



HANSARD
GLOBAL PLC

26 September 2019

Hansard Global plc
Results for the year ended 30 June 2019

Hansard Global plc (“Hansard” or “the Group”), the specialist long-term savings provider, issues its results for the year ended 30 June 2019 (“FY 2019”).

Summary

	FY 2019	FY 2018
New business sales – PVNBP ¹ basis	£155.9m	£146.6m
IFRS profit after tax	£4.6m	£6.8m
Underlying profit	£6.1m	£8.6m
Operating cash surplus	£20.6m	£25.0m
Recommended final dividend per share ²	2.65p	2.65p
IFRS earnings per share	3.3p	4.9p

As at	30 June 2019	30 June 2018
Assets under Administration	£1,080m	£1,036m
Value of In-Force ³	£140m	£144m

¹ Present Value of New Business Premiums

² Subject to approval at the AGM

³ Basis moved from European Embedded Value basis in FY 2018 to Solvency II equivalent basis in FY 2019

Gordon Marr, Group Chief Executive Officer, commented:

“Our 2019 results reflect a year of change for the Group, as we have refocused the business to deliver future growth. In particular, in June 2019 we were granted our Japanese investment management licence, enabling us to operate in this key market. This was a major milestone and the culmination of a number of years of hard work. We also successfully launched our new insurance subsidiary, Hansard Worldwide Limited and streamlined the number of markets that we operate in and the distributors we use in those markets. Together with a major IT project to replace our back-office administration systems and a focus on cost efficiencies, we believe this offers a strong base to improve the profitability of the business in the coming years.”

Hansard Global plc

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Registered Office: as above. Registered Number 113389C

Legal Entity Identifier: 213800ZJ9F2EA3Q24K05

NEW BUSINESS

As previously announced, our new business levels were £155.9m on a Present Value of New Business Premiums ("PVNBP") basis, 6.3% higher than FY 2018. The primary driver of growth in 2019 was our successful strategic relationship in the UAE.

STRATEGY IMPLEMENTATION

The business has focused on a number of key items during the past year. Successful achievements include:

- regulatory approval of our investment management licence application in Japan;
- launch of our new insurance subsidiary in The Bahamas to serve international and expatriate business;
- rationalisation of our distribution network with a focus on closer relationships, quality of business and clear customer disclosures;
- rationalisation of regional offices to reduce costs;
- commencement of project to replace and streamline our administration systems and IT infrastructure.

TRADING RESULTS

IFRS profit after tax for the year was £4.6m (FY 2018: £6.8m). Excluding litigation defence costs and other smaller one-off items, underlying IFRS profit was £6.1m compared with £8.6m in FY 2018.

Fee and commission income was £48.5m for the year (2018: £52.6m) with lower income earned in both Hansard International and Hansard Europe. Hansard International experienced lower contract surrender levels than in 2018 and as a consequence had lower releases of deferred income and lower surrender charges. Hansard Europe income continued to reduce in line with its closure to new business in 2013.

Administrative expenses, exclusive of litigation and one-off items, were £23.3m (2018: £22.1m). Key drivers of this increase include general salary inflation, project contractor costs and increased premium collection costs.

As previously disclosed, we elected to rationalise our supplemental reporting in 2019 and focus on Solvency II equivalent metrics rather than European Embedded Value ("EEV"). Value of In-Force ("VIF") represents the present value of expected future shareholder profits less the present value cost of holding capital required to support the in-force business. VIF totalled £139.9m as at 30 June 2019, up from £134.5m at 31 December 2018. The equivalent VIF at 30 June 2018 under EEV methodology was £143.9m.

New Business Margin, calculated on an EEV basis, improved marginally to -0.6% as compared to -0.7% in FY 2018. While margins benefited from slightly higher sales to support acquisition expenses, declining interest rates and other assumption changes have offset most of the improvement.

DIVIDENDS

The Board has proposed a final dividend of 2.65p per share, the same level as last year. This dividend, if approved by the shareholders at the Annual General Meeting on 6 November 2019, represents a total dividend of 4.45p (2018: 4.45p) per share in respect of the financial year. Such dividend will be paid on 14 November 2019 to shareholders on the register on 4 October 2019. The associated ex-dividend date is 3 October 2019.

POLICYHOLDER LITIGATION

The Group continues to manage carefully its litigation exposures relating to the legacy operations of Hansard Europe. We continue to believe we have strong defences against the claims being made. Exposures from outstanding writs total €21.7m (£19.4m) at 30 June 2019, up €1.6m (£1.6m) from 30 June 2018. The primary driver of the increase has been in relation to litigation in Italy focused on a range of funds which have been illiquid for a number of years.

During the year, the Group successfully defended ten cases with net exposures of approximately €0.6m (£0.5m), eight of which have been appealed by the plaintiffs. Our policy is to maintain contingent liabilities even where we win cases in the court of first instance if such cases have been subsequently appealed. These successes continue to affirm confidence in the Group's legal arguments.

We have also worked closely with our insurers during the year to clarify large-case coverages where they may be applicable. While we cannot at this stage place a value on any recoveries and have not reduced any of the gross exposures above, we are comfortable that a number of our larger cases will be at least partly covered.

CURRENT TRADING

Sales levels to date for the 2020 financial year are continuing in line with the trends established in 2019 and we expect to report year on year growth for Q1 2020 compared to Q1 2019.

DIRECTOR RETIREMENTS

Maurice Dyson, having served on the Board for 13 years, will not be seeking re-election at the Annual General Meeting ("AGM") on 6 November 2019. Andy Frepp has also advised that he will not be seeking re-election at the AGM due to work commitments taking him to the USA.

NEXT TRADING UPDATE

The first trading update in respect of the year ending 30 June 2020 is expected to be published on 7 November 2019.

For further information:

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Notes to editors:

- Hansard Global plc is the holding company of the Hansard Group of companies. The Company was listed on the London Stock Exchange in December 2006. The Group is a specialist long-term savings provider, based in the Isle of Man.
- The Group offers a range of flexible and tax-efficient investment products within a life assurance policy wrapper, designed to appeal to affluent, international investors.
- The Group utilises a controlled cost distribution model via a network of independent financial advisors, and the retail operations of certain financial institutions who provide access to their clients in more than 170 countries. The Group's distribution model is supported by Hansard OnLine, a multi-language internet platform, and is scalable.
- The principal geographic markets in which the Group currently services contract holders and financial advisors are the Middle East & Africa, the Far East and Latin America. These markets are served by Hansard International Limited and Hansard Worldwide Limited.
- Hansard Europe dac previously operated in Western Europe but closed to new business with effect from 30 June 2013.
- The Group's objective is to grow by attracting new business and positioning itself to adapt rapidly to market trends and conditions. The scalability and flexibility of the Group's operations allow it to enter or develop new geographic markets and exploit growth opportunities within existing markets often without the need for significant further investment.

Forward-looking statements:

This announcement may contain certain forward-looking statements with respect to certain of Hansard Global plc's plans and its current goals and expectations relating to future financial condition, performance and results. By their nature forward-looking statements involve risk and uncertainties because they relate to future events and circumstances which are beyond Hansard Global plc's control. As a result, Hansard Global plc's actual future condition, performance and results may differ materially from the plans, goals and expectations set out in Hansard Global plc's forward-looking statements. Hansard Global plc does not undertake to update forward-looking statements contained in this announcement or any other forward-looking statement it may make. No statement in this announcement is intended to be a profit forecast or be relied upon as a guide for future performance.

This announcement contains inside information which is disclosed in accordance with the Market Abuse Regime.

Legal Entity Identifier: 213800ZJ9F2EA3Q24K05

Chairman's Statement

Introduction

2019 has seen the Hansard Group ("Hansard" or "the Group") make a number of important strategic moves for the future direction of the business. The receipt of our Japanese investment management licence in June 2019 was a major milestone and the culmination of a number of years of hard work. We also successfully launched our new insurance subsidiary, Hansard Worldwide Limited ("Hansard Worldwide") and streamlined the number of markets that we operate in and the distributors we use in those markets. Together with a major IT project to replace our back-office administration systems and a focus on cost efficiencies, we believe this offers a strong base to improve the profitability of the business in the coming years.

New business

New business for the 2019 financial year improved to £155.9m (in Present Value of New Business Premiums ("PVNBP") terms), up 6% from the 2018 figure of £146.6m.

The highlight of the year was the continuing growth of our strategic relationship in the UAE. This contributed significantly to new business in our Middle East and Africa region which increased 42% from the prior year. It was also pleasing to achieve a seamless transition of our international distribution to Hansard Worldwide. The Group is now more flexible and focussed in the markets and territories from which it sources business.

Financial performance

Our IFRS profit after tax for the year was £4.6m, down from £6.8m in 2018. This reflects a number of factors on both the revenue and cost side.

On the revenue side, fees and commissions were down £4.1m to £48.5m for the year (2018: £52.6m). Fees and commissions from Hansard International Limited ("Hansard International") were down by £3.2m primarily due to lower amortisation of income from prior years and lower surrender fee income as a result of improved retention levels (a benefit to future income levels). Fees and commissions from our closed book, Hansard Europe dac ("Hansard Europe"), continued to fall, as expected, and were £0.9m down on the prior year.

On the cost side, we have implemented a cost savings programme which will yield annualised savings of approximately £1.0m, primarily in the reduction of professional fees (some of which will be seen in the 2020 financial year). Offsetting this, however, we have and continue to incur increased costs for litigation defence, the operation of Hansard Worldwide, IT costs related to our administration system upgrade and premium collection costs. Overall, administrative and other expenses were £29.5m for the year (2018: £29.4m).

Further detail and analysis is contained in the Business and Financial Review.

Capitalisation and solvency

The Group remains well capitalised to meet the requirements of regulators, contract holders, intermediaries and other stakeholders. On a risk-based capital basis, total Group Free Assets in excess of the Solvency Capital Requirements of our insurance subsidiaries were £86.8m (2018: £90.5m), a coverage of 233% (2018: 237%). We have maintained our prudent investment policy for shareholder assets, which minimises market risk and has provided a stable and resilient solvency position over many years.

Dividends

The Board has resolved to pay a final dividend of 2.65p per share (2018: 2.65p). The Board is of the view that the current net cash outflow is a temporary position that can be covered in advance of expected improvements in cash flow.

The dividend is subject to approval at the Annual General Meeting. If approved, this will represent total dividends for the financial year of 4.45p per share (2018: 4.45p). The final dividend will be paid on 14 November 2019. The ex-dividend date will be 3 October 2019 and the record date will be 4 October 2019.

The future

The key to significantly increased new business lies in our ability to take advantage of the opportunity available to us in Japan. We are planning to launch a new investment product for the Japanese market in 2020, distributed by local banks. Whilst the set-up costs in Japan will reduce the profitability of 2019/20, the Japanese market has the potential to be a significant source of future profitability.

Philip Gregory
Chairman
25 September 2019

GROUP CHIEF EXECUTIVE OFFICER'S OVERVIEW

2019 has seen positive progress on our ambition to build on our traditional international business with additional locally-licenced operations in highly attractive savings markets.

In June 2019 we announced that Hansard International had been granted an Investment Management licence in Japan, marking the first step to enable Hansard to enter the Japanese market with a new, innovative savings proposition. We have appointed a General Manager in Tokyo to help build on the opportunity that this licence presents and lead the development of local resource and distribution relationships. We believe this presents us with a very significant opportunity to achieve a step change in Hansard's future growth potential.

We have also adapted to changes in the regulatory landscape and split our business into a more flexible model. Hansard International in the Isle of Man will underwrite and reinsure all locally-licenced business, while Hansard Worldwide in The Bahamas will be the hub for our international and expatriate business. We have successfully launched Hansard Worldwide during the second half of the 2019 financial year and seamlessly managed the transition of our broker network and operational model.

During the year, we launched a major IT project to replace our back-office administration systems. Our current systems have served us well over the past 30 years but technology never stands still and we believe our new systems will both better support our next generation of products whilst also enabling us to implement significant annual cost savings. We expect the systems to be implemented in 2020 with savings to be realised from 2021.

We are conscious that our current financial returns do not yet reflect these positive developments. We remain confident however that we are taking the right steps to address both the revenue and expense lines for the long term future of the Group and that we have the right people and technology to execute upon the opportunities before us.

RESULTS FOR THE YEAR UNDER REVIEW

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

- Sourcing significant flows of regular premium new business flows from diversified target markets;
- Managing our exposure to business risk;
- Positioning ourselves to incorporate ever-increasing levels of regulation into our business model;
- Leveraging our market-leading technology and systems, and;
- Managing our cash flows through the cycle to fund the appropriate balance of investment in new business and dividends.

I would draw your attention to the following items below. Additional information is contained in the Business and Financial Review.

1. New business distribution

The level of new business we earned during the financial year ("FY") was £155.9m (using the PVNBP metric), up from the FY 2018 figure of £146.6m.

Our Middle East and Africa region has been a highlight, driven primarily by the continuing growth of our strategic relationship in the UAE. New business in this region was up 42% for the full year.

Elsewhere, we have seen a highly competitive market place, particularly for single premiums where we have chosen not to pursue business where margins are too low.

2. Operational, Business and Financial Risks

Our business model involves the acceptance of a number of risks on a managed and controlled basis. The Group's Enterprise Risk Management ("ERM") Framework provides for the identification, assessment, management, monitoring and control of current and emerging risks, recognising that systems of internal control can only provide reasonable and not absolute assurance against material misstatement or loss. The Group's internal control and risk management processes have operated satisfactorily throughout the year.

2.1 Litigation Risk

As explained more fully in the Business and Financial Review, we continue to manage complaints and litigation arising from our closed-book, Hansard Europe, where the performance of assets linked to a particular contract have suffered or become illiquid. We continue to maintain that we do not give investment advice and are not party to the selection of the asset and therefore we believe that such claims have no merit.

As at 30 June 2019, the Group had been served with cumulative writs with a net exposure totalling €21.7m, or £19.4m in sterling terms (30 June 2018: €20.1m / £17.8m) arising from contract holder complaints and other asset performance-related issues. The primary driver of the increase has been in relation to additional claims in Italy related to funds which have been illiquid for a number of years.

During the year, the Group successfully defended 10 cases with net exposures of approximately €0.6m, or £0.5m, 8 of which have been appealed by the plaintiffs. These successes continue to affirm confidence in the Group's legal arguments.

We have also worked closely with our insurers during the year to clarify coverages where they may be applicable. While we cannot at this stage place a value on any recoveries and have not reduced any of the gross exposures above, we are comfortable that a number of our larger cases will be at least partly covered.

At this time it is not possible to put a reliable estimate on the ultimate liability of such writs. They continue to be treated as contingent liabilities within the Annual Report and Accounts.

3. Hansard OnLine

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

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

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

4. Operating cash flows and dividends

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

As outlined in the Cash Flow analysis section of the Business and Financial Review, the Group generated £2.0m in overall net cash inflows before dividends (2018: inflows of £6.9m), after the investment of £17.5m (2018: £18.5m) in acquiring new business and £2.5m (2018: £0.9m) in IT software and equipment expenditure. Operating cash flows declined this year in line with overall earned fee income. Dividends of £6.0m were paid in the financial year (2018: £9.8m), reflecting the previously announced reduction in dividend rate while we seek to invest in the business.

A final dividend of 2.65p per share has been proposed by the Board and will be considered at the Annual General Meeting on 6 November 2019. When the final dividend is paid at this level, dividends will total 4.45p per share in respect of the full 2019 financial year.

FINANCIAL PERFORMANCE

Results for the year

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

	FY 2019	FY 2018
	£m	£m
NEW BUSINESS SALES - PVNBP	155.9	146.6
IFRS PROFIT AFTER TAX	4.6	6.8
UNDERLYING IFRS PROFIT	6.1	8.6
ASSETS UNDER ADMINISTRATION	1,079.7	1,036.0
VALUE OF IN-FORCE (REGULATORY BASIS)	139.9	141.6

IFRS results

IFRS profit after tax for the year was £4.6m, down from £6.8m in 2018. After eliminating litigation and non-recurring items, the underlying IFRS profit (a non-GAAP metric used by management) was £6.1m compared to £8.6m in 2018.

Fees and commissions were £48.5m for the year (2018: £52.6m). Fees from Hansard International were down by £3.2m to £44.6m from 2018, primarily due to lower amortisation of income from prior years and lower surrender fee income as a result of improved retention levels (a benefit to future income levels). Income from our closed book, Hansard Europe, has continued to fall, as expected, and is £0.9m down on the prior year.

Administrative and other expenses were £29.5m for the year, broadly in line with the 2018 level of £29.4m. During the year we instigated a number of cost saving initiatives, particularly in seeking to reduce external professional fees. These were offset by the additional costs of Hansard Worldwide, higher litigation defence costs, higher IT costs and increased costs of premium collection.

Further detail and analysis is contained in the Business and Financial Review.

CAPITALISATION AND SOLVENCY

Our key financial objective is to ensure that the Group's solvency is managed safely through the economic cycle to meet the requirements of regulators, contract holders, intermediaries and shareholders. The Group continues to be well capitalised. Under risk-based capital methodologies, total Group Free Assets in excess of the Solvency Capital Requirements of our insurance subsidiaries were £86.8m (2018: £90.5m), a coverage of 233% (2018: 237%). Shareholder assets are typically held in a wide range of deposit institutions and in highly-rated money market liquidity funds. This prudent investment policy for shareholder assets minimises market risk and has provided a stable and resilient solvency position over recent years.

OUR PEOPLE

Our people are critical to our success. We have a dedicated dynamic workforce across a number of locations around the world. This year has seen the successful delivery of our licence in Japan after a number of years of hard work, perseverance and creative problem solving by many of our team. In the coming year we will deliver a significant administration system upgrade which will provide the platform for the next phase of our evolution and growth. None of this is possible without dedicated and talented people and I would like to offer my thanks for all their efforts this year.

Gordon Marr
Group Chief Executive Officer
25 September 2019

BUSINESS AND FINANCIAL REVIEW

OUR BUSINESS MODEL AND STRATEGY

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

We administer assets in excess of £1 billion for just under 40,000 client accounts around the world.

Business Model

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

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

Launched in 2019, Hansard Worldwide underwrites international and expatriate business around the world. It is regulated by the Insurance Commission of The Bahamas.

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

Our products are designed to appeal to affluent international investors, institutions and wealth-management groups. They are distributed exclusively through 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.

Vision and Strategy

Our vision for the Hansard Group is:

"to share success with our clients by providing simple, understandable and innovative financial solutions".

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

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

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

- i. Improve our business: We will improve customer outcomes through the introduction of new disclosures, the provision of new products and services, focusing on the quality of our IFAs

with whom we work with and continuing to drive up the engagement of our people within our business.

- ii. Grow our business: We have established a new life company in The Bahamas. We have acquired the necessary licence and approvals to access the Japanese market and we will continue to drive our strategic alliance with Union Insurance in the UAE. We hope to pursue opportunities to replicate this model in other targeted jurisdictions over the coming years.
- iii. Future-proof our business: We are actively testing innovative technologies, propositions and business models. It remains critical to support the online and digital needs of our clients alongside improving organisational efficiency and scalability.

STRATEGY DEVELOPMENT

Our strategy team, led by Ollie Byrne our Chief Strategy Officer, has made significant progress against our strategic goals this year.

The strategy team has three main aims:

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

During the past financial year, we have achieved the following key strategic steps:

- successfully launched our new Group insurance company in The Bahamas. This will service our international and expatriate customer base in an efficient manner, leveraging existing Group technology and administration capabilities;
- secured approval of our licence application in Japan. We are currently in the process of building out our branch in Japan, led by our recently recruited General Manager. We intend to bring products to market during the second half of the 2020 financial year;
- commenced a major project to replace and streamline our systems and IT infrastructure. This will support our next generation of products and significantly reduce our overall administration costs;
- streamlined our distribution network with a focus on closer relationships, quality of business and clear customer disclosures;
- streamlined our branch structure, closing a number of offices no longer central to our strategy. This saves costs and focusses our efforts in the right locations;
- continued to focus on medium term activities which include our next generation products, fund range offering and use of technology.

We expect the result of these activities will be to transform and grow the business through clearly identified onshore and international channels utilising market leading technology and systems.

REGULATORY CHANGE

The Isle of Man Financial Services Authority (the “Authority”) has continued its work to implement significant revisions to the framework for insurance regulation and supervision in order to maintain a high level of observance with the International Association of Insurance Supervisors Insurance Core Principles. The Authority has sought to develop and implement these revisions in a way which is appropriate and proportionate for the Island’s diverse insurance sector whilst promoting regulatory best practice and preserving the continued reputation of the Isle of Man as a stable and well-regulated jurisdiction. The principal areas of change include:

- the development of a more sophisticated risk-based capital and solvency regime;
- enhanced regulatory reporting;
- additional conduct of business requirements;
- enhanced corporate governance, including enterprise risk management requirements;
- introduction of a Group Supervision framework;
- the proposed introduction of public disclosure requirements.

Significant milestones in the regulatory change agenda, which have been delivered during the year ended 30 June 2019 include implementation of the Insurance (Conduct of Business) (Long Term Business) Code and implementation of the enhanced Corporate Governance Code of Practice for Commercial Insurers.

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

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

Products

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

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

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

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

Revenues

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

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

Managing Risk

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

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

Hansard OnLine

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

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

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

The benefit of Hansard OnLine is recognised by many IFAs as market leading and our online proposition has been nominated for and won a number of independent industry awards, including in the Middle East, one of our most important markets.

Online Accounts

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

To support our commitment to delivering 'excellent customer service', we believe it is vital to provide our clients with a modern and secure online platform that allows them to access their finances easily

and comprehensively, 24/7. We provide this through our client-facing version of Hansard OnLine, called Online Accounts. Similar to our IFA-facing online platform, the client's Online Account allows them to access all their policy information, valuation statements, transaction history, premium reports, switch funds online, access all correspondence, access a library of forms and literature, and more.

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

Continuous Improvements to our Online Proposition

When it comes to improving how we operate and the proposition we offer, we value the views of our clients and IFAs. This means that we regularly seek feedback through surveys and office visits in order to identify ways in which we can improve our systems and processes to best meet their needs. However, it is not just functionality that is important, we also have running alongside a continuous programme to enhance the overall user experience, for both IFA's and our clients.

Cyber Security

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

Excellent Customer Service

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

KEY PERFORMANCE INDICATORS

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

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

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

New business levels are reported daily and monitored weekly against target levels. Modest business growth was achieved this year during a period of significant regulatory and structural change. Growth initiatives in 2020 will focus on commercialising the opportunity in Japan where significant upside exists.

Administrative Expenses (excl. litigation and non-recurring items) – The Group maintains a rigorous focus on expense levels and the value gained from such expenditure. The objective is to develop processes to restrain increases in administrative expenses to the rates of inflation assumed in the charging structure of the Group's policies.

The Group's administrative and other expenses for the year (excl. litigation and non-recurring items) were £23.3m compared to £22.1m in the previous year. Further detail is contained in the section on Administrative and other expenses.

Cash – Bank balances and significant movements on balances are reported monthly. The Group's liquid funds at the balance sheet date were £65.3m (2018: £69.4m). The change is reflective of the level of dividends paid and the level of new business written during the year which has an initial cash flow strain.

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

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

BUSINESS AND FINANCIAL REVIEW

NEW BUSINESS PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

The Group continues to focus on the distribution of regular and single premium products in a range of jurisdictions around the world, achieving well diversified new business growth.

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

Basis	2019 £m	2018 £m	% change
Present Value of New Business Premiums	155.9	146.6	6.3%
Annualised Premium Equivalent	24.7	22.4	10.3%

In Present Value of New Business Premiums ("PVNBP") terms, new business for the year to 30 June 2019 was £155.9m, 6.3% up on the prior year. The primary driver of growth in 2019 was our strategic relationship in the UAE.

Annualised Premium Equivalent ("APE") shows a higher growth rate than PVNBP as the increased level of regular premiums written this year get a higher proportional credit under the APE metric.

Present Value of New Business Premiums

New business flows on the PVNBP basis for the Group are further analysed as follows:

PVNBP by product type	2019 £m	2018 £m	% change
Regular premium	85.5	70.2	21.8%
Single premium	70.4	76.4	(7.9%)
Total	155.9	146.6	6.3%

PVNBP by region	2019 £m	2018 £m	% change
Middle East and Africa	57.4	40.5	41.7%
Rest of World	52.7	55.8	(5.6%)
Latin America	25.9	25.8	0.4%
Far East	19.9	24.5	(18.8%)
Total	155.9	146.6	6.3%

Our Middle East and Africa region continues to outperform, driven primarily by the continuing growth of our strategic relationship in the UAE. New business was up 41.7% for the full year. This business is predominantly regular premium, which can be seen in the overall regular premium growth of 21.8%.

The Rest of World region was slightly lower than a strong prior year comparative, primarily due to lower single premium business. We have seen the market for single premiums become increasingly competitive and have chosen not to pursue business where margins are too low.

In Latin America, sales for the full year were slightly up on the prior year, at £25.9m.

Our new business in our Far East region is down this year while we re-position towards locally licensed business in a similar manner to that successfully implemented in the Middle East.

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

Currency denominations (as a percentage of PVNBP)	2019 %	2018 %
US dollar	68	68
Sterling	23	23
Euro	7	6
Other	2	3
	100	100

New business margins

New business margins (calculated on a PVNBP basis) are sensitive to sales levels and product mix (regular premium products and smaller single premium sizes typically have a higher margin). During FY 2019, the benefit of slightly higher sales and a higher proportion of regular premium sales was offset by some updates to methodology and experience assumptions. We have also seen strong competition in the marketplace this year with upward pressure on commission rates to win new business. Overall, our new business margin was -0.6 % for the year, compared to -0.7% for FY 2018.

PRESENTATION OF FINANCIAL RESULTS

Our business is long term in nature. The nature of the Group's products means that new business flows have a limited immediate impact on current earnings reported under International Financial Reporting Standards as adopted by the European Union ("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 sales to fee income levels are felt in future financial periods, noting also that our newer products have a longer earning period than our older products.

Results for the year

The following is a summary of key items to allow readers to better understand the results for the year. A small number of comparative figures have been restated in this section to ensure consistency of presentation. IFRS profit after tax for the year was £4.6m (2018: £6.8m).

IFRS profit in 2019 was lower than 2018 due to reduced surrender charge income and associated releases of deferred income, the on-going run-off of Hansard Europe, increased administration expenses and increased litigation expenses.

Operating profit prior to litigation and non-recurring items was £6.1m in 2019 compared to £8.6m in 2018.

ABRIDGED CONSOLIDATED INCOME STATEMENT

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

- investment gains during the year attributable to contract holder assets of £47.2m (2018: £20.4m); and
- fund management fees paid by the Group to third parties having a relationship with the underlying contract. In 2019, third party fund management fees attributable to contract holder assets were £4.7m (2018: £5.4). These are reflected in both income and expenses under the IFRS presentation.

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

	2019 £m	2018 £m
Fees and commissions attributable to Group activities	43.8	47.2
Investment and other income	2.3	1.5
	46.1	48.7
Origination costs	(16.7)	(18.0)
Administrative and other expenses attributable to the Group, before litigation and non-recurring items	(23.3)	(22.1)
Operating profit for the year before litigation and non-recurring items	6.1	8.6
Litigation and non-recurring expense items	(1.5)	(1.7)
Profit for the year before taxation	4.6	6.9
Taxation	-	(0.1)
Profit for the year after taxation	4.6	6.8

Fees and commissions

Fees and commissions for the year attributable to Group activities were £43.8m, down 7% on the 2018 total of £47.2m.

Contract fee income totalled £31.3m for the year (2018: £33.3m). Contract fee income includes the amortised element of up-front income deferred under IFRS and contract-servicing charges. Such amortisation has been lower than 2018 as the income from more recent regular premium business is not of a sufficient level to replace the equivalent income from older higher margin business. Lower surrender levels this year compared to last have resulted in lower levels of surrender charges and lower releases of deferred income to revenue. The continuing run-off of Hansard Europe which closed to new business in 2013 resulted in lower contract fee income of £0.9m compared to 2018.

Fund management fees accruing to the Group and commissions receivable from third parties totalling £12.5m (2018: £13.9m) are related directly to the value of assets under administration and are therefore exposed to market movements, currency rates and valuation judgements. These fees were lower in 2019 primarily due to the 2018 figure containing an additional quarter of fees (and matching expenses) due to improved timeliness of external reporting in 2018. 2019 fees were also lower than 2018 due to declines in global stock markets in H1 2019.

A summary of fees and commissions is set out below:

	2019 £m	2018 £m
Contract fee income	31.3	33.3
Fund management fees accruing to the Group	7.8	9.0
Commissions receivable	4.7	4.9
	43.8	47.2

Included in contract fee income is £16.9m (2018: £17.3m) representing the amortisation of fees prepaid in previous years, as can be seen in the analysis set out below:

	2019 £m	2018 £m
Amortisation of deferred income	16.9	17.3
Income earned during the year	14.4	16.0
Contract fee income	31.3	33.3

Investment and other income

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

	2019 £m	2018 £m
Bank interest and other income receivable	2.0	1.5
Foreign exchange gains on revaluation of net operating assets	0.3	-
	2.3	1.5

Origination costs

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

With increased new business volumes in 2019 compared to 2018, current year origination costs incurred were similarly higher than the prior year. Consistent with the lower amortisation of deferred income, the amortisation of deferred origination costs was also lower for 2019, resulting in an overall expense to the consolidated statement of comprehensive income of £16.7m compared to £18.0m in 2018.

	2019 £m	2018 £m
Origination costs - deferred to match future income streams	18.0	17.0
Origination costs - expensed as incurred	2.9	3.2
Investment in new business in year	20.9	20.2
Net amortisation of deferred origination costs	(4.2)	(2.2)
	16.7	18.0

Amounts totalling £13.8m (2018: £14.8m) have been expensed to match contract fee income earned this year from contracts issued in previous financial years, as can be seen in the analysis below.

Summarised origination costs for the year were:

	2019 £m	2018 £m
Amortisation of deferred origination costs	13.8	14.8
Other origination costs incurred during the year	2.9	3.2
	16.7	18.0

Administrative and other expenses

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

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

	2019 £m	2018 £m
Salaries and other employment costs	10.5	10.0
Other administrative expenses	7.8	6.8
Professional fees, including audit	3.2	3.3
Recurring administrative and other expenses	21.5	20.1
Growth investment spend	1.8	2.0
Administrative and other expenses, excl. litigation and non-recurring expense items	23.3	22.1
Litigation defence and settlement costs	1.4	1.2
Provision for branch closures	-	0.2
Provision for doubtful debts in respect of broker balances	0.1	0.3
Total administrative and other expenses	24.8	23.8

Salaries and other employment costs have increased by £0.5m or 5% to £10.5m, reflecting salary inflation, bonuses and the costs of short term contractors supporting key project initiatives.

The average Group headcount for the 2019 financial year was 191 people (2018: 196 people).

Other administrative expenses have increased from £6.8m to £7.8m primarily as a result of an increase in credit card related premium collection costs and contract holder reimbursement costs.

Professional fees including audit are down £0.1m as a result of a savings programme which was commenced during the year and will continue to be realised into 2020. This total include amounts totalling £0.6m paid to the Group's auditor (2018: £0.6m); £0.6m (2018: £0.5m) for administration, custody, dealing and other charges paid under the terms of the investment processing outsourcing arrangements; recruitment costs of £0.3m (2018: £0.1m), costs of investor relations activities of £0.3m (2018: £0.3m) and general legal and professional fees of £1.4m (2018: £1.8m).

Growth investment spend represents internal and external costs to generate opportunities for growth. This includes the costs of our strategy team, the costs associated with acquiring our Japanese licence and developing our proposition there, and systems development costs.

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

Provision for doubtful debts relate to amounts due from brokers which are deemed to be irrecoverable.

CASH FLOW ANALYSIS

The operational cash surplus (fees deducted from contracts and commissions received, less operational expenses paid) for the year was £20.6m (2018: £25.0m). Operating cash flows have decreased this year a result of the reduction in fee income levels, movements in debtors and creditors and the continuing run-off of Hansard Europe.

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

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

During 2019, the Group invested £2.5m as part of a project to replace its administration systems. These costs are capitalised as computer software on the Group balance sheet.

The following non-GAAP tables summarise the Group's own cash flows in the year. Overall cash and deposits have decreased from £69.4 at 30 June 2018 to £65.3m at 30 June 2019.

	2019 £m	2018 £m
Net cash surplus from operating activities	20.6	25.0
Interest received	1.4	1.3
Net cash inflow from operations	22.0	26.3
Net cash investment in new business	(17.5)	(18.5)
Purchase of property and computer equipment	(2.5)	(0.9)
Net cash inflow before dividends	2.0	6.9
Dividends paid	(6.0)	(9.8)
Net cash outflow after dividends	(4.0)	(2.9)
	2019 £m	2018 £m
Net cash outflow after dividends	(4.0)	(2.9)
Increase in amounts due to contract holders	0.6	0.9
Net Group cash movements	(3.4)	(2.0)
Group cash - opening position	69.4	71.6
Effect of exchange rate movements	(0.7)	(0.2)
Group cash – closing position	65.3	69.4

Bank deposits and money market funds

The Group holds its liquid assets in highly-rated money market liquidity funds and with a wide range of deposit institutions to minimise market risk. Deposits totalling £25.1m have original maturity dates typically greater than 3 months and are therefore excluded from the definition of “cash and cash equivalents” under IFRS as reflected in note 16 to the consolidated balance sheet (2018: £15.8m). The following table summarises the total shareholder cash and deposits at the balance sheet date.

	2019 £m	2018 £m
Money market funds and immediately available cash	40.2	48.9
Short-term deposits with credit institutions	-	4.7
Cash and cash equivalents under IFRS	40.2	53.6
Longer-term deposits with credit institutions	25.1	15.8
Group cash and deposits	65.3	69.4

ABRIDGED CONSOLIDATED BALANCE SHEET

The consolidated balance sheet presented under IFRS reflects the financial position of the Group at 30 June 2019. 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 £1,079.7m (2018: £1,036.0m). 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.

	2019 £m	2018 £m
Assets		
Deferred origination costs	118.0	113.8
Other assets	10.1	8.0
Bank deposits and money market funds	65.3	69.4
	193.4	191.2
Liabilities		
Deferred income	133.2	130.3
Other payables	33.0	32.4
	166.2	162.7
Net assets	27.2	28.5
Shareholders' equity		
Share capital and reserves	27.2	28.5

Deferred origination costs

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

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

Carrying value	2019 £m	2018 £m
At beginning of financial year	113.8	111.6
Origination costs deferred during the year	18.0	17.0
Origination costs amortised during the year	(13.8)	(14.8)
	118.0	113.8

Deferred income

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

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

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

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

Carrying value	2019 £m	2018 £m
At beginning of financial year	130.3	129.2
Initial fees collected in the year and deferred	19.8	18.4
Income amortised during the year to fees income	(16.9)	(17.3)
	133.2	130.3

CONTRACT HOLDER ASSETS UNDER ADMINISTRATION

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

The Group enjoys a stream of cash flows from the large number of regular premium contracts administered on behalf of clients around the world. The Group also acquires assets via lump sum single premium business which totaled £70.4m this year (2018: £78.1m). The majority of premium contributions are designated in currencies other than sterling, reflecting the wide geographical spread of those contract holders. Premium contributions during the year also includes additional contributions

of approximately £2.9m (2018: £3.3m) relating to single and regular premium contracts issued by Hansard Europe in prior years.

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

The currency composition of AuA at the balance sheet date is similar to that as at 30 June 2018, with 65% of AuA designated in US dollar (2018: 63%) and 13% in euro (2018: 14%).

The value of AuA at 30 June 2019 was £1,079.7m.

	2019 £m	2018 £m
Deposits to investment contracts – regular premiums	80.3	73.9
Deposits to investment contracts – single premiums	70.4	78.1
Withdrawals from contracts and charges	(154.2)	(186.1)
Effect of market and currency movements	47.2	20.4
Movement in year	43.7	(13.7)
Opening balance	1,036.0	1,049.7
Closing balance	1,079.7	1,036.0

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

Fair value of AuA at 30 June	2019 £m	2018 £m
Hansard International	965.4	913.6
Hansard Europe	114.3	122.4
	1,079.7	1,036.0

Assets acquired by Hansard Worldwide are administered by Hansard International and therefore are included within Hansard International's total AuA.

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

DIVIDENDS

An interim dividend of 1.8p per share was paid in April 2019. This amounted to £2.4m.

The Board has considered the results for the full year ended 30 June 2019, the Group's continued cash flow generation and its future expectations and has resolved to pay a final dividend of 2.65p per share (2018: 2.65p). This dividend will be paid on 14 November 2019.

COMPLAINTS AND POTENTIAL LITIGATION

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

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

As at 30 June 2019, the Group had been served with cumulative writs with a net exposure totalling €21.7m, or £19.4m in sterling terms (30 June 2018: €20.1m / £17.8m) arising from contract holder complaints and other asset performance-related issues. The primary driver of the increase has been in relation to additional claims in Italy related to funds which have been illiquid for a number of years.

During the year, the Group successfully defended 10 cases with net exposures of approximately €0.6m, or £0.5m, 8 of which have been appealed by the plaintiffs. These successes continue to affirm confidence in the Group's legal arguments.

Our policy is to maintain contingent liabilities even where we win cases in the court of first instance if such cases have been subsequently appealed. This includes our largest single case in Belgium where the appeal has been deferred pending the outcome of a separate constitutional court case.

We have also worked closely with our insurers during the year to clarify coverages where they may be applicable. While we cannot at this stage place a value on any recoveries and have not reduced any of the gross exposures above, we are comfortable that a number of our larger cases will be at least partly covered.

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

NET ASSET VALUE PER SHARE

The net asset value per share on an IFRS basis at 30 June 2019 is 19.8p (2018: 21.1p) based on the net assets in the Consolidated Balance Sheet divided by the number of shares in issue, being 137,557,079 ordinary shares (2018: 137,557,079).

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

Approach

The ERM Programme has been designed to be appropriate to the nature, scale and complexity of the Group’s business at both corporate and subsidiary level. The framework components have been reviewed and refined during the year ended 30 June 2019 to ensure that they remain fit for purpose in substance and form and continue to support the Directors’ assessment of the adequacy and effectiveness of the Group’s risk management and internal control systems. Such assessment depends upon the Board maintaining a thorough understanding of the Group’s risk profile, including the types, characteristics, interdependencies, sources and potential impact of those risks on an individual and aggregate basis. The disciplines of the ERM framework seek to coordinate risk management in respect of the Group as a whole, including, notably, for the purpose of ensuring compliance with capital adequacy requirements, liquidity adequacy requirements and regulatory capital requirements in line with the transition to a risk-based capital regime under the Isle of Man Regulatory Roadmap.

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

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

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

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

Risk management processes are undertaken on both a top-down and bottom-up 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.

Review of risk management and internal control systems

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

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

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

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

Financial reporting process

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

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

Outsourcing

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

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

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

Risks relating to the Group's financial and other exposures

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

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

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

Principal Risks

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

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

	<p>interest, preventing market abuse and building robust governance arrangements around new product development and product suitability processes.</p> <ul style="list-style-type: none"> • The Group maintains regular dialogue with its regulatory authorities and with its advisors in relation to developments in the regulatory environment in which we operate.
Information Systems and cyber risk arising from the increased digitalisation of business activities and reliance upon technology	<p>The increasing digitalisation of business activities incurs an inherent exposure to the risk of cybercrime together with the risk of significant, costly interruptions, customer dissatisfaction and regulatory censure in the event of any material failure in our core business systems, or business processes. If the Group fails to take adequate and appropriate measures to protect its systems and data from the inherent risk of attack, disruption and/or unauthorised access by internal or external parties could arise, resulting in confidential data being exposed and/or systems interruption. A significant cybercrime event could result in reputational damage, regulatory censure and financial loss.</p> <p>How we manage the risk:</p> <ul style="list-style-type: none"> • Continuous focus on the maintenance of a robust, secure and resilient IT environment that protects customer and corporate data. • Control techniques deployed to evaluate the security of systems and proactively address emerging threats both internally within the organisation and externally, through regular engagement with internet and technology providers and through industry forums. • Maintenance of detailed and robust Business Continuity Plans, including full data replication at an independent recovery centre, which can be invoked when required. • Frequent and robust testing of business continuity and disaster recovery arrangements.
Employee engagement and cultural risk arising from any failure to drive and support the right corporate culture and attract, develop, engage and retain key personnel	<p>Delivery of the Group's strategy is dependent on attracting and retaining experienced and high-performing management and staff. The knowledge, skills, attitudes and behaviours of our employees are central to our success. We must attract, integrate, engage and retain the talent required to deliver our strategy and have the appropriate processes and culture in place. The inability to retain key people, and adequately plan for succession can be expected to negatively impact the performance of the Group.</p> <p>How we manage the risk:</p> <ul style="list-style-type: none"> • Significant resources focussed on communicating strategy and desired cultural behaviours to all employees. • Forums established for employees to provide feedback for continuous improvement. • Employee engagement monitored and measured through periodic employee surveys. • Group performance management system in place, which measures both hard and soft skills. • Training and development strategy in place to manage talent, provide development opportunities and address any skill gaps. • Remuneration models and trends monitored closely by the Group's Human Resources Department and the Remuneration Committee. • Succession planning strategy in place, to manage and mitigate 'key person' risk.

Other Key Risks

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

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

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

Philip Gregory
Chairman
25 September 2019

Consolidated Statement of Comprehensive Income for the year ended 30 June 2019

	Notes	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Fees and commissions	5	48.5	52.6
Investment income	6	48.8	21.5
Other operating income		0.7	0.6
		98.0	74.7
Change in provisions for investment contract liabilities		(47.2)	(20.4)
Origination costs	7	(16.7)	(18.0)
Administrative and other expenses	8	(29.5)	(29.4)
		(93.4)	(67.8)
Profit before taxation		4.6	6.9
Taxation	10	-	(0.1)
Profit and total comprehensive income for the year after taxation		4.6	6.8

Earnings per share

	Note	2019 (p)	2018 (p)
Basic	11	3.3	4.9
Diluted	11	3.3	4.9

Consolidated Statement of Changes in Equity for the year ended 30 June 2019

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

	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
At 1 July 2018	68.8	(48.6)	8.3	28.5
Profit and total comprehensive income for the year after taxation	-	-	4.6	4.6
Share based payments reserve	-	0.1	-	0.1
Transactions with owners				
Dividends paid	-	-	(6.0)	(6.0)
At 30 June 2019	68.8	(48.5)	6.9	27.2

Consolidated Balance Sheet

As at 30 June 2019

	Notes	2019 £m	2018 £m
Assets			
Intangible assets	13	3.0	0.5
Property, plant and equipment	13	0.7	1.0
Deferred origination costs	14	118.0	113.8
Financial investments			
Equity securities		30.4	25.3
Investments in collective investment schemes		928.4	905.8
Fixed income securities		37.5	24.8
Deposits and money market funds		110.2	97.6
Other receivables	15	4.7	4.8
Cash and cash equivalents	16	40.2	53.6
Total assets		1,273.1	1,227.2
Liabilities			
Financial liabilities under investment contracts	17	1,079.7	1,036.0
Deferred income	18	133.2	130.3
Amounts due to investment contract holders		24.2	23.7
Other payables	19	8.8	8.7
Total liabilities		1,245.9	1,198.7
Net assets		27.2	28.5
Shareholders' equity			
Called up share capital	21	68.8	68.8
Other reserves	22	(48.5)	(48.6)
Retained earnings		6.9	8.3
Total shareholders' equity		27.2	28.5

Consolidated Cash Flow Statement for the year ended 30 June 2019

	2019 £m	2018 £m
Cash flow from operating activities		
Profit before tax for the year	4.6	6.9
Adjustments for:		
Depreciation	0.4	0.4
Dividends receivable	(3.8)	(4.3)
Interest receivable	(1.4)	(1.0)
Movement in share based payments reserve	0.1	-
Foreign exchange gains	0.7	0.2
Changes in operating assets and liabilities		
(Increase)/decrease in other receivables	(0.1)	0.4
Dividends received	3.8	4.3
Interest received	1.4	0.9
Increase in deferred origination costs	(4.2)	(2.2)
Increase in deferred income	2.9	1.1
Increase in creditors	0.6	1.5
(Increase)/decrease in financial investments	(53.0)	13.0
Increase/(decrease) in financial liabilities	43.7	(13.7)
Cash flow (used in)/from operations	(4.3)	7.5
Corporation tax paid	-	-
Cash flow (used in)/from operations after taxation	(4.3)	7.5
Cash flows from investing activities		
Issue of share capital	-	0.1
Investment in property, plant and equipment	(2.5)	(0.9)
Proceeds from sale of investments	0.1	0.2
Purchase of investments	-	(0.1)
Purchase of own shares	-	(0.4)
Cash flows used in investing activities	(2.4)	(1.1)
Cash flows from financing activities		
Dividends paid	(6.0)	(9.8)
Cash flows used in financing activities	(6.0)	(9.8)
Net decrease in cash and cash equivalents	(12.7)	(3.4)
Cash and cash equivalents at beginning of year	53.6	57.2
Effect of exchange rate changes	(0.7)	(0.2)
Cash and cash equivalents at year end	40.2	53.6

Notes to the consolidated financial statements

1 General Information

Hansard Global plc (“the Company”) is a limited liability company, incorporated in the Isle of Man, whose shares are publicly traded. The principal activity of the Company is to act as the holding company of the Hansard group of companies. The activities of the principal operating subsidiaries include the transaction of life assurance business and related activities.

The registered office of the Company is Harbour Court, Lord Street, Box 192, Douglas, Isle of Man, IM99 1QL.

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

1.1 Principal accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below or, in the case of accounting policies that relate to separately disclosed values in the primary statements, within the relevant note to these consolidated financial statements. These policies have been consistently applied, unless otherwise stated.

1.2 Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRSs”), International Financial Reporting Standards Interpretations Committee (“IFRSIC”) interpretations, and with the Isle of Man Companies Acts 1931 to 2004. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial investments and financial liabilities at fair value through profit or loss. The Group has applied all International Financial Reporting Standards adopted by the European Union and effective at 30 June 2019. Certain comparative figures have been disaggregated to conform with current year’s presentation.

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

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

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

Except where otherwise stated, the financial statements are presented in pounds sterling, the functional currency of the Company, rounded to the nearest one hundred thousand pounds.

The following amended standards, which the Group has adopted as of 1 July 2018, have not had any material impact on the Group’s reported results:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual Improvements 2014-2016 cycle
- Transfers to Investment Property – Amendments to IAS 40
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

IFRS 9 'Financial Instruments' incorporates:

- new classification and measurements requirements for financial assets and liabilities;
- the introduction of an expected credit loss impairment model;
- new hedge accounting requirements; and
- enhanced disclosures in the financial statements.

There have been no reclassification effects on the adoption of IFRS 9. The Group does not use hedge accounting.

The provisioning methodology for financial assets not held at fair value through profit and loss has changed from an incurred loss to an expected loss basis. Moving from an incurred loss to an expected loss impairment model impacts the assessment of any impairment provision which may be required in the statement of financial position, such as amounts due from funds and brokers. The expected loss model for these amounts has been built based on the levels of loss experienced, with due consideration given to forward looking information. Upon transition to IFRS 9, the provision determined under the expected credit loss model was not materially different to the provision previously recognised under IAS 32/39 and as such, no adjustment was made to the opening statement of financial position. The impact to the statement of financial position and the statement of comprehensive income for the period ended 30 June 2019 was also not materially different to the previous accounting policy.

The new accounting policy to reflect this requirement of IFRS 9 is outlined below.

Impairment of Financial Assets

Financial assets held at amortised cost are impaired using an expected credit loss model. The model splits financial assets into those which are performing, underperforming and non-performing based on changes in credit quality since initial recognition. At initial recognition financial assets are considered to be performing. They become underperforming where there has been a significant increase in credit risk since initial recognition, and non-performing when there is objective evidence of impairment. Twelve months of expected credit losses are recognised in the statement of comprehensive income and netted against the financial asset in the statement of financial position for all performing financial assets, with lifetime expected credit losses recognised for underperforming and non-performing financial assets.

Expected credit losses are based on the historic levels of loss experienced for the relevant financial assets, with due consideration given to forward looking information.

Trade receivables are designated as having no significant financing component. The Group applies the IFRS 9 simplified approach to measuring expected credit losses for trade receivables by using a lifetime expected loss allowance.

The below table summarises the different classes of assets and liabilities and their treatment under IFRS 9 compared to IAS 39.

	Measurement Category		Difference in Valuation
	Original (IAS 39)	New (IFRS 9)	
Equity securities	Fair value through profit or loss	Fair value through profit or loss	Nil
Collective investment schemes	Fair value through profit or loss	Fair value through profit or loss	Nil
Fixed Income securities	Fair value through profit or loss	Fair value through profit or loss	Nil
Deposits and money market funds	Fair value through profit or loss	Fair value through profit or loss	Nil
Other receivables	Amortised cost	Amortised cost	Nil
Cash and cash equivalents	Amortised cost	Amortised cost	Nil
Financial liabilities under investment contracts	Fair value through profit or loss	Fair value through profit or loss	Nil
Amounts due to investment contract holders	Amortised cost	Amortised cost	Nil
Other payables	Amortised cost	Amortised cost	Nil

The adoption of IFRS 15 has not had any impact on the Group as the way the Group's revenue from contracts with customers was recognised under the previous accounting standard, IAS 18, satisfies the requirements of IFRS 15 without modification.

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

- IFRS 16, 'Leases', effective for accounting periods from 1 July 2019
- IFRS 17, 'Insurance contracts', not yet endorsed by the EU

Based on the work performed to date, the adoption of the above standards is not expected to have any material impact on the Group's results.

IFRS 16 is not expected to result in any material impact on the Group's statement of comprehensive income or the Group's net assets, however it is expected to result in the recognition of both additional assets and liabilities of circa £0.9m as at June 2020, based on current contractual arrangements.

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

1.3 Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and the results of the Company and of its subsidiary undertakings. Subsidiaries are those entities in which the Company directly or indirectly has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date

that control ceases. Where necessary, accounting policies applied by subsidiary companies have been adjusted to present consistent disclosures on a consolidated basis. Intra-group transactions, balances and unrealised gains and losses arising from intra-group transactions, are eliminated in preparing these consolidated financial statements.

1.4 Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. As shown within the Business and Financial Review, the Group's capital position is strong and well in excess of regulatory requirements. The Directors believe that the Group is well placed to manage its business risks successfully. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

2 Critical accounting estimates and judgements in applying accounting policies

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

2.1 Accounting estimates and assumptions

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

2.1.1 Origination costs

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

2.1.2 Amortisation of deferred origination costs and deferred income

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

2.1.3 Recoverability of deferred origination costs

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

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

2.2 Judgements

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

- The classification of contracts between insurance and investment business. All contracts are treated as investment contracts as they do not transfer significant insurance risk;

- The fair value of certain financial investments. Where the Directors determine that there is no active market for a particular financial instrument, fair value is assessed using valuation techniques based on available relevant information and an appraisal of all associated risks. This process requires the exercise of significant judgement on the part of Directors, as is discussed further in note 3.5 to these consolidated financial statements and;
- To determine whether a provision is required in respect of any pending or threatened litigation, which is addressed in note 26.

3 Financial risk management

Risk management objectives and risk policies

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

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

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

3.1 Market risk

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

Sensitivity analysis to market risk

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

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

(a) Price risk

Unit linked funds are exposed to securities price risk as the investments held are subject to prices in the future which are uncertain. The fair value of financial assets (designated at fair value through profit or loss) exposed to price risk at 30 June 2019 was £996.3m (2018: £956.3m). In the event that investment income is affected by price risk then there will be an equal and opposite impact on the value of the

changes in provisions for investment contract liabilities in the same accounting period. The impact on the profit or loss before taxation in a given financial year is negligible.

An overall change in the market value of the unit-linked funds would affect the annual management charges accruing to the Group since these charges, which are typically 1% per annum, are based on the market value of contract holder assets under administration. The approximate impact on the Group's profits and equity of a 10% change in fund values, either as a result of price, interest rate or currency fluctuations, is £1.5m (2018: £1.6m).

(b) Interest rate risk

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

The Group is primarily exposed to interest rate risk on the balances that it holds with credit institutions and in money market funds. A change of 1% p.a. in interest rates will result in an increase or decrease of approximately £0.6m (2018: £0.7m) in the Group's annual investment income and equity.

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

(c) Currency risk

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

(c)(i) Group foreign currency exposures

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

	2019 US\$m	2019 €m	2019 ¥m	2018 US\$m	2018 €m	2018 ¥m
Gross assets	15.3	4.2	234.2	16.3	4.7	191.2
Matching currency liabilities	(10.3)	(3.8)	(204.6)	(11.2)	(3.3)	(175.3)
Uncovered currency exposures	5.0	0.4	29.6	5.1	1.4	15.9
Sterling equivalent (£m)	3.9	0.3	0.2	3.9	1.3	0.1

The approximate effect of a 5% change: in the value of US dollars to sterling is £0.2m (2018: £0.2m); in the value of the euro to sterling is less than £0.1m (2018: £0.1m); and in the value of the yen to sterling is less than £0.1m (2018: 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: 64% (2018: 69%); euro: 13% (2018: 14%); sterling: 22% (2018: 21%); other: 1% (2018: 2%).

3.2 Credit risk

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

The clearing and custody operations for the Group's security transactions are mainly concentrated with one broker, namely Capital International Limited, a member of the London Stock Exchange. At 30 June 2019 and 2018, substantially all contract holder cash and cash equivalents, balances due from broker and financial investments are placed in custody with Capital International Limited. These operations are detailed in a formal contract that incorporates notice periods and a full exit management plan. Delivery of services under the contract is monitored by a dedicated relationship manager against a documented Service Level Agreement and Key Performance Indicators, and attested periodically by external advisors. Investment risk is borne by the contract holder.

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

These assets are considered to have a high degree of credit worthiness and no assets of a lower credit worthiness are held.

There have been no changes in the assets in the year ended 30 June 2019 attributable to changes in credit risk (30 June 2018: nil).

At the balance sheet date, an analysis of the Group's own cash and cash equivalent balances and liquid investments was as follows (an analysis by maturity date is provided in note 3.4) In the table below Investments in money market funds includes all immediately available cash, other than specific short term deposits:

	2019 £m	2018 £m
Deposits with credit institutions	25.1	20.5
Investments in money market funds	40.2	48.9
	65.3	69.4

3.3 Liquidity risk

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

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

Liquidity risk is principally managed in the following ways:

- Assets of a suitable marketability are held to meet contract holder liabilities as they fall due.

- Forecasts are prepared regularly to predict required liquidity levels over both the short- and medium-term.

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

3.4 Undiscounted contractual maturity analysis

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

	2019 £m	2018 £m
Maturity within 1 year		
Deposits and money market funds	65.3	69.4
Other assets	5.3	2.6
	70.6	72.0
Maturity from 1 to 5 years		
Other assets	-	-
	-	-
Assets with maturity values	70.6	72.0
Other shareholder assets	121.7	118.0
Shareholder assets	192.3	190.0
Gross assets held to cover financial liabilities under investment contracts	1,080.8	1,037.2
Total assets	1,273.1	1,227.2

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

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

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

3.5 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 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 table analyses the Group's financial assets and liabilities at fair value through profit or loss, at 30 June 2019:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss				
Equity securities	30.4	-	-	30.4
Collective investment schemes	901.6	-	26.8	928.4
Fixed income securities	37.5	-	-	37.5
Deposits and money market funds	110.2	-	-	110.2
Total financial assets at fair value through profit or loss	1,079.7	-	26.8	1,106.5

Transfers into and out of Level 3 in 2019

During this financial year ended 30 June 2019, no assets were transferred from Level 2 to Level 1. Assets with a fair value of £0.1m were transferred from Level 1 to Level 3, due to the change in market for the related assets. Assets with a value of £2.9m have been removed from Level 3 as a result of being realised. The remaining movement in the financial year represents movements in the valuation of assets.

In total, assets with a fair value of £26.8m are classified as Level 3 as the Directors believe that valuations can no longer be obtained for these assets from an observable market price due to suspension in trading or the asset becoming illiquid. The Directors value these assets at the latest available NAV of the investment unless there is more appropriate information which indicates a reduction to the fair value.

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

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities at fair value through profit or loss	-	1,079.7	-	1,079.7

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

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

Transfers into and out of Level 3 in 2018

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

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

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

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

4 Segmental information

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

In the opinion of the CODM, the Group operates in a single reportable segment, that of the distribution and servicing of long-term investment products. New business development, distribution and associated activities undertaken by its Irish subsidiary, Hansard Europe Designated Activity Company, 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 the amount of basic initial commission payable to intermediaries for business sold in a period and is calculated on each piece of new business. It excludes override commission paid to intermediaries over and above the basic level of commission.

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

	2019 £m	2018 £m
Middle East and Africa	4.5	3.5
Rest of World	2.7	3.5
Far East	1.7	1.7
Latin America	2.4	2.3
Net Issued Compensation Credit	11.3	11.0
Other commission costs paid to third parties	5.0	4.8
Enhanced unit allocations	1.1	1.2
Direct origination costs during the year	17.4	17.0

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

4.1 Geographical analysis of fees and commissions by origin

	2019 £m	2018 £m
Isle of Man	44.6	47.8
Republic of Ireland	3.9	4.8
The Bahamas	-	-
	48.5	52.6

4.2 Geographical analysis of profit before taxation

	2019 £m	2018 £m
Isle of Man	5.1	7.2
Republic of Ireland	(0.5)	(0.3)
The Bahamas	-	-
	4.6	6.9

4.3 Geographical analysis of gross assets

	2019 £m	2018 £m
Isle of Man*	1,131.5	1,077.3
Republic of Ireland	140.9	149.9
The Bahamas	0.7	-
	1,273.1	1,227.2

* Includes assets held in the Isle of Man in connection with policies written in The Bahamas.

4.4 Geographical analysis of gross liabilities

	2019 £m	2018 £m
Isle of Man	1,117.1	1,067.7
Republic of Ireland	122.7	131.0
The Bahamas	6.1	-
	1,245.9	1,198.7

5 Fees and commissions

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

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

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

	2019 £m	2018 £m
Contract fee income	31.3	33.3
Fund management charges	12.5	14.4
Commissions receivable	4.7	4.9
	48.5	52.6

6 Investment income

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

	2019 £m	2018 £m
Interest income	1.2	0.9
Dividend income	3.8	4.3
Gains on realisation of investments	32.6	41.3
Movement in unrealised gains/(losses)	11.2	(25.0)
	48.8	21.5

7 Origination costs

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

	2019 £m	2018 £m
Amortisation of deferred origination costs	13.8	14.8
Other origination costs	2.9	3.2
	16.7	18.0

8 Administrative and other expenses

Included in administrative and other expenses are the following:

	2019 £m	2018 £m
Auditors' remuneration:		
- Fees payable for the audit of the Company's annual accounts	0.1	0.1
- Fees payable for the audit of the Company's subsidiaries pursuant to legislation	0.4	0.4
- Other services provided to the Group	0.1	0.1
Employee costs (see note 9)	11.0	11.1
Directors' fees	0.3	0.3
Fund management fees	4.7	4.2
Renewal and other commission	1.2	1.2
Professional and other fees	3.2	3.3
Provision for doubtful debts	0.5	0.3
Litigation fees and settlements	1.4	1.2
Operating lease rentals	0.7	0.7
Licences and maintenance fees	1.4	1.1
Insurance costs	1.3	1.2
Depreciation of property, plant and equipment	0.4	0.4
Communications	0.4	0.5

9 Employee costs

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

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

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

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

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

	2019 £m	2018 £m
Wages and salaries	10.7	11.1
Social security costs	1.0	1.0
Contributions to pension plans	0.9	1.0
	12.6	13.1

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

	2019 £m	2018 £m
Administrative and other expenses	11.0	11.1
Origination costs	1.6	2.0
	12.6	13.1

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

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

	2019 No.	2018 No.
Administration	140	137
Distribution and marketing	18	25
IT development	33	34
	191	196

10 Taxation

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

The corporation tax expense for the Group for 2019 was nil (2018: £0.1m). Corporation tax is charged on any profits arising at the following rates depending on location of the company or branch:

Isle of Man	0% (2018: 0%)
Republic of Ireland	12.5% (2018: 12.5%)
Japan branch	23.4% (2018: 23.4%)
Labuan	3% (2018: 3% or MYR 20,000)
The Bahamas	0% (2018: n/a)

No deferred tax asset is currently being recorded in relation to losses arising in Hansard Europe.

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

11 Earnings per share

	2019	2018
Profit after tax (£m)	4.6	6.8
Weighted average number of shares in issue (millions)	137.6	137.6
Basic and diluted earnings per share in pence	3.3	4.9

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 3.3p per share (2018: 4.9p).

12 Dividends

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

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

	Per share 2019 p	Total 2019 £m	Per share 2018 p	Total 2018 £m
Final dividend in respect of previous financial year	2.65	3.60	5.30	7.30
Interim dividend in respect of current financial year	1.80	2.40	1.80	2.50
	4.45	6.00	7.10	9.80

The Board has resolved to pay a final dividend of 2.65p per share on 14 November 2019, subject to approval at the Annual General Meeting, based on shareholders on the register on 4 October 2019.

13 Intangible assets and property, plant and equipment

Intangible Assets

The historical cost of computer software is the purchase cost and the direct cost of internal development. Computer software is recognised as an intangible asset.

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

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

The economic lives used for this purpose are:

Computer software	3 to 10 years
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The cost of computer software at 30 June 2019 is £3.7m (2018: £1.2m), with a net book value of £3.0m (2018: £0.5m). In the 30 June 2018 financial statements, these costs were presented within property, plant and equipment.

The increase in computer software relates to capitalised costs associated with the development of a replacement policy administration system. This development is expected to be completed and put into use in 2020 at which point depreciation will commence over an expected life of 10 years.

The cost of computer software includes £2.7m of externally generated costs and £1.0m of internally generated costs.

Accumulated depreciation at 30 June 2019 is £0.7m (2018: £0.7m).

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and any impairment. The historical cost of property, plant and equipment is the purchase cost, together with any incremental costs directly attributable to the acquisition.

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

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

The economic lives used for this purpose are:

Freehold property	50 years
Computer equipment	3 to 5 years
Fixtures & fittings	4 years

The cost of property, plant and equipment at 30 June 2019 is £10.0m (2018: £10.0m), with a net book value of £0.7m (2018: £1.0m).

Accumulated depreciation at 30 June 2019 is £9.3m (2018: £9.0m).

14 Deferred origination costs

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

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

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

	2019 £m	2018 £m
At beginning of financial year	113.8	111.6
Origination costs incurred during the year	18.0	17.0
Origination costs amortised during the year	(13.8)	(14.8)
	118.0	113.8

	2019 £m	2018 £m
Carrying value		
Expected to be amortised within one year	12.2	11.2
Expected to be amortised after one year	105.8	102.6
	118.0	113.8

15 Other receivables

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

	2019 £m	2018 £m
Commission receivable	1.7	2.7
Other debtors	1.8	1.2
Prepayments	1.2	0.9
	4.7	4.8
Estimated to be settled within 12 months	4.7	4.7
Estimated to be settled after 12 months	-	0.1
	4.7	4.8

There are no receivables overdue but not impaired (2018: £nil). Due to the short-term nature of these assets the carrying value is considered to reflect fair value.

16 Cash and cash equivalents

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

	2019 £m	2018 £m
Money market funds	40.2	48.9
Short-term deposits with credit institutions	-	4.7
	40.2	53.6

17 Financial liabilities under investment contracts

17.1 Investment contract liabilities, premiums and benefits paid

17.1.1 Investment contract liabilities

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

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

17.1.2 Investment contract premiums

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

17.1.3 Benefits paid

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

17.2 Movement in financial liabilities under investment contracts

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

	2019 £m	2018 £m
Deposits to investment contracts	150.7	152.0
Withdrawals from contracts and charges	(154.2)	(186.1)
Change in provisions for investment contract liabilities	47.2	20.4
Movement in year	43.7	(13.7)
At beginning of year	1,036.0	1,049.7
	1,079.7	1,036.0
	£m	£m
Contractually expected to be settled within 12 months	29.1	30.6
Contractually expected to be settled after 12 months	1,050.6	1,005.4
	1,079.7	1,036.0

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

17.3 Investments held to cover liabilities under investment contracts

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

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

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

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

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

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

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

	2019 £m	2018 £m
Equity securities	30.4	25.3
Investments in collective investment schemes	927.8	905.4
Fixed income securities	37.5	24.8
Deposits and money market funds	85.1	81.7
Total assets	1,080.8	1,037.2
Other payables	(1.1)	(1.2)
Financial investments held to cover financial liabilities	1,079.7	1,036.0

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

18 Deferred income

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

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

	2019 £m	2018 £m
At beginning of financial year	130.3	129.2
Income received and deferred during the year	19.8	18.4
Income recognised in contract fees during the year	(16.9)	(17.3)
	133.2	130.3

	2019	2018
Carrying value	£m	£m
Expected to be amortised within one year	13.0	12.9
Expected to be amortised after one year	120.2	117.4
	133.2	130.3

19 Other payables

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

	2019	2018
	£m	£m
Commission payable	1.9	1.4
Other creditors and accruals	6.9	7.3
	8.8	8.7

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

20 Capital management

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

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

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

The Company monitors capital on two bases:

- the total shareholder's equity, as per the balance sheet
- the capital requirement of the relevant supervisory bodies, where subsidiaries are regulated.

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

- the company's internal assessment of the capital required; or
- the capital requirement of the relevant supervisory body, where applicable.

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

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

21 Share capital

	2019 £m	2018 £m
Authorised:		
200,000,000 ordinary shares of 50p	100.0	100.0
Issued and fully paid:		
137,557,079 (2018: 137,557,079) ordinary shares of 50p	68.8	68.8

No shares (2018: 112,287) were issued in the year under the terms of the share save scheme.

22 Other reserves

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

	2019 £m	2018 £m
Merger reserve	(48.5)	(48.5)
Share premium	0.1	0.1
Share based payments reserve	0.2	0.1
Share save reserve	0.1	0.1
Reserve for own shares held within EBT	(0.4)	(0.4)
	(48.5)	(48.6)

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

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

23 Equity settled share-based payments

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

At each balance sheet date, the Group reviews its estimate of the number of options expected to be exercised. The impact of any revision in the number of such options is recognised in the consolidated statement of comprehensive income so that the charge to the consolidated statement of comprehensive

income is based on the number of options that actually vest. A corresponding adjustment is made to equity.

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

23.1 SAYE programme

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

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

Scheme year	2019 No. of options	2018 No. of Options
2014	-	21,686
2015	170,731	512,985
2016	10,714	81,848
2017	89,578	134,326
2018	567,173	742,134
	838,196	1,492,979

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

	2019		2018	
	No. of options	Weighted average exercise price (p)	No. of options	Weighted Average Exercise price (p)
Outstanding at the start of year	1,492,979	67	1,126,193	78
Granted	-	-	772,617	62
Exercised	-	-	(112,287)	69
Forfeited	(654,783)	69	(293,544)	74
Outstanding at end of year*	838,196	65	1,492,979	67

*None of these options are exercisable as at 30 June 2019.

There were no new options granted during the current financial year.

23.2 Incentive Plan Employee Benefit Trust

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

Shares awarded under the scheme are purchased by the Trust in the open market and held until vesting. Awards made under the scheme would normally vest after three years. There were no awards which vested during the year (2018: £nil).

The Trust was funded with a loan of £446,000 during 2018. At the date of this Annual Report and Accounts, the loan to the Trust had an outstanding balance of £446,000 (2018: £446,000) and the Trust holds 585,000 shares (2018: 585,000). The shares held by the Trust as at 30 June 2019 represent awards made which vest in July 2020.

24 Financial commitments

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

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

	2019 £m	2018 £m
Amounts due:		
Within one year	0.5	0.6
Between two and five years	0.9	1.0
After five years	-	-
	1.4	1.6

25 Related party transactions

25.1 Intra-group transactions

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

25.2 Key management personnel compensation

Key management consists of 12 individuals (2018: 12), being members of the Group's Executive Committee and executive Directors of direct subsidiaries of the Company.

The aggregate remuneration paid to key management as at 30 June 2019 is as follows:

	2019 £m	2018 £m
Salaries, wages and bonuses	2.2	2.1

The total value of investment contracts issued by the Group and held by key management is zero (2018: zero).

25.3 Transactions with controlling shareholder

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

- Up until his retirement from the Company's Board on 26 September 2018, Dr Polonsky received fees for services provided to the Group under the terms of his service agreement. Such fees (£50,000 per annum) represent the standard arm's length fee paid to each of the Group's non-executive directors.
- Dr Polonsky has an investment contract issued by the Group on terms available to employees in general. As at 30 June 2019 Dr Polonsky's contract had a fair value of £0.9m (30 June 2018: £2.4m).

- The Employee Benefit Trust (“EBT”), established in November 2011 by way of a number of share contributions from Dr Polonsky, was dissolved on 28 September 2018 with the 860,820 shares reverting to the Polonsky Foundation. The EBT was originally established to reward long serving employees but has since been replaced by alternative reward schemes.

25.4 Employee Benefit Trust

An Employee Benefit Trust was established in February 2018 to hold shares awarded to employees as an incentive on a deferred basis. The Trust was funded with a loan of £446,000 during 2018. At the date of this Annual Report and Accounts, the loan to the Trust had an outstanding balance of £446,000 (2018: £446,000) and the Trust holds 585,000 shares (2018: 585,000). There were no awards which vested during the year (2018: £nil).

25.5 Other related party transactions

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

In the current financial year, the Group entered into a contract with CCC Consulting for the purposes of professional services. CCC Consulting is owned by Mr Graham Morrall, a member of the Executive Committee. The amount paid to CCC Consulting in the current year was £58,330.

26 Contingent liabilities

26.1 Litigation

The Group does not give any investment advice. Investment decisions are taken either by the contract holder directly or through a professional intermediary appointed by the contract holder. Contract holders bear the financial risk relating to the investments underpinning their contracts, as the policy benefits are linked to the value of the assets. Notwithstanding the above, financial services institutions are frequently drawn into disputes in cases where the value and performance of assets selected by or on behalf of contract holders fails to meet their expectations. At the balance sheet date a number of fund structures remain affected by liquidity or other issues that hinder their sales or redemptions on normal terms with a consequent adverse impact on policy transactions.

As reported previously, the Group has been subject to a number of complaints in relation to the selection and performance of assets linked to contracts. The Company has been served with a number of writs arising from such complaints and other asset-related issues.

As at 30 June 2019, the Group had been served with cumulative writs with a net exposure totalling €21.7m, or £19.4m in sterling terms (30 June 2018: €20.1m / £17.8m) arising from contract holder complaints and other asset performance-related issues. The primary driver of the increase has been in relation to additional claims in Italy related to funds which have been illiquid for a number of years.

During the year, the Group successfully defended 10 cases with net exposures of approximately €0.6m, or £0.5m, 8 of which have been appealed by the plaintiffs. These successes continue to affirm confidence in the Group’s legal arguments.

Our policy is to maintain contingent liabilities even where we win cases in the court of first instance if such cases have been subsequently appealed. This includes our largest single case in Belgium where the appeal has been deferred pending the outcome of a separate constitutional court case.

We have also worked closely with our insurers during the year to clarify coverages where they may be applicable. While we cannot at this stage place a value on any recoveries and have not reduced any of the gross exposures above, we are comfortable that a number of our larger cases will be at least partly covered.

While it is not possible to forecast or determine the final results of pending or threatened legal proceedings, based on the pleadings and advice received from the Group's legal representatives, the Directors believe that the Group has strong defences to such claims. Notwithstanding this, there may be circumstances where in order to avoid the expense and distraction of protracted litigation the Board may consider it in the best interests of the Group and its shareholder to reach a commercial resolution with regard to certain of these claims. Such cases totalled less than £0.1m (2018: £0.2m) during the year. It is not possible at this time to make any further estimates of liability.

26.2 Isle of Man Policyholders' Compensation Scheme

The Group's principal subsidiary, Hansard International is a member of the Isle of Man Policyholders' Compensation Scheme governed by the Life Assurance (Compensation of Policyholders) Regulations 1991. The objective of the Scheme is to provide compensation for policyholders should an authorised insurer be unable to meet its liabilities to policyholders. In the event of a levy being charged by the Scheme members, Hansard International would be obliged to meet the liability arising at the time. The maximum levy payable in accordance with the regulations of the Scheme in respect of the insolvency of the insurer is 2% of long term business liabilities. Hansard International's products include a clause in their terms and conditions permitting it to recover any monies paid out under the Scheme from contract holders.

27 Foreign exchange rates

The Group's presentational and functional currency is pounds sterling, being the currency of the primary economic environment in which the Group operates.

Foreign currency transactions are translated into sterling using the applicable exchange rate prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date, and the gains or losses on translation are recognised in the consolidated statement of comprehensive income.

Non-monetary assets and liabilities that are held at historical cost are translated using exchange rates prevailing at the date of transaction; those held at fair value are translated using exchange rates ruling at the date on which the fair value was determined.

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

	2019	2018
US Dollar	1.27	1.32
Japanese Yen	137.0	146.4
Euro	1.12	1.13

28 Non statutory accounts

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 June 2019 or 2018, but is derived from those accounts. The auditor has reported on those accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report.

29 Annual report

The Company's annual report and accounts for the year ended 30 June 2019 is expected to be posted to shareholders by 7 October 2019. Copies of both this announcement and the annual report and accounts will be available to the public at the Company's registered office at Harbour Court, Lord Street, PO Box 192, Douglas, Isle of Man, IM99 1QL and through the Company's website at www.Hansard.com.

Responsibility statement of the directors in respect of the annual financial report

The Directors confirm to the best of their knowledge that:

- The financial statements have been prepared in accordance with International Reporting Financial Standards as adopted by the EU and give a true and fair view of the assets, liabilities, financial position and profit for the Company and the undertakings included in the consolidation as a whole as required by the Disclosure and Transparency Rules Chapter 4.2.4; and
- Pursuant to Disclosure and Transparency Rules Chapter 4, the Directors' report of the Company's annual report and accounts includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the business.

On behalf of the Board

G S Marr

T N Davies

Director

Director

25 September 2019

OTHER INFORMATION

Risk Based Solvency Capital

A) Risk Based Solvency capital position

The Group shareholder Risk Based Solvency surplus at 30 June 2019 was £86.8m (30 June 2018: £90.5m), before allowing for payment of the 2019 final ordinary dividend. All Risk Based Solvency and related data presented in this section is subject to change prior to submission to regulatory authorities.

Group Risk Based Solvency capital position	30 June 2019			30 June 2018
	Life subsidiaries £m	Other subsidiaries £m	Total £m	Total £m
Own Funds	137.4	14.8	152.2	156.6
Solvency Capital Requirement	65.4	-	65.4	66.1
Surplus	72.0	14.8	86.8	90.5
Solvency ratio (%)	210%	-	233%	237%

All Own Funds are considered Tier 1 capital.

Own Funds include Value of In-Force ("VIF") of £139.9m at 30 June 2019.

VIF calculated under this regulatory basis is similar to the VIF calculated under the previously disclosed European Embedded Value ("EEV") methodology.

Total Own Funds contain a number of significant differences to EEV however, namely:

- A reduction to Net Worth for litigation risk. This is assessed based on probabilistic outcomes with input from external legal counsel.
- A reduction to Net Worth for required statutory reserves.
- A higher cost of capital within the Risk Margin. Solvency II mandates a cost of capital of 6% (5% under the Isle of Man regime) as compared to 2.5% previously used in our EEV calculation.

The following compares Own Funds as at 30 June 2019 and 30 June 2018 to the EEV disclosed within our 30 June 2018 Annual Report & Accounts:

	30 June 2019 Own Funds £m	30 June 2018 Own Funds £m	30 June 2018 EEV £m
Value of In-Force	139.9	141.6	143.9
Risk Margin	(22.8)	(20.6)	(8.6)
Net Worth	35.1	35.6	44.5
Total	152.2	156.6	179.8

B) Analysis of movement in Group solvency surplus

A summary of the movement in Group Risk Based Solvency surplus from £90.5m at 30 June 2018 to £86.8m at 30 June 2019 is set out in the table below.

	£m
Risk Based Solvency surplus at 30 June 2018	90.5
Operating experience	(4.3)
Investment performance	2.3
Changes in assumptions	1.6
Dividends paid	(6.0)
Foreign exchange	2.7
Risk Based Solvency surplus at 30 June 2019	86.8

The movement in Group Risk Based Solvency surplus in 2019 was reduced by dividends paid and operating experience, offset by positive market movements. The primary factor negatively impacting operating experience was a reduced outlook on our ability to earn treasury margins due to low long term interest rates.

New business written added £5.6m to Own Funds for the period.

C) Analysis of Group Solvency Capital Requirement

The analysis of the Group's Solvency Capital Requirement ("SCR") by risk type is as follows:

Split of the Group's Solvency Capital Requirement	30 June 2019 % of SCR *	30 June 2018 % of SCR *
Risks		
Market		
Equity	47%	48%
Currency	25%	27%
Insurance		
Lapse	46%	46%
Expense	12%	11%
Default	1%	3%
Operational	13%	13%

* Figures are the capital requirements prior to diversification benefits expressed as a percentage of the final diversified SCR.

D) Reconciliation of IFRS equity to Group Risk Based Solvency Shareholder Own Funds

	30 June 2019 £m	30 June 2018 £m
IFRS shareholders' equity	27.2	28.5
Elimination of DOC	(118.0)	(113.8)
Elimination of DIR	133.2	130.3
Value of In-Force	139.9	141.6
Liability valuation differences	(7.5)	(8.4)
Impact of risk margin	(22.8)	(20.6)
Other	0.2	(1.0)
Risk Based Solvency Shareholder Own Funds	152.2	156.6

Liability valuation differences relate to additional provisions made for risk based capital purposes, notably for contingent liabilities and non-linked reserves.

E) Sensitivity analysis

The sensitivity of the Own Funds related to the Group's life insurance subsidiaries to significant changes in market conditions is as follows:

	30 June 2019 £m	30 June 2018 £m
Life subsidiary Own Funds	137.4	149.3
Impact of:		
10% instantaneous fall in equity markets	(6.8)	(7.4)
100 basis points increase in interest rates	(0.9)	(1.1)
10% increase in expenses	(4.9)	(4.6)
1% increase in expense inflation	(3.2)	(2.8)
10% strengthening of sterling	(5.5)	(7.5)