HANSARD GLOBAL plc

Annual Report & Accounts 2010

A year of stability, unity and strength

Hansard Global plc

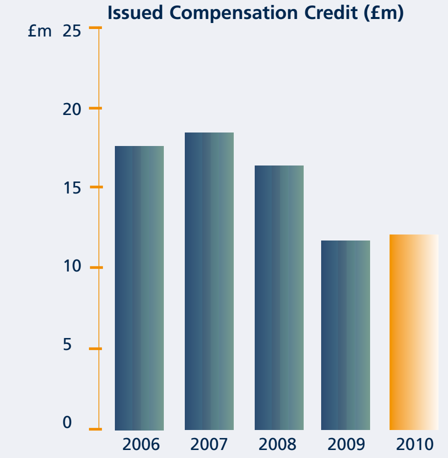
Annual Report & Accounts 2010

The specialist long-term savings provider

Contents

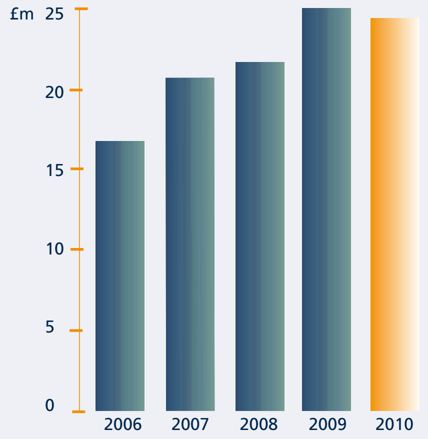
Financial Track Record

New business - Issued Compensation Credit (£m)



New business for the year measured on the Group's internal metric is marginally above last year's level reflecting continued investment in the distribution infrastructure and the strategic focus on regular premium flows.

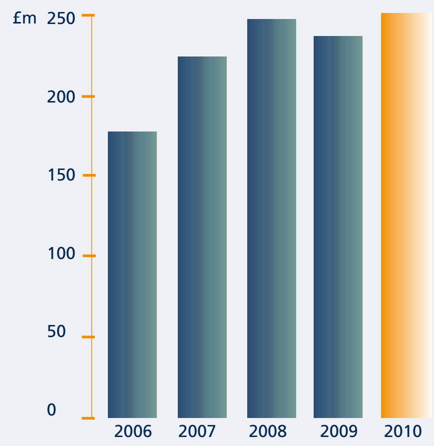
Operating cash generated (£m)



Net cash generated from our book reflects the improved persistency of past business written, despite the well-documented market turmoil over the last 2 to 3 years.

This in turn allowed us to fund new business in the year and the dividends paid to shareholders, while increasing our cash reserves.

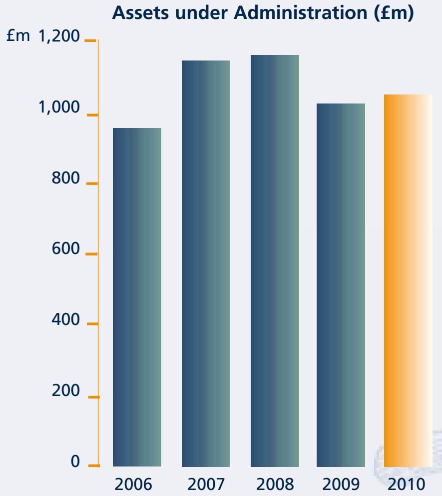
Embedded Value (£m)



The low capital cost of our business is reflected in the growth in Embedded Value.

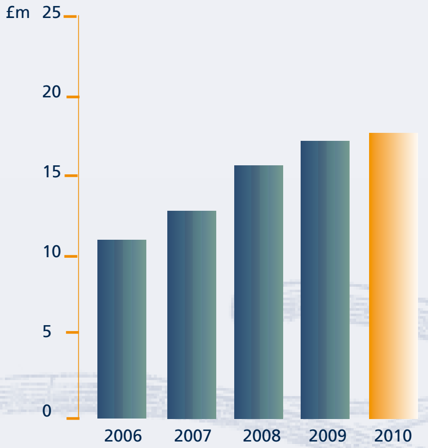
Embedded value increased slightly after the payment of £17.6m in dividends in the year, reflecting the improved profitability of business in the year due to business mix and reduced expenses.

Assets under Administration (£m)



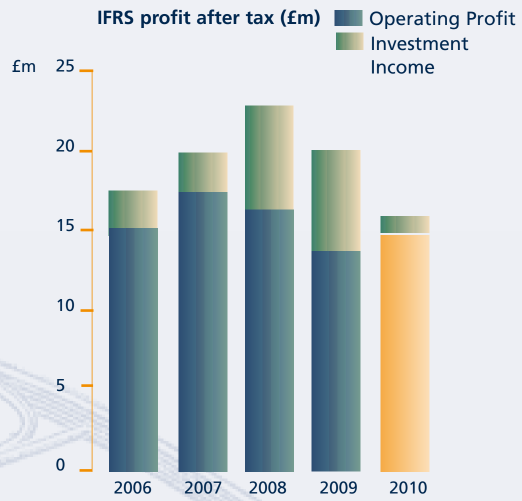
Assets under administration increased by 13.2% over the year, reflecting continued investment by policyholders, increases in capital market levels and a reduction in uncertainty over the pricing of certain asset classes.

Administrative and other expenses (£m)



Initiatives taken by management to control costs in Q3 2009 have borne fruit in 2010. This allowed the Group to meet its target of a £1m reduction in operational expenses over the fifteen months to 30 June 2010, while investing £0.7m in strategic developments.

IFRS profit after tax (£m)



IFRS profit after tax reflects the continued low interest-rate environment in the UK and EU. While this has led to a reduction in net investment return (as demonstrated above), the results also demonstrate the strength of the business through increased operating profit.

Financial Summary

Despite the volatile markets and uncertain economic outlook, Hansard's new business performance shows improved profitability.

While IFRS earnings have been restrained by low interest rates, under EEV the Group has improved relative to the previous financial year, both at an operating level and in investment performance.

	2010	2009
IFRS profit after tax	**£16.4m**	£20.1m
IFRS earnings per share	**11.9p**	14.7p
EEV profit after tax	**£28.0m**	£10.3m
EEV earnings per share	**20.4p**	7.5p
Embedded value	**£247.0m**	£236.6m
New business margin	**6.9%**	6.1%
Shareholder cash generation	**£24.2m**	£25.0m
Cash payback on new business	**2.8 years**	2.9 years
Recommended final dividend per share	**7.7p***	7.35p**

* Subject to approval by shareholders

** Paid 20 November 2009

Hansard Global has a tight organisational structure and an attractive, scaleable, low-risk, high-margin business model.

The Hansard Group operates in 17 languages and 12 currencies.

We administer assets in excess of £1.1 billion for over 540 financial adviser businesses with 48,000 client accounts in over 170 countries.

HANSARD OVERVIEW

Hansard Global supports financial advisers with tax-efficient custom-configured investment products in a life-assurance wrapper.

We have reliable products and robust services that have proved capable of withstanding the most adverse financial conditions.

We have an international reputation for the quality and range of our investment fund links.

We are accountable to regulatory regimes that are among the most stringent in the world.

Chairman's Statement

Dr. Leonard Polonsky

I am pleased to present the Annual Report of Hansard Global plc for the financial year ended 30 June 2010. This is the 40th year of operation of the Group and its predecessor companies.

Despite volatile markets and uncertain economic outlook the Hansard business model remains robust, and the performance of the Group is encouraging. New business momentum identified earlier in this financial year has continued, and we have achieved increased new business flows from Latin America and the Far East which have underpinned new business margins.

The performance of the Group during the financial year indicates that the decisions taken in prior periods to invest in distribution infrastructure, to better support the activities of Independent Financial Advisers in our target markets, and to control expenses are bearing fruit. Whilst challenging financial markets, increasing persistency and continued low interest rates have contributed to a reduction in International Financial Reporting Standards ("IFRS") profits, we have continued to generate positive operating cash flows, and we have increased European Embedded Value ("EEV").

" We have continued to generate positive operating cash flows and we have increased European Embedded Value."

Financial performance

IFRS

IFRS profit after tax for the year is £16.4 million (US$25m), compared with the profit of £20.1m (US$30m), earned in the previous financial year. Earnings per share for the year are 11.9p (US 18.1 cents), compared with 14.7p (US 22.3c). While reductions in interest rates have contributed to a reduction in the investment income of the Group in the financial year, I am pleased to report that our strong operating profit performance has continued.

EEV

EEV profit after tax has increased by almost 172% to £28.0m (US$43m) or 20.4p per share (US 31.0c), (2009: £10.3m, US$ 16m). While EEV profit for the year is constrained by reductions in asset values following declines in capital market levels since April 2010, increases in market levels since 30 June would suggest that a portion of these declines has reversed.

Following the payment of dividends totaling £17.6m (US$27m) during the year, the EEV of the Group at 30 June has increased to £247.0m (US$375m), (2009: £236.6m US$ 360m).

Dividends

Dividends totaling 12.85p per share (£17.6m US$ 27m) have been paid to shareholders during the year. This represents an increase of 4.9% over the ordinary dividends of 12.25p per share paid during the previous financial year. These dividends are fully covered by operating cash-flows in the financial year.

The Board has resolved to pay a final dividend of 7.7p per share on 19 November 2010 subject to approval at the Annual General Meeting. If approved, this will represent total dividends for the financial year of 13.2p, an increase of 4.8% over the dividends of 12.6p per share paid in respect of the previous financial year.

New business

Against the backdrop of volatile market conditions and global economic concerns affecting investor confidence, I am pleased to report that new business for the year is marginally above the level of the previous financial year. We anticipated that this would be the case, despite unfavourable conditions in the first quarter of the financial year. Calculated on the Group's internal metric, Compensation Credit, new business has increased by 2.6% to £11.9m (US$18.1m) from £11.6m (US$17.6m).

"our strong operating profit performance has continued"

While single premium business remains constrained by market volatility and regulatory complexity in Europe, new business momentum identified earlier this year has continued for a third successive quarter and we have achieved increasing regular premium new business flows.

The Group has retained its focus on profitability and positive cash flow generation. The increased level of Compensation Credit, coupled with tight expense management, has delivered new business margins of 6.9% (2009: 6.1%) on the Present Value of New Business Premiums ("PVNBP") basis. These remain well above industry average.

Hansard OnLine

Hansard OnLine continues to be developed to meet the needs of intermediaries and policyholders. The Group has successfully piloted its online new business; financial intermediaries in the test group are now using the facility for over 95% of their business.

Assets under Administration

Retention of policyholders' Assets under Administration ("AUA") remains strong. Despite continued volatility in global capital markets in the last quarter of the financial year, the value of AUA at 30 June 2010, at £1.1 billion (US$1.7bn), has increased by 13.2% since 30 June 2009, compared with an increase of 6.8% in the MSCI World Index over that period.

Directorate changes

I was pleased to welcome Joseph Kanarek to the Board of the Company with effect from 1 January 2010. As Chief Distribution Officer since 2000, Joe has been instrumental in attracting a diversified range of intermediaries to support the Group's new business activities. I am confident that Joe's experience will continue to contribute to new business growth as global economic conditions recover.

The Group has decided to apply the terms of the UK Corporate Governance Code; the full Board will therefore retire by rotation at the next Annual General Meeting and seek re-election.

Employees

The progress that we have made, despite the impacts of the credit crisis, is a reflection of the skill and enthusiasm of our employees. On behalf of the Board and shareholders I thank them all for their continued commitment to Hansard's success.

Significant shareholdings

I continue to have the largest shareholding in the Company, approximately 42% of the issued capital. The Polonsky Foundation, a UK registered charity, holds a further 5.2%.

Details of other significant shareholdings are contained within the Directors' Report. We are very pleased with the range and quality of institutional shareholders that have chosen to invest in us and grateful for the long-term loyalty of individual shareholders.

Outlook

Economic and other conditions remain challenging and uncertain particularly in Europe, but we remain optimistic as regular premium flows continue to exceed those of the corresponding period in the previous financial year. With the continuing investment in our distribution infrastructure and our systems and online platform, I am confident that Hansard's prospects remain strong.

Dr Leonard Polonsky
22 September 2010

draw wisely upon experience..

Despite exceptionally challenging global economic conditions:

- Our business model remains robust and our performance is encouraging
- New business momentum has continued, and margins remain well above the industry average, with returns significantly ahead of competitor products
- We have continued to generate positive operating cash flows

Report of the Managing Director

Gordon Marr

I am pleased to report on my first year as Managing Director of the Hansard Group of companies. It's been a difficult but interesting year. While I've always been confident of the ability of the Group to meet the needs of policyholders, intermediaries and other stakeholders, the early part of this financial year presented challenges to us all. As the year progressed, however, we recognized that the decisions taken by the Group in prior periods to invest in distribution infrastructure; better to support Independent Financial Advisers (IFAs) in our target markets, to reduce our exposure to operational and business model risk, and to control expenses, were beginning to bear fruit.

Throughout the financial year, the Group set out to maintain an environment in which we could benefit from profitable relationships with IFAs and their clients, while continuing to effectively manage related risks.

" The Group has retained its focus on profitability and positive cash flow generation and has delivered new business margins of 6.9%"

Throughout the financial year the Group has continued to:

- Generate positive cashflows
- Maintain expense disciplines
- Invest in distribution infrastructure, Hansard OnLine and other IT developments
- Refresh its risk management framework, and
- Develop incentive arrangements to align employees' interests with those of investors.

Financial performance

While challenging financial markets, continued persistency and continued low interest rates have contributed to a reduction in International Financial Reporting Standards ("IFRS") profits to £16.4m after tax (2009: £20.1m), we have continued to generate positive operating cash flows that enable us to fund new business strain and pay dividends. The continued flow of profitable new business is reflected in an increase in European Embedded Value ("EEV") profit after tax to £28.0m (30 June 2009: £10.3m).

EEV at 30 June 2010 is £247.0m, an increase of 4.4% over the value of £236.6m on 30 June 2009.

Additional information on the Group's financial performance during the year is contained within the Business Review.

Hansard OnLine

Hansard OnLine continues to be developed to meet the needs of intermediaries and policyholders.

The Group has successfully piloted its online new business facility, with pilot intermediaries now using the facility for over 95% of their business. As experience develops and feedback is received, enhancements are being continually added, and the facility is gradually being extended. It allows straight-through processing of new business compliant with the security and regulatory requirements of the business.

Work to support the Group's plans to extend the reach, functionality and penetration of client sites is progressing. In this regard, systematically generated documents and certain bespoke documentation are now available online to clients and to their intermediaries. Facilities to support the secure upload of documents directly to Hansard head offices via the internet have been introduced and are widely used. The cost savings to intermediaries and to the Group of these applications is significant, and can be expected to increase as the demand for paper copies reduces.

" The progress that we have made.. is a reflection of the skill and enthusiasm of our employees."

The Hansard OnLine experience is in the process of being refreshed to take advantage of the latest advances in internet technology and the higher usability standards now expected.

Other IT developments

During the year, the Group began to implement a number of projects to implement new business initiatives, streamline administrative processes and to ensure that we continue to meet strategic expense management targets. Contractor remuneration and other expenditure totalling approximately £0.7m was incurred in the financial year under review on these projects and approximately £1.0m is anticipated to be spent in the current financial year.

Risk management framework

Hansard's business model involves the controlled acceptance and management of risk exposures. The mechanisms for identifying, assessing, managing and monitoring risks are an integral part of our day to day management process.

Understanding the risks we face and managing them appropriately enables effective decision making, contributes to our competitive advantage and helps us to achieve our business objectives.

Our risk management framework is continually being refreshed to better support our objectives and to recognise regulatory and legislative change.

While the Group has designed its products, distribution methods and cost base with a view to reducing operational and financial risks, the regulatory and legislative responses to the extreme financial and market circumstances encountered over the last two years may impact on the Group's strategic objectives, profitability or capital requirements. Differing interpretation and application of regulations, particularly within the EU, have caused us to reconsider our exposure to certain markets.

During the year the Group was notified of a number of complaints from policyholders, within two specific product lines. The majority of these relate to the selection and performance of assets. The Group does not provide investment advice and, accordingly, the Board is of the view that these complaints have no merit.

Outsourcing

During the year the Group reached an agreement with Capital International Limited, an Isle of Man-based member of the London Stock Exchange, to provide comprehensive custody, portfolio administration and fund dealing services in respect of Hansard's policyholder assets under administration. Capital International is licensed by the Isle of Man Financial Supervision Commission.

This is the first significant outsourcing agreement entered into by the Group and is intended to increase policyholder service levels, reduce the Group's operational risk profile and provide the foundation for future internet dealing opportunities.

judge each day by the seeds that you plant...

Decisions that we made some time ago are now bearing fruit:

- To invest in our distribution infrastructure
- To better support the activities of IFAs in our target markets
- To conserve our assets and control our expenses

accept that slow-growing trees bear the best fruit...

Our senior management team has approximately 200 years' combined experience in the long-term savings and life assurance industry:

- We remain committed to service and quality at the highest level
- We are continuing to implement new business initiatives, streamline our processes and meet strategic expense management targets
- We aim to grow new business at a rate of 10% – 15% a year

New business

The actions taken during the year allow us to consider that, despite the volatile markets and uncertain economic outlook, the Hansard business model remains robust and the performance of the Group is encouraging. New business momentum has continued through the financial year. Increased regular premium new business flows from Latin America and the Far East have underpinned new business margins.

New business in the EU and EEA, primarily single premium contracts, remains constrained by reduced investor confidence and regulatory complexity.

The Group has retained its focus on profitability and positive cash flow generation and has delivered new business margins of 6.9% (2009: 6.1%) on the PVNBP basis that remain well above industry average, principally owing to our efficient operating model and our focus on the value of new business and the maintenance of margins.

Additional information on the Group's new business performance during the year is contained within the report of the Chief Distribution Officer.

Employees

The Group has a dedicated dynamic workforce in the Isle of Man, the Republic of Ireland and other locations. The Group has a commitment to service and quality at the highest level in relation to the development of successful products, administration, distribution mechanisms and Hansard OnLine.

The progress that we have made, despite the impacts of the credit crisis, is a reflection of the skill and enthusiasm of our employees. I thank them all for their continued commitment to Hansard's success.

During the previous financial year the Group introduced a number of cost-saving initiatives, incorporating agreements from the senior management team to a salary reduction and to a waiver of pension contributions across the Group's workforce. I am pleased to recognise that the salary reduction and the pension contribution waiver were reinstated with effect from 1 July 2010.

A number of cash-based, and share-based, incentive schemes have been implemented to align employee rewards with shareholder interest. I am pleased to note that awards of £0.2m were made following the results of new business and expenses at year end. Details of the more significant incentive schemes are provided in the report of the Remuneration Committee.

G S Marr
22 September 2010

Business Review

"The Group has designed its products, distribution methods and cost base with a view to reducing operational and financial risks."

BUSINESS REVIEW

Hansard is a specialist long-term savings provider that has been based in the Isle of Man since 1987 and has operated in the Republic of Ireland since 1995. This is the 40th year of operation of the Group and its predecessor companies. The Group offers a range of flexible, tax-efficient investment products within life assurance policy wrappers, developed to appeal to affluent international investors.

Business

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

The Group's location on the Isle of Man allows it freedom to flourish within a highly-regarded regulatory framework with access to an educated workforce and a robust telecommunications infrastructure. The Policyholder Protection legislation enacted by the Isle of Man Government provides security of up to 90% of the liability of Hansard International Limited to its policyholders.

Hansard Europe Limited, a regulated life assurer based in Dublin, allows the Group's products access to the EU marketplace under the "freedom of services" provisions of the EU Life Directives.

Taxation of the Group's profits from operations on the Isle of Man

Currently the Isle of Man Government levies a zero rate of corporation tax on the profits from the Group's activities but the Government has initiated a Consultation exercise to determine whether an alternative system might be implemented in the future. Additionally the representatives of the European Union Code of Conduct for Business Taxation have determined that the Isle of Man's business taxation system should be subject to a formal assessment that is likely to commence in September 2010. In view of this, we do not expect that business taxation policy decisions of the Isle of Man Government will be made public before the end of this calendar year.

Any changes to the current tax regime may impact on the profitability and value of the Group in the future. An indication of the potential impact on the Embedded Value of the Group, and on the related contribution from new business, is provided within the EEV Information section of this Report & Accounts.

Products

The Group's products are unit-linked life assurance contracts, issued by Hansard International and Hansard Europe. The life assurance policy, or wrapper, is a tax-efficient method of offering policyholders exposure to a wide range of investment opportunities whose returns are linked to the return on specified assets that suit their individual risk appetite. Policyholders bear the investment risk arising from the contracts as the policy benefits are directly linked to the value of the assets. The Group does not offer investment advice.

These contracts are distributed utilising the Group's low-cost distribution model exclusively through financial services intermediaries, independent financial advisers or the retail operations of financial institutions, supported by our award winning, multi-language internet platform, Hansard OnLine. The Group has established a network of Account Executives providing local language and other support services to Intermediaries in a number of areas around the world.

The Group's products can be configured in a large number of different combinations to provide bespoke solutions for specific Intermediary and policyholder requirements. In addition, they can also be presented as branded products of a specific Intermediary, underwritten by the relevant Group life assurance company.

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

The margins on, and the capital efficiency of, the Group's products mean the Group's operations are profitable and cash generative. New business margins on the basis of the Present Value of New Business Premiums ("PVNBP") have risen to 6.9% from 6.1% at 30 June 2009, largely as a result of increased volumes of regular premium new business. These margins remain well above the industry average. The average Internal Rate of Return on new business written during the year is in excess of 15% per annum, and capital invested in a product is typically returned within 3 years. These returns are significantly ahead of those of competitor products.

The nature of the Group's products, the functionality of Hansard OnLine and the ability of the policyholder to reposition assets within a portfolio contribute to the persistency of assets under administration.

Business Review continued

Management experience

The senior management team, collectively, has an aggregate of approximately 200 years' experience in the long-term savings and life assurance industry, including some 150 years within the Group.

Capitalisation and solvency

The Group intends to be and is well capitalized to meet the requirements of regulators, intermediaries and policyholders. Following increases in the aggregate minimum regulatory margins in the period, the required margins are covered 15.1 times (2009: 16.3 times) by the Group's capital resources. The solvency position is well insulated against the difficult investment markets, with the excess capital resources being invested in a wide-range of deposit institutions and in highly-rated money market liquidity funds. The in-force portfolio has no material investment options or guarantees that could cause capital strain.

Solvency II

The introduction of Solvency II will see a fundamental change in the way EU based insurers assess their capital requirements and risk management standards. The Group's EU based insurer, Hansard Europe Limited, has participated throughout the design process and will participate in the fifth Quantitative Impact Study later this year. This study, QIS5, will calculate the expected capital that an EU insurer will be required to hold when Solvency II comes into force on 1 January 2013. Based on current guidance the Group does not expect additional capital requirements as a result of these legislative changes.

While Solvency II will initially apply only to EU based insurers, Hansard has begun to refresh its risk management framework throughout the Group.

Hansard OnLine

Hansard OnLine is the Group's internet platform: it joins together intermediaries around the world with Hansard head offices and intermediaries with their clients (via client sites administered by the Group). Hansard OnLine is a secure extranet platform hosting a rich and deep set of up-to-date and historic information about the policies and clients introduced via each intermediary. Widely and independently regarded as best in class, Hansard OnLine, launched in 1999, is a valuable sales and administration tool. Intermediaries can respond to queries from their clients immediately and even establish pro-active alerts that support client servicing.

Client sites are an extension of Hansard OnLine: a client site can be set up when business is first received, or at any time during a product's lifetime. The intermediary directs the facilities that will be available to each client, and is alerted every time a client visits. There are over 12,000 active client sites.

At its simplest, Hansard OnLine and client sites provide valuation, premium collection, fund and investment performance information on products from both Hansard Insurance companies and in the following languages: English, Dutch, French, Japanese, Mandarin, Norwegian, Portuguese, Spanish and Swedish, and most recently, German. Information is provided in report form, as charts and graphs, and in formats suitable for export to other applications. There is a range of other applications available, including alerting, surrender value information, illustrations and pre-sale investment information.

Hansard OnLine continues to be developed to meet the needs of intermediaries and policyholders.

Dividend policy

The Directors intend that the Company will pay dividends of at least 70% of the Group's IFRS profit after tax for each financial year, subject to any requirements for capital to meet new business strain or other circumstances.

Risk Management

An Enterprise-wide Risk Management ("ERM") programme has been implemented to identify, assess and manage risks. As reported elsewhere in the Report & Accounts, the ERM framework was refreshed during the year. Hansard's business model involves the controlled acceptance and management of risk exposures. The mechanisms for identifying, assessing, managing and monitoring risks are an integral part of our day-to-day management process. Understanding the risks we face and managing them appropriately enables effective decision making, contributes to our competitive advantage and helps us to achieve our business objectives.

The steps taken to minimise those exposures include the operation of unit-linked insurance business and contractual arrangements with intermediaries and the policyholder designed to ensure that the policyholder bears the investment, market and credit risk on the assets held within the unit-linked funds and the intermediary, as agent for the policyholder is responsible for investment advice. The Group does not give investment advice.

While the Group has designed its products, distribution methods and cost base with a view to reducing operational and financial risks, the regulatory and legislative responses to the extreme financial and market circumstances encountered over the last two years may impact on the Group's strategic objectives, profitability or capital requirements. Sudden changes in legislation without prior consultation, or the differing interpretation and application of regulations over time, may restrict Hansard's ability to source new business from certain jurisdictions.

FINANCIAL REVIEW

Despite the volatile markets throughout the financial year and uncertain economic outlook, the Group's business model has delivered robust results in the year ended 30 June 2010 under both IFRS and EEV.

Whilst challenging financial markets, increasing persistency and continued low interest rates have contributed to a reduction in IFRS profits to £16.4m after tax (2009: £20.1m), we have continued to generate positive operating cash flows and we have increased EEV profit by almost 172% to £28.0m (2009: £10.3m) and EEV by 4.4% to £247.0m (30 June 2009: £236.6m). Policyholders' assets under administration increased by 13.2% over the year to £1.13bn.

In order that readers can better understand the results of the Group's operations, cashflows and financial position, we have again presented an abridged consolidated income statement, cash flow statement and balance sheet to provide commentary additional to that disclosed within the other sections of the Report & Accounts.

Results for the year

The results for the year under IFRS continue to reflect the low-interest rate environment in the UK and the EU. Net investment income in the year was £1.0m, compared with £6.0m in the previous financial year. As a result of that, the profit for the year after tax is £16.4m, compared with a profit for the prior year of £20.1m. Earnings per share are 11.9p (2009: 14.7p).

While IFRS profits have been reduced, the Group has demonstrated increased operational profitability over last year.

The continued growth in Assets under Administration has contributed to growth in asset-based income streams while the Group's income from servicing investment contracts remains robust.

Investment income and revaluation gains on holdings of Euro deposits reflected within investment income have reduced significantly from those reported at the half-year, as a result of market conditions.

Investment in the Group's distribution infrastructure and in its online platform has been maintained throughout the year, while initiatives taken to constrain expenditure on administrative activity have been successful.

Key Performance Indicators

The Group has established a range of Key Performance Indicators ("KPIs"), both financial and non-financial, that are designed to ensure that performance against targets and expectations across significant areas of activities is monitored and variances explained.

New Business – The Group has developed a measure of calculating new business production, called Compensation Credit ("CC"), which is designed to indicate the relative value of each piece of new business and is used in the calculation of remuneration arrangements for intermediaries and the Group's Account Executives. It also forms the basis for the calculation of incentive schemes for management and staff. As is outlined elsewhere in this review, new business flows were 2.6% higher than the previous year on this measure. The Group's objective is to grow new business at a rate of 10% - 15% per annum on this measure over the medium term.

Expenses – The group maintains rigorous focus on expense levels. The objective is to restrain increases in administrative expenses to the rates of inflation incurred across the Group. The Group's administrative and other expenses for the year, before the investment in systems development projects, was 3.5% below that of the previous financial year and in line with expectations.

Cash – Bank balances and significant movements on balances are reported weekly. The Group's liquid funds at the balance sheet date were £81.8m, an increase of £5.9m or 7.8% from the balances at 30 June 2009, after the payment of £17.6m in dividends during the year.

Risk profile – The factors impacting on the Group's risk profile are kept under continual review. During the year the Group continued to monitor and develop its ERM programme. The Board believes that the principal risks facing the Group are those relating to the operation of the Group's business model and to the environment within which the Group operates. The significant risks faced by the Group are summarized in the Corporate Governance report.

Business continuity – Maintenance of continual access to data via Hansard OnLine is critical to the Group's operations and this has been ensured through a robust infrastructure with inbuilt redundancy. The Group is pro-active in its consideration of threats to data, data security and data integrity. Business continuity testing is carried out regularly by internal and external parties.

Strategic developments – During the year the Board authorized a series of strategic developments to enhance new business initiatives, further streamline our processes and to ensure we continue to meet our strategic expense management targets. A range of KPI's have been developed to measure the investment in projects and benefits expected to be gained from that expenditure.

Business Review continued

Abridged consolidated income statement

The consolidated income statement 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 distort the understanding of the results of the Group's underlying transactions. This relates principally to:

- Investment income relating to the assets administered by the Group to back its liability to policyholders. These assets are generally selected by the policyholder or an authorised intermediary and the policyholder is entitled to the gains and bears the investment risk. The income statement also incorporates the transfer of those benefits to the policyholder. Investment gains during the year attributable to policyholder assets were £146.9m (2009: losses £146.6m).
- Fund management fees paid by the Group to third parties having a relationship with the underlying contract. While fund management fees paid are properly recorded in the Group's income statement under IFRS, it distorts results compared with an understanding of the Group's own entitlement to fund management fees and any requirement to pay such fees for services rendered in respect of the Group's own assets. In the current year fund management fees attributable to policyholder assets were £4.6m (2009: £3.9m).

An abridged consolidated income statement is presented below, excluding the items indicated above.

Year ended 30 June	2010 £m	2009 £m
Fees and commissions	**49.6**	47.5
Origination costs	**(17.2)**	(16.4)
Administrative and other expenses attributable to the Group	**(17.1)**	(17.0)
Operating profit	**15.3**	14.1
Investment income attributable to the Group	**1.0**	6.0
Other operating income	**0.3**	0.7
Profit for the year before taxation	**16.6**	20.8
Taxation	**(0.2)**	(0.7)
Profit for the year after taxation	**16.4**	20.1

As can be seen above, ignoring investment and other income the Group has demonstrated increased operational profitability over last year. Operating profit, even after taking account of project costs of £0.7m, has increased by £1.2m, or 8.5%.

Fees and commissions

Fees and commissions for the year under IFRS are £54.2 million, compared with the prior year of £51.4m.

A significant proportion of contract fee income, fund management fees and commissions receivable from third parties is related directly to the value of assets under administration. As the value of these assets increases (whether through new business, strengthening stock markets or currencies strengthening against sterling) it results in a positive impact on that income. As can be seen later in this review, assets under administration grew by 13.2% over the year.

A summary of fees and commissions is set out below:

Year ended 30 June	2010 £m	2009 £m
Contract fee income	**35.4**	35.6
Fund management fees	**14.6**	12.4
Commissions receivable	**4.2**	3.4
Fees and commissions in consolidated income statement	**54.2**	51.4
Less: Fund management fees paid to third parties and recovered from contracts	**(4.6)**	(3.9)
Fees and commissions attributable to Group activities	**49.6**	47.5

Contract fee income of £35.4m has decreased only marginally over the level of £35.6m received in the previous financial year. This reflects not only the strength of the existing book of business which is reflected in increasing persistency and in a reduction of £0.6m in charges taken on lapses but also the decision taken by the Group in May 2009 to waive its entitlement to an inflationary increase in its service charges with effect from 1 July 2009. Amounts totalling approximately £0.3m were waived. Service charge increases of 3% to 5% have been implemented from 1 July 2010 and so service charge income will increase proportionally in the next financial year.

Fund management fees charged by the Group, net of amounts totalling £4.6m paid to third parties, totalled £10.0m. This is an increase of 17.6% from the prior year as a result of increased levels of assets under administration.

Commissions receivable, totalling £4.2m, have increased by £0.8m or 23.5% compared with the previous year. This reflects not only the increase in asset values experienced in the early part of the financial year, but also the impact of policyholder investment activity to allocate investments towards equity-based funds and away from cash- and bond-based investments. The ability of the policyholder to reposition assets within a portfolio to manage their investment risk contributes to increased persistency and further emphasises the value of the wrapper.

Investment income attributable to the Group

Investment income attributable to the Group during the year totalled £1.0m, compared with £6.0m in the previous year. An analysis of this is set out below:

Year ended 30 June	2010 £m	2009 £m
Income from investments	**1.2**	4.3
Realised and unrealised gains on Group holdings	**-**	0.9
Foreign exchange (losses) / gains on revaluation of net operating assets	**(0.2)**	0.8
	1.0	6.0

Interest income on the Group's capital balances has been restrained by the continued low interest rate environment in the UK and EU and by a reduction in margins earned on policyholder-held accounts implemented to secure retention of policy contracts.

As a result of the strengthening of Sterling against the Euro and the US Dollar during the last three months of the financial year resulting in a reversal of earlier foreign exchange gains, unrealised foreign exchange losses of £0.2m have been recognised, compared with net gains of £0.8m in the previous year. This is primarily in relation to Euro currency balances held by Hansard Europe to support its regulatory capital requirements and contract fees receivable and has contributed to a reduction in profits in that company, when compared with the previous year.

Expenses

Expenses for the year reflect current new business levels, continued investment in the Group's distribution infrastructure and in its online platform together with management's commitment to maintain desired service levels to intermediaries and policy holders.

Set out below is a summary of expense performance during the year:

i) Origination costs

Origination costs are the cost to the Group of maintaining the infrastructure to acquire and support new business activities. New business commissions, together with the directly attributable incremental costs incurred on the issue of a policy, are deferred and amortised over the life of the relevant contract. Other elements of the Group's new business costs are fixed in nature and are expensed as incurred.

The life of a typical single premium contract is 15 years. The life of a regular premium contract is deemed to be the term of the individual policy. Typical terms range between 10 years and 25 years.

Origination costs in the year are:

Year ended 30 June	2010 £m	2009 £m
Origination costs - deferred	**16.2**	15.5
Origination costs - expensed as incurred	**2.5**	2.5
Origination costs incurred	**18.7**	18.0
Net amortisation of deferred origination costs	**(1.5)**	(1.6)
	17.2	16.4

Origination costs incurred have increased by 3.9% from last year. These are largely as expected having regard to the Group's continued investment in its distribution infrastructure and the Group's new business performance.

ii) Administrative and other expenses

During the year the Group continued the initiatives implemented in the previous financial year and was successful in reducing targeted costs by £1m in the period from 1 February 2009 to 30 June 2010. These initiatives related primarily to a freeze on administrative and other headcount, salary reductions agreed by a number of senior management and a waiver of pension contributions across the Group's workforce.

A summary of administrative and other expenses attributable to the Group for the year is set out below:

Year ended 30 June	2010 £m	2009 £m
Salaries and other costs of Administration resources	**8.2**	9.3
Fund management fees	**4.6**	3.9
Other expenses and professional fees	**8.2**	7.7
Project costs	**0.7**	-
IFRS Administrative and other expenses	**21.7**	20.9
Less: Fund management fees paid to third parties	**(4.6)**	(3.9)
	17.1	17.0

The decrease in salaries and other costs in the year under review, despite the inclusion of amounts totalling £0.2m to reflect awards under incentive schemes, is as a result of the expense reduction initiatives discussed above.

Project costs of £0.7m represents investment in the Group's systems to develop Hansard OnLine, implement new business initiatives, streamline administrative processes and to ensure that we continue to meet strategic expense management targets. Salaries of £0.4m and other expenditure of £0.3m were incurred in the financial year under review on these projects. Approximately £1m is anticipated to be spent in the current financial year on these projects.

Other expenses and professional fees in the year include amounts totalling £0.3m (2009: £nil) for administration, custody, dealing and other charges paid to Capital International Limited under the terms of the outsourcing arrangement that commenced in November 2009.

Business Review continued

Taxation

The Group's profits arising from its Isle of Man-based operations are currently taxable at zero percent. Profits in the Republic of Ireland are taxed at 12.5%. The reduction in the charge to taxation reflected above is as a result of reduced profits from the Group's operations in the Republic of Ireland following recent foreign exchange movements, reduced investment income and regulatory reserving requirements.

Cash Flows

Operating cash flows in the year were strongly positive, allowing the Group to fund new business from its own resources and pay dividends of £17.6m.

The following summarises the Group's own cash flows in the year:

Year ended 30 June	2010 £m	2009 £m
Net cash inflow from operating activities	**23.1**	20.0
Foreign exchange differences	**(0.2)**	0.8
Interest on investments	**1.3**	4.2
Cash inflow	**24.2**	25.0
Purchase of plant and equipment	**(0.4)**	(0.7)
Corporation tax paid	**(0.3)**	(1.1)
Dividends paid	**(17.6)**	(16.8)
Cash outflow	**(18.3)**	(18.6)
Net cash inflow	**5.9**	6.4

Dividends

Dividends paid

The following dividends paid during the year are, as can be seen above, covered by operating cash flows in the relevant financial year. The continued application of the Group's dividend record, given short-term reductions in IFRS profit, has resulted in the dividends exceeding earnings per share of 11.9p per share for the year.

Year ended 30 June	2010 (p)	2010 £m	2009 (p)	2009 £m
Final dividend paid 20 November 2009	**7.35**	**10.1**	7.00	9.6
Interim dividend paid 31 March 2010	**5.50**	**7.5**	5.25	7.2
	12.85	**17.6**	12.25	16.8

Proposed dividends

The Board has resolved to pay a final dividend of 7.7p per share on 19 November 2010, subject to approval at the Annual General Meeting. If approved, this will bring the total dividends in respect of the year ended 30 June 2010 to 13.2p (2009; 12.6p) and represent an increase of 4.8% over the dividends in respect of the financial year ended 30 June 2009.

Abridged consolidated balance sheet

The consolidated balance sheet presented under IFRS reflects the financial position of the Group at 30 June 2010. As a result of its method of presentation, the consolidated balance sheet incorporates the financial assets held to back the Group's liability to policyholders, and also incorporates the equivalent liability to policyholders of £1.1bn (2009: £1.0bn). Additionally, the Group's cash and bank deposits are disclosed in different positions based on maturity dates.

The abridged consolidated balance sheet presented below, excluding those assets and liabilities, allows a better understanding of the Group's own capital position and reflects positive operating cash flows despite continued investment in new business. The continued application of the Group's dividend record, given short-term reductions in IFRS profit, has resulted in dividends exceeding earnings per share of 11.9p per share for the year, and has therefore caused a small reduction in Shareholders' equity since 30 June 2009.

As at 30 June	2010 £m	2009 £m
Assets		
Deferred origination costs	**105.6**	104.1
Other assets	**10.7**	11.6
Cash and bank deposits	**81.8**	75.9
	198.1	191.6
Liabilities		
Deferred income reserve	**125.9**	125.2
Other payables	**17.6**	10.7
	143.5	135.9
	54.6	55.7
Shareholders' equity		
Share capital and reserves	**54.6**	55.7

Deferred origination costs

Deferred origination costs represent the unamortised balance of accumulated origination costs. These costs are recoverable out of future net income from the relevant contract and are charged to the income statement on a straight-line basis over the life of each contract to ensure that costs are taken to the consolidated income statement in equal instalments, reflecting the portion of the acquisition cost relative to the service charges and other income received from the contract over the period.

The increase in value since 30 June 2009 reflects the continued acquisition of profitable contracts, net of amounts amortised.

Cash and bank deposits

The Group's cash and deposit balances, excluding those held to cover liabilities under investment contracts, at 30 June 2010 stood at £81.8m. This is an increase of £5.9m from the value of £75.9m reported at 30 June 2009, despite dividends of £17.6m paid during the year. This further reflects the Group's continued cash generative capability.

The Group's liquid assets at the balance sheet date are held with a wide range of deposit institutions and in highly-rated money market liquidity

funds. The Group has taken the opportunity to increase deposit periods to improve interest income. The Group had no borrowings during the year or at the year end (30 June 2009: £Nil).

Deferred income reserve

Deferred income reserve represents the unamortised balance of accumulated initial amounts received on new business, which exceeds the level of expected annual fees for that contract. These amounts are released to the income statement on a straight-line basis over the life of each contract. This ensures that fees are taken to the consolidated income statement in equal instalments, reflecting the services provided over the period.

The increase in value since 30 June 2009 reflects the continued acquisition of profitable contracts and the continued persistency of contracts written in the last two years.

Assets under administration

In the following paragraphs, Assets under Administration ("AUA") refers to net assets held to cover financial liabilities as analysed in note 16 to the consolidated financial statements presented under IFRS.

Despite market conditions, the Group has retained net positive cash flows from the large number of regular premium contracts that the Group administers on behalf of policyholders around the world. Despite falls in value in the last quarter of the financial year, the value of AUA has increased by 13.2% over the year ended 30 June 2010, compared with an increase of 6.8% in the MSCI World Index.

Year ended 30 June	2010 £m	2009 £m
Deposits to investment contracts	**166.1**	188.6
Withdrawals from contracts	**(180.4)**	(177.3)
Effect of market and currency movements	**146.9**	(146.6)
Increase in year	**132.6**	(135.3)
Assets under Administration at 1 July	**1,002.1**	1,137.4
Assets under Administration at 30 June	**1,134.7**	1,002.1

Deposits to investment contracts for the year shown above have been reduced by approximately £14m representing the cancellation during the contractual notice period of two single premium cases as reported in the interim results. Excluding the cancellation of these two contracts and with the impact of premium reductions experienced during the year, we have experienced largely neutral policyholder cash flows in the financial year.

Cash flows into investment contracts throughout the financial year have underpinned AUA, while the ability of policyholders to rotate assets held within those contracts has maintained the level of AUA and further emphasises the strength of the life insurance wrapper.

We continue to monitor the impact of the global credit crisis on assets selected by policyholders. While a significant number of fund structures have suspended redemptions or are restructuring to counter illiquidity, the value of AUA has not been materially affected in the year under review. Write-downs of such assets totalling £10.7m (2009: £44m) are included within "investment contract benefits" in note 16 to reflect the net reductions in value.

Under the terms of the unit-linked contracts issued by the Group, the policyholder bears the financial risk attaching to assets to which the contracts are linked. Any continued reductions in AUA will cause declines in the Group's future asset-based income streams but will not affect the Group's capital position.

AUA currency composition

The investment choices of policyholders and their agents generally reflect the currency of the territories in which they are resident. However, the value of a policyholder's assets is subject to currency rate fluctuations and therefore the proportion of AUA held in any given currency can change as a result of currency movements and other factors.

The principal currencies in which assets are designated at 30 June are as follows:

Currency	2010 %	2009 %
US Dollar	**49.0**	42.0
Euro	**28.0**	34.0
Sterling	**15.0**	16.0

Capitalisation and solvency

Despite short-term reductions in IFRS profit, the Group continues to be adequately capitalised to satisfy operational, regulatory and policyholder expectations.

At the balance sheet date the Group's capital position in relation to the regulatory requirements of subsidiary companies is as set out below. Following dividend payments and increases in the aggregate minimum regulatory margins in the period, the required margins are covered 15.1 times (2009: 16.3 times) by the Group's capital resources.

As at 30 June	2010 £m	2009 £m
Capital available to meet regulatory requirements	**72.9**	75.0
Aggregate minimum regulatory margin	**4.8**	4.6

The following factors are relevant to an understanding of the Group's capital position:

- The capital available is backed by cash and bank deposits.
- The relatively low minimum solvency requirement reflects the fact that the Group does not have options or guarantees on its investment portfolio, is not exposed to longevity risk through an annuity book and uses a prudent reassurance programme to manage the mortality and morbidity risks of the life businesses.

Business Review continued

Results for the year under European Embedded Value

The performance of the Group measured under EEV has improved relative to the previous financial year, both at an operating level and in investment performance, despite the volatile markets and uncertain economic outlook.

EEV profit

EEV profit provides a measure of the Group's performance over the year. EEV profit after tax has increased by almost 172% to £28.0m (2009: £10.3m), a return on EEV of 11.8% (2009: 4.2%). Also, the current policyholder book continues to generate strong positive cash flows to fund new business and pay dividends.

The components of EEV profit after tax are set out in the table below:

Year ended 30 June	2010 £m	2009 £m
New business contribution	**11.5**	10.1
Expected return on existing business	**5.9**	9.7
Experience variances	**(4.1)**	(5.3)
Operating assumption changes	**(2.1)**	(8.0)
Expected return on net worth	**2.2**	2.8
Model changes	**2.1**	2.0
EEV operating profit after tax	**15.5**	11.3
Investment return variances	**17.6**	(2.1)
Economic assumption changes	**(5.1)**	1.1
	28.0	10.3

Summary

Operating performance - New business

Year ended 30 June	2010 £m	2009 £m
New business volumes (PVNBP)	**166.3**	166.2
New business contribution	**11.5**	10.1
New business margin	**6.9%**	6.1%

The value added from new business during the year of £11.5m (2009: £10.1m) is 14% higher than last year. While growth of new business in the second half of the year has been very positive, the effect of the world-wide recession on the insurance long-term savings market continues to impact on the Group. However, the Group has retained its focus on profitability and the new business margin for the year, being the contribution from new business expressed as a percentage of PVNBP, has increased by 13% to 6.9%, from 6.1% last year. This is primarily as a result of action taken by the Group's distribution resources to increase the proportion of sales attributable to regular premium products, which typically have a higher margin than single premium products.

Operating performance – In-force business

Operating profit for in-force business was £4.0m (2009: £1.2m), which whilst an improvement compared to the previous year was lower than expected. This was influenced by changes in the behaviour of policyholders, investment in the Group's infrastructure and better levels of mortality than anticipated.

Further detail of sources of performance variance and assumption changes are shown in the tables below:

Year ended 30 June	2010 £m	2009 £m
Premium changes and surrenders	**(1.6)**	(5.6)
Expenses	**(1.5)**	(0.5)
Other	**(1.0)**	0.8
Experience variances	**(4.1)**	(5.3)

Year ended 30 June	2010 £m	2009 £m
Lapses & paid-up policies	**3.5**	0.3
Premium reductions and holidays	**(3.2)**	(7.8)
Expenses	**(2.5)**	0.6
Mortality	**1.3**	0.6
Other	**(1.2)**	(1.7)
Operating assumption changes	**(2.1)**	(8.0)

Throughout the year the Group experienced a lower rate of policy lapses, and a higher proportion of policyholders requesting premium reductions. The net effect has reduced EEV operating profit by £1.5m (2009: £5.6m). Furthermore, the Group considered the outlook of this trend continuing, and updated its assumptions for future policyholder behaviour. This led to a release of conservative margins in respect of future lapses and paid up policies of £3.5m (2009: £0.3m), and a strengthening of provisions for premium reductions of £3.2m (2009: £7.8m).

The Group incurred costs of £1.5m (2009: £0.5m) higher than were provided for in the policy loadings. The primary driver was a series of development projects to improve its infrastructure, and also, it has provided for a further £1m for future development costs.

Additionally, excess conservatism in the provision for future mortality experience has been released, which increases EEV by £1.3m (2009: £0.6m), and in the modelling of the policy terms, which increased EEV by £2.1m (2009: £2m).

Investment performance

Investment performance is a key driver of the EEV profit.

The components of the investment profit are shown in the table below:

Year ended 30 June	2010 £m	2009 £m
Investment performance of policyholder funds	**10.7**	(25.2)
Exchange rate movements	**10.8**	24.9
Treasury Margins	**(1.3)**	0.0
Commissions receivable	**0.1**	(0.7)
Other	**(2.7)**	(1.1)
	17.6	(2.1)

The key drivers of investment performance were investment returns on assets under administration and foreign exchange movements. These two components contributed £21.5m (2009: £0.3m loss) of the total profit of £17.6m (2009: £2.1m loss).

Despite market volatility policyholder assets under administration have increased by 13.2% over the year.

The reduction in interest rates has meant that the company has received lower levels of income on shareholder assets and Treasury operations than anticipated, leading to a negative variance of £2.7m (2009: £1.1m) and £1.3m (2009: £Nil) respectively. The lower interest rate environment has also led to a reduction of future interest rate assumptions, which along with a more conservative approach to future Treasury margins and charges levied by third party asset managers, led to a loss of £5.1m (2009: £1.1m profit).

Additional analysis of EEV profit is contained within the EEV Information.

EEV balance sheet

In extreme market conditions, the Group's embedded value has proved resilient. Following the payment of dividends totalling £17.6m, the Group's EEV has increased by £10.4m to £247.0m (2009: £236.6m).

The table below provides a summarised breakdown of the EEV at the reporting dates:

As at 30 June	2010 £m	2009 £m
Net worth	**68.0**	68.2
Value of future profits	**179.0**	168.4
	247.0	236.6

Net worth is the market value of shareholders' funds, determined on an IFRS basis, adjusted to exclude certain assets such as deferred origination costs and liabilities such as deferred income reserve. The small decrease in net worth reflects the continued generation of cash flows from the existing book of business being offset by positive lapse experience and the impact of the Group's progressive dividend record. At the balance sheet date the net worth of the Group is represented by liquid cash balances.

Profitability of new business

Despite market conditions, the Group has retained its focus on profitability and has achieved new business margins of 6.9% on the basis of PVNBP. The underlying profitability of new business written by the Group remains consistently above levels enjoyed by a majority of competitors. The Internal Rate of Return of new business written during the year remains in excess of 15% per annum, while initial capital invested in new business is returned, on average, within three years.

A proportion of the Group's cost base is relatively fixed in nature in the short term. While the Group has consistently maintained its target returns on new business written, the current level of new business production, together with the continued investment in the Group's distribution infrastructure, have caused an acquisition expense overrun of £2.1m in the year. While expense management and other initiatives have reduced this overrun by 25% from the £2.8m reported last year, the contribution from new business for the year has been reduced by £2.1m, and the new business margin by approximately 1.3% due to this overrun.

The Group is positioned to support at least a 50% growth in sales without a correspondingly large increase in acquisition expenses. At that level of sales, and assuming the Group maintains its pricing philosophy, the acquisition expense overrun would reduce to close to zero and the new business margin would return to about 8%.

Net asset value

On the EEV basis, the net asset value per share (NAV) at 30 June 2010 is 179.9p, an increase of 4.4% compared with 172.3p at 30 June 2009. The NAV is based upon the EEV at the balance sheet date divided by the number of shares in issue at that date, being 137,282,656 ordinary shares.

The NAV at 30 June 2010 on the basis of IFRS is 39.8p. This represents a decrease of 2.0% from the NAV of 40.6p at 30 June 2009.

Report of the Chief Distribution Officer Joseph Kanarek

The effects of the credit crisis that began just over three years ago have been well documented. Volatile market conditions, unemployment and concerns over almost every part of the global economy have affected every individual and organisation worldwide. It goes almost without saying that such an environment caused a reduction in the propensity to invest. Over the last nine months there have been indications that the attitude towards long-term investments has improved in certain areas of the world. Hansard has been able to position itself to take advantage of this improvement.

Against the backdrop of volatile market conditions and global economic concerns affecting investor confidence that were experienced throughout the financial year, I am pleased to report that new business flows for the year are marginally above the level of the previous financial year, as anticipated in the Interim Management Statement published on 14 May 2010. New business, calculated on the Group's internal metric, Compensation Credit, increased by 2.6% to £11.9m.

" New business momentum identified earlier this year has continued for a third successive quarter..."

New business momentum identified earlier this year has continued for a third successive quarter and we have achieved a continuing trend of increases in quarterly new business levels throughout the financial year. While single premium business levels remain constrained by market volatility, the recovery in regular premium new business was sufficiently strong to neutralise those reduced levels of single premiums and allow the Group to achieve both a positive overall increase in new business levels and in new business margins, which have increased to 6.9% on PVNBP basis.

New business flows for the year ended 30 June 2010 are summarised in the table below (comparisons on an actual currency basis).

Year ended 30 June	2010	2009	%
Basis	£m	£m	change
Compensation Credit	11.9	11.6	2.6 %
Present Value of New Business Premiums	166.3	166.2	0.1 %
Annualised Premium Equivalent	22.3	22.4	(0.4)%

Economic and other conditions remain challenging and uncertain particularly in Europe, but we remain optimistic as regular premium flows continue to exceed those of the corresponding period in the previous financial year. Our distribution resources are being targeted, primarily, to source regular premium new business, particularly from Latin America and the Far East.

With our continuing investment in distribution infrastructure, systems and online platform, I am confident that Hansard's business model and prospects remain strong.

New Business

New business sales volumes are expressed above in terms of Hansard's internal metric, Compensation Credit ("CC"), and two bases generally made available to the market, Present Value of New Business Premiums ("PVNBP") and Annualised Premium Equivalent ("APE").

Compensation Credit is the Group's prime indicator of new business activity and is used in all financial incentive arrangements throughout the Group. CC is a measure that indicates the relative value of each piece of new business to allow the Group to monitor acceptability of margins and protect capital, and it is a measure aligned to the interests of the intermediaries that provide business to the Group. PVNBP is summarised below as it is a measure of value of new business flows that is generally used by the market by reason of its relationship with Embedded Value and other metrics. APE, by comparison, is an indication of the volume of new business flows, not value, and is not regarded by the Group as a meaningful measure.

New Business Strategy

Hansard's objective is to grow its business by attracting profitable new business and positioning itself to adapt rapidly to market trends and conditions. The scaleability and flexibility of the Group's operations allow it to enter or develop new geographic markets and exploit growth opportunities within existing markets without the need for significant further investment.

" Despite market conditions, the Group has maintained its focus on profitability."

The Group intends to continue to operate its existing business model, which is designed to reduce operational and financial risk, and to grow its business through:

- **developing and enhancing Intermediary relationships;**
- **developing profitable relationships with financial institutions and other wealth management groups and;**
- **increasing the functionality of Hansard OnLine to continue to meet the needs of Intermediaries and policyholders.**

The principal geographic markets in which the Group currently services Intermediaries and policyholders are Latin America, the Far East and the Middle East which are typically sources of higher-margin regular premium products, and Western Europe which is primarily a source of lower-margin single premium products.

While conditions remain challenging and uncertain particularly in Europe, distribution resources are being targeted, primarily, to source regular premium new business.

Progress against strategy

• developing and enhancing Intermediary relationships

Through the Group's network of Account Executives, who provide local language and other support to intermediaries in the Group's target markets, the Group continues to develop and enhance relationships with independent financial advisers around the world. During the year 142 Intermediary groupings provided new business to the Group, particularly in Latin America and the Far East.

The Group's distribution resources are being better targeted to support production of regular premium contracts. An additional 7 field and marketing personnel have been recruited recently and further recruitment activity continues.

While the Group's objective is to develop further relationships, changes in market practice and in regulatory approach may impact on the ability of an IFA to continue to support the Group's new business production targets. During the year the Group experienced a number of instances where production in certain parts of the EU and EEA has been affected by legislation or regulatory complexity. As a result of this we have suspended taking new business from Norway pending clarification of the position.

• developing profitable relationships with financial institutions and other wealth management groups,

The Group continues to develop profitable relationships with wealth management groups that typically provide access to single premium contracts in Europe.

• increasing the functionality of Hansard OnLine to continue to meet the needs of Intermediaries and policyholders.

Details of this functionality are included elsewhere in this Report and Accounts but the following summarises key points worthy of note.

The Group has successfully piloted its online new business facility, with pilot intermediaries now using the facility for over 95% of their business. As experience develops and feedback is received, enhancements are being continually added, and the facility is gradually being extended to other intermediary groups.

Work to support the Group's plans to extend the reach, functionality and penetration of client sites is progressing. Systematically generated documents and certain bespoke documentation are now available online to clients and to their intermediaries. Facilities to support the secure upload of documents directly to Hansard head offices via the internet have been introduced and are widely used. The cost savings to intermediaries of these applications is significant, and can be expected to increase as the demand for paper copies reduces.

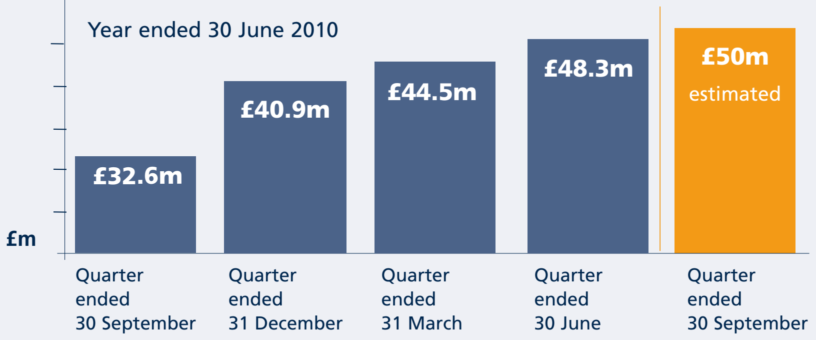
The Group continues to press for useful internet applications for the intermediary community. An application which connects "Google" maps to the Hansard OnLine database is being piloted to track client site usage.

leverage all unique assets and information

We support financial advisers with fast, secure access to current data, market reports and analytical information through Hansard OnLine:

- We provide financial advisers with a clear competitive edge
- We help them to establish a valuable rapport with their clients
- We enable them to efficiently track their clients' portfolios

Continuing new business momentum (PVNBP)



Commentary on new business performance for the year

While single premium business remained constrained by market volatility, new business momentum identified earlier this year has continued for a third successive quarter and we have achieved a continuing trend of increases in quarterly new business levels throughout the financial year, as is demonstrated above.
This momentum has continued into the new financial year and I anticipate that new business in the first quarter will exceed that of the final quarter of the financial year under review, aided by recent single premium flows in excess of £35m since year end on a PVNBP basis.

To allow better comparison with results published by other companies the following commentary relates to new business flows calculated on the basis of PVNBP.

Reflected within the trend of new business are increasing regular premium new business flows. Regular premium new business has increased by 10.6% compared with the last financial year. Regular premium new business flows of £20.1m PVNBP in the three months to 30 June 2010 are 20% above the level of the previous quarter in this financial year and 47% above the corresponding period in the prior year. Recovery in regular premium new business throughout the financial year was sufficiently strong to neutralise the continuing reduced levels of single premium new business and achieve a positive overall increase in new business.

Single premium new business has decreased by 6.3%. The comparative figure of £103.8m PVNBP includes two large cases with combined single premiums approximating £13.75m that were issued in Q4 last year. Ignoring these particular transactions, single premium new business for the year is 8.1% higher than last year, demonstrating the sensitivity of the Group's PVNBP to very large single premium cases.

The Group continues to generate the majority of its new business case count from Latin America and the Far East, as these are predominantly regular premium policies. Regular premium products accounted for 41.5% (2009: 37.6%) of the Group's PVNBP in the year. Premium flows from the EU and EEA are predominantly single premium business and the reduced new business flows shown above reflect the continuing difficult market environment that impacts on investor confidence.

The value of new business premiums is influenced, among other factors, by the Group's expectations of future premium collections on regular premium contracts issued during the year. The Group's experience of premium reductions during the year has been incorporated into the estimate of value from that business, causing a total reduction in PVNBP for this year of £2m (2009: £7m) compared with the assumptions used in the previous year. These adjustments are reflected in the last quarter of each year.

New Business Margins

Despite market conditions, the Group has retained its focus on profitability. New business margins on the PVNBP basis for the year were 6.9% (2009: 6.1%). These margins are well above the industry average, principally due to the Group's continued focus on the value of new business and tight cost control. Increased regular premium flows, which earn higher margins than single premium business, have contributed to the growth in the margin since Q1 of this financial year, which was 5.8%.

J Kanarek
22 September 2010

The following tables demonstrate the split of new business between regular and single premium cases and by residence of the policyholder

Year ended 30 June	2010 £m	2009 £m	% change
Regular premium	**69.0**	62.4	10.6 %
Single premium	**97.3**	103.8	(6.3)%
PVNBP	**166.3**	166.2	0.1 %

Year ended 30 June	2010 £m	2009 £m	% change
EU and EEA	**72.2**	80.1	(9.9)%
Latin America	**37.6**	27.0	39.3%
Far East	**31.1**	31.0	0.3 %
Rest of world	**25.4**	28.1	(9.6)%
PVNBP	**166.3**	166.2	0.1 %

Hansard receives business from a well-diversified portfolio of intermediaries around the world, which results in new business being received in a range of currencies. The principal currency receipts (as a percentage of PVNBP for the year) are set out below.

Year ended 30 June	2010	2009
Currency	%	%
US Dollars	**38.0**	37.0
Euro	**29.0**	37.0
Sterling	**23.0**	18.0

Directors

Dr Leonard Polonsky (Executive Chairman)

Dr Polonsky founded the Group in 1970. Previously he was a partner of Associated Investors (Investment Brokers) and had roles with Life Assurance Company of Pennsylvania. He taught languages in Heidelberg following postgraduate studies at Oxford and the Sorbonne.

Gordon Marr (Managing Director)

Gordon was appointed Managing Director of the Company on 1 July 2009, having previously served as Group Counsel and as Executive Director. Gordon joined the Group in 1988 and has had responsibility for Group Legal, Compliance, Personnel, Administration and the European business. He joined the Board of Liberty Life, a UK insurance company, in 1992, with responsibility for Legal and Compliance issues. Previously he had worked with the Sedgwick Group plc and BUPA. He is a Solicitor of the Supreme Court and a member of the Law Society.

Joseph Kanarek (Chief Distribution Officer)

Joe was appointed to the board on 1 January 2010. Joe joined the Group in 2000. Previously he was executive vice-president of the American Life Insurance Company (a member of American International Group Inc.), and held roles with The Hartford, UNUM Limited (trading as UNUM Provident); Caroon and Black Insurance Inc; American General; The Aetna and Fidelity Union Life Insurance. Joe has served on the Supervisory Board of NASK Oranta, the largest insurance company in the Ukraine; the board of The Hartford Life Insurance Company and the board of American Life Insurance Company ("ALICO").

Bernard Asher (Senior Independent Director)

Chairman of Nominations and Remuneration Committees. Member of Audit Committee.
Bernard was appointed a non-executive Director on 24 November 2006. He is currently a non-executive Director of China Shoto plc, and a Director of Banque Marocaine du Commerce Exterieur. He was Vice Chairman of the London School of Economics and remains a Governor. Previously he had non executive roles with Legal & General Group plc as Vice Chairman and Lonrho Africa plc as Chairman. Bernard was 20 years with HSBC Holdings plc as an executive director of the Group and Chairman of the Investment Bank.

Maurice Dyson (Independent Non-executive Director)

Chairman of Audit Committee. Member of Nominations and Remuneration Committees.
Maurice was appointed a non-executive Director on 24 November 2006. He is a consultant on actuarial and investment issues and a director or trustee of several companies and trusts involved with investment, pensions, and religious charities. He is a Fellow of the Institute of Actuaries, and an Associate of the UK Society of Investment Professionals. Previously he was the Deputy Chairman of Aon Consulting in the UK, was the Head of Actuarial Practice at Alexander Clay & Partners and a partner in the actuarial firm, Clay & Partners.

Uwe Eymer (Independent Non-executive Director)

Member of Audit, Nominations and Remuneration Committees. Uwe was appointed a non-executive Director on 24 November 2006. He is a licensed lawyer in Germany and previously held a number of positions within the life assurance industry in Europe. He has recently retired as non-executive Chairman of Scor Global Life. Prior to that he was CEO of Scor Global Life and Chairman of Revios Ruckversicherung AG, which had been demerged from Gerling-Konzern Globale.

Harvey Krueger (Independent Non-executive Director)

Member of Nominations and Remuneration Committees. Harvey was appointed a non-executive Director on 24 November 2006. He is a vice chairman at Barclays Capital Inc. and a director of Bernard Chaus, Inc. and Duff & Phelps, LLC. He was Chairman of The Hebrew University of Jerusalem and remains on its Board of Governors. Previously he had been Vice Chairman Emeritus of Lehman Brothers, Inc; President and Chief Executive of Kuhn Loeb Inc., had worked for Cravath Swaine and Moore and was a director and Chairman of the Executive Committee of Automatic Data Processing Inc. and served on the board of many other public and private companies.

Senior Management

The current members of the Group's senior management team are:

Paul Harwood
Managing Director: Hansard Administration Services
A member of the Group Executive Committee (Isle of Man resident)

Paul joined the Group in 1996. Previously he had roles with Bacon & Woodrow, Irish Life Assurance (UK) Limited, and IBM United Kingdom Limited. He is a Fellow of the Institute of Actuaries and the Society of Actuaries in Ireland.

Vince Watkins
Chief Financial Officer
A member of the Group Executive Committee (Isle of Man resident)

Vince joined the Group in 1995. Previously he was with Ernst & Young in South Africa. He is a member of the Institute of Chartered Accountants in England and Wales.

Carmel Brennan
Appointed Actuary/Policyholder Director
(Republic of Ireland resident)

Carmel joined the Group in 1994. She became Appointed Actuary of Hansard International Limited and Hansard Europe Limited in 2003. Previously she had roles with Canada Life Assurance (Ireland) Limited and the New Ireland Assurance Company Plc. She is a Fellow of the Institute of Actuaries and the Society of Actuaries in Ireland.

Deborah Byron
Director of Information Technology
(Isle of Man resident)

Deb joined the Group in 1999. She is a member of the British Computer Society and held roles previously with Denton Wilde Sapte and Bechtel Limited.

She is Chair of both the ICT Skills Group of the Isle of Man Government's Department of Economic Development and the Isle of Man Chamber of Commerce's ICT Committee.

Nigel Kneale
Chief Software Architect
(Isle of Man resident)

Nigel joined the Group in 1993. Previously he had roles with Astroscan Limited and Real Time Systems Limited.

Julie Krasin
Managing Director – Operations: Hansard Development Services
(Isle of Man resident)

Julie joined the Group in 2001. Previously she had roles with the American International Life Company (a member of American International Group Inc.) and the New York Life Insurance Company.

Rachel Panagiodis
Managing Director: Hansard Europe
(Republic of Ireland resident)

Rachel re-joined the Group in 1994, having worked with the Group from 1987–89. Previously she had roles with Credit Life Insurance Management Limited (a member of the American Family Life Assurance Group); Providence Capitol Life Assurance Company Ltd, and the Scottish Special Housing Association. She is a Fellow of the Chartered Institute of Management Accountants. Rachel is currently Chair of the Association of International Life Offices.

Manoj Patel
Company Secretary
(Isle of Man resident)

Manoj joined the Group in 2004. Previously he had roles with Eagle Star International Life Limited and Eagle Star Holdings Plc. He is a Solicitor of the Supreme Court

Nurture our people and environment…

We take extremely seriously corporate and social responsibility, and environmental issues.

We are strongly committed to eco-friendly practices, such as the increasing use of electronic communications and other environmental initiatives

GOVERNANCE

Environmental, Corporate and Social Responsibility Report

Hansard recognises its obligations to adopt a responsible attitude towards its stakeholders. The Board believes that the Group continues to demonstrate such an attitude but recognises that the Group is relatively small with the main functions split across two distinct locations. The Board believes that Hansard's policies and actions fulfil the Group's obligations.

Employees

At 30 June 2010 the number of the Group's employees, by location, was as follows:

Number	Number	
Location	**2010**	2009
Isle of Man	**164**	161
Republic of Ireland	**40**	33
Other	**21**	23
	225	217

The Group's principal administrative operations are performed in the Isle of Man and the Republic of Ireland. Account Executives and related resources are based in local markets to support the Intermediaries that introduce business to the Group. The principal locations are Latin America, Central America, the Far East and Western Europe.

The Group is committed to equal opportunities for current and potential employees. The gender profile of the Group at 30 June 2010 is split with a total of 117 male and 108 female employees (2009: 109 male and 108 female). Approximately 33% of senior management roles are held by women.

Environmental

The Group maintains its initiatives to reduce and restrain its carbon footprint. The Group strives to reduce printed literature by increasing electronic access to information and being more creative with printing requirements, including deliberately keeping the print runs to a bare minimum. Provision of an electronic version of the Annual Report & Accounts, where shareholders have chosen this option, and other market information has reduced the need to publish and distribute copies.

The promotion of and continued development of Hansard OnLine continues to allow reductions in paper, printing and postage. We expect the demand for paper copies of documents to reduce further as use of Hansard OnLine increases.

Where possible the amount of business travel undertaken is reduced, by looking into alternative ways to conduct business, for example by greater use of the video conferencing facilities installed at the Group's offices.

Corporate

We believe that our employees and our ongoing relationship with independent financial advisers are assets which influence the return to shareholders and to policyholders.

The Group ensures that each of its companies is compliant with relevant applicable legislation relating to Health and Safety, employment legislation including sex, race and other discrimination rules, and strives to be an equal opportunity employer.

Social responsibility

The Group encourages employees in their efforts to support local causes, through collections in the office or through active participation in fund raising events. During the year the Company has matched donations made by employees in support of registered charities in the Isle of Man and the Republic of Ireland.

This has resulted in a total of approximately £6,000 (2009: £15,000) being donated to various charities in those locations during the financial year.

Communication with shareholders

The Company places considerable importance on communication with shareholders and engages with them on a wide range of issues.

The Company has an ongoing programme of dialogue and meetings between the executive directors and institutional investors, fund managers and analysts. At these meetings a wide range of relevant issues including strategy, performance, management and governance are discussed within the constraints of information already made public.

In addition, the Senior Independent Director, Bernard Asher, is available to meet with major shareholders to discuss any areas of concern not resolved through normal channels of investor communication. Arrangements can be made to meet with the Senior Independent Director through the Company Secretary.

The Board is equally interested in communications with private shareholders and the Company Secretary oversees communication with these investors. All information reported to the regulatory news services is simultaneously published on the Company's website, affording the widest possible access to Company announcements. The Company is endeavouring to take full advantage of the provisions allowing communications to be made electronically to shareholders though under Isle of Man law this is only possible where shareholders opt for this option. As such we would encourage shareholders to seek to use electronic communications wherever possible and to contact the registrar and/or Company Secretary to arrange this.

The Company's Annual General Meeting provides a valuable opportunity for the Board to communicate with private investors.

In the past the company has complied with the guidance contained in the Combined Code relating to voting; proxy voting by shareholders, including votes withheld; the separation of resolutions, and the attendance of committee chairmen. At the forthcoming meeting, the Company intends to comply with the new UK Corporate Governance Code in relation to these matters.

Whenever possible, all directors attend the Annual General Meeting and shareholders are invited to ask questions during the meeting and have an opportunity to meet with the directors following the conclusion of the formal part of the meeting. This year in line with the proposals in the UK Corporate Governance Code all directors will offer themselves for re-election.

The Company's Annual Report & Accounts and annual review, together with the Company's half-yearly reports, interim management statements and other public announcements are designed to present a balanced and understandable view of the Group's activities and prospects. All such documents are available on the Company's website.

By order of the Board

Dr Leonard Polonsky
Executive Chairman
22 September 2010

Directors' Report

Financial statements

The directors have pleasure in submitting their report together with the consolidated and parent company financial statements for the year ended 30 June 2010.

These consolidated financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union ("IFRS"). The financial statements of the parent company have been prepared under UK GAAP. Additionally, certain information relating to embedded value is presented using the European Embedded Value ("EEV") methodology.

Activities

The Company is a limited liability company incorporated and domiciled in the Isle of Man.

The principal activity of the Company is to act as the holding company of the Hansard Group of companies. The activities of the principal operating subsidiaries include the transaction of life assurance business and related activities.

Results and dividends

The results of trading of the Group for the year under IFRS are set out in the consolidated income statement. The results of trading of the Group for the year on an EEV basis are set out in the EEV Information. The Board believes that EEV Information provides more meaningful information on the financial position and performance of the Group in a particular financial year than that provided by IFRS reporting alone.

i) *Results under IFRS*

The results for the year under IFRS continue to reflect the low-interest rate environment in the UK. Net investment income of the Group in the year was £1.0m, compared with £6.0m in the previous financial year. As a result of that, the profit for the year after tax is £16.4m, compared with a profit for the prior year of £20.1m.

Dividends totalling £17.6m were paid during the year (2009: £16.8m). The deficit of £1.2m after payment of dividends (2009: surplus of £3.3m) has been transferred from shareholders' total equity.

ii) *Results under EEV*

EEV profit after tax was £28.0m (2009: £10.3m). After payment of the dividends of £17.6m during the year, the EEV of the Group as at 30 June 2010 was £247.0m (2009: £236.6m), an increase of 4.4%.

iii) *Proposed final dividend*

The Board has resolved to pay a final dividend of 7.7p per share on 19 November 2010, subject to approval at the Annual General Meeting, based on shareholders on the register on 1 October 2010. If approved, this would bring the total dividends in respect of the year ended 30 June 2010 to 13.2p per share and will represent an increase of 4.8% over the dividends for the full financial year ended 30 June 2009 (12.6p per share).

Principal operating subsidiaries

The following companies are wholly-owned subsidiaries of the Company and represent its principal operating subsidiaries at the balance sheet date and at the date of this report. All companies are incorporated in the Isle of Man with the exception of Hansard Europe Limited, which is incorporated in the Republic of Ireland.

Company	Business
Hansard International Limited	Life Assurance
Hansard Europe Limited	Life Assurance
Hansard Administration Services Limited	Administration Services
Hansard Development Services Limited	Marketing and Development Services

Share capital

The issued share capital of the Company is £68,641,328 divided into 137,282,656 ordinary shares of 50p each (2009: £68,640,601 divided into 137,281,202 ordinary shares of 50p each). As a result of the early exercise of SAYE share save options, 1,454 shares were issued during the year.

The holders of ordinary shares are entitled to receive the Company's Annual Report & Accounts, to attend and speak at General Meetings, to appoint proxies and exercise voting rights.

Share incentive schemes

i) Save As You Earn share save programme

A Save As You Earn share save programme implemented in February 2008 has allowed eligible employees to have the opportunity of acquiring an equity interest in the Company.

The scheme is operated annually, with the option price and awards criteria being established in February. At the balance sheet date, the following options remain outstanding under each tranche:

Scheme year	2010	2009
2008	**83,989**	113,901
2009	**271,343**	307,341
2010	**61,104**	-
	416,436	421,242

The Group has received clearance from the London Stock Exchange to list up to 500,000 shares to meet its obligations to employees under the terms of the programme.

ii) Long Term Incentive Plan

At the Annual General Meeting in November 2009 the shareholders approved a Long Term Incentive Plan under which a total of 309,000 options were awarded but not vested. Details of the conditions of the scheme can be found in the Remuneration Committee Report.

"We believe strongly in the development of all our employees, including our Directors who must commit to ongoing development"

Directors

Joseph Kanarek was appointed to the Board on 1 January 2010.

Details of Board members at the date of this report, together with their biographical details, are set out in the previous section of this Report & Accounts. The Group has decided to apply the terms of the UK Corporate Governance Code and therefore the full Board will retire by rotation at the next Annual General Meeting and seek re-election.

None of the directors holds an interest in any material contract with the Company save for their Service Contract (executive directors) or Letter of Appointment (non-executive directors). The Company has Directors and Officers Liability Insurance and Public Offering of Securities Insurance. The directors have the benefit of Articles 161 and 162 (Right to Indemnity and Power to Insure).

Employees

The Group is committed to providing equal opportunities for all people in recruitment, training and career development and has regard for people's aptitudes and abilities. The Group will not tolerate discrimination on the grounds of race, religion, marital status, age, gender, sexual orientation or disability. The Group's recruitment process seeks to find candidates most suited for the job. The Group respects the dignity of individuals and their beliefs and does not tolerate any sexual, racial, physical or mental harassment of staff in the workplace.

It is the Group's policy that disabled persons should be given the same opportunity for training, career development and promotion as other employees. In the event of employees becoming disabled, every effort is made to maintain the employee's employment and suitable retraining is offered, if appropriate. Full and fair consideration is given to applications for employment from disabled persons.

Substantial shareholdings

At 30 June 2010 the Company had been notified of the following holdings in its share capital. There have been no significant changes in these holdings between the balance sheet date and the date of this report.

Name	Shares	% holding
Dr Leonard Polonsky	57,686,073	42.02
Aberforth Partners	10,602,525	7.72
F&C Asset Management	9,085,294	6.62
Polonsky Foundation	7,186,888	5.24

Directors' interests in shares in the Company, in options granted under the Save As You Earn programme and in options granted under the Long Term Incentive Plan are disclosed in the report of the Remuneration Committee.

Company Secretary

The Company Secretary at 30 June 2010 and throughout the year then ended was Manoj Patel.

Creditor payment policy

It is the Group's policy to adhere to the payment terms agreed with individual suppliers and to pay in accordance with its contractual and other legal obligations.

Charitable and political donations

The Group did not make any political donations during the year (2009: £nil). Through matching employee initiatives and collections the Group made charitable donations amounting to £3,000 (2009:£8,000).

Adequacy of the information supplied to the auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as each is aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Statement of going concern

As shown within the Business 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 positive cash flows arising from existing business. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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 financial statements on that basis.

Auditor

The Company's auditor, PricewaterhouseCoopers, will retire at the forthcoming Annual General Meeting. With effect from 1 August 2010 the firm of PricewaterhouseCoopers in the Isle of Man has changed from being a partnership to a Limited Liability company (LLC) incorporated in the Isle of Man. The Audit Committee has considered this change and recommended that PricewaterhouseCoopers LLC be appointed as the Company's auditor. Accordingly, a resolution to appoint PricewaterhouseCoopers LLC as auditor to the Company, and to authorise the directors to fix its remuneration, will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held on 17 November 2010 at the Company's registered office.

A copy of the notice of Annual General Meeting is contained within this Annual Report. As well as the business normally conducted at such a meeting, shareholders will be asked to renew the general authority of the directors to issue shares and to renew the authority for the share buy-back scheme.

The directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole and will be voting in favour of them.

The notice of the Annual General Meeting and the Annual Report are also available at www.hansard.com.

Directors' Report continued

Statement of directors' responsibilities in respect of the Annual Report & Accounts

Company law requires the directors to have prepared financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group, and of the profit or loss of the Group for that year. In having these financial statements prepared, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group, and to enable them to ensure that the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors have had prepared supplementary information in accordance with the European Embedded Value Principles issued in May 2004 by the Chief Financial Officers Forum as supplemented by the Additional Guidance on European Embedded Value Disclosures issued in October 2005 ("the EEV Principles") and other guidance.

In preparing the EEV supplementary information, the directors have had:

- the supplementary information prepared in accordance with the EEV Principles;
- identified and described the business covered by the EEV Principles;
- the EEV Principles applied consistently to the covered business;
- assumptions on a realistic basis determined, having regard to past, current and expected future experience and to any relevant external data, and then applied them consistently, and
- estimates made that are reasonable and consistent.

Under applicable law and regulations, the directors are also responsible for preparing this Directors' Report, Directors' Remuneration Report and Corporate Governance Report that comply with that law and those regulations.

The directors confirm that they have complied with the above requirements in preparing the Annual Report & Accounts.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Manoj B Patel
Company Secretary
22 September 2010

Corporate Governance Report

Compliance with Companies Acts

As an Isle of Man incorporated company, the Company's primary obligation is to comply with the Isle of Man Companies Acts 1931 – 2004. The Board confirms that the Company is in compliance with the relevant provisions of the Companies Acts.

Compliance with the Combined Code on Corporate Governance

Hansard is committed to achieving high standards of Corporate Governance throughout the Group. The Company adhered to the principles of the Combined Code throughout the financial year.

The Combined Code states "There should be a clear division of responsibilities at the head of the company between the running of the Board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision". Dr Leonard Polonsky is the Executive Chairman with a Service Contract with the Company and a major shareholder in the Company. The Board considers that Dr Polonsky, by virtue of his extensive knowledge and experience of the Company's business, adds considerable value in enhancing the Board's decision making and understanding of strategic issues.

This report sets out details of how the Company has applied the principles, and complied with the provisions, of the Combined Code during the financial year.

Compliance with the UK Corporate Governance Code

The Board has agreed to implement the provisions of the UK Corporate Governance Code ("the new Code") with effect from 1 July 2010, including a proposal for the re-election of all Board members at the forthcoming Annual General Meeting. Certain disclosures set out below refer to compliance with the new Code.

The Board of Directors

The Company is directed and controlled by its Board of directors and through systems of delegation and escalation, in order to achieve its business objectives in accordance with high standards of transparency, probity and accountability. The Board meets regularly to determine the Company's strategic direction, to review the Company's operating and financial performance and to provide oversight that the Company is adequately resourced and effectively controlled. The specific duties of the Board are clearly set out in a Board Procedures Manual that addresses a wide range of corporate governance issues and lists those items that are specifically reserved for decision by the Board.

The primary responsibilities of the Board include, but are not limited to:

- formulation of medium and long-term direction and strategy for the Group;
- establishment of capital structure and dividend policy;
- ensuring the Group's operations are well managed and proper succession plans are in place;
- review of major transactions or initiatives proposed by the executive directors;
- implementation of policy and procedures to support the governance framework of the Group;
- regular review of the results and operations of the Group;
- ensuring that proper accounting records are maintained and adequate controls are in place to safeguard the assets of the Group from fraud and other significant risks;
- oversight of the Group's enterprise-wide risk management programme, and
- decisions regarding the Group's policy on charitable and political donations.

Board operations

The Board and its committees operate in line with work plans agreed prior to the start of each year. At Board and committee meetings, directors receive regular reports on the Group's financial position, enterprise-wide risk management programme, regulatory compliance, key business operations and other material issues.

Directors are fully briefed in advance of Board and committee meetings on all matters to be discussed. The Company Secretary is responsible for following Board procedures and advising the Board, through the Chairman, on governance matters. All directors have access to his advice and services.

The Board has adopted a procedure whereby directors may, in the performance of their duties, seek independent professional advice at the Company's expense if considered appropriate.

The executive directors, together with Paul Harwood and Vince Watkins, form the Executive Committee. The Executive Committee is chaired by Dr Polonsky and meets monthly. The Executive Committee has responsibility for the day-to-day management of the Group, and other items as delegated from time to time by the Board.

Board committees

The Board has established the following standing committees to oversee important issues of policy and maintain such oversight outside the main Board meetings:

- Audit Committee
- Nominations Committee
- Remuneration Committee
- Executive Committee, and
- Management Risk Committee (with effect from the 2010/2011 financial year)

Throughout the year the chairman of each committee provided the Board with a summary of the key issues considered at the meetings of the committees and the minutes of the meetings were circulated to the Board.

The committees operate within defined terms of reference, which can be accessed on the Company's website.

Board committees are authorised to engage the services of external advisers as they deem necessary in the furtherance of their duties, at the Company's expense.

Reports on the composition and terms of reference of the Audit, Nominations and Remuneration Committees are set out later in this Report & Accounts, together with a summary of their activities during the year.

Corporate Governance Report continued

A Risk Committee (comprised of a range of senior management and chaired by Mr Marr, Managing Director) has been established recently as a committee of the Board with a view towards reviewing and updating the Enterprise Risk Management Framework.

The Directors

The Board currently comprises the Executive Chairman, four independent non-executive directors and two executive directors.

Each independent non-executive director serves for a fixed term not exceeding three years that may be renewed by mutual agreement. The term of each non-executive director was renewed for a further three years from November 2009. The Board's policy is to appoint and retain independent non-executive directors who can apply their wider knowledge and experiences to their understanding of the Group. The process for appointing new directors is conducted by the Nominations Committee.

It is the Board's view that an independent non-executive director also needs to be able to present an objective, rigorous and constructive challenge to management, drawing on his wider experiences to question assumptions and viewpoints. To be effective, an independent non-executive director needs to acquire a sound understanding of the industry and the Company so as to be able to evaluate properly the information provided.

Having considered the matter carefully the Board is of the opinion that all of the non-executive directors are independent and free from any relationship or circumstances that could affect, or appear to affect, their independent judgement.

The UK Corporate Governance Code requires that at least half the Board, excluding the Chairman, should comprise independent non-executive directors as determined by the Board. The Company complies with this requirement at the date of this report.

Subject to the Board being satisfied with a director's performance, independence and commitment, there is no specified limit regarding the number of terms a director may serve. Each director is required to be elected by shareholders at the Annual General Meeting following appointment by the Board and to be re-elected at least once every three years. However, in order to apply the provisions of the new Code, the full Board will offer themselves for re-election at the next Annual General Meeting.

Senior Independent Director

Under the new Code the Board appoints one of the independent non-executive directors to act as Senior Independent Director. Bernard Asher serves as the Senior Independent Director.

Board effectiveness

The effectiveness of the Board is vital to the success of the Group and the Company undertakes an evaluation each year in order to assess how well the Board, its committees, the directors and the Chairman are performing. The aim is to improve the effectiveness of the Board and its committees and the Group's performance. The process is led by the Chairman and supported by the Company Secretary.

The Chairman's evaluation is managed by the Senior Independent Director who provides feedback to the Chairman. As part of the Chairman's evaluation the independent non-executive directors meet separately under the chairmanship of the Senior Independent Director.

The evaluation of the Board's effectiveness was carried out by way of a questionnaire and the data was collated with that from a similar exercise conducted in the last financial year. The results were considered by the Board at its meeting in June 2010.

Following these reviews, the directors have concluded that the Board and its committees operate effectively and have agreed actions in respect of certain processes identified for improvement. Additionally, the Chairman has concluded that each director contributes effectively and demonstrates full commitment to his duties.

Directors' attendance

The Company requires directors to attend all meetings of the Board and the committees on which they serve and to devote sufficient time to the Company in order to perform their duties. The Board meets at least quarterly, with additional meetings arranged as required.

The attendance of the directors at the Board and committee meetings held during the year was as follows:

Name	Board**	Audit	Nominations	Remuneration
Number of meetings	6	5	3	4
Dr Leonard Polonsky	5	n/a	n/a	n/a
Bernard Asher*	5	5	3	4
Maurice Dyson^	6	5	3	4
Uwe Eymer	5	5	3	4
Harvey Krueger	5	n/a	2	3
Gordon Marr	6	n/a	n/a	n/a
Joseph Kanarek+	2	n/a	n/a	n/a

* Chairman of the Remuneration and Nominations Committees

^ Chairman of the Audit Committee

\+ Appointed 1st January 2010 and attended all Board meetings since appointed

** One meeting held in December 2009, in relation to an issue of shares for an early exercise of SAYE Options, did not require full attendance.

Risk Management and Internal Control

In support of its accountabilities to operate a sound system of internal control, and in accordance with Turnbull Guidance to the Combined Code, the Board has implemented,maintains and refreshes where necessary, an enterprise-wide risk management (ERM) programme. The ERM programme and its frameworks are designed to support the identification, assessment, monitoring, management and reporting of risks which may prevent or limit the achievement of key business objectives.

The ERM programme recognises the value to be achieved from ensuring that risk management and internal control are embedded as continuous and developing processes within strategy setting, programme level functions and day-to-day operating activities and are not treated as discrete activities, performed at certain points in time.

The ERM programme has been in place throughout the year and up to the date of this report.

The ERM programme also recognises that the achievement of business objectives is, in large part, the reward of successful, managed risk taking. In accordance with this recognition, the main objectives of the ERM programme can be categorised as follows:

- Performance Objectives: the efficiency and effectiveness of activities, use of assets and other resources and protecting the Business from loss. The ERM programme seeks to ensure that personnel throughout the Group are working to achieve business objectives with efficiency and integrity, without unintended or excessive cost or placing other interests before those of the Group.
- Information Objectives: the preparation and provision of timely, reliable and relevant reports needed for substantive, informed decision-making and to ensure the information received by management, the board of directors, shareholders and regulators is of sufficient quality and integrity.
- Compliance Objectives: to ensure that all organisational activities and outputs comply with applicable laws and regulations, supervisory requirements and internal policies and procedures.

The systems of internal control which make up the ERM programme are designed to recognize the Board's requirements under the Combined Code and to:

- safeguard assets;
- maintain proper accounting records;
- provide reliable financial information;
- identify and manage business risks;
- maintain compliance with appropriate legislation and regulation, and
- identify and adopt best practice.

The key features of the ERM system of internal control include:

- terms of reference for the Board and each of its committees;
- a clear organisational structure, with documented delegation of authority from the Board to executive management;
- defined procedures for the approval of major transactions;
- committees of senior managers responsible for reviewing the Group's financial and non-financial risks;
- risk management and internal control frameworks for the Group's operations. Each subsidiary company board is required to attest to its adherence to these control frameworks on a quarterly basis.

These overarching objectives combine five interrelated elements, which enable the management of risk at strategic, programme and operational levels to be integrated, so that the levels of activity support each other.

These five 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.

This configuration and integration, and the methods of implementation via the ERM programme, ensures that all staff are made aware of the relevance of risk management to achievement of their individual objectives and accountabilities. The result is a risk management strategy, which is led from the top whilst being embedded in the Group's business systems, strategy and policy setting processes and the normal working routines and activities of the organisation. In this way risk management becomes an intrinsic part of the way business is conducted within the Group.

Risk appetite

As part of the ERM programme, the Board of directors has established a formal Risk Appetite Framework, which specifies the level of risk that may be assumed by the Group's operating subsidiary companies in order to achieve the Group's strategic objectives.

Risks to objectives are continuously assessed by management according to their potential impact and likelihood. A Risk Profile Score, independently generated using these assessments, is reviewed by subsidiary company boards to indicate if objectives are likely to be achieved, and whether the risks entailed are appropriate. These profiles are aggregated and considered by the Company board at each meeting.

Risk identification and assessment

The ERM programme requires all subsidiary companies to identify risks to business objectives, and to maintain a record of this on a Risk Register. The content of the Risk Register is addressed by the agenda of each subsidiary company board meeting, and confirmation that it is conducted on an ongoing and consistent basis is reported to the Company board.

All Risk Register content is rated according to the impact and likelihood of risk events, and these ratings are continuously re-assessed in response to the business environment. This aspect of the configuration and integration of the ERM programme ensures that all staff are made aware of the relevance of risk management to the achievement of their individual objectives and accountabilities.

Corporate Governance Report continued

Risk monitoring and management

As well as regular management monitoring activities, the senior management team meet on a weekly basis to discuss emergent strategic and operational risks. A number of Key Performance Indicators are circulated to inform these meetings.

Risk reporting

All subsidiary company boards receive qualitative reporting from the assigned owners of the content of their Risk Registers, in addition to a selection of relevant Key Performance Indicators. A quarterly Risk Report is also considered before the boards are asked to attest to the effective functioning of the internal control framework and the ongoing identification and evaluation of risk within the subsidiary. These attestations are then presented to the board of the Company in order to obtain the same comfort at Group level.

Risks relating to the Group's financial and other exposures

Hansard's business model involves the controlled acceptance and management of risk exposures. The steps taken to minimise those exposures include the operation of unit-linked insurance business. Under the terms of the unit-linked investment contracts issued by the Group, the policyholder 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 policyholders. By definition, there is a precise match between the investment assets and the policyholder liabilities, and so the market risk and credit risk lie with policyholders.

The shareholders' exposure on this unit-linked business is limited to the extent that income arising from asset management charges is generally based on the value of assets in the funds, and any sustained falls in value will reduce earnings. The Group's exposure to financial risks is addressed within note 22 to the consolidated financial statements.

During the year the Group reached an agreement with Capital International Limited, an Isle of Man-based member of the London Stock Exchange, to provide comprehensive custody, portfolio administration and fund dealing services in respect of Hansard's policyholder assets under administration. This is the first significant outsourcing agreement entered into by the Group and is intended, among other things, to reduce the Group's operational risk profile.

The Board believes that the principal risks facing the Group's earnings and financial position are those relating to the operation of the Group's business model and to the environment within which the Group operates. While the Group's business model has served to minimise the principal risks facing the Group, the responses to the extreme financial and market circumstances encountered over the last two years may impact on the Group's strategic objectives, profitability or capital requirements. Readers should be aware of consultations referred to in the Business Review in relation to potential changes in the Isle of Man that might affect the Group's tax position. Additionally, Hansard Europe Limited continues to monitor the very inconsistent implementation by EU member states of the Insurance Mediation Directives.

The table on the next page provides examples of the principal risks that may impact on the Group's strategic objectives, profitability or capital. Where necessary, the Group will develop alternative strategies to minimise the impact of any changes to its risk profile.

Financial reporting process

The Group has implemented and maintains a process to assist the Board in understanding the risks to the Group of failing to meet its objectives. This incorporates a system of planning and sensitivity analysis incorporating Board approval of forecast financial and other information. Performance against the forecasts is monitored and reported to the Board each time it meets. Operational management reports monthly to the Executive Committee on a wide range of key performance indicators and other significant matters. The Board receives regular representations from the senior executives.

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

Effectiveness of risk management and internal control

The identification and evaluation of risks to key business objectives is conducted on an ongoing and consistent basis as indicated above. These are managed and monitored by executive management.

In accordance with the policy and procedural requirements of the Group ERM programme, the Hansard Global plc Board has sought positive assurance, and is satisfied that risk management and internal controls are functioning effectively and are operating as intended within the Group.

By order of the Board

Dr Leonard Polonsky
Executive Chairman
22 September 2010

"Our corporate governance model is built around integrity, transparency and ethical behaviour"

Risk event examples	Risk factors and uncertainties
Group profitability affected by financial market and economic conditions	The Group's earnings and profitability are influenced by a broad range of factors including the performance and liquidity of investment markets, interest rate movements and inflation. Extreme market conditions can influence the purchase of financial services products and the period over which business is retained.
Distribution strategy compromised as a result of market changes or competitor activity	The Group closely monitors competitor activity and marketplaces for signs of any potential new entrants or threats to forecast new business levels. Actual new business production against target is monitored continually by the Board.
Non-compliance with regulations in relation to product design or intermediary behaviour	The Group maintain dialogue with the Insurance & Pensions Authority of the Isle of Man Government, the Irish Financial Regulator and other regulatory and legislative authorities. However, sudden changes in legislation without prior consultation, or the differing interpretation and application of regulations over time, may have a detrimental effect on the Group's strategy, profitability and risk profile.
Introduction of business taxation on the Isle of Man	The Group maintain dialogue with the Tax authorities of the Isle of Man Government to identify any proposed or potential changes that may affect the Group's exposure. Introduction of business tax may impact on the Group's earnings and cash flows.
Hansard OnLine development and availability	Any prolonged failure in internet capacity preventing the Group from delivering Hansard OnLine might impact on the Group's reputation and strategic objectives. The Group closely monitors technological developments in relation to the functioning of the internet and we will develop alternative strategies to minimise the impact of any changes.
Operational risks	The Group investigates exceptions to expected results, behaviour and parameters, and investigate the root causes. Corrective actions are implemented in accordance with the impact and likelihood of recurrence.
Counterparty and third party risks	The Group seeks to limit exposure to loss from counterparty and third party failure through selection criteria, pre-defined risk based limits on concentrations of exposures and monitoring positions. However, in extreme conditions an event causing widespread default may impact the Group's profitability.
Fraud	Recruitment and retention policies allow for appropriate vetting of staff to be conducted to determine their suitability and integrity.
Infrastructure failure	Business Continuity Plans, including full data replication at an independent recovery centre, can be invoked when required. Testing is conducted frequently.
Key staff loss	The Group actively focuses on retaining the best personnel. However, sudden unanticipated loss of pools of expertise may, in the short term, impact certain segments of the Group's business.

Audit Committee Report

Purpose and terms of reference

This report provides details of the role of the Group Audit Committee and the work it has undertaken during the year. The purpose of the Committee is to provide the Board with independent assurance on the Group's financial reporting processes, the assessment of the effectiveness of the systems of internal financial controls and monitoring the effectiveness and objectivity of the internal and external auditors. The full terms of reference for the Committee can be found on the Company's website, www.hansard.com.

Composition and structure

All members of the Audit Committee are independent non-executive Directors who have considerable financial experience. Bernard Asher, Maurice Dyson and Uwe Eymer served on the Committee throughout the year and to the date of this report. Maurice Dyson is the Chairman of the Committee. A biography for each Director can be found on page 23 of this Report & Accounts.

The Committee met on five occasions during the year. The members' attendance record is set out in the Corporate Governance Report. The Company Secretary acts as the secretary to the Committee. The Chairman of the Committee reports to the subsequent meeting of the Board on the Committee's work and the Board receives a copy of the minutes of each meeting of the Committee.

During the year, the Chairman invited Vince Watkins (Chief Financial Officer), Angela McCraith (Group Internal Auditor) and PricewaterhouseCoopers (the external auditor) to attend all meetings of the Committee. In addition there is an open invitation to Harvey Krueger (an independent non-executive director) to attend all meetings. Since his appointment as Managing Director on 1 July 2009, Gordon Marr has been invited to attend on a number of occasions. Other members of senior management are also invited to attend as appropriate.

It is the Committee's practice, at least once a year, to meet separately with the Group Internal Auditor and the external auditor without any members of management being present. In addition Maurice Dyson (as Chairman of the Committee) has had separate meetings directly with the external auditor and the Group Internal Auditor.

In performing its duties, the Committee has access to the services of the Group Internal Auditor, the Company Secretary and, if required, external professional advisers.

Activities

The Committee follows an agreed annual work plan, which includes the internal audit plan. It reviews, with members of management and the internal and external auditor, the Company's financial announcements, including the annual report and accounts to shareholders and associated documentation. It places particular emphasis on their fair presentation and the reasonableness of the judgemental factors and appropriateness of significant accounting policies used in their preparation. The Committee also reviewed the half-yearly report to shareholders and other Stock Exchange reporting.

The Committee reports to the Board regarding the effectiveness of the Group's overall systems of internal financial control, including the risk management systems, in relation to the financial reporting process.

Throughout the financial year the Committee has:

- monitored compliance with the relevant parts of the Combined Code (now the UK Corporate Governance Code) and the effectiveness of internal controls and reporting procedures for risk management processes;
- agreed the annual audit plan with the external auditors and has considered the auditor's report and has monitored and followed up management actions in response to the issues raised;
- monitored compliance with the policy on the use of the auditor for non-audit related work;
- worked closely with Internal Audit, reviewed the resourcing of Internal Audit and agreed an Internal Audit plan and;
- continued to monitor the application of the Group-wide policy on whistle blowing.

In line with the Combined Code requirement, the Board undertook a review of the effectiveness of all its committees during the year, including the Audit Committee. In addition, the Committee also carried out a self-evaluation of its effectiveness. No significant issues were identified.

Each of the Group's life assurance subsidiaries has established an Audit & Risk Committee that provides an oversight role for its business. Maurice Dyson is the Chairman of each of those committees. He brings all significant matters, together with the minutes of the meetings of those committees, to the attention of the Group Audit Committee and the Board.

Internal audit

The Group's internal audit function reports to management on the effectiveness of the Company's systems of internal controls, the adequacy of those systems to manage business risk and to safeguard the Group's assets and resources. The internal audit function provides objective assurance on risks and controls to the Committee. The plans, the level of resources and the budget of the internal audit function are reviewed at least annually by the Committee, which also undertakes a continual review of the effectiveness of the Group's internal audit function.

External auditor

PricewaterhouseCoopers is the appointed external auditor for the Group. The Company has in place a policy to ensure the independence and objectivity of the external auditor.

The policy regulates the appointment of former employees of the auditor to senior finance positions in the Group and sets out the approach to be taken by the Group when using the services of the external auditor, including requiring that all services provided by the external auditor be pre-approved by the Committee. It distinguishes between those services where an independent view is required and that should be performed by the external auditor (such as statutory and non-statutory audit and assurance work), prohibited services where the independence of the external auditor could be threatened and they must not be used, and other non-audit services where the external auditor may be used.

Non-audit services where the external auditor may be used include: non-recurring internal controls and risk management reviews (i.e. excluding outsourcing of internal audit work), advice on financial reporting and regulatory matters and tax compliance services including employee tax services. During the year the external auditor assisted management with the refresh of certain documentation relating to the Group's Enterprise Risk Management framework.

The Group paid £0.4 million to PricewaterhouseCoopers for audit services for the current financial year, relating to the statutory audit of the Group and Company financial statements and the audit of Group subsidiaries (2009: £0.4m). The fees for other services which included advice on accounting and regulatory matters, corporate governance matters, and non-audit related work were £0.02m giving a total fee to PricewaterhouseCoopers of £0.4m (2009: £0.4m).

During the year, the Committee performed its annual review of the independence, effectiveness and objectivity of the external auditor, assessing the audit firm, the audit partner and audit teams. Based on this review, the Committee concluded that the audit service of PricewaterhouseCoopers was fit for purpose and provided a robust overall examination of the Group's business and the risks involved.

With effect from 1 August 2010 the firm of PricewaterhouseCoopers in the Isle of Man has changed from being a partnership to a Limited Liability company (LLC) incorporated in the Isle of Man. The partnership of PricewaterhouseCoopers will retire as auditor at the forthcoming Annual General Meeting.

The Audit Committee has considered the change in status and recommended to the Board that PricewaterhouseCoopers LLC be appointed as the Company's auditor.

This report was reviewed and approved by the Board on 22 September 2010.

Maurice Dyson
Chairman of the Audit Committee

Nominations Commitee Report

Purpose and terms of reference

This report provides details of the role of the Nominations Committee and the work it has undertaken during the year.

The role, responsibilities and work of the Committee can best be understood by reference to its written terms of reference that were adopted on 24 November 2006. These are published on the Company's website. A summary is set out below:

- To regularly review the structure, size and composition required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
- To give full consideration to succession planning for directors and other senior executives, and
- To be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise.

The Committee keeps under review the balance of skills on the Board and the knowledge, experience, length of service and performance of the directors. It also reviews their external interests with a view to identifying any actual, perceived or potential conflicts of interests, including the time available to commit to their duties to the Company.

Membership

The members of the Committee are four non-executive directors, namely Bernard Asher (Chairman), Maurice Dyson, Uwe Eymer and Harvey Krueger. All of the Committee members held office throughout the year and at the date of this report. The Group Company Secretary acts as the secretary to the Committee.

Activities of the Committee during the year

The Committee met on three occasions during the year. The members' attendance record is set out in the Corporate Governance report. During the year the Committee considered the recommendation that Joseph Kanarek be appointed a director of the Company, which was accepted. This appointment was effective from 1 January 2010.

In line with the Combined Code requirement the Board undertook a review of the effectiveness of all its committees during the year, including the Nominations Committee. The Board will keep the process under review to ensure that analysis of the data obtained from this and future evaluations is utilised by the Board, the Executive Chairman and the Committee.

There is no proposal from the Committee that any changes to the composition of the Board are needed at this time. In addition, as required by Section 1 A.1.3 of the Combined Code, meetings took place during the year between the Executive Chairman and the non-executive directors, which included an appraisal of the Executive Chairman.

For the Board

Bernard Asher
Chairman of the Nominations Committee
22 September 2010

Remuneration Committee Report

Purpose and terms of reference

This report provides details of the role of the Remuneration Committee and the work it has undertaken during the year.

The main purpose of the Committee is to determine and agree with the Board the framework or broad policy for the remuneration of the Company's Executive Chairman, the executive directors, the Company Secretary and such other members of the executive management as it considers appropriate. The remuneration of non-executive directors is a matter for the Executive Chairman and the executive members of the Board.

The role, responsibilities and work of the Committee can best be understood by reference to its terms of reference that were adopted on 24 November 2006. These are published on the Company's website.

Membership

The members of the Committee are four independent non-executive directors, namely Bernard Asher (Chairman), Maurice Dyson, Uwe Eymer and Harvey Krueger. All of the Committee members held office throughout the year and at the date of this report. The Group Company Secretary acts as the secretary to the Committee.

Activities of the Committee during the year

During the year there were four meetings of the Committee. The members' attendance record is set out in the Corporate Governance Report.

During the year the Committee addressed a number of issues concerning remuneration, and incentive schemes implemented by the Group.

Remuneration

The Committee, following recommendations from management,

- approved the reinstatement, with effect from 1 July 2010, of the 5% of annual salary previously sacrificed by certain members of the senior management team from 1 February 2009;
- approved the reinstatement of the employers' pension contribution for all eligible employees from 1 July 2010, and
- considered and approved increases in salary for senior management (including executive directors) effective from 1 July 2010.

Incentive Schemes

i) Cash-settled bonus scheme

The Committee approved the continuation of the bonus scheme for all employees, which includes certain members of the senior management team, effective from 1 July 2010. The terms of the scheme are similar to the prior year and incorporate targets of new business production and expenses.

Bonus entitlements of executive directors under this scheme are disclosed below. Bonuses disclosed will be paid over two financial years, half in October 2010 and the remainder in October 2011.

ii) Long-term Incentive Plan

Following approval by the shareholders at the Annual General Meeting in November 2009, a Long-term Incentive Plan ("LTIP") was implemented to align management's interest with those of shareholders. The Remuneration Committee is responsible for making key decisions about the participation in the LTIP. In regard to this Plan, the Committee has recommended to the Board the awards to management (including the criteria to be achieved) covering the period 2009 – 2012.

The key components of the Plan are:

- The aggregate market value (at the time of the grant) of all shares awarded to an employee under the plan in respect of any year must not exceed his or her annual earnings, except in exceptional circumstances.
- Awards may take the form of a conditional right to acquire shares, a nil-cost option or a forfeitable award.
- Awards will be subject to conditions which must be satisfied before vesting. These conditions will be based on the financial performance of the Company, and will seek to align the interests of the executive directors with the interests of the shareholders. The performance condition applying to each award will be set at the time of grant.
- The performance condition which will apply to the first awards under the Plan will be based on the Average Excess Return on Embedded Value ("RoEV") of the Company over a three year performance period beginning on 1 July 2009. Awards will vest in full if RoEV is 7% or more, but awards will lapse without vesting if RoEV does not reach the target level of 5%. At 5% RoEV, 30% of the award vests and in between 5% and 7% vesting will be determined on a straight-line basis. The same basis has been adopted for grants under the Plan for the three year performance period beginning on 1 July 2010, subject to the RoEV parameters being 5.5% (below which the awards lapse with no value) and full vesting at 7%.
- Awards will normally vest within three years from grant, subject to the satisfaction of any performance conditions.

At the date of this report, a total of 309,000 options were awarded but not vested for the period 2009 – 2012.

Options held by executive directors under this Plan are disclosed below.

iii) Share save Programme

A Save As You Earn (SAYE) share save programme, which enables employees to acquire an equity interest in the Company, has been approved by shareholders and by the Revenue Authorities in the Isle of Man and the Republic of Ireland. The programme is available to all eligible employees in those locations. Non-executive directors do not participate in the programme.

Remuneration Committee Report continued

Under its terms, employees can invest up to £250 or €500 per month respectively for a three or five-year period to purchase shares at a price not less than 80% of the market price on the date of the invitation to participate.

During the year the Committee supported the continuation of the Share-save programme and endorsed the issue of a third tranche of options ("the 2010 scheme"), based on the share price of the company on 25 February 2010. Options under this scheme were granted to 21 employees for a total of 63,737 shares. The option price of £1.50 per share reflects a discount of 20% on the share price of the Company on 25 February 2010.

Options over 1,454 shares were exercised under the Scheme rules during the year.

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

Scheme year	2010	2009
2008	**83,989**	113,901
2009	**271,343**	307,341
2010	**61,104**	-
	416,436	421,242

Options held by executive directors under this scheme are disclosed below.

iv) Bonus Scheme for the Chief Distribution Officer

The Chief Distribution Officer, Mr Kanarek, is not a member of the Long Term Incentive Plan reported in (ii) above, but has a separate bonus scheme based purely on net New Business issued, measured using the Group's internal metric, Compensation Credit. During the year ended 30 June 2010 this scheme generated a bonus of £60,000.

For the financial year ending on 30 June 2011 the bonus scheme is based on a percentage of Net Issued Commission Credit (NICC), with 2% payable for the first £10m, 3% for performance in the range of £10 - £15m and 4% for performance above £15m NICC.

Directors' employment terms and conditions

Executive directors

Each of the executive directors has a service agreement dated 24 November 2006 with the Company, setting out the terms of his appointment. The key terms and benefits pursuant to the agreements are as follows:

Dr Leonard Polonsky's service agreement contains undertakings to use all reasonable endeavours to ensure that transactions between the Company and the Group companies and himself will be on an arm's length basis. He has also undertaken to use his voting rights in the Company and his influence to ensure that the requisite number of non-executive directors are appointed and retained.

Where proposals have been made by the Board in relation to its composition, he will consult with the non-executive directors at that time as to his voting intentions on such proposals and will only vote in respect of his shares in accordance with such intentions to the extent that such intentions have been approved in advance by the non-executive directors. Alternatively, he will abstain from voting in respect of his shares to the extent that the non-executive directors have rejected such intentions. Dr Polonsky is entitled to full-pay sick leave for a maximum of eight weeks of absence, whether or not consecutive, in any 12-month period. If Dr Polonsky's employment is terminated on the grounds that he cannot perform his duties for a period of 180 days (whether or not consecutive), he is entitled to six months' notice.

Gordon Marr: Company contribution into personal pension arrangements; private health insurance for himself, his spouse and dependent children; permanent health insurance; life assurance; full-pay sick leave for a maximum of eight weeks of absence, whether or not consecutive, in any 12-month period due to illness or injury and 25 days annual leave in addition to public holidays.

Joseph Kanarek: Company contribution into personal pension arrangements; private health insurance for himself, his spouse and dependent children; permanent health insurance; life assurance; full-pay sick leave for a maximum of eight weeks of absence, whether or not consecutive, in any 12-month period due to illness or injury and 25 days annual leave in addition to public holidays.

Other than the right to receive a payment in lieu of notice upon termination of their service agreements, the executive directors' service agreements do not provide for any benefits upon termination of employment.

Name	Date of appointment	Last re-elected	Notice period (by either party)
Dr Leonard Polonsky	27 April 2005	19 November 2007	12 months
Gordon Marr	27 April 2005	19 November 2008	12 months
Joseph Kanarek	1 January 2010	n/a	12 months

Non-executive directors

Each of the non-executive directors signed a letter of appointment dated 24 November 2006 the main terms of which are (i) an annual fee of £45,000, (ii) a term of 3 years expiring on 23 November 2009 that may be renewed by mutual agreement and (iii) a notice period of one month. It should be noted that during the financial year under review, the non-executive directors volunteered a 5% reduction in their fees in line with senior management and as such their fees for services to the Company for the year were £42,750, as reflected below.

The term of office for each non-executive director has been renewed for a further 3 years with effect from 1 July 2010, at a fee of £48,000 per annum.

Mr Dyson receives additional fees and expenses for services rendered to the two life companies in the Group.

Directors' interests in share capital

At 30 June 2010 and at the date of this report Dr Polonsky held 57,686,073 shares in the Company's share capital, or 42.0% (2009: 42.0%). The Polonsky Foundation (a UK Registered Charity of which Dr Polonsky is a trustee) has a beneficial interest in 7,186,888 shares in the Company's share capital, or 5.2% (2009: 5.2%). The table set out below shows the beneficial interests of other directors and their families in the Company's share capital, at 30 June 2010 and at 30 June 2009.

There have been no significant changes in these holdings between the balance sheet date and the date of this report.

Number of shares

Name	Direct	Indirect*	Total - 2010	Direct	Indirect*	Total - 2009
Executive						
Gordon Marr	425,000	105,315	530,315	425,000	105,315	530,315
Joseph Kanarek	2,013,680	-	2,013,680	2,013,680	-	2,013,680
Non-executive						
Bernard Asher	15,000	-	15,000	15,000	-	15,000
Maurice Dyson	30,000	-	30,000	30,000	-	30,000
Uwe Eymer	5,000	-	5,000	5,000	-	5,000
Harvey Krueger	29,500	-	29,500	29,500	-	29,500

* Held by self-invested pension plan where the executive is a trustee for the relevant scheme.

Interests in options

i) Share-save Programme

Mr Marr holds 7,379 options under the 2009 Share-save Programme at the balance sheet date (30 June 2009: 7,379). No other director holds options under any of the Share-save schemes. The vesting period for the options allocated under the 2009 scheme expires in March 2012.

ii) Long-term Incentive Plan

Mr Marr has been awarded (but has not had vested) options under this Plan as follows:-

The performance period commenced 1 July 2009 – 40,000 shares

The performance period commenced 1 July 2010 – 50,000 shares

Directors' remuneration and other benefits in the financial year ended 30 June 2010

With effect from 1 February 2009 all directors, in common with the Group's senior management, agreed to accept a reduction of 5% in annual salary and fees in support of the Group's expense reduction programmes. With effect from 1 March 2009, executive directors and all Group employees agreed that the Group would take a pension contribution holiday until 30 June 2010.

The following table, which has been prepared in accordance with regulatory requirements, sets out the elements of aggregate emoluments for the year ended 30 June 2010 for each director who served during that year, reflecting the reductions referred to above. In the case of Joseph Kanarek, who was appointed on 1 January 2010, the table sets out his emoluments, incorporating those reductions, for the six-month period ended 30 June 2010.

Directors' estimated remuneration in the financial year ending 30 June 2011

As noted above, certain salary and other reductions are reflected in the directors' remuneration table for the year ended 30 June 2010. The following table reflects current remuneration for each director as a result of the reinstatement of those reductions and remuneration increases granted with effect from 1 July 2010.

Name	Salary and fees (£)	Pension (%)
Executive		
Dr Leonard Polonsky	1	-
Gordon Marr	250,000	14%
Joseph Kanarek	220,685	12%
Non-executive		
Bernard Asher	48,000	-
Maurice Dyson	64,000	-
Uwe Eymer	48,000	-
Harvey Krueger	48,000	-

For the Board

Bernard Asher
Chairman of the Remuneration Committee
22 September 2010

Name	Salary and fees	Pension	Other	Aggregate	Aggregate - 2009
Executive					
Dr Leonard Polonsky	1	-	-	1	1
Gordon Marr	180,500	-	10,181	190,681	209,810
Joseph Kanarek	110,342	-	70,600	180,942	n/a
Non-executive					
Bernard Asher	42,750	-	-	42,750	44,062
Maurice Dyson	58,725	-	-	58,725	61,323
Uwe Eymer	42,750	-	-	42,750	44,062
Harvey Krueger	42,750	-	-	42,750	44,062

conserve your strength and use it wisely...

In an uncertain world, we are quietly confident that we will remain strong, steady and reliable:

- We are well insulated against the difficult investment markets
- Our capital exceeds our aggregate minimum solvency requirements 15-fold
- Our excess capital resources are invested in a wide range of deposit institutions and highly-rated money market liquidity funds

FINANCIALS

EUROPEAN EMBEDDED VALUE

Independent Auditor's Report to the Members of Hansard Global plc

Report on the financial statements

We have audited the accompanying consolidated and parent company financial statements (the financial statements) of Hansard Global plc which comprise the consolidated and parent company balance sheets as at 30 June 2010, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with applicable Isle of Man law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with applicable Isle of Man law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), as set out in the Statement of Directors' Responsibilities.

This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 15 of the Isle of Man Companies Act 1982 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We review whether the Corporate Governance Statement reflects the Company's and Group's compliance with the nine provisions of the Combined Code (2008) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. Under the Listing Rules we are required to review the directors' statement set out on page 29, in relation to going concern. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures. We also review whether the Directors' Remuneration Report includes the six disclosures specified for our review by the Listing Rules of the Financial Services Authority and we report if it does not.

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements give a true and fair view of the financial position of the parent company as at 30 June 2010 in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the consolidated and parent company financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931-2004.

PricewaterhouseCoopers
Chartered Accountants
Isle of Man

22 September 2010

Consolidated Income Statement

FOR THE YEAR ENDED 30 JUNE 2010

	Note	30 June 2010 £m	30 June 2009 £m
Fees and commissions	4	**54.2**	51.4
Investment income	5	**147.9**	(140.6)
Other operating income		**0.3**	0.7
		202.4	(88.5)
Investment contract benefits		**(146.9)**	146.6
Origination costs	6	**(17.2)**	(16.4)
Administrative and other expenses	7	**(21.7)**	(20.9)
		(185.8)	109.3
Profit before taxation		**16.6**	20.8
Taxation	9	**(0.2)**	(0.7)
Profit for the year after taxation		**16.4**	20.1
Total comprehensive income		**16.4**	20.1

The Group has no other items of Comprehensive Income and as such has not presented a separate Consolidated Statement of Comprehensive Income.

Earnings per share

	Note	2010 (p)	2009 (p)
Basic	10	**11.9**	14.7
Diluted	10	**11.9**	14.7

The notes on pages 48-64 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2010

	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 July 2008	68.6	(48.5)	32.3	**52.4**
Total comprehensive income	-	-	20.1	**20.1**
Transactions with owners				
Dividends paid	-	-	(16.8)	**(16.8)**
Balance at 30 June 2009	**68.6**	**(48.5)**	**35.6**	**55.7**

	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 July 2009	68.6	(48.5)	35.6	**55.7**
Total comprehensive income	-	-	16.4	**16.4**
Transactions with owners				
Share save reserve	-	0.1	-	**0.1**
Dividends paid	-	-	(17.6)	**(17.6)**
Total transactions with owners	**-**	**0.1**	**(17.6)**	**(17.5)**
Balance at 30 June 2010	**68.6**	**(48.4)**	**34.4**	**54.6**

The notes on pages 48-64 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 30 June 2010

	Notes	30 June 2010 £m	restated (Note1.1) 30 June 2009 £m
Assets			
Plant and equipment	12	**0.8**	1.1
Deferred origination costs	13	**105.6**	104.1
Financial investments			
Equity securities		**166.1**	147.9
Investments in collective investment schemes		**783.5**	642.0
Fixed income securities		**41.3**	32.2
Deposits and money market funds		**169.8**	170.6
		1,160.7	992.7
Other receivables	14	**10.4**	22.3
Cash and cash equivalents	15	**55.3**	75.9
Total assets		**1,332.8**	1,196.1
Liabilities			
Financial liabilities under investment contracts	16	**1,134.7**	1,002.1
Deferred income reserve		**125.9**	125.2
Amounts due to investment contract holders		**12.4**	9.2
Other payables	17	**5.2**	3.9
Total liabilities		**1,278.2**	1,140.4
Net assets		**54.6**	55.7
Shareholders' equity			
Called up share capital	18	**68.6**	68.6
Other reserves	20	**(48.4)**	(48.5)
Retained earnings		**34.4**	35.6
Total shareholders' equity		**54.6**	55.7

The notes on pages 48-64 form an integral part of these financial statements.

The financial statements on pages 44-64 were approved by the Board on 22 September 2010 and signed on its behalf by:

L S Polonsky
Director

G S Marr
Director

Consolidated Cash Flow Statement

For the year ended 30 June 2010

	30 June 2010 £m	restated (Note1.1) 30 June 2009 £m
Cash flow from operating activities		
Profit before tax for the year	**16.6**	20.8
Adjustments for:		
Depreciation	**0.6**	0.5
Dividends receivable	**(3.8)**	(3.1)
Interest receivable	**(1.2)**	(5.8)
Foreign exchange losses/(gains)	**0.2**	(0.8)
Profit on sale of investments	**-**	(1.0)
Unrealised loss on shareholder investments	**-**	0.1
Changes in operating assets and liabilities		
Decrease/(increase) in debtors	**11.7**	(0.1)
Dividends received	**3.8**	3.1
Interest received	**1.7**	6.2
Increase in deferred origination costs	**(1.5)**	(1.6)
Increase in deferred income reserve	**0.7**	8.7
Increase/(decrease) in creditors	**4.5**	(5.7)
(Increase)/decrease in financial investments	**(168.0)**	138.2
Increase/(decrease) in financial liabilities	**131.9**	(140.5)
Cash flow from operations	**(2.8)**	19.0
Corporation tax paid	**(0.3)**	(1.1)
Cash from operations	**(3.1)**	17.9
Cash flows from investing activities		
Purchase of plant and equipment	**(0.3)**	(0.7)
Proceeds from sale of investments	**-**	14.0
Purchase of investments	**(0.1)**	(0.1)
Cash flows from investing activities	**(0.4)**	13.2
Cash flows from financing activities		
Dividends paid	**(17.6)**	(16.8)
Net (decrease)/increase in cash and cash equivalents	**(21.1)**	14.3
Cash and cash equivalents at beginning of year	**75.9**	56.6
Effect of exchange rate changes	**0.5**	5.0
Cash and cash equivalents at year end	**55.3**	75.9

The notes on pages 48-64 form an integral part of these financial statements.

Notes to the Financial Statements

1 Principal accounting policies

These consolidated financial statements incorporate the assets, liabilities and the results of Hansard Global plc (the Company) and of its subsidiary undertakings (the Group).

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

1.1 Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations, and with the Isle of Man Companies Acts 1931-2004. 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 IFRS standards adopted by the European Union and effective at 30 June 2010. The Group has adopted the following amendments to IFRSs as of 1 July 2009:

These are:

- **Amendments to IFRS 2, 'Share based payments':** Vesting conditions and cancellations. The amendment provides clarity on the definition of vesting conditions and the accounting treatment for cancellations of granted equity instruments. If an employee ceases to save in our SAYE programmes it will result in an accelerated charge in the Group's Consolidated Income Statement, unless a new scheme has been entered into as a direct replacement. The impact of the amendment is not material to the Group's financial statements.
- **IAS 1, 'Presentation of financial statements (revised)':** the revision requires a statement of comprehensive income, in one- or two-statements format. The latter format separates the detailed income statement from the statement of comprehensive income. The revision also prohibits the inclusion of items of income and expenditure in the statement in changes in equity and requires non-owner changes in equity to be presented separately from owner changes in equity in the statement of comprehensive income. This is a presentational change only.

The following new standard has not been early adopted by the Group and has not yet been endorsed by the EU:

- **IFRS 9, 'Financial instruments'** addresses the classification and measurement of financial assets and was issued in November 2009 (effective for annual periods commencing on or after 1 January 2013). The standard represents the first phase of the IASB's plan to replace IAS 39 with a less complex accounting framework for financial instruments. IFRS 9 reduces the measurement categories for financial assets to two: amortised cost and fair value. Equity instruments are measured at fair value. A debt instrument will also be measured at fair value unless the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest, in which case the instrument will be measured at amortised cost.

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

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

The preparation of financial statements in conformity with IFRS requires management to make judgments, 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.

The Directors have reclassified deposits held by or on behalf of policyholders as financial investments and not cash and cash equivalents, as these assets do not constitute cash equivalents held for the purpose of meeting short-term commitments. The comparative figure (£170.6m) in the consolidated balance sheet, consolidated cash flow statement and related notes has been restated accordingly.

1.2 Basis of consolidation

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

Intra-group transactions, balances and unrealised gains and losses arising from intra-group transactions, are eliminated in preparing these consolidated financial statements.

1.3 Product classification

The Directors have determined that the products issued by the Company's subsidiaries are classified for accounting purposes as investment contracts, as they do not transfer significant insurance risk.

1.4 Investment contracts

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

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

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

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

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

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

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

1.5 Revenue

Revenue consists principally of fees from the administration of investment contracts (see 1.4.3 above), commission income and investment income.

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

1.5.2 Investment income
Investment income comprises dividends, interest and other income receivable and realised and unrealised gains and losses on investments. Dividends are accrued on the date notified. Interest is accounted for on a time proportion basis using the effective interest method.

Notes to the Financial Statements continued

1.6 Employee benefits

1.6.1 Pension costs

Group companies contribute to employees' individual defined contribution pension plans. Contributions are charged to the income statement as they become payable under the terms of the relevant employment contract. The Group has no further payment obligations once pension contribution requirements have been met.

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

1.7 Operating leases

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

1.8 Dividends payable

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.

1.9 Financial assets and fair value of financial assets

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

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

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

All gains and losses derived from financial investments, realised or unrealised, are recognised within investment income in the income statement, 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 and certain other unquoted securities 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 a maturity duration in excess of three months) and cash and cash equivalents.

1.10 Plant and equipment

Plant and equipment is stated at historical cost less depreciation and any impairment. The historical cost of plant and equipment is the purchase cost, together with any incremental costs directly attributable to the acquisition. Depreciation is calculated so as to write off the cost of the assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned, as follows:

Computer equipment and software	3 years
Fixtures and fittings	4 years

Depreciation is included in administrative and other expenses in the income statement.

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

1.11 Impairment policy

Formal reviews to assess the recoverability of deferred origination costs on investment contracts and the carrying amount of the Group's other assets that are not carried at fair value 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 income statement 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.

1.12 Other receivables

Other receivables are initially recognised at fair value and subsequently measured at amortised cost.

1.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less, net of short term overdraft positions where a right of set-off exists.

1.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events such that it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions, where necessary, are calculated at the present value of the estimate of the expenditure required to settle the obligation utilising a rate that reflects the expected time value of money at the creation date of the provision. Any increase in the value of provisions due to the passage of time is recognised as an interest expense.

1.15 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.

1.16 Foreign currencies

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

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

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.

1.17 Segmental reporting

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

1.18 Taxation

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

2 Critical accounting estimates and judgments in applying accounting policies

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

2.1 Accounting estimates and assumptions

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

Notes to the Financial Statements continued

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

2.1.2 Amortisation of DOC and DIR
Deferred origination costs and deferred income are amortised on a straight-line basis over the life of the underlying investment contract. The life of a contract is either the contractual term thereof or the expected life of a single premium contract. This is calculated in a manner consistent with the assumptions used in the calculation of European Embedded Value.

2.1.3 Recoverability of DOC
Deferred origination costs are tested annually for recoverability by reference to expected future income levels from the relevant contracts.

2.2 Judgements

The primary areas in which the Group has applied judgment in applying accounting policies are:

- the classification and unbundling of contracts between insurance and investment business. All contracts are treated as investment contracts. The Group has also elected to treat all financial investments as at fair value through profit or loss and;
- the fair value of certain financial investments. Where the directors determine that there is no active market for a particular financial instrument, fair value is assessed using valuation techniques based on available, relevant information and an appraisal of all associated risks. This process requires the exercise of significant judgement on the part of Directors. Where significant inputs to the valuation technique are observable, the instrument is categorised as Level 2. Otherwise, it is categorised as Level 3.

3 Segmental information

The Group adopted IFRS 8, 'Operating Segments' with effect from 1 July 2009. In the opinion of the Group's Executive Committee deemed to be the Chief Operating Decision Maker (CODM), the Group operates in a single reportable segment, that of the distribution and servicing of long-term investment products through the Group's subsidiaries.

The Group's Executive Committee uses two measures when appraising the performance of the business: net issued compensation credit (NICC) 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 Group maintains a close control over the margins realised on new business which are consistent across the Group's products and, hence, NICC is a reliable indicator of income.

The following table analyses NICC geographically and reconciles NICC to origination costs during the year (note 13):

	2010 £m	2009 £m
EU and EEA	4.1	4.9
Latin America	3.6	2.6
Far East	2.5	2.6
Rest of World	0.9	0.4
Net issued compensation credit reported to the Group Executive Committee	11.1	10.5
Other commission costs paid to third parties	4.2	3.8
Enhanced unit allocations	0.9	1.2
Origination costs during the year	16.2	15.5

Expenses are reported to the Group's Executive Committee on a monthly basis on an aggregate basis, as distinct from the classification of costs between origination and administration and other expenses for IFRS reporting purposes, and may be reconciled as follows:

	2010 £m	2009 £m
Expenses reported to the Group Executive Committee	18.0	18.3
Annual management charges credited against expenses	2.7	2.2
Amounts reclassified as origination costs	(4.8)	(4.9)
Renewal commission and investment management fees	5.6	4.9
Other	0.2	0.4
Administrative and other expenses	21.7	20.9

All Group assets are deemed to belong to the single segment.

Other non-IFRS 8 information is provided below and included in the Business Review.

Revenues and expenses allocated to geographical locations contained in sections 3.1 to 3.4 below, reflect the revenues and expenses generated in or incurred by the legal entities in those locations.

3.1 Geographical analysis of fees and commissions by origin

	2010 £m	2009 £m
Isle of Man	41.7	38.0
Republic of Ireland	12.5	13.4
	54.2	51.4

3.2 Geographical analysis of profit before taxation

	2010 £m	2009 £m
Isle of Man	15.1	15.9
Republic of Ireland	1.5	4.9
	16.6	20.8

Included in profit before taxation in the Republic of Ireland is a loss on foreign exchange of £0.4m (2009: £0.1m loss) primarily relating to the translation of Euro deposits held by Hansard Europe Limited to back regulatory capital requirements.

3.3 Geographical analysis of gross assets

	2010 £m	2009 £m
Isle of Man	906.6	804.4
Republic of Ireland	426.2	391.7
	1,332.8	1,196.1

3.4 Geographical analysis of gross liabilities

	2010 £m	2009 £m
Isle of Man	868.0	763.4
Republic of Ireland	410.2	377.0
	1,278.2	1,140.4

4 Fees and commissions

	2010 £m	2009 £m
Contract fee income	35.4	35.6
Fund management charges	14.6	12.4
Commissions receivable	4.2	3.4
	54.2	51.4

5 Investment income

	2010 £m	2009 £m
Interest income	1.2	5.8
Dividend income	3.8	3.1
Gains/(losses) on realisation of investments	0.5	(39.6)
Movement in unrealised gains/(losses)	142.4	(109.9)
	147.9	(140.6)

Notes to the Financial Statements continued

6 Origination costs

	2010 £m	2009 £m
Amortisation of deferred origination costs	**14.7**	13.9
Other origination costs	**2.5**	2.5
	17.2	16.4

7 Administrative and other expenses

Included in administrative and other expenses is the following:

	2010 £m	2009 £m
Auditors' remuneration:		
- Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.1**	0.1
- Fees payable for the audit of the Company's subsidiaries pursuant to legislation	**0.3**	0.3
Employee costs	**8.6**	9.3
Directors' fees	**0.2**	0.2
Investment management fees	**4.6**	3.9
Renewal and other commission	**1.7**	1.5
Professional and other fees	**1.6**	1.1
Operating lease rentals	**0.8**	0.7
Licences and maintenance fees	**0.7**	0.5
Insurance costs	**0.7**	0.6
Depreciation of plant and equipment	**0.6**	0.5
Communications	**0.4**	0.4

8 Employee costs

8.1 The aggregate remuneration in respect of employees, including executive directors, was as follows:

	2010 £m	2009 £m
Wages and salaries	**10.6**	10.4
Social security costs	**0.9**	0.9
Pension costs	**-**	0.5
	11.5	11.8

The Group operates a defined contribution group personal pension scheme that is open to all Group employees based on the Isle of Man aged between 25 and 65 years of age, with two years of service with the Group. Employees based in the Republic of Ireland with one year of service are eligible to be members of a personal retirement savings account scheme.

The Group suspended pension contributions with effect from 1 March 2009 as part of a defined cost management exercise. With effect from 1 July 2010 the Group has reintroduced its contributions to all employee pensions.

8.2 The average number of employees during the year, including executive directors, was as follows:

	2010 No.	2009 No.
Administration	**159**	176
Distribution and marketing	**33**	31
IT development	**23**	15
	215	222

8.3 Share-based payments

Details of the costs attributed to the share-based payments programme implemented by the Company can be found in note 19.

9 Taxation

The Group's profits arising from its Isle of Man-based operations are taxable at zero percent. Profits in the Republic of Ireland are taxed at 12.5%.

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

10 Earnings per share

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

	2010	2009
Profit after tax (£m)	**16.4**	20.1
Weighted average number of shares in issue	**137,281,365**	137,281,202
Basic earnings per share in pence	**11.9**	14.7
Weighted average number of shares in issue	**137,281,365**	137,281,202
Dilution of shares due to share save scheme	**61,915**	9,500
Weighted average number of shares	**137,343,280**	137,290,702
Diluted earnings per share in pence	**11.9**	14.7

11 Dividends

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

	2010 £m	2009 £m
Final dividend paid 20 November 2009 (7.35p per share) (27 November 2008: 7p per share)	**10.1**	9.6
Interim dividend paid 1 April 2010 (5.5p per share) (1 April 2009: 5.25p per share)	**7.5**	7.2
	17.6	16.8

The Board has resolved to pay a final dividend of 7.7p per share on 19 November 2010, subject to approval at the Annual General Meeting, based on shareholders on the register on 1 October 2010. If approved, this will bring the total dividends in respect of the year ended 30 June 2010 to 13.2p per share and will represent an increase of 4.8% over the dividends for the full financial year ended 30 June 2009 (12.6p per share).

12 Plant and equipment

The cost of plant and equipment at 30 June 2010 is £6.2m (2009: £5.9m; 2008: £5.3m), following the purchase of assets totalling £0.3m in the year (2009: £0.7m; 2008: £0.6m), and write-offs of nil (2009: £0.1m). Depreciation at 30 June 2010 is £5.4m (2009: £4.8m; 2008: £4.4m), leaving plant and equipment with a net book value of £0.8m at the balance sheet date (2009: £1.1m; 2008: £0.9m).

13 Deferred origination costs

	2010 £m	2009 £m
Carrying value		
At 1 July	**104.1**	102.5
Origination costs during the year	**16.2**	15.5
Origination costs amortised during the year	**(14.7)**	(13.9)
At 30 June	**105.6**	104.1

Notes to the Financial Statements continued

14 Other receivables

	2010 £m	2009 £m
Contract fees receivable	**6.9**	8.6
Outstanding investment trades	**0.9**	11.9
Commission receivable	**1.4**	1.1
Corporation tax recoverable	**0.2**	-
Other debtors	**1.0**	0.7
	10.4	22.3

At the balance sheet date there are no receivables overdue but not impaired (2009: £nil) or impaired (2009: £nil).

Expected to be settled within 12 months	**7.0**	18.1
Expected to be settled after 12 months	**3.4**	4.2
	10.4	22.3

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

15 Cash and cash equivalents

	2010 £m	2009 £m
Money market funds	**38.2**	60.3
Short-term deposits with credit institutions	**17.1**	15.6
Shareholders' cash and cash equivalents	**55.3**	75.9
Shareholders' long-term deposits with credit institutions	**26.5**	-
Total shareholder cash and deposits	**81.8**	75.9

16 Financial liabilities under investment contracts

	2010 £m	2009 £m
Deposits on investment contracts	**166.1**	188.6
Deductions from contracts	**(180.4)**	(177.3)
Investment contract benefits	**146.9**	(146.6)
Movement in year	**132.6**	(135.3)
At 1 July	**1,002.1**	1,137.4
	1,134.7	1,002.1

Investment contract benefits comprise of dividend and interest income and net realised and unrealised gains and losses on financial investments held to cover financial liabilities.

Expected to be settled within 12 months	**19.1**	14.2
Expected to be settled after 12 months	**1,115.6**	987.9
	1,134.7	1,002.1

Financial liabilities are contractually due for payment on demand.

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

	2010 £m	2009 £m
Equity securities	**166.1**	147.9
Investments in collective investment schemes	**783.3**	641.8
Fixed income securities	**41.3**	32.2
Deposits and Money Market funds	**143.3**	170.6
Other receivables	**0.9**	11.9
Total assets	**1,134.9**	1,004.4
Other payables	**(0.2)**	(2.3)
Net assets	**1,134.7**	1,002.1

17 Other payables

	2010 £m	2009 £m
Commission payable	**2.0**	1.5
Taxation and social security	**-**	0.1
Other creditors and accruals	**3.2**	2.3
	5.2	3.9

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

18 Called up share capital

	2010 £m	2009 £m
Authorised:		
200,000,000 ordinary shares of 50p	**100**	100
Issued and fully paid:		
137,282,656 (2009: 137,281,202) ordinary shares of 50p	**68.6**	68.6

During the year, 1,454 shares were issued under the terms of the Save as You Earn (SAYE) share save programme.

The Company has received clearance from the London Stock Exchange to list a maximum of 500,000 shares necessary to meet its obligations to employees under the terms of the SAYE programme.

19 Equity settled share-based payments

19.1 Save As You Earn (SAYE) programme

Shareholders have approved a Save as You Earn (SAYE) share save programme for employees. This is a standard SAYE plan, approved by the Revenue Authorities in the Isle of Man and the Republic of Ireland. Under the terms of the scheme eligible employees can invest up to £250 or, in the Republic of Ireland, up to €500 per month, for a three- or five-year period to purchase shares at a price not less than 80% of the market price on the date of the invitation to participate.

The scheme is operated annually, with the option price and awards criteria being established in February. At the date of this report, the following options remain outstanding under each tranche;

Notes to the Financial Statements continued

Scheme year	2010	2009
2008	83,989	113,901
2009	271,343	307,341
2010	61,104	-
	416,436	421,242

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

	Year ended 30 June			
	2010		2009	
	No. of options	Weighted average exercise price (p)	No. of options	Weighted average exercise price (p)
Outstanding at the start of year	421,242	132	495,398	153
Granted	63,524	150	336,035	124
Exercised	(1,454)	130	-	-
Forfeited	(66,876)	130	(410,191)	151
Outstanding at end of year*	416,436	133	421,242	132

* None of these options are exercisable as at 30 June 2010.

2010 award assumptions	3-year	5-year
Date of grant	25 February 2010	25 February 2010
Fair value (pence)	37	35
Exercise price (pence)	150	150
Share price (pence)	186	186
Expected volatility	33%	33%
Expected dividend yield	7.6%	7.6%
Risk-free rate	2.5%	2.5%

2010 award details	
Date of grant	25 February 2010
No. of shares awarded	63,524
Vesting conditions	3- or 5-year savings term
Exercise period - 3-year	1 May 2013 - 31 October 2013
Exercise period - 5-year	1 May 2015 - 31 October 2015

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

19.2 Long Term Incentive Plan (LTIP)

The Company introduced an LTIP in the financial year for the Executive and senior management based on European Embedded Value (EEV) performance over the 3 years ending 30 June 2012. The awards may take the form of a conditional right to acquire shares, a nil-cost option or a forfeitable award.

The minimum condition required under the plan was not achieved in the year ended 30 June 2010, therefore there is no charge in the Consolidated Income Statement.

20 Other reserves

Other reserves comprise the merger reserve arising on the acquisition by the Company of its subsidiary companies on 1 July 2005 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 the former subsidiaries of Polar Cap Limited, compared to the par value of the share capital and the share premium of those companies at the date of acquisition.

	2010 £m	2009 £m
Merger reserve	(48.5)	(48.5)
Share save reserve	0.1	-
	(48.4)	(48.5)

21 Capital position statement

The capital position statement sets out the financial strength of the businesses of the Group, measured on the basis of the presentation within the financial statements of the Company's life assurance subsidiaries. These are located in the Isle of Man and the Republic of Ireland. As both entities provide unit-linked contracts only, the majority of surplus can be distributed to shareholders subject to meeting the regulatory and working capital requirements of each business. Management policy is to hold surplus funds in excess of the minimum regulatory requirements of each of the life assurance entities.

The capital, defined as total shareholders' funds, is available to meet the regulatory capital requirements without any restrictions.

	2010 £m	2009 £m
Consolidated shareholders' funds	54.6	55.7
Adjustment arising from change in GAAP basis*	18.3	19.3
	72.9	75.0
Comprising shareholders' funds of:		
Non-life assurance Group companies	32.7	42.6
Life assurance subsidiary companies	40.2	32.4
Total capital available to meet regulatory capital requirements	72.9	75.0

** The consolidated financial statements have been prepared in accordance with the requirements of IFRS whilst the regulatory capital of the life assurance subsidiaries is calculated based on local regulatory requirements under applicable GAAP. The financial statements of these subsidiary undertakings are prepared under the insurance accounting requirements of the relevant jurisdiction. The adjustment referred to arises out of the treatment of initial fees and costs relating to new business under the different accounting codes. IFRS smoothes these fees and costs over the life of the relevant policies, whereas under the GAAP applicable to the subsidiary undertakings, fees are recognised when received and the relevant costs of new business are deferred, where applicable, to match these income streams.*

Regulatory Minimum Solvency Margin
For both the Isle of Man and the Irish subsidiary companies, the relevant capital requirement is the required minimum margin under the locally applicable regulatory regimes. The aggregate required minimum margins of the regulated entities at each balance sheet date was as set out below.

	2010 £m	2009 £m
Aggregate minimum margin	4.8	4.6

As the financial liabilities of the unit-linked business held by those subsidiary companies are based on the fair value of the unit funds backing those contracts, unit-linked business assets and liabilities move together in line with changes in investment market conditions.

The Group's other assets are largely cash and cash equivalents and cash deposits..

Capital management
The Group's objectives in managing its capital are to:

- match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- maintain financial strength to support new business growth;
- satisfy the requirements of its policyholders and regulators;
- retain financial flexibility by maintaining strong liquidity and access to a range of capital markets; and
- generate operating cash flows to meet dividend requirements.

Notes to the Financial Statements continued

22 Financial risk management

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 principal methods by which the Group seeks to manage risk are through the operation of unit-linked business and by restricting the investment of shareholder cash to institutions with Board-approved minimum ratings.

Overall responsibility for the management of the Group's exposure to risk is vested in the Board. To support it in this role, an enterprise-wide risk management framework is in place comprising risk identification, risk assessment, control and reporting processes. The framework provides assurance that risks are being appropriately identified and managed. 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, Actuarial Review, Credit Control, Executive and Investment Committees. Additional information concerning the operation of the Board Committees is contained in the Corporate Governance section of this Report & Accounts.

Policyholders bear the financial risk relating to the investments underpinning their contracts, as the policy benefits are directly linked to the value of the assets. These assets are administered consistent with the expectations of the policyholders. By definition, there is a precise match between the investment assets and the policyholder liabilities, and so the market risk and credit risk lie with policyholders.

The shareholders' exposure is limited to the extent that certain contract income is based on the value of assets in the funds.

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

22.1 Market risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, analysed between price, interest rate and currency risk.

(a) Price risk
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% p.a., are based on the market value of funds under management. Similarly, due to the fact that these charges are deducted from policies in policy currency, a change in foreign exchange rates relative to sterling can result in fluctuations in reported management fee income and expenses. The approximate impact on shareholder profits and equity of a 10% change in fund values, either as a result of price or currency fluctuations, is £1.1m (2009: £1.0m).

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

The Group is primarily exposed to interest rate risk on the balances that it holds with credit institutions and in Money Market funds. The Group has mitigated its exposure to cash flow interest rate risk by placing a proportion of its cash holdings on longer-term fixed deposits (see note 22.4 below).

After the placing of a proportion of some shareholder cash onto longer-term, fixed-rate deposits, a change of 1% p.a. in interest rates will result in an increase or decrease of approximately £0.6m (2009: £0.8m) in the Group's equity and annual investment income.

A summary of the Group's liquid assets at the balance sheet date is set out in note 22.2 below.

(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 and other liquid assets that it holds to the extent that they do not match liabilities in those currencies. The impact of the Group's currency risk is minimized by frequent repatriation of excess foreign currency funds to sterling. At the balance sheet date the Group had exposures in the following currencies:

	2010 US$m	2010 €m	2009 US$m	2009 €m
Gross assets	**10.8**	**20.6**	13.5	15.8
Matching currency liabilities	**(7.2)**	**(4.9)**	(5.4)	(3.4)
	3.6	**15.7**	8.1	12.4

Amounts totalling €8.1m held at the balance sheet date (2009: €7.2m) represent amounts held by Hansard Europe Limited to cover regulatory capital commitments.

The approximate impact on profit and equity of a 5% change in the value of the euro to sterling is £0.6m (2009: £0.5m). The approximate effect of a 5% change in the value of US dollars to sterling is £0.1m (2009: £0.2m).

(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:

Currency	**2010 %**	**2009 %**
US Dollars	**49.0**	42.0
Euro	**28.0**	34.0
Sterling	**15.0**	16.0
Others	**8.0**	8.0
	100.0	100.0

22.2 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's main exposure to credit risk is in relation to deposits with credit institutions. Deposits are made, in accordance with established policy, with credit institutions having a short-term rating of at least F1 and P1 from Fitch IBCA and Moody's respectively and a long-term rating of at least A and A3. Additionally funds are invested in AAA rated unitized money market funds.

At the balance sheet date, an analysis of the Shareholders' cash and cash equivalent balances and liquid investments was as follows (an analysis by maturity date is provided in Note 22.4 below):

	2010 £m	2009 £m
Deposits with credit institutions	**43.6**	15.6
Investments in money market funds	**38.2**	60.3
	81.8	75.9

Maximum counterparty exposure limits are set both at an individual subsidiary company level and on a Group-wide basis. There are no significant concentrations of credit risk at the balance sheet date.

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

Liquidity risk is principally managed in the following ways:

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

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

Notes to the Financial Statements continued

22.4 Undiscounted contractual maturity analysis

During the year, the Group took advantage of increased interest rates available for longer-term investment of a portion of the Group's capital base, while maintaining its counterparty quality requirements as outlined above.

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

	2010 £m	2009 £m
Maturity within 1 year		
Deposits and Money Market funds	55.3	75.9
Other assets	4.9	4.6
	60.2	80.5
Maturity from 1 to 5 years		
Deposits with credit institutions	26.4	-
Other assets	3.5	4.2
	29.9	4.2
Shareholder assets with maturity values	90.1	84.7
Other shareholder assets	107.6	107.2
Gross assets held to cover financial liabilities under investment contracts	1,135.1	1,004.2
Total assets	1,332.8	1,196.1

Maturity analyses of financial and other liabilities are included in the relevant notes to the consolidated balance sheet. There is no significant difference between the Group's financial assets on an undiscounted basis and the balance sheet values.

22.5 Fair value measurement hierarchy

The Group adopted the amendments to IFRS 7, 'Financial instruments: Disclosures' in this financial year. IFRS 7 requires the Group to classify fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring that fair value. The hierarchy is as follows:

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

Due to the linked nature of the contracts sold 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 Income Statement. The following table analyses the Group's financial assets and liabilities at fair value through profit or loss at 30 June 2010:

Financial assets at fair value through profit or loss	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Equity securities	166.1	-	-	**166.1**
Collective investment schemes	763.9	19.6	-	**783.5**
Fixed income securities	41.3	-	-	**41.3**
Deposits and money market funds	169.8	-	-	**169.8**
Total financial assets at fair value through profit or loss	**1,141.1**	**19.6**	**-**	**1,160.7**

Financial liabilities at fair value through profit or loss	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities under investment contracts	-	1,134.7	-	1,134.7
Total financial liabilities at fair value through profit or loss	**-**	**1,134.7**	**-**	**1,134.7**

Comparative figures are not required for first time adoption of the amendments to IFRS 7. Where the directors determine that there is no active market for a particular financial instrument, fair value is assessed using valuation techniques based on available, relevant information and an appraisal of all associated risks. This process requires the exercise of significant judgement on the part of Directors. Where significant inputs to the valuation technique are observable, the instrument is categorised as Level 2. Otherwise, it is categorised as Level 3.

During the year, assets with a value of £9.3m were reclassified from Level 1 to Level 3 and valued at zero by the Directors, as they believe this reflects the fair value of these assets.

23 Financial commitments

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

	2010 £m	2009 £m
Amounts due:		
Within one year	0.7	0.7
Between one and five years	1.7	2.0
After five years	0.4	0.7
	2.8	3.4

24 Related party transactions

24.1 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.

24.2 Key management personnel compensation

Key management consists of executive directors of the Company, executive directors of subsidiary companies, the appointed actuary of the Group's regulated insurance entities and the Company solicitor.

The aggregate remuneration paid to key management is as follows:

	2010 £m	2009 £m
Salaries, wages and bonuses	1.5	2.0
Benefits under share save programme	-	-
Charged to the income statement	1.5	2.0
Other payments	-	0.7
Total related party payments	1.5	2.7

The other payments of £0.7m in the year ended 30 June 2009 relate to the incentive scheme established in 1999 by and settled by Dr Polonsky as referred to in 24.3 below. This scheme has now ceased.

	2010 £m	2009 £m
Payments during the year by key management in respect of policies issued by the Group	-	-
Payments during the year to key management in respect of policies issued by the Group	-	0.2
The sum assured or fund balance of those policies at 30 June	17.7	16.2

All these transactions were completed on terms available to staff in general.

Notes to the Financial Statements continued

24.3 Other

Certain employees of the Group were party to an incentive scheme (the Scheme) established in 1999 by and settled by the then controlling shareholder of the Group, Dr Leonard Polonsky. Under the Scheme notional units were granted to eligible employees as compensation for services rendered to the Group. The Company acted as administrative agent for Dr Polonsky in the settlement of his liabilities under the Scheme.

The benefit payable to each individual under the Scheme crystallised on the listing of the Company on the London Stock Exchange on 18 December 2006. This totalled £14.8m. The final payments under the Scheme were made on behalf of Dr Polonsky during the year ended 30 June 2009.

25 Foreign exchange rates

The closing exchange rates used by the Group for the conversion of balance sheet items from US$ and € to sterling were as follows:

	30 June 2010	**30 June 2009**
US Dollar	1.52	1.65
Euro	1.21	1.18

Parent Company Balance Sheet

As at 30 June 2010

	Notes	**30 June 2010 £m**	30 June 2009 £m
Assets			
Investments in subsidiary companies	2	**71.8**	72.1
Long-term deposits with credit institutions		**20.0**	-
Cash and cash equivalents	3	**8.9**	38.0
Amounts due from subsidiary companies	4	**1.2**	2.5
Other debtors		**0.5**	0.3
Tangible assets		**0.1**	0.2
Total assets		**102.5**	113.1
Liabilities			
Amount due to subsidiary company	4	**0.6**	-
Other creditors		**0.4**	0.7
Total liabilities		**1.0**	0.7
		101.5	112.4
Shareholders' equity			
Called up share capital	5	**68.6**	68.6
Retained earnings	6	**32.8**	43.8
Share save reserve	6	**0.1**	-
Total shareholders' equity	7	**101.5**	112.4

The financial statements on pages 65 to 68 were approved by the Board of Directors on 22 September 2010 and signed on its behalf by:

L S Polonsky
Director

G S Marr
Director

Notes to the Parent Company Financial Statements

Accounting policies

1.1 Basis of preparation

Hansard Global plc (the Company) is a limited liability company, incorporated in the Isle of Man, whose shares are publicly traded. The principal activity of the Company is to act as the holding company of the Hansard group of companies (the Group).

The financial statements have been prepared in accordance with UK GAAP and the Isle of Man Companies Acts 1931-2004 and under the historical cost convention. In accordance with the provisions of the Isle of Man Companies Act 1982 the Company has not presented its own profit and loss account. The Company's profit for the year ended 30 June 2010, including dividends received from subsidiaries, is £6.6m (2009: £44.1m).

The Company is exempt from the requirement to prepare a cash flow statement on the grounds that its cash flows are included in the consolidated financial statements, which are presented elsewhere within this Report & Accounts.

1.2 Significant accounting policies

1.2.1 Investment income
Investment income includes interest and dividends. Interest is accounted for on an accruals basis. Dividends are accrued on an ex-dividend basis.

1.2.2 Dividends payable
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.

1.2.3 Taxation
Taxation is based on profit for the period as determined in accordance with relevant Isle of Man tax legislation and therefore profits arising are taxable at zero percent.

1.2.4 Investments in subsidiary companies
Investments in subsidiary companies are included in the Company balance sheet at cost less provision for any impairment.

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

Foreign currency transactions are translated into sterling using the applicable exchange rate applicable 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 profit and loss account.

1.2.6 Tangible assets
The cost of tangible assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of the assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned.

The economic lives used for this purpose are:

Computer equipment and software	3 years
Fixtures and fittings	4 years

2 Investments in subsidiary companies

	2010 £m	2009 £m
Subsidiary companies acquired 1 July 2005	**71.8**	72.1

Investments in subsidiary companies are included at cost. During the year, Hansard Information Services Limited (HISL) was dissolved as part of a reorganisation of the Group. The carrying value of HISL on 1 July 2009 was £0.3m.

The following schedule reflects the Company's subsidiary companies at the balance sheet date and at the date of this report. All companies are wholly owned and incorporated in the Isle of Man, except where indicated.

Subsidiary company
Hansard International Limited
Hansard Europe Limited (incorporated in the Republic of Ireland)
Hansard Development Services Limited
Hansard Administration Services Limited

3 Cash and cash equivalents

	2010 £m	2009 £m
Money market funds	**7.8**	37.9
Deposits with credit institutions	**1.1**	0.1
	8.9	38.0

4 Amounts due to/from subsidiary companies

The Company and various subsidiary companies within the Group perform services for other Group companies in the normal course of business. All balances are unsecured, interest free and repayable on demand.

5 Share capital

	2010 £m	2009 £m
Authorised:		
200,000,000 ordinary shares of 50p	**100**	100
Issued and fully paid:		
137,282,656 (2009: 137,281,202) ordinary shares of 50p	**68.6**	68.6

During the year, 1,454 shares were issued under the terms of the Save as You Earn (SAYE) share save programme approved by the shareholders.

The Company has received clearance from the London Stock Exchange to list a maximum of 500,000 shares necessary to meet its obligations to employees under the terms of the scheme.

6 Reserves

	2010 £m	2009 £m
Profit for the financial year	**6.6**	44.1
Dividends paid	**(17.6)**	(16.8)
Net (decrease) / increase in retained earnings	**(11.0)**	27.3
As at 1 July	**43.8**	16.5
As at 30 June	**32.8**	43.8

£0.1m was transferred to the share save reserve during the year.

7 Movement in shareholders' equity

	2010 £m	2009 £m
Profit for the financial year	**6.6**	44.1
Dividends paid	**(17.6)**	(16.8)
Increase in share save reserve	**0.1**	-
Net (decrease) / increase in shareholders' equity	**(10.9)**	27.3
As at 1 July	**112.4**	85.1
As at 30 June	**101.5**	112.4

8 Related party transactions

The Company is exempt from the requirements of FRS 8, concerning the disclosure of transactions with related parties, as the Company's financial statements are presented together with the Group's consolidated financial statements.

Notes to the Parent Company Financial Statements
continued

9 Equity settled share-based payments

9.1 Save As You Earn (SAYE) programme

Shareholders have approved a Save as You Earn (SAYE) share save programme for employees. The scheme is a standard SAYE plan, approved by the Revenue Authorities in the Isle of Man and is available to eligible employees. Under the terms of the scheme, individuals can invest up to £250 per month for a three- or five-year period to purchase shares at a price not less than 80% of the market price on the date of the invitation to participate.

The scheme is operated annually, with the option price and awards criteria being established in February. At the balance sheet date, the following options remain outstanding under each tranche:

Scheme year	2010	2009
2008	**66,683**	70,446
2009	**245,834**	263,261
2010	**43,818**	-
	356,335	333,707

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

	Year ended 30 June			
	2010		2009	
	No. of options	Weighted average exercise price (p)	No. of options	Weighted average exercise price (p)
Outstanding at the start of year	**333,707**	**130**	394,111	153
Granted	**46,238**	**150**	288,501	124
Exercised	**(1,454)**	**130**	-	-
Forfeited	**(22,156)**	**130**	(348,905)	151
Outstanding at end of year*	**356,335**	**133**	333,707	130

* None of these options are exercisable as at 30 June 2010.

The tables below summarise the assumptions and details of the awards made during the year.

2010 award assumptions	3-year	5-year
Date of grant	25 February 2010	25 February 2010
Fair value (pence)	37	35
Exercise price (pence)	150	150
Share price (pence)	186	186
Expected volatility	33%	33%
Expected dividend yield	7.6%	7.6%
Risk-free rate	2.5%	2.5%

2010 award details	
No. of shares awarded	46,238
Vesting conditions	3- or 5-year savings term
Exercise period - 3-year	1 May 2013 - 31 October 2013
Exercise period - 5-year	1 May 2015 - 31 October 2015

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

9.2 Long Term Incentive Plan (LTIP)

The Company introduced an LTIP in the financial year for the Executive and senior management based on EEV performance over the 3 years ending 30 June 2012. The awards may take the form of a conditional right to acquire shares, a nil-cost option or a forfeitable award.

The minimum condition required under the plan was not achieved in the year ended 30 June 2010, therefore there is no charge in the Income Statement.

European Embedded Value Information

1 Introduction

The European Embedded Value (EEV) is an estimate of the value of the shareholders' interest in the Group. It comprises net worth and the value of future profits from business in-force at the valuation date, 30 June 2010. Net worth is the market value of shareholder funds, determined on an IFRS basis, adjusted to exclude deferred origination costs and deferred income reserve. The value of future profits is the present value of those profits expected to arise from assets backing the liabilities of the covered business.

EEV covers the entire business of the Group, including its life assurance companies and subsidiaries providing administration, distribution and other services. It excludes the value of any future new business that the Group may write after the valuation date. All results are calculated net of corporation tax in the Republic of Ireland. The Group does not have any debt or financial reinsurance arrangements in place at the valuation date.

The Group's EEV methodology complies fully with the set of EEV Principles published by the CFO Forum in May 2004 and extended in October 2005. It has been calculated using market-consistent economic assumptions and best estimate operating assumptions having regard for the Group's own past, current and expected future experience. The methodology used is consistent with the methodology used in the consolidated financial statements for the year ended 30 June 2009.

2 EEV profit performance for the year

The performance of the Group measured under EEV has improved relative to the previous financial year, both at an operating level and in investment performance, despite the volatile markets and uncertain economic outlook. New business volumes were at similar levels to the prior year but margins have improved, as can be seen in 5.1 below. The current policyholder book continues to generate strong positive cash flows to fund new business and pay dividends.

2.1 EEV profit

EEV profit provides a measure of the Group's performance over the year. The components of EEV profit after tax are set out in the table below:

Year ended 30 June	2010 £m	2009 £m
New business contribution	**11.5**	10.1
Expected return on existing business	**5.9**	9.7
Experience variances	**(4.1)**	(5.3)
Operating assumption changes	**(2.1)**	(8.0)
Expected return on net worth	**2.2**	2.8
Model changes	**2.1**	2.0
EEV operating profit after tax	**15.5**	11.3
Investment return variances	**17.6**	(2.1)
Economic assumption changes	**(5.1)**	1.1
EEV profit after tax	**28.0**	10.3

2.1.1 New Business Contribution (NBC)

New Business Contribution represents the value of new business written in the year. It is calculated at point of sale, including any acquisition expense overrun, and is net of corporation tax. NBC for the year is £11.5m (2009: £10.1m).

2.1.2 Expected return on existing business

The following table shows the return on existing business in greater detail. The table also provides valuable insight into cashflows generated by the business relating to both new and existing business. The expected return on existing business of £5.9m (2009: £9.7m) represents, in large part, the Group's view of the factors impacting upon the increase in the value of future profits over the year and in new business between the point of sale and the end of the year due to the time value of money. It is based on the 3.3% assumption for the risk discount rate at the previous financial year-end, (2009: 5.0%).

European Embedded Value Information continued

Year ended 30 June	2010					2009				
	EEV	**Net worth**	**VIF**	**Non-market risk**	**Frictional costs**	EEV	Net worth	VIF	Non-market risk	Frictional costs
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m
Cash flows generated by existing business	**-**	**37.1**	**(37.1)**	**-**	**-**	-	44.5	(44.5)	-	-
New business strain	**-**	**(14.8)**	**14.8**	**-**	**-**	-	(14.1)	14.1	-	-
Time value of existing business	**5.9**	**0.7**	**5.2**	**-**	**-**	9.6	-	9.6	-	-
Time value of new business	**0.2**	**(0.2)**	**0.4**	**-**	**-**	0.3	-	0.3	-	-
Time value of non-market risk	**(0.2)**	**-**	**-**	**(0.2)**	**-**	(0.2)	-	-	(0.2)	-
	5.9	**22.8**	**(16.7)**	**(0.2)**	**-**	9.7	30.4	(20.5)	(0.2)	-

2.1.3 Experience variances

Experience variances arise where the Group's actual experience during the year in areas such as expenses, policy persistency, premium persistency, mortality and fees from policyholder activity differ from the assumptions used to calculate the EEV at the previous year-end.

Experience variances are summarised in the following table:

Year ended 30 June	**2010 £m**	2009 £m
Premium changes and surrenders	**(1.6)**	(5.6)
Expenses	**(1.5)**	(0.5)
Other	**(1.0)**	0.8
	(4.1)	(5.3)

2.1.4 Operating assumption changes

A review of operating assumptions is conducted each year. Changes were made to the EEV assumptions to reflect current expectations about future levels of regular premiums, expenses, mortality, lapses and other operating matters.

These operating assumption changes reduced the EEV by £2.1m (2009: £8.0m loss), as shown below:

Year ended 30 June	**2010 £m**	2009 £m
Lapses & paid-up policies	**3.5**	0.3
Premium reductions and holidays	**(3.2)**	(7.8)
Expenses	**(2.5)**	0.6
Mortality	**1.3**	0.6
Other	**(1.2)**	(1.7)
	(2.1)	(8.0)

2.1.5 Expected return on net worth

The expected return on net worth of £2.2m (2009: £2.8m) reflects the anticipated increase to shareholder assets over the period due to the time value of money and its calculation is based on the 3.3% risk discount rate at the previous financial year-end (2009: 5.0%). The reduction in this return from the corresponding period last year is primarily due to lower interest rates.

2.1.6 Model changes

The Group continues to refine its modelling functionality. During the year, improvements made to the model resulted in an increase to EEV of £2.1m (2009: £2.0m).

2.1.7 Investment return variances

The impact of market and other external conditions gave rise to EEV investment return profits of £17.6m in the year (2009: £2.1m loss).

The main elements contributing to this profit are as follows:

Year ended 30 June	**2010 £m**	2009 £m
Investment performance of policyholder funds	**10.7**	(25.2)
Exchange rate movements	**10.8**	24.9
Treasury margins	**(1.3)**	-
Commissions receivable	**0.1**	(0.7)
Other	**(2.7)**	(1.1)
	17.6	(2.1)

As reported in the interim results for the six months ended 31 December 2009, some external funds held within policyholder funds were suspended during the year. At the Valuation Date the long-term suspensions were valued at £34.7m on the last available price before funds were suspended, a small increase of £1.1m from those suspended at December 2009.

The Company is currently not levying an annual management charge on these funds, and therefore has made no allowance in the EEV for any future annual management charges from them. This is estimated to reduce the level of future profits, due to a loss of expected management charges, by an estimated £2.2m. The impact on VIF of the suspensions has been included in the investment return variances shown above.

2.1.8 Economic assumption changes

Economic assumption changes resulted in an EEV loss of £5.1m (2009: £1.1m profit). Lower interest rates and higher underlying fund manager charges have led to a reduction in the investment growth assumption rate and hence a decrease in EEV of £1.4m.

Lower treasury income caused by lower interest rates has lead to a reduction in the treasury margin rate assumption. This has reduced EEV by £3.7m.

2.2 Detailed analysis of EEV profit

The table below shows a detailed analysis of EEV profit after tax split between net worth, the value of in-force covered business (VIF), non-market risk and frictional costs. The increase in net worth of £17.4m demonstrates the continued ability of the Group to generate cash from the in-force book (VIF), through volatile economic conditions, despite investment of £14.8m in new business.

This analysis, when combined with the reconciliation of net worth in 4 below, provides a reconciliation of EEV profit and IFRS profit. While the total profit recognised over the lifetime of a policy under EEV methodology is the same as reported under IFRS, the timing of recognition is different.

Year ended 30 June	2010 Movement In					2009 Movement In				
	EEV	**Net worth**	**VIF**	**Non-market risk**	**Frictional costs**	EEV	Net worth	VIF	Non-market risk	Frictional costs
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m
New business contribution	**11.5**	**-**	**11.5**	**-**	**-**	10.1	-	10.1	-	-
Expected return on existing business	**5.9**	**22.8**	**(16.7)**	**(0.2)**	**-**	9.7	30.4	(20.5)	(0.2)	-
Experience variances	**(4.1)**	**(5.9)**	**2.0**	**-**	**(0.2)**	(5.3)	(4.3)	(0.8)	-	(0.2)
Operating assumption changes	**(2.1)**	**-**	**(2.1)**	**-**	**-**	(8.0)	-	(8.0)	-	-
Expected return on net worth	**2.2**	**2.2**	**-**	**-**	**-**	2.8	2.8	-	-	-
Model changes	**2.1**	**-**	**2.1**	**-**	**-**	2.0	-	2.0	-	-
EEV operating profit after tax	**15.5**	**19.1**	**(3.2)**	**(0.2)**	**(0.2)**	11.3	28.9	(17.2)	(0.2)	(0.2)
Investment return variances	**17.6**	**(1.7)**	**19.3**	**-**	**-**	(2.1)	(0.8)	(1.3)	-	-
Economic assumption changes	**(5.1)**	**-**	**(5.1)**	**-**	**-**	1.1	-	1.1	-	-
EEV profit after tax	**28.0**	**17.4**	**11.0**	**(0.2)**	**(0.2)**	10.3	28.1	(17.4)	(0.2)	(0.2)

European Embedded Value Information continued

3 Embedded value at 30 June 2010

3.1 EEV balance sheet

Following the payment of dividends totalling £17.6m, the Group's EEV has increased by £10.4m to £247.0m (2009: £236.6m). The EEV balance sheet is presented below.

	2010	2009
At 30 June	**£m**	£m
Free surplus	**51.4**	53.3
Required capital	**16.6**	14.9
Net worth	**68.0**	68.2
VIF	**185.6**	174.6
Reduction for non-market risk	**(5.7)**	(5.5)
Frictional costs	**(0.9)**	(0.7)
Value of future profits	**179.0**	168.4
EEV	**247.0**	236.6

The increase in Required Capital over the year is due primarily to an increase in the Required Capital for Hansard Europe Limited. The main driver of this is an increase in prudential liabilities as a result of higher expense assumptions, a regulatory change to the minimum solvency threshold in Europe from €3.2m to €3.5m and a small exchange rate movement used in the calculation of the minimum guarantee fund.

3.2 Reconciliation of EEV

The following table provides a reconciliation of the opening and closing EEV for each of the components.

	2010					2009				
	EEV	**Net worth**	**VIF**	**Non-market risk**	**Frictional costs**	EEV	Net worth	VIF	Non-market risk	Frictional costs
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m
Opening	**236.6**	**68.2**	**174.6**	**(5.5)**	**(0.7)**	243.1	56.9	192.0	(5.3)	(0.5)
EEV profit after tax	**28.0**	**17.4**	**11.0**	**(0.2)**	**(0.2)**	10.3	28.1	(17.4)	(0.2)	(0.2)
	264.6	**85.6**	**185.6**	**(5.7)**	**(0.9)**	253.4	85.0	174.6	(5.5)	(0.7)
Dividends paid	**(17.6)**	**(17.6)**	**-**	**-**	**-**	(16.8)	(16.8)	-	-	-
Closing	**247.0**	**68.0**	**185.6**	**(5.7)**	**(0.9)**	236.6	68.2	174.6	(5.5)	(0.7)

4 Reconciliation of net worth

The following table provides a link between the EEV net worth and shareholders' equity presented under IFRS.

EEV net worth is the market value of the shareholders' funds, determined on an IFRS basis, adjusted to exclude certain assets such as the deferred origination costs and other debtor assets recognised in the VIF, and certain liabilities such as the deferred income reserve.

	2010	2009
At 30 June	**£m**	£m
Shareholders' equity	**54.6**	55.7
Adjusted for:		
IFRS deferred origination costs	**(105.6)**	(104.1)
IFRS deferred income reserve	**125.9**	125.2
IFRS debtor recognised in VIF	**(6.9)**	(8.6)
EEV net worth	**68.0**	68.2
Value of future profits	**179.0**	168.4
EEV	**247.0**	236.6

IFRS deferred origination costs are accounting assets, which affect the timing of IFRS profit but do not have any economic value. In this reconciliation they are removed so as to avoid any double counting of future margins recognised in the VIF.

IFRS deferred income reserve is an accounting liability that spreads fees on premiums received, for example establishment fees charged to policyholder funds in the period after policy inception. It affects the timing of IFRS profit and does not have any economic value and is removed so as to avoid any double counting of future margins recognised in the VIF.

IFRS debtor relates to future establishment fees and since they are received after the valuation date are recognised in the VIF. They are not included in the EEV net worth.

5 NEW BUSINESS PROFITABILITY

The Group continues to write profitable new business. The following metrics illustrate an indication of the profitability of the Group's new business written in the year.

5.1 New business margin

New business margin is defined as New Business Contribution (NBC) divided by Present Value of New Business Premiums (PVNBP).

The new business margin for the year is 6.9% on a PVNBP basis, an increase of 13% from 6.1% for the year ended 30 June 2009. This increase is primarily due to the change in mix of sales towards higher-margin regular-premium business.

	2010	2009
Year ended 30 June	**£m**	£m
PVNBP	**166.3**	166.2
NBC	**11.5**	10.1
New business margin	**6.9%**	6.1%

NBC and PVNBP have been calculated using the same economic assumptions as those used to determine the EEV as at the start of the year and the same operating assumptions used to determine the EEV as at the end of the year. No credit is taken in the calculation of NBC for returns in excess of risk-free returns. NBC is shown after allowing for the cost of required capital, calculated on the same basis as for in-force business.

5.2 Internal Rate of Return (IRR)

New business requires initial capital investment to cover set-up costs, commission payments, statutory reserves and solvency capital requirements. IRR is a measure of the post tax shareholder return on this initial capital invested. It is defined as the discount rate at which the present value of expected cash flows over the life of the new business written in the year is equal to the total capital invested to support the writing of that business.

The average IRR on new business written during the year continues to be in excess of 15% per annum.

5.3 Break Even Point (BEP)

BEP indicates how quickly shareholders can expect new business to repay its capital support. In effect, it is defined as the point at which initial capital invested to support the writing of new business in the year (including its share of overhead expenses) is recouped from revenue from that same business. BEP is calculated ignoring the time-value of money.

The average BEP for new business written during the year is 2.8 years, representing an improvement from 2.9 years on new business written in the previous year.

As at 30 June 2010, the value of future profits is £179.0m. Over a quarter of these profits are expected to convert into net worth within 2 years, half within 5 years and three quarters within 9 years. This illustrates a fast conversion of future cash flows to net worth, as required by the Group's pricing methodology. In general, the faster this happens, the more certainty there is that those cash flows will be received at their anticipated levels and hence the more certainty there is about the EEV itself.

European Embedded Value Information continued

6 EEV sensitivity analysis

Sensitivities provide an indication of the impact of changes in particular assumptions on the EEV at 30 June 2010 and the NBC for the year then ended.

The sensitivity analysis indicates that the Group's exposure to operating factors is limited largely as a result of product design, with expenses being the main operating exposure. The Group is primarily exposed to economic factors. In particular, as a result of the diversified portfolio of Assets under Administration, it is exposed to movements in exchange rates and asset values, through the impact on the level of future fund-based management income.

Impact on:	EEV £m 247.0	NBC £m 11.5
Operating sensitivities		
10% increase in expenses	(6.1)	(0.6)
100bp increase in expense inflation	(4.5)	(0.5)
100bp increase in charge inflation	3.7	0.4
100bp increase in expense & charge inflation	(0.7)	(0.1)
10% decrease in lapse rates	3.4	0.4
10% increase in paid-up rates	(1.1)	(0.2)
10% decrease in mortality rates	0.3	-
10% increase in partial withdrawals	(1.5)	(0.2)
10% increase in premium reductions	(0.7)	(0.1)
10% increase in premium holidays	(0.4)	-
10% corporation tax in Isle of Man (currently zero)	(15.9)	(1.3)
Economic sensitivities		
100bp decrease in risk discount rate	9.8	1.3
100bp decrease in investment return rate	(7.1)	(0.7)
100bp decrease in risk discount rate & investment return rate	2.0	0.5
10% decrease in the value of equities and property	(9.7)	-
10% increase in sterling exchange rates	(16.6)	(1.3)
10% decrease in commissions receivable	(3.0)	(0.2)
Reduce required capital to minimum requirement	-	-

Discussions are continuing that could impact on the future rates of corporation tax that might be levied on the Group's profits arising in the Isle of Man. Any changes to the current tax regime may impact on the profitability and value of the Group in the future. An indication of a potential impact on the Embedded Value of the Group, and on the related contribution from new business, is provided above.

In each sensitivity calculation, all other assumptions remain unchanged, except where indicated. There is a natural correlation between many of the sensitivity scenarios tested, so the impact of two occurring together is likely to be less than the sum of the individual sensitivities. No changes to statutory valuation bases, pricing bases and required capital have been included. No future management action has been modelled in reaction to the changing assumptions. For new business, the sensitivities reflect the impact of a change from inception of the policy.

Notes to the European Embedded Value Information

1 Basis of preparation of EEV

1.1 EEV Principles

The Group's EEV methodology complies fully with the set of EEV Principles published by the CFO Forum in May 2004 and extended in October 2005. It has been calculated using market-consistent economic assumptions and best estimate operating assumptions having regard for the Group's own past, current and expected future experience. The methodology used is consistent with the methodology used in the consolidated financial statements for the year ended 30 June 2009.

1.2 MCEV Principles©

In June 2008, the CFO Forum published the European Insurance CFO Forum Market Consistent Embedded Value Principles (MCEV Principles) (Copyright© Stichting CFO Forum Foundation 2008) with a view to bringing greater consistency and improved disclosure to the European insurance industry's embedded value disclosures. However, in April 2009, the CFO Forum announced that it was to delay their implementation of the MCEV Principles until 2011, notwithstanding the fact that they issued some amendments to the principles.

That said, the Group's EEV is already calculated on a market-consistent bottom-up basis using interest swap rates to determine the risk discount rate. Therefore, adoption of the MCEV Principles as currently proposed is not expected to have a material financial impact on the embedded value results, although it will necessitate formatting and disclosure changes.

1.3 Covered business

EEV covers the entire business of the Group, including its life assurance companies and subsidiaries providing administration, distribution and other services. It excludes the value of any future new business that the Group may write after the valuation date. All results are calculated net of corporation tax. The Group does not have any debt or financial reinsurance arrangements in place at the valuation date.

1.4 New business premiums

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

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

1.5 Timing of cash flows

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

1.6 Real world returns

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

2 Methodology

2.1 Overview

The methodology used to derive the EEV results at the valuation date is consistent with the EEV methodology used in relation to the consolidated financial statements for the year ended 30 June 2009. Under EEV methodology, profit is recognised as margins are released from policy-related balances over the lifetime of each policy within the Group's in-force covered business. The total profit recognised over the lifetime of a policy under EEV methodology is the same as reported under IFRS, but the timing of recognition is different.

2.2 Embedded value

Embedded value is a measure of the value of the shareholders' interest in the life and related businesses of the Group, represented by the total of the net worth of the Group and the value of in-force covered business written by the Group as at the relevant valuation date. The embedded value is calculated on the Group's entire in-force covered business and is shown net of corporation tax. It ignores the value of any future new business.

2.3 Net worth

Net worth is the market value of the shareholders' funds, determined on an IFRS basis, adjusted to exclude certain assets such as the deferred origination costs and liabilities such as the deferred income reserve, and to add back any non-admissible assets. The net worth consists of required capital and free surplus.

Notes to the European Embedded Value Information continued

2.4 Required capital

Required capital is the market value of assets, attributed to the covered business over and above that required to back liabilities for covered business, whose distribution to shareholders is restricted. It comprises the prudential liabilities of the Group's two life assurance companies calculated on a statutory valuation basis plus the regulatory solvency margin, plus an internal margin held in excess of these statutory requirements.

2.5 Free surplus

Free surplus is the market value of assets allocated to, but not required to support, the in-force covered business at the valuation date. In effect, it is the excess of net worth over required capital.

2.6 Present value of future profits

The present value of future profits is calculated as:

- value of in-force covered business (VIF)
- less frictional cost of required capital
- less a reduction for non-market risk.

2.7 Value of in-force covered business (VIF)

The VIF is determined by calculating, on a best estimate basis, the stream of future shareholder cash flows expected to arise from assets backing the liabilities of the covered business, and then calculating the present value of the cash flows using an appropriate risk discount rate. On the Isle of Man and in the Republic of Ireland, future shareholder cash flows are deemed to arise when they are released from policyholder funds, following an actuarial valuation by the appointed actuary. The VIF is calculated on a 'look through' basis whereby it includes the value of profits and losses arising from subsidiary companies providing administration, distribution and other services.

2.8 Frictional cost of required capital

Though the present value of future profits assumes that in future years any capital in excess of the Group's capital requirements is transferred to shareholders, some assets are not immediately transferable, as they are needed to satisfy regulatory capital requirements and provide working capital. An allowance is made for the frictional cost of required capital in order to reflect that there is a cost to shareholders of delaying the distribution of such assets, for example, taxation on interest on required capital. This cost is explicitly deducted from the VIF and NBC in the calculation of the present value of future profits.

2.9 Non-market risk

Allowance is made for the cost of non-market risks not already covered in the VIF. The main risks covered are mortality, persistency, expense and other operating risks. In choosing best estimate assumptions, directors have already made some allowance for risk. However, best estimate assumptions may fail to represent the full impact on shareholder value where adverse experience has a higher impact on shareholder value than favourable experience.

2.10 Cost of financial options and guarantees

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

3 Operating assumptions

The EEV was calculated using best estimate operating assumptions (e.g. expenses, mortality, lapses, premium persistency, partial withdrawals and policyholder activity) having regard for the Group's own past, current and expected future experience, together with other relevant data.

The Group's in-force covered business is unit-linked in nature, and consists mainly of investment-type products with minimal life cover and no options or guarantees. The three main product groups are regular premium, single premium and recurrent single premium. Variations in experience between the product classes have been considered and, where appropriate, separate assumptions have been used.

All assumptions were based on the business being part of a going concern.

3.1 Expense assumptions

A realistic estimate of the Group's future expenses is allowed for in the EEV calculations, based on actual recent expense levels and the directors' estimate of realistic future expense levels. This estimate includes the future costs associated with obligations from being a listed entity and recognises the level of activity arising from expected business volumes.

Some costs incurred by the Group, for example those associated with managing policyholder funds and costs charged by external fund managers, are charged directly against policyholder funds. These costs in turn reduce the net rate of growth assumed for the relevant policyholder funds rather than being reflected in the future per policy expense levels.

Overhead expenses have been allocated between new business, existing business and development projects in an appropriate way that is consistent with past allocations, current business plans and future expectations. Holding company and subsidiary company expenses, including overhead expenses, have been allocated to the expense assumptions on a 'look through' basis.

The allocation of expenses between acquisition and maintenance is consistent with the allocation used to derive the pricing and reserving bases.

Development costs to enable future new business have been allocated to new business and are fully reflected in the calculation of the NBC. Other non-recurring development costs and any other expenditure of an exceptional nature are generally charged as incurred, and hence will be reflected as a profit or loss in the year. Such costs amounted to £1.5m in the year ended 30 June 2010 (2009: £0.7m).

Expected future productivity gains have not been included in the expense assumptions.

3.2 Demographic assumptions

Assumptions for future rates of mortality, lapses, partial withdrawals, policies being made paid-up, premium reductions and premium holidays have been derived from investigations of the Group's own recent experience and having regard for expected future experience and relevant market data. Separate assumptions have been set for each product class, where appropriate.

3.3 Taxation

After considering current and expected future tax legislation, regulation and the Company's own tax position, the tax rate assumptions have remained unaltered as follows:

Corporation tax rates	30 June 2010	30 June 2009
Isle of Man	0%	0%
Republic of Ireland	12.5%	12.5%

Discussions are continuing that could impact on the future rates of corporation tax that might be levied on the Group's profits arising in the Isle of Man. Any changes to the current tax regime may impact on the profitability and value of the Group in the future. An indication of a potential impact on the Embedded Value of the Group, and on the related contribution from new business, is provided within the EEV Sensitivity disclosures in note 6 above.

3.4 Non-market risk

The directors have established an allowance of £5.7m (2009: £5.5m) to account for the cost of non-market risks. This amount is equivalent to an increase of 0.6% (2009: 0.6%) per annum in the risk discount rate assumption at the valuation date. It has been assessed after considering past experience, the operational characteristics of the business and market information. The suitability of this allowance is continually kept under review.

3.5 Other operating assumptions

Assumptions for the rate of policyholder activity, such as fund switching, have been derived from investigations of the Group's own recent experience and having regard for expected future experience.

4 Economic assumptions

The principal economic assumptions used in the EEV calculations are actively reviewed at each reporting date and are internally consistent.

4.1 Risk-free rate

In line with EEV Principles, the risk-free rate is based on the bid swap yield curve appropriate to the currency of the cash flows. This risk-free rate is then used to derive the risk discount rate and investment return assumptions.

There are difficulties in valuing each individual cash flow with a different risk-free rate. So for practical reasons a single equivalent risk-free rate is derived (using the term and currency of individual cash flows) that would produce similar results to those using individual cash flow risk-free rates.

In order to determine the appropriate single equivalent risk-free rate, the weighted-average term of cash flows is derived from all projected cash flows on the in-force book of covered business. This process resulted in an average cash flow term of 6 years at the valuation date. Bid swap yield curves are then collated for each of the major currencies in which the Group's cash flows are denominated, including sterling, US$ and €. The 6-year yield is determined from each yield curve and a weighted average yield is calculated based on the currency profile of the Group's in-force book of business. The risk-free rate is set equal to this single weighted-average swap yield.

Risk-free rate	30 June 2010	30 June 2009
per annum	2.5%	3.3%

Notes to the European Embedded Value Information continued

4.2 Risk discount rate

The risk discount rate is set equal to the risk-free rate. The EEV calculation uses the risk-free rate applicable at the end of the year (i.e. at the valuation date), while the calculation of NBC, PVNBP, IRR and BEP uses the risk-free rate applicable at the start of the year (i.e. at the previous year-end date).

Risk discount rate	Year ended 30 June 2010 EEV	Year ended 30 June 2010 NBC	30 June 2009 EEV	Year ended 30 June 2009 NBC
per annum	**2.5%**	**3.3%**	3.3%	5.0%

4.3 Investment returns

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

4.4 Risk premium

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

4.5 Inflation rates

In setting the expense inflation assumption, consideration is given to price and salary inflation rates in both the Isle of Man and the Republic of Ireland, to the risk-free rate described above and to the Group's own expense experience and expectations. For service companies, expense inflation relates to the underlying expenses rather than the fees charged to the life assurance companies.

By design, contractual monetary-charge inflation is broadly matched to expense inflation and in some cases is subject to a minimum level of inflation. This correlation between expense inflation and charge inflation dampens the impact of inflation on the embedded value results.

Inflation assumptions are as follows:

Inflation rates	30 June 2010	30 June 2009
Expense inflation per annum	5.0%	5.0%
Charge inflation per annum	5.0%	5.0%

4.6 Exchange rates

A proportion of the Group's income and expenditure is contracted in currencies other than sterling, in particular US$ and €. In respect of EEV calculations, historic transactions that occurred prior to the valuation date are converted to sterling using the exchange rate applicable on the day the transaction occurred, whilst projected future transactions are converted to sterling using the exchange rate applicable on the valuation date. The principal valuation date exchange rates used are as follows:

Sterling exchange rates £1 equals	30 June 2010	30 June 2009
US Dollar	**$1.52**	$ 1.65
Euro	**€1.21**	€ 1.18

Report of the Reviewing Actuaries

The Directors
Hansard Global plc
Harbour Court, Lord Street, Box 192
Douglas, Isle of Man IM99 1QL

22 September 2010

Dear Sirs

Review of the European Embedded Value ("EEV") of Hansard Global plc for the year ended 30 June 2010.

Our role
Deloitte LLP has been engaged by Hansard Global plc to act as Reviewing Actuaries in connection with results on an EEV basis published in sections within Hansard Global plc's Results for the year ended 30 June 2010.

Responsibilities
The EEV Information and the methodology and assumptions underlying it is the sole responsibility of the directors of Hansard Global plc. It has been prepared by the directors of Hansard Global plc, and the calculations underlying the EEV Information have been performed by Hansard Global plc.

Our review was conducted in accordance with generally accepted actuarial practices and processes. It comprised a combination of such reasonableness checks, analytical reviews and checks of clerical accuracy as we considered necessary to provide reasonable assurance that the EEV Information has been compiled free of material error.

The EEV Information necessarily makes numerous assumptions with respect to economic conditions, operating conditions, taxes, and other matters, many of which are beyond the Group's control.

Although the assumptions used represent estimates which the directors believe are together reasonable, actual experience in future may vary from that assumed in the preparation of the EEV Information, and any such variations may be material. Deviations from assumed experience are normal and are to be expected.

The EEV does not purport to be a market valuation of the Group and should not be interpreted in that manner since it does not encompass all of the many factors that may bear upon a market value. For example, it makes no allowance for the value of future new business.

Opinion
In our opinion, on the basis of our review:

- the methodology and assumptions used to prepare the EEV Information comply in all material respects with the European Embedded Values Principles set out by the CFO Forum in May 2004, and additional guidance released in October 2005 (the "CFO Forum Principles"); and
- the EEV Information has been compiled on the basis of the methodology and assumptions and complies in all material respects with the CFO Forum Principles.

Reliances and limitations
We have relied on data and information, including the value of net assets, management accounting data and solvency information supplied to us by the Group. Further, we have relied on the terms of the contracts, as they have been reported to us, being enforceable.

We have relied on the reported mathematical reserves, the adequacy of those reserves, and of the methods and assumptions used to determine them. We have assumed that all provisions made in the audited financial statements for any other liabilities (whether actual, contingent or potential) of whatever nature, are appropriate.

We have also relied on information relating to the current and historical operating experience of the Group's life insurance business, including the results of experience investigations relating to policy persistency, and expense analysis. In forming our opinion, we have considered the assumptions used in the EEV Information in the context of the reported results of those investigations although we have not attempted to predict the impact of potential future changes in competitive forces on the assumptions.

Yours faithfully

Deloitte LLP

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Hansard Global plc Annual Report & Accounts 2010

Financial Calendar

FOR THE FINANCIAL YEAR ENDING 30 JUNE 2011

Ex-dividend date for final dividend	29 September 2010
Record date for final dividend	1 October 2010
Publication of first interim management statement	4 November 2010
Annual General Meeting	17 November 2010
Payment date for final dividend	19 November 2010
Announcement of 2nd quarter new business figures	27 January 2011
Publication of half-yearly results	24 February 2011
Declaration of interim dividend	24 February 2011
Ex-dividend date for interim dividend	2 March 2011
Record date for interim dividend	4 March 2011
Payment of interim dividend	31 March 2011
Publication of second interim management statement	5 May 2011
Announcement of 4th quarter new business figures	27 July 2011
Announcement of full year results	22 September 2011
Ex-dividend date for final dividend	28 September 2011
Record date for final dividend	30 September 2011
Annual General Meeting	16 November 2011
Payment date for final dividend	18 November 2011

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