FULL YEAR RESULTS

2017/18

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OVERVIEW – FY 2018

New Business of £146.6m PVNBP (2017: £148.3m)

IFRS profit of £6.8m (2017: £7.7m)

Operating cash surplus of £25.0m (2017: £22.7m)

Value of future profits of £135.3m (2017: £146.3m)

Assets under Administration of £1.04bn (2017: £1.05bn)

Hansard Worldwide Limited incorporated for FY 2019 launch

Nearing completion of Japanese licence application

Final dividend of 2.65p per share (2017: 5.3p)

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Introduction & Overview

Our Business Strategy

Results 2017/18

New Business

Summary

STRATEGIC PROGRESS

Strategy team assigned three main aims

- Capitalise on near term strategic opportunities;
- Ensure the Group is correctly positioned for future regulatory developments and change;
- Consider and plan for longer term industry and technological evolution.

Key Area of Focus	Progress Achieved
Assessing our distribution strategy in light of the incoming Isle of Man Regulatory Roadmap.	Completed. Distribution agencies have been reviewed and streamlined to focus on a reduced number of partners that have sufficient scale and ability to comply with new regulatory requirements.
Establishing a new Group insurance company in The Bahamas.	Completed. Hansard Worldwide expected to commence trading prior to 31 Dec 2018.
Progressing a license application in Japan.	Good progress being made.
Assessing the ongoing need for certain branches and satellite operations.	Hong Kong administrative office closed, others under review.
Assessing our IT infrastructure and potential future cost savings.	Project underway for replacement admin system with viability stage confirmed. Final assessment to proceed due before 31 Dec 2018.
Assessing the opportunity for additional inwards reinsurance arrangements.	Hansard International licence extended to cover reinsurance inwards business.
Assessing our product and fund range for the future.	Review of existing products complete. Commenced next generation design work, including future distribution remuneration profiles.

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JAPAN & HANSARD EUROPE

Japan

- Close to completion of final regulatory application.
- Continue to believe this market represents a major opportunity

Hansard Europe

- Fee income and policy count continue to run-off broadly in line with expectations.
- Exposures from outstanding writs of £17.8m, up £3.2m from half-year primarily due to new Italian and Irish claims regarding illiquid assets.
- Nine cases won during the year, including largest case in Belgium. However most have gone to appeal so exposures retained within contingent liabilities.

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RESULTS - FY 2018

Summary Results

	FY 2018	FY 2017
New business sales – PVNBP	**£146.6m**	£148.3m
New business margin	**(0.7 %)**	0.9 %
Operating cash surplus	**£25.0m**	£22.7m
IFRS profit after tax	**£6.8m**	£7.7m
Underlying IFRS profit	**£8.6m**	£9.8m
EEV operating loss after tax	**(£13.7m)**	(£8.2m)
EEV (loss) / profit after tax	**(£6.0m)**	£11.7m
European Embedded Value	**£180m**	£196m
Assets Under Administration	**£1,036m**	£1,050m
Final dividend per share	**2.65p**	5.3p

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RESULTS - FY 2018

Increased SP sales offset by reduced RP sales.

New business margin has turned negative due to combination of sales levels, business mix and increased expense assumptions.

Additional scale through our planned strategic initiatives remains the goal.

New Business

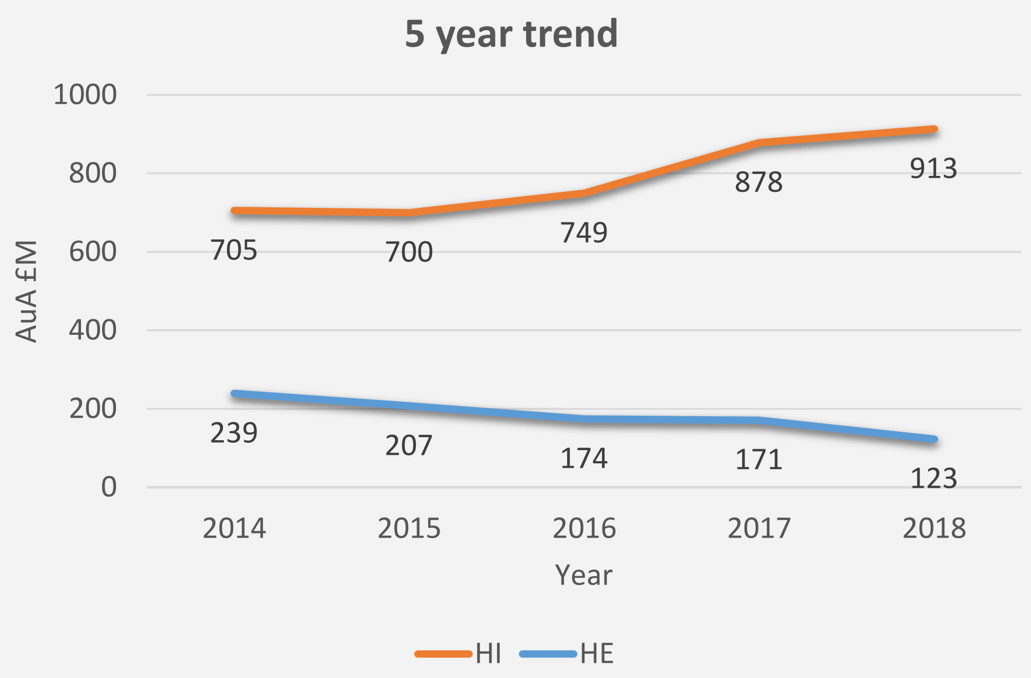
	FY 2018	FY 2017
Present Value of New Business Premiums	**£m**	£m
Regular premiums	**70.2**	75.3
Single premium	**76.4**	73.0
PVNBP	**146.6**	148.3
Annual Premium Equivalent ("APE")	**22.4**	23.2
New Business Margin (PVNBP basis)	**-0.7%**	0.9%

RESULTS - FY 2018

HI: Continuing growth

HE: Declining in line with run-off expectations

Assets under Administration



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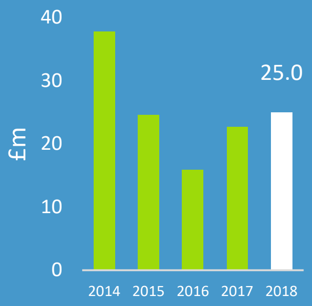
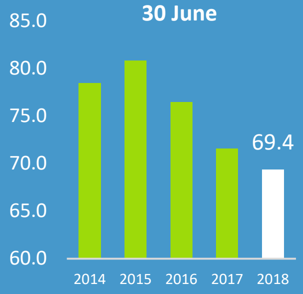
RESULTS - FY 2018

Operating cash surplus in year ended 30 June



Total cash balances at 30 June



Cash Flows

	FY 2018 £m	FY 2017 £m
Operating cash surplus	25.0	22.7
Interest and other income	1.3	1.0
Cash inflow	26.3	23.7
Investment in new business	(18.5)	(17.4)
Corporation tax paid	-	(0.1)
Capital expenditure	(0.9)	(0.4)
Net Cash inflow before dividends	6.9	5.8
Dividends paid	(9.8)	(12.2)
Net Cash outflow for the year	(2.9)	(6.4)

Operating cash flows continue to improve reflecting the compounding of cash flows from newer products with more on-going rather than upfront fee structures.

Full year impact of the rebalanced dividend will eliminate the overall net cash outflow.

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RESULTS - FY 2018

Available Cash

Headline cash balance is allocated to a number of constituents before available cash can be identified.

	FY 2018 £m	FY 2017 £m
Total Group cash + deposit balances	**69.4**	71.6
Net shareholder payables	**(3.9)**	(2.9)
Policyholder claims payable	**(23.7)**	(22.8)
Available Group cash + deposit balances	**41.8**	45.9

Note: regulatory capital no longer deducted from available cash in this table as under new risk based capital requirements, Own Funds have sufficient other assets to cover the Solvency Capital Requirement.

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RESULTS - FY 2018

Fee income reduced by declining HE book.

Administrative expenses increased due to employee-related expenses and professional fees to support regulatory change.

Growth investment spend to position for future growth and future cost efficiencies.

Significant litigation costs, but cases being won.

IFRS - Abridged income statement

	FY 2018 £m	FY 2017 £m
Fees and commissions		
- Hansard International	42.4	42.6
- Hansard Europe	4.8	5.7
	47.2	48.3
Investment and other income	1.5	1.5
	48.7	49.8
Origination costs	(18.0)	(19.3)
Administration and other expenses	(20.1)	(18.3)
Growth investment spend	(2.0)	(2.4)
Litigation costs and other one-off items	(1.7)	(2.1)
Profit for the period before taxation	6.9	7.7
Tax	(0.1)	-
Profit for the period	6.8	7.7

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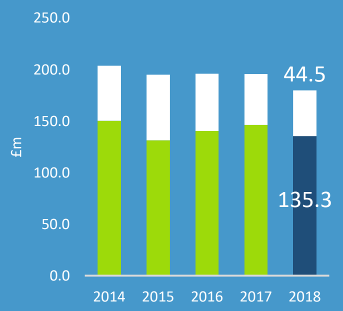
RESULTS - FY 2018

IFRS - Abridged balance sheet

	FY 2018	FY 2017
	£m	£m
Deferred origination costs	113.8	111.6
Other assets	8.0	7.3
Shareholder cash and bank deposits	69.4	71.6
Total assets	191.2	190.5
Deferred income	130.3	129.2
Other payables	32.4	29.6
	162.7	158.8
Net assets	28.5	31.7
Shareholders' Equity	28.5	31.7

RESULTS - FY 2018



EEV per share = 131p (2017: 142p)

Value of future profits has decreased due to strengthening of recurring expense and other assumptions.

Free surplus and the EEV total reflects the payment out of £9.8m dividends during the year.

EEV – balance sheet

	FY 2018 £m	FY 2017 £m
Free surplus	16.9	21.4
Required capital	27.6	27.8
Net worth	44.5	49.2
Value of future profits	135.3	146.3
European Embedded Value	179.8	195.5

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RESULTS - FY 2018

New business contribution negative this year due to less favourable business mix and increased expenses.

Experience variances and assumption changes reflect strengthening of expense and other assumptions.

Positive investment return variances driven by stock market gains.

EEV return after taxation

	FY 2018 £m	FY 2017 £m
New business contribution	(1.0)	1.3
Expected return	0.8	0.8
Experience variances	(3.8)	(4.7)
Assumptions and other changes	(9.7)	(5.6)
EEV operating (loss) / profit	(13.7)	(8.2)
Investment return variances	7.1	16.8
Economic assumption variances	0.6	3.1
EEV (loss) / profit for the year	(6.0)	11.7

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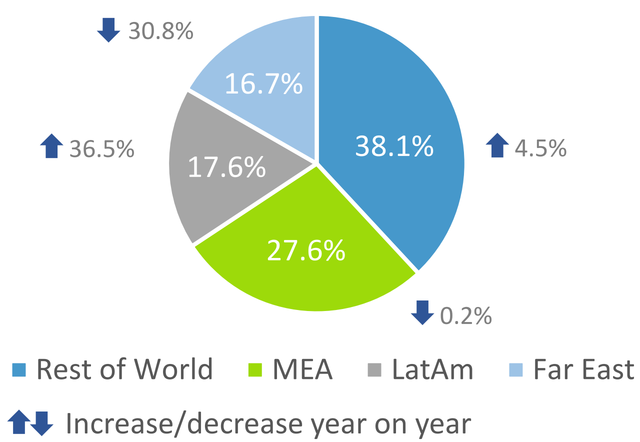
NEW BUSINESS - FY 2018

PVNBP

-1.1%
FY'18 vs FY'17

- Middle East & Africa continued to deliver more high quality business through our locally licensed partner in the UAE
- Repositioning towards locally licensed business in the Far East. Reduced regular premium new business in that region
- Latin American new business grew substantially for the second year in a row

REGIONAL CONTRIBUTIONS
(PVNBP)



MARKETING & PROMOTION

- Focus on future products and strategic change especially Hansard Worldwide
- Some tactical amendments to existing products to support new business
- Existing fund range on a business as usual footing
- Continued focus on regular savings and offshore pensions
- Five Star Service Rating awarded by AKG
- Promotional activity continued

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RESULTS - FY 2018

SUMMARY

- IFRS profit of £6.8m (2017: £7.7m) – year of investment and repositioning
- Continuing positive progress in growing locally licensed distribution channels
- Gross litigation exposures have increased, but trend of rulings is positive for ultimate resolution
- Final dividend of 2.65p per share, in line with previous guidance (2017: 5.3p)