



HANSARD
GLOBAL PLC

22 September 2022

Hansard Global plc
Results for the year ended 30 June 2022

Dividend maintained in challenging year for new business

Hansard Global plc (“Hansard” or “the Group”), the specialist long-term savings provider, issues its full-year results for the year ended 30 June 2022 (“FY 2022”).

Summary

	FY 2022	FY 2021
New business sales – PVNBP ¹ basis	£120.5m	£173.0m
IFRS profit before tax	£3.8m	£5.1m
Underlying profit	£5.9m	£6.8m
Recommended final dividend per share ²	2.65p	2.65p
IFRS earnings per share	2.6p	3.6p

As at	30 June 2022	30 June 2021
Assets under Administration	£1.09bn	£1.22bn
Value of In-Force	£128.5m	£145.8m

¹ Present Value of New Business Premiums

² Subject to approval at the AGM

Graham Sheward, Group Chief Executive Officer, commented:

“Our results for the 2022 financial year reflect a challenging year for new business together with £1.0m of provisions made at the time of our half-year results to write-down all amounts receivable from a set of external legacy funds in liquidation.

We are working hard to improve new business levels through a combination of new product development, new broker relationships and the deployment of additional experienced sales management executives into the business.

We are also making encouraging progress with additional distribution options for our Japanese proposition.

Excellent progress has been made with our major systems project to replace our policy administration system and portals which will support our next generation of products whilst realising associated cost and efficiency gains.

Given the underlying strength of the business as we manage through this cycle, the Board has recommended maintaining our dividend in line with last year.”

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 £120.5m on a Present Value of New Business Premiums ("PVNBP") basis, down 30.3% from £173.0m in FY 2021.

New business was impacted by economic uncertainty, geopolitical developments, the aftermath of Covid-19 restrictions around the world and a general hesitancy by clients to commit to long-term savings products, particularly those with contractual regular premiums. The prior year comparative figures also benefited from a number of high net-worth single premium policies which did not repeat in FY 2022.

We have taken a number of actions to improve new business generation. We have recruited two senior additions to our sales team: a Head of Sales and a Head of New Business Development, to help develop and grow future new business levels.

The expanded sales team will drive a number of broker and product initiatives to increase new business in the 2023 financial year and beyond. This includes the development and launch of new products for key target markets, updates and improvements to existing products and the recruitment of additional localised sales colleagues into key growth regions.

TRADING RESULTS

IFRS profit before tax for the year was £3.8m, down from £5.1m in FY 2021. Excluding litigation defence costs and other non-recurring provisions, underlying profit was £5.9m compared with £6.8m in FY 2021.

Fee and commission income was £48.8m for the year (FY 2021: £50.5m) with lower transactional based income in Hansard International and lower income from Hansard Europe which continues to run-off since closing to new business in 2013.

Administrative and other expenses were £29.8m for the year (FY 2021: £29.5m) as a £1.0m provision for amounts receivable from a set of legacy funds in liquidation was mitigated by lower litigation-related expenditure and tight management of overheads, despite inflationary pressures.

VIF represents the present value of expected future shareholder profits less the present value cost of holding capital required to support the in-force business. VIF totalled £128.5m as at 30 June 2022 compared to £145.8m at 30 June 2021 reflecting new business levels being lower in volume and profitability than the unwind of older business written and lower assets under administration.

Assets under administration were £1.1bn as at 30 June 2022, down from £1.2bn at 30 June 2021, primarily reflecting declines in global stock markets over the latter part of the year.

STRATEGY IMPLEMENTATION

During the past financial year the primary focus has continued to be on delivering our two most significant near-term strategic initiatives:

- bringing to market our locally-licensed investment product in Japan; and
- upgrading and streamlining our systems and IT infrastructure.

As previously noted, we have completed internally the development of our Japanese product. Whilst the timetable for launching with our first distribution partner in Japan remains unclear despite vigorous efforts, additional forward-looking strategic and tactical product developments commenced in earnest earlier this year, with a view to mitigating the impact of this delay. These revenue accretive initiatives are progressing well.

Positive progress has been made with our major systems project to replace our policy administration system and portals to support our next generation of products and secure significant cost and efficiency gains. The primary core system functionality has now been delivered and we are working through the final project stages which will allow us to implement a full migration from our legacy systems in 2023.

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.

Contingent liabilities arising out of outstanding writs were £21.2m as at 30 June 2022 compared to £22.7m at 30 June 2021. The exposure has fallen from the prior year primarily due to the settlement of a significant case which was covered by our corporate insurance and which reduced contingent liabilities by £2.9m.

In addition, the Group successfully defended 24 cases during the year with net exposures of approximately £3.2m, 11 of which have been appealed by the plaintiffs. These successes continue to affirm confidence in the Group's legal arguments. Our policy is to maintain contingent liabilities even where we win cases in the court of first instance if such cases have been subsequently appealed.

DIVIDENDS

The Board has proposed a final dividend of 2.65p per share, the same level as last year.

This dividend, if approved by the shareholders at the Annual General Meeting on 2 November 2022, represents a total dividend of 4.45p (2021: 4.45p) per share in respect of the financial year. Upon approval, the dividend will be paid on 10 November 2022 to shareholders on the register on 30 September 2022. The associated ex-dividend date is 29 September 2022.

CURRENT TRADING

New business levels to date in Q1 FY 2023 are broadly in line with those of the prior year. There have been no significant post balance sheet events to report.

NEXT TRADING UPDATE

The first trading update in respect of the year ending 30 June 2023 is expected to be published on 3 November 2022.

For further information:

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Notes to editors:

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

Forward-looking statements:

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

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

Legal Entity Identifier: 213800ZJ9F2EA3Q24K05

Chairman's Statement

Introduction

I am delighted to present to you my first annual report as Chairman of Hansard Global plc ("Hansard" or "Group") and I would like to begin by thanking Graeme Easton, my predecessor, for the leadership and guidance that he has provided to the Group. Graeme will be retiring from the Group and its boards and will not be offering himself for re-election at the AGM of the Company. He has worked tremendously hard both as a Non-Executive Director and as Chairman of the Group and its subsidiaries. Our best wishes go with him. We are actively seeking a new Independent Non-Executive Director.

Hansard, like many other businesses, has continued to experience a challenging external environment as we navigate our way through the constraints and economic aftermath of the Covid-19 global pandemic. While new business was lower than the prior year comparative, the business has remained resilient, with our systems and client services function fully operational at all times.

The Board and I remain confident in the future opportunities for the business. We are operationally ready to launch our innovative new product in Japan and will move to do so when our preferred distribution partner is in a position to launch. In the interim, we are progressing other distribution channels to ensure we capitalise on the development work which we have completed to date.

We have also made significant progress with the project to upgrade our key systems. This will provide an advanced, modern platform that will benefit our customers, our distribution partners and the Group through enhanced operational efficiency and cost savings.

New business

New business for the 2022 financial year was £120.5m (using the PVNBP metric), down 30.3% from £173.0m in 2021. New business levels were impacted by economic uncertainty, geopolitical developments, the aftermath of Covid-19 restrictions around the world, and a general hesitancy by clients to commit to long-term savings products, particularly those with contractual regular premiums.

The Board is very conscious that new business levels need to improve and the initiatives which are underway are further outlined in the Business and Financial Review.

Financial performance

Our IFRS profit before tax for the year was £3.8m compared to £5.1m in 2021.

Fees and commissions were down £1.7m to £48.8m for the year (2021: £50.5m), reflecting lower transactional income within Hansard International and the continuing run-off of Hansard Europe.

Administrative and other expenses were £29.8m for the year, compared to £29.5m in 2021. This incorporates a £1.0m provision for fees and other balances likely to be irrecoverable from a set of legacy funds in the process of liquidation which has been significantly mitigated by lower net litigation expenditure and tight control over general overheads and expenses.

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

Capitalisation and solvency

The Group remains well capitalised to meet the requirements of regulators, contract holders, intermediaries and other stakeholders.

On a risk-based capital basis, total Group Free Assets in excess of the Solvency Capital Requirements of the Group were £50.7m (2021: £58.7m), a coverage of 165% (2021: 168%). We have maintained

our prudent investment policy for shareholder assets, which minimises market risk and has provided a stable and resilient solvency position over many years and economic cycles.

Dividends

The Board has resolved to pay a final dividend of 2.65p per share (2021: 2.65p). In making this decision, the Board has carefully considered its current and future cash flows, the risks and potential impact introduced by Covid-19 and the on-going Russia-Ukraine conflict, the outlook for future growth and profitability and the views of key stakeholders, including shareholders and regulators.

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 (2021: 4.45p). Upon approval, the final dividend will be paid on 10 November 2022. The ex-dividend date will be 29 September 2022 and the record date will be 30 September 2022.

Philip Kay
Chairman
21 September 2022

GROUP CEO REVIEW

My first full financial year with the Hansard Group has been dominated by successfully restructuring parts of the business to drive transformational organisational change capable of delivering on our two core strategic objectives of Japan product launch and systems replacement.

A pleasing result of this activity is the positive progress we have made with our major IT project to replace our policy administration systems and portals to support our next generation of products and secure significant cost and efficiency gains. All the primary system functionality has now been delivered and we are working through the final project stages which will allow us to implement a full migration from our legacy systems in 2023.

Whilst the timetable for launching our new product with our first distribution partner in Japan remains unclear despite vigorous efforts, additional forward-looking strategic and tactical product developments commenced in earnest earlier this year, with a view to mitigating the impact of this delay. These accretive revenue initiatives are progressing well.

Our sales and commercial team has been substantially restructured and redeployed to work better on generating additional new business opportunities in the key markets they serve.

Our cost base has been tightly managed throughout the year with close scrutiny of all expenditure and accountability across our management team. Despite seeing inflationary pressures in certain areas, we have achieved a £0.4m saving on the prior year in our administrative and other expenses excluding litigation and provisions for doubtful debts.

I am confident that the hard work and change programme effected over the past year will begin to deliver positive business results during this financial year. This progress is largely due to my colleagues at all levels across the Group. I'm also delighted with the quality and depth of talent we have been able to recruit over the past 12 months to help support business improvement initiatives. I would like to take this opportunity to thank all Hansard colleagues for their contribution, since I joined, to the journey we have commenced together.

Finally, the Hansard Group has embarked on a major cultural change programme across a wide range of behaviours intended to support business success and necessary change by encouraging activities and skillsets across areas such as innovation, learning and development, communication and leadership whilst delivering required business results.

RESULTS FOR THE YEAR UNDER REVIEW

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

- Diversification of our product and distribution channels to enable origination of significant flows of new business from identified target markets;
- Managing our exposure to business risks;
- Positioning ourselves to incorporate increasing levels of regulation into our business model;
- Leveraging our award-winning technology and systems; and
- Managing our cash flows through the cycle to fund the appropriate balance of investment in new business and dividends.

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

1. New business distribution

New business for the 2022 financial year was £120.5m (using the PVNBP metric), down 30.3% from £173.0m in FY 2021. New business levels were impacted by economic uncertainty, geopolitical developments, the aftermath of Covid-19 restrictions around the world, and a general hesitancy by clients to commit to long-term savings products, particularly those with contractual regular premiums. The prior year comparative figures benefited from a number of high net worth single premium policies which did not repeat in FY 2022. Activities in train to improve new business levels are further outlined in the Business and Financial Review.

2. Operational, Business and Financial Risks

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

2.1 Litigation Risk

As explained more fully in the Business and Financial Review, we continue to manage complaints and litigation arising from our closed book, Hansard Europe, where the performance of assets linked to contracts written before 2014 have suffered or become illiquid. We continue to maintain that we have never given investment advice and are not party to the selection of assets and therefore believe that such claims have no merit.

As at 30 June 2022, the Group had been served with cumulative writs with a net exposure totalling €24.6m, or £21.2m in sterling terms (30 June 2021: €26.5m / £22.7m) arising from contract holder complaints and other asset performance-related issues.

During the year, we successfully settled a significant claim with a contingent liability exposure of £2.9m. This settlement was covered in full by our insurers and involved no additional cost to our 2022 financial result.

We also successfully defended twenty-four cases with net exposures of approximately £3.2m, 11 of which have been appealed by the plaintiffs. These successes continue to affirm confidence in the Group's legal stance.

3. Hansard OnLine

Our award-winning IT systems and online customer platform are key aspects of our proposition. Hansard OnLine is a powerful sales and business administration tool that is used by independent financial advisors ("IFAs") and clients the world over. It is an integral part of the Group's operating model and allows us to better service IFAs and clients, embed process efficiencies and be flexible in operational deployment.

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

As noted in previous reports, we have embarked on a project to replace our core administration systems and ensure our infrastructure is future-proofed for our next generation of products and strategic development. We expect this project to be completed in our 2023 financial year.

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

4. Operating cash flows and dividends

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

As outlined in the Cash Flow analysis section of the Business and Financial Review, the Group generated £5.3m in overall net cash inflows before dividends (2021: inflows of £3.6m), after commission and other new business acquisition costs of £11.5m (2021: £16.5m) and the investment of £4.5m (2021: £3.8m) in IT software and equipment expenditure. Dividends of £6.1m were paid in the financial year (2021: £6.1m).

A final dividend of 2.65p per share has been proposed by the Board and will be considered at the Annual General Meeting on 2 November 2022. If approved, this will represent total dividends for the financial year of 4.45p per share (2021: 4.45p).

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 2022	FY 2021
	£m	£m
NEW BUSINESS SALES - PVNBP	120.5	173.0
IFRS PROFIT BEFORE TAX	3.8	5.1
UNDERLYING IFRS PROFIT	5.9	6.8
ASSETS UNDER ADMINISTRATION	1,092.3	1,224.2
VALUE OF IN-FORCE (REGULATORY BASIS)	128.5	145.8

IFRS results

IFRS profit before tax for the year was £3.8m, down from £5.1m in 2021. After eliminating litigation and non-recurring items, the underlying IFRS profit (a non-GAAP metric) was £6.0m, down from £6.8m in 2021.

Fees and commissions were £48.8m for the year (2021: £50.5m). Fees from Hansard International and Hansard Worldwide were down £1.2m to £46.3m from 2021, reflecting lower transactional based income and lower new business generally. Income from our closed book, Hansard Europe, has continued to fall, as expected, and was £0.5m down on the prior year.

Administrative and other expenses were £29.8m for the year, compared to £29.5m in 2021. This incorporates a £1.0m provision for fees and other balances likely to be irrecoverable from a set of legacy funds in the process of liquidation which has been significantly mitigated by lower net litigation expenditure and tight control over general overheads and expenses.

Origination costs to acquire new business were down £0.2m to £16.2m as lower 2022 commission expenditure was offset by increased amortisation of prior years' deferred origination costs.

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

CAPITALISATION AND SOLVENCY

Our key financial objective is to ensure that the Group's solvency is managed safely through the economic cycle to meet the requirements of regulators, contract holders, intermediaries and shareholders. The Group continues to be well capitalised.

Under risk-based capital methodologies, total Group Free Assets in excess of the Solvency Capital Requirements of the Group were £50.7m (2021: £58.7m), a coverage of 165% (2021: 168%).

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.

COVID-19 & RUSSIA-UKRAINE CONFLICT

As reported previously, our business demonstrated great operational resilience throughout the pandemic without any significant disruption to our corporate systems or customer service.

The financial year began with a slow return to pre-pandemic business practice and we were able to start reconnecting face-to-face with our broker community. Since the escalation of the Russia-Ukraine conflict in February 2022, the knock-on challenges to the rest of the world are becoming clearer as energy and food prices spike and can be expected to increase further over the winter period.

The direct impacts to our business are expected to be two-fold. Firstly, it has exacerbated hesitancy amongst our target clients in investing in long term savings plans and this has impacted our 2022 new business results. Secondly, we can expect cost pressures within our business in our 2023 financial year as energy costs increase, suppliers and professional advisors increase their charges and inflationary pressure is felt across our workforce.

We will seek to manage both these challenges. We aim to build on our existing market by opening new channels and new product opportunities and we will be targeting cost savings to help mitigate inflationary pressures elsewhere.

OUR PEOPLE

Our people are critical to our success. We have a dedicated dynamic workforce across a number of locations around the world. I would like to recognise and thank each of my colleagues for their continued commitment, flexibility and resilience in managing both our on-going day-to-day operations and our key strategic projects.

I have been delighted by the level of engagement seen within our programme of cultural change referenced earlier and look forward to continuing in our goals of fostering an engaged and innovative workforce to meet our goals and the expectations of our stakeholders.

Graham Sheward
Group Chief Executive Officer
21 September 2022

BUSINESS AND FINANCIAL REVIEW

OUR BUSINESS MODEL AND STRATEGY

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

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

Business Model

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

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

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

Hansard Europe 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 advisers (IFAs) and the retail operations of financial institutions.

Our network of Regional Sales Managers provides local language-based support services to independent financial advisers in key territories around the world, supported by our multi-language online platform, Hansard OnLine.

Vision and Strategy

Our vision for the Hansard Group is:

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

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

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

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

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

- ii. Grow our business: In recent years we established a new life company in The Bahamas and entered into a strategic alliance with Union Insurance in the UAE. We have acquired the necessary licence and approvals to access the Japanese market. We will continue to seek out opportunities for locally licenced business in other targeted jurisdictions over the coming years.
- iii. Future-proof our business: We actively consider new and innovative technologies, propositions and business models. It remains critical to support the online and digital needs of our clients alongside improving organisational efficiency and scalability.

STRATEGY DEVELOPMENT

Our current strategy has three main aims:

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

During the past financial year the primary focus has continued to be on delivering our two most significant near-term strategic initiatives:

- bringing to market our locally-licensed investment product in Japan; and
- upgrading and streamlining our systems and IT infrastructure.

We have completed internally the development of our Japanese product. We intend to launch with our first distribution partner on our new policy administration system when our partner is operationally ready to launch new products into the post-Covid-19 marketplace.

Core functionality for our new IT platform has been delivered as at 30 June 2022. Additional change requests and development will take place in the first half our 2023 financial year prior to an expected full migration later in the financial year.

REGULATORY CHANGE

The Isle of Man Financial Services Authority (the “Authority”) remains committed to maintaining a robust and up to date insurance supervisory framework appropriate to the Island’s insurance businesses.

The Island’s reputation as a well-regulated and internationally responsible jurisdiction is of vital importance to maintaining consumer confidence and therefore market share. The international standards applicable to effective insurance supervision are the Insurance Core Principles (ICPs), issued by the International Association of Insurance Supervisors (IAIS). The ICPs emphasise the need for insurers and regulators to understand the nature and degree of risks assumed and provide for them appropriately thus addressing financial stability risks with the ultimate aim of protecting the interests of consumers and wider stakeholders.

The Authority has continued its work to ensure the framework for insurance regulation and supervision maintains a high level of observance with the IAIS Insurance Core Principles. The Authority has developed and implemented revisions in a way which is appropriate and proportionate for the Isle of Man’s diverse insurance sector whilst promoting regulatory best practice and preserving the continued reputation of the Isle of Man as a stable and well-regulated jurisdiction.

Major milestones have been enacted in recent years with the implementation of new risk-based capital corporate governance, enterprise risk management, conduct of business requirements and a Group Supervision regime.

We have continued our work to adapt the Hansard model and our strategic and business plans in line with the intent and objectives of the regulatory changes, working transparently with our regulators to shape the practical implementation of the Authority's roadmap and embed associated changes. The Group continues to monitor developments in our other regulatory jurisdictions.

Products

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

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

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

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

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, remunerate our distribution network 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's exit from the EU, the Covid-19 pandemic, the Russia-Ukraine conflict and other geo-political tensions can cause significant volatility to stock markets, foreign exchange markets and cost inflation. We therefore continue to maintain a robust, low risk balance sheet. We believe this prudent approach to be appropriate to meet the requirements of regulators, contract holders, intermediaries and shareholders.

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

Hansard OnLine

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

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

The straight-through processing of contract holder instructions (whether received directly or through their appointed agents) reduces the Group's operational risk exposures, as does the ability of the Group to communicate electronically with contract holders and intermediaries, irrespective of geographical boundaries. Data validation happens in real-time to ensure there are no delays to the investment of client funds.

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

The benefit of Hansard OnLine is recognised by many IFAs as market leading and our online proposition has been nominated for and won a number of independent industry awards. Most recently this included winning International Investment's "Excellence in Fintech" award in October 2021.

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, more efficient and cost-effective means of communication with clients but also the convenience to manage their own contract within a timeframe which is more suitable. This has gained further traction during the restrictions encountered during the Covid-19 pandemic.

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 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 (further heightened by the current geo-political situation relating to the Russia-Ukraine conflict), 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 and our IFA community. We have won a number of external awards in this area over the years, most recently in October 2020 when we won 'Excellence in Client Service - Industry' from International Investor for both the Asian region and as overall global winner. We also maintained our five-star rating for customer service by AKG Financial Analytics in their 2021 review.

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 Regional Sales Managers incorporate targets based on CC (weighted where appropriate).

New business levels are reported daily and monitored weekly against target levels. Compensation credit was down £3.7m compared to 2021 due to the impact of Covid-19 and other economic challenges on sales activity.

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 £22.5m in the previous year. Further detail is contained in the section on Administrative and other expenses.

Cash – Bank balances and significant movements on balances are reported monthly. The Group's cash and deposits at the balance sheet date were £74.5m (2021: £63.5m). Movements are reflective of cash earned from new and existing business, commissions and expenses paid and the level of dividends paid to shareholders. The increase in 2022 is reflective of cash in transit payable to contract holders.

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. Business continuity was further evidenced by successful switches to remote-working at various points throughout the Covid-19 pandemic.

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

BUSINESS AND FINANCIAL REVIEW

NEW BUSINESS PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

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

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

Basis	2022 £m	2021 £m	% change
Present Value of New Business Premiums	120.5	173.0	(30.3%)
Annualised Premium Equivalent	16.4	23.1	(29.0%)

In Present Value of New Business Premiums ("PVNBP") terms, new business for the year to 30 June 2022 was £120.5m, 30.3% down compared to the prior year.

The Annualised Premium Equivalent ("APE") measure shows a decline of 29.0% from 2021.

Present Value of New Business Premiums

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

PVNBP by product type	2022 £m	2021 £m	% change
Regular premium	76.9	109.6	(29.8%)
Single premium	43.6	63.4	(31.2%)
Total	120.5	173.0	(30.3%)

PVNBP by region	2022 £m	2021 £m	% change
Middle East and Africa	44.3	68.3	(35.1%)
Rest of World	33.9	50.7	(33.1%)
Latin America	28.2	40.3	(30.0%)
Far East	14.1	13.7	2.9%
Total	120.5	173.0	(30.3%)

New business for the financial year was impacted by economic uncertainty, geopolitical developments, the aftermath of Covid-19 restrictions around the world, and a general hesitancy by clients to commit to long-term savings products, particularly those with contractual regular premiums. The prior year comparative figures benefited from a number of high net worth single premium policies which did not repeat in FY 2022.

We have taken a number of actions to improve new business generation. We have recruited two senior additions to our sales team: a Head of Sales and a Head of New Business Development, to help develop and grow future new business levels. This has also been supplemented by the addition of an experienced new regional sales manager for our Middle East and Africa region. With the relaxation of Covid-19 restrictions in a number of regions we are also re-locating two regional sales managers permanently into their regions to grow business locally.

The Head of Sales has taken oversight of our global IFA-channel sales team and is tasked to deliver a number of our key distribution and relationship initiatives, enhancing our overall broker proposition.

The Head of New Business Development is tasked with developing business relationships with new distributors and further invigorating relationships with current distributors. A number of new developments have already been delivered, including streamlining the onboarding process for new brokers as part of our plan to expand further our networks of distributors.

The expanded sales team will drive a number of broker and product initiatives to increase new business in the 2023 financial year and beyond. This includes the development and launch of new products for key target markets, updates and improvements to existing products and the recruitment of additional localised sales colleagues into key growth regions.

The currencies premiums were received in remained relatively consistent, with the predominant currency being US Dollars:

Currency denominations (as a percentage of PVNBP)	2022	2021
	%	%
US dollar	82	81
Sterling	15	15
Euro	3	4
	100	100

New business margin

Our new business margin (calculated on a PVNBP basis) is sensitive to sales levels and product mix (regular premium products and smaller single premium sizes typically have a higher margin). While positive on a marginal cost basis, current levels of new business continue to result in a negative new business margin. We expect the primary catalyst for margin improvement to be a successful launch of our new product into the Japanese market in the 2023 financial year.

PRESENTATION OF FINANCIAL RESULTS

Our business is long term in nature. The nature of the Group's products means that new business flows have a limited immediate impact on current earnings reported under International Financial Reporting Standards as adopted by the United Kingdom ("IFRS"), as initial fees and acquisition costs from the contracts sold are mostly deferred and amortised over the life of the contract. The benefit of sales to fee income levels are felt in future financial periods, noting also that our newer products have a longer earning period than our older products.

Results for the year

The following is a summary of key items to allow readers to better understand the results for the year. IFRS profit before tax for the year was £3.8m, down from £5.1m in 2021. The primary drivers in the reduction relate to reduced fee income and the provision in full of fees and other balances of £1.0m likely to be irrecoverable from a set of primarily Hansard Europe legacy funds which are in the process of liquidation.

Operating profit prior to litigation and non-recurring items was £5.9m in 2022, down from £6.8m in 2021.

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. These relate principally to:

- Investment losses attributable to contract holder assets were £102.5m (2021: gain of £163.3m). These assets are selected by the contract holder or an authorised intermediary and the contract holder bears the investment risk. They are also reflected within 'Change in provisions for investment contract liabilities' and together have a net nil impact on IFRS profit.
- Third party fund management fees collected and paid onwards by the Group to third parties having a relationship with the underlying contract. In 2022 these were £5.6m (2021: £5.3m). These are reflected on a gross basis in both income and expenses under the IFRS presentation. Deducting the £5.6m from £48.8m for fees and commissions and £29.8m for administrative and other expenses in the consolidated statement of comprehensive income results in the figures of £43.2m, £22.1m and £2.1m presented below.

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

	2022 £m	2021 £m
Fees and commissions attributable to Group activities	43.2	45.2
Investment and other income	1.0	0.5
	44.2	45.7
Origination costs	(16.2)	(16.4)
Administrative and other expenses attributable to the Group, before litigation and non-recurring items	(22.1)	(22.5)
Operating profit for the year before litigation and non-recurring items	5.9	6.8
Litigation and non-recurring expense items	(2.1)	(1.7)
Profit for the year before taxation	3.8	5.1
Taxation	(0.2)	(0.2)
Profit for the year after taxation	3.6	4.9

Fees and commissions

Fees and commissions for the year attributable to Group activities were £43.2m, 4.4% lower than the 2021 total of £45.2m.

Contract fee income totalled £30.1m for the year, down £2.1m on the 2021 comparative of £32.2m. Contract fee income includes the amortised element of up-front income deferred under IFRS and contract-servicing charges. Amortisation of deferred income in Hansard International was broadly similar to the prior year, whilst immediately recognised fees, including surrender charges from redemptions, decreased compared to the prior year. This was reflective of lower levels of redemptions compared to the prior year. The continuing run-off of Hansard Europe which closed to new business in 2013 resulted in lower contract fee income of £0.5m compared to 2021.

Fund management fees accruing to the Group and commissions receivable from third parties totalling £8.3m were unchanged from 2021. Such fees are related directly to the value of assets under administration and are affected by market movements, currency rates and valuation judgements.

A summary of fees and commissions is set out below:

	2022	2021
	£m	£m
Contract fee income	30.1	32.2
Fund management fees accruing to the Group	8.3	8.3
Commissions receivable	4.8	4.7
	43.2	45.2

Included in contract fee income is £16.6m (2021: £16.7m) representing the amortisation of fees prepaid in previous years, as can be seen in the analysis set out below:

	2022	2021
	£m	£m
Amortisation of deferred income	16.6	16.7
Income earned during the year	13.5	15.5
Contract fee income	30.1	32.2

Investment and other income

Historically low UK and US interest rates continue to result in relatively modest levels of interest income earned on the Group's deposits and money market funds. More recently rates have started to improve as central bank base rates are raised.

The below table shows the investment and other income excluding losses attributable to contract holder assets of £102.5m (2021: gain of £163.3m).

	2022	2021
	£m	£m
Bank interest and other income receivable	1.3	1.4
Foreign exchange losses on revaluation of net operating assets	(0.3)	(0.9)
	1.0	0.5

Origination costs

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

Origination costs incurred in 2022 have decreased by £0.2m from the prior year. Origination costs were lower in line with lower new business levels but offset by increased amortisation of prior year balances.

	2022 £m	2021 £m
Origination costs - deferred to match future income streams	11.3	16.9
Origination costs - expensed as incurred	2.3	2.3
Investment in new business in year	13.6	19.2
Net amortisation of deferred origination costs	2.6	(2.8)
	16.2	16.4

Amounts totaling £13.9m (2021: £14.1m) 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. Summarised origination costs for the year were:

	2022 £m	2021 £m
Amortisation of deferred origination costs	13.9	14.1
Other origination costs incurred during the year	2.3	2.3
	16.2	16.4

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, excluding the third party fund management fees collected and paid onwards by the Group to third parties having a relationship with the underlying contract of £5.6m (2021: £5.3m).

	2022 £m	2021 £m
Administrative salaries and other employment costs	10.8	11.0
Other administrative expenses	7.7	8.0
Professional fees, including audit	2.8	2.6
Recurring administrative and other expenses	21.3	21.6
Growth investment spend	0.8	0.9
Administrative and other expenses, excl. litigation and non-recurring expense items	22.1	22.5
Litigation defence and settlement costs	1.1	1.9
Provision for doubtful debts	1.0	(0.2)
Total administrative and other expenses	24.2	24.2

Salaries and other employment costs have decreased by £0.2m or 2% to £10.8m, reflecting active cost control and limited variable compensation being awarded.

The average Group headcount for the 2021 financial year was 189 people (2021: 191 people).

Other administrative expenses decreased to £7.7m from £8.0m, reflecting active cost control and a reduction in property costs following the completed relocation of our head office premises.

Professional fees including audit increased by £0.2m to £2.8m primarily driven by audit and recruitment fees. These costs include amounts totalling £0.5m paid to the Group's auditor (2021: £0.4m); £0.5m (2021: £0.5m) for administration, custody, dealing and other charges paid under the terms of the investment processing outsourcing arrangements; recruitment costs of £0.2m (2021: £0.1m), costs of investor relations activities of £0.2m (2021: £0.2m) and general legal and professional fees of £1.4m (2021: £1.4m).

Growth investment spend represents internal and external strategic costs to generate opportunities for growth. This includes the costs of our commercial development team and costs associated with developing our Japanese proposition which have reduced in the current year as the project has neared conclusion.

Litigation defence and settlement costs represent those costs (net of insurance recoveries) incurred in defending Hansard Europe against writs taken against it, as described more fully in note 26 to the consolidated financial statements. Legal costs recovered from insurers were £0.5m, in line with the previous year. The prior year included the provision of £0.5m for expected future settlements but no further additional provisions have been required in the current year with the balance of the provision as at 30 June 2022 being £0.2m (2021: £0.4m).

Provision for doubtful debts relate to the provision in full of fees and other balances likely to be irrecoverable from a set of primarily Hansard Europe legacy funds which are in the process of liquidation.

CASH FLOW ANALYSIS

The operational cash surplus (fees deducted from contracts and commissions received, less operational expenses paid) for the year was £21.1m (2021: £23.8m). Operating cash flows have decreased this year as a result of the decrease in new business and fee income levels.

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

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

During 2022, the Group invested £4.2m (2021: £3.3m) as part of a project to replace its administration systems. These costs are capitalised as computer software on the Group's consolidated balance sheet.

Net cash inflows before dividends of £5.3m have improved from 2021 (£3.6m) and are closer to covering in full the current dividend of £6.1m.

Overall Group cash and deposits have increased from £63.5m at 30 June 2021 to £74.5m at 30 June 2022. The increase is primarily driven by an increase in cash which is due to be paid out to contract holders as result of product maturities and redemptions.

The following non-GAAP tables summarise the Group's own cash flows in the year:

	2022 £m	2021 £m
Net cash surplus from operating activities	21.1	23.8
Interest received	0.3	0.4
Net cash inflow from operations	21.4	24.2
Net cash investment in new business	(11.5)	(16.5)
Purchase of property and computer equipment	(4.5)	(3.8)
Corporation tax paid	(0.1)	(0.3)
Net cash inflow before dividends	5.3	3.6
Dividends paid	(6.1)	(6.1)
Net cash outflow after dividends	(0.8)	(2.5)

	2022 £m	2021 £m
Net cash outflow after dividends	(0.8)	(2.5)
Increase in amounts due to contract holders	9.8	3.6
Net Group cash movements	9.0	1.1
Group cash and deposits - opening position	63.5	60.8
Effect of exchange rate movements	2.0	1.6
Group cash and deposits – closing position	74.5	63.5

The below table reconciles the key lines for the current year in the above non-GAAP cash flow to the key lines in the consolidated cash flow.

	Non-GAAP Cash Flow	Consolidated Cash Flow Statement
	£m	£m
Net cash flow from operations before tax	21.4	11.4
Adjust for net movement in policyholder financial assets and liabilities	-	8.5
	21.4	19.9
Purchase of property and computer equipment (tangible and intangible)	(4.5)	(4.5)
Corporation tax paid	(0.1)	(0.1)
Dividends paid	(6.1)	(6.1)
Net cash investment in business	(11.5)	
Increase/decrease in amounts due to contract holders	9.8	
Net movement in assets and liabilities relating to contract holders		(0.2)
	(1.7)	(0.2)
Net Group cash movements	9.0	9.0

Group 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 £15.6m (2021: £6.8m) have original maturity dates typically greater than 3 months and are therefore excluded from the definition of "cash and cash equivalents" under IFRS and are instead included within 'Deposits and money market funds' in the consolidated balance sheet. The following table summarises the total shareholder cash and deposits at the balance sheet date.

	2022	2021
	£m	£m
Money market funds and immediately available cash	54.2	52.6
Short-term deposits with credit institutions	4.7	4.1
Cash and cash equivalents under IFRS	58.9	56.7
Longer-term deposits with credit institutions	15.6	6.8
Group cash and deposits	74.5	63.5

ABRIDGED CONSOLIDATED BALANCE SHEET

The consolidated balance sheet presented under IFRS reflects the financial position of the Group at 30 June 2022. 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 £1,092.3m (2021: £1,224.2m). 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.

	2022 £m	2021 £m
Assets		
Deferred origination costs	122.5	125.1
Other assets	20.4	15.2
Bank deposits and money market funds	74.5	63.5
	217.4	203.8
Liabilities		
Deferred income	145.1	142.5
Other payables	50.1	36.6
	195.2	179.1
Net assets	22.2	24.7
Shareholders' equity		
Share capital and reserves	22.2	24.7

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 consolidated statement of comprehensive income on a straight-line basis over the life of each contract.

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

Carrying value	2022 £m	2021 £m
At beginning of financial year	125.1	122.3
Origination costs deferred during the year	11.3	16.9
Origination costs amortised during the year	(13.9)	(14.1)
	122.5	125.1

Deferred income

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

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

The majority of initial fees collected during the 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	2022 £m	2021 £m
At beginning of financial year	142.5	137.8
Initial fees collected in the year and deferred	19.2	21.4
Income amortised during the year to fees income	(16.6)	(16.7)
	145.1	142.5

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. Such assets are selected by or on behalf of contract holders to meet their investment needs.

The Group receives investment inflows to its AuA from single and regular premium contracts which are offset by withdrawals, charges, premium holidays affecting regular premium policies and by market valuation movements.

The majority of premium contributions are designated in currencies other than sterling, reflecting the wide geographical spread of those contract holders. The currency composition of AuA at the balance sheet date is similar to that as at 30 June 2021, with 71% of AuA designated in US dollar (2021: 68%) and 8% in euro (2021: 10%).

Certain collective investment schemes linked to customers' contracts can from time to time become illiquid, suspended or be put into liquidation. In such cases, the Directors are required to exercise their judgement in relation to the fair value of these assets. The cumulative impact on the balance sheet is not material.

The value of AuA at 30 June 2022 was £1,092.3m, 10.8% lower than 30 June 2021. During 2022, global stock markets fell in value largely due to economic concerns arising out of the Russia/Ukraine conflict and the impact of monetary tightening with high levels of inflation. Significantly lower single premiums were somewhat offset by lower withdrawals.

The following table summarises the movements in the year:

	2022	2021
	£m	£m
Deposits to investment contracts – regular premiums	86.2	84.7
Deposits to investment contracts – single premiums	43.8	64.1
Withdrawals from contracts and charges	(158.4)	(167.2)
Effect of market and currency movements	(103.5)	162.1
Movement in year	(131.9)	143.7
Opening balance	1,224.2	1,080.5
Closing balance	1,092.3	1,224.2

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

Fair value of AuA at 30 June	2022	2021
	£m	£m
Hansard International	1,024.5	1,134.8
Hansard Europe	67.8	89.4
	1,092.3	1,224.2

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

Since it closed to new business in 2013, Hansard Europe's AuA has been declining broadly in line with expectations as contracts are surrendered or mature.

DIVIDENDS

An interim dividend of 1.8p per share was paid in April 2022. This amounted to £2.5m.

The Board has resolved to recommend a final dividend of 2.65p per share (2021: 2.65p) for shareholder approval at the AGM. In making this recommendation, the Board has carefully considered its current and future cash flows, the risks and potential impacts introduced by Covid-19 and the ongoing Russia-Ukraine conflict, the outlook for future growth and profitability and the views of key stakeholders, including shareholders and regulators. Subject to approval at the AGM, this dividend will be paid on 10 November 2022.

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 prior to 2014.

Even though the Group have never given 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 2022, the Group had been served with cumulative writs with a net exposure totalling €24.6m, or £21.2m in sterling terms (30 June 2021: €26.5m / £22.7m) arising from contract holder complaints and other asset performance-related issues. These are disclosed as contingent liabilities in note 26 to the consolidated financial statements. The primary reason for the reduction in contingent liabilities relates to a significant case which was covered by our insurance cover which was agreed to be settled by our insurers. This reduced our pre-insurance contingent liabilities by £2.9m.

During the year, the Group successfully defended twenty-four cases with net exposures of approximately £3.2m, eleven of which have been appealed by the plaintiffs (2021: successfully defended sixteen cases with net exposures of £1.6m). These successes continue to affirm confidence in the Group's legal arguments.

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

We have previously noted that we expect a number of our larger claims to ultimately be covered by our Group insurance cover. During FY 2022 we recorded £0.5m in insurance recoveries in relation to litigation expenses. We expect such reimbursement to continue during the course of those claims.

As a result we also expect that a significant amount of the £22.7m of contingent liabilities referred to above would be covered by insurance should those cases be ruled against us. We continue to estimate insurance coverage to be in the range of £3m to £10m.

While it is not possible to forecast or determine the final results of such litigation, based on the pleadings and advice received from the Group's legal representatives and experience with cases previously successfully defended, we believe we have a strong chance of success in defending these claims. Other than smaller cases where based on past experience it is expected a settlement might be reached, the writs have therefore been treated as contingent liabilities and are disclosed in note 26 to the consolidated financial statements. Where there is an established pattern of settlement for a grouping of claims, a provision has been made for the remaining exposures and included in note 20 'Provisions'.

NET ASSET VALUE PER SHARE

The net asset value per share on an IFRS basis at 30 June 2022 is 16.1p (2021: 17.9p) based on the net assets in the Consolidated Balance Sheet divided by the number of shares in issue, being 137,557,079 ordinary shares (2021: 137,557,079).

RISK MANAGEMENT AND INTERNAL CONTROL

The Group is naturally exposed to both existing and emerging internal and external risks as it pursues its strategic and business plan objectives. All such risks, are identified, assessed, monitored, managed and reported under the governance, risk management and internal control protocols, which constitute the Group's ERM Framework, and which remain central to the Board's oversight, direction and control of the Company.

For the year ended 30 June 2022 the Board has remained cognisant of the range of possible societal, economic and corporate level risks attaching to recovery from the pandemic and any threats these might continue to pose. Particular attention has been maintained on diverging trajectories and approaches within and between jurisdictions and the capacity for these risks to impede the visibility of other emerging challenges, including climate transition risks, increased cyber vulnerabilities, greater barriers to international mobility, supply chain disruptions, protectionism, geopolitical instabilities and inflationary pressures.

Concurrently, the escalation of the Russia-Ukraine conflict during Q3 of the reporting period has remained prominent on the risk agenda. In addition to this, the attention of the Board has been focused on the potential impacts to economic and global financial markets, the exacerbation of existing macroeconomic challenges, such as rising inflation and supply chain disruption and the rapid escalation of cyber risks. The nature and duration of uncertain and unpredictable events, such as further escalation of the conflict, additional sanctions and reactions to ongoing developments in global financial markets remain under close scrutiny.

Approach

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

- Support the Board's assessment of existing and emerging risks, together with combinations of those risks in the form of plausible stresses and scenarios, which have the potential to threaten the Company's business model, future performance, solvency, liquidity or reputation. Such assessment includes analysis of the likelihood, impact and time horizon over which such risks, or combinations of risks might emerge or crystallise.
- Facilitate the effective and efficient operation of the Group and its subsidiary entities by enabling a consolidated and comprehensive approach to the management of risks across the Group, with specific attention to aggregate impacts and effects, 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, enabling the Board to form their own view on the effectiveness of risk management and internal control arrangements through the regular provision of relevant information and assurances.
- Seek to ensure continuous compliance with applicable laws and regulations as well as with internal policies governing the conduct of business.
- Drive the cultural tone and expectations of the Board in respect of governance, risk management and internal control arrangements and the delegation of associated authorities and accountabilities.

The Board has overall responsibility for the effective operation of the ERM Framework and the Directors retain responsibility for determining, evaluating and controlling the nature and extent of the

risks which the Board is willing to accept across the spectrum of risk types, taking account of varying levels of strategic, financial and operational stresses, potential risk scenarios and emerging as well as existing risk exposures. This approach ensures that risk appetite remains an integral element of decision-making by both the Board and the Executive Management Team, including in the setting of strategy, ongoing business planning and business change initiatives.

The ERM Framework has been designed to be appropriate to the nature, scale and complexity of the Group's business at both corporate and subsidiary level. The Framework components are reviewed on at least an annual basis and refined, if necessary, to ensure they remain fit for purpose in substance and form and continue to support the Directors' assessment of the adequacy and effectiveness of the Group's risk management and internal control systems. Such assessment depends upon the Board maintaining a thorough understanding of the Group's risk profile, including the types, characteristics, interdependencies, sources and potential impact of both existing and emerging risks on an individual and aggregate basis.

During the year ended 30 June 2022 a new 'Group Risk Forum' (GRF) was established to replace the pre-existing Executive and Operational Risk Committees, as part of the annual ERM Framework review. The GRF is designed to further enhance the evidencing and demonstration of risk ownerships, ensuring responsibilities and accountabilities for risk management and risk-based decision making are transparent and proactively owned at all business levels. The GRF has also helped to drive clearer and more dynamic interfaces between the governance, risk management and internal control conventions of the ERM Framework and those constituting the Group and subsidiary ORSA cycles.

The disciplines of the ERM Framework seek to coordinate risk management in respect of the Group as a whole, including for the purpose of ensuring compliance with capital adequacy requirements, liquidity adequacy requirements and regulatory capital requirements, in line with the Isle of Man Financial Services Authority Risk-Based Capital Regime.

Governance, risk management and internal control protocols remain structured upon a 'three lines' model, which determines how specific duties and responsibilities are assigned and coordinated. Front line management are responsible for identifying risks, executing effective controls and escalating risk issues and events to the Group's Control Functions. The Group Risk and Compliance Functions oversee and work in collaboration with the First Line, ensuring that the business is conducted in a manner consistent with rules, limits and risk appetite constraints. The Group Internal Audit Department provides independent assurance services to the Board and Executive Management Team on the adequacy and effectiveness of the Group's governance, risk management and internal control arrangements.

The ERM Framework 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 Framework also acknowledges the significance of organisational culture and values in relation to risk management and their impact on the overall effectiveness of the internal control framework.

Emerging Risks

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

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

- Monitoring activities and correcting deficiencies

Risk management processes are undertaken on both a top-down and bottom-up basis, structured to promote improved organisational performance through better integration of strategy, risk, control and governance.

The top-down aspect involves the Board assessing, analysing and evaluating what it believes to be the principal risks facing the Group, with focus on current and forward-looking risks. The bottom-up approach involves the identification, review and monitoring of risk issues and emerging risks at functional and divisional levels, with analysis and formal reporting to the Group Risk Forum on a quarterly basis and onward analytical reporting to the Board.

Stress and scenario testing is used to explore emerging risks as well as to analyse and assess any changes in existing aspects of the 'Risk Universe', which are monitored via the ERM Framework. Such analyses use both quantitative tests and qualitative assessments to consider reasonably plausible risk events, including those stresses and scenarios that could lead to failure of the business, approximated to the range of impact types which can be envisaged. The results of the stress and scenario testing are considered and explored by the Group Risk Forum, the Audit and Risk Committee and the Board, as necessary and appropriate.

The system of internal control is designed to understand and manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, rather than 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 value 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 Framework, are operating effectively and as intended. These processes have been in place throughout the year under review and up to the date of this report.

Independently of its quarterly and ad hoc risk reporting arrangements 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 and Risk Committee and is based upon analysis and evaluation of:

- Attestation reporting from the key subsidiary companies of the Group as to the effective functioning of the risk management and internal control frameworks 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 respective 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 GRF, 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

Integral to ERM monitoring and reporting arrangements are the conventions which ensure that the Board maintains a continuous understanding of the financial impacts of the Group failing to meet its objectives, due to crystallisation of an actual or emerging risk, or via the stress and scenario events, which the Board considers to be reasonably plausible. This includes those stresses and scenarios that could lead to a failure of the business. Planning and sensitivity analyses incorporate Board approval of forecast financial and other information. The Board receives regular representations from Senior Executives in this regard.

Performance against targets is reported to the Board quarterly through a review of Group and subsidiary company 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 interim financial statements for the half year ending 31 December and for the full financial year and meet with the CFO to discuss and challenge the presentation and disclosures therein. Once the draft document is approved by the Audit Committee, it is reviewed by the Board before final approval at a Board meeting.

Outsourcing

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

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

CIL is required to confirm on a monthly basis that no material control weaknesses have been identified in their operations; this is overseen via service delivery 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 a formal Assurance Report on Internal Controls, with an external independent review performed every second year. The last such independent report was issued on 9 July 2021 and did not reveal any material control deficiencies in the relevant period. CIL's Internal Audit department conducted the 2022 review and issued their report dated 30 June 2022. This report did not reveal any material control deficiencies for the period.

Risks relating to the Group's financial and other exposures

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

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

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

Principal Risks

The following table sets out the principal inherent risks that may impact the Group's strategic objectives, profitability or capital and provides an overview of how such risks are managed or mitigated. The Board robustly reviews and considers its principal risks on at least an annual basis and for the year ended 30 June 2022 have continued to consider specifically the likelihood, impacts and timescales within which such risks might crystallise, together with assessment of contingent uncertainties and any emerging risks.

Risk	Risk Factors and Management
<p>Market Risk:</p> <p>Arising from major market stresses, or fluctuation in market variables, resulting in falls in equity or other asset values, currency movements or a combined scenario manifesting</p>	<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>In addition, the Group operates internationally and earns income in a range of different currencies, the most significant being US dollars. The vast majority of its operational cost base is denominated in Sterling. A significant adverse currency movement over a sustained period would present an exposure to reported income levels.</p> <p>Extreme market conditions also have the capacity to influence the selection and purchase of financial services products and the period over which business is retained.</p> <p>How we manage the risk:</p> <ul style="list-style-type: none"> • The Board recognise that market volatilities and currency movements are unpredictable and driven by a diverse range of factors and these risks are inherent in the provision of investment-linked products. • The currencies of shareholder assets and liabilities are matched within set tolerances and certain expenses invoiced in US Dollars to match against US Dollar income streams. • Business plans are modelled across a broad range of market and economic scenarios and take account of alternative commercial outlooks within overall business strategy. This promotes a greater understanding of market and currency risk, the limits of the Company's resilience and the range of possible mitigating options. • Stress testing performed during the year-ended 30 June 2022 assessed the impacts of reasonably plausible market risk events and scenarios, including those resulting from macroeconomic challenges flowing from the pandemic and the impacts of geopolitical instabilities and uncertainties resulting in commodity price and currency volatilities. • The long-term nature of the Group's products serves to smooth currency movements over time reducing the need for active hedging policies. However, long term trends are monitored and considered in pricing models.
<p>Credit Risk:</p> <p>Arising from the failure of a counterparty</p>	<p>In dealing with third party financial institutions, including banking, money market and settlement, custody and other counterparties, the Group is exposed to the risk of financial loss and potential disruption of core business functional and operational processes.</p> <p>Financial loss can also arise when the funds in which contract holders are invested become illiquid, resulting in past and future fee income not being</p>

	<p>received. The failure of Independent Financial Agents (IFAs) can also result in loss where unearned commissions can be due back to the Group.</p> <p>How we manage the risk:</p> <ul style="list-style-type: none"> • The Group seeks to limit exposure to loss or detriment via counterparty failure through robust selection criteria, minimum rating agency limits, pre-defined risk-based limits on concentrations of exposures and continuous review of positions to identify, evaluate, restrict and monitor various forms of exposure on an individual and aggregate basis. • During the reporting period we have closely monitored geopolitical developments and the potential for disruptions to international payment systems and capital markets arising from the severe sanctions introduced against Russia in the context of the Russia-Ukraine conflict.
<p>Liquidity Risk:</p> <p>Arising from a failure to maintain an adequate level of liquidity to meet financial obligations under both planned and stressed conditions</p>	<p>If the Group does not have sufficient levels of liquid assets to support business activities or settle its obligations as they fall due, the Group may be in default of its obligations and may incur significant sanction, loss or cost to rectify the position.</p> <p>How we manage the risk:</p> <ul style="list-style-type: none"> • 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. • During the reporting period we have maintained a prudent approach to the availability of short-term cash, but have not identified any material change in risk exposures.
<p>Legal and Regulatory Risk:</p> <p>Arising from changes in the regulatory landscape, which adversely impact the Group's business model, or from a failure by the Group, or one of its subsidiary entities, to meet its legal, regulatory or contractual obligations, resulting in the risk of loss or the imposition of penalties, damages or fines</p>	<p>The scale and pace of change in regulatory and supervisory environments, including the continued emergence of new and/or updated compliance obligations and data submissions pre-date the pandemic environment. Changes to rule sets and supervisory expectations have gathered pace with the easing of pandemic related restrictions, requiring efficient and effective ways to evidence and demonstrate how compliance obligations are met, whilst compliance analytics and high-quality data driven insights are becoming increasingly important.</p> <p>The direction of regulatory travel and the bridges now firmly established between prudential and conduct risk demand special attention to the capacity, competence and capability of resourcing across all business areas, having particular regard to the extent of risk interdependencies and the embedding of personal accountability regimes.</p> <p>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.

	<ul style="list-style-type: none"> • Continuous monitoring and review of developments in international law and regulation and proactive management of how such developments might shape jurisdictional specific reaction. • Active and transparent engagement with regulatory authorities and industry bodies on a multi-jurisdictional basis, including active engagement in and responding to regulatory consultation exercises. • Maintenance of robust governance, risk management and internal control arrangements to ensure that legal and regulatory obligations are substantively met on a continuing basis. • Active engagement with professional advisors to address specific risks and issues that arise.
<p>Fraud and Financial Crime Risk:</p> <p>Economic challenges flowing from the pandemic persist, provoking an increase in the source and form of fraud and financial crime risks. These have combined with geopolitical instabilities and the mobilisation of unprecedented levels of sanctions against Russia in the context of the Russia-Ukraine conflict</p>	<p>The potential for an increase in fraudulent activity due to exploitation of economic stimulus schemes in response to the pandemic and any temporary adjustment to control environments coincided with the emergence of an unprecedented suite of sanctions against Russia. Growing inflationary pressures, the threats of recession and increased pressures on profitability are also recognised to present an increased risk of poor-quality business being written by market participants and potentially diminishing third party attention to due diligence procedures and processes.</p> <p>How we manage the risk:</p> <ul style="list-style-type: none"> • An increasingly holistic approach to mitigating heightened financial crime risks. Rigorous anti-money laundering, counter-terrorist financing and anti-bribery and corruption measures. • Rapid, scalable and effective sanctions screening mechanisms to ensure robust, effective and compliant understanding of the landscape on a continuing basis. • Implementation of controls to identify and mitigate any emerging risks associated with the exploitation of economic stimulus schemes, prolonged dependencies upon remote working or other measures to counteract the impacts of the pandemic. • Continuous review of measures to support activity in the context of divergent economic recoveries from the pandemic, including those measures relied upon by key business partners.
<p>Distribution Risk:</p> <p>Arising from market changes, technological advancement, loss of key intermediary relationships or competitor activity</p>	<p>The business environment in which the international insurance industry operates is subject to continuous change as new market and competitor forces come into effect and as technology continues to evolve. Hansard may be unable to maintain competitive advantage in commercially significant jurisdictions, or market segments, or be unable to build and sustain successful distribution relationships, particularly in the event of any prolonged uncertainties consequent to the pandemic environment.</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. • Stress and scenario modelling considers the consequences of production falling materially above or below target and enables the Board to ensure that forecasting and planning activities are sufficiently robust and revised product and distribution strategies are designed to add additional scale to the business, on a more diversified basis, through organic growth at acceptable levels of risk and profitability.

	<ul style="list-style-type: none"> • Continuous investment in and development of technology. During the reporting period we have continued to maintain close contact with our distribution partners and deploy technological solutions, where appropriate, to overcome challenges presented by the residual impacts of the Covid-19 environment.
<p>Conduct Risk: Arising from any failure of governance, risk management and internal control arrangements, via corporate or individual actions, leading to customer detriment</p>	<p>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"> • Iterative enhancements to the Group’s ERM framework continue to drive and deliver the integration of conduct risk management at both a cultural and practical level. • Business activities designed to manage the volume and velocity of regulatory change include a fundamental focus on 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. • Forward looking risk indicators and executive leadership in respect of understanding and addressing the drivers of conduct risk focus on all core areas with assessment at strategic, functional and operational levels. • The Group maintains regular dialogue with its regulatory authorities and with its advisors in relation to developments in the regulatory environments in which we operate.
<p>Operational Resilience Risk: Arising from any exposure to risk events with the capacity to cause operational failures or wide scale disruptions in financial markets</p>	<p>The pandemic environment demonstrated the scale and speed with which disruptive operational risk events might impact the availability of important business services and cause wide-ranging harm to customers, stakeholders, individual firms, financial market infrastructures and the financial sector as a whole.</p> <p>Global supervisory attention is focussed on regulating for resilience by ensuring that strategies such as grounding resilience analyses in key delivery requirements, appreciating the potential for systemic vulnerabilities and embracing a diversity of approaches combine to strengthen the ability of financial services firms to withstand operational risk related events.</p> <p>How we manage the risk:</p> <ul style="list-style-type: none"> • ERM conventions are guiding the identification and assessment of events or scenarios presenting risk to operational resilience – typically pandemics, cyber incidents, technology failures or natural disasters – as well as supply chain disruption impacts to critical processes, business continuity and good governance. • Impact tolerances, together with mapping and testing allow the identification of services which could cause harm, if disrupted and identify any areas of vulnerability. • Stress testing, continuity planning and recovery and resolution strategies provide for continuous review of the adequacy and effectiveness with which the business is able to respond to and recover from disruptions.

<p>Information Systems and Cyber Risk: Arising from the increased digitalisation of business activities and growing dependence upon technology in the context of exposure to elevated and more pernicious forms of digital and cyber risk</p>	<p>The mounting sophistication and persistence of cybercrime and the growing adoption of highly advanced, nation-state type tools by cyber criminals, underscore the challenges that both regulators and the industry face in understanding and anticipating the nature of cyber threats they will face next.</p> <p>The pandemic served to accelerate the efforts of organised crime to exploit weaknesses in cyber defences and explicitly target remote working vulnerabilities, whilst new technological capabilities and use of third-party platforms add to the complexity of understanding the extent of cyber exposures, which may originate outside the traditional regulatory perimeter.</p> <p>Geopolitical tensions at a global level and the escalation of the Russia-Ukraine conflict specifically are considered to have triggered the most acute cyber risks western governments and corporations have ever faced.</p> <p>Building resilience to continuously evolving cyber risk is a priority for all stakeholders. Growing levels of regulatory scrutiny, focussed on three core areas - cyber risk identification, cyber risk governance and cyber risk resilience – is clearly foreseeable. Increased pressure for regulated entities to evidence and demonstrate how they are addressing emerging regulatory concerns and the timeliness of their actions can also be expected.</p> <p>In the event of any material failure in our core business systems, or business processes, or 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, this could result 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 as a core element of our operational resilience mapping. • 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 and Disaster Recovery 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. • Periodic independent third party systems penetration testing and review of controls. • Horizon scanning to identify and assess supervisory initiatives advocating and promoting good practice in cyber resilience and associated industry developments.
<p>Environmental, Social and Governance (ESG) Risk: Arising from a failure to anticipate and respond to emerging sustainability risks or successfully integrate ESG</p>	<p>Climate Change Risk and broader ESG considerations are well marked on international regulatory agendas. The World Economic Forum (WEF) Global Risks Report 2022 flags societal and environmental risks as presenting the most immediate concern over the short-term. Climate action failure, extreme weather and biodiversity loss present the top three most severe risks over a ten-year time horizon whilst the highest societal risks include livelihood crises and infectious</p>

<p>considerations and policy positions into strategy and business planning</p>	<p>diseases. Social cohesion erosion is perceived as a critical global threat across all time horizons driven by economic, political, technological and intergenerational inequalities.</p> <p>Advances in regulatory conduct obligations continue to converge with stakeholder interest in and scrutiny of ESG practices, whilst clear connections are being drawn between the issues affecting firms' culture and functioning and lack of progress on diversity and inclusion. These developments demonstrate the reach of ESG considerations across the risk portfolio.</p> <p>How we manage the risk:</p> <ul style="list-style-type: none"> • Actively building sustainability considerations into strategy development and business planning processes through structured analysis, formal assessment mechanisms and cross-functional collaboration. • Factoring emerging sustainability risk issues into key decision-making and understanding the impacts for the tools and methodologies currently used to manage risk, including governance structures, risk ownerships, risk and control self-assessment principles, regulatory developments, third party service provisions and effective reporting. • Developing and updating relevant components in relation to the sustainability risk domain – including policies, procedures, risk indicators, management data and stress testing. • 'In flight' initiatives addressing cultural alignment and structural resilience encompass core ESG considerations.
<p>Employee Engagement and Cultural Risk: Arising from any failure to drive and support the right corporate culture and attract, develop, engage and retain key personnel</p>	<p>Delivery of the Group's strategy has core dependencies on attracting and retaining experienced and high-performing management and staff and building a strong and sustainable culture, driven by our purpose, our leadership, our performance management regime and our governance principles and objectives.</p> <p>The knowledge, skills, attitudes and behaviours of our employees, and the success with which these shape and define our culture, are central to our success.</p> <p>Clear and heightened regulatory expectations of individual and corporate accountability continue to connect governance, risk and compliance obligations directly to cultural imperatives and the responsibilities assigned to individual Senior Managers.</p> <p>How we manage the risk:</p> <ul style="list-style-type: none"> • Significant investment in initiatives to address and support cultural change and development, shape strategy and inform tactical solutions. • Establishment of a 'Culture Programme' with clearly defined workstreams and timebound deliveries targeting business fundamentals including learning and innovation, leadership and communication and performance management. These remain in active progress led by the Executive Management Team with oversight by the Board.

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

Philip Kay
Chairman
21 September 2022

Consolidated Statement of Comprehensive Income for the year ended 30 June 2022

	Notes	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Fees and commissions	5	48.8	50.5
Investment income	6	(103.5)	163.3
Other operating income		1.0	0.9
		(53.7)	214.7
Change in provisions for investment contract liabilities	17	103.5	(163.7)
Origination costs	7	(16.2)	(16.4)
Administrative and other expenses	8	(29.8)	(29.5)
		57.5	(209.6)
Profit before taxation		3.8	5.1
Taxation	10	(0.2)	(0.2)
Profit and total comprehensive income for the year after taxation		3.6	4.9

Earnings per share

	Note	2022 (p)	2021 (p)
Basic	11	2.6	3.6
Diluted	11	2.6	3.6

Consolidated Statement of Changes in Equity for the year ended 30 June 2022

	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
At 1 July 2020	68.8	(48.3)	5.4	25.9
Profit and total comprehensive income for the year after taxation	-	-	4.9	4.9
Transactions with owners				
Dividends paid	-	-	(6.1)	(6.1)
At 30 June 2021	68.8	(48.3)	4.2	24.7

	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
At 1 July 2021	68.8	(48.3)	4.2	24.7
Profit and total comprehensive income for the year after taxation	-	-	3.6	3.6
Transactions with owners				
Dividends paid	-	-	(6.1)	(6.1)
At 30 June 2022	68.8	(48.3)	1.7	22.2

Consolidated Balance Sheet

As at 30 June 2022

	Notes	30 June 2022 £m	30 June 2021 £m
Assets			
Intangible assets	13	13.4	9.2
Property, plant and equipment	13	2.7	3.3
Deferred origination costs	14	122.5	125.1
Financial investments			
<u>Measured at fair value:</u>			
Equity securities	3	55.7	58.0
Investments in collective investment schemes	3	903.4	1,033.1
Fixed income securities, bonds and structured notes	3	50.6	57.5
<u>Measured at amortised cost:</u>			
Deposits and money market funds		99.7	84.2
Other receivables	15	4.3	2.7
Cash and cash equivalents	16	58.9	56.7
Total assets		1,311.2	1,429.8
Liabilities			
Financial liabilities under investment contracts	17	1,092.3	1,224.2
Deferred income	18	145.1	142.5
Amounts due to investment contract holders	17	37.3	27.4
Other payables	19	14.1	10.6
Provisions	20	0.2	0.4
Total liabilities		1,289.0	1,405.1
Net assets		22.2	24.7
Shareholders' equity			
Called up share capital	22	68.8	68.8
Other reserves	23	(48.3)	(48.3)
Retained earnings		1.7	4.2
Total shareholders' equity		22.2	24.7

Consolidated Cash Flow Statement for the year ended 30 June 2022

	2022 £m	2021 £m
Cash flow from operating activities		
Profit before tax for the year	3.8	5.1
Adjustments for:		
Depreciation	0.8	0.9
Dividends receivable	(4.6)	(5.7)
Dividends received	4.6	5.7
Interest receivable	(0.3)	(0.4)
Interest received	0.3	0.3
Foreign exchange (gains)	(2.0)	(1.6)
Changes in operating assets and liabilities		
(Increase) / decrease in other receivables	(1.6)	2.5
Decrease / (increase) in deferred origination costs	2.6	(2.8)
Increase in deferred income	2.6	4.7
Increase in creditors	13.7	3.1
Decrease / (increase) in financial investments	123.3	(135.3)
(Decrease) / increase in financial liabilities	(131.8)	149.6
Cash flow from operations	11.4	26.1
Corporation tax paid	(0.1)	(0.3)
Cash flow from operations after taxation	11.3	25.8
Cash flows from investing activities		
Investment in intangible assets	(4.2)	(3.2)
Investment in property, plant and equipment	(0.3)	(0.6)
Proceeds from sale of investments	-	0.1
Purchase of investments	-	(0.1)
Cash flows used in investing activities	(4.5)	(3.8)
Cash flows from financing activities		
Dividends paid	(6.1)	(6.1)
Principal elements of leased liabilities	(0.5)	(0.4)
Cash flows used in financing activities	(6.6)	(6.5)
Net increase in cash and cash equivalents	0.2	15.5
Cash and cash equivalents at beginning of year	56.7	39.6
Effect of exchange rate movements	2.0	1.6
Cash and cash equivalents at year end	58.9	56.7

Notes to the consolidated financial statements

1 General Information

Hansard Global plc (“the Company”) is a limited liability company, incorporated in the Isle of Man, whose shares are publicly traded. The principal activity of the Company is to act as the holding company of the Hansard group of companies. The activities of the principal operating wholly owned subsidiaries include the transaction of life assurance business and related activities. Hansard Europe was closed to new business with effect from 30 June 2013. The principal subsidiaries of the Company are as follows:

Company name	Incorporated	Activity
Hansard International Limited	Isle of Man	Life Assurance
Hansard Worldwide Limited	The Bahamas	Life Assurance
Hansard Europe Designated Activity Company	Ireland	Life Assurance
Hansard Administration Services Limited	Isle of Man	Administration Services
Hansard Development Services Limited	Isle of Man	Marketing and Development Services

The registered office of the Company is 55 Athol Street, Douglas, Isle of Man, IM99 1QL.

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

1.1 Principal accounting policies

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

1.2 Basis of presentation

The consolidated financial statements have been prepared in accordance with UK Adopted International Accounting Standards (“IFRSs”) (previously IFRS as adopted by the European Union), 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 United Kingdom and effective at 30 June 2022.

The Group’s products are designated as investment rather than insurance products under IFRS 4 ‘Insurance Contracts’ as they do not transfer significant insurance risk.

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

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

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

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

The following new standards, amendments and interpretations are in issue but not yet effective and have not been early adopted by the Group and are not expected to have a significant impact;

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) – effective from January 2022
- 2022 Annual Improvements to IFRS Standards 2018 – 2020 – effective from January 2022
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) – effective from January 2022
- Reference to the Conceptual Framework (Amendments to IFRS 3) – effective from January 2022
- IFRS 17 Insurance Contracts – effective from January 2023
- Classification of liabilities as current or non-current (Amendments to IAS 1) – effective from January 2023
- Amendments to IFRS 17 – effective from January 2023
- Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2) – effective from January 2023
- Definition of Accounting Estimate (Amendments to IAS 8)
- Deferred Tax related Asset and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes – effective 1 January 2023
- Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures (Amendments to FRS 10 and IAS 28)

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 reported results.

1.3 Basis of consolidation

The Group's financial statements consolidate those of the parent company and all its subsidiaries as at 30 June 2022.

All transactions between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

1.4 Going concern

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

The Directors are satisfied that the Company and the Group have adequate resources to continue to operate as a going concern for the foreseeable future and have prepared the consolidated financial statements on that basis.

In making this statement, the Directors have given specific consideration to the impact on the business arising out of the Covid-19 pandemic, the Russia-Ukraine conflict and the resulting economic conditions. They have reviewed financial forecasts that include plausible downside scenarios such as reduced levels

of new business and higher expenses arising from increased inflation. These show the Group continuing to generate profit over the next 12 months and that the Group has sufficient cash reserves to enable it to meet its obligations as they fall due.

The Directors expect the acquisition of new business will continue to be challenging in the current climate with the direct impact of the pandemic turning towards wider economic challenges with inflation and interest rates increasing. The impact of lower new business is not immediate to the Group's profit and cash flows and therefore allows for longer term adjustments to operations and the cost base. Long periods of lower new business or indeed lower AuA would be addressed by reducing the cost base and where necessary, the dividend paid.

The following factors are considered as supportive to the Group's resilience to external market and economic challenges:

- The Group's business model focuses on long term savings products, a majority of which are regular premium paying products which continue to receive cash inflows regardless of the amount of new business sold.
- The Group earns approximately a third of its revenues from asset-based income which is not immediately dependent on sourcing new business.
- New business channels are geographically dispersed and therefore less exposed to specific regional challenges such as geo-political conflicts.
- The largest expense associated with new business is commission expenditure which reduces directly in line with reduced sales.
- The Group has, and continues to the date of this report to have, a strong capital position with significant levels of liquidity and cash (as outlined in the Business and Financial Review).
- The business has demonstrated operational resilience in being able to operate remotely from its offices without any material impact to processing and servicing levels. Its control environment continued to operate effectively during this time.
- The Group places its shareholder assets into conservative, highly-liquid, highly-rated bank deposits and money market funds. These are typically not subject to price fluctuation and protect the Group's assets against potential market volatility.
- The Group has no borrowings.

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 and the period and method of amortisation of deferred origination costs and deferred income. Estimates are also applied in determining the recoverability of deferred origination costs.

2.1.1 Amortisation of deferred origination costs and deferred income

Deferred origination costs and deferred income are amortised on a straight-line basis over the estimated life of the underlying investment contract. Estimates are made based on recent experience.

2.1.2 Recoverability of deferred origination costs

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

If, based upon a review of the remaining contracts, there is any 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.

2.1.3 Fair value of 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 as detailed in Note 3.

2.2 Judgements

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

- to determine whether a provision or contingent liability is required in respect of any pending or threatened litigation;
- the type of management expenses that are treated as origination costs to be deferred. Any other expenses are expensed as incurred.

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 ("ERM") 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 Audit & Risk, Executive and Investment Committees. Additional information concerning the operation of the Board Committees is contained in the Corporate Governance section of this Annual Report and Accounts.

The main 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 of future cash flows of a financial instrument will fluctuate because of changes in market prices, analysed between price, interest rate and currency risk. The Group adopts a risk averse approach to market risk, with a stated policy of not actively pursuing or accepting market risk except where necessary to support other objectives. However, the Group accepts the risk that the fall in

equity or other asset values, whether as a result of price falls or strengthening of sterling against the currencies in which contract holder assets are denominated, will reduce the level of annual management charge income derived from such contract holder assets and the risk of lower future profits.

Sensitivity analysis to market risk

The Group's business is unit-linked and the direct associated market risk is therefore borne by contract holders (although there is a secondary impact as shareholder income is dependent upon the fair value of contract holder assets). Other financial assets and liabilities held outside of contract holder 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 movements 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. The Group does not control the asset selection strategy as assets are chosen by the contract holders.

(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 2022 was £1,009.7m (2021: £1,148.6m). 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 £1.7m (2021: £1.7m).

(b) Interest rate risk

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

The Group is primarily exposed to interest rate risk on the balances that it holds with credit institutions and in money market funds. The Group partially mitigates its exposure to cash flow interest rate risk by placing a proportion of its cash holdings on longer-term, fixed-rate deposits.

Taking into account the proportion of Group funds held on longer-term, fixed-rate deposits, a change of 1% per annum in interest rates will result in an increase or decrease of approximately £0.7m (2021: £0.6m) 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 regular conversion 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:

	2022	2022	2022	2021	2021	2021
	US\$m	€m	¥m	US\$m	€m	¥m
Gross assets	26.3	13.9	164.3	20.8	6.3	223.7
Matching currency liabilities	(24.1)	(12.8)	(217.6)	(17.3)	(5.7)	(239.9)
Uncovered currency exposures	2.2	1.1	(53.3)	3.5	0.6	(16.2)
Sterling equivalent (£m)	1.8	1.0	(0.3)	2.6	0.5	(0.1)

The approximate effect of a 5% change: in the value of US dollars to sterling is £0.1m (2021: £0.1m); in the value of the euro to sterling is less than £0.1m (2021: less than £0.1m); and in the value of the yen to sterling is less than £0.1m (2021: 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: 71% (2021: 68%); euro: 8% (2021: 10%); sterling: 21% (2021: 21%); other: 1% (2021: 1%).

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 2022 and 2021, substantially all contract holder cash and cash equivalents, balances due from investment brokers 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 or P1 from Fitch IBCA and Moody's respectively and a long-term rating of at least A or A3. Investments in unitised money market funds are made only where such fund is AAA rated. Additionally, maximum counterparty exposure limits are set both at an individual subsidiary company level and on a Group-wide basis.

These assets are considered to have a high degree of credit worthiness and no assets of a lower credit worthiness are held. The following table sets out information about the credit quality of the Group's deposits with credit institutions and its investments in unitised money market funds.

	2022	2021
	£m	£m
Deposits with credit institutions and investments in unitised money market funds <i>(Based on Standards & Poor's ratings)</i>		
AAA	29.9	30.1
AA- to AA+	4.9	2.9
A- To A+	15.4	9.1
Cash at bank	24.3	21.4
Group cash and deposits	74.5	63.5

Within cash at bank, the primary balances were invested in credit institutions as follows: £3.9m with a rating of AA+, £10.1m with a rating of A+ and £9.0m with a rating of A.

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

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

Expected credit losses are based on the historic levels of loss experienced for the relevant financial assets, with due consideration given to forward looking information. The Group expected credit loss charged in the year was £1.4m (2021: £0.5m) with the balance at 30 June 2022 being £1.8m. This amount relates to balances likely to be irrecoverable from funds in the process of liquidation. This does not affect the expected loss position of other financial assets.

There have been no changes in the assets in the year ended 30 June 2022 attributable to changes in credit risk (30 June 2021: nil).

At the balance sheet date, an analysis of the Group's cash and deposit balances was as follows:

	2022	2021
	£m	£m
Longer term deposits with credit institutions	15.6	6.8
Cash and cash equivalents	58.9	56.7
	74.5	63.5

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-term (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-term 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.

3.3.1 Undiscounted contractual maturity analysis

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

	2022 £m	2021 £m
Maturity within 1 year		
Deposits and money market funds	74.5	63.5
Other assets	4.3	4.2
	78.8	67.7
Maturity from 1 to 5 years		
Other assets	-	-
	-	-
Assets with maturity values	78.8	67.7
Other shareholder assets (no defined maturity profile)	140.1	135.4
Shareholder assets	218.9	203.1
Gross assets held to cover financial liabilities under investment contracts	1,092.3	1,226.7
Total assets	1,311.2	1,429.8

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 no fixed maturity 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.

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

	2022	2021
	£m	£m
Maturity within 1 year		
Amounts due to investment contract holders	37.3	27.4
Other payables	12.1	8.4
Provisions	0.2	0.4
	49.6	36.2
Maturity from 1 to 5 years		
Other payables	2.0	2.6
	2.0	2.6
Liabilities with maturity values	51.6	38.8
Other shareholder liabilities (no defined maturity profile)	145.1	142.5
Shareholder liabilities	196.7	181.3
Financial liabilities under investment contracts	1,092.3	1,224.2
Total liabilities	1,289.0	1,405.5

Any difference between the total liabilities in the above table and the total liabilities per the consolidated balance sheet represents the impact of discounting liabilities with a maturity profile of more than one year.

3.4 Insurance risk

Insurance risk is the risk of loss arising from actual experience being different than that assumed when an insurance product was designed and priced. For the Group, the key insurance risks are lapse risk, expense risk and mortality risk. However, the size of insurance risk is not deemed to be materially significant. From an accounting perspective all contracts have been classified as investment contracts.

3.4.1 Lapse risk

A key risk for investment contracts is policyholder behaviour risk – in particular the risk that contracts are surrendered or significant cash withdrawals are made before sufficient fees have been collected to cover up-front commissions paid by the Group. The risk is mitigated by charging penalties on the early surrender of contracts.

3.5 Classification and subsequent measurement of financial assets and liabilities

The Group recognises deposits with financial institutions and loans and borrowings on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Group becomes a part to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for a financial asset or financial liability not measured at 'fair value through profit and loss' ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

On initial recognition, a financial asset is classified as measured at amortised cost, 'fair value through other comprehensive income' ("FVOCI") or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. The classification of each financial asset and liability is commented on within each respective financial statement note. As at 30 June 2022 and 30 June 2021, only financial assets measured at amortised cost and FVTPL are held.

The subsequent measurement of each class of financial assets is defined in the below table:

Class of asset	Subsequent measurement
Financial assets at FVTPL	Measured at fair value. Net gains and losses, including any interest or dividend income and foreign exchange gains and losses, are recognised in profit or loss.
Financial assets at amortised cost	Measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

On initial recognition, a financial liability is designated as amortised cost or FVTPL. The criteria for classification and subsequent measurement mirrors that of the financial assets, albeit the classification of 'FVOCI' does not exist for financial liabilities. Therefore, any liabilities which do not meet the amortised cost classification criteria, are designated as FVTPL.

3.6 Fair value of financial assets and liabilities

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

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

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

- Level 1: fair value is determined using quoted prices (unadjusted) in active markets for identical assets.
- Level 2: fair value is determined using inputs other than quoted prices included within Level 1 that are observable for the asset either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value is determined using inputs for the asset that are not based on observable market data (unobservable inputs).

The following table analyses the Group's financial assets and liabilities at fair value through profit or loss, at 30 June 2022:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss				
Equity securities	55.7	-	-	55.7
Collective investment schemes	892.6	4.0	6.8	903.4
Fixed income securities, bonds and structured notes	-	6.8	43.8	50.6
Total financial assets at fair value through profit or loss	948.3	10.8	50.6	1,009.7

All other financial assets and liabilities are designated as held at amortised cost which approximates to fair value.

During the year ended 30 June 2022, £4.0m of collective investment scheme investments were transferred from Level 1 to Level 2 following a review of their pricing frequency. A further £2.1m of similar assets were reclassified from Level 1 to Level 3 as a result of the same classification review, reflecting that the value of these assets are not based on observable market data. £43.8m of structured notes were transferred from Level 2 to Level 3 during the year. This move was a reflection of the underlying market volatility in that asset class experienced in the latter part of the financial year and the resulting impact on the observable and unobservable inputs used in the valuation methodologies for this type of security.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities at fair value through profit or loss	-	1,092.3	-	1,092.3

Financial liabilities at fair value through profit or loss are classified as level 2 on the basis that they relate to policies investing in financial assets at fair value through profit and loss.

The following tables analyse the Group's financial assets and liabilities at fair value through profit or loss, at 30 June 2021:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss				
Equity securities	58.0	-	-	58.0
Collective investment schemes	1,026.1	-	7.0	1,033.1
Fixed income securities, bonds and structured notes	-	52.3	5.2	57.5
Total financial assets at fair value through profit or loss	1,084.1	52.3	12.2	1,148.6

During the year ended 30 June 2021, £52.3m of fixed income securities, bonds and structured notes were transferred from Level 1 to Level 2 following a review of their classification. A further £5.2m of similar assets were reclassified from Level 1 to Level 3 as a result of the same classification review, reflecting that the value of these assets are not based on observable market data.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities at fair value through profit or loss	-	1,224.2	-	1,224.2

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments in the statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable input	Sensitivity to changes in unobservable inputs
Suspended assets £6.8m (2021: £7m)	Latest available information including or such as net asset values (NAV) or other communication received	Discount factor and NAV	If the NAV was higher/lower, the fair value would be higher/lower. If the discount factor was higher/lower, the fair value would be lower/higher.
Bonds and structured notes Level 2: £6.8m (2021: £52.3m) Level 3: £43.8m (2021: £5.2m)	Market comparison/ discounted cash flow: The fair value is estimated considering: (i) current or recent quoted prices for identical securities in markets that are not active; and (ii) a net present value calculated using discount rates which are	Level 2: Not applicable. Level 3: Underlying volatility	Level 2: Not applicable. Level 3: Significant increases or decreases in this input in isolation would result in

	determined with reference to observable market transactions in instruments with substantially the same terms and characteristics including credit quality, the remaining term to repayments of the principal and the currency in which the payments are made.		higher or lower fair value
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Significant unobservable inputs are developed as follows:

Underlying Volatility

In the absence of implied volatility until the maturity and moneyness of the instrument, the best estimate is the use of extrapolated implied volatility or historical volatility. The inputs used are derived against other independent valuation sources and the reasonableness of the assumptions is evaluated as part of the process.

The reconciliation between opening and closing balances of Level 3 assets are presented in the table below:

	2022	2021
	£m	£m
Opening balance	12.2	16.6
Unrealised losses	(1.5)	(1.7)
Transfers in to level 3	46.3	5.4
Transfers out of level 3	(5.2)	(0.3)
Purchases, sales, issues and settlements	(1.2)	(7.8)
Closing balance	50.6	12.2

4 Segmental information

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

In the opinion of the CODM, the Group operates in a single reportable segment, that of the distribution and servicing of long-term investment products. New business development, distribution and associated activities undertaken by its Irish subsidiary, Hansard Europe Designated Activity Company, ceased with effect from 30 June 2013. All other activities of the Group are continuing.

The Group's Executive Committee uses two principal measures when appraising the performance of the business: Net Issued Compensation Credit ("NICC") (weighted where appropriate by product line) and expenses. NICC is the amount of basic initial commission payable to intermediaries for business sold in a period and is calculated on each piece of new business. It excludes override commission paid to intermediaries over and above the basic level of commission.

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

	2022	2021
	£m	£m
Middle East and Africa	2.9	4.7
Latin America	2.9	3.8
Rest of World	1.0	1.4
Far East	0.7	0.8
Net Issued Compensation Credit	7.5	10.7
Other commission costs paid to third parties	3.6	5.3
Enhanced unit allocations	1.2	1.7
Direct origination costs incurred during the year	12.3	17.7

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

	2022	2021
	£m	£m
Isle of Man	45.7	46.8
Republic of Ireland	2.5	3.0
The Bahamas*	0.6	0.7
	48.8	50.5

* Hansard Worldwide, which is based in the Bahamas, fully reinsures its business to Hansard International. All external fees and commissions for Hansard Worldwide are therefore presented within the Isle of Man category. These amounted to £2.0m in 2022 and £0.8m in 2021. The fees shown in the table above in respect of Hansard Worldwide represent fees received from Hansard International.

4.2 Geographical analysis of profit before taxation

	2022	2021
	£m	£m
Isle of Man	4.2	5.5
Republic of Ireland	(0.9)	(1.0)
The Bahamas	0.5	0.6
	3.8	5.1

4.3 Geographical analysis of gross assets

	2022 £m	2021 £m
Isle of Man*	1,216.5	1,314.1
Republic of Ireland	92.5	114.0
The Bahamas	2.2	1.7
	1,311.2	1,429.8

* Includes assets held in the Isle of Man in connection with policies written in The Bahamas. As at 30 June 2022 these amounted to £134.9m (30 June 2021: £111.6m).

4.4 Geographical analysis of gross liabilities

	2022 £m	2021 £m
Isle of Man	1,074.8	1,194.5
Republic of Ireland	77.6	98.2
The Bahamas	136.6	112.4
	1,289.0	1,405.1

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 may be chargeable on either a fixed fee basis, a fee per transaction or as a percentage of assets under administration. 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.

	2022 £m	2021 £m
Contract fee income	30.1	32.2
Fund management charges	13.9	13.6
Commissions receivable	4.8	4.7
	48.8	50.5

Fund management charges and commissions receivable (38% of the total above; 2021: 36%) are a function of the level of assets under administration.

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.

	2022	2021
	£m	£m
Interest income	-	0.1
Dividend income	4.6	5.7
Gains on realisation of investments	63.4	9.8
Movement in unrealised (losses)/gains	(171.5)	147.7
	(103.5)	163.3

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. Typical terms range between 6 years and 16 years. Origination costs that do not meet the criteria for deferral are expensed as incurred.

	2022	2021
	£m	£m
Amortisation of deferred origination costs	13.9	14.1
Other origination costs	2.3	2.3
	16.2	16.4

8 Administrative and other expenses

Included in administrative and other expenses are the following:

	2022	2021
	£m	£m
Auditors' remuneration:		
- Fees payable for the audit of the Company's annual accounts	0.2	0.1
- Fees payable for the audit of the Company's subsidiaries pursuant to legislation	0.3	0.3
- Other services provided to the Group	-	-
Employee costs (see note 9)	11.0	11.4
Directors' fees	0.4	0.4
Fund management fees	5.7	4.9
Renewal and other commission	0.7	0.3
Professional and other fees	3.5	3.8
Litigation fees and settlements	1.1	1.9
Credit loss allowance	1.4	0.5
Licences and maintenance fees	2.4	2.0
Insurance costs	0.9	1.0
Depreciation of property, plant and equipment	0.8	0.9
Communications	0.2	0.4

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:

	2022	2021
	£m	£m
Wages and salaries	10.2	10.6
Social security costs	0.9	1.1
Contributions to pension plans	0.9	0.9
	12.0	12.6

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

	2022	2021
	£m	£m
Administrative and other expenses	10.9	11.3
Origination costs	1.1	1.3
	12.0	12.6

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

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

	2022	2021
	No.	No.
Administration	136	133
Distribution and marketing	15	16
IT development	38	42
	189	191

10 Taxation

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

The corporation tax expense for the Group for 2022 was £0.2m (2021: £0.2m). Corporation tax is charged on any profits arising at the following rates depending on location of the company or branch:

Isle of Man	0% (2021: 0%)
Republic of Ireland	12.5% (2021: 12.5%)
Japan branch	23.4% (2021: 23.4%)
Labuan	24% (2021: 24%)
The Bahamas	0% (2021: 0%)

	2022 £m	2021 £m
Current year tax provisions	0.2	0.2
Adjustment to prior year tax provisions	-	-
	0.2	0.2

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

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

11 Earnings per share

	2022	2021
Profit after tax (£m)	3.6	4.9
Weighted average number of shares in issue (millions)	137.6	137.6
Basic and diluted earnings per share in pence	2.6	3.6

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 2.6p per share (2021: 3.6p).

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 2022 p	Total 2022 £m	Per share 2021 p	Total 2021 £m
Final dividend in respect of previous financial year	2.65	3.6	2.65	3.6
Interim dividend in respect of current financial year	1.80	2.5	1.80	2.5
	4.45	6.1	4.45	6.1

The Board has resolved to pay a final dividend of 2.65p per share on 10 November 2022, subject to approval at the Annual General Meeting, based on shareholders on the register on 30 September 2022.

13 Intangible assets and property, plant and equipment

Intangible Assets

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

	2022 £m	2021 £m
Intangible assets	13.4	9.2

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

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

The economic lives used for this purpose are:

Computer software	3 to 15 years
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The increase in intangible assets relates to capitalised costs associated with the development of a replacement policy administration system. This development is expected to be completed and put into use during 2023, at which point amortisation will commence over an expected life of 15 years.

The cost of computer software at 30 June 2022 was £14.1m (2021: £9.9m), with a net book value of £13.4m (2021: £9.2m). Accumulated amortisation at 30 June 2022 was £0.7m (2021: £0.7m). All amortisation currently relates to externally generated costs.

The cost of computer software includes £7.5m of externally generated costs (2021: £5.7m) and £6.6m of internally generated costs (2021: £4.2m).

Property, plant and equipment

Property, plant and equipment includes both tangible fixed assets and 'right of use assets' recognised in accordance with IFRS 16 'Leases'.

	2022	2021
	£m	£m
Property, plant and equipment	0.8	0.9
Right of use assets	1.9	2.4
	2.7	3.3

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

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

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

The economic lives used for this purpose are:

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

Right of use assets are depreciated over the useful life of the lease.

The cost of property, plant and equipment at 30 June 2022 was £10.7m (2021: £10.6m), with a net book value of £0.8m (2021: £0.9m).

Accumulated depreciation at 30 June 2022 was £9.9m (2021: £9.7m). The depreciation charge for the year ending 30 June 2022 was £0.2m (2021: £0.2m).

IFRS 16 – Leases

The right-of-use assets for property leases are measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments recognised immediately before the date of initial application, being the commencement date. The liabilities are measured at the present value of the

remaining lease payments, discounted using an incremental borrowing rate. The weighted average incremental borrowing rate applied to the lease liabilities on 30 June 2021 was 4%.

The Group leases various offices around the world to service its clients and operations. Rental contracts are typically made for periods of 1 to 10 years, incorporating break clauses where applicable. Lease terms are negotiated on an individual basis and contain differing terms and conditions. The lease agreements do not impose any covenants.

In determining the lease terms utilised in assessing the position under IFRS 16, management considers break clauses in leases, where appropriate. Potential future outflows exist on one lease beyond the break clause of £1.6m. These have not been included in the lease liability but would be payable in the event that the relevant lease clauses were not exercised. The current position assumes that these break clauses will be exercised. This is a judgement, reviewed each year, based upon the length of time until the exercise date of those leases (8 years) and the uncertainty around the office space needs of the Group at that future time.

Leases (other than those classified as short-term leases or leases of low-value assets) are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and a finance cost. The finance cost is charged over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Short-term leases (those with a lease term or useful life of less than 12 months at inception) and leases of low value assets (comprising IT-equipment and small items of office furniture) are recognised on a straight-line basis as an expense in administration and other expenses in the consolidated statement of comprehensive income.

During the year to 30 June 2022, the Group entered into extensions to existing leases and recognised these under IFRS 16 accordingly. The weighted average borrowing rate applied to the lease liabilities at 30 June 2022 was 4%.

The recognition of the right-of-use asset represents an increase in the property, plant and equipment figure of £1.9m (30 June 2021: £2.4m). Lease liabilities relating to the right-of-use asset are included within other payables. The interest recognised on the lease liabilities in respect of the right of use asset was £0.1m (30 June 2021: less than £0.1m).

The Group has entered into a sub-lease for part of a building that is reported as a right of use asset and has classified the sub-lease as an operating lease, as it does not transfer substantially all of the risks and rewards incidental to the ownership of the sub-let asset. During the year ending 30 June 2022, the Group recognised rental income of less than £0.1m (2021: less than £0.1m).

	2022	2021
	£m	£m
Right of use asset recognised 1 July	2.4	3.0
Additions during the period	0.1	0.1
Depreciation	(0.6)	(0.7)
Net book value of right of use asset as at 30 June	1.9	2.4
Lease liability recognised 1 July	2.7	3.0
Additions during the period	0.1	0.1
Lease payments made during the period	(0.5)	(0.4)
Lease liability recognised as at 30 June	2.3	2.7
Of which are:		
Current lease liabilities	0.3	0.5
Non-current lease liabilities	2.0	2.2

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 amount of deferred origination costs amortised each year is determined by the estimated lives of the Group's products. Reducing the estimated life of the total portfolio by 1 year would increase the annual amortisation for the next financial year by £1.8m. Increasing the estimated life of the total portfolio by 1 year would reduce the annual amortisation for the next financial year by £1.4m. Offsetting movements would also arise in deferred income as outlined in Note18.

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

	2022	2021
	£m	£m
At beginning of financial year	125.1	122.3
Origination costs incurred and deferred during the year	11.3	16.9
Origination costs amortised during the year	(13.9)	(14.1)
	122.5	125.1

	2022	2021
Carrying value	£m	£m
Expected to be amortised within one year	12.2	11.8
Expected to be amortised after one year	110.3	113.3
	122.5	125.1

15 Other receivables

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

	2022	2021
	£m	£m
Commission receivable	1.2	1.4
Other debtors	1.9	0.1
Prepayments	1.2	1.2
	4.3	2.7
Estimated to be settled within 12 months	4.3	2.7
Estimated to be settled after 12 months	-	-
	4.3	2.7

Due to the short-term nature of these assets the carrying value is considered to reflect fair value.

16 Cash and cash equivalents

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

	2022	2021
	£m	£m
Money market funds	54.2	51.4
Short-term deposits with credit institutions	4.7	5.3
	58.9	56.7

The increase in cash and cash equivalents is as a result of the Group changing its accounting policy with regards to the recognition of cash and cash equivalents to better present its financial position. Cash and cash equivalents are now recognised on receipt prior to investment to contract holder funds. There is an equal increase recorded within contract holder amounts payable. This gross presentation presents a clearer and more relevant position of cash received by the Group and amounts repayable should funds not be accepted.

In the current year this change of policy has resulted in the recognition of an additional amount of cash of £6.6m. The prior period figures have not been adjusted, however if presented on the same basis the amount of £7.8m would have been recognised. The recognition of this cash is matched by an equivalent increase in amounts due to investment contract holders and has no impact to the consolidated statement of comprehensive income.

17 Financial liabilities under investment contracts

17.1 Investment contract liabilities, premiums and benefits paid

17.1.1 Investment contract liabilities

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

The decision by the Group to designate its unit-linked liabilities at fair value through profit or loss is to eliminate a measurement inconsistency that would otherwise arise from measuring the investments at FVTPL and the contract liabilities at amortised cost.

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:

	2022 £m	2021 £m
Deposits to investment contracts	130.0	148.8
Withdrawals from contracts and charges	(158.4)	(167.2)
Change in provisions for investment contract liabilities	(103.5)	162.1
Movement in year	(131.9)	143.7
At beginning of year	1,224.2	1,080.5
	1,092.3	1,224.2

	2022 £m	2021 £m
Contractually expected to be settled within 12 months	32.3	40.2
Contractually expected to be settled after 12 months	1,060.0	1,184.0
	1,092.3	1,224.2

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 trade receivables. Financial investments consist of units in collective investment schemes, equity securities, fixed income securities and deposits with credit institutions. Collective investment schemes, equity securities and fixed income securities are designated at fair value through profit or loss. Deposits with credit institutions are designated at amortised cost.

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 not held in order to collect contractual cash flows.

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.

	2022	2021
	£m	£m
Equity securities	55.7	58.0
Investments in collective investment schemes	903.4	1,033.1
Fixed income securities, bonds and structured notes	50.6	57.5
Deposits and money market funds	84.4	78.1
Total assets	1,094.1	1,226.7
Other payables	(1.8)	(2.5)
Financial investments held to cover financial liabilities	1,092.3	1,224.2

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

17.4 Amounts due to investment contract holders

Where financial liabilities under investment contracts mature or are redeemed by contact holders, such amounts payable are recorded as amounts due to investment contract holders.

The amount due to investment contract holders has increased in the current year as a result of a change of accounting policy in respect of cash as detailed in note 16.

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 recognition of balances in the deferred income reserve is based on actuarial assumptions regarding the estimated life of each policy. These actuarial assumptions are complex in nature and are subject to estimation uncertainty. The actuarial assumptions are reviewed regularly by the Appointed Actuary.

The amount of deferred income amortised each year is determined by the estimated lives of the Group's products. Reducing the estimated life of the total portfolio by 1 year would increase the annual amortisation for the next financial year by £2.3m. Increasing the estimated life of the total portfolio by 1 year would reduce the annual amortisation for the next financial year by £1.7m. Offsetting movements would also arise in deferred income as outlined in Note 14.

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

	2022	2021
	£m	£m
At beginning of financial year	142.5	137.8
Income received and deferred during the year	19.2	21.4
Income amortised and recognised in contract fees during the year	(16.6)	(16.7)
	145.1	142.5
	2022	2021
Carrying value	£m	£m
Expected to be amortised within one year	14.8	13.6
Expected to be amortised after one year	130.3	128.9
	145.1	142.5

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.

	2022	2021
	£m	£m
Commission payable	2.0	1.7
Other creditors and accruals	9.8	6.2
Lease liabilities	2.3	2.7
	14.1	10.6

20 Provisions

Provisions represent amounts to settle a number of the claims referred to in Note 26 'Contingent Liabilities' where it is economically beneficial to do so. Such provisions are calculated where there is an established pattern of settlement for that grouping of claims. The following table reflects the movement in the provision during the period under review.

	2022 £m	2021 £m
Settlement provision as at 1 July	0.4	0.1
Additional provisions made in the period	-	0.5
Released from the provision for settlements	(0.2)	(0.2)
Settlement provision as at 30 June	0.2	0.4

Further information outlined within IAS 37.85 is not disclosed on the basis that it may prejudice the Company's position.

With the exception of the lease liabilities shown in note 13, and the provisions referred to above, all other 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.

21 Capital management

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

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

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

The Company monitors capital on two bases:

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

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

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

There has been no material change in the Group's management of capital during the period. The Group continued to perform additional modelling around risks arising from the Covid-19 pandemic and subsequent economic challenges and to give consideration to emerging market practice and regulatory expectations around capital conservation. All regulated entities within the Group exceed significantly the minimum solvency requirements at the balance sheet date.

The Group's lead regulator, Isle of Man FSA, monitors capital requirements for the Group as a whole. The insurance subsidiaries are directly supervised by their local regulators. The lead regulator's approach to the measurement of capital adequacy is primarily based on monitoring the relationship of the Solvency Capital Requirement ('SCR') to regulatory capital. All regulated entities within the Group exceed 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 substantially resolved.

22 Share capital

	2022	2021
	£m	£m
Authorised:		
200,000,000 ordinary shares of 50p	100.0	100.0
Issued and fully paid:		
137,557,079 (2021: 137,557,079) ordinary shares of 50p	68.8	68.8

No shares (2021: nil) were issued or bought back in the year.

23 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.

	2022	2021
	£m	£m
Merger reserve	(48.5)	(48.5)
Share premium	0.1	0.1
Share save reserve	0.1	0.1
	(48.3)	(48.3)

24 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.

24.1 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	2022 No. of options	2021 No. of Options
2017	20,717	20,717
2018	58,062	270,279
	78,779	290,996

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

	2022	Weighted average exercise price (p)	2021	Weighted Average Exercise price (p)
	No. of options		No. of options	
Outstanding at the start of year	290,996	63	508,576	64
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(212,217)	62	(217,580)	66
Outstanding at end of year*	78,779	65	290,996	63

* None of these options are exercisable as at 30 June 2022.

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

24.2 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 share awards which vested during the year (2021: 498,000 shares).

The Trust was funded with a loan of £446,000 during 2018 and as at 30 June 2022 the Trust held 12,000 shares (2021: 12,000). As at 30 June 2022, the outstanding balance on the loan was £12,000 (30 June 2021: £12,000).

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 21 individuals (2021: 20), being members of the Group's Executive Committee, executive Directors of direct subsidiaries of the Company and the non-executive directors of both the Group and subsidiary companies.

The aggregate remuneration paid to key management during the year-ended 30 June was as follows:

	2022	2021
	£m	£m
Short-term employee benefits *	2.3	2.1
Post-employment benefits	0.3	0.3
Total	2.6	2.4

* 2021 has been restated to incorporate non-executive Director costs of £0.3m.

There were no outstanding amounts as at 30 June 2022 (2021: nil).

The total value of investment contracts issued by the Group and held by key management is nil (2021: nil).

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. In the year ending 30 June 2022 there were no transactions with Dr Polonsky.

25.4 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 was funded with a loan of £446,000 during 2018 and as at 30 June 2022 the Trust held 12,000 shares (2021: 12,000). No awards vested in the year ended 30 June 2022.

26 Contingent liabilities

26.1 Litigation

The Group does not and has never given 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 Group has been served with a number of writs arising

from such complaints and other asset-related issues. All such writs relate to historic business written by Hansard Europe prior to its closure to new business in 2013.

As at 30 June 2022, the Group had been served with cumulative writs with a net exposure totalling €24.6m, or £21.2m in sterling terms (30 June 2021: €26.5m / £22.7m) arising from contract holder complaints and other asset performance-related issues. The primary reason for the reduction in contingent liabilities relates to a significant case which was covered by our insurance cover which was agreed to be settled by our insurers. This reduced our pre-insurance contingent liabilities by £2.9m.

During the year, the Group successfully defended twenty-four cases with net exposures of approximately £3.2m, eleven of which have been appealed by the plaintiffs (2021: successfully defended sixteen cases with net exposures of £1.6m). These successes continue to affirm confidence in the Group's legal arguments.

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

We have previously noted that we expect a number of our larger claims to ultimately be covered by our Group insurance cover. During 2022 we recorded £0.5m in total recoveries during the year in relation to costs paid by the Group (2021: £0.5m). We expect such reimbursement to continue during the course of that litigation.

As a result, we also expect that a significant amount of the £21.2m of contingent liabilities referred to above would be covered by insurance should those cases be ruled against us. We estimate insurance coverage to be in the range of £3m to £10m.

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 shareholders to reach a commercial resolution with regard to certain of these claims. Where an established pattern of settlement is established for any grouping of claims, a provision for expected future settlements is made in line with IAS 37. This is outlined in Note 20.

It is not possible at this time to make any further estimates of liability.

Between 30 June 2022 and the date of this report, there have been no material developments.

26.2 Isle of Man Policyholders' Compensation Scheme

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

27 Foreign exchange rates

The Group's presentational 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:

	2022	2021
US Dollar	1.21	1.38
Japanese Yen	165	153
Euro	1.16	1.17

28 Non statutory accounts

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 June 2022 or 2021, 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 2022 is expected to be posted to shareholders by 5 October 2022. Copies of both this announcement and the annual report and accounts will be available to the public at the Company's registered office at 55 Athol Street, 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 UK Adopted International Accounting Standards (“IFRSs”) and give a true and fair view of the assets, liabilities, financial position and profit for the Company and the undertakings included in the consolidation as a whole as required by the Disclosure and Transparency Rules Chapter 4.2.4; and
- Pursuant to Disclosure and Transparency Rules Chapter 4, the Directors' report of the Company's annual report and accounts includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties faced by the business.

On behalf of the Board

G Sheward

T Davies

Director

Director

21 September 2022

OTHER INFORMATION

Risk Based Solvency Capital

A) Risk Based Solvency capital position

The Group is subject to the Isle of Man Insurance (Group Supervision) Regulations 2019.

It has adopted the default consolidated accounts method ("Method 1") to calculate the Group Solvency Capital Requirement ("SCR") and Own Funds as required by these regulations. The solvency position as 30 June 2022 has been reported below on this basis.

The Group Risk Based Solvency free assets at 30 June 2022 were £50.7m (30 June 2021: £58.7m;), before allowing for payment of the 2022 final ordinary dividend.

All Risk Based Solvency and related data presented in this section is subject to change prior to submission to regulatory authorities.

Group Risk Based Solvency capital position	30 June 2022 Total £m	30 June 2021 Total £m
Own Funds	129.1	145.5
Solvency Capital Requirement	78.4	86.8
Free assets	50.7	58.7
Solvency ratio (%)	165%	168%

All Own Funds are considered Tier 1 capital.

The following compares Own Funds as at 30 June 2022 and 30 June 2021:

	30 June 2022 Own Funds £m	30 June 2021 Own Funds £m
Value of In-Force	128.5	145.8
Risk Margin	(26.7)	(29.4)
Net Worth	27.3	29.1
Total	129.1	145.5

B) Analysis of movement in Group Solvency surplus

A summary of the movement in Group Solvency surplus from £58.7m at 30 June 2021 to £50.7m at 30 June 2022 is set out in the table below.

	£m
Risk Based Solvency surplus at 30 June 2021	58.7
Operating experience	(3.9)
Investment performance	(6.5)
Changes in assumptions	2.2
Impact of dividends paid	(6.1)
Foreign exchange	6.3
Risk Based Solvency surplus at 30 June 2022	50.7

The Group Risk Based Solvency surplus in 2022 was decreased by negative market movements, dividends paid and operating experience, offset by foreign exchange movements and assumption changes.

New business written had a £0.7m impact on solvency surplus for the period.

C) Analysis of Group Solvency Capital Requirement

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

Split of the Group's Solvency Capital Requirement *	30 June 2022	30 June
Risks	% of SCR	2021 % of SCR
Market		
Equity	43%	52%
Currency	11%	12%
Insurance		
Lapse	50%	44%
Expense	20%	20%
Default	1%	2%
Operational	19%	16%

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

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

	30 June 2022	30 June
	£m	2021 £m
IFRS shareholders' equity	22.2	24.7
Elimination of DOC	(122.5)	(125.1)
Elimination of DIR	145.1	142.5
Value of In-Force	128.5	145.8
Liability valuation differences*	(4.1)	(3.8)
Impact of risk margin	(26.7)	(29.4)
Other**	(13.4)	(9.2)
Risk Based Solvency Shareholder Own Funds	129.1	145.5

* Liability valuation differences relate to additional provisions made for risk-based capital purposes, notably for contingent liabilities.

** Other is related to Intangible Assets not recognised on the solvency balance sheet.

E) Sensitivity analysis

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

	30 June 2022 Group	30 June 2021 Group
	£m	£m
Own Funds	129.1	145.5
Impact of:		
10% instantaneous fall in equity markets	(8.0)	(10.5)
100 basis points decrease in interest rates	(1.2)	(2.8)
10% increase in expenses	(8.4)	(9.3)
1% increase in expense inflation	(6.0)	(7.1)
10% strengthening of sterling	(12.0)	(8.0)