



HANSARD  
GLOBAL PLC

# INTERIM REPORT AND ACCOUNTS

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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 approximately £1 billion for over 500 financial advisor businesses with over 40,000 client accounts in as many as 155 countries.

# Hansard Global plc Interim Report and Accounts



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GLOBAL PLC

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*“ We continue to pursue our strategy of growing our business organically through Independent Financial Advisor (“IFA”) relationships and the pursuit of targeted opportunities, either through new licences or via institutional partnerships.”*

*- Gordon S. Marr, Chief Executive Officer*

# CHAIRMAN'S STATEMENT

## PHILIP GREGORY

### New business

New business for the first six months of our 2018 financial year ("HI 2018") was £77m on a Present Value of New Business Premiums ("PVNBP") basis. This was an increase of 3% over the prior period ("HI 2017") and reflects continued progress in our goal to build sales levels in a sustainable and diversified way.

We are very pleased with the strong increases in sales achieved in our Latin America and Rest of World regions. We are seeing a number of brokerages in the Middle East altering their business models and in some cases exiting the market as new regulation and competitive pressures come to bear. We intend to replace and grow business in this region over time through our local relationship with Union Insurance PSC.

### Financial performance

The Group's profit after tax under International Financial Reporting Standards ("IFRS") of £3.5m for the period is £0.9m lower than the comparative period profit of £4.4m. As reported in previous reports, this reflects the on-going reduction in income from Hansard Europe which closed to new business in 2013, adverse foreign exchange movements and some additional expense items.

European Embedded Value ("EEV") profit after tax was £3.9m for the period (HI 2017: £8.5m). The main driver of the change from the prior period was a reversal of strong foreign exchange gains experienced in HI 2017.

Our new business contribution and margin remained marginally positive for the period but we are clear that the business continues to require additional scale to drive these levels forward to more attractive levels. The Group is continuing to actively pursue a number of additional distribution initiatives which are expected to come to fruition later in 2018.

### Dividends

We have flagged for the past 12 months that we intended to reduce the Group dividend in the 2018 financial year by 50% in order to better match the cash and profits being generated by the Group and to be in a position to capitalise on future business development opportunities. Accordingly, the Board has resolved to pay an interim dividend of 1.8p per share (HI 2017: 3.6p per share).

### Capitalisation and solvency

The Group continues to be well capitalised to meet the requirements of regulators, contract holders, intermediaries and other stakeholders. Aggregate minimum solvency margins are covered by £34.3m (31 December 2016: £38.0m) of excess assets. 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.

### Outlook

As mentioned above, we expect to continue to grow the business through a number of planned distribution initiatives in our operating regions. We are clear that additional scale is necessary for the business and the Board is dedicating its attention to ensuring the delivery of this.

The Group is also allocating significant resource to ensure we are suitably placed for on-going regulatory change, particularly the Isle of Man's regulatory roadmap which introduces a Solvency II type capital regime from 30 June 2018 and significant consumer protection and disclosure requirements from 1 January 2019.



**Philip Gregory**

*PPC Gregory*

**Chairman**

**21 February 2018**

# REPORT OF THE GROUP CHIEF EXECUTIVE OFFICER

## GORDON MARR

### Strategy implementation and new business distribution

The Group's focus is to provide regular and single premium savings products to expatriate and internationally minded clients around the world. We continue to pursue our strategy of growing our business organically through Independent Financial Advisor ("IFA") relationships and the pursuit of targeted opportunities, either through new licences or via institutional partnerships. Our strategic development team has been tasked with refreshing the Group's strategic objectives and identifying additional opportunities for growth and operational efficiency.

### Results for the period

IFRS profit for the period was £3.5m after tax (HI 2017: £4.4m). The decline is primarily as a result of the on-going run-off of Hansard Europe which closed to new business in 2013, adverse foreign exchange movements and some additional expense items.

Increased new business flows have a limited immediate impact on current earnings reported under IFRS, as initial fees and acquisition costs from the contracts sold are mostly deferred and amortised over the life of the contract. The benefit of increasing sales to fee income levels will be felt in future financial periods, noting however that our newer products have a longer earning period than our older products.

New business levels have continued to produce a positive new business contribution and margin of £0.1m and 0.1%, respectively (HI 2017: £1.3m and 1.3%, respectively). The decrease from HI 2017 is primarily due to increased initial expenses incurred and a higher proportion of single premium business sold which carries a lower margin.

The EEV profit of £3.9m in the period (HI 2017: £8.5m) is largely driven by investment gains. The change from HI 2017 is predominantly due to large foreign exchange gains experienced in HI 2017 that reversed in HI 2018.

The EEV at 31 December 2017 was £192.2m (after the deduction of £7.2m in dividends paid during the period) as compared to £197.1m at 31 December 2016 and £195.5m at 30 June 2017.

Details of the results for the period, under both IFRS and EEV reporting, are contained in the Business and Financial Review.

### Hansard Europe dac ("Hansard Europe")

Hansard Europe was closed to new business in 2013 and the Group's objective is to run the business off in an efficient and well managed manner. We continue to meet the requirements of the company's policyholders, regulators and stakeholders while utilising operational efficiencies through the use of Hansard OnLine. The servicing of policy contracts and other administrative operations are performed at the Group's head office on the Isle of Man. Regulatory control and management of outsourced activities are exercised from the company's offices in Dublin. The company remains strongly capitalised.

We continue to deal with complaints in circumstances where a policyholder 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 feel that we are justified in robustly defending each complaint. Sometimes these complaints progress to threatened or actual 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 in 2007/2008.

We reported in our annual report for 2017 that Hansard Europe was facing litigation based on writs totalling €16.9m (£14.8m) as a result of these and related complaints. We will continue to defend ourselves from all claims, considering early settlement (without admission of liability) only where there is a clear economic benefit.

A summary of the results for HI 2018 are as follows

	H1 2018	H1 2017
IFRS profit after tax	£3.5m	£4.4m
EEV profit after tax	£3.9m	£8.5m
IFRS basic earnings per share	2.5p	3.2p
Interim dividend – to be paid on 10 April 2018	1.8p	3.6p
	<b>31 December 2017</b>	<b>30 June 2017</b>
As at		
Assets under Administration	£1,087m	£1,050m
European Embedded Value	£192.2m	£195.9m



As at 31 December 2017, writs had decreased marginally to a total of €16.4m (£14.6m). This is primarily due to fluctuations in the underlying value of the funds subject to the litigation, although we have seen some new smaller cases arising in Italy and Germany. Since 31 December 2017, we have had successful rulings in two Belgian appeal court cases with writs totalling just under €1m.

### Capitalisation and solvency

A 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 remains well capitalised. The required minimum solvency margins are covered by excess assets of £34.3m, which are typically held in a wide range of deposit institutions and in highly-rated money market liquidity funds.

Hansard Europe's capital surplus is not available for distribution until there is better clarity over the expected outcome of the litigation against the company. It is therefore included within the total of Required Capital of £27.7m in the analysis of the Group's EEV balance sheet at 31 December 2017. Allowing for this, the EEV balance sheet reflects that the Group has a free surplus of £16.3m available for investment and distribution, down from £23.2m at 31 December 2016, following dividend payments and increased investment in new business.

Hansard International will be subject to the Isle of Man's new risk based capital regime from 30 June 2018 and beyond. We do not expect this to result in any material change to our surplus capital or dividend policy.

### Hansard Online

We continue to develop additional functionality for Hansard OnLine to allow contract holders and intermediaries to transact with us more efficiently and to meet ever increasing digital expectations.

As is reported in the Business and Financial Review, over 95% of policy investment transactions are processed electronically by intermediaries using Hansard OnLine and over 90% of all new business applications were submitted via the platform during the period.

### Risk management

As the pace, scale, and complexity of regulatory change continue to increase, it is vital for us to understand and manage the impact of these changes both on our clients and on ourselves as a business. We continue to devote significant resources in this area to meet these challenges.

### Dividend

The Board has resolved to pay an interim dividend of 1.8p per share (2017: 3.6p). This dividend will be paid on 10 April 2018.

### Our people

The Group has a dedicated dynamic workforce. We have a commitment to service and quality at the highest level in relation to servicing contract holders and intermediaries, the development of successful products and Hansard OnLine. We also have a strong commitment to performance improvement in all areas of the business. I thank all our employees for their continued contribution to Hansard and the successes achieved in this period.

### Outlook

We remain optimistic about the opportunities for our business. We have received substantial positive feedback around our new proposition in the UAE and are very focussed on delivering higher sales throughout the remainder of this financial year and beyond. We also continue to pursue a number of planned distribution initiatives in our operating regions.

The Isle of Man Financial Services Authority's "Roadmap For Updating the Isle of Man's Regulatory Framework for Insurance Business" will implement substantial regulatory change over the course of the next 12 months. These include new conduct of business and policyholder disclosure requirements, a more sophisticated risk based capital and solvency regime, a group supervision framework and enhanced governance and enterprise risk management requirements. We have been working hard to make sure we are appropriately positioned to meet these challenges.



**Gordon Marr**

**Chief Executive Officer**  
21 February 2018

## BUSINESS AND FINANCIAL REVIEW

### 1. Business Model

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. We administer assets in excess of £1 billion for over 500 financial advisor businesses with approximately 40,000 client accounts around the world.

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 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. Hansard Europe DAC ("Hansard Europe") 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.

### 2. Strategy

Our aim is to be the preferred choice of distributors when recommending international savings and investment products to their clients.

We have developed attractive products and services and will continue to improve them. We recognise that clients are at the heart of our business and, consequently, we must work hard to build long-term positive relationships with them.

Our vision encompasses every part of our business. Beneath this, we have identified a range of strategic objectives to meet this target and continue to work towards them. Through careful execution of our plans in each of the following areas we intend to add increased scale to the business, on a diversified basis, at acceptable levels of risk and profitability.

- More long-term relationships with distributors;
- Better value for clients;
- A more visible profile in the market;
- Excellent client service;
- A motivated and engaged workforce; and
- Market-leading on-line systems.

### 3. Hansard Online

Hansard OnLine is the Group's online platform, providing essential functionality and information for our contract holders and intermediaries around the world. Available 24/7, in multiple languages, Hansard OnLine provides users with the tools needed to better manage their objectives.

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.

#### Meeting contract holders' requirements

We appreciate that our contract holders' savings and investments are important to them, and that they want to monitor the performance of their Hansard contracts when and where it suits them. Through a secure OnLine Account contract holders can view the key documentation and investment information relating to their policy with content presented in 13 different languages.

Contract holders have access to our Unit Fund Centre which provides all of the information that they need in order to make informed investment decisions. The Unit Fund Centre can be used as a resource to research potential new unit funds, and also as a tool to monitor the performance of existing choices.

Certain contract holders have the functionality to perform their own policy investment transactions, via their OnLine Accounts, to better meet their objectives.

Over 15,000 OnLine Accounts are used regularly. It remains a key objective of the Group to increase OnLine Account take up and we continue to look at new ways to keep contract holders informed of new online developments in order to achieve this.



### Supporting intermediaries

Hansard OnLine allows intermediaries to perform key tasks seamlessly online. Pre-sale illustrations, new business proposals and policy investment transactions are handled electronically and a range of analytical tools such as the Personal Investment Review are available through the Unit Fund Centre.

Placing this functionality online means the intermediaries can access it when they need it, and allows for an improved user-centric experience compared to using paper forms. Data validation happens in real-time to ensure there are no delays to the investment of client funds.

Hansard OnLine Lite provides prospective IFAs with easy access to a subset of the online system. Its purpose is to showcase our online proposition to prospective and new IFAs and to allow easy access to non-sensitive documents and functionality. Users can access our online document library, the Unit Fund Centre, company news and submit new business online.

### Reducing operational risk

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.

### 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.

## 4. New Business

### Strategy implementation

The Group's proposition is to develop and enhance relationships with contract holders and intermediaries through the use of our people, products and technology in a way that meets shared objectives.

The Group continues to invest in its distribution resources, Hansard OnLine, and other infrastructure to support its strategic plans. We continue to pursue our longer term plans to establish additional locally-licensed distribution in a small number of target markets.

Initiatives over the past number of years to update our product range and salesforce are now delivering increased new business flows across a more diversified distribution base. New relationships with a number of IFA networks in target markets are maturing and delivering increased levels of new business.

The results of activities in each region in H1 2018 are reported in the table below.

### NEW BUSINESS PERFORMANCE FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

We have experienced a 3% increase in new business for H1 2018 as compared to the previous period, building on the significant growth experienced in the 2017 financial year.

New business flows for Hansard International for H1 2018 are summarised as follows. Comparisons against the corresponding periods are on an actual currency basis.

	Six months ended 31 December		Year ended 30 June
	2017 £m	2016 £m	2017 £m
Present value of New Business Premiums	77.0	74.7	148.3
Annualised Premium Equivalent	12.1	11.7	23.2

The following tables show the breakdown of new business flows calculated on the basis of PVNBP.

	Six months ended		Year ended
	31 December		30 June
	2017	2016	2017
<b>By type of contract</b>	£m	£m	£m
Regular premium	37.9	42.6	75.3
Single premium	39.1	32.1	73.0
	77.0	74.7	148.3

	Six months ended		Year ended
	31 December		30 June
	2017	2016	2017
<b>By geographical area</b>	£m	£m	£m
Rest of World	31.0	26.0	53.4
Middle East and Africa	16.3	24.0	40.6
Far East	15.7	15.8	35.4
Latin America	14.0	8.9	18.9
Total	77.0	74.7	148.3

We continue to receive new business from a diverse range of financial advisors around the world. The majority of new business premiums are denominated in US dollars (approximately 66%), with approximately one quarter denominated in sterling, and the remainder in euro or other currencies.

## 5. IFRS Results for the six months ended 31 December 2017

The Group administers, and earns fees from, a portfolio of unit-linked investment contracts distributed to contract holders around the world.

The design of the Group's products means that new business flows will contribute to income streams over many years. Increasing new business levels therefore takes time for the profit to be realised under IFRS. The Group also continues to invest strategically for the future, particularly in relation to new markets and new licensing opportunities.

### Results under IFRS

Fee and commission income received underpins the expenditure necessary to support the Group's longer-term objectives and ultimately to pay dividends over the long term.

The Group continues to invest for future growth in the business through targeted expenditure, particularly in our sales team and in connection with licence and similar business development initiatives. Projects to enhance Hansard OnLine; streamline administrative processes and reduce operational risk have continued in the period, while professional fees continue to be incurred in order to protect the Group's position in relation to actual and potential litigation against Hansard Europe.

Consolidated profit after taxation for the period is £3.5m (HI 2017: £4.4m). The key drivers of the reduced profit was the on-going reduction in income from Hansard Europe which closed to new business in 2013, adverse foreign exchange movements and some additional expense items.

The following is a summary of key items to allow readers to better understand the results of the period

### Abridged Income Statement

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

- Investment gains attributable to contract holder assets were £58.0m (HI 2017: £87.4m). These assets are selected by the contract holder or an authorised intermediary and the contract holder bears the investment risk.
- Third party fund management fees collected and paid onwards by the Group to third parties having a relationship with the underlying contract. In HI 2018 these were £2.5m (HI 2017: £2.3m). These are reflected on a gross basis in both income and expenses under IFRS.

An abridged consolidated income statement is presented below, excluding the items of income and expenditure indicated above.

	Six months ended 31 December		Year ended 30 June
	2017	2016	2017
	£m	£m	£m
Fees and commissions	23.2	24.4	48.3
Investment and other income	0.5	0.9	1.5
	23.7	25.3	49.9
Origination costs	(9.1)	(9.5)	(19.3)
Administrative and other expenses attributable to the Group, before exceptional items	(11.1)	(10.7)	(21.7)
Operating profit for the period before significant one-off items	3.5	5.1	8.8
One-off expense adjustments	-	(0.7)	(1.1)
<b>Profit for the period before taxation</b>	<b>3.5</b>	<b>4.4</b>	<b>7.7</b>
Taxation	-	-	-
<b>Profit for the period after taxation</b>	<b>3.5</b>	<b>4.4</b>	<b>7.7</b>

### Fees and commissions

Fees and commissions attributable to Group operations for the half-year are £23.2m, a decrease of approximately 5% compared with £24.4m in H1 2017. A summary of fees and commissions attributable to Group activities is set out below:

	Six months ended 31 December		Year ended 30 June
	2017	2016	2017
	£m	£m	£m
Contract fee income	16.2	18.0	34.6
Fund management fees	4.5	4.2	9.1
Commissions receivable	2.5	2.2	4.6
<b>Total</b>	<b>23.2</b>	<b>24.4</b>	<b>48.3</b>

Included in income is £9.0m (H1 2017: £9.9m) representing the amounts prepaid in previous years and amortised to the income statement, as can be seen in section 7 in the reconciliation of deferred income.

The reduction in contract fee income for the period, when compared with H1 2017, is as a result of a reduction in servicing income received by Hansard Europe (which closed to new business in 2013), reduced levels of income amortised by Hansard International due to the nature and mix of the products and reduced levels of contract holder activity margins.

Net fund management fees, together with commissions receivable, totalling £7.0m (H1 2017: £6.4m), are related to the value of contract holder Assets under Administration ("AuA") but also have elements amortised from previous periods.

## Investment and other income

	Six months ended 31 December		Year ended 30 June
	2017 £m	2016 £m	2017 £m
Bank interest and other income receivable	0.6	0.6	1.5
Foreign exchange (losses) / gains on revaluation of net operating assets	(0.1)	0.3	-
Total	0.5	0.9	1.5

The Group's own liquid assets are held predominantly in sterling and invested in highly rated money market funds and bank deposits.

The foreign exchange gains of the previous period (whereby sterling depreciated significantly against the US dollar and euro) were not repeated in HI 2018. Overall this had a reduction to profit of £0.4m compared to HI 2017.

Further information about the Group's foreign currency exposures is disclosed in note 4.1 to these condensed consolidated financial statements.

## 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 life of that contract to match the longer-term income streams expected to accrue from it. Typical terms range between 6 and 16 years, depending on the nature of the product. Other elements of the Group's new business costs, which reflect investment in distribution resources in line with our strategy, are expenses as incurred.

This accounting policy reflects that the Group will continue to earn income over the long-term from contracts issued in a given financial year. The impact on current year fee income of contracts issued in HI 2018 is minimal.

Origination costs in the period were:

	Six months ended 31 December		Year ended 30 June
	2017 £m	2016 £m	2017 £m
Origination costs - deferred to match future income streams	9.3	8.3	16.8
Origination costs - expensed as incurred	1.5	1.5	3.2
Investment in new business in period	10.8	9.8	20.0
Net amortisation of deferred origination costs	(1.7)	(0.3)	(0.7)
Total	9.1	9.5	19.3

Reflecting the long-term nature of the Group's income streams, amounts totalling £7.6m (HI 2017: £7.9m) have been expensed to match contract fee income of £9.0m (HI 2017: £9.9m) earned this year from contracts issued in previous financial years. This reflects the profitability of the existing book.



Summarised origination costs for the period were:

	Six months ended		Year ended
	31 December	31 December	30 June
	2017	2016	2017
	£m	£m	£m
Amortisation of deferred origination costs	£7.6	£7.9	£16.1
Other origination costs incurred during the period	£1.5	£1.6	£3.2
	£9.1	£9.5	£19.3

### Administrative and other expenses

The Group continues to invest for future growth in the business through planned expenditure in front facing systems and targeted licence applications. Projects to streamline administrative processes and reduce operational risk have also continued in the period.

A summary of administrative and other expenses attributable to the Group is set out below:

	Six months ended		Year ended
	31 December	31 December	30 June
	2017	2016	2017
	£m	£m	£m
Salaries and other employment costs	5.0	4.8	9.3
Other administrative expenses	3.3	3.4	6.5
Growth investment spend	0.9	1.0	2.4
Professional fees, including audit	1.9	1.5	3.5
	11.1	10.7	21.7
Provision for doubtful debts	-	0.7	1.1
	11.1	11.4	22.8

**Salaries and other employment costs** have increased by £0.2m or 4% to £5.0m over the comparative period, reflecting the timing of certain bonus payments, some restructuring in branch offices and foreign exchange differences. The average Group headcount for the period was 197 compared to 204 for the full 2017 financial year. Headcount at 31 December 2017 was 192 (30 June 2017: 204).

**Other administrative expenses** have remained largely consistent at £3.3m in this period, with no material fluctuations.

**Growth investment spend** represents internal and external costs to generate opportunities for growth. For the current period, these include costs associated with pursuing new licensing opportunities and costs incurred to position the Group for impending regulatory changes in the Isle of Man.

**Professional fees including audit** have increased in the period as a result of increased legal costs incurred in defending litigation against Hansard Europe and a number of other smaller items.

## 6. Cash Flow Analysis

As previously highlighted, our newer suite of products has a longer cash payback period than our older products and this will be reflected in the analysis of future cash flows.

During the period under review, the Group increased its new business which resulted in cash invested of £9.1m, against £8.7m in the comparative period. The sale of regular premium contracts produces an initial cash strain as a result of the commission and other costs incurred at inception of a contract.

The following summarises the Group's own cash flows in the period:

	Six months ended		Year ended
	31 December		30 June
	2017	2016	2017
	£m	£m	£m
Net cash surplus from operating activities	8.3	9.3	22.7
Interest received	0.5	0.4	1.0
Net cash inflow from operations	8.8	9.7	23.7
Net cash investment in new business	(9.1)	(8.7)	(17.4)
Purchase of computer equipment and property	(0.4)	(0.3)	(0.4)
Corporation tax received/(paid)	-	-	(0.1)
<b>Net cash (outflow)/inflow before dividends</b>	<b>(0.7)</b>	<b>0.7</b>	<b>5.8</b>
Dividends paid	(7.2)	(7.3)	(12.2)
<b>Net cash outflow after dividends</b>	<b>(7.9)</b>	<b>(6.6)</b>	<b>(6.4)</b>

The factors described above, together with the payment of our final dividend for 2017, led to a net cash outflow of £7.9m (H1 2017: £6.6m outflow) in the Group's own cash resources since 1 July 2017. The Group continues to maintain significant cash reserves to cover such outflows and as previously highlighted, will be reducing its dividend for 2018.

	Six months ended		Year ended
	31 December		30 June
	2017	2016	2017
	£m	£m	£m
Net cash (outflow)/inflow after dividends	(7.9)	(6.6)	(6.4)
Increase/(decrease) in amounts due to contract holders	3.0	1.0	1.0
Net Group cash movements	(4.9)	(5.6)	(5.4)
Group cash - opening position	71.6	76.6	76.6
Effect of exchange rate movements	(0.5)	0.8	0.4
<b>Group cash - closing position</b>	<b>66.2</b>	<b>71.8</b>	<b>71.6</b>

### Bank deposits and money market funds

The Group's liquid assets at the balance sheet date are held in highly-rated money market liquidity funds and with a wide range of deposit institutions, predominantly in sterling. This approach protects the Group's capital base from stock market falls.

Deposits totalling £9.5m (H1 2017: £18.3m) have original maturity dates greater than 3 months and are therefore excluded from the definition of "cash and cash equivalents" under IFRS. The following table summarises the total shareholder cash and deposits at the balance sheet date.

	Six months ended		Year ended
	31 December	31 December	30 June
	2017	2016	2017
	£m	£m	£m
Money market funds	43.7	46.5	49.2
Short-term deposits with credit institutions	12.9	7.0	8.0
Cash and cash equivalents under IFRS	56.6	53.5	57.2
Longer-term deposits with credit institutions	9.6	18.3	14.4
<b>Group cash and deposits</b>	<b>66.2</b>	<b>71.8</b>	<b>71.6</b>

The longer-term term deposits have maturity dates between 4 months and 12 months of the balance sheet date.

### 7. Abridged Consolidated Balance Sheet

The condensed consolidated balance sheet presented under IFRS reflects the financial position of the Group at 31 December 2017. 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 £1,087m (H1 2017: £1,001m). 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. Additional factors impacting upon the Group's capital position at the balance sheet date are summarised in section 10 of this Review.

As at	Six months ended		Year ended
	31 December	31 December	30 June
	2017	2016	2017
	£m	£m	£m
<b>Assets</b>			
Deferred origination costs	113.3	111.3	111.6
Other assets	10.5	8.6	7.3
Bank deposits and money market funds	66.2	71.8	71.6
	<b>190.0</b>	<b>191.7</b>	<b>190.5</b>
<b>Liabilities</b>			
Deferred income	129.3	129.3	129.2
Other payables	32.7	29.1	29.6
	<b>162.0</b>	<b>158.4</b>	<b>158.8</b>
<b>Net Assets</b>	<b>28.0</b>	<b>33.3</b>	<b>31.7</b>
<b>Shareholders' equity</b>			
Share capital and reserves	<b>28.0</b>	<b>33.3</b>	<b>31.7</b>

### Deferred origination costs

The deferral of origination costs ("DOC") 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 consolidated statement of comprehensive income on a straight-line basis over the life of each contract.

The increase in new business over the prior period is reflected in the net increase in carrying value of deferred origination costs since 30 June 2017, as per the table below.

	Six months ended 31 December		Year ended 30 June
	2017	2016	2017
	£m	£m	£m
At beginning of financial year	111.6	110.9	110.9
Origination costs deferred during the period	9.3	8.3	16.8
Origination costs amortised during the period	(7.6)	(7.9)	(16.1)
	113.3	111.3	111.6

### Deferred income

The treatment of deferred income ensures that initial fees are taken to the consolidated statement of comprehensive income in equal instalments 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 period relate 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 period is summarised below.

	Six months ended 31 December		Year ended 30 June
	2017	2016	2017
	£m	£m	£m
At beginning of financial year	129.2	130.5	130.5
Initial fees collected in the period and deferred	9.1	8.7	16.8
Income amortised during the period to fee income	(9.0)	(9.9)	(18.1)
	129.3	129.3	129.2

## 8. Embedded Value Results

Our business is long term in nature and therefore we present our results on a European Embedded Value (“EEV”) basis as well as a statutory IFRS basis. Our EEV is determined on the EEV principles published by the Chief Financial Officers (“CFO”) Forum in 2004 and most recently extended in April 2016. The EEV is the Net Worth plus the discounted valuation of the future profits expected on best estimate assumptions, with proper allowance for the timing of receipt of those profits.

EEV and IFRS are different approaches to recognising the (same) ultimate profit from an insurance contract:

- The EEV approach recognises profit from new insurance contracts written over the period as a lump sum addition to the Value of In-force (“VIF”) equal to the discounted value of future profits (called the New Business Contribution or “NBC”). The VIF is converted to cash (then included in “Net Worth”) as the business progresses. The NBC reflects the shareholder value added from new business at point of sale. The change in EEV reflects the impact of writing new business as well as other changes within the business and its environment.
- The IFRS approach smoothes the recognition of profit from new insurance contracts by spreading the initial revenues and corresponding costs evenly over their expected lives. The IFRS new business result therefore reflects neither the shareholder value added from writing new business, nor its cash impact.

### Results for H1 2018 under European Embedded Value

The Group’s EEV results primarily reflect income on an EEV basis from the value of contract holder assets at 31 December 2017 and dividends paid since 30 June 2017. The EEV profit or loss reported is primarily driven by the levels of new business received and by investment returns.

EEV profit for the period was £3.9m (H1 2017: £8.5m). The largest driver of profit was £6.3m investment return derived from market gains on assets under administration (H1 2017: £12.1m). Included within the prior period figure was £5.6m of foreign exchange gains which this period were losses of £4.8m.

New Business Contribution was £0.1m for H1 2018 (H1 2017: £1.0m). The reduction in NBC from the prior period is driven by increased initial expenses relative to levels of new business received, related to the Group’s increased investment in distribution and new business strategy to support future new business volumes.

The Group incurred an EEV operating loss of £1.9m (H1 2017: loss of £2.4m) primarily as a result of negative experience variances of £1.8m (H1 2017: negative £1.8m) over the period.



Headline results for the EEV performance are shown in the table below:

Six-Month Period ended 31 December	HI 2018 £m	HI 2017 £m
Opening Embedded Value	195.5m	195.9
EEV Operating Loss After Tax	(1.9)	(2.4)
IFRS basic earnings per share	5.8	10.9
EEV Profit After Tax	3.9	8.5
<b>EEV Before Dividends</b>	<b>199.4</b>	<b>204.4</b>
Dividends paid during the financial year	(7.2)	(7.3)
<b>Closing Embedded Value</b>	<b>192.2</b>	<b>197.1</b>

There was an operating loss of £1.9m for the period (HI 2017: £2.4m loss), with the main drivers being a positive new business contribution of £0.1m (HI 2017: £1.0m), operating assumption changes of negative £0.2m (HI 2017: negative £2.2m) and experience variances of negative £1.8m (HI 2017: negative £1.8m).

The EEV was £192.2m at 31 December 2017, which is £3.3m below the EEV at 30 June 2017 of £195.5m, having paid dividends of £7.2m (31 December 2016: £197.1m, after dividends of £7.3m).

### Sales Metrics

New business metrics for the Group are shown below:

Six-Month Period ended 31 December	HI 2018 £m	HI 2017 £m
New Business Sales ("PVNBP" basis)	77.1	74.9
New Business Contribution ("NBC")	0.1	1.0
New Business Margin ("NBM")	0.1%	1.3%

Sales volumes (in PVNBP terms) have increased to £77.1m from £74.9m in HI 2018 as reported earlier in this Review. The NBC has decreased to £0.1m (HI 2017: £1.0m) driven by increased initial expenses relative to levels of new business received.

New business margin is also impacted by mix of business written, with regular premium business having a larger margin than single premium business. During HI 2018, a higher proportion of single premium business was written than HI 2017. Regular premium business was 49% (HI 2017: 57%) of total PVNBP.

### EEV balance sheet

The EEV Balance Sheet comprises of Net Worth and the Value of Future Profits ("VFP"). The VFP converts to cash, or Net Worth, to repay the capital invested in prior periods.

Net Worth has been reduced since 30 June 2017 by dividends paid of £7.2m.

Net Worth is typically held in a wide range of deposit institutions and in highly-rated money market liquidity funds. This prudent investment policy has removed much of the market risk and provided a stable and resilient solvency position over recent years.

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

	HI 2018 £m	HI 2017 £m
Free Surplus	16.3	23.2
Required Capital	27.7	28.0
<b>Net Worth</b>	<b>44.0</b>	<b>51.2</b>
VIF	154.5	153.1
Other	(6.3)	(7.2)
<b>Value Of Future Profits ('VFP')</b>	<b>148.2</b>	<b>145.9</b>
<b>EEV</b>	<b>192.2</b>	<b>197.1</b>

The change in the VFP reflects sterling exchange rates on 31 December 2017, new business, the conversion of VFP to Net Worth and the impact of contract holder behaviour.

Net Worth has reduced to £44.0m from £49.2m at 30 June 2017, after dividend payments of £7.2m (HI 2017: £7.3m).

The Required Capital has decreased marginally: it includes around £19.7m (HI 2017: £20.4m) of Hansard Europe capital, the use of which management estimates is constrained for up to three years pending the resolution of on-going litigation.

The Other component of VFP is the reduction for non-market risk and frictional costs.

#### Change in Net Worth

The change in the Net Worth over the year shows the cash-generative capacity of the Group's operations and its use of cash in the period. The conversion to Net Worth from existing business is progressing as expected. The business has generated net cash of £14.5m (HI 2017: £15.1m) of which £12.5m (HI 2017: £12.1m) relates to costs involved in acquiring new business in the period, shown as new business cashflows below. The net worth variance is driven primarily by contract holder activity variances, specifically surrender penalties, unit pricing and foreign exchange margins, premium underpayments and expense levels

Six Month Period ended 31 December	HI 2018 £m	HI 2017 £m
Opening Net Worth	49.2	55.5
Expected conversion to Net Worth from existing business	17.3	15.1
Time Value	(0.5)	-
Net Worth Variance	(2.3)	-
<b>Cash Generated</b>	<b>14.5</b>	<b>15.1</b>
Dividends paid	(7.2)	(7.3)
New Business Strain	(12.5)	(12.1)
<b>Closing Net Worth</b>	<b>44.0</b>	<b>51.2</b>

### EEV Profit after tax

The Group's EEV profit after tax is lower than last year at £3.9m (HI 2017: £8.5m). This primarily reflects a lower positive investment return variance of £6.3m (HI 2017 £12.1m). The components are shown in the table below:

	HI 2018 £m	HI 2017 £m
New Business Contribution	0.1	1.0
Expected Return on new And existing business	0.3	0.3
Expected Return on Net Worth	0.1	0.1
Model Changes	(0.4)	0.2
Operating Assumption Changes	(0.2)	(2.2)
Experience Variances	(1.8)	(1.8)
<b>EEV operating loss after tax</b>	<b>(1.9)</b>	<b>(2.4)</b>
Investment Return Variances	6.3	12.1
Economic Assumption Changes	(0.5)	(1.2)
<b>EEV profit after tax</b>	<b>3.9</b>	<b>8.5</b>

### Experience Variances

	HI 2018 £m	HI 2017 £m
Ongoing expenses	(0.5)	(0.5)
Foreign exchange and unit pricing	(0.5)	0.2
Full encashments	(0.3)	(1.4)
Premium persistency	(0.1)	(1.5)
One-off expenses	-	0.7
Other	(0.4)	0.7
<b>Experience Variances</b>	<b>(1.8)</b>	<b>(1.8)</b>

Experience variances arise when the behaviour of the existing book differs from that assumed. The experience variance of negative £1.8m is proportionally small to the EEV and shows that the existing book is behaving broadly in line with assumptions.

### 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 £0.2m, (HI 2017: decrease of £2.2m), as shown below.

Operating assumptions are generally management's best estimate, having regard to recent experience.

	HI 2018 £m	HI 2017 £m
Full encashments	-	(1.1)
Ongoing expenses	-	(1.1)
Other	(0.2)	-
<b>Operating Assumption Changes</b>	<b>(0.2)</b>	<b>(2.2)</b>

### Investment Return Variances

Investment return variances principally reflect the investment choices, by nature and currency, made by contract holders. It is largely outside the Group's control.

	HI 2018 £m	HI 2017 £m
Investment performance of contract holder funds	10.4	6.1
Exchange rate movements	(4.8)	5.6
Shareholder return	0.6	0.3
Other	0.1	0.1
<b>Investment Return Variances</b>	<b>6.3</b>	<b>12.1</b>

The exchange rate movements arise because most premiums are paid, and the greater proportion of contract holder-selected assets are denominated, in currencies other than sterling, whereas financial reporting is in sterling, based on exchange rates on the last day of the financial period.

### Economic Assumption Changes

There was a negative variance of £0.5m (HI 2017: negative £1.2m) from Economic Assumption changes. This reflects changes in the risk free rates for the currencies in which contract holder assets are denominated.

## 9. ASSETS UNDER ADMINISTRATION

In the following paragraphs, assets under administration ("AuA") refers to net assets held to cover financial liabilities as analysed in note 12 to the condensed consolidated financial statements presented under IFRS.

The Group enjoys a stream of cash flows from its regular premium contracts administered on behalf of clients around the world. The majority of premium contributions are designated in currencies other than sterling, reflecting the wide geographical spread of those contract holders.

These flows are offset by charges and withdrawals, by premium holidays affecting regular premium policies and by market valuation movements. Certain collective investment schemes linked to customers' contracts can from time to time become illiquid, suspended or be put into liquidation. In such cases, the directors are required to exercise their judgement in relation to the fair value of these assets. The cumulative impact on the balance sheet is not material.

The following table summarises Group AuA performance for H1 2018:

	Six months ended 31 December		Year ended 30 June
	2017 £m	2016 £m	2017 £m
Deposits to investment contracts – regular premiums	42.5	42.2	84.5
Deposits to investment contracts – single premiums	35.1	30.9	66.4
Withdrawals from contracts and charges	(97.8)	(83.0)	(159.2)
Effect of market and currency movements	57.9	87.4	134.5
Movement in period	37.7	77.5	126.2
Opening balance	1,049.7	923.5	923.5
<b>Closing balance</b>	<b>1,087.4</b>	<b>1,001.0</b>	<b>1,049.7</b>

We have seen an increase in deposits to investment contracts in both categories over the comparative period, which demonstrates the positive impact of our strategy on the business. The increase in withdrawals compared to H1 2017 was impacted by one particularly large withdrawal.

Positive market gains have resulted in overall the Group AuA increasing to £1.09 billion, an increase of £37.7m or 4% from the position at 30 June 2017.

Since it closed to new business in 2013, Hansard Europe has experienced significant capital outflows, as expected. Such outflows have tapered off in recent years.

	Six months ended 31 December		Year ended 30 June
	2017 £m	2016 £m	2017 £m
Hansard International	927.2	827.3	878.5
Hansard Europe	160.2	173.7	171.2
	<b>1,087.4</b>	<b>1,001.0</b>	<b>1,049.7</b>

The value of AuA is based upon the assets selected by or on behalf of contract holders to meet their needs from time to time. Reflecting the wide geographical spread of the Group's contract holders, the majority of AuA are designated in currencies other than sterling. The currency denomination of AuA is similar to that of H1 2017. At the balance sheet date approximately 61% of AuA is denominated in US Dollars, with a further 19% in sterling and 17% denominated in euro, as reflected in note 4 to the condensed consolidated financial statements.

## 10. Capitalisation and Solvency

The Group's authorised life insurance subsidiaries continue to be well capitalised with free assets well in excess of the regulatory requirements in each relevant jurisdiction. There has been no material change in the Group's management of capital during the period.

Solvency capital is a combination of future margins, where permitted by regulation, and capital. Where future margins are denominated in non-sterling currencies, it is vulnerable to the weakening of those currencies relative to sterling. All of the Group's excess capital is invested in a wide range of deposit institutions and highly-rated money market liquidity funds, predominantly in sterling. This approach immunises the Group's capital base from stock market falls.

The in-force portfolio has no material investment options or guarantees that could cause capital strain and retains very little of the mortality risk that it has accepted (the balance being reinsured with premium reinsurers). There is no longevity risk exposure.



### Policy on capital maintenance

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 fund 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 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 17 to the condensed consolidated financial statements are substantially resolved.

### 11. Dividends

A final dividend of 5.3p per share in relation to the previous financial year was paid in November 2017. This amounted to £7.2m.

The Board has considered the results for H1 2018, the Group's continued cash flow generation and its future expectations and has resolved to pay an interim dividend of 1.8p per share (2017: 3.6p). This is in line with guidance provided in our prior period Report. This dividend will be paid on 10 April 2018.

### 12. Complaints and potential litigation

The Group continues to deal with policyholder complaints, principally in relation to asset performance issues arising from policyholders resident in 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.

Some of these complaints escalate into litigation. As at the report date of the 2017 Annual Report and Accounts, the Group faced litigation based on writs totalling €16.9m or £14.8m. The corresponding figure as at 31 December 2017 was €16.4m or £14.6m (31 December 2016: €15.9m or £13.6m). The total has decreased marginally since the date of the Annual Report due to fluctuations in the market value of underlying contract holder assets. Between 31 December 2017 and the date of this report, two significant appeal court cases in Belgium totalling just under €1m were ruled in the Group's favour.

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 and experience with cases previously successfully defended, 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 17 to the condensed consolidated financial statements.

### 13. Net asset value per share

On an EEV basis, the net asset value per share at 31 December 2017 is 139.8p (H1 2017: 143.4p) based on the EEV at the balance sheet date divided by the number of shares in issue at that date, being 137,449,611 ordinary shares (H1 2017: 137,440,456).

The net asset value per share on an IFRS basis at 31 December 2017 is 20.4p (H1 2017: 24.2p) based on the net assets in the Consolidated Balance Sheet divided by the number of shares in issue.

### 14. Risk management

As with all businesses, the Group is exposed to risk in pursuit of its objectives. 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.

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.

### 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 contract 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 4 to the condensed consolidated financial statements. Additionally, the EEV information includes a summary of the sensitivity of the Group's EEV results to economic and other factors.

A comprehensive review of the principal risks and uncertainties facing the business, and the Group's approach to managing these risks and uncertainties, is outlined on pages 29 to 31 of the 2017 Annual Report. These principal risks and uncertainties have not changed materially since the 2017 Annual Report was published.

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 to the environment within which the Group operates. Whilst the Group's business model has historically served to minimise the principal risks facing the Group, the regulatory environment continues to evolve at both a local and international level and the risk management and internal control frameworks of the Group will need to remain responsive to a number of developments. This includes the Isle of Man Financial Services Authority's 'Roadmap for Updating the Regulatory Framework for Insurance Business' which comes into force over the course of 2018-19. The Roadmap includes new conduct of business and policyholder disclosure requirements, a more sophisticated risk based capital and solvency regime, a group supervision framework and enhanced governance and enterprise risk management requirements.

## Principal Risks

The following table sets out the principal inherent risks that may impact on 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
<b>Business model risk</b>	<p>The scale and pace of change in regulatory and supervisory standards at an international level continue to drive developments at a local level. The interpretation or application of regulation over time may impact market accessibility, broker relationships and / or competitive positioning. 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><b>How we manage the risk</b></p> <ul style="list-style-type: none"> <li>• Robust strategic planning processes informed by analytical review of the external environment and consideration of associated risk in the shorter and longer term.</li> <li>• Continuous monitoring and review of developments in local and international law and regulation.</li> <li>• Engagement with regulatory authorities and industry bodies, including active engagement in and responding to regulatory consultation exercises</li> </ul>
<b>Distribution strategy compromised as a result of market changes, technology or competitor activity</b>	<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><b>How we manage the risk</b></p> <ul style="list-style-type: none"> <li>• Close monitoring of marketplaces and competitor activity for signs of threats to forecast new business levels.</li> <li>• 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.</li> <li>• Continuous development of technology.</li> </ul>
<b>Conduct risk</b>	<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 is likely to incur regulatory censure, financial penalty, contract holder litigation and / or reputational damage.</p> <p><b>How we manage the risk</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• The Group maintains regular dialogue with its regulatory authorities and continual discussions with its advisors in relation to developments in the regulatory environment in which we operate.</li> </ul>

<b>Infrastructure failure</b>	<p>A material failure in our core business systems or business processes may result in significant, costly interruptions, customer dissatisfaction and regulatory censure.</p> <p><b>How we manage the risk</b></p> <ul style="list-style-type: none"> <li>• Maintenance of detailed and robust Business Continuity Plans, including full data replication at an independent recovery centre, which can be invoked when required</li> <li>• Frequent and robust testing of business continuity and disaster recovery arrangements.</li> </ul>
<b>Cyber risk</b>	<p>As we and our business partners increasingly digitalise our businesses, we are unavoidably exposed to the risk of cybercrime. 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.</p> <p><b>How we manage the risk</b></p> <ul style="list-style-type: none"> <li>• Continuous focus on the maintenance of a robust, secure and resilient IT environment that protects customer and corporate data.</li> <li>• 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.</li> </ul>
<b>Failure to drive the right corporate culture and attract, develop, engage and retain key personnel</b>	<p>Delivery of the Group's strategy is dependent on attracting and retaining experienced and high-performing management and staff. The performance, knowledge and skills 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 will negatively impact on the performance of the Group.</p> <p><b>How we manage the risk</b></p> <ul style="list-style-type: none"> <li>• Significant resources focussed on communicating strategy and desired cultural behaviours to all employees.</li> <li>• Forums established for employees to provide feedback for continuous improvement.</li> <li>• Employee engagement monitored and measured through periodic employee surveys.</li> <li>• Group performance management system in place.</li> <li>• Training and development strategy in place to manage talent, provide development opportunities and address any skill gaps.</li> <li>• Remuneration models and trends monitored closely by the Group's Human Resources department and the Remuneration committee.</li> <li>• Succession planning strategy in place, to manage and mitigate 'key person' risk.</li> </ul>

### 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
<b>Market risk</b>	<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><b>How we manage the risk</b> --- 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>
<b>Credit risk</b>	<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><b>How we manage the risk</b> --- 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>
<b>Liquidity risk</b>	<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><b>How we manage the risk</b> --- 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>
<b>Currency risk</b>	<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 strengthening of Sterling against US Dollars is the most significant exposure to reported income levels.</p> <p><b>How we manage the risk</b> --- 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 condensed consolidated financial statements.



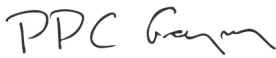
## Statement of Directors' responsibilities

The Directors, whose names are reflected on the Company's website, [www.hansard.com](http://www.hansard.com), confirm that, to the best of their knowledge, this condensed set of consolidated half-yearly financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year and;
- Material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

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

By order of the Board



P P C Gregory  
Non-executive Chairman



G S Marr  
Chief Executive Officer

21 February 2018

## Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended 31 December		Year ended 30 June
		2017 £m	2016 £m	2017 £m
Fees and commissions	6	25.7	26.7	52.6
Investment and other income		58.6	88.3	136.0
		84.3	115.0	188.6
Change in provisions for investment contract liabilities		(58.0)	(87.4)	(134.5)
Origination costs		(9.1)	(9.5)	(19.3)
Administrative and other expenses	7	(13.7)	(13.7)	(27.1)
		(80.8)	(110.6)	(180.9)
<b>Profit on ordinary activities before taxation</b>		<b>3.5</b>	<b>4.4</b>	<b>7.7</b>
Taxation on profit on ordinary activities	8	-	-	-
<b>Profit and total comprehensive income for the period after taxation</b>		<b>3.5</b>	<b>4.4</b>	<b>7.7</b>

## Earnings Per Share

	Notes	Six months ended 31 December		Year ended 30 June
		2017 £m	2016 £m	2017 £m
Basic	9	2.5	3.2	5.6
Diluted	9	2.5	3.2	5.6

The notes on pages 31 to 42 form an integral part of these financial statements.

## Condensed Consolidated Statement of Changes in Equity

	Note	Share Capital £m	Other reserves £m	Retained earnings £m	Total £m
Shareholders' equity at 1 July 2016		68.7	(48.3)	15.8	36.2
Profit and total comprehensive income for the period after taxation		-	-	4.4	4.4
<b>Transactions with owners</b>					
Dividends	10	-	-	(7.3)	(7.3)
<b>Shareholders' equity at 31 December 2016</b>		<b>68.7</b>	<b>(48.3)</b>	<b>12.9</b>	<b>33.3</b>

	Note	Share Capital £m	Other reserves £m	Retained earnings £m	Total £m
Shareholders' equity at 1 July 2017		68.7	(48.3)	11.3	31.7
Profit and total comprehensive income for the period after taxation		-	-	3.5	3.5
<b>Transactions with owners</b>					
Dividends	10	-	-	(7.2)	(7.2)
<b>Shareholders' equity at 31 December 2017</b>		<b>68.7</b>	<b>(48.3)</b>	<b>7.6</b>	<b>28.0</b>

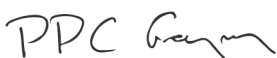
The notes on pages 31 to 42 form an integral part of these financial statements.

## Condensed Consolidated Balance Sheet

	Notes	31 December 2017 £m	31 December 2016 £m	30 June 2017 £m
<b>Assets</b>				
Property, plant and equipment		1.2	1.1	1.0
Deferred origination costs	11	113.3	111.3	111.6
<b>Financial investments</b>				
Equity securities		25.4	10.4	20.5
Collective investment schemes		969.6	861.8	920.9
Fixed income securities		21.3	29.4	22.0
Deposits and money market funds		82.2	119.3	103.1
Other receivables		7.8	5.9	5.2
Cash and cash equivalents		56.6	53.5	57.2
<b>Total assets</b>		<b>1,277.4</b>	<b>1,192.7</b>	<b>1,241.5</b>
<b>Liabilities</b>				
Financial liabilities under investment contracts	12	1,087.4	1,001.0	1,049.7
Deferred income	13	129.3	129.3	129.2
Amounts due to investment contract holders		23.8	21.8	22.8
Other payables	14	8.9	7.3	8.1
<b>Total liabilities</b>		<b>1,249.4</b>	<b>1,159.4</b>	<b>1,209.8</b>
<b>Net assets</b>		<b>28.0</b>	<b>33.3</b>	<b>31.7</b>
<b>Shareholders' equity</b>				
Called up share capital	15	68.7	68.7	68.7
Other reserves		(48.3)	(48.3)	(48.3)
Retained earnings		7.6	12.9	11.3
<b>Total shareholders' equity</b>		<b>28.0</b>	<b>33.3</b>	<b>31.7</b>

The notes on pages 31 to 42 form an integral part of these financial statements.

The condensed financial statements on pages 26 to 42 were approved by the Board on 21 February 2018 and signed on its behalf by:



**P. P. C. Gregory**  
Director



**G. S. Marr**  
Director

## Condensed Consolidated Cash Flow Statement

	31 December 2017 £m	31 December 2016 £m	30 June 2017 £m
<b>Cash flow from operating activities</b>			
Profit before tax for the period	3.5	4.4	7.7
<b>Adjustments for:</b>			
Depreciation	0.2	0.2	0.4
Dividends receivable	(2.5)	(2.7)	(3.9)
Interest receivable	(0.5)	(0.2)	(0.8)
Foreign exchange (loss) / gain	0.5	(0.8)	0.4
<b>Changes in operating assets and liabilities</b>			
Increase in receivables	(2.3)	(1.5)	(0.7)
Dividends received	2.5	2.7	3.9
Interest received	0.5	0.4	0.8
Increase in deferred origination costs	(1.7)	(0.3)	(0.7)
(Increase)/decrease in deferred income	(0.1)	(1.2)	(1.3)
Increase in payables	1.7	1.7	3.5
Increase in financial investments	(32.0)	(80.6)	(126.3)
Increase in financial liabilities	32.7	77.4	126.3
<b>Cash flow from operations</b>	<b>7.5</b>	<b>(0.5)</b>	<b>8.5</b>
Corporation tax paid	-	-	(0.1)
<b>Net cash from operations after taxation</b>	<b>7.5</b>	<b>(0.5)</b>	<b>8.4</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(0.4)	(0.3)	(0.4)
Proceeds from sale of investments	-	0.1	(0.3)
Purchase of investments	-	(0.2)	(0.2)
<b>Cash flows used in investing activities</b>	<b>(0.4)</b>	<b>(0.4)</b>	<b>(0.3)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	(7.2)	(7.3)	(12.2)
<b>Cash flows used in financing activities</b>	<b>(7.2)</b>	<b>(7.3)</b>	<b>(12.2)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(0.1)</b>	<b>(8.2)</b>	<b>(4.1)</b>
Cash and cash equivalents at beginning of period	57.2	60.9	60.9
Effect of exchange rate changes	(0.5)	0.8	0.4
<b>Cash and cash equivalents at period end</b>	<b>56.6</b>	<b>53.5</b>	<b>57.2</b>

The notes on pages 31 to 42 form an integral part of these financial statements.





# Notes to the Condensed Consolidated Financial Statements

## 1 General information

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.

The Company has its primary listing on the London Stock Exchange.

These condensed consolidated half-yearly financial statements are unaudited and do not comprise statutory financial statements. The condensed consolidated half-yearly financial statements were approved by the Board of Directors on 21 February 2018.

The Board of Directors approved the Group's statutory financial statements for the year ended 30 June 2017 on 27 September 2017. The report of the independent auditor on those financial statements was unqualified and did not contain an emphasis of matter paragraph.

## 2 Basis of presentation

These condensed consolidated half-yearly financial statements for the half-year ended 31 December 2017 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority ("DTR") and with IAS 34 "Interim Financial Reporting" as adopted by the European Union ("EU"). The condensed consolidated half-yearly financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2017, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU.

Except where otherwise stated, all figures included in the condensed consolidated half-yearly financial statements are stated in pounds sterling, which is also the functional currency of the Company, rounded to the nearest hundred thousand pounds.

The following amended standards, which the Group have adopted as of 1 July 2017, have not had any material impact on the Group's reported results:

- Annual improvements 2014-2016 Cycle (issued on 8 December 2016)
- Amendments to IAS 7: Disclosure Initiative (issued on 29 January 2016)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016)
- IFRS 39 Amendment 'Presentation of financial statements' disclosure initiative

### Going Concern

As shown within the Business and Financial Review, the Group's capital position is strong and well in excess of regulatory requirements. The long-term nature of the Group's business results in considerable positive cash flows arising from existing business. As a consequence, 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 and have prepared the condensed consolidated financial statements on that basis.



### 3 Principal accounting policies

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, this condensed set of consolidated financial statements has been prepared applying the accounting policies and standards that were applied, and the critical accounting estimates and judgements in applying them, in the preparation of the Group's published consolidated financial statements for the year ended 30 June 2017. The published consolidated financial statements for the year ended 30 June 2017 can be accessed on the Company's website: [www.hansard.com](http://www.hansard.com).

### 4 Financial risk management

#### Risk management objectives and risk policies

The Group's operations expose it to a variety of financial risks. 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. The Group's exposure is limited to the extent that certain fees and commission income are based on the value of assets in the unit-linked funds. 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 ("ERM") framework is in place comprising risk identification, risk assessment, control and reporting processes. Information concerning the operation of the Enterprise Risk Management framework to manage financial and other risks is contained within the Report and Accounts for the year ended 30 June 2017, and particularly in note 3 thereto, "Financial risk management".

The more significant financial risks to which the Group is exposed, and an estimate of the potential financial impact of each on the Group's IFRS earnings, are set out below. For each category of risk, the Group determines its risk appetite and sets its investment, treasury and associated policies accordingly.

#### 4.1 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

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% p.a., are based on the market value of assets under administration. Similarly, due to the fact that some of these charges are deducted from policies in contract currency, a change in foreign exchange rates relative to sterling can result in fluctuations in fee income and expenses. The approximate impact on the Group's profits and equity of a 10% change in unit-linked fund values, either as a result of price or currency fluctuations, is £1.6m (H1 2017: £1.2m) in a financial year.

#### (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. The Group has mitigated its exposure to cash flow interest rate risk by placing a proportion of its cash holdings on longer-term, fixed-rate deposits.

Taking into account the proportion of Group funds held on longer-term, fixed-rate deposits, a change of 1% p.a. in interest rates will result in an increase or decrease of approximately £0.4m (H1 2017: £0.5m) 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 4.2.

**(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:

	31 December					
	2017 US\$m	2017 €m	2017 ¥m	2016 US\$m	2016 €m	2016 ¥m
Gross assets	14.7	5.3	202.9	11.8	5.0	193.7
Matching currency liabilities	(11.8)	(4.6)	(132.4)	(11.1)	(4.2)	(120.2)
Uncovered currency exposures	2.9	0.7	70.5	0.7	0.8	73.5
Sterling equivalent of exposures (£)	2.1	0.6	0.5	0.6	0.7	0.5

The approximate effect of a 5% change in the value of US dollars to sterling is £0.1m (H1 2017: less than £0.1m); in the value of the euro to sterling is less than £0.1m (H1 2017: less than £0.1m); and in the value of the yen to sterling is less than £0.1m (H1 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: 61% (H1 2017: 61%); sterling: 19% (H1 2017: 18%); euro: 17% (H1 2017: 19%); other: 3% (H1 2017: 2%).

## 4.2 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 the balance sheet date, 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.

The Group has an exposure to credit risk in relation to its deposits with credit institutions and its investments in unithold 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 respectively. Investments in unithold 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.

	Six months ended 31 December		Year ended 30 June
	2017	2016	2017
	£m	£m	£m
Deposits with credit institutions	22.4	25.3	22.4
Money market funds	43.8	46.5	49.2
	66.2	71.8	71.6

Maximum counterparty exposure limits are set both at an individual subsidiary company level and on a Group wide basis.

## 4.3 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'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 and estimates of new business investment requirements

#### 4.4 Fair value of financial assets and liabilities

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.

Due to the 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 condensed consolidated statement of comprehensive income.

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 tables analyse the Group's financial assets and liabilities at fair value through profit or loss, at 31 December 2017:

Financial assets at fair value through profit or loss	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Equity securities	25.4	-	-	25.4
Collective investment schemes	906.7	-	62.9	969.6
Fixed income securities	21.3	-	-	21.3
Deposits and money market funds	82.2	-	-	82.2
	1,035.6		62.9	1,098.5

During the period under review no assets were transferred from Level 1 to Level 2. Assets with a value of £2.9m were transferred from Level 1 to 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. There were no other reclassifications of assets between the different Levels in the fair value hierarchy in the period. 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	-	1,087.4	-	1,087.4

The following tables analyse the Group's financial assets and liabilities at fair value through profit or loss, at 31 December 2016:

Financial assets at fair value through profit or loss	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Equity securities	10.4	-	-	10.4
Collective investment schemes	798.9	-	62.9	861.8
Fixed income securities	29.4	-	-	29.4
Deposits and money market funds	119.3	-	-	119.3
	958.0	-	62.9	1,020.9

During the period-ended 31 December 2016, assets with a value of £3.2m were transferred from Level 1 to Level 3 as the directors believed that valuations could no longer be obtained for those assets from an observable market price due to suspension in trading or the asset becoming illiquid. There were no other reclassifications of assets between the different Levels in the fair value hierarchy in the period.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities at fair value through profit or loss	-	1,001.0	-	1,001.0

## 5 Segmental information

Disclosure of operating segments in these condensed consolidated 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") (weighted where appropriate by product line) and expenses. NICC is a measure of the value of new in-force business and top-ups on existing single premium contracts. NICC is the total amount of basic initial commission payable by Hansard International Limited 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.

The following table analyses NICC geographically and reconciles NICC to direct origination costs during the period as set out in section 5 of the Business and Financial Review.

	Six months ended 31 December		Year ended 30 June
	2017	2016	2017
	£m	£m	£m
Middle East and Africa	1.7	1.9	3.0
Rest of World	1.9	1.4	3.0
Far East	1.2	1.2	2.9
Latin America	1.2	0.7	1.6
Net issued compensation credit	6.0	5.2	10.5
Other commission costs paid to third parties	2.6	2.4	4.9
Enhanced unit allocations	0.7	0.7	1.4
<b>Direct origination costs during the period</b>	<b>9.3</b>	<b>8.3</b>	<b>16.8</b>

Revenues and expenses allocated to geographical locations contained in sections 5.1 to 5.4 below, reflect the revenues and expenses generated in or incurred by the legal entities in those locations.

### 5.1 Geographical analysis of fees and commissions by origin

	Six months ended 31 December		Year ended 30 June
	2017	2016	2017
	£m	£m	£m
Isle of Man	23.3	23.6	46.9
Republic of Ireland	2.4	3.1	5.7
	<b>25.7</b>	<b>26.7</b>	<b>52.6</b>

### 5.2 Geographical analysis of profit before taxation

	Six months ended 31 December		Year ended 30 June
	2017	2016	2017
	£m	£m	£m
Isle of Man	3.7	4.1	7.8
Republic of Ireland	(0.2)	0.3	(0.1)
	<b>3.5</b>	<b>4.4</b>	<b>7.7</b>

### 5.3 Geographical analysis of gross assets

	Six months ended 31 December		Year ended 30 June
	2017	2016	2017
	£m	£m	£m
Isle of Man	1,087.7	986.4	1,038.6
Republic of Ireland	189.7	206.3	202.9
	<b>1,277.4</b>	<b>1,192.7</b>	<b>1,241.5</b>

## 5.4 Geographical analysis of gross assets

	Six months ended 31 December		Year ended 30 June
	2017	2016	2017
	£m	£m	£m
Isle of Man	1,078.6	972.4	1,025.8
Republic of Ireland	170.8	187.0	184.0
	1,249.4	1,159.4	1,209.8

## 6 Fees and commissions

	Six months ended 31 December		Year ended 30 June
	2017	2016	2017
	£m	£m	£m
Contract fee income	16.2	18.0	34.6
Fund management fees	7.0	6.5	13.4
Commission receivable	2.6	2.2	4.6
	25.7	26.7	52.6

## 7 Administrative and other expenses

Included in Administrative and other expenses are the following:

	Six months ended 31 December		Year ended 30 June
	2017	2016	2017
	£m	£m	£m
Auditors' remuneration			
- Fees payable to the Company's auditor for the audit of the Company's annual accounts	-	-	0.1
- Fees payable for the audit of the Company's subsidiaries pursuant to legislation	0.2	0.2	0.3
- Other services provided to the Group	-	-	0.1
Employee costs	5.8	5.4	10.6
Directors' fees	0.1	0.1	0.3
Fund management fees	2.3	1.9	4.7
Renewal and other commission	0.4	0.5	1.4
Professional and other fees	1.6	1.4	2.8
Impairment of broker balances receivable	-	0.7	1.1
Litigation settlements	-	0.1	1.0
Operating lease rentals	0.4	0.6	0.9
Licences and maintenance fees	0.6	0.5	1.0
Insurance costs	0.6	0.5	1.1
Depreciation of property, plant and equipment	0.2	0.2	0.4
Communications	0.2	0.3	0.6

## 8 Taxation

The Group's profits arising from its Isle of Man-based operations are taxable at zero percent.

Corporation tax for the Republic of Ireland-based operations is based on the effective annual rate for taxable income of 12.5%, applied to the expected taxable profits for the period.



## 9 Earnings per share

	Six months ended 31 December		Year ended 30 June
	2017	2016	2017
Profit after tax (£m)	3.5	4.4	7.7
Weighted average number of shares in issue (millions)	137.4	137.4	137.4
<b>Earnings per share in pence</b>	<b>2.5p</b>	3.2p	5.6p

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 2.5p pence per share.

## 10 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 period:

	Six months ended 31 December				Year ended 30 June 2017	
	2017		2016			
	Per Share	Total	Per Share	Total	Per Share	Total
Final dividend paid	5.3	7.2	5.3	7.3	5.3	7.3
Interim dividend paid	-	-	-	-	3.6	4.9
	5.3	7.2	5.3	7.3	8.9	12.2

The Board have resolved to pay an increased interim dividend of 1.8p per share. This amounts to £2.5m and will be paid on 10 April 2018 to shareholders on the register at 2 March 2018.

## 11 Deferred origination costs

	31 December		30 June
	2017	2016	2017
	£m	£m	£m
At beginning of financial year	111.6	110.9	110.9
Origination costs incurred during the year	9.3	8.3	16.8
Origination costs amortised during the year	(7.6)	(7.9)	(16.1)
	113.3	111.3	111.6

	31 December		30 June
	2017	2016	2017
	£m	£m	£m
<b>Carrying value</b>			
Expected to be amortised within one year	11.1	10.9	11.0
Expected to be amortised after one year	102.2	100.4	100.6
	113.3	111.3	111.6

## 12 Financial investments held to cover liabilities under investment contracts

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

	31 December		30 June
	2017	2016	2017
	£m	£m	£m
Equity securities	25.4	10.4	20.5
Investment in collective investment schemes	969.2	861.3	920.4
Fixed income securities	21.3	29.4	22.0
Deposits and money market funds	72.7	100.9	88.8
<b>Total assets</b>	<b>1,088.6</b>	<b>1,002.0</b>	<b>1,051.7</b>
Other payables	(1.2)	(1.0)	(2.0)
<b>Financial investments held to cover liabilities</b>	<b>1,087.4</b>	<b>1,001.0</b>	<b>1,049.7</b>

The other receivables and other payables fair value approximates amortised cost.

## 13 Deferred income

	31 December		30 June
	2017	2016	2017
	£m	£m	£m
At beginning of financial year	129.2	130.5	130.5
Income received and deferred in period	9.1	8.7	16.8
Income recognised in contract fees in the period	(9.0)	(9.9)	(18.1)
	<b>129.3</b>	<b>129.3</b>	<b>129.2</b>

	31 December		30 June
	2017	2016	2017
	£m	£m	£m
<b>Carrying value</b>			
Expected to be amortised within one year	12.9	13.0	13.0
Expected to be amortised after one year	116.4	116.3	116.2
	<b>129.3</b>	<b>129.3</b>	<b>129.2</b>

## 14 Other payables

	31 December		30 June
	2017	2016	2017
	£m	£m	£m
<b>Creditors and accruals</b>	<b>8.9</b>	<b>7.3</b>	<b>8.1</b>

## 15 Called up share capital

	31 December		30 June
	2017	2016	2017
	£m	£m	£m
<b>Authorised:</b>			
200,000,000 ordinary shares of 50p	100.0	100.0	100.0
<b>Issued and fully paid:</b>			
137,449,611 ordinary shares of 50p (30 June 2017: 137,444,792 ordinary shares)	68.7	68.7	68.7

## 16 Related party transactions

Intra-group transactions are eliminated on consolidation and are not disclosed separately here.

There have been no significant related party transactions in the period other than noted in 16.1 below, nor changes to related parties. Related party transactions affecting the results of previous periods and an understanding of the Group's financial position at previous balance sheet dates are as disclosed in the Annual Report & Accounts for the year ended 30 June 2017.

There have been no significant awards during the period under the Save As You Earn (SAYE) share-save programme for employees. The estimated fair value of the schemes and the imputed cost for the period under review is not material to these financial statements.

### 16.1 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.

Dr Polonsky's letter of appointment reflects his position as a non-executive Director and President. It incorporates the requirements of the Listing Rules of the Financial Conduct Authority in relation to Dr Polonsky as controlling shareholder of the Group in order to maintain effective corporate governance.

- Dr Polonsky has an investment contract issued by the Group on terms available to employees in general. As at 31 December 2017 Dr Polonsky's contract had a fair value of £4.7m (30 June 2017: £15.7m). A withdrawal of £10.8m was made during July 2017.
- The Group established an Employee Benefit Trust in November 2011 with the transfer to it of 400,000 shares in Hansard Global plc by Dr Polonsky. Dr Polonsky made a further donation of 250,000 shares to the Trust in September 2014. Following the purchase of 56,871 shares in December 2017, the Trust holds 860,820 shares (30 June 2017: 803,949) at 31 December 2017..

## 17 Contingent liabilities

The Group does not give any investment advice and this is left to the contract holder directly or through an agent, advisor or an entity appointed at the contract holder's request or preference. Contract holders bear the financial risk relating to the investments underpinning their contracts, as the contract 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 those fund structures remain affected by liquidity or other issues that hinder their sales or redemptions on normal terms with a consequent adverse impact on 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. Hansard Europe has been served with a number of writs arising from such complaints and other asset-related issues.

As at the report date of the 2017 Annual Report and Accounts, the Group faced litigation based on writs totalling €16.9m or £14.8m). The corresponding figure as at 31 December 2017 was €16.4m or £14.6m (31 December 2016: €15.9m or £13.6m). The total has decreased marginally since the date of the Annual Report due to fluctuations in the market value of underlying contract holder assets. Between 31 December 2017 and the date of this report, two significant appeal court cases in Belgium totalling just under €1m were ruled in the Group's favour.

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 extended litigation, the Group may consider it to be in the best interests of the Group and its shareholders to reach a resolution with regard to certain of these claims. There were no such settlements made or provided for during the period (H1 2017: nil). It is not possible at this time to make any further estimates of liability.

## 18 Foreign exchange rates

The closing exchange rates used by the Group for the translation of balance sheet items to sterling were as follows:

	31 December		30 June
	2017	2016	2017
US Dollar	1.35	1.23	1.30
Japanese Yen	152.13	144.34	146.50
Euro	1.12	1.17	1.14

These are consistent with the rates used for the translation of EEV future currency cash flows.



# Independent review report to Hansard Global plc

## Report on the consolidated financial statements

### Our conclusion

We have reviewed Hansard Global plc's condensed consolidated financial statements (the "interim financial statements") in the half-yearly report of Hansard Global plc for the 6 month period ended 31 December 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

### What we have reviewed

The interim financial statements comprise:

- the condensed consolidated balance sheet as at 31 December 2017;
- the condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated cash flow statement for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the half-yearly report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 3 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

## Responsibilities for the interim financial statements and the review

### Our responsibilities and those of the directors

The half-yearly report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half-yearly report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

### What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the International Assurance Standards Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

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

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

**PricewaterhouseCoopers LLC**  
**Chartered Accountants**  
**Douglas, Isle of Man**

**21 February 2018**

# European Embedded Value Information

## I Introduction

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") from business in-force at the valuation date, 31 December 2017. 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 with the 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 period

### 2.1 EEV Profit / (Loss)

EEV Profit is a measure of the performance over the period. It is derived as follows:

	HI 2018 £m	HI 2017 £m
New Business Contribution	0.1	1.0
Expected Return on new and existing business	0.3	0.3
Expected Return On Net Worth	0.1	0.1
Operating Assumption and Model Changes	(0.6)	(2.0)
Experience Variances	(1.8)	(1.8)
<b>EEV Operating (Loss) after Tax</b>	<b>(1.9)</b>	<b>(2.4)</b>
Investment Return Variances	6.3	12.1
Economic Assumption Changes	(0.5)	(1.2)
<b>EEV Profit after Tax</b>	<b>3.9</b>	<b>8.5</b>

#### 2.1.1 New Business Contribution ("NBC")

New Business Contribution is the value of new business written in the period. It is calculated at point of sale. NBC for the half year was £0.1m (HI 2017: £1.0m).

#### 2.1.2 Expected Return on In Force Business (new and existing)

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 new business written, so the New Business Cashflows is that incurred in the half year from new sales, using end of period operating and start of period economic assumptions.

	EEV Worth £m	HI 2018 Net Worth £m	VFP* £m	EEV £m	HI 2017 Net £m	VFP* £m
Cash generated from VFP	-	17.2	(17.2)	-	15.1	(15.1)
New business cashflows	-	(12.5)	12.5	-	(12.1)	12.1
Time value of existing business	0.3	(0.5)	0.8	0.3	-	0.3
Time value of new business	-	-	-	-	-	-
	0.3	4.2	(3.9)	0.3	3.0	(2.7)

\*this includes frictional costs and non-market risk, including its time value.

The expected value of cash generated from existing business of £17.2m is higher than the previous period (HI 2017: £15.1m). This increase is driven by upfront charges, which are received over an 18 month period, growing as a result of new business levels in HI 2018 being higher than HI 2017. The higher new business cashflows of £12.5m (HI 2017: £12.1m) reflects higher levels of new business written over the period.

The time value figures reflect the economic assumptions at 31 December 2017 and 31 December 2016.

### 2.1.3 Experience Variances

Experience variances arise where experience differs from that assumed in the prior year's EEV.

	HI 2018 £m	HI 2017 £m
Ongoing expenses	(0.5)	(0.5)
Foreign exchange and unit pricing	(0.5)	0.2
Full encashments	(0.3)	(1.4)
Premium persistency	(0.1)	(1.5)
One-off expenses	-	0.7
Other	(0.4)	0.7
<b>Experience Variances</b>	<b>(1.8)</b>	<b>(1.8)</b>

The sum of experience variances is negative £1.8m (HI 2017: negative £1.8m), comprising mainly of foreign exchange and unit pricing margins and expenses.

### 2.1.4 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 £0.2m (HI 2017: decrease of £2.2m), as shown below.

Operating assumptions are generally management's best estimate, having regard to recent experience.

	HI 2018 £m	HI 2017 £m
Full encashments	-	(1.1)
Ongoing expenses	-	(1.1)
Other	(0.2)	-
<b>Operating Assumption Changes</b>	<b>(0.2)</b>	<b>(2.2)</b>



### 2.1.5 Model Changes

The model is an approximation of the financial impact of the expected business performance. The Group continues to develop its modelling functionality, seeking to improve its accuracy over time. Model changes made during the period were negative £0.4m (HI 2017: positive £0.2m). This was due to a methodology change involving the payment of future trail commissions.

### 2.1.6 Expected Return on Net Worth

The expected return on Net Worth of £0.1m (HI 2017: £0.1m) reflects the anticipated increase in shareholder assets over the period due to the time value of money. In line with EEV convention, its calculation is based on the 30 June 2017 year one sterling risk free rate of 0.4% (30 June 2016: 0.4%).

### 2.1.7 Investment Return Variances

The combined impact of market and economic conditions led to EEV investment return variances of £6.3m (HI 2017: £12.1m).

	HI 2018 £m	HI 2017 £m
Investment performance of contract holder funds	10.4	6.1
Exchange rate movements	(4.8)	5.6
Shareholder return	0.6	0.3
Other	0.1	0.1
<b>Investment Return Variances</b>	<b>6.3</b>	<b>12.1</b>

### 2.1.8 Economic Assumption Changes

Economic assumption changes resulted in an EEV reduction of £0.5m (HI 2017: decrease of £1.2m). This reflects changes in risk free rates for the currencies to which the Group is exposed.

## 2.2 ANALYSIS OF EEV PROFIT BY EEV COMPONENT

The table below shows a detailed analysis of EEV profit after tax for the period.

	HI 2018 Movement in			HI 2017 Movement in		
	EEV	Net Worth	VIF	EEV	Net Worth	VIF
	£m	£m	£m	£m	£m	£m
New Business Contribution	0.1	(12.9)	13.0	1.0	(12.3)	13.3
Expected Return On New And Existing Business	0.3	17.2	(16.9)	0.3	15.3	(15.0)
Expected Return On Net Worth	0.1	0.1	-	0.1	0.1	-
Model Changes	(0.4)	-	(0.4)	0.2	-	0.2
Operating Assumption Changes	(0.2)	-	(0.2)	(2.2)	-	(2.2)
Experience Variances	(1.8)	(2.9)	1.1	(1.8)	(0.6)	(1.2)
<b>EEV Operating Profit After Tax</b>	<b>(1.9)</b>	<b>1.5</b>	<b>(3.4)</b>	<b>(2.4)</b>	<b>2.5</b>	<b>(4.9)</b>
Investment Return Variances	6.3	0.5	5.8	12.1	0.5	11.6
Economic Assumption Changes	(0.5)	-	(0.5)	(1.2)	-	(1.2)
<b>EEV Profit After Tax</b>	<b>3.9</b>	<b>2.0</b>	<b>1.9</b>	<b>8.5</b>	<b>3.0</b>	<b>5.5</b>

New Business Strain has been presented as part of New Business Contribution rather than within the Expected Return on New and Existing Business line as was presented in previous years. The HI 2017 analysis has been re-analysed for the purposes of consistency.

### 3 EMBEDDED VALUE AT 31 DECEMBER 2017

#### 3.1 EEV BALANCE SHEET

Following the payment of dividends of £7.2m (HI 2017: £7.3m), the Group's EEV has decreased by £3.3m since 30 June 2017 to £192.2m (30 June 2017: £195.5m, 31 December 2016: £197.1m). The EEV balance sheet is presented below.

	HI 2018 £m	HI 2017 £m
Free Surplus	16.3	23.2
Required Capital	27.7	28.0
<b>Net Worth</b>	<b>44.0</b>	<b>51.2</b>
VIF	154.5	153.1
Reduction for non-market risk	(6.2)	(6.2)
Frictional costs	(0.1)	(1.0)
<b>Value Of Future Profits ("VFP")</b>	<b>148.2</b>	<b>145.9</b>
<b>EEV</b>	<b>192.2</b>	<b>197.1</b>

Net Worth is the market value of shareholder funds on an IFRS basis with adjustments to exclude certain accounting assets and liabilities. At the balance sheet date, the Net Worth of the Group is largely represented by liquid cash balances. Given the uncertainties inherent in the ultimate outcome of the litigation against Hansard Europe, shareholder funds of Hansard Europe are treated as Required Capital. Management estimate this capital may be constrained for up to three years.

The Value of Future Profits is the capitalised value of expected future profit allowing for best estimate contract holder behaviour and market consistent economic assumptions (VIF) with adjustments for non-market risk and frictional costs. VIF is based on the value of contract holder funds under administration at 31 December 2017. The reduction for non-market risk represents the capitalised cost of operational risk. Frictional costs are the costs associated with holding Required Capital.

### 4 NEW BUSINESS PROFITABILITY

At the current level and mix of new business sales, new business contribution and margin has remained marginally positive. New Business Contribution was £0.1m for HI 2018 (HI 2017: £1.0m).

#### 4.1 NEW BUSINESS MARGIN

New Business Margin is the New Business Contribution divided by the Present Value of New Business Premiums ("PVNBP"). It is a measure of profitability (not profit), comparing the expected profit with the value of expected premiums.

	HI 2018	HI 2017
New Business Sales (PVNBP)	£77.1m	£74.9m
New Business Contribution (NBC)	£0.1m	£1.0m
New Business Margin (NBM)	0.1%	1.3%

The New Business Margin for the period was 0.1% (HI 2017: 1.3%). The reduction from the prior period is driven primarily by increased initial expenses relative to levels of new business received. An increased proportion of single premium business has also reduced overall margins.

NBC and PVNBP have, by convention, been calculated using 30 June 2017 economic assumptions and 31 December 2017 operating assumptions (which are unchanged from those at 30 June). As for the VIF, the NBC does not take credit for possible investment returns in excess of the projected risk-free return. NBC is shown after allowing for the cost of required capital, calculated on the same basis as for in-force business.

## 5 EEV SENSITIVITY ANALYSIS

Sensitivities provide an indication of the impact of changes in particular assumptions on the EEV at 31 December 2017 and the NBC for the half-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 diversified 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.

	EEV £m	NBC £m
<b>Central assumptions</b>	<b>192.2</b>	<b>0.1</b>
<b>Operating sensitivities</b>		
10% decrease in expenses	9.3	0.9
1% decrease in expense inflation	5.9	0.3
1% increase in charge inflation	3.9	0.1
1% increase in expense & charge inflation	(2.6)	(0.3)
10% decrease in full encashment rates	1.7	0.2
<b>Economic sensitivities</b>		
1% decrease in risk discount rate	7.5	0.4
1% increase in risk discount rate	(6.8)	(0.3)
1% increase in investment return rate	7.7	0.3
1% decrease in investment return rate	(7.1)	(0.3)
1% increase in risk discount rate & investment return rate	0.2	(0.1)
1% decrease in risk discount rate & investment return rate	(0.3)	0.1
10% increase in the value of equities and property	12.1	-
10% strengthening of sterling	(16.9)	(0.6)

In each sensitivity calculation, all other assumptions remain unchanged, except where indicated. 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.

Where only one side of a sensitivity is shown, the results are broadly symmetric.

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 policy.





## NOTES TO THE EUROPEAN EMBEDDED VALUE INFORMATION

**I 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.

**1.1 Risk discount rate**

The risk discount rates are set to the risk-free rates 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 period (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).

**1.2 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.

**1.3 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.

**1.4 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. 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:

<b>Inflation rates</b>	<b>HI 2018</b>	<b>HI 2017</b>
Expense inflation per annum	<b>2.9%</b>	2.6%
Charge inflation per annum – Hansard Europe	<b>5.0%</b>	5.0%
Charge inflation per annum – Hansard International – Year 1	<b>2.4%</b>	1.9%
Charge inflation per annum – Hansard International – Year 2	<b>2.6%</b>	2.4%
Charge inflation per annum – Hansard International – Year 3+	<b>2.9%</b>	2.6%
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 2.9% per annum.		

## **Review of the European Embedded Value (“EEV”) of Hansard Global plc for the six-month period ended 31 December 2017**

### **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 “European Embedded Value Information” (pages 44 to 49) and “Notes to the European Embedded Value Information” (page 50) within Hansard Global plc’s Results for the six-month period ended 31 December 2017.

### **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 limited 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**

On the basis of our limited review, nothing has come to our attention to suggest that:

- the methodology and assumptions used to prepare the EEV Information do not 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 not been compiled on the basis of the methodology and assumptions and;
- the EEV Information does not comply 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 IFRS 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 21 February 2018**

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<b>Registered Office</b> Harbour Court Lord Street Box 192 Douglas Isle of Man IM99 1QL Tel: +44 (0)1624 688000 Fax: +44 (0)1624 688008 www.hansard.com	<b>Media Enquiries</b> Camarco 107 Cheapside London EC2V 6DN Tel: +44 (0)20 3757 4980
<b>President</b> Dr L S Polonsky, CBE Leonard.Polonsky@hansard.com  <b>Non-executive Chairman</b> PPC Gregory Philip.Gregory@hansard.com	<b>Broker</b> Panmure Gordon (UK) Limited One New Change London EC4M 9AF Tel. +44 (0)20 7886 2500
<b>Financial Advisor</b> Macquarie Capital (Europe) Limited 28 Ropemaker Street London EC2Y 9HD Tel: +44 (0)20 3037 2000	<b>Broker</b> Macquarie Capital (Europe) Limited 28 Ropemaker Street London EC2Y 9HD Tel: +44 (0)20 3037 2000
<b>Independent Auditor</b> PricewaterhouseCoopers LLC Sixty Circular Road Douglas Isle of Man IMI ISA Tel: +44 (0)1624 689689	<b>Registrar</b> Link Market Services (Isle of Man) Limited Clinch's House Lord Street Douglas Isle of Man IM99 1RZ Tel (UK): 0871 664 0300* Tel: +44 (0)20 8639 3399
<b>Reviewing Actuaries</b> Deloitte MCS Limited Hill House 1 Little New Street London EC4A 3TR Tel: +44 (0)20 7936 3000	<b>UK Transfer Agent</b> Link Market Services Trustees Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Tel (UK): 0871 664 0300* Tel: +44 (0)20 8639 3399
<p>NB: 0871 Number – calls cost 12p per minute plus network extras. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales.</p>	
<b>Financial Calendar</b>	
Ex-dividend date for interim dividend Record date for interim dividend Payment date for interim dividend Third quarter trading update Announcement of fourth quarter new business results Announcement of full year results	1 March 2018 2 March 2018 10 April 2018 10 May 2018  26 July 2018 27 September 2018





HANSARD  
GLOBAL PLC



Hansard Global plc  
Harbour Court, Lord Street  
Box 192  
Douglas, Isle of Man.  
IM99 1QL British Isles

Tel: +44 (0)1624 688000

[hansard.com](http://hansard.com)

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