| 200,000,000 ordinary shares of 50p | 100.0 | 100.0 |
| Issued and fully paid: | | |
| 137,557,079 (2017: 137,444,792) ordinary shares of 50p | 68.8 | 68.7 |

During the year 112,287 shares were issued (2017: 4,336) under the terms of the Save as You Earn (SAYE) share save programme approved by the shareholders.

The Company has received clearance from the London Stock Exchange to list a maximum of 1,200,000 shares necessary to meet its obligations to employees under the terms of the scheme. As at 30 June 2018 924,123 shares remained available for listing.

9 Related party transactions

During the year fees totalling £0.2m (2017: £0.2m) were paid to non-Executive Directors.

The aggregate remuneration paid to key management of the Company as at 30 June 2018 was as follows:

| | 2018 £m | 2017 £m |
|-----------------------------|------------|------------|
| Salaries, wages and bonuses | 1.3 | 1.3 |

10 Equity settled share-based payments

10.1 SAYE programme

Shareholders have approved a Save as You Earn (SAYE) share save programme for employees. The scheme is a standard SAYE plan, approved by the Revenue Authorities in the Isle of Man and is available to eligible employees. Under the terms of the scheme, individuals can invest up to £500 per month for a three or five-year period to purchase shares at a price not less than 80% of the market price on the date of the invitation to participate.

The scheme is operated annually, with the option price and awards criteria normally being established in February. The estimated fair value of the schemes and the imputed cost for the period under review is not material to these financial statements.

At the balance sheet date, all remaining options (including all options granted in the year ending 30 June 2018) relate to Isle of Man based staff. Details are available in Note 23 to the consolidated financial statements.

10.2 Incentive Plan Employee Benefit Trust

An Employee Benefit Trust was established in February 2018 to hold shares awarded to employees as an incentive on a deferred basis.

Shares awarded under the scheme are purchased by the Trust in the open market and held until vesting. Awards made under the scheme would normally vest after three years. There were no awards which vested during the year (2017: not applicable).

The Trust has been funded with a loan of £446,000 during the year (2017: not applicable). At the date of this Annual Report and Accounts, the loan to the Trust had an outstanding balance of £446,000 (2017: not applicable) and the Trust holds 585,000 shares (2017: not applicable), following the purchase of 585,000 shares in the year. The shares held by the Trust as at 30 June 2018 represent awards made which vest in July 2020.

European Embedded Value Information

1 Introduction

The European Embedded Value (“EEV”) measure is an estimate of the value of the shareholders’ interest in the Group. The EEV covers the entire business of the Group, including its life assurance companies and subsidiaries providing administration, distribution and other services.

The EEV comprises Net Worth and the Value of Future Profits (“VFP”) i.e. future profits from business in-force at the valuation date, 30 June 2018. It excludes the value of any future new business that the Group may write after the valuation date. All results are calculated net of corporation tax.

The Group’s EEV methodology complies fully with the set of EEV Principles published by the CFO Forum in May 2004 and most recently extended in April 2016. It has been calculated using market-consistent economic assumptions and best estimate operating assumptions having regard for the Group’s experience and its assessment of future experience. A description of the EEV methodology is set out in the notes to the EEV Information. There have been no significant changes in the EEV methodology from that used in the previous financial year.

2 EEV Profit performance for the year

2.1 EEV Profit / (Loss)

EEV profit / (loss) is a measure of the performance over the year. It is derived as follows:

| | 2018 £m | 2017 £m |
|--|---------------|--------------|
| New Business Contribution | (1.0) | 1.3 |
| Experience variances | (3.8) | (4.7) |
| Operating assumption changes | (7.1) | (5.9) |
| Model changes | (0.2) | 0.3 |
| Other operating variances | (2.4) | 0.0 |
| Expected return on new and existing business | 0.6 | 0.6 |
| Expected Return on Net Worth | 0.2 | 0.2 |
| EEV operating loss after tax | (13.7) | (8.2) |
| Investment return variances | 7.1 | 16.8 |
| Economic assumption changes | 0.6 | 3.1 |
| EEV profit after tax | (6.0) | 11.7 |

2.1.1 New Business Contribution

New Business Contribution (“NBC”) was -£1.0m for the year (2017: £1.3m). The negative NBC reflects a change in business mix together with revised future expense assumptions and an increase in initial expenses.

2.1.2 Experience Variances

Experience variances arise where actual experience differs from that assumed in the prior year’s EEV. Major contributors to the experience variances this year include worse than assumed encashments, ongoing expenses and one off expenses and lower than expected contract holder activity margin. Expense variances arose as a result of a range of items including increased costs of premium collection and costs of administration. Contract holder activity margin variances are due to less than expected contract holder activity and hence lower than expected foreign exchange and unit pricing margins received.

| | 2018 £m | 2017 £m |
|--------------------------------------|------------|------------|
| Ongoing expenses | (1.2) | (0.2) |
| Full encashments | (1.2) | (2.0) |
| Contract holder activity margins | (1.0) | - |
| One-off expenses | (1.1) | (0.5) |
| Premium reductions and underpayments | 0.5 | (2.1) |
| Other | 0.2 | 0.1 |
| | (3.8) | (4.7) |

2.1.3 Operating Assumption Changes

The operating assumption changes reflect changes in management's view of the behaviour of the existing business. These changes decreased the EEV by £7.1m, (2017: decrease of £5.9m), as shown below.

Operating assumptions are generally management's best estimate, having regard to recent experience. Management has strengthened the expense assumptions, contract holder activity margins and partial encashment assumptions, while weakening full encashment and premium persistency assumptions.

The adverse expense assumption change reflects increased expenses assumed to be borne by each in-force contract. This reflects a lengthier period being taken by the Group to achieve the scale assumed in its long-term assumptions.

The impact of updating the full encashment assumption is positive as the assumption at longer durations was reduced in line with experience, thereby increasing VIF. The negative experience variance in table 2.1.2. is due to lower than expected lapses at earlier durations, resulting in lower surrender profits than expected, thus reducing the net worth.

| | 2018 £m | 2017 £m |
|----------------------------------|------------|------------|
| Ongoing expenses | (5.0) | (5.3) |
| Contract holder activity margins | (2.4) | 1.4 |
| Partial encashment | (0.9) | 0.7 |
| Other | (0.2) | - |
| Full encashment | 0.5 | (0.6) |
| Premium persistency | 0.9 | (2.1) |
| | (7.1) | (5.9) |

2.1.4 Model Changes

The Group continues to develop its modelling functionality. In particular, this year, a revised approach to calculating trail commission was implemented and a coding change relating to the clawback of a special offer when a policy converts to paid up status. As a result of these model changes, the EEV decreased by £0.2m (2017: £0.3m increase).

2.1.5 Other operating variances

With the implementation of risk based capital regulations in the Isle of Man, the Company undertook a review of the methodology used in the calculation of the reduction for non-market risk. Following this review, and based mainly on emerging market practice, the Company has updated the methodology which has resulted in an adverse variance which decreased the EEV by £2.4m.

2.1.6 Expected Return on new and existing business

Under EEV methodology, it is a convention to assume that the value of the business grows at 'start of period' assumptions. The expected return is therefore based on assumptions determined at 30 June 2017. These assumptions are applied to give the expected conversion from VFP to Net Worth in the year, and the time value of both existing business and non-market risk.

No assumptions are made about the level of future new business. New Business Cashflows is the initial capital invested in the new business during the year. This is calculated using end of period operating assumptions (i.e. assumptions determined at 30 June 2018).

| | EEV | 2018 Net Worth | VIF* | EEV | 2017 Net Worth | VIF* |
|---------------------------------|-----|----------------------|--------|-----|----------------------|--------|
| | £m | £m | £m | £m | £m | £m |
| Cash generated from VFP | - | 32.0 | (32.0) | - | 27.9 | (27.9) |
| New Business Cashflows | - | (20.6) | 20.6 | - | (20.8) | 20.8 |
| Time value of existing business | 0.6 | (1.0) | 1.6 | 0.6 | 0.1 | 0.5 |
| Time value of new business | - | - | - | - | - | - |
| | 0.6 | 10.4 | (9.8) | 0.6 | 7.2 | (6.6) |

*Value of In-Force.

The expected value of cash generated was £32.0m (2017: £27.9m) and New Business Strain was £20.6m (2017: £20.8m). These reflect similar levels of new business year on year. The time value figures use economic assumptions at 30 June 2017.

2.1.7 Expected Return on Net Worth

The expected return on Net Worth of £0.2m (2017: £0.2m) reflects the anticipated increase in shareholder assets over the period due to the time value of money. In line with the EEV, its calculation is based on the 30 June 2017 year one risk discount rate for sterling which was 0.8% (2017: 0.4%).

2.1.8 Investment return variance

Investment performance principally reflects the investment choices, by nature and currency, made by contract holders. It is therefore largely outside the Group's control.

| | 2018 £m | 2017 £m |
|---|------------|------------|
| Investment performance of contract holder funds | 6.5 | 14.9 |
| Shareholder return | 1.3 | - |
| Other | 0.3 | 0.8 |
| Exchange rate movements | (1.0) | 1.1 |
| | 7.1 | 16.8 |

2.1.9 Economic Assumption Changes

There was a positive variance of £0.6m (2017: positive variance of £3.1m) from economic assumption changes. This is due to revised assumptions on future contract holder activity margin offset changes to swap yields for the currencies to which the Group is exposed.

| | 2018 £m | 2017 £m |
|-------------------------------------|------------|------------|
| Contract holder activity margins | 1.6 | 3.8 |
| Risk discount rates and unit growth | (1.0) | (0.7) |
| | 0.6 | 3.1 |

2.2 Analysis of EEV profit / (loss) by EEV component

The table below shows a detailed analysis of EEV profit / (loss) after tax for the year ended 30 June 2018.

| | 2018 Movement in | | | 2017 * Movement in | | |
|--|---------------------|------------|---------------|-----------------------|------------|---------------|
| | EEV | Net Worth | VIF | EEV | Net Worth | VIF |
| | £m | £m | £m | £m | £m | £m |
| New Business Contribution | (1.0) | (23.7) | 22.7 | 1.3 | (24.1) | 25.4 |
| Experience variances | (3.8) | (7.3) | 3.5 | (4.7) | (3.5) | (1.2) |
| Operating assumption changes | (7.1) | - | (7.1) | (5.9) | - | (5.9) |
| Other operating variances | (2.4) | - | (2.4) | - | - | - |
| Model changes | (0.2) | - | (0.2) | 0.3 | - | 0.3 |
| Expected return on new and existing business | 0.6 | 34.1 | (33.5) | 0.6 | 31.3 | (30.7) |
| Expected return on Net Worth | 0.2 | 0.2 | - | 0.2 | 0.2 | - |
| EEV operating profit/(loss) after tax | (13.7) | 3.3 | (17.0) | (8.2) | 3.9 | (12.1) |
| Investment return variances | 7.1 | 1.7 | 5.4 | 16.8 | 2.0 | 14.8 |
| Economic assumption changes | 0.6 | - | 0.6 | 3.1 | - | 3.1 |
| EEV (loss) / profit after tax | (6.0) | 5.0 | (11.0) | 11.7 | 5.9 | 5.8 |

* Certain comparative figures have been restated to align with current year presentation.

3 Embedded Value at 30 June 2018

Following the payment of dividends of £9.8m (2017: £12.2m), the Group's EEV has fallen to £179.8m (2017: £195.5m). The EEV balance sheet is presented below.

| | 2018 £m | 2017 £m |
|--|--------------|--------------|
| Free surplus | 16.9 | 21.4 |
| Required Capital | 27.6 | 27.8 |
| Net Worth | 44.5 | 49.2 |
| VIF | 143.9 | 152.6 |
| Frictional costs | - | (0.1) |
| Reduction for non-market risk | (8.6) | (6.2) |
| Value of Future Profits ("VFP") | 135.3 | 146.3 |
| EEV | 179.8 | 195.5 |

At the balance sheet date, the Net Worth of the Group is represented by liquid cash and money market balances. Given the uncertainties inherent in the ultimate outcome of the litigation against Hansard Europe, we believe the extraction of any capital by the parent company will be constrained for up to three years.

The VFP is based on the value of contract holder funds under administration at 30 June 2018.

4 New business profitability

Levels of new business written in 2018 were not of sufficient quantity to cover the expenses of writing such business and as a result the new business contribution and new business margin were negative. The following metrics illustrate the profitability of the Group's new business.

4.1 New business margin

| | 2018 | 2017 |
|-----------------------------------|---------|---------|
| New business sales ("PVNBP") | £146.6m | £148.3m |
| New business contribution ("NBC") | (£1.0m) | £1.3m |
| New business margin ("NBM") | (0.7%) | 0.9% |

The new business margin for the year was -0.7% (2017: 0.9%). The change is primarily due to a change in the business mix (product type, term and premium levels) and to an increase in renewal and premium per policy expense assumptions over the period.

5 EEV sensitivity analysis

Sensitivities provide an indication of the impact of changes in particular assumptions on the EEV at 30 June 2018 and the NBC for the year then ended.

The sensitivities will be affected by the change in the Group's business mix: different product types are sensitive to different assumptions in particular. Unless otherwise indicated, the sensitivities are broadly symmetrical.

The sensitivity analysis indicates that the Group's exposure to operating factors is limited, largely as a result of product design. A change in the level of expenses is the main operating exposure of the Group. The largest sensitivities for the Group are related to economic factors. In particular, as a result of the portfolio of assets under administration, it is exposed to movements in exchange rates and asset values through the impact on the level of future fund-based management income.

| Impact on: | 2018 | |
|--|--------------|--------------|
| | EEV £m | NBC £m |
| Central assumptions | 179.8 | (1.0) |
| Operating sensitivities | | |
| 10% decrease in expenses | 9.6 | 1.9 |
| 1% increase in expense inflation | (6.4) | (0.8) |
| 1% increase in charge inflation | 3.6 | 0.2 |
| 1% increase in expense & charge inflation | (2.7) | (0.6) |
| 10% decrease in full encashment rates | 1.4 | 0.2 |
| 10% decrease in mortality | 0.2 | - |
| Economic sensitivities | | |
| 1% increase in risk discount rate | (6.0) | (0.5) |
| 1% decrease in investment return rate | (6.7) | (0.4) |
| 1% increase in risk discount rate & investment return rate | 0.6 | (0.1) |
| 1% decrease in risk discount rate & investment return rate | (0.8) | 0.1 |
| 10% decrease in the value of equities and property | (11.1) | - |
| 10% strengthening of sterling | (16.2) | (1.2) |

In each sensitivity calculation, all other assumptions remain unchanged, except those being tested. There is a natural correlation between many of the sensitivity scenarios tested, so the impact of two occurring together is likely to be different from the sum of the individual sensitivities.

No changes to statutory valuation bases, pricing bases and Required Capital have been allowed for. No future management action has been modelled in reaction to the changing assumptions. For new business, the sensitivities reflect the impact of a change from inception of the contract.

Notes to the European Embedded Value Information

1 BASIS OF PREPARATION OF EEV

1.1 EEV Principles

The Group's EEV methodology complies fully with the set of EEV Principles published by the CFO Forum in May 2004 and most recently extended in April 2016. It has been calculated using market-consistent economic assumptions and best estimate operating assumptions having regard for the Group's own past, current and expected future experience.

1.2 Covered business

EEV covers the entire business of the Group.

1.3 New business premiums

The following premiums are included in the calculation of the NBC and PVNBP:

- Premiums arising from the sale of new policies during the period, including:
 - Contractual premiums;
 - Non-contractual recurrent single premiums where the level of premium and period of payment is pre-defined and reasonably predictable.
- Non-contractual top-up premiums received during the period on existing policies.

1.4 Timing of cash flows

The EEV has been calculated using economic and operating assumptions as at the end of the financial year (i.e. the valuation date). The NBC and PVNBP where applicable have been calculated using economic assumptions as at the start of the year and operating assumptions as at the end of the year.

1.5 Real world returns

No credit is taken in the calculation of EEV, NBC or PVNBP where applicable for returns in excess of risk-free returns. This approach may differ from that used by some of our competitors who include an asset risk premium.

2 METHODOLOGY

2.1 Overview

The methodology used to derive the EEV results at the valuation date is consistent with the IFRS methodology used in relation to the consolidated financial statements for the year ended 30 June 2018. Under EEV methodology, profit is recognised as margins are released from contract related balances over the lifetime of each contract within the Group's in-force business. The total projected profit recognised over the lifetime of a contract under EEV methodology is the same as reported under IFRS, but the timing of recognition is different.

2.2 European Embedded Value

The Group's European Embedded Value is calculated on its covered business and is shown net of corporation tax. The Group does not have any debt or financial reinsurance arrangements in place at the valuation date. The EEV comprises the Net Worth and the Value of Future Profits, which can be further categorised as shown in the table below:

Components of the EEV

| Component | Sub-component |
|-------------------------|--|
| Net Worth | Required Capital |
| | Free Surplus |
| Value Of Future Profits | Value of In-Force |
| | Reduction for Non-market Risk |
| | Frictional Cost of Required Capital |
| | Cost of Financial Options & Guarantees |

Each component is determined separately, as follows:

2.2.1 Required Capital

Required Capital is determined by the Board, bearing in mind the requirements of regulators of the Group's life insurance subsidiaries and the working capital required by the Boards of the Group's subsidiaries.

Given the uncertainties inherent in the ultimate outcome of the litigation against Hansard Europe, we believe the extraction of any capital by the parent company will be constrained for up to three years.

2.2.2 Free Surplus

The Free Surplus is the difference between the Net Worth and the Required Capital.

2.2.3 Value of In-Force covered business ("VIF")

The VIF is determined by projecting, on a best estimate basis, the stream of future shareholder cash flows expected to arise from assets backing the liabilities of the covered business and then calculating the present value of the cash flows using an appropriate risk discount rate.

Future shareholder cash flows are deemed to arise when they are released from contract holder funds, following an actuarial valuation by the Appointed Actuary / Head of Actuarial Function.

VIF is calculated on a 'look through' basis whereby it includes all net cash flows arising from the products supported by the subsidiary companies providing administration, distribution and other services. The projections are performed using an actuarial modelling tool called Prophet.

2.2.4 Reduction for non-market Risk

The Directors make an annual assessment of the cost of non-market risks that are not modelled in the VIF projections and determine an allowance to be deducted from VFP to meet these risks.

This year, the Directors have established an allowance of £8.6m (2017: £6.2m). This is equivalent to an increase of 1.42% in the risk discount rate assumption at the valuation date. The allowance has been assessed after considering past experience, the operational characteristics of the business and emerging market practice. It is the latter that has generated an increase in the reduction for non-market risk, as there has been no material change in the risks or operational characteristics of the business.

2.2.5 Frictional Cost of Required Capital

The cost of holding the Required Capital is, for the Group, the cost of tax on interest on the capital retained in Hansard Europe. The expected interest is projected, the tax calculated and then discounted to the valuation date.

Hansard Europe's VIF net of Marketing Allowances is negative. Since profits are unlikely to become positive on the closed book the tax parameter has been zeroised. Thus the cost of Required Capital is now zero.

2.2.6 Cost of financial options and guarantees

The Group's business does not include any policies with material options and/or guarantees regarding investment performance and, hence, unlike the situation faced by many other life insurers, the Group's cost of financial options and guarantees is zero.

3 OPERATING ASSUMPTIONS

The EEV is calculated using best estimate operating assumptions having regard for the Group's recent experience and management's best estimate of future behaviour, together with other relevant data.

The covered business is unit-linked: it comprises mainly investment-type products with minimal life cover and no financial options or guarantees. The three main product groups are regular premium, personal portfolio and recurrent single premium. Variations in experience between the product groups have been considered and, where appropriate, separate assumptions have been used.

The EEV assumptions are based on an assessment of the business as a going concern.

3.1 Expense assumptions

The allocation of expenses between acquisition and maintenance and the assumption setting process are generally consistent with prior years. Development costs to enable future new business have not been allocated to new business and are excluded in the calculation of the NBC. The amount of the development costs excluded from the NBC was £1.1m. Other non-recurring non-development costs are generally charged as incurred, and hence will be reflected as a profit or loss in the year.

The number of contracts in-force has been falling over the last few years, partially as a result of the closure to new business of Hansard Europe in 2013. This trend is expected to continue for a period before the number of contracts in-force is assumed to return to the current level. We have made an allowance for this feature in the EEV calculation. In quantifying the impact we have assumed new business growth into the future.

Exceptional items are generally charged as incurred and hence are reflected as a variance in the year. Their value in 2018 was a charge of £0.9m (2017: £0.5m).

Notes to the European Embedded Value Information *continued*

3.2 Demographic & contract holder experience assumptions

The assumption setting process is consistent with prior years.

3.3 Taxation

Current and expected future tax legislation, regulation and the Group's own tax position were considered in setting the assumptions. Hansard Europe's VIF net of Marketing Allowances is negative. Since profits are unlikely to become positive on the closed book the parameter has been zeroised. The tax rate assumptions for this year and last year are as follows:

| Corporation tax rates | 2018 | 2017 |
|-----------------------|------|-------|
| Isle of Man | 0% | 0% |
| Republic of Ireland | 0% | 12.5% |

3.4 Other operating assumptions

The process for setting assumptions for the impact of contract holder activity, such as fund switching, is generally consistent with prior years.

4 ECONOMIC ASSUMPTIONS

Under EEV principles, the economic assumptions used in the EEV calculations are actively reviewed at each valuation date and are internally consistent. The assumption setting process is generally consistent with prior years.

4.1 Risk discount rate

The risk discount rates are set equal to the risk-free rates based on the bid-swap yield curve for the applicable currency and term, sourced from the European Insurance and Occupational Pensions Authority (EIOPA). The EEV calculation uses the risk-free rates at the end of the year (i.e. at the valuation date), while the calculation of NBC and PVNBP uses the risk-free rate at the start of the year (i.e. at the previous year-end date).

4.2 Investment returns

All investments are assumed to provide a return equal to the risk-free rate less external fund manager investment charges and any other investment expenses charged directly against contract holder funds.

4.3 Risk premium

No credit is taken in the calculation of EEV, NBC or PVNBP for returns in excess of risk-free returns i.e. a cautious approach is adopted by assuming an asset risk premium of zero.

4.4 Inflation rates

In setting the expense inflation assumption, consideration is given to price and salary inflation rates in both the Isle of Man and the Republic of Ireland, and to the Group's own expense experience and expectations. Future price inflation is derived from the yields of UK inflation linked bonds, appropriate for the duration and nature of the cash flows. For service companies, expense inflation relates to the underlying expenses rather than the fees charged to the life assurance companies.

By design, contractual monetary-charge inflation is broadly matched to expense inflation: in Hansard Europe, the charge inflation is subject to a minimum increase of 5% per annum. The correlation between expense inflation and charge inflation dampens the impact of inflation on the embedded value results.

Inflation assumptions are as follows:

| Inflation rates | 30 June 2018 | 30 June 2017 |
|--|---------------------|---------------------|
| Expense inflation per annum | 2.8% | 2.9% |
| Charge inflation per annum – Hansard Europe | 5.0% | 5.0% |
| Charge inflation per annum – Hansard International – Year 1 | 2.6% | 2.4% |
| Charge inflation per annum – Hansard International – Year 2 | 2.9% | 2.6% |
| Charge inflation per annum – Hansard International – Year 3+ | 2.8% | 2.9% |

The 5% charge inflation rate for Hansard Europe reflects the terms of the products. The three-year stepped approach to charge inflation for Hansard International reflects the terms of the products, trending towards a long-term inflation rate of 2.8% per annum.

Report of the Reviewing Actuaries to the Directors of Hansard Global plc

Review of the European Embedded Value (“EEV”) of Hansard Global plc for the 12 month period ended 30 June 2018

Our role

Deloitte MCS Limited has been engaged by Hansard Global plc to act as Reviewing Actuaries in connection with results on an EEV basis published in sections within Hansard Global plc’s Results for the year ended 30 June 2018.

Responsibilities

The EEV Information and the methodology and assumptions underlying it is the sole responsibility of the directors of Hansard Global plc. It has been prepared by the directors of Hansard Global plc, and the calculations underlying the EEV Information have been performed by Hansard Global plc.

Our review was conducted in accordance with generally accepted actuarial practices and processes. It comprised a combination of such reasonableness checks, analytical reviews and checks of clerical accuracy as we considered necessary to provide reasonable assurance that the EEV Information has been compiled free of material error.

The EEV Information necessarily makes numerous assumptions with respect to economic conditions, operating conditions, taxes, and other matters, many of which are beyond the Group’s control.

Although the assumptions used represent estimates which the directors believe are together reasonable, actual experience in future may vary from that assumed in the preparation of the EEV Information, and any such variations may be material. Deviations from assumed experience are normal and are to be expected.

The EEV does not purport to be a market valuation of the Group and should not be interpreted in that manner since it does not encompass all of the many factors that may bear upon a market value. For example, it makes no allowance for the value of future new business.

Opinion

In our opinion, on the basis of our review:

- the methodology and assumptions used to prepare the EEV Information comply in all material respects with the European Embedded Values Principles set out by the CFO Forum in May 2004, and most recently extended in April 2016 (the “CFO Forum Principles”);
- the EEV Information has been compiled on the basis of the methodology and assumptions and complies in all material respects with the CFO Forum Principles.

Reliances and limitations

We have relied on data and information, including the value of net assets, management accounting data and solvency information supplied to us by the Group. Further, we have relied on the terms of the contracts, as they have been reported to us, being enforceable.

We have relied on the reported mathematical reserves, the adequacy of those reserves, and of the methods and assumptions used to determine them. We have assumed that all provisions made in the audited financial statements for any other liabilities (whether actual, contingent or potential) of whatever nature, are appropriate.

We have also relied on information relating to the current and historical operating experience of the Group’s life insurance business, including the results of experience investigations relating to policy persistency, and expense analysis. In forming our opinion, we have considered the assumptions used in the EEV Information in the context of the reported results of those investigations although we have not attempted to predict the impact of potential future changes in competitive forces on the assumptions.

Deloitte MCS Limited 24 September 2018

Deloitte MCS Limited is registered in England and Wales with registered number 03311052 and its registered office at Hill House, 1 Little New Street, London, EC4A 3TR, United Kingdom.

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Account Executives

Individuals employed by the Group to develop markets and support Independent Financial Advisors (IFAs).

Annualised premium equivalent (“APE”)

An industry measure of insurance new business sales. It is calculated as the sum of regular premiums and 10% of single premiums written in the year.

Assets under administration (“AUA”)

A measure of the total assets that the Group administers on behalf of contract holders, who have selected an external third party investment manager.

Compensation Credit (“CC”)

The Group’s prime indicator of calculating new business production. This indicates the relative value of each piece of new business and is used, therefore, in the calculation of commission payable.

Corporate Governance Code (“the Code”)

The UK Corporate Governance Code sets out guidance in the form of principles and provisions on how companies should be directed and controlled to follow good governance practice. The Financial Reporting Council requires companies listed in the UK to disclose how they have applied principles of the Code and whether they have complied with its provisions throughout the accounting year. Where the provisions have not been complied with, companies must provide an explanation for this.

Covered business

The business covered by the EEV methodology. For the Company, this covers the entire in-force business of the Group, including all contracts issued by the Group’s life insurance subsidiaries and subsidiaries providing administration, distribution and other services, as at the valuation date. It excludes the value of any future new business that the Group may write after the valuation date.

Deferred origination costs (“DOC”)

The method of accounting whereby origination costs of long-term business are deferred in the balance sheet as an asset and amortised over the life of those contracts. This leads to a smoothed recognition of up front expenses instead of the full cost in the year of sale.

Deferred income (“DIR”)

The method of accounting whereby front end fees that relate to services to be provided in future periods are deferred in the balance sheet as a liability and amortised over the life of those contracts. This leads to a smoothed recognition of up front income instead of the full income in the year of sale.

Discounting

The reduction to present value at a given date of a future cash transaction at an assumed rate, using a discount factor reflecting the time value of money.

Earnings per share (“EPS”)

EPS is a commonly used financial metric which can be used to measure the profitability and strength of a company over time. EPS is calculated by dividing profit by the number of ordinary shares. Basic EPS uses the weighted average number of ordinary shares outstanding during the year. Diluted EPS adjusts the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, for example share awards and share options awarded to employees.

Economic assumptions

Assumptions in relation to future interest rates, investment returns, inflation and tax. These assumptions, and variances in relation to these assumptions, are treated as non-operating profits / (losses) under EEV.

Enterprise risk management (“ERM”) programme.

The programme implemented by the Group to promote identification, monitoring and management of risks.

Embedded Value

A measure of the value of the shareholders’ interest in a life and/or related businesses, represented by the total of the Net Worth and the Value of Future Profits from the covered business as at the relevant valuation date. It ignores the value of any future new business.

European Embedded Value (“EEV”)

An embedded value prepared in accordance with the EEV Principles.

EEV Information

EEV Information is the material set out in sections “European Embedded Value Information” (pages 94 to 99) and “Notes to the European Embedded Value Information” (pages 100 to 103) of the Annual Report and Accounts.

EEV operating profit

An assessment of the value generated by the Group during the year. It represents profit generated from new business sales and the in-force book of business, based on closing non-economic and opening economic assumptions.

EEV Principles

A set of principles published by the CFO Forum which provide a consistent basis for European insurers to prepare their Embedded Value reports. Along with additional guidance published by the CFO Forum, the principles describe how companies should prepare their supplementary embedded value reporting on the performance of their life insurance operations.

Experience variances

Current period differences between the actual experience incurred over the period and the assumptions used in the calculation of the embedded value, excluding new business non-economic experience variances which are captured in new business contribution.

Free surplus

The market value of assets allocated to, but not required to support, the in-force covered business at the valuation date. In effect, it is the excess of Net Worth over Required Capital.

Frictional costs

The additional taxation and investment costs incurred by shareholders through investing the Required Capital in the Company rather than directly. EEV calculations assume that any surplus projected capital in excess of the Group's requirements is transferred to shareholders. However, some surplus is not immediately transferable as it is needed to satisfy regulatory capital requirements and provide working capital. An allowance is made for the frictional cost of retaining this capital in the business (to reflect the cost to shareholders of delaying its distribution, for example, via taxation on any interest that it might earn). This cost is explicitly deducted from the VIF.

Group

Hansard Global plc and its subsidiaries.

Growth investment spend

Costs we incur investing in the future of our business, including technology to support our growth.

Independent Financial Advisors ("IFAs")

A person or organisation authorised to give advice on financial matters and to sell the products of financial service providers. Outside the UK IFAs may be referred to by other names.

In-force

Long-term business which has been written before the period end and which has not terminated before the period end.

International Financial Reporting Standards ("IFRS")

International Financial Reporting Standards are accounting standards issued by the International Accounting Standards Board ("IASB"). The Group's consolidated financial statements are required to be prepared in accordance with IFRS as adopted by the European Union to allow comparable reporting between companies.

IFRS equity per share

Total IFRS equity divided by the diluted number of issued shares at the end of the period.

Key performance indicators ("KPI")

This is one of a number of measures by reference to which the development, performance or position of the business can be measured effectively.

Maintenance expenses

Expenses related to the servicing of the in-force book of business (including investment and termination expenses and a share of overheads).

Net Worth

The market value of the shareholders' funds, determined on an IFRS basis, adjusted to exclude certain assets such as the deferred origination costs and liabilities such as deferred income and to add back any non-admissible assets. The Net Worth consists of Required Capital and Free surplus.

New business contribution ("NBC")

The expected present value of all future cash flows attributable to shareholders from new business, as included within EEV operating profit. NBC is calculated after the effect of any frictional costs. Unless otherwise stated, it is also quoted net of tax. It is calculated at point of sale. NBC is shown after allowing for the cost of required capital, calculated on the same basis as for in-force business.

New business margin ("NBM")

NBC expressed as a percentage of PVNBP. This measures whether new business written is adding value or eroding value. It is a measure of profitability (not profit), comparing the expected profit (or losses) with the value of expected premiums.

New business strain ("NBS")

Costs involved in acquiring new business (such as commission payments to intermediaries, expenses and reserves) affecting the insurance company's financial position at that point and where all of the income from that new business (including premiums and investment income) has not yet been received and will not be received until a point in the future. To begin with, therefore, a strain may be created where cash outflows exceed inflows.

Non-economic assumptions

Assumptions in relation to future levels of mortality, morbidity, persistency and expenses. These assumptions, and variances in relation to these assumptions, are included as operating profits / (losses) under EEV.

Non-market Risk

Allowance in the EEV for the cost of risks not already covered by the VIF. The main risks covered are mortality, persistency, expense and other operating risks. In choosing best estimate assumptions, directors have already made some allowance for risk. However, best estimate assumptions may fail to represent the full impact on shareholder value where adverse experience has a higher impact on shareholder value than favourable experience.

Origination costs

Expenses related to the procurement and processing of new business written including a share of overheads. Sometimes known as acquisition costs.

Present value of new business premiums ("PVNBP")

The industry measure of insurance new business sales under the EEV methodology. It is calculated as 100% of single premiums plus the expected present value of new regular premiums.

Regular premium

A regular premium contract (as opposed to a single premium contract), is one where the contract holder agrees at inception to make regular payments throughout the term of the contract.

Required Capital

The amount of assets, over and above the value placed on liabilities in respect of covered business, whose distribution to shareholders is restricted.

Risk discount rate

The present value of a future cash amount depends on its currency and the time until it will become available. The present value is determined using a discount rate that reflects currency and timing. Discount rates are set based on swap rates for the relevant currency determined at year-long intervals for amounts in GBP, EUR, USD and JPY up to year 30, and the year 30 rate thereafter. This covers over 95% of the future expected cash amounts by funds under management: other currencies are assumed to be subject to the GBP rate. Year 1 rates are used to unwind the existing business and are shown separately in the disclosures.

Single premium

A single premium contract (as opposed to a regular premium contract (see above)), involves the payment of one premium at inception with no obligation for the contract holder to make subsequent additional payments.

Solvency II

The EU-wide regulatory regime which aims to more closely align

solvency capital to an insurer's risk profile. It came into force on 1 January 2016.

Unit-linked policy

A policy where the benefits are determined by reference to the investment performance of a specified pool of assets referred to as the unit-linked fund.

Value of In-Force covered business ("VIF")

The present value of expected future shareholder profits less the present value cost of holding capital required to support the in-force business.

Financial Calendar for the financial year ending 30 June 2019

| | |
|---|-------------------|
| Annual General Meeting | 7 November 2018 |
| Publication of first Interim Management Statement | 8 November 2018 |
| Payment date for final dividend | 15 November 2018 |
| Announcement of 2nd quarter new business results | 24 January 2019 |
| Publication of half-yearly results | 7 March 2019 |
| Declaration of interim dividend | 7 March 2019 |
| Ex-dividend date for interim dividend | 14 March 2019 |
| Record date for interim dividend | 15 March 2019 |
| Payment of interim dividend | 23 April 2019 |
| Publication of second Interim Management Statement | 9 May 2019 |
| Announcement of 4th quarter new business results | 25 July 2019 |
| Announcement of results for the year ended 30 June 2019 | 26 September 2019 |
| Declaration of final dividend | 26 September 2019 |
| Ex-dividend date for final dividend | 3 October 2019 |
| Record date for final dividend | 4 October 2019 |
| Annual General Meeting | 6 November 2019 |
| Payment date for final dividend | 14 November 2019 |

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