

28 September 2023



HANSARD  
GLOBAL PLC

**Hansard Global plc**  
**Results for the year ended 30 June 2023**

**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 2023 (“FY 2023”).

**Summary**

	<b>FY 2023</b>	<b>FY 2022</b>
New business sales – PVNBP <sup>1</sup> basis	<b>£85.7m</b>	£120.5m
IFRS profit before tax	<b>£5.9m</b>	£3.8m
Underlying profit	<b>£7.4m</b>	£5.9m
Recommended final dividend per share <sup>2</sup>	<b>2.65p</b>	2.65p
IFRS earnings per share	<b>4.10p</b>	2.60p

<b>As at</b>	<b>30 June 2023</b>	<b>30 June 2022</b>
Assets under Administration	<b>£1.10bn</b>	£1.09bn
Value of In-Force	<b>£124.4m</b>	£128.5m

<sup>1</sup> Present Value of New Business Premiums

<sup>2</sup> Subject to approval at the AGM

**Graham Sheward, Group Chief Executive Officer, commented:**

“Our results for the 2023 financial year demonstrate a marked improvement in the profitability of the business reflecting additional investment revenue opportunities arising from higher interest rates, and continued discipline with respect to management expenses. As the group has no external debt, there are no additional interest costs.

While 2023 was another challenging year for new business, we continue to work hard to improve sales through new product development and new broker relationships.

Our key strategic initiatives - our new Japanese proposition and our new policy administration system - continue to make good progress.

Given the profitability and underlying strength of the business the board recommends maintaining the dividend in line with last year.”

**Hansard Global plc**

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Registered Office: as above. Registered Number: 113389C

## **NEW BUSINESS**

As previously announced, our new business levels were £85.7m on a Present Value of New Business Premiums ("PVNBP") basis, down 28.9% from £120.5m in FY 2022.

New business continued to be impacted by economic uncertainty, geopolitical developments, and a general hesitancy by clients to commit to long-term savings products, both contractual regular premium and single premium investments.

## **TRADING RESULTS**

IFRS profit before tax for the year was £5.9m, up from £3.8m in FY 2022. Excluding litigation defence costs and other non-recurring provisions, underlying profit was £7.4m compared with £5.9m in FY 2022.

Fee and commission income was £45.7m for the year (FY 2022: £48.8m) with lower transaction based income in Hansard International and lower income from Hansard Europe which continues to run-off since closing to new business in 2013.

Income on shareholder investments was £3.5m for the year (FY 2022: £0.1m) as the Group has been able to take advantage of higher interest rates.

Administrative and other expenses were £29.0m for the year (FY 2022: £29.8m). The Group maintained tight control over general overheads and expenses, despite inflationary pressures.

Value in Force ("VIF") represents the present value of expected future shareholder profits less the present value cost of holding capital required to support the in-force business. VIF totaled £124.4m as at 30 June 2023 compared to £128.5m at 30 June 2022 reflecting additional VIF from new business levels being lower than the realisation of profits in the year from the in-force business.

Assets under administration were £1.1bn as at 30 June 2023, in line with £1.1bn at 30 June 2022.

## **OUTLOOK**

While the economic environment and long-term savings market remain challenging, we continue to make progress in Japan in respect of our new proposition as well as in developing new products. We continue to benefit from a strong balance sheet with no external debt and look forward to reporting further progress in due course.

## **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 £22.4m as at 30 June 2023 compared to £22.2m as at 30 June 2022.

The Group successfully defended 15 cases during the year with net exposures of approximately £1.9m, 14 of which may be 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 8 November 2023, represents a total dividend of 4.45p (2022: 4.45p) per share in respect of the financial year. Upon approval, the dividend will be paid on 14 November 2023 to shareholders on the register on 4 October 2023. The associated ex-dividend date is 3 October 2023.

## **HALF-YEARLY RESULTS**

The results for the half-year are expected to be published on 7 March 2024.

### **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.

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## Chairman's Statement

### Introduction

I am pleased to present the Group's annual report for the financial year ended 30 June 2023. During the year we strengthened our board composition with the addition of Christine Theodorovics and Thomas Morfett, who both bring highly relevant skills and experience. In turn, following his departure, I would like to thank Tim Davies for his contribution and commitment to the Group.

Hansard, like many other businesses, has continued to experience a challenging external environment as we navigate our way through ongoing challenges in the global economy, including the effects of the Russia/Ukraine conflict. While new business was lower than the prior year comparative, the business has remained resilient, with our systems and client services functions 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 continue to make progress with distribution opportunities.

We have also made significant progress with the project to replace our policy administration systems. This will provide an advanced, modern platform that will benefit our policyholders, distribution partners and Group performance through enhanced operational efficiency, increased scalability, and cost savings.

### Financial performance

Our IFRS profit before tax for the year was £5.9m compared to £3.8m in 2022.

Fees and commissions were down £3.1m to £45.7m for the year (2022: £48.8m), reflecting lower transactional income within Hansard International and the continuing run-off of Hansard Europe.

Returns on group investments improved to £3.5m for the year (2022: £0.1m) as a result of increasing interest rates as a counter to inflationary pressures, with the Group managing its cash position to take advantage of improving yields wherever possible.

Administrative and other expenses were £29.0m for the year, compared to £29.8m in 2022. The 2022 result incorporated a £1.0m provision for fees and other balances that were deemed likely to be irrecoverable from a set of legacy funds in the process of liquidation. The Group maintained tight control over general overheads and expenses.

Further detail and analysis are contained in the Business and Financial Review on pages 12 to 22.

### New business

New business for the 2023 financial year was £85.7m (using the PVNBP metric), down 28.9% from £120.5m in 2022. New business levels were impacted by economic uncertainty, geopolitical developments, and a general hesitancy by clients to commit to long-term savings products, particularly those with contractual regular premiums.

Initiatives are underway to improve new business levels and are further outlined 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 £44.6m (2022: £50.7m), a coverage of 156% (2022: 165%). 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 (2022: 2.65p). In making this decision, the Board has carefully considered its current and future cash flows, the risks and potential impact of the global economic situation, 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 (2022: 4.45p). Upon approval, the final dividend will be paid on 16 November 2023. The ex-dividend date will be 5 October 2023 and the record date will be 6 October 2023.

**Philip Kay**  
**Chair**  
**28 September 2023**

## GROUP CEO REVIEW

Despite a challenging economic environment adversely influencing new business sentiment in our savings and investment target markets, I'm pleased to present this strong set of key financial results as testament to the resilience of the Hansard Group over many years. Organisational improvements and key person hires – including Thomas Morfett as our new CFO and John Whitehouse promoted to a newly created COO role – have enabled us to tighten focus on cost control and maximise returns on Group cash whilst building our refreshed product pipeline to improve new business revenue.

Focus over the past financial year has been on creating and leveraging capacity in our Commercial team, to explore additional distribution channels for our Japan proposition, and to refresh our existing product portfolio to reflect changing investor trends. A pipeline of improved products will begin to be offered from the end of this calendar year to address declining sales volumes in our traditional markets.

In addition, we've continued to make positive progress with our major technology project to replace our policy administration and associated systems, which will yield tangible cost savings and efficiency gains in the near future.

Despite macro-economic double-digit inflationary pressure, tight cost control has reduced the impact to less than 1% of our prior year cost base, reflecting an increase of £0.2m excluding litigation costs and provision for bad debts which remain closely managed. These actions have enabled us to pay a consistent dividend yield to shareholders with minimal impact on reserves, whilst building opportunities to improve top-line growth now and for the future.

The range of activities within the Group referred to above has required colleagues across the business to manage multiple priorities at pace, and I would like to take this opportunity to thank my executive team and all Hansard Group colleagues for their commitment and hard work. In addition, Hansard colleagues were delighted to be recognised for their commitment to servicing the needs of advisors and their clients, picking up awards for Excellence in Client Service and Excellence in Fintech at the October 2022 International Investment awards.

Our Culture Change Programme has entered its third year and we were pleased to measure our progress via a recent Colleague Engagement Survey which evidenced 70% of “engaged colleagues”, up from 40% in early 2021. We will continue to strive to ensure that Hansard is a company that colleagues are proud to work in.

This has been an important year of making significant progress across all our major strategic priorities, and I fully appreciate that we must now deliver on these well-developed plans to ensure Hansard remains a relevant, innovative, and sustainable business for all stakeholders.

## RESULTS FOR THE YEAR UNDER REVIEW

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

- Proposition enhancement, product improvement and diversification of our distribution channels to enable generation of significant flows of new business from identified target markets.
- Completing our technology change project to deliver meaningful cost savings in the near and medium term.
- Proactively managing our cash flows through the cycle to fund the appropriate balance of investment in new business and dividends.
- Managing and mitigating our exposure to business risks; and
- Positioning ourselves to incorporate increasing levels of regulation into our business model.

I draw your attention to the following items below. Additional information is contained in the Business and Financial Review on pages 12 to 22.

### 1. New business distribution

New business for the 2023 financial year was £85.7m (using the PVNBP metric), down 28.9% from £120.5m in FY 2022. New business levels were impacted by economic uncertainty, geopolitical developments, and a general

hesitancy by clients to commit to long-term savings products, both regular and single premium. Activities in train to progress 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 continues to provide for the identification, assessment, management, control and reporting 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, with the benefit of iterative enhancements as we continue to embed our approach and benefit from the relative maturity of the ERM Framework.

### **2.1 Litigation Risk**

As explained more fully in the Business and Financial Review, on pages 12 to 22, we continue to manage complaints and litigation arising from our closed book, Hansard Europe, where the assets linked to contracts written before 2014 have fallen in value or become illiquid. Hansard does not and did not give investment advice and were not therefore party to the selection of policy assets, and maintain that such claims have no merit against Hansard.

As at 30 June 2023, the Group had been served with cumulative writs with a net exposure totalling €26.1m, or £22.4m in sterling terms (30 June 2022: €24.6m / £21.2m) arising from contract holder complaints and other asset performance-related issues.

In this financial year we successfully defended 15 cases with net exposures of approximately £1.9m, 14 of which may be appealed by the plaintiffs. These successes continue to affirm 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 developments.

Additional information concerning Hansard OnLine is set out in the Business and Financial Review on pages 12 to 22.

## **4. Operating cash flows and dividends**

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

As outlined in the Cash Flow analysis section of the Business and Financial Review, the Group generated £1.6m in overall net cash outflows before dividends (2022: inflows of £5.3m), after commission and other new business acquisition costs of £8.5m (2022: £11.5m) and the investment of £6.6m (2022: £4.5m) in IT software and equipment expenditure. Dividends of £5.9m were paid in the financial year (2022: £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 8 November 2023. If approved, this will represent total dividends for the financial year of 4.45p per share (2022: 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 2023	FY 2022
	£m	£m
<b>NEW BUSINESS SALES - PVNBP</b>	<b>85.7</b>	120.5
<b>IFRS PROFIT BEFORE TAX</b>	<b>5.9</b>	3.8
<b>UNDERLYING IFRS PROFIT</b>	<b>7.4</b>	5.9
<b>ASSETS UNDER ADMINISTRATION</b>	<b>1,101.5</b>	1,092.3
<b>VALUE OF IN-FORCE (REGULATORY BASIS)</b>	<b>124.4</b>	128.5

### IFRS results

IFRS profit before tax for the year was £5.9m, up from £3.8m in 2022. After eliminating litigation and non-recurring items, as shown on page 14, the underlying IFRS profit (a non-GAAP metric) was £7.4m, up from £5.9m in 2022.

Fees and commissions were £45.7m for the year (2022: £48.8m). Fees from Hansard International and Hansard Worldwide were down £2.7m to £43.6m from 2022, 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.

Returns on group investments increased to £3.5m (2022: £0.1m) as central banks sought to counter inflation with higher interest rates, leading to higher yields on the Group's bank deposits.

Administrative and other expenses were £29.0m for the year, compared to £29.8m in 2022. The 2022 result incorporated a £1.0m provision for fees and other balances that were deemed likely to be irrecoverable from a set of legacy funds in the process of liquidation. The Group maintained tight control over general overheads and expenses.

Origination costs to acquire new business of £16.2m is in line with the 2022 result. Origination costs in respect of new business decreased to £11.5m (2022: £13.6m). The amortisation of deferred origination costs increased to £4.7m (2022: £2.6m).

Further details and analysis are contained in the Business and Financial Review on pages 12 to 22.

### 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 £44.6m (2022: £50.7m), a coverage of 156% (2022: 165%). Shareholder assets are typically held in a wide range of deposit institutions, investment grade corporate bonds, and 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.

### GLOBAL ECONOMIC SITUATION

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, particularly in our core markets in the Middle East and Latin

America. Following the escalation of the Russia-Ukraine conflict in February 2022, the challenges to the rest of the world are becoming clearer as energy and food prices spiked leading to higher inflation.

The direct impacts to our business as a result are now expected to be three-fold. Firstly, it has exacerbated hesitancy amongst our target clients in investing in long term savings plans and this has impacted our 2023 new business results. Secondly, we can expect cost pressures within our business in our 2024 financial year as energy costs increase, suppliers and professional advisors increase their charges and inflationary pressure is felt across our workforce. And lastly, stock market and foreign exchange volatility will continue to have a direct impact on income.

We will seek to manage these challenges. We aim to build on our existing markets by opening new channels and developing new product opportunities and we will continue to target cost savings to help mitigate inflationary pressures elsewhere.

## **OUR PEOPLE**

Our people are critical to our success and I would like to recognise and reiterate my thanks to 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 ambitions, and the expectations of our stakeholders.

**Graham Sheward**  
**Group Chief Executive Officer**  
**28 September 2023**

# OUR BUSINESS MODEL AND STRATEGY

## 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 our customers with savings and investment products in secure life assurance wrappers to meet their 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 authorised by the Isle of Man Financial Services Authority and has a branch in Malaysia, authorised by the Labuan Financial Services Authority, to support business flows from Asian growth economies. The Company also has a branch in Japan to support its Japanese proposition, which is authorised by the Japanese Financial Services Agency. Through its relationship with a local insurer in the UAE, Hansard International reinsures business written in the UAE.

Hansard Worldwide underwrites international and expatriate business around the world. It is authorised by the Insurance Commission of The Bahamas.

Hansard Europe is authorised 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 advisors in key territories around the world, supported by our multi-language online platform, Hansard OnLine.

### Vision and Strategy

Our vision for the Hansard Group is:

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

To deliver this vision, 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 well positioned to respond and adapt to regulatory change and development; 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 products in Japan; and
- upgrading and streamlining our systems and IT infrastructure.

We have completed internally the development of our two new Japanese products and continue to make positive progress with distribution opportunities for them.

Core functionality for our new IT platform has been delivered as at 30 June 2023.

## **REGULATORY CHANGE**

Transformational change remains high on the agenda of the Isle of Man Financial Services Authority (the Authority) as it continues to maintain a robust regulatory environment and keep pace with international standards. The Island's reputation as a well-regulated and internationally responsible jurisdiction remains of vital importance to its competitive positioning in the global marketplace and maintaining consumer confidence in the Island's financial services sector. The Regulator's strategic priorities are also closely aligned with the Isle of Man Government's vision to build a secure, vibrant and sustainable Manx economy.

The Authority has continued its work to drive continuous improvement in the Isle of Man's regulatory environment, targeting the protection of customers, the deterrence of financial crime and upholding confidence in the financial services sector. Supervisory emphasis remains focused on the delivery of outcomes that enhance the Island's reputation as a well-regulated jurisdiction and a high level of compliance with international standards. Major milestones have been enacted in recent years with the implementation of new risk-based capital, conduct and governance regimes. More recently the Regulator has completed the transition from a predominantly sector risk-based supervisory approach to a wider impact and risk-led model, which deploys regulatory resources in the most appropriate and efficient way.

Throughout the reporting period the Hansard Group has continued its work to adapt to and embrace the intent and objectives of regulatory change and development, working transparently with all the Group's Regulatory bodies to shape our responses and embed associated changes in strategy, policy, practice and culture.

### **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 allow life assurance cover or other features depending upon the needs of the client. The contract benefits are directly linked to the value of assets that are selected by, or on behalf of, the client. 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 investment 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 to £40.5m. Approximately 30% of the Group's revenues, under IFRS, are based upon the value of assets under administration.

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, the lingering effects of the Covid-19 pandemic, the Russia-Ukraine conflict and other geo-political tensions can cause significant volatility to stock markets, foreign exchange markets, interest rates and expense 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 remain committed to iterative development and enhancement of 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 at pages 23 to 32.

## **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 several independent industry awards. Most recently this included winning International Investment's "Excellence in Fintech" award in October 2022, the third year in a row to win this prestigious award.

## **Online Accounts**

Whilst many of our IFAs are technologically sophisticated and have been utilising our online offering for years, we remain committed to supporting greater take up by our clients, enabling them to realise the benefits of our technology

solutions, including ease of access and improved security. 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.

### **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**

Hansard has continued to invest in its cyber security infrastructure with the implementation of a Security Operations Centre, operating at an ISO27001 (Information Technology Security Standard) standard, to provide further enhanced surveillance of our systems and external threats.

### **Excellent Customer Service**

We strive to provide excellent customer service and turn-around times to our clients and our IFA community. We have won several external awards in this area over the years, most recently in October 2022 when we won 'Excellence in Client Service - Industry' from International Investor for the Asian region, Africa region and as overall global winner. We also maintained our five-star rating for customer service by AKG Financial Analytics in their 2022 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 £2.6m compared to 2022 driven by client hesitancy to commit to long-term savings and other economic headwinds 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 £22.3m compared to £22.1m in the previous year. Further detail is contained in the section on Administrative and other expenses.

**Cash** – Bank balances and significant movements on balances are reported monthly. The Group's cash and deposits at the balance sheet date were £65.4m (2022: £74.5m). Movements are reflective of cash earned from new and existing business, commissions and expenses paid, investments in new systems, the level of inflight transactions, and the dividends paid to shareholders.

**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 is further evidenced by ongoing remote working as a normal business practice.

**Risk profile** – The factors impacting on the Group's risk profile are kept under continuous review. Senior management review actual and emerging risk issues at least monthly. The principal risks faced by the Group are summarised in the Principal and Emerging Risks section below.

**Solvency** – The Solvency Capital Requirement ("SCR") of the Group and its' subsidiaries is monitored frequently and reported to the Board. The SCR as at June 2023 is reported in Other Information.

## BUSINESS AND FINANCIAL REVIEW

### NEW BUSINESS PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

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:

<b>Basis</b>	<b>2023 £m</b>	<b>2022 £m</b>	<b>% change</b>
Present Value of New Business Premiums	<b>85.7</b>	120.5	(28.9%)
Annualised Premium Equivalent	<b>12.7</b>	16.4	(22.6%)

In Present Value of New Business Premiums (“PVNBP”) terms, new business for the year to 30 June 2023 was £85.7m, 28.9% down compared to the prior year.

The Annualised Premium Equivalent (“APE”) measure shows a decline of 22.6% from 2022 to £12.7m.

#### Present Value of New Business Premiums

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

<b>PVNBP by product type</b>	<b>2023 £m</b>	<b>2022 £m</b>	<b>% change</b>
Regular premium	<b>55.7</b>	76.9	(27.6%)
Single premium	<b>30.0</b>	43.6	(31.2%)
Total	<b>85.7</b>	120.5	(28.9%)

<b>PVNBP by region</b>	<b>2023 £m</b>	<b>2022 £m</b>	<b>% change</b>
Middle East and Africa	<b>42.4</b>	44.3	(4.3%)
Rest of World	<b>25.7</b>	33.9	(24.2%)
Latin America	<b>12.1</b>	28.2	(57.0%)
Far East	<b>5.5</b>	14.1	(61.0%)
Total	<b>85.7</b>	120.5	(28.9%)

New business for the financial year was impacted by economic uncertainty, geopolitical developments, and a general hesitancy by clients to commit to long-term savings products as the global cost of living crisis impacted the outlook for savings, particularly in the contractual regular premiums market. We saw a number of large single premium cases which gives a glimpse of potential opportunity as we roll out our new single premium proposition.

The recruitment of last year has helped establish new relationships and support ongoing relationships through this difficult time. Activities around new business generation remain high as we work with key advisors around both existing and new opportunities.

The Head of Sales has taken oversight of our global IFA-channel sales team and is tasked to deliver our key distribution and relationship initiatives, with particular focus around delivery of the new proposition developments into key markets and to maximise the opportunities that this will create. Alongside this the Head of New Business Development is tasked with developing business relationships with new distributors globally and further invigorating



relationships with current distributors. Several new relationships have already started producing business and this work will continue in the forthcoming year to expand further our networks of distributors.

The sales team is well positioned to drive broker and product initiatives to increase new business in the 2024 financial year and beyond. This includes the development and launch of new products for key target markets, updates and improvements to existing products and launch of our new system that will serve as the foundation of product and service in the future.

Premium currencies remained relatively consistent year on year, with the predominant currency being US Dollars:

<b>Currency denominations (as a percentage of PVNBP)</b>	<b>2023</b> <b>%</b>	<b>2022</b> <b>%</b>
US dollar	<b>87</b>	82
Sterling	<b>8</b>	15
Euro	<b>4</b>	3
Other	<b>1</b>	-
	<b>100</b>	100

## 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 £5.9m, up from £3.8m in 2022. The primary drivers behind the increase are higher investment returns as central bank rates have increased throughout the year, and lower administration expenses.

Operating profit prior to litigation and non-recurring items was £7.4m in 2023, up from £5.9m in 2022.

### 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 gains attributable to contract holder assets were £40.2m (2022: loss of £103.6m). 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 no net impact on IFRS profit.
- Fund management fees are collected and paid onwards by the Group to third parties having a relationship with the underlying contract. In 2023 these were £5.2m (2022: £5.6m). These are reflected on a gross basis in both income and expenses under the IFRS presentation on page 98. Deducting the £5.2m from £45.7m for fees and commissions and £29.0m for administrative and other expenses in the consolidated statement of comprehensive income results in the figures of £40.5m, £22.3m and £1.5m 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.

	2023 £m	2022 £m
Fees and commissions attributable to Group activities	40.5	43.2
Investment and other income	5.4	1.0
	45.9	44.2
Origination costs	(16.2)	(16.2)
Administrative and other expenses attributable to the Group, before litigation and non-recurring items	(22.3)	(22.1)
Operating profit for the year before litigation and non-recurring items	7.4	5.9
Litigation and non-recurring expense items	(1.5)	(2.1)
<b>Profit for the year before taxation</b>	<b>5.9</b>	<b>3.8</b>
Taxation	(0.2)	(0.2)
<b>Profit for the year after taxation</b>	<b>5.7</b>	<b>3.6</b>

### Fees and commissions

Fees and commissions for the year attributable to Group activities were £40.5m, 6.3% lower than the 2022 total of £43.2m.

Contract fee income totalled £28.1m for the year, down £2.0m on the 2022 comparative of £30.1m. 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 £2.0m (2022: £2.5m).

Fund management fees accruing to the Group and commissions receivable from third parties totalled £12.4m (2022: £13.1m). 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:

	<b>2023</b>	2022
	<b>£m</b>	£m
Contract fee income	<b>28.1</b>	30.1
Fund management fees accruing to the Group	<b>7.7</b>	8.3
Commissions receivable	<b>4.7</b>	4.8
	<b>40.5</b>	43.2

Included in contract fee income is £16.8m (2022: £16.6m) representing the amortisation of fees prepaid in previous years, as can be seen in the analysis set out below:

	<b>2023</b>	2022
	<b>£m</b>	£m
Amortisation of deferred income	<b>16.8</b>	16.6
Income earned during the year	<b>11.3</b>	13.5
<b>Contract fee income</b>	<b>28.1</b>	30.1

### Investment and other income

Investment income has improved significantly as UK and US interest rates have increased from their historically low levels.

	<b>2023</b>	2022
	<b>£m</b>	£m
Bank interest and other income receivable	<b>4.5</b>	1.3
Foreign exchange profits / (losses) on revaluation of net operating assets	<b>0.9</b>	(0.3)
	<b>5.4</b>	1.0

## 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, salaries of sales staff, are expensed as incurred.

Origination costs incurred in 2023 have decreased by £2.1m from the prior year. Origination costs were lower in line with lower new business levels but offset by increased amortisation of prior year balances.

	2023 £m	2022 £m
Origination costs - deferred to match future income streams	8.8	11.3
Origination costs - expensed as incurred	2.7	2.3
Investment in new business in year	11.5	13.6
Amortisation of deferred origination costs net of new deferrals	4.7	2.6
	<b>16.2</b>	16.2

Amounts totaling £13.5m (2022: £13.9m) 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:

	2023 £m	2022 £m
Amortisation of deferred origination costs	13.5	13.9
Other origination costs incurred during the year	2.7	2.3
	<b>16.2</b>	16.2

## 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 £5.2m (2022: £5.6m).

	2023 £m	2022 £m
Salaries and other employment costs	10.6	10.8
Other administrative expenses	7.7	7.3
Professional fees, including audit	3.1	2.8
<b>Recurring administrative and other expenses</b>	<b>21.5</b>	20.9
Growth investment spend	0.8	0.8
<b>Administrative and other expenses, excl. litigation and non-recurring expense items</b>	<b>22.3</b>	21.7
Litigation defence and settlement costs	1.4	1.1

Provision for doubtful debts	0.1	1.4
<b>Total administrative and other expenses</b>	<b>23.8</b>	<b>24.2</b>

**Salaries and other employment costs** have decreased by £0.2m or 1.9% to £10.6m as a result of close scrutiny of headcount and a lower variable compensation element.

The average Group headcount for the 2023 financial year was 187 people (2022: 189 people).

**Other administrative expenses** increased marginally to £7.7m from £7.3m as we actively managed the Group cost base despite high inflationary pressure.

**Professional fees including audit** increased by £0.3m to £3.1m. These costs include amounts totalling £0.8m paid to the Group's auditor (2022: £0.5m) with the increase driven by additional fees in respect of the prior year, and fees for assurance work in respect of ESG; £0.5m (2022: £0.5m) for administration, custody, dealing and other charges paid under the terms of the investment processing outsourcing arrangements; recruitment costs of £0.2m (2022: £0.2m), costs of investor relations activities of £0.2m (2022: £0.2m) and general legal and professional fees of £1.4m (2022: £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 £0.1m (2022: £0.5m). No further additional provisions have been required in the current year with the balance of the provision as at 30 June 2023 being £0.1m (2022: £0.2m).

**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 £15.9m (2022: £21.1m). Operating cash flows have decreased this year as a result of the reduction in fee income.

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 2023, the Group invested £6.6m (2022: £4.2m) as part of a project to replace its administration systems. These costs are capitalised as Intangible Assets on the Group's consolidated balance sheet.

Net cash outflows before dividends was £1.6m (2022: inflows of £5.3m), with a reduction in cash from operating activities offset to some extent by interest received as a result of increases in interest rates.

Overall Group cash and deposits have decreased from £74.5m to £65.4m as at 30 June 2023, primarily driven by lower new business as noted above.

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

	2023 £m	2022 £m
Net cash surplus from operating activities	15.9	21.1
Interest received	3.0	0.3
Net cash inflow from operations	18.9	21.4
Net cash investment in new business	(8.5)	(11.5)
Purchase of property and computer equipment	(6.6)	(4.5)
Net cash investment in bond portfolio	(5.0)	-
Corporation tax paid	(0.4)	(0.1)
Net cash (outflow) / inflow before dividends	(1.6)	5.3
Dividends paid	(5.9)	(6.1)
<b>Net cash outflow after dividends</b>	<b>(7.5)</b>	<b>(0.8)</b>

	2023 £m	2022 £m
Net cash outflow after dividends	(7.5)	(0.8)
(Decrease) / increase in amounts due to contract holders	(0.6)	9.8
Net Group cash movements	(8.1)	9.0
Group cash and deposits – opening position	74.5	63.5
Effect of exchange rate movements	(1.0)	2.0
<b>Group cash and deposits – closing position</b>	<b>65.4</b>	<b>74.5</b>

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 shown on page 101.

	<b>Non-GAAP Cash Flow</b>	<b>Consolidated Cash Flow Statement</b>
	<b>£m</b>	<b>£m</b>
Net cash flow from operations before tax	13.9	7.4
Adjust for net movement in policyholder financial assets and liabilities	-	2.4
	13.9	9.8
Purchase of property and computer equipment (tangible and intangible)	(6.6)	(6.6)
Corporation tax paid	(0.4)	(0.4)
Dividends paid	(5.9)	(5.9)
Net cash investment in business	(8.5)	-
Decrease in amounts due to contract holders	(0.6)	-
Net movement in assets and liabilities relating to contract holders	-	(5.0)
	(9.1)	(5.0)
<b>Net Group cash movements</b>	<b>(8.1)</b>	<b>(8.1)</b>

#### 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 diversify counterparty risk. Deposits totalling £13.2m (2022: £15.6m) 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 cash and deposits at the balance sheet date.

	<b>2023</b>	2022
	<b>£m</b>	£m
Money market funds and immediately available cash	<b>41.2</b>	54.2
Short-term deposits with credit institutions	<b>11.0</b>	4.7
Cash and cash equivalents under IFRS	<b>52.2</b>	58.9
Longer-term deposits with credit institutions	<b>13.2</b>	15.6
<b>Group cash and deposits</b>	<b>65.4</b>	74.5

## ABRIDGED CONSOLIDATED BALANCE SHEET

The consolidated balance sheet on page 100 presented under IFRS reflects the financial position of the Group at 30 June 2023. 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 incorporates the net liability to those contract holders of £1,101.5m (2022: £1,092.3m). 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.

	2023 £m	2022 £m
<b>Assets</b>		
Deferred origination costs	117.8	122.5
Other assets	27.6	20.4
Bank deposits and money market funds	65.4	74.5
	<b>210.8</b>	217.4
<b>Liabilities</b>		
Deferred income	144.8	145.1
Other payables	44.2	50.1
	<b>189.0</b>	195.2
<b>Net assets</b>	<b>21.8</b>	22.2
<b>Shareholders' equity</b>		
Share capital and reserves	21.8	22.2

Other assets include intangible assets, property, plant and equipment and other receivables. Other payables include amounts due to investment contract holders and other payables.

### 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	2023 £m	2022 £m
At beginning of financial year	122.5	125.1
Origination costs deferred during the year	8.7	11.3
Origination costs amortised during the year	(13.4)	(13.9)
	<b>117.8</b>	122.5

### 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.

<b>Carrying value</b>	<b>2023</b> <b>£m</b>	2022 £m
At beginning of financial year	<b>145.1</b>	142.5
Initial fees collected in the year and deferred	<b>16.5</b>	19.2
Income amortised during the year to fees income	<b>(16.8)</b>	(16.6)
	<b>144.8</b>	145.1

## 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 prior year, with 71% of AuA designated in US dollar (2022: 71%) and 8% in euro (2022: 8%).

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 2023 was £1,101.5m, 0.8% higher than 30 June 2022. Significantly lower single premiums were offset by lower withdrawals, and market and currency movements increased as global stock markets regained ground lost as a result of economic concerns arising out of the Russia/Ukraine conflict and the impact of monetary tightening with high levels of inflation.

The following table summarises the movements in the year:

	<b>2023</b> <b>£m</b>	2022 £m
Deposits to investment contracts – regular premiums	<b>86.1</b>	86.2
Deposits to investment contracts – single premiums	<b>30.2</b>	43.8
Withdrawals from contracts and charges	<b>(147.7)</b>	(158.4)
Effect of market and currency movements	<b>40.6</b>	(103.5)
Movement in year	<b>9.2</b>	(131.9)
Opening balance	<b>1,092.3</b>	1,224.2
<b>Closing balance</b>	<b>1,101.5</b>	1,092.3

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

<b>Fair value of AuA at 30 June</b>	<b>2023 £m</b>	<b>2022 £m</b>
Hansard International	<b>1,037.7</b>	1,024.5
Hansard Europe	<b>63.8</b>	67.8
	<b>1,101.5</b>	1,092.3

Assets to cover the financial liabilities of Hansard Worldwide are held 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 2023. This amounted to £2.5m.

The Board has resolved to recommend a final dividend of 2.65p per share (2022: 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 global economic conditions, geopolitical factors (including 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 16 November 2023.

## **COMPLAINTS AND POTENTIAL LITIGATION**

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 2023, the Group had been served with cumulative writs with a net exposure totalling €26.1m, or £22.4m in sterling terms (30 June 2022: €24.6m / £21.2m) 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 principal reasons for the increase in contingent liabilities are a case which was previously defended successfully, being subject to a new claim, and a further new claim

During the year, the Group successfully defended 15 cases with net exposures of approximately £1.9m, 14 of which may be appealed by the plaintiffs (2022: successfully defended 24 cases with net exposures of £3.2m). 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 2023 we recorded £0.1m in insurance recoveries in relation to litigation expenses (2022: £0.5m). We expect such reimbursement to continue during the course of those claims.

We continue to estimate insurance coverage against the £22.4m of contingent liabilities referred to above to be in the range of £3m to £10m.

While it is not possible to forecast or determine the final result 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 as at 30 June 2023 is 15.9p (2022: 16.1p) based on the net assets in the Consolidated Balance Sheet divided by the number of shares in issue, being 137,557,079 ordinary shares (2022: 137,557,079).

## RISK MANAGEMENT AND INTERNAL CONTROL

The Group is naturally exposed to both existing and emerging risks, as it pursues its strategic and business plan objectives, which may arise via the internal or the external environment. 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 Group.

For the year ended 30 June 2023 the Board has remained sensitive to the disruptions provoked by the outbreak of war in Ukraine, which coincided with the residual stresses of the Covid-19 pandemic. Particular focus has been maintained on understanding and assessing the capacity for risks in the external environment, which have more immediate prominence – including energy supply risks, cost of living crises, rising inflation and cyberattacks on critical infrastructure - to impede the visibility of other emerging challenges, including climate transition risks, broader increase in cyber vulnerabilities, persistent barriers to international mobility, wider supply chain disruptions, protectionism, geopolitical instabilities and inflationary pressures. The nature and duration of uncertain and unpredictable events, over short, mid and longer-term time horizons remains 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 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 2023 the Group Risk Forum (“GRF”), previously established during the 2022 Financial Year to replace the pre-existing Executive and Operational Risk Committees, has continued its work to further enhance the evidencing and demonstration of risk ownership, ensuring responsibilities and accountabilities for risk management and risk-based decision making are transparent and proactively owned at all business levels. The GRF has continued 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 Own Risk and Solvency Assessment (“ORSA”) cycles. The Group ORSA report reflects the cycle of ongoing activities and arrangements which enable the Group Board and the Executive Management Team to properly assess and understand at a practical level the short- and longer-term risks facing the Group and the capital required to cover those risks, under both normal and stressed conditions. The ORSA considers the major sources of risk that the Group, or a subsidiary entity may face under the principal and subordinate risk designations of the ERM Framework. Both internal and external risks are considered, together with emerging risks and any risks associated with the Group’s systems of governance. The ORSA includes capital, performance and strategic information and provides management with key information for decision making.

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; and
- 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, assess, and quantify 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 assessment and 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 seeks to 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, having regard to the 'five pillar' structure of the ERM Framework, which drives analytical reporting to the Audit and Risk Committee. 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 companies' 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 the Audit and Risk Committee. The members of the Audit and Risk Committee review the interim financial statements for the half year ending 31 December and for the full financial year and engage with the CFO to discuss and challenge the presentation and disclosures therein. Once the draft document is approved by the Audit and Risk 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 monthly 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.

## 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. The Group maintains a precise match between the investment assets held 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 2023 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
<b>Distribution Risk:</b>  <b>Arising from market changes, technological advancement, loss</b>	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. The Group may be unable to maintain competitive advantage in commercially significant jurisdictions, or market segments, or be unable to

<p><b>of key intermediary relationships or competitor activity</b></p>	<p>build and sustain successful distribution relationships, particularly in the event of any prolonged uncertainties consequent to the pandemic environment.</p> <p><b>How we manage the risk:</b></p> <ul style="list-style-type: none"> <li>• Close monitoring of marketplaces, competitor activity and consumer sentiment for signs of emerging risks and threats to forecast new business levels.</li> <li>• 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.</li> <li>• 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.</li> <li>• Investment in new markets and expansion of existing markets, developing new key distributor relationships and new product development for specific markets and globally.</li> </ul>
<p><b>Market Risks:</b></p> <p><b>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</b></p>	<p>Market risks are an inherent element of the Group's unit linked business and are routinely assessed and monitored via the Group ERM Framework, having regard to the balance sheet and profit reduction impacts of a drop in equities, causing a reduction in fees derived from the value of contract holder assets, as well as the contagion effects for aspects of the broader risk portfolio. Such contagion might include deferred impacts to profit through reduced sales activity, concentration risks on fund holdings/underlying assets, and reduced incomes through increased lapse rates.</p> <p>The Board also recognises that extreme market conditions and prolonged macroeconomic challenges may have the capacity to influence consumer appetite for the selection and purchase of financial services products and the period over which business is retained. Inflation quickly moved to become a significant driver of economic volatilities during the reporting period, with prevailing uncertainty as to how effective typical policy responses might be and the potential for wide ranging and profound changes to be triggered. In addition, the Group operates internationally and earns income in a range of different currencies, with the majority of premiums denominated in USD whilst the vast majority of its operational cost base is denominated in GBP. A significant adverse currency movement over a sustained period remains a principal risk to the Group.</p> <p><b>How we manage the risk:</b></p> <ul style="list-style-type: none"> <li>• The Board recognises 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.</li> <li>• The currencies of assets and liabilities are matched within set tolerances and certain expenses are invoiced in US Dollars to match against US Dollar income streams.</li> <li>• 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 Group's resilience and the range of possible mitigating options.</li> <li>• Stress testing performed during the year-ended 30 June 2023 assessed the impacts of reasonably plausible market risk events and scenarios, including those resulting from macroeconomic challenges driven by geopolitical instabilities, rising inflation, uncertainties in commodity price and currency volatilities.</li> <li>• The long-term nature of the Group's products serves to smooth short term currency fluctuations. However, longer term trends are monitored and considered in pricing models.</li> </ul>



<p><b>Credit Risk:</b></p> <p><b>Arising from the failure of a counterparty</b></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. 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 received. The failure of Independent Financial Advisors (“IFAs”) can also result in loss where unearned commissions can be due back to the Group.</p> <p><b>How we manage the risk:</b></p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• During the reporting period we have continued to closely monitor geopolitical developments and potential disruptions to international payment systems and capital markets arising from the extensive sanctions in force in the context of the Russia-Ukraine conflict.</li> </ul>
<p><b>Liquidity Risk:</b></p> <p><b>Arising from a failure to maintain an adequate level of liquidity to meet financial obligations under both planned and stressed conditions</b></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><b>How we manage the risk:</b></p> <ul style="list-style-type: none"> <li>• The Group maintains highly prudent positions in accordance with its risk appetite and investment policies which ensures a high level of liquidity is always available in the short term. Generally, shareholder assets are invested in cash or money market instruments with highly rated counterparties.</li> <li>• During the reporting period we have maintained a prudent approach to the availability of short-term cash, with no material change in risk exposures.</li> </ul>
<p><b>Legal and Regulatory Risk:</b></p> <p><b>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</b></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 increasingly granular data submission requirements has maintained the momentum gathered post-Covid. Changes to rule sets and supervisory expectations continue to require 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 demands continued investment in the capacity, competence, and capability of resourcing across all business areas, having regard to the extent of risk interdependencies and the embedding of personal accountability regimes. The impacts associated with crystallisation of a significant compliance failing, including financial penalties, public disclosures, restrictions on activities and other forms of intervention, have been escalated by sea-changes in political landscapes and shifting supervisory attitudes to regulatory effectiveness.</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><b>How we manage the risk:</b></p>

	<ul style="list-style-type: none"> <li>• Robust strategic planning processes informed by analytical review of the external environment and consideration of associated risk in the short and longer term.</li> <li>• Continuous monitoring and review of developments in international law and regulation and proactive management of how such developments might shape jurisdictional specific reaction.</li> <li>• 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.</li> <li>• Maintenance of robust governance, risk management and internal control arrangements to ensure that legal and regulatory obligations are substantively met on a continuing basis.</li> <li>• Active engagement with professional advisors to address specific risks and issues that arise.</li> </ul>
<p><b>Fraud and Financial Crime Risk:</b></p> <p><b>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</b></p>	<p>Regulators are taking – and expecting from firms – an increasingly holistic approach to mitigating heightened financial crime risks. Fraud and scam activities continue to target weaknesses in internal control environments - contingent with greater reliance upon remote working arrangements. Emerging risk research further indicates the bulk of the largest operational risk losses across financial services companies continues to emanate from mega frauds, indicative of macro-economic pressures and their propensity to drive episodes of internal fraud. These challenges and increased pressures on profitability are also seen as increasing the risk of poor-quality business being written and potentially diminishing the attention paid to due diligence procedures and processes. Regulators retain substantial leeway to take enforcement action ‘in hindsight’ and financial crime systems and controls are one of the most significant areas of enforcement risk as supervisory authorities seek to demonstrate the effectiveness of the regulatory environment.</p> <p><b>How we manage the risk:</b></p> <ul style="list-style-type: none"> <li>• Rigorous anti-money laundering, counter-terrorist financing and anti-bribery and corruption measures.</li> <li>• Rapid, scalable, and effective sanctions screening mechanisms to ensure robust, effective and compliant understanding of the landscape on a continuing basis.</li> <li>• 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.</li> <li>• 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.</li> </ul>
<p><b>Culture and Conduct Risk:</b>  <b>Arising from any failure of governance, risk management and internal control arrangements, via corporate or individual actions.</b></p>	<p>Organisational culture remains under scrutiny by the Board on the basis that it is recognised as a fundamental driver of corporate success, prudential soundness, and compliant conduct. Any failure to adequately assess, monitor, manage and mitigate risks to the delivery of fair customer outcomes, or to market integrity, can be expected to result in material detriment to the achievement of strategic objectives and could incur regulatory censure, financial penalty, contract holder litigation and / or material reputational damage. 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><b>How we manage the risk:</b></p>

	<ul style="list-style-type: none"> <li>• Programme level initiatives to address and support cultural change and development have remained in active progress during the reporting period with the results of investment in culture diagnostics informing strategic decision-making and tactical solutions to drive cultural change, where needed.</li> <li>• 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.</li> <li>• Business activities designed to manage the volume and velocity of regulatory change include a core 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.</li> <li>• 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.</li> <li>• The Group maintains regular dialogue with its regulatory authorities and with its external advisors in relation to developments in the regulatory environments in which we operate.</li> </ul>
<p><b>Operational Resilience Risk:</b>  <b>Arising from any exposure to risk events with the capacity to cause operational failures or wide scale disruptions in financial markets</b></p>	<p>The ability to maintain critical services or operations during periods of disruption is receiving increasing levels of regulatory scrutiny with concurrent growth in the formalisation of regulatory expectation. ‘Resilience Principles’ build on the real-world tests presented by the Covid-19 pandemic and the near-term threat of disruption of key global infrastructure in the context of the ongoing Russia-Ukraine conflict. Resilience risk and associated regulatory expectations directly extend to threats originating via third parties, including external providers, supply chains networks and outsourcing architectures intended to leverage economies of scale, gain access to specialist expertise, or deliver advanced technologies supporting innovative services.</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><b>How we manage the risk:</b></p> <ul style="list-style-type: none"> <li>• ERM conventions guide 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.</li> <li>• Impact tolerances, together with mapping and testing allow the identification of services which could cause harm, if disrupted and identify any areas of vulnerability.</li> <li>• Stress testing, continuity planning and recovery and resolution strategies provide for continuous review of the adequacy and effectiveness with which the business can respond to and recover from disruptions.</li> </ul>
<p><b>Cyber and Information Security Risk:</b>  <b>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</b></p>	<p>The nature and complexity of cyber threats and cyber risk are recognised by the Board as presenting the single most significant risk to financial services firms. The mounting sophistication and persistence of cybercrime and the growing adoption of highly advanced, nation-state type tools by cyber criminals, underscore the challenges in understanding and anticipating the nature of cyber threats and cyber risks.</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 complete reach of cyber and information security exposures. More recently geopolitical tensions at a global level and the escalation of the Russia-Ukraine</p>

conflict are considered to have triggered unprecedented cyber risks for Western governments and corporations.

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.

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.

**How we manage the risk:**

- 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.

**Environmental, Social and Governance (ESG) Risk:  
Arising from a failure to anticipate and respond to emerging sustainability risks or successfully integrate ESG considerations and policy positions into strategy and business planning**

Climate change is recognised by the Board as presenting a potential source of high-impact, high-probability risk, requiring a strategic response which is value-driven in terms of improving resilience and demonstrating to clients, investors, regulators, and wider stakeholder groups that the risks and opportunities of climate change are understood. The Board has identified that climate risk factors affecting the Group can be grouped into two main categories of risk exposure:

- Physical risks: arising from increased damage and losses from physical phenomena associated both with climate trends - typically changing weather patterns and sea level rises - and physical events, including natural disasters and extreme weather events; and
- Transition risks: arising from disruptions and shifts associated with the transition to a low-carbon economy, which may affect the value of assets or the costs of doing business. Transition risks may be motivated by changes in policyholder, or other stakeholder expectations, market dynamics, technological innovation, or reputational factors. Key examples of transition risks include policy changes and regulatory reforms which affect carbon-intensive sectors. Policy and regulatory measures may also affect specific classes of financial assets relevant for investments available through an insurer's platform, whilst social movements and civil society activism – such as that aiming to motivate divestment from and cessation of underwriting to the

fossil fuel sector – may pose a risk of reputational damage to firms, if appropriate risk mitigation strategies (and communication actions) are not implemented appropriately.

**How we manage the risk:**

- Development of adaptation plans, which embrace forward-looking analysis and support strategic decision-making, with consideration of relevant business planning, operations, underwriting and investment activities to contribute to a sustainable transition to net-zero targets and provide effective mitigation of climate change related risks,
- Climate and other ESG risks could cause macroeconomic stresses in future, including impacts to markets, interest rates, inflation and exchange rates. The business manages its exposure to these macro-economic risks as described in the market risk section above.
- 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 ownership, 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.

**Employee Engagement and Talent Risk:  
Arising from any failure to drive and support the right corporate culture and attract, develop, engage and retain key personnel**

‘Talent risk’ is growing in prominence on the operational risk agenda at industry level with the emergence of unprecedented challenges linked to attracting and retaining employees across all financial services sectors. The most material concern attaches to the shortfall in skilled employees to fill open vacancies, with a real danger that a skills shortage leads to weak oversight of business operations, particularly in critical functions/personnel, with the capacity to result in regulatory breaches through direct compliance failings, or as the result of poor governance protocols in terms of business structuring, capacity, and competence.

Simultaneously, delivery of the Group’s strategy has core dependencies on attracting and retaining experienced and high-performing management and employees and building a strong and sustainable culture, driven by our purpose, our leadership, our performance management regime and our governance principles and objectives.

The knowledge, skills, attitudes and behaviours of our employees, and the success with which these attributes shape and define our culture, are central to our success.

**How we manage the risk:**

- Significant investment in initiatives to address and support cultural change and development, shape strategy and inform tactical solutions.
- Continuation of our ‘Culture Programme’ with clearly defined areas of focus under three core pillars, those being:
  - High Performance Culture
  - Learning Culture
  - Environment & Wellbeing

These remain in active progress led by the Executive Management Team with oversight by the Board.

During March 2023, we completed an in-house Employee Engagement survey which recorded progress against all surveyed areas. Feedback from the survey has helped inform the Culture Programme activities for 2023/2024 (as set out above).

Further details around financial risks are outlined in note 3 of the consolidated financial statements.

**Philip Kay**  
**Chair**  
**28 September 2023**

## Consolidated Statement of Comprehensive Income for the year ended 30 June 2023

	Notes	Year ended 30 June 2023 £m	Year ended 30 June 2022 £m
Fees and commissions	5	45.7	48.8
Investment income	6	44.5	(103.5)
Other operating income		1.5	1.0
		<b>91.7</b>	<b>(53.7)</b>
Change in provisions for investment contract liabilities	17	(40.6)	103.5
Origination costs	7	(16.2)	(16.2)
Administrative and other expenses	8	(29.0)	(29.8)
		<b>(85.8)</b>	<b>57.5</b>
<b>Profit before taxation</b>		<b>5.9</b>	<b>3.8</b>
Taxation	10	(0.2)	(0.2)
<b>Profit and total comprehensive income for the year after taxation</b>		<b>5.7</b>	<b>3.6</b>

## Earnings per share

	Note	2023 (p)	2022 (p)
Basic	11	4.1	2.6
Diluted	11	4.1	2.6

# Consolidated Balance Sheet

## As at 30 June 2023

	Notes	30 June 2023 £m	30 June 2022 £m
<b>Assets</b>			
Intangible assets	13	19.9	13.4
Property, plant and equipment	13	2.8	2.7
Deferred origination costs	14	117.8	122.5
<b>Financial investments</b>			
<u>Measured at fair value:</u>			
Equity securities	3	52.0	55.7
Investments in collective investment schemes	3	915.5	903.4
Fixed income securities, bonds and structured notes	3	63.3	50.6
		<b>1,030.8</b>	1,009.7
<u>Measured at amortised cost:</u>			
Deposits and money market funds		90.2	99.7
Other receivables	15	4.9	4.3
Cash and cash equivalents	16	52.2	58.9
<b>Total assets</b>		<b>1,318.6</b>	1,311.2
<b>Liabilities</b>			
Financial liabilities under investment contracts	17	1,101.5	1,092.3
Deferred income	18	144.8	145.1
Amounts due to investment contract holders	17	36.6	37.3
Other payables	19	13.8	14.1
Provisions	20	0.1	0.2
<b>Total liabilities</b>		<b>1,296.8</b>	1,289.0
<b>Net assets</b>		<b>21.8</b>	22.2
<b>Shareholders' equity</b>			
Called up share capital	22	68.8	68.8
Other reserves	23	(48.5)	(48.3)
Retained earnings		1.5	1.7
<b>Total shareholders' equity</b>		<b>21.8</b>	22.2



# 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 under the Isle of Man Companies 1931 to 2004, 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:

<b>Company name</b>	<b>Incorporated</b>	<b>Activity</b>
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”), International Financial Reporting Standards Interpretations Committee (“IFRSIC”) interpretations, the Isle of Man Insurance Act 2008, 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 2023.

The Group underwrites a small amount of insurance business. Management has undertaken an assessment of the impact of accounting for this business as investment business rather than insurance business and concluded that this would not have a material impact on the financial statements. This assessment has been refreshed to consider the impact of IFRS 17, and management have not changed their conclusion that accounting for the business as investment business would not have a material impact on the financial statements. Management will keep this assessment under review, and should the outcome change in future the Group accounting treatment will be reassessed. Consequently, 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;

- IFRS 17 Insurance Contracts – effective for periods beginning after January 2023
- Classification of liabilities as current or non-current (Amendments to IAS 1) – 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 IAS 10 and IAS 28)
- Non-current liabilities with covenants (Amendments to IAS 1) – effective from 1 January 2024
- Lease liability in a Sale and Leaseback (amendments to IFRS 16) – effective from 1 January 2024

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 2023.

All transactions between Group companies are eliminated on consolidation 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 reviewed financial forecasts that include plausible downside scenarios as a result of the ongoing Russia-Ukraine conflict and global economic conditions. 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. The impact of this however 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. Initial fees in respect of new business are broadly offset by initial commissions, limiting the impact of any reduction in new business.
- New business channels are geographically dispersed and therefore less exposed to specific regional challenges.
- 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 the majority of 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; and
- 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 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 determined based on an analysis of recent experience. The estimate life is between 7 and 15 years depending on the product type. Certain contracts are amortised on actual life.

### **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, which is addressed in note 20 and note 26.
- the type of expenses that are treated as origination costs to be deferred. Any other expenses are expensed as incurred.

## **1.3 Intangible assets**

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.

# **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, the Group 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.

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 2023 was £1,030.8m (2022: £1,009.7m). 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.

An overall change in the market value of the unit-linked funds would affect the annual management charges accruing to the Group since these charges, which are typically 1% per annum, are based on the market value of contract holder assets under administration. The approximate impact on the Group's profits and equity of a 10% change in fund values, either as a result of price, interest rate or currency fluctuations, is £1.6m (2022: £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.

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 £0.6m (2022: £0.7m) in the Group's annual investment income and equity.

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

#### **(c) Currency risk**

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

### (c) (i) Group foreign currency exposures

The Group is exposed to currency risk on the foreign currency denominated bank balances, contract fees receivable and other liquid assets that it holds to the extent that they do not match liabilities in those currencies. The Group receives 87% (2022: 82%) of premiums in US Dollars and settles the majority of expenses in Sterling. 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:

	2023 US\$m	2023 €m	2023 ¥m	2022 US\$m	2022 €m	2022 ¥m
Gross assets	23.2	11.1	255.0	26.3	13.9	164.3
Matching currency liabilities	(20.5)	(10.4)	(285.0)	(24.1)	(12.8)	(217.6)
Uncovered currency exposures	2.7	0.7	(30.0)	2.2	1.1	(53.3)
Sterling equivalent (£m)	2.1	0.5	(0.2)	1.8	1.0	(0.3)

The approximate effect of a 5% change: in the value of US dollars to sterling is £0.1m (2022: £0.1m); in the value of the euro to sterling is less than £0.1m (2022: less than £0.1m); and in the value of the yen to sterling is less than £0.1m (2022: 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% (2022: 71%); euro: 8% (2022: 8%); sterling: 20% (2022: 20%); other: 1% (2022: 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 2023 and 2022, 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.

The Group has an exposure to credit risk in relation to its deposits with credit institutions, its investments in unitised money market funds and its investment in a bond portfolio. To manage these risks; deposits and the bond portfolio are placed 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 unithised money market funds.

	<b>2023</b>	2022
	<b>£m</b>	£m
<hr/>		
Deposits and cash with credit institutions and investments in unithised money market funds <i>(Based on Standards &amp; Poor's ratings)</i>		
AAA	<b>26.3</b>	29.9
AA- to AA+	<b>6.0</b>	4.9
A- to A+	<b>10.8</b>	15.4
<hr/>		
Total deposits	<b>43.1</b>	50.2
AA- to AA+	<b>0.3</b>	3.9
A- to A+	<b>22.0</b>	20.4
<hr/>		
Total cash at bank	<b>22.3</b>	24.3
<hr/>		
<b>Group cash and deposits</b>	<b>65.4</b>	74.5

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

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 consideration given to forward looking information. The following table sets out the movement in expected credit losses.

	<b>2023</b>	2022
	<b>£m</b>	£m
<hr/>		
At 1 July	<b>1.8</b>	0.4
Credit loss charges in the year	<b>0.1</b>	1.4
<hr/>		
At 30 June	<b>1.9</b>	1.8
<hr/>		

There have been no changes in the assets in the year ended 30 June 2023 attributable to changes in credit risk (30 June 2022: nil).

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

	<b>2023</b>	2022
	<b>£m</b>	£m
Longer term deposits with credit institutions	<b>13.2</b>	15.6
Cash and cash equivalents under IFRS	<b>52.2</b>	58.9
	<b>65.4</b>	74.5



### 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'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.

	2023 £m	2022 £m
<b>Maturity within 1 year</b>		
Shareholder deposits and money market funds	65.4	74.5
Other shareholder assets	4.8	4.3
	<b>70.2</b>	78.8
<b>Maturity from 1 to 5 years</b>		
Other shareholder assets	-	-
	-	-
Shareholder assets with maturity values within 5 years	70.2	78.8
Other shareholder assets (no defined maturity profile)	146.9	140.1
<b>Shareholder assets</b>	<b>217.1</b>	218.9
Gross assets held to cover financial liabilities under investment contracts	1,101.5	1,092.3
<b>Total assets</b>	<b>1,318.6</b>	1,311.2

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

Assets held to cover financial liabilities under investment contracts are deemed to have 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.

	<b>2023</b>	2022
	<b>£m</b>	£m
<b>Maturity within 1 year</b>		
Amounts due to investment contract holders	<b>36.6</b>	37.3
Other payables	<b>11.1</b>	12.1
Provisions	<b>0.1</b>	0.2
	<b>47.8</b>	49.6
<b>Maturity from 1 to 5 years</b>		
Other payables	<b>2.7</b>	2.0
	<b>2.7</b>	2.0
Liabilities with maturity values within 5 years	<b>50.5</b>	51.6
Other liabilities (no defined maturity profile)	<b>144.8</b>	145.1
<b>Shareholder liabilities</b>	<b>195.3</b>	196.7
<b>Maturity within 1 year</b>		
Financial liabilities under investment contracts	<b>43.4</b>	32.3
<b>Maturity from 1 to 5 years</b>		
Financial liabilities under investment contracts	<b>209.0</b>	199.6
<b>Maturity greater than 5 years</b>		
Financial liabilities under investment contracts	<b>849.1</b>	860.4
<b>Financial liabilities under investment contracts</b>	<b>1,101.5</b>	1,092.3
<b>Total liabilities</b>	<b>1,296.8</b>	1,289.0

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 2023 and 30 June 2022, 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:

<b>Class of asset</b>	<b>Subsequent measurement</b>
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 2023:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets at fair value through profit or loss</b>				
Equity securities	52.0	-	-	52.0
Collective investment schemes	899.3	10.9	5.3	915.5
Fixed income securities, bonds and structured notes	1.2	10.0	52.1	63.3
<b>Total financial assets at fair value through profit or loss</b>	<b>952.5</b>	<b>20.9</b>	<b>57.4</b>	<b>1,030.8</b>

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

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Deposit and money market funds	90.2	-	-	90.2
<b>Total financial assets at fair value through profit or loss</b>	<b>1,042.7</b>	<b>20.9</b>	<b>57.4</b>	<b>1,121.0</b>
<b>Financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>1,101.5</b>	<b>-</b>	<b>1,101.5</b>

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.

During the year there were no transfers between the fair value hierarchy levels.



The following tables analyse 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
<b>Financial assets at fair value through profit or loss</b>				
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
<b>Total financial assets at fair value through profit or loss</b>	<b>948.3</b>	<b>10.8</b>	<b>50.6</b>	<b>1,009.7</b>

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Deposit and money market funds	99.7	-	-	99.7
<b>Total financial assets at fair value through profit or loss</b>	<b>1,048.0</b>	<b>10.8</b>	<b>50.6</b>	<b>1,109.4</b>
<b>Financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>1,092.3</b>	<b>-</b>	<b>1,092.3</b>

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.

#### 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 £5.3m (2022: £6.8m)	Latest available information including or such as net asset values (NAV) or other communication received	Discount factor (5%) 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.

<p>Bonds and structured notes</p> <p>Level 2: £10.0m (2022: £6.8)</p> <p>Level 3: £52.0m (2022: £43.8m)</p>	<p>Market comparison/ discounted cash flow: The fair value is estimated considering:</p> <p>(i) current or recent quoted prices for identical securities in markets that are not active; and</p> <p>(ii) a net present value calculated using discount rates which are 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.</p>	<p>Level 2: Not applicable.</p> <p>Level 3: Underlying volatility</p>	<p>Level 2: Not applicable.</p> <p>Level 3: Significant increases/ decreases in this input in isolation would result in a higher or lower fair value</p>
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### Level 3 sensitivity to changes in unobservable measurements

For financial assets assessed as Level 3, based on its review of the prices used, the Company believes that any reasonable change to the unobservable inputs used to measure fair value would not result in a significantly higher or lower fair value measurement at year end, and therefore would not have a material impact on its reported results.

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:

	2023	2022
	£m	£m
Opening balance	50.6	12.2
Unrealised losses	(6.5)	(1.5)
Transfers into level 3	1.6	46.3
Transfers out of level 3	-	(5.2)
Purchases, sales, issues and settlements	11.7	(1.2)
Closing balance	57.4	50.6



## 4 Segmental information

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

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

The Group’s Executive Committee uses two principal measures when appraising the performance of the business: net issued compensation credit (“NICC”) (weighted where appropriate by product line) and expenses. NICC is a measure of the value of new in-force business and top-ups on existing single premium contracts. NICC is the total amount of basic initial commission payable 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.

	<b>2023</b>	2022
	<b>£m</b>	£m
Middle East and Africa	<b>2.7</b>	2.9
Latin America	<b>2.4</b>	2.9
Rest of World	<b>0.5</b>	1.0
Far East	<b>0.1</b>	0.7
Net Issued Compensation Credit	<b>5.7</b>	7.5
Other commission costs paid to third parties	<b>3.4</b>	3.6
Enhanced unit allocations	<b>1.0</b>	1.2
Direct origination costs incurred during the year	<b>10.1</b>	12.3

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

	<b>2023</b>	2022
	<b>£m</b>	£m
Isle of Man	<b>43.1</b>	45.7
Republic of Ireland	<b>2.1</b>	2.5
The Bahamas*	<b>0.5</b>	0.6
	<b>45.7</b>	48.8

\* 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 £3.2m in 2023 (2022: £2.0m). 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

	<b>2023</b>	2022
	<b>£m</b>	£m
Isle of Man	<b>6.5</b>	4.2
Republic of Ireland	<b>(1.0)</b>	(0.9)
The Bahamas	<b>0.4</b>	0.5
	<b>5.9</b>	3.8

### 4.3 Geographical analysis of gross assets

	2023	2022
	£m	£m
Isle of Man*	1,229.8	1,216.5
Republic of Ireland	87.0	92.5
The Bahamas	1.8	2.2
	<b>1,318.6</b>	1,311.2

\* Includes assets held in the Isle of Man in connection with policies written in The Bahamas. As at 30 June 2023 these amounted to £178.5m (30 June 2022: £134.9m).

### 4.4 Geographical analysis of gross liabilities

	2023	2022
	£m	£m
Isle of Man	1,043.8	1,074.8
Republic of Ireland	73.3	77.6
The Bahamas	179.7	136.6
	<b>1,296.8</b>	1,289.0

## 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.

	2023	2022
	£m	£m
Contract fee income	28.1	30.1
Fund management charges	12.9	13.9
Commissions receivable	4.7	4.8
	<b>45.7</b>	48.8

Fund management charges and commissions receivable (39% of the total above (2022: 28%)) 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.

	<b>2023</b>	2022
	<b>£m</b>	£m
Interest income	<b>3.5</b>	0.1
Dividend income	<b>4.7</b>	4.6
Gains on realisation of investments	<b>51.3</b>	63.4
Movement in unrealised losses	<b>(15.0)</b>	(171.6)
	<b>44.5</b>	(103.5)

## 7 Origination costs

Origination costs include commissions, intermediary incentives, and other distribution-related expenditure (note 2.2). 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.

	<b>2023</b>	2022
	<b>£m</b>	£m
Amortisation of deferred origination costs	<b>13.5</b>	13.9
Other origination costs	<b>2.7</b>	2.3
	<b>16.2</b>	16.2

## 8 Administrative and other expenses

Included in administrative and other expenses are the following:

	2023 £m	2022 £m
Auditors' remuneration:		
- Fees payable for audit services	0.7	0.4
- Fees payable for audit related services pursuant to legislation	0.1	0.1
- Fees payable for non -audit services	-	-
Employee costs (see note 9)	10.3	10.9
Directors' fees	0.4	0.4
Fund management fees	5.3	5.7
Renewal and other commission	0.9	0.7
Professional and other fees	4.2	3.5
Litigation fees and settlements	1.5	1.1
Credit loss allowance	0.1	1.4
Licences and maintenance fees	2.4	2.4
Insurance costs	0.9	0.9
Depreciation of property, plant and equipment	1.1	0.8
Communications	0.2	0.2

## 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 employees and executive Directors) was as follows:**

	<b>2023</b>	2022
	<b>£m</b>	£m
Wages and salaries	<b>9.7</b>	10.2
Social security costs	<b>0.8</b>	0.9
Contributions to pension plans	<b>1.0</b>	0.9
	<b>11.5</b>	12.0

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

	<b>2023</b>	2022
	<b>£m</b>	£m
Administrative and other expenses	<b>10.3</b>	10.9
Origination costs	<b>1.2</b>	1.1
	<b>11.5</b>	12.0

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

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

	<b>2023</b>	2022
	<b>No.</b>	No.
Administration	<b>119</b>	136
Distribution and marketing	<b>18</b>	15
IT development	<b>50</b>	38
	<b>187</b>	189

## 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 2023 was £0.2m (2022: £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% (2022: 0%)
Republic of Ireland	12.5% (2022: 12.5%)
Japan branch	23.2% (2022: 23.2%)
Labuan	24% (2022: 24%)
The Bahamas	0% (2022: 0%)

	2023 £m	2022 £m
Current year tax provisions	0.2	0.2
Adjustment to prior year tax provisions	-	-
	<b>0.2</b>	<b>0.2</b>

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

	2023	2022
Profit after tax (£m)	5.7	3.6
Weighted average number of shares in issue (millions)	137.6	137.6
<b>Basic and diluted earnings per share in pence</b>	<b>4.1</b>	<b>2.6</b>

The Directors believe that there is no material difference between the weighted average number of shares in issue for the purposes of calculating either basic or diluted earnings per share. Earnings under either measure is 4.1p per share (2022: 2.6p).

## 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 2023 p	Total 2023 £m	Per share 2022 p	Total 2022 £m
Final dividend in respect of previous financial year	2.65	3.5	2.65	3.6
Interim dividend in respect of current financial year	1.80	2.4	1.80	2.5
	4.45	5.9	4.45	6.1

The Board has resolved to pay a final dividend of 2.65p per share on 16 November 2023, subject to approval at the Annual General Meeting, based on shareholders on the register on 6 October 2023.

## 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.

	2023 £m	2022 £m
Intangible assets	19.9	13.4

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 economic lives used for this purpose are:

Computer software	3 to 15 years
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The increase in computer software relates to capitalised costs associated with the development of a replacement policy administration system. The first segment of this development is expected to be put into use during FY 2024, at which point amortisation will commence over its estimated expected life.



	<b>2023</b>	2022
	<b>£m</b>	£m
<b>Computer software</b>		
Costs as at 1 July	<b>14.1</b>	9.9
Capitalised additions	<b>6.6</b>	4.2
Cost as at 30 June	<b>20.7</b>	14.1
Accumulated amortisation at 1 July	<b>(0.7)</b>	(0.7)
Charge for the year	<b>(0.1)</b>	-
Accumulated amortisation as at 30 June	<b>(0.8)</b>	(0.7)
<b>Net Book Value</b>	<b>19.9</b>	13.4

The cost of computer software includes £11.2m of externally generated costs (2022: £7.5m) and £8.7m of internally generated costs (2022: £6.6m). All amortisation currently relates to externally generated costs.

### 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'.

	<b>2023</b>	2022
	<b>£m</b>	£m
Property, plant and equipment	<b>0.4</b>	0.8
Right of use assets	<b>2.4</b>	1.9
	<b>2.8</b>	2.7

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 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.

	<b>2023</b>	2022
	<b>£m</b>	£m
<b>Property plant and equipment</b>		
Cost as at 1 July	<b>10.7</b>	10.6
Additions	-	0.1
Disposals	<b>(0.4)</b>	-
Cost as at 30 June	<b>10.3</b>	10.7
Accumulated depreciation as at 1 July	<b>(9.9)</b>	(9.9)
Charge for the year	-	-
Accumulated depreciation as at 30 June	<b>(9.9)</b>	(9.9)
<b>Net Book Value</b>	<b>0.4</b>	0.8

### 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 2023 was 7% (2022: 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 15 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. No potential future outflows exist on leases beyond the break clause (2022: £1.6m). During the year the Group made the decision to change their position on the likelihood of exercising the break clause for the leases at the Group's head office. The previous position assumed that these break clauses would be exercised. The Group now believes that the terms of the leases have become more favorable in the current high inflation environment, as well as the amount spent on infrastructure at the property means it is likely that the leases will continue past their break clause. As a result, the company has recognised additions of £0.9m in both the right-of-use asset and lease liability as at 30 June 2023.

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.

The recognition of the right-of-use asset represents an increase in the property, plant and equipment figure of £2.4m (30 June 2022: £1.9m). 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 2022: £0.1m).

During the year ended 30 June 2021, the Group entered into a sub-lease for part of a building that is reported as a right-of-use asset. The group 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 2023, the Group recognised rental income of less than £0.1m (2022: less than £0.1m).

	<b>2023</b>	2022
	<b>£m</b>	£m
Right of use asset recognised 1 July	<b>1.9</b>	2.4
Additions during the period	<b>0.9</b>	0.1
Depreciation	<b>(0.4)</b>	(0.6)
Net book value of right of use asset as at 30 June	<b>2.4</b>	1.9
Lease liability recognised 1 July	<b>2.3</b>	2.7
Additions during the period	<b>0.9</b>	0.1
Lease payments made during the period	<b>(0.4)</b>	(0.5)
Interest on leases	<b>0.1</b>	-
Lease liability recognised as at 30 June	<b>2.9</b>	2.3
Of which are:		
Current lease liabilities	<b>0.2</b>	0.3
Non-current lease liabilities	<b>2.7</b>	2.0

## 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 (note 2). Reducing the estimated life of the total portfolio by 1 year would increase the annual amortisation for the next financial year by £1.7m. Increasing the estimated life of the total portfolio by 1 year would reduce the annual amortisation for the next financial year by £1.3m. Offsetting movements would also arise in deferred income as outlined in note 18.

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

	<b>2023</b>	2022
	<b>£m</b>	£m
At beginning of financial year	<b>122.5</b>	125.1
Origination costs incurred and deferred during the year	<b>8.7</b>	11.3
Origination costs amortised during the year	<b>(13.4)</b>	(13.9)
	<b>117.8</b>	122.5

	<b>2023</b>	2022
<b>Carrying value</b>	<b>£m</b>	£m
Expected to be amortised within one year	<b>11.9</b>	12.2
Expected to be amortised after one year	<b>105.9</b>	110.3
	<b>117.8</b>	122.5

## 15 Other receivables

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

	<b>2023</b>	2022
	<b>£m</b>	£m
Commission receivable	<b>1.4</b>	1.2
Other debtors	<b>2.2</b>	1.9
Prepayments	<b>1.2</b>	1.2
	<b>4.8</b>	4.3
Estimated to be settled within 12 months	<b>4.8</b>	4.3
Estimated to be settled after 12 months	<b>-</b>	-
	<b>4.8</b>	4.3

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.

	2023	2022
	£m	£m
Money market funds	46.8	54.2
Short-term deposits with credit institutions	5.4	4.7
	<b>52.2</b>	<b>58.9</b>

Cash and cash equivalents are recognised on receipt prior to investment to contract holder funds.

## 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 based on 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:

	2023 £m	2022 £m
Deposits to investment contracts	116.3	130.0
Withdrawals from contracts and charges	(147.7)	(158.4)
Change in provisions for investment contract liabilities	40.6	(103.5)
Movement in year	9.2	(131.9)
At beginning of year	1,092.3	1,224.2
	<b>1,101.5</b>	<b>1,092.3</b>

  

	2023 £m	2022 £m
Contractually expected to be settled within 12 months	43.4	32.3
Contractually expected to be settled after 12 months	1,058.1	1,060.0
	<b>1,101.5</b>	<b>1,092.3</b>

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 managed, and its performance evaluated, on a fair value basis.

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

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

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

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

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

	<b>2023</b>	2022
	<b>£m</b>	£m
Equity securities	<b>52.0</b>	55.7
Investments in collective investment schemes	<b>915.4</b>	903.4
Fixed income securities, bonds and structured notes	<b>58.7</b>	50.6
Deposits and money market funds	<b>77.4</b>	84.4
Total assets	<b>1,103.5</b>	1,094.1
Other payables	<b>(2.0)</b>	(1.8)
<b>Financial investments held to cover financial liabilities</b>	<b>1,101.5</b>	1,092.3

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.

## **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 (note 2). 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 £2.2m. 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.

	<b>2023</b>	2022
	<b>£m</b>	£m
At beginning of financial year	<b>145.1</b>	142.5
Income received and deferred during the year	<b>16.5</b>	19.2
Income amortised and recognised in contract fees during the year	<b>(16.8)</b>	(16.6)
	<b>144.8</b>	145.1
	<b>2023</b>	2022
	<b>£m</b>	£m
<b>Carrying value</b>		
Expected to be amortised within one year	<b>15.1</b>	14.8
Expected to be amortised after one year	<b>129.7</b>	130.3
	<b>144.8</b>	145.1

## 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.

	<b>2023</b>	2022
	<b>£m</b>	£m
Commission payable	<b>1.4</b>	2.0
Other creditors and accruals	<b>9.5</b>	9.8
Lease liabilities of which:		
Current lease liabilities	<b>0.2</b>	0.3
Non-current lease liabilities	<b>2.7</b>	2.0
	<b>13.8</b>	14.1



## 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.

	2023 £m	2022 £m
Settlement provision as at 1 July	0.2	0.4
Additional provisions made in the period	-	-
Released from the provision for settlements	(0.1)	(0.2)
<b>Settlement provision as at 30 June</b>	<b>0.1</b>	<b>0.2</b>

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; and
- 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 ongoing Russia/Ukraine conflict and global economic conditions, 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, the 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

	2023	2022
	£m	£m
<b>Authorised:</b>		
200,000,000 ordinary shares of 50p	<b>100.0</b>	100.0
<b>Issued and fully paid:</b>		
137,557,079 (2022: 137,557,079) ordinary shares of 50p	<b>68.8</b>	68.8

No shares (2022: 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.

	2023	2022
	£m	£m
Merger reserve	<b>(48.5)</b>	(48.5)
Share premium	<b>0.1</b>	0.1
Share save reserve	<b>0.1</b>	0.1
Reserve for own shares held within EBT	<b>(0.2)</b>	-
	<b>(48.5)</b>	(48.3)

Included within other reserves is an amount representing 557,000 (2022: 12,000) ordinary shares held by the Group's employee benefit trust ('EBT') which were acquired at a cost of £0.2m (see note 24). The ordinary shares held by the trustee of the Group's employee benefit trust are treated as treasury shares in the consolidated balance sheet in accordance with IAS 32 "Financial Instruments: Presentation".

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

## 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 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 program

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	2023 No. of options	2022 No. of Options
2017	-	20,717
2018	29,031	58,062
	29,031	78,779

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

	2023		2022	
	No. of options	Weighted average exercise price (p)	No. of options	Weighted Average Exercise price (p)
Outstanding at the start of year	78,779	65	290,996	63
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(49,748)	66	(212,217)	62
Outstanding at end of year*	29,031	62	78,779	65

\* None of these options are exercisable as at 30 June 2023.

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.

	2023	2022
	No. of	No. of
<b>Share Awards</b>	<b>Shares</b>	<b>Shares</b>
Outstanding at start of period	-	-
Granted	<b>631,446</b>	-
Forfeited	<b>(29,762)</b>	-
Vested	-	-
Outstanding at end of period	<b>601,684</b>	-

The Trust was funded with a loan of £446,000 during 2018 and as at 30 June 2023 the Trust held 557,000 shares (2022: 12,000). During the year the Trust was funded with a further loan of £187,000. As at 30 June 2023, the outstanding balance on the loan was £199,000 (30 June 2022: £12,000).

	2023	2022
	No. of	No. of
<b>Shares Held by the Trust</b>	<b>Shares</b>	<b>Shares</b>
Outstanding at start of period	<b>12,000</b>	12,000
Granted	<b>545,000</b>	-
Forfeited	-	-
Vested	-	-
Outstanding at end of period	<b>557,000</b>	12,000

During the period the expense arising from share-based payment transactions was £0.05m (2022: £nil).

## 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 20 individuals (2022: 21), 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:

	<b>2023</b>	2022
	<b>£m</b>	£m
Short-term employee benefits	<b>2.5</b>	2.3
Post-employment benefits	<b>0.2</b>	0.3
Total	<b>2.7</b>	2.6

There were no outstanding amounts as at 30 June 2023 (2022: nil).

The total value of investment contracts issued by the Group and held by key management is nil (2022: 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 2023 there were no transactions with Dr Polonsky (2022: nil).

### **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 a further loan of £187,000 was made during the year. As at 30 June 2023 the Trust held 557,000 shares (2022: 12,000). No awards vested in the year ended 30 June 2023.

## **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 prior to the closure to new business of Hansard Europe in 2013.

As at 30 June 2023, the Group had been served with cumulative writs with a net exposure totalling €26.1m, or £22.4m in sterling terms (30 June 2022: €24.6m / £21.2m) arising from contract holder complaints and other asset performance-related issues. The primary reason for the increase in contingent liabilities relates to a case which was previously defended successfully, being subject to a new claim.

During the year, the Group successfully defended 15 cases with net exposures of approximately £1.9m, 14 of which may be appealed by the plaintiffs (2022: successfully defended 24 cases with net exposures of £3.2m). 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 2023 we recorded £0.1m in total recoveries during the year in relation to costs paid by the Group (2022: £0.5m). We expect such reimbursement to continue during the course of that litigation.

We estimate insurance coverage against the £22.4m of contingent liabilities referred to above 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. Such cases totalled less than £0.1m (2022: less than £0.1m) during the period. A provision of £0.1m (2022: £0.2m) has been provided where based on past experience it is expected that future settlements may be reached. 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 2023 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 functional currency is pounds sterling, being the currency of the primary economic environment in which the Group operates. The Group's presentational currency is also pounds sterling.

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:

	2023	2022
US Dollar	1.27	1.21
Japanese Yen	184	165
Euro	1.17	1.16

## **28 Events after the reporting period**

This report for the year ended 30 June 2023 was approved for issue on 27 September 2023. No material events have occurred between the reporting date and the issue date that require disclosure under IAS 10.

## **29 Annual report**

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](http://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 Morfett**

**Director**

**Director**

**28 September 2023**



**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 2023 has been reported below on this basis.

The Group shareholder Risk Based Solvency surplus at 30 June 2023 was £44.6m (30 June 2022: £50.7m;), before allowing for payment of the 2023 final ordinary dividend.

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

<b>Group Risk Based Solvency capital position</b>	<b>30 June 2023 Total £m</b>	30 June 2022 Total £m
Own Funds	<b>124.9</b>	129.1
Solvency Capital Requirement	<b>80.3</b>	78.4
Free assets	<b>44.6</b>	50.7
Solvency ratio (%)	<b>156%</b>	165%

All Own Funds are considered Tier 1 capital.

The following compares Own Funds as at 30 June 2023 and 30 June 2022:

	<b>30 June 2023 Own Funds £m</b>	30 June 2022 Own Funds £m
Value of In-Force	<b>124.4</b>	128.5
Risk Margin	<b>(24.9)</b>	(26.7)
Net Worth	<b>25.4</b>	27.3
Total	<b>124.9</b>	129.1

## B) Analysis of movement in Group Solvency surplus

A summary of the movement in Group Solvency surplus from £50.7m at 30 June 2022 to £44.6m at 30 June 2023 is set out in the table below.

	£m
Risk Based Solvency surplus at 30 June 2022	<b>50.7</b>
Operating experience	<b>(7.4)</b>
Investment performance	<b>4.6</b>
Changes in assumptions	<b>5.3</b>
Impact of dividends paid	<b>(5.4)</b>
Foreign exchange	<b>(3.2)</b>
Risk Based Solvency surplus at 30 June 2023	<b>44.6</b>

The movement in Group Risk Based Solvency surplus the 2023 financial year was the result of dividends paid, operating experience and negative exchange rate movements, offset by changes in assumptions and positive investment market performance.

New business written had a negative £4.1m 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:

<b>Split of the Group's Solvency Capital Requirement *</b>	<b>30 June 2023</b>	30 June
Risks	<b>% of SCR</b>	2022 % of SCR
Market		
Equity	<b>44%</b>	43%
Currency	<b>14%</b>	11%
Insurance		
Lapse	<b>50%</b>	50%
Expense	<b>17%</b>	20%
Default	<b>2%</b>	1%
Operational	<b>18%</b>	19%

\* 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 2023	30 June 2022
	£m	£m
IFRS shareholders' equity	21.8	22.2
Elimination of DOC	(117.8)	(122.5)
Elimination of DIR	144.8	145.1
Value of In-Force	124.4	128.5
Liability valuation differences*	(3.5)	(4.1)
Impact of risk margin	(24.9)	(26.7)
Other**	(19.9)	(13.4)
Risk Based Solvency Shareholder Own Funds	124.9	129.1

\* 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 2023	30 June 2022
	Group	Group
	£m	£m
Own Funds	124.9	129.1
Impact of:		
10% instantaneous fall in equity markets	(8.6)	(8.0)
100 basis points decrease in interest rates	(0.8)	(1.2)
10% increase in expenses	(7.4)	(8.4)
1% increase in expense inflation	(5.3)	(6.0)
10% strengthening of sterling	(11.5)	(12.0)