



HANSARD
GLOBAL PLC

27 September 2018

Hansard Global plc
Results for the year ended 30 June 2018

Hansard Global plc ("Hansard" or "the Group"), the specialist long-term savings provider, issues its results for the year ended 30 June 2018 ("FY 2018").

Summary

	FY 2018	FY 2017
New business sales – PVNBP	£146.6m	£148.3m
IFRS profit after tax	£6.8m	£7.7m
Underlying profit	£8.6m	£9.8m
Operating cash surplus	£25.0m	£22.7m
EEV (loss) / profit after tax	(6.0m)	11.7m
Recommended final dividend per share*	2.65p	5.3p
IFRS earnings per share	4.9p	5.6p

As at	30 June 2018	30 June 2017
Assets under Administration	£1,036m	£1,050m
European Embedded Value	£180m	£196m

* subject to approval at the AGM

Gordon Marr, Group Chief Executive Officer, commented:

"The Group's profit performance in 2018 reflects a year of consolidation of the sales growth achieved in the past two years and investment in the future of the business. During the period, we have repositioned the Group to ensure it fits with future global regulatory change and development. We have established a new Group insurance company in the Bahamas and are making good progress with our application to operate in Japan. These initiatives position us well to take advantage of global growth opportunities going forward."

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 £146.6m on a Present Value of New Business Premiums ("PVNBP") basis, similar to that of FY 2017. This reflects many positive achievements in each of our regions with the exception of the Far East where we are re-positioning towards locally licensed business.

STRATEGY IMPLEMENTATION

Our strategy team has focused on a number of key items during the past year. These include:

- assessing our distribution strategy in light of the incoming Isle of Man Regulatory Roadmap;
- establishing a new Group insurance company in The Bahamas;
- progressing a licence application in Japan;
- assessing the ongoing need for certain branches and satellite operations;
- assessing our IT infrastructure and potential future cost savings.

We have made significant progress in each of these areas and expect to communicate further progress over the course of the current financial year.

TRADING RESULTS

IFRS profit after tax for the year was £6.8m (FY 2017: £7.7m). Excluding litigation and one-off items, underlying IFRS profit was £8.6m compared with £9.8m in FY 2017.

The adjustment to underlying profit is primarily due to the costs of defending Hansard Europe litigation, but also includes the costs of closing certain branches which no longer have a strategic future within the Group and provisions for doubtful debts.

Total fee income was impacted by £1m lower fee income earned by Hansard Europe as it continues to wind down its business.

Administrative expenses, exclusive of litigation and one-off items, increased by £1.5m, primarily as a result of increased professional fees and increased employee costs due to additional incentive and bonus plans that were put in place in FY 2018 (compared to nil in FY 2017).

Group European Embedded Value ("EEV") has reduced to £180m from £196m after taking account of the payment of dividends to shareholders during the year of £9.8m. An EEV operating loss of £13.7m was incurred (FY 2017: loss of £8.2m) due to a number of negative assumption changes and experience variances. New Business Contribution was a negative £1.0m (FY 2017: positive £1.3m), resulting in a negative New Business Margin for FY 2018 of 0.7% (FY 2017: positive 0.9%). Margins reduced due to a less profitable mix and increased expenses as we continue to invest for the future and successfully defend our position in litigation. With more modest investment return gains in FY 2018 than FY 2017, the overall EEV result for FY 2018 was a loss of £6.0m (FY 2017: profit of £11.7m).

DIVIDENDS

The Board has proposed a final dividend of 2.65p (2017: 5.3p) per share, in line with previous guidance. This dividend, if approved by the shareholders at the Annual General Meeting on 7 November 2018, represents a total dividend of 4.45p (2017: 8.9p) per share in respect of the financial year. Such dividend will be paid on 15 November 2018 to shareholders on the register on 5 October 2018. The associated ex-dividend date is 4 October 2018.

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 €20.1m (£17.8m), up €3.7m (£3.3m) from the half-year. The primary driver of the increase has been in relation to a new group action in Italy focused on a range of funds which have been illiquid for a number of years. During the year, the Group successfully defended nine cases with net exposures of approximately €8.2m (£7.3m), including our largest single case in Belgium. This affirms confidence in the Group's legal arguments. Six of these cases have subsequently been appealed. While we assess the risk of loss from these cases now to be lower, we have retained their exposures in full within the contingent liabilities total in the annual report and accounts.

CURRENT TRADING

As mentioned above, business is significantly lower in our Far East region while we re-position towards locally licensed business. As a result, sales levels to date in Q1 of the 2019 financial year are running approximately 15% lower than the equivalent period in the prior year. Notwithstanding this, we are confident that continued progress with our strategic initiatives this year will result in future growth.

INTERIM MANAGEMENT STATEMENT

The first Interim Management Statement in respect of the year ending 30 June 2019 is expected to be published on 8 November 2018.

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, in the case of Hansard International Limited, and Western Europe in the case of Hansard Europe dac, the Group's two life assurance companies. Hansard Europe dac 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 without the need for significant further investment.
- Following the closure of Hansard Europe dac to new business with effect from 30 June 2013, the Group continues to report new business performance of Hansard International Limited alone within this document. Reporting of Assets under Administration incorporates cash flows relating to insurance or reinsurance policies issued by both Hansard International Limited and Hansard Europe dac.

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 Regulation No 596/2014.

Legal Entity Identifier: 213800ZJ9F2EA3Q24K05

Chairman's Statement

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

New business

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

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

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

Financial performance

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

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

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

Regulatory developments

The Isle of Man Financial Services Authority ("FSA") Roadmap for updating the Isle of Man's Regulatory Framework for Insurance Business has been a large focus of 2018. The Roadmap seeks to ensure that the Isle of Man has a proportionate and robust regime for the regulation and supervision of insurance business, as reflected in relevant international standards. The Group has expended significant financial and human resources in addressing these requirements and believes it is well placed to adopt all relevant provisions.

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

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

Capitalisation and solvency

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

Dividends

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

Concluding remarks

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

Philip Gregory
Chairman
26 September 2018

GROUP CHIEF EXECUTIVE OFFICER'S OVERVIEW

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

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

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

STRATEGY DEVELOPMENT

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

This team was assigned three main aims:

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

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

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

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

RESULTS FOR THE YEAR UNDER REVIEW

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

1. Sourcing significant flows of regular premium new business flows from diversified target markets;
2. Managing our exposure to business risk;
3. Positioning ourselves to incorporate ever-increasing levels of regulation into our business model;
4. Leveraging Hansard OnLine developments and;

5. Managing our cash flows through the cycle to fund the appropriate balance of investment in new business and dividends.

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

1. New Business distribution

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

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

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

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

2. Operational, Business and Financial Risks

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

2.1 Complaints and potential litigation

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

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

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

3. Leverage Hansard OnLine

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

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

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

4. Operating cash flows and dividends

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

Operating cash flows have recovered in line with increasing assets under administration over the past number of years. As outlined in the Cash Flow analysis section of the Business Review, the Group generated £6.9m (2017: £5.8m) in overall net cash flows before dividends, after the investment of £18.5m (2017: £17.4m) in acquiring new business and £0.9m (2017: £0.4m) in equipment and IT costs. Dividends of £9.8m were paid in the financial year (2017: £12.2m), reflecting the previously announced reduction in dividend rate to right-size our cash inflows and outflows while we seek to grow the business.

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

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

IFRS results

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

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

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

EEV results

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

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

The key drivers of these variances were:

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

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

CAPITALISATION AND SOLVENCY

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

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

OUR PEOPLE

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

G S Marr
Group Chief Executive Officer
26 September 2018

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 located in up to 155 countries.

Business

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

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

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

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

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

Strategy

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

Our vision is now:

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

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

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

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

- i. Improve our business: We will improve customer outcomes through the introduction of new disclosures, the provision of new products and services, focusing on the quality of our IFAs with whom we work with and continuing to drive up the engagement of our people within our business.

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

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 expect to retain the contract holder relationship over the long term.

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

Revenues

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

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

Managing Risk

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

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

Hansard OnLine

Hansard OnLine is a powerful and secure tool that is used by our IFAs around the world. It allows them to access vast amounts of information about their clients, to generate reports for their clients, to submit

new business applications online, to place dealing and switch instructions online, to access all client correspondence and to access a library of forms and literature.

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

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

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

Online Accounts

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

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

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

Continuous Improvements to our Online Proposition

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

Cyber Security

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

Excellent Customer Service

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

KEY PERFORMANCE INDICATORS

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

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

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

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

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

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

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

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

BUSINESS AND FINANCIAL REVIEW

STRATEGY DEVELOPMENT

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

This team was assigned three main aims:

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

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

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

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

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

REGULATORY CHANGE

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

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

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

NEW BUSINESS FLOWS – YEAR ENDED 30 JUNE 2018

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

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

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

- **Present Value of New Business Premiums (“PVNBP”)**

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

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

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

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

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

- **New business margins**

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

PRESENTATION OF FINANCIAL RESULTS

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

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

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

Results for the year

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

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

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

ABRIDGED CONSOLIDATED INCOME STATEMENT

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

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

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.

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

Fees and commissions

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

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

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

A summary of fees and commissions is set out below:

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

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

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

Investment and other income

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

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

Origination costs

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

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

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

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

Origination costs in the year were:

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

Administrative and other expenses

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

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

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

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

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

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

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

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

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

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

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

CASH FLOW ANALYSIS

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

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

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

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

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

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

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

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

Bank deposits and money market funds

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

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

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

ABRIDGED CONSOLIDATED BALANCE SHEET

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

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

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

Deferred origination costs

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

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

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

Deferred income

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

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

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

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

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

CONTRACT HOLDER ASSETS UNDER ADMINISTRATION

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

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

geographical spread of those contract holders. Premium contributions during the year also includes additional contributions of approximately £3.3m (2017: £4.0m) relating to single and regular premium contracts issued by Hansard Europe in prior years.

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

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

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

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

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

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

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

COMPLAINTS AND POTENTIAL LITIGATION

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

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

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

During the year, the Group successfully defended nine cases with net exposures of approximately £7.3m, including our largest single case in Belgium. This continues to affirm confidence in the Group's legal arguments. Six of these cases have however been subsequently appealed. While we assess

the risk of loss from these cases to now be lower, we have retained their exposures in full within the contingent liabilities total.

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

RESULTS FOR THE YEAR UNDER EUROPEAN EMBEDDED VALUE

Headline results

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

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

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

	2018 £m	2017 £m
EEV operating loss after tax	(13.7)	(8.2)
Investment return variances and economic assumption changes	7.7	19.9
EEV (loss)/profit	(6.0)	11.7
EEV before dividends	189.6	207.7
Dividends paid during the financial year	(9.8)	(12.2)
Closing Embedded Value	179.8	195.5

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

Sales metrics

New business comparatives are shown below:

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

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

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

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

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

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

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

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

Change in Net Worth

	2018 £m	2017 £m
Opening Net Worth	49.2	55.5
Expected new Net Worth from existing business	32.0	27.9
Time value	(1.0)	0.1
Net worth variance	(5.3)	(1.3)
Net Worth from Existing Business	25.7	26.7
New Business Cashflows	(20.6)	(20.8)
Dividends paid	(9.8)	(12.2)
Closing Net Worth	44.5	49.2

The Net Worth is lower than projected by £5.3m (2017: lower by £1.3m) primarily because of worse than assumed operating experience during the year. The Net Worth has grown by £25.7m (2017: £26.7m), of which £20.6m (2017: £20.8m) has been invested in new business (shown as New Business Cashflows) and £9.8m has been paid in dividends (2017: £12.2m).

EEV profit after tax

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

	2018 £m	2017 £m
New Business Contribution	(1.0)	1.3
Experience variances	(3.8)	(4.7)
Operating assumption and model changes	(7.3)	(5.6)
Expected return on new and existing business and Net Worth	0.8	0.8
Other operating variances	(2.4)	-
EEV operating loss after tax	(13.7)	(8.2)
Investment return variances	7.1	16.8
Economic assumption changes	0.6	3.1
EEV (loss)/profit after tax	(6.0)	11.7

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

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

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

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

Other operating variances

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

Investment return variances

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

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

Economic assumption changes

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

	2018 £m	2017 £m
Contract holder activity margins	1.6	3.8
Risk discount rates and unit growth	(1.0)	(0.7)
Economic assumption changes	0.6	3.1

Net asset value per share

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

Approach

The ERM Programme is structured in accordance with the component elements and supporting principles of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Framework and has been designed to be appropriate to the nature, scale and complexity of the Group's business at both corporate and subsidiary level. A comprehensive review of the component elements of the ERM Programme was undertaken during the year ended 30 June 2017 to strengthen the governance arrangements associated with the identification and management of risks across the Group and to enhance the reporting arrangements which assist the Directors in their assessment of the adequacy and effectiveness of the Group's risk management and internal control systems. Work to consolidate the outputs of this review and prepare for the incoming risk based solvency regime under the Isle of Man Regulatory Roadmap have continued during the year ended 30 June 2018.

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

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

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

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

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

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

Review of risk management and internal control systems

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

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

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

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

Financial reporting process

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

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

Outsourcing

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

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

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

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

	<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 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.

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

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

Earnings per share

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

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

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

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

Consolidated Balance Sheet

As at 30 June 2018

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

Consolidated Cash Flow Statement for the year ended 30 June 2018

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

Notes to the consolidated financial statements

1 Principal accounting policies

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

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

1.1 Basis of presentation

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

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

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

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

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

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

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

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

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

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

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

1.2 Basis of consolidation

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

2 Critical accounting estimates and judgements in applying accounting policies

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

2.1 Accounting estimates and assumptions

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

2.1.1 Origination costs

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

2.1.2 Amortisation of deferred origination costs and deferred income

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

2.1.3 Recoverability of deferred origination costs

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

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

2.2 Judgements

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

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

3 Financial risk management

Risk management objectives and risk policies

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

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

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

3.1 Market risk

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

Sensitivity analysis to market risk

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

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

(a) Price risk

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

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

(b) Interest rate risk

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

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

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

(c) Currency risk

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

(c)(i) Group foreign currency exposures

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

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

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

(c)(ii) Financial investments by currency

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

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

At the balance sheet date the analysis of financial investments by currency denomination is as follows, US dollars: 62.9% (2017: 59.6%); euro: 14.2% (2017: 18.9%); sterling: 20.5% (2017: 18.9%); other: 2.4% (2017: 2.6%).

3.2 Credit risk

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

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

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

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

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

3.3 Liquidity risk

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

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

Liquidity risk is principally managed in the following ways:

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

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

3.4 Undiscounted contractual maturity analysis

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

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

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

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

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

3.5.1 Fair value estimation

The Group closely monitors the valuation of assets in markets that have become less liquid. Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured. Where the directors determine that there is no active market for a particular financial instrument, for example where a particular collective investment scheme is suspended from trading, fair value is assessed using valuation techniques based on available, relevant, information and an appraisal of all associated risks. When a collective investment scheme recommences regular trading, the value would be transferred back to Level 1. This process requires the exercise of significant judgement on the part of Directors.

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

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

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

	Level 1	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

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

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

Transfers into and out of Level 3 in 2017

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

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

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

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

4 Segmental information

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

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

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

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

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

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

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

4.1 Geographical analysis of fees and commissions by origin

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

4.2 Geographical analysis of profit before taxation

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

4.3 Geographical analysis of gross assets

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

4.4 Geographical analysis of gross liabilities

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

5 Fees and commissions

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

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

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

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

6 Investment income

Investment income comprises dividends, interest and other income receivable, realised 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.

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

7 Origination costs

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

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

8 Administrative and other expenses

Included in administrative and other expenses are the following:

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

9 Employee costs

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

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

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

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

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

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

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

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

The above information includes Directors' remuneration (excluding non-executive directors' fees).

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

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

10 Taxation

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

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

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

11 Earnings per share

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

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

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

12 Dividends

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

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

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

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

13 Property, plant and equipment

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

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

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

The economic lives used for this purpose are:

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

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

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

14 Deferred origination costs

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

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

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

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

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

15 Other receivables

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

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

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

16 Cash and cash equivalents

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

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

17 Financial liabilities under investment contracts

17.1 Investment contract liabilities, premiums and benefits paid

17.1.1 Investment contract liabilities

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

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

17.1.2 Investment contract premiums

Investment contract premiums are not included in the 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:

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

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

The change in provisions for investment contract liabilities includes dividend and interest income and net realised and unrealised gains and losses on financial investments held to

cover financial liabilities. Dividend income, interest income and gains and losses are accounted for in accordance with note 6.

17.3 Investments held to cover liabilities under investment contracts

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

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

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

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

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

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

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

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

18 Deferred income

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

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

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

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

19 Other payables

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

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

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

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

20 Capital management

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

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

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

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

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

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

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

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

21 Share capital

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

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

22 Other reserves

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

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

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

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

23 Equity settled share-based payments

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

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

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

23.1 SAYE programme

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

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

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

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

	2018		2017	
	No. of options	Weighted average exercise price (p)	No. of options	Weighted Average Exercise price (p)
Outstanding at the start of year	1,126,193	78	1,052,119	79
Granted	772,617	62	271,639	72
Exercised	(112,287)	69	(4,336)	79
Forfeited	(293,544)	74	(193,229)	79
Outstanding at end of year*	1,492,979*	67	1,126,193	78

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

Financial assumptions underlying the calculation of fair value

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

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

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

2018 award details

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

23.2 Incentive Plan Employee Benefit Trust

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

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

The Trust has been funded with a loan of £446,000 during the year (2017: not applicable). At the date of this Annual Report and Accounts, the loan to the Trust had an outstanding balance of £446,000 (2017: not applicable) and the Trust holds 585,000 shares (2017: not applicable), following the purchase of 585,000 shares in the year. The shares held by the Trust as at 30 June 2018 represent awards made which vest in July 2020.

24 Financial commitments

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

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

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

25 Related party transactions

25.1 Intra-group transactions

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

25.2 Key management personnel compensation

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

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

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

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

25.3 Transactions with controlling shareholder

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

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

25.4 Employee Benefit Trust

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

25.5 Incentive Plan Employee Benefit Trust

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

25.6 Other related party transactions

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

26 Contingent liabilities

The Group does not give any investment advice. Investment decisions are taken either by the contract holder directly or through a professional intermediary appointed by the contract holder. Contract holders bear the financial risk relating to the investments underpinning their

contracts, as the policy benefits are linked to the value of the assets. Notwithstanding the above, financial services institutions are frequently drawn into disputes in cases where the value and performance of assets selected by or on behalf of contract holders fails to meet their expectations. At the balance sheet date a number of fund structures remain affected by liquidity or other issues that hinder their sales or redemptions on normal terms with a consequent adverse impact on policy transactions.

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

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

During the year, the Group successfully defended nine cases with net exposures of approximately €8.2m, or £7.3m, including our largest single case in Belgium. This affirms confidence in the Group's legal arguments. Six of these cases have however been subsequently appealed. While we assess the risk of loss from these cases to now be lower, we have retained their exposures in full within the contingent liabilities total. In addition, two cases with net exposures of €3.4m, or £3.0m, have been removed from contingent liabilities due to the indefinite suspension of those court proceedings.

While it is not possible to forecast or determine the final results of pending or threatened legal proceedings, based on the pleadings and advice received from the Group's legal representatives, the Directors believe that the Group has strong defences to such claims. Notwithstanding this, there may be circumstances where in order to avoid the expense and distraction of protracted litigation the Board may consider it in the best interests of the Group and its shareholder to reach a commercial resolution with regard to certain of these claims. Such cases totalled £0.2m (2017: £nil) during the year. It is not possible at this time to make any further estimates of liability.

27 Foreign exchange rates

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

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

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

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

	2018	2017
US Dollar	1.32	1.30
Japanese Yen	146.4	146.5
Euro	1.13	1.14

28 Non statutory accounts

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 June 2018 or 2017, 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 2018 is expected to be posted to shareholders by 9 October 2018. 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;
- The EEV Information has been prepared in accordance with the EEV Principles 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

26 September 2018

EUROPEAN EMBEDDED VALUE INFORMATION

1 INTRODUCTION

The European Embedded Value ("EEV") measure is an estimate of the value of the shareholders' interest in the Group. The EEV covers the entire business of the Group, including its life assurance companies and subsidiaries providing administration, distribution and other services.

The EEV comprises Net Worth and the Value of Future Profits ("VFP") i.e. future profits from business in-force at the valuation date, 30 June 2018. It excludes the value of any future new business that the Group may write after the valuation date. All results are calculated net of corporation tax.

The Group's EEV methodology complies fully with the set of EEV Principles published by the CFO Forum in May 2004 and most recently extended in April 2016. It has been calculated using market-consistent economic assumptions and best estimate operating assumptions having regard for the Group's experience and its assessment of future experience. A description of the EEV methodology is set out in the notes to the EEV Information. There have been no significant changes in the EEV methodology from that used in the previous financial year.

2 EEV PROFIT PERFORMANCE FOR THE YEAR

2.1 EEV profit / (loss)

EEV profit / (loss) is a measure of the performance over the year. It is derived as follows:

	2018 £m	2017 £m
New Business Contribution	(1.0)	1.3
Experience variances	(3.8)	(4.7)
Operating assumption changes	(7.1)	(5.9)
Model changes	(0.2)	0.3
Other operating variances	(2.4)	0.0
Expected return on new and existing business	0.6	0.6
Expected return on Net Worth	0.2	0.2
EEV operating loss after tax	(13.7)	(8.2)
Investment return variances	7.1	16.8
Economic assumption changes	0.6	3.1
EEV (loss)/profit after tax	(6.0)	11.7

2.1.1 New Business Contribution

New Business Contribution ("NBC") was -£1.0m for the year (2017: £1.3m). The negative NBC reflects a change in business mix together with revised future expense assumptions and an increase in initial expenses.

2.1.2 Experience variances

Experience variances arise where actual experience differs from that assumed in the prior year's EEV. Major contributors to the experience variances this year include worse than assumed encashments, ongoing and one off expenses and lower than expected contract holder activity margin. Expense variances arose as a result of a range of items including increased costs of premium collection and costs of administration. Contract holder activity margin variances are due to less than expected contract holder activity and hence lower than expected foreign exchange and unit pricing margins received.

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

2.1.3 Operating assumption changes

The operating assumption changes reflect changes in management's view of the behaviour of the existing business. These changes decreased the EEV by £7.1m, (2017: decrease of £5.9m), as shown below.

Operating assumptions are generally management's best estimate, having regard to recent experience. Management has strengthened the expense assumptions, contract holder activity margins and partial encashment assumptions, while weakening the full encashment and premium persistency assumptions.

The adverse expense assumption change reflects increased expenses assumed to be borne by each in-force contract. This reflects a lengthier period being taken by the Group to achieve the scale assumed in its long-term assumptions.

The impact of updating the full encashment assumption is positive as the assumption at longer durations was reduced in line with experience, thereby increasing VIF. The negative experience variance in table 2.1.2 is due to lower than expected lapses at earlier durations, resulting in lower surrender profits than expected, thus reducing the net worth.

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

2.1.4 Model changes

The Group continues to develop its modelling functionality. In particular, this year, a revised approach to calculating trail commission was implemented and a coding change relating to the clawback of a special offer when a policy converts to paid up status. As a result of these model changes, the EEV decreased by £0.2m (2017: £0.3m increase).

2.1.5 Other operating variances

With the implementation of risk based capital regulations in the Isle of Man, the Company undertook a review of the methodology used in the calculation of the reduction for non-market risk. Following this review, and based mainly on emerging market practice, the Company has updated the methodology which has resulted in an adverse variance which decreased the EEV by £2.4m.

2.1.6 Expected return on new and existing business

Under EEV methodology, it is a convention to assume that the value of the business grows at 'start of period' assumptions. The expected return is therefore based on assumptions determined at 30 June 2017. These assumptions are applied to give the expected conversion from VFP to Net Worth in the year, and the time value of both existing business and non-market risk.

No assumptions are made about the level of future new business. New Business Cashflows is the initial capital invested in the new business during the year. This is calculated using end of period operating assumptions (i.e. assumptions determined at 30 June 2018).

	EEV	2018 Net worth	VIF*	EEV	2017 Net worth	VIF*
	£m	£m	£m	£m	£m	£m
Cash generated from VFP	-	32.0	(32.0)	-	27.9	(27.9)
New Business Cashflows	-	(20.6)	20.6	-	(20.8)	20.8
Time value of existing business	0.6	(1.0)	1.6	0.6	0.1	0.5
Time value of new business	-	-	-	-	-	-
	0.6	10.4	(9.8)	0.6	7.2	(6.6)

* Value of In-Force

The expected value of cash generated was £32.0m (2017: £27.9m) and New Business Strain was £20.6m (2017: £20.8m). These reflect similar levels of new business year on year. The time value figures use economic assumptions at 30 June 2017.

2.1.7 Expected return on Net Worth

The expected return on Net Worth of £0.2m (2017: £0.2m) reflects the anticipated increase in shareholder assets over the period due to the time value of money. In line with the EEV, its calculation is based on the 30 June 2017 year one risk discount rate for sterling which was 0.8% (2017: 0.4%).

2.1.8 Investment return variance

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

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

2.1.9 Economic assumption changes

There was a positive variance of £0.6m (2017: positive variance of £3.1m) from economic assumption changes. This is due to revised assumptions on future contract holder activity margin offset by the impact of changes to swap yields for the currencies to which the Group is exposed.

	2018 £m	2017 £m
Contract holder activity margins	1.6	3.8
Risk discount rates & unit growth	(1.0)	(0.7)
	0.6	3.1

2.2 Analysis of EEV profit / (loss) by component

The table below shows a detailed analysis of EEV profit / (loss) after tax for the year ended 30 June 2018.

	2018 Movement in			2017 * Movement in		
	EEV	Net Worth	VIF	EEV	Net Worth	VIF
	£m	£m	£m	£m	£m	£m
New Business Contribution	(1.0)	(23.7)	22.7	1.3	(24.1)	25.4
Experience variances	(3.8)	(7.3)	3.5	(4.7)	(3.5)	(1.2)
Operating assumption changes	(7.1)	-	(7.1)	(5.9)	-	(5.9)
Other operating variances	(2.4)	-	(2.4)	-	-	-
Model changes	(0.2)	-	(0.2)	0.3	-	0.3
Expected return on new and existing business	0.6	34.1	(33.5)	0.6	31.3	(30.7)
Expected return on Net Worth	0.2	0.2	-	0.2	0.2	-
EEV operating profit / (loss) after tax	(13.7)	3.3	(17.0)	(8.2)	3.9	(12.1)
Investment return variances	7.1	1.7	5.4	16.8	2.0	14.8
Economic assumption changes	0.6	-	0.6	3.1	-	3.1
EEV (loss) / profit after tax	(6.0)	5.0	(11.0)	11.7	5.9	5.8

* Certain comparative figures have been restated to align with current year presentation.

3 EMBEDDED VALUE AT 30 JUNE 2018

Following the payment of dividends of £9.8m (2017: £12.2m), the Group's EEV has fallen to £179.8m (2017: £195.5m). The EEV balance sheet is presented below.

	2018 £m	2017 £m
Free surplus	16.9	21.4
Required Capital	27.6	27.8
Net Worth	44.5	49.2
VIF	143.9	152.6
Frictional costs	-	(0.1)
Reduction for non-market risk	(8.6)	(6.2)
Value of Future Profits ("VFP")	135.3	146.3
EEV	179.8	195.5

At the balance sheet date, the Net Worth of the Group is represented by liquid cash and money market balances. Given the uncertainties inherent in the ultimate outcome of the litigation against Hansard Europe, we believe the extraction of any capital by the parent company will be constrained for up to three years.

The VFP is based on the value of contract holder funds under administration at 30 June 2018.

4 NEW BUSINESS PROFITABILITY

Levels of new business written in 2018 were not of sufficient quantity to cover the expenses of writing such business and as a result the new business contribution and new business margin were negative. The following metrics illustrate the profitability of the Group's new business.

4.1 New business margin

	2018	2017
New business sales ("PVNBP")	£146.6m	£148.3m
New business contribution ("NBC")	(£1.0m)	£1.3m
New business margin ("NBM")	(0.7%)	0.9%

The new business margin for the year was -0.7% (2017: 0.9%). The change is primarily due to a change in the business mix (product type, term and premium levels) and to an increase in renewal and premium per policy expense assumptions over the period.

5 EEV SENSITIVITY ANALYSIS

Sensitivities provide an indication of the impact of changes in particular assumptions on the EEV at 30 June 2018 and the NBC for the year then ended.

The sensitivities will be affected by the change in the Group's business mix: different product types are sensitive to different assumptions in particular. Unless otherwise indicated, the sensitivities are broadly symmetrical.

The sensitivity analysis indicates that the Group's exposure to operating factors is limited, largely as a result of product design. A change in the level of expenses is the main operating exposure of the Group. The largest sensitivities for the Group are related to economic factors. In particular, as a result of the portfolio of assets under administration, it is exposed to movements in exchange rates and asset values through the impact on the level of future fund-based management income.

	2018	
Impact on:	EEV £m	NBC £m
Central assumptions	179.8	(1.0)
Operating sensitivities		
10% decrease in expenses	9.6	1.9
1% increase in expense inflation	(6.4)	(0.8)
1% increase in charge inflation	3.6	0.2
1% increase in expense & charge inflation	(2.7)	(0.6)
10% decrease in full encashment rates	1.4	0.2
10% decrease in mortality	0.2	-
Economic sensitivities		
1% increase in risk discount rate	(6.0)	(0.5)
1% decrease in investment return rate	(6.7)	(0.4)
1% increase in risk discount rate & investment return rate	0.6	(0.1)
1% decrease in risk discount rate & investment return rate	(0.8)	0.1
10% decrease in the value of equities and property	(11.1)	-
10% strengthening of sterling	(16.2)	(1.2)

In each sensitivity calculation, all other assumptions remain unchanged, except those being tested. There is a natural correlation between many of the sensitivity scenarios tested, so the impact of two occurring together is likely to be different from the sum of the individual sensitivities.

No changes to statutory valuation bases, pricing bases and Required Capital have been allowed for. No future management action has been modelled in reaction to the changing assumptions. For new business, the sensitivities reflect the impact of a change from inception of the contract.

NOTES TO THE EUROPEAN EMBEDDED VALUE INFORMATION

1 BASIS OF PREPARATION OF EEV

1.1 EEV Principles

The Group's EEV methodology complies fully with the set of EEV Principles published by the CFO Forum in May 2004 and most recently extended in April 2016. It has been calculated using market-consistent economic assumptions and best estimate operating assumptions having regard for the Group's own past, current and expected future experience.

1.2 Covered business

EEV covers the entire business of the Group.

1.3 New business premiums

The following premiums are included in the calculation of the NBC and PVNBP:

- Premiums arising from the sale of new policies during the period, including:
 - Contractual premiums;
 - Non-contractual recurrent single premiums where the level of premium and period of payment is pre-defined and reasonably predictable.
- Non-contractual top-up premiums received during the period on existing policies.

1.4 Timing of cash flows

The EEV has been calculated using economic and operating assumptions as at the end of the financial year (i.e. the valuation date). The NBC and PVNBP where applicable have been calculated using economic assumptions as at the start of the year and operating assumptions as at the end of the year.

1.5 Real world returns

No credit is taken in the calculation of EEV, NBC or PVNBP where applicable for returns in excess of risk-free returns. This approach may differ from that used by some of our competitors who include an asset risk premium.

2 METHODOLOGY

2.1 Overview

The methodology used to derive the EEV results at the valuation date is consistent with the IFRS methodology used in relation to the consolidated financial statements for the year ended 30 June 2018. Under EEV methodology, profit is recognised as margins are released from contract related balances over the lifetime of each contract within the Group's in-force business. The total projected profit recognised over the lifetime of a contract under EEV methodology is the same as reported under IFRS, but the timing of recognition is different.

2.2 European Embedded Value

The Group's European Embedded Value is calculated on its covered business and is shown net of corporation tax. The Group does not have any debt or financial reinsurance arrangements in place at the valuation date. The EEV comprises the Net Worth and the Value of Future Profits, which can be further categorised as shown in the table below:

Components Of The EEV

Component	Sub-component
Net Worth	Required Capital Free Surplus
Value Of Future Profits	Value of In-Force Reduction for Non-market Risk Frictional Cost of Required Capital Cost of Financial Options & Guarantees

Each component is determined separately, as follows:

2.2.1 Required Capital

Required Capital is determined by the Board, bearing in mind the requirements of regulators of the Group's life insurance subsidiaries and the working capital required by the Boards of the Group's subsidiaries.

Given the uncertainties inherent in the ultimate outcome of the litigation against Hansard Europe, we believe the extraction of any capital by the parent company will be constrained for up to three years.

2.2.2 Free Surplus

The Free Surplus is the difference between the Net Worth and the Required Capital.

2.2.3 Value of In-Force covered business ("VIF")

The VIF is determined by projecting, on a best estimate basis, the stream of future shareholder cash flows expected to arise from assets backing the liabilities of the covered business and then calculating the present value of the cash flows using an appropriate risk discount rate.

Future shareholder cash flows are deemed to arise when they are released from contract holder funds, following an actuarial valuation by the Appointed Actuary / Head of Actuarial Function.

VIF is calculated on a 'look through' basis whereby it includes all net cash flows arising from the products supported by the subsidiary companies providing administration, distribution and other services. The projections are performed using an actuarial modelling tool called Prophet.

2.2.4 Reduction for non-market Risk

The Directors make an annual assessment of the cost of non-market risks that are not modelled in the VIF projections and determine an allowance to be deducted from VFP to meet these risks.

This year, the Directors have established an allowance of £8.6m (2017: £6.2m). This is equivalent to an increase of 1.42% in the risk discount rate assumption at the valuation date. The allowance has been assessed after considering past experience, the operational characteristics of the business and emerging market practice. It is the latter that has generated an increase in the reduction for non-market risk, as there has been no material change in the risks or operational characteristics of the business.

2.2.5 Frictional Cost of Required Capital

The cost of holding the Required Capital is, for the Group, the cost of tax on interest on the capital retained in Hansard Europe. The expected interest is projected, the tax calculated and then discounted to the valuation date.

Hansard Europe's VIF net of Marketing Allowances is negative. Since profits are unlikely to become positive on the closed book the tax parameter has been zeroised. Thus the cost of Required Capital is now zero.

2.2.6 Cost of financial options and guarantees

The Group's business does not include any policies with material options and/or guarantees regarding investment performance and, hence, unlike the situation faced by many other life assurers, the Group's cost of financial options and guarantees is zero.

3 OPERATING ASSUMPTIONS

The EEV is calculated using best estimate operating assumptions having regard for the Group's recent experience and management's best estimate of future behaviour, together with other relevant data.

The covered business is unit-linked: it comprises mainly investment-type products with minimal life cover and no financial options or guarantees. The three main product groups are regular premium, personal portfolio and recurrent single premium. Variations in experience between the product groups have been considered and, where appropriate, separate assumptions have been used.

The EEV assumptions are based on an assessment of the business as a going concern.

3.1 Expense assumptions

The allocation of expenses between acquisition and maintenance and the assumption setting process are generally consistent with prior years.

Development costs to enable future new business have not been allocated to new business and are excluded in the calculation of the NBC. The amount of the development costs excluded from the NBC was £1.1m. Other non-recurring non-development costs are generally charged as incurred, and hence will be reflected as a profit or loss in the year.

The number of contracts in-force has been falling over the last few years, partially as a result of the closure to new business of Hansard Europe in 2013. This trend is expected to continue for a period before the number of contracts in-force is assumed to return to the current level. We have made an allowance for this feature in the EEV calculation. In quantifying the impact we have assumed new business growth into the future.

Exceptional items are generally charged as incurred and hence are reflected as a variance in the year. Their value in 2018 was a charge of £0.9m (2017: £0.5m).

3.2 Demographic & contract holder experience assumptions

The assumption setting process is consistent with prior years.

3.3 Taxation

Current and expected future tax legislation, regulation and the Group's own tax position were considered in setting the assumptions. Hansard Europe's VIF net of Marketing Allowances is negative. Since profits are unlikely to become positive on the closed book the parameter has been zeroised. The tax rate assumptions for this year and last year are as follows:

Corporation tax rates	2018	2017
Isle of Man	0%	0%
Republic of Ireland	0%	12.5%

3.4 Other operating assumptions

The process for setting assumptions for the impact of contract holder activity, such as fund switching, is generally consistent with prior years.

4 ECONOMIC ASSUMPTIONS

Under EEV principles, the economic assumptions used in the EEV calculations are actively reviewed at each valuation date and are internally consistent. The assumption setting process is generally consistent with prior years.

4.1 Risk discount rate

The risk discount rates are set equal to the risk-free rates based on the bid-swap yield curve for the applicable currency and term, sourced from the European Insurance and Occupational Pensions Authority (EIOPA). The EEV calculation uses the risk-free rates at the end of the year (i.e. at the valuation date), while the calculation of NBC and PVNBP uses the risk-free rate at the start of the year (i.e. at the previous year-end date).

4.2 Investment returns

All investments are assumed to provide a return equal to the risk-free rate less external fund manager investment charges and any other investment expenses charged directly against contract holder funds.

4.3 Risk premium

No credit is taken in the calculation of EEV, NBC or PVNBP for returns in excess of risk-free returns i.e. a cautious approach is adopted by assuming an asset risk premium of zero.

4.4 Inflation rates

In setting the expense inflation assumption, consideration is given to price and salary inflation rates in both the Isle of Man and the Republic of Ireland, and to the Group's own expense experience and expectations. Future price inflation is derived from the yields of UK inflation linked bonds, appropriate for the duration and nature of the cash flows. For service companies, expense inflation relates to the underlying expenses rather than the fees charged to the life assurance companies.

By design, contractual monetary-charge inflation is broadly matched to expense inflation: in Hansard Europe, the charge inflation is subject to a minimum increase of 5% per annum. The correlation between expense inflation and charge inflation dampens the impact of inflation on the embedded value results.

Inflation assumptions are as follows:

Inflation rates	30 June 2018	30 June 2017
Expense inflation per annum	2.8%	2.9%
Charge inflation per annum – Hansard Europe	5.0%	5.0%
Charge inflation per annum – Hansard International – Year 1	2.6%	2.4%
Charge inflation per annum – Hansard International – Year 2	2.9%	2.6%
Charge inflation per annum – Hansard International – Year 3+	2.8%	2.9%

The 5% charge inflation rate for Hansard Europe reflects the terms of the products. The three-year stepped approach to charge inflation for Hansard International reflects the terms of the products, trending towards a long-term inflation rate of 2.8% per annum.