



HANSARD GLOBAL plc

Delivering on our strategy

Annual Report and Accounts 2013

A blurred photograph of a modern office hallway. On the left, a man in a dark suit is walking away from the camera. In the background, several other people are walking towards the camera. The ceiling features a series of parallel, curved white slats. A semi-transparent blue rectangular box is positioned in the center-right of the image, containing white text.

**Hansard Global provides
life assurance wrappers to
Independent Financial
Advisors and their clients.**



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**Hansard Global
administers assets in
excess of £1 billion for
over 540 financial advisor
businesses with 48,000
client accounts worldwide.**

Delivering on our Strategy

The success of our strategy is demonstrated by a record level of regular premium new business and in increasing utilisation of Hansard OnLine in our target markets.

£156m

Record level of regular premium new business (2012: £124m)

12%

Industry-leading new business margin (2012: 9.6%)

83%

Regular premium new business as proportion of total new business (2012: 71%)

90%

Proportion of regular premium new business applications processed through Hansard OnLine (2012: 60%)

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 2013.

This has been a year of great change for the Group, which has seen us close Hansard Europe Limited to new business and settle some of the litigation that has been hanging over us for a number of years.

As the profile of the Group continues to change, so does the Board. I was delighted that Gordon Marr was appointed as Group Chief Executive Officer with effect from 1 January 2013. This development will enable Gordon to focus on the execution of our strategy, and I remain committed to supporting Gordon and the Board in my capacity of non-executive Chairman.

During the year we bade farewell to directors Joe Kanarek and Harvey Krueger and Bernard Asher retired from the Board on 16 September 2013. On behalf of the Board, I thank them all for their valued contributions over the years and wish them every success for the future.

Hansard Europe

With the success of the Group's strategy to build relationships with intermediaries in growth markets and the reduced prospects in the Eurozone, we concluded that it is in the long-term interests of the Group to reduce our exposure to Europe. Consequently, Hansard Europe was closed to new business with effect from 30 June 2013.

Plans to protect the interests of policyholders and other stakeholders and to achieve an orderly run-off have been agreed with the relevant regulators and are being implemented as described elsewhere within this Report and Accounts.

Litigation

Reflected within the Report and Accounts are litigation settlements totalling €1.9m (£1.6m, \$2.5m) (FY 2012: £nil) relating to underlying legal claims of approximately €9.5m served on Hansard Europe in prior financial years. Although the cost of these settlements has had a negative impact on profits for the year, they were made, without any admission of liability, so as to avoid the expense and distraction of extended litigation and to allow us to focus fully on our strategy of driving growth in regular premium products in fast growing markets.

While these particular claims have been settled, we will continue to defend ourselves against all claims, unless there is a clear economic benefit to consider an alternative course of action.

New business

The performance of the Group during the financial year demonstrates continued success from the Group's investment in distribution infrastructure and its focus on regular premium business sourced from the growth economies of the Far East and Latin America. Over 90% of regular premium new business is currently introduced electronically through Hansard OnLine compared to 60% in the previous financial year.



90%

Over 90% of regular premium new business is currently introduced electronically through Hansard OnLine

New business flows are almost 15% greater than those of the previous financial year, on the Group's internal measure. This represents a record level of new business for the Group since our listing in December 2006.

Financial performance for the year ended 30 June 2013

International Financial Reporting Standards ("IFRS")

Reflecting the strength of our portfolio of in-force business, continued investment in new business, and the litigation settlements referred to above, IFRS profit after tax for the year is £10.4 million (US\$15.8m), compared with the profit of £11.2m (US\$17.0m) earned in the previous financial year. Earnings per share for the year are 7.6p (US 11.6 cents), compared with 8.2p (US 12.5c) last year.

European Embedded Value ("EEV")

EEV profit after tax has increased to £17.0m (US\$25.8m) (2012: loss of £13.7m (US\$20.8m)). Increased new business profits arising from increased regular premium new business flows, positive investment returns and changes in our assumptions of future policyholder behaviour have been incorporated in our expectations of value.

Following the payment of dividends totalling £15.5m (US\$23.6m) during the year, the Group's embedded value at 30 June 2013 is £225.7m (US\$343m), (2012: £224.3m, US\$341m).

Capitalisation and solvency

The Group is well capitalised to meet the requirements of regulators, policyholders and intermediaries. The minimum solvency margins are covered 12 times (2012: 13 times) by our capital resources. Our prudent investment policy for shareholder assets has removed much of the market risk and provided a stable and resilient solvency position over recent years.

Dividends

The Board has resolved to pay a final dividend of 4.75p (US 7.2c) per share on 13 November 2013 which is subject to approval at the Annual General Meeting. If approved, this will represent total dividends for the financial year of 8.0p per share (US 12.2c) which is in line with our commitment at time of publishing the results of FY 2012.

Corporate Governance

Hansard is committed to achieving high standards of corporate governance. The Group has adhered to the principles of the UK Corporate Governance Code throughout the financial year, as is reported elsewhere in this Report and Accounts.

During the year we have refreshed Board and Committee structures and composition throughout the Group.

The burden of increasing regulatory and governance requirements has increased costs for all financial services institutions. This trend shows no sign of abating and, indeed, timetables for implementation continue to be extended. I expect the implementation of Solvency II, FATCA and other legislation proposed throughout the EU to occupy a significant amount of the Group's resources over the next few years.

Outlook

Whilst wider market conditions continue to be uncertain we are confident that our strategy of focusing on regular premium business in growth markets will drive growth in new business and that our investments in terms of recruitment and infrastructure will continue to bear fruit.

Dr L S Polonsky CBE
Chairman
25 September 2013

Report of the Group Chief Executive Officer

Gordon Marr

Having been appointed Group Chief Executive Officer with effect from 1 January 2013, this is my first report in that capacity in the Annual Report and Accounts.

The performance of the Group during this financial year demonstrates the success of our strategy and I set out below my summary of the Group's strategic direction, together with some of the high-level results in the year ("FY 2013").

Our success in FY 2013 is demonstrated by a record level of regular premium new business; in increasing utilisation of Hansard OnLine amongst IFAs and other intermediaries in our target markets, in the progress being made in managing business risk and in the level of positive cashflows.

While we have been successful we know that we cannot stand still. We operate in a fast-moving environment that requires us to be open to change and have begun to consider strategic and tactical adjustments to better diversify new business flows, further reduce risk and increase the scale of our business.

Subsequent to the closure of Hansard Europe to new business we intend to complete a review of the sales and marketing operations of the Group. Graham Morrall, who commenced employment as Chief Distribution Officer in July 2013, has been tasked with leading the review and I anticipate that we will provide details of any significant changes in early 2014.

Strategy

Hansard's strategic aims are to attract and retain policyholders and increase the value of the Group, principally by:

1. Sourcing significant flows of regular premium new business flows from diversified target markets;
2. Leveraging Hansard OnLine developments;
3. Reducing our exposure to business risk and;
4. Generating positive cashflows to fund a progressive dividend stream.

1. New Business distribution

Strategy. We will continue to focus our distribution activities in order to gain a substantial proportion of regular premium flows from growth markets at an acceptable return on capital. We expect to achieve this through enhanced service levels; innovative support to intermediaries; improvements to our product range, and by extending the breadth of our proposition. We intend to diversify market exposures by developing opportunities in other markets.

I anticipate that the first few of a range of tactical steps will be introduced to intermediaries and their clients by November 2013.



New business distribution

Results from FY 2013

I feel that our decision to position the Group to benefit from the growth that we envisaged in the economies of the Far East has been rewarded. We have seen a continuation of the growth in new business levels over those of the last few years, driven by our strategic focus on growth markets and supported by targeted expenditure. Using the Group's internal metric, Compensation Credit ("CC"), new business has increased by 14.6% over FY 2012. This demonstrates the Group's ability to grow new business profitably. New business levels measured under the CC basis have grown by an average of 15% annually since 30 June 2009.

Using the basis of Present Value of New Business Premiums ("PVNBP") that is more commonly used by other financial services companies we have achieved growth of over 25% in regular premium new business compared with the previous year. This represents a record level of regular premium new business in a financial year of £156.2m. This growth, despite volatile markets and uncertain economic outlook in Europe, reflects a continuation of profitable relationships with IFAs in our target markets.

I believe that the growth of our new business this year is recognition of our ability to develop a proposition that meets the needs of policyholders and intermediaries, and of the efforts of those intermediaries. I would like to record my thanks to all members of the Group's distribution force and to all those IFAs and intermediaries who have introduced new business to us this year.

2. Leverage Hansard OnLine

Strategy. Hansard OnLine is a powerful sales and business administration tool that is used by intermediaries the world over. It is an integral part of Group administration systems that allows us to

better service those intermediaries, embed process efficiencies and be flexible in operational deployment. We will continue to extend the reach of Hansard OnLine among those few intermediaries throughout the world who do not currently utilise this powerful tool in their dealings with Hansard. In keeping with the nature of our business, Hansard OnLine is available in 11 different languages, enabling us to provide a tailored service to those fast-growing international markets where our efforts are focused.

Hansard OnLine will be a key support tool for the future administration of the Hansard Europe book of business that will allow the Group to meet the requirements of that company's policyholders, regulators and stakeholders while processing transactions efficiently from the Group's offices in the Isle of Man.

Hansard OnLine

Results from FY 2013

More than 8,000 new business applications have been processed through Hansard OnLine since launch of the facility and over 90% of new business applications are now processed onLine. In particular over 3,600 (FY 2012: 2,100) policies were introduced electronically this year by those financial advisors in international markets using Hansard OnLine.

We believe that all aspects of the lifecycle of a Hansard policy should be capable of being transacted onLine and we continue to develop our systems to meet that target. We have developed systems to support onLine processing of pre-sale illustrations and of policyholder investment transactions. These systems have been implemented on a targeted basis with selected intermediaries. Almost 90% of fund switches and asset dealing instructions are now received onLine.

Report of the Group Chief Executive Officer continued

3. Reduction of Business and Financial Risks

Strategy. Our business model is such that the assets linked to policies, and which determine the policy values, are selected by policyholders or their advisors yet, as has been reported in the past, a majority of the complaints we receive relate to the selection and performance of assets. This is particularly true of more complex structured products distributed throughout Europe that have been selected by policyholders and / or their advisors for inclusion in policies.

We intend to minimise future exposure to significant policyholder complaints and to those jurisdictions where we have been subject to legal challenge. This will be achieved, in large part, by the action taken to close Hansard Europe to new business with effect from 30 June 2013; by the introduction of an asset universe that provides a wide range of investment exposures to policyholders, but which seeks to minimise access to those assets that have given rise to significant policyholder complaints in the past, and by careful risk management of existing litigation.

Hansard Europe

Results from FY 2013

Plans to protect the interests of policyholders and other stakeholders of Hansard Europe and to achieve an orderly run-off have been agreed with the relevant regulators and are being implemented.

We have taken a charge of £0.4m in FY 2013 (FY 2012: £nil) representing accelerated redundancy costs, professional fees and other costs arising from the implementation of the first stage of the plans.

From implementing the next stage of the plans we anticipate a reduction of 12 employees in the Republic of Ireland over the course of the current financial year, and an increase of 6 employees in the Isle of Man to provide additional administrative capability in the Isle of Man and a reduction in business risk. As a result of these factors, we anticipate an expense saving of £0.4m annually from FY 2015, although the conditions imposed by the Central Bank of Ireland following approval of the plans will defer dividend distributions from that company.

Litigation

Results from FY 2013

At the beginning of this financial year, Hansard Europe had been served with writs totalling €14m (approximately £11m) arising from policyholder complaints and other asset performance-related issues. The Group does not provide investment advice and, accordingly, the Board is of the view that these complaints have no merit.

Consistent with the closure of Hansard Europe to new business the Board considered the economic and other options available to the Group to better manage those legal claims, in order to reduce uncertainty and protect regulatory capital holdings. With the benefit of advice from the company's lawyers, the Board considered it in the best interests of the Group and its shareholders to reach a resolution with regard to certain of those claims.

Reflected within the consolidated financial statements are agreed settlements totalling £1.6m (€1.9m) (FY 2012: £nil) relating to underlying claims of approximately €9.5m issued in Norway and Italy in prior years. While these settlements have had a negative impact on our reported results under IFRS and EEV, they were made, without any admission of liability, in order to avoid the expense and distraction of extended litigation and to allow management to focus fully on our strategy of driving growth in regular premium products in fast growing markets.

At the date of this report, there remains a number of writs served upon Hansard Europe totalling €4.6m or approximately £3.9m. We will continue to defend ourselves vigorously from all claims but will consider early settlement where there is a clear economic benefit.

Our risk management framework is continually refreshed to better support our objectives and to recognise regulatory and legislative change. During the year the Group restructured its Compliance functions and also appointed a new Chief Risk Officer.

A summary of the Group's risk management framework, and the principal risks faced by the Group, is set out in the Corporate Governance Report.



4. Positive operating cashflows and progressive dividend stream

Strategy. The Board has committed to generating positive operating cash flows to fund new business strain and support a progressive dividend payment stream.

Cashflows

As can be seen in the Business and Operating Review, operating cash flows (being fees and commissions received during the year less administrative expenses paid) increased by 12% over FY 2012 to £41.4m despite the litigation expense referred to above.

The Group invested a net £28.8m (2012: £26.1m) in new business during the year. We believe that the pursuit of profitable new business is the best use of our capital resources at this time. This increase of 10.3% has been achieved despite the announcement of the closure of Hansard Europe to new business earlier this year.

Therefore, before taking into account other issues impacting on cashflows for the period, the Group generated a net £12.6m to support dividend payments in respect of FY 2013 totalling approximately £11m. This is in line with the strategy set out in the Report and Accounts for FY 2012.

Progressive dividend stream

The Board has made a commitment to a dividend of 8.0p per share in respect of FY 2013, and a progressive payout in subsequent financial years.

An interim dividend of 3.25p per share was declared on 27 February 2013. A final dividend of 4.75p per share has been proposed by the Board and will be considered at the Annual General Meeting on 7 November 2013. When the final dividend is paid at this level, these dividends will total 8.0p per share in respect of this financial year.

Financial performance

Financial performance is summarised as follows. A detailed review of performance is set out in the Business and Operating Review that follows this report.

	FY 2013	FY 2012	%
	£m	£m	change
New business sales - Compensation Credit	19.6	17.1	14.6 %
IFRS profit after tax	10.4	11.2	(7.1)%
EEV profit / (loss) after tax	17.0	(13.7)	224.1%
EEV at 30 June	225.7	224.3	0.6%

IFRS results

Fees and commissions have increased by 4.8% over FY 2012, or £2.6m. The increased level of fee income in this financial year is largely as a result of those new business policies issued in the last few years which are now contributing to revenue streams for a full financial year, and by strengthening of foreign currencies against sterling.

While the Group has been successful in harnessing process efficiencies and reducing headcount during the year from 243 to 209, the benefits of these savings have been outweighed by the effects of those litigation settlements of £1.6m, and by the charge of £0.4m taken in relation to the closure of Hansard Europe to new business.

After recognising the exceptional items referred to above totalling £2.0m (2012: £nil), IFRS profit after tax for the year is £10.4m, a reduction of 7.1% from the profit of £11.2m in FY 2012. Without those exceptional items the IFRS profit after tax would have been £12.4m.

EEV results

The EEV result is primarily driven by the current year new business, retention, expenses and investment returns. Additional factors that have a negative impact upon the EEV result in FY 2013 are the litigation settlements and the closure of Hansard Europe to new business.

The EEV new business profit of £22.5m has increased by 34% over the previous year (FY 2012: £16.8m). This growth reflects the increase in new business volumes, a more favourable business mix and continued expense management.

The EEV operating profit for the year was £11.7m which is some £6.9m higher than the £4.8 million for FY 2012. In addition to the contribution from the new business profit, the litigation settlements and other experience variances of £3.9m, the processes for setting best estimate assumptions have been extensively reviewed in the year. In particular, the process for determining future recurring expenses has been tightened and changes in policyholder behaviour are being recognised more quickly, rather than being smoothed.

Following the payment of dividends totalling £15.5m (2012: £19.1m), the Group's EEV has increased by £1.4m to £225.7m at 30 June 2013 (2012: £224.3m). The composition of the EEV balance sheet at 30 June 2013 reflects the conditions imposed by the Central Bank of Ireland on the ability of Hansard Europe to distribute its excess capital.

Our people

The Group has a dedicated dynamic workforce. We have a commitment to service and quality at the highest level in relation to the development of successful products, administration, distribution mechanisms and Hansard OnLine. It is the expertise and experience of our staff that has ensured our success in a wide range of international growth markets.

The strength and continued growth of the business is due in no small part to the hard work and dedication of everyone connected to Hansard. I thank them all for their continued commitment to Hansard's success. I am sure that our employees will continue to meet the challenges facing us as we pursue the successful integration of Hansard Europe's administrative requirements into the Isle of Man operations.

G S Marr
Group Chief Executive Officer
25 September 2013

Business and Operating Review

Hansard is a specialist long-term savings provider that began trading internationally from the Isle of Man in 1987.

The Company's head office is in Douglas, Isle of Man, and its principal subsidiaries operate from the Isle of Man (including a regulated insurer, Hansard International Limited), and Dublin, Republic of Ireland (Hansard Europe Limited). Hansard International has established a branch in Malaysia to support business flows from Asian growth economies.

The Group offers a range of flexible, tax-efficient investment products within life assurance or capital redemption bond policy wrappers, developed to appeal to affluent international investors and distributed by Independent Financial Advisors ("IFAs") and other intermediaries acting for the clients they introduce. These IFAs are supported by the Group's distribution company, Hansard Development Services Limited, and by Hansard OnLine, the Group's multi-language internet platform.

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

Closure of Hansard Europe to new business

Following a strategic review of the operations of Hansard Europe that company was closed to new business with effect from 30 June 2013, as a result of which the Group now focuses its new business activities on target markets such as the Far East and Latin America, while continuing to service those policy contracts introduced by IFAs throughout the world prior to 30 June 2013.

A plan to protect the interests of policyholders and other stakeholders of Hansard Europe, achieve an orderly run-off, reduce operational risks and protect capital was developed with the relevant regulators and submitted to the Central Bank of Ireland in May 2013. The plan involved the redundancy in June and July 2013 of 7 roles linked to new business activities, followed by the implementation of a revised Operating Model for the remaining activities of Hansard Europe. Approval to commence the implementation of the revised Operating Model was given by the Central Bank of Ireland on 1 August 2013.

The Operating Model also allows the capture of process efficiencies by centralising the servicing of policy contracts and other administrative operations at the Group's head office on the Isle of Man, through an outsourcing agreement with Hansard Administration Services Limited. Under the Operating Model, regulatory control functions and litigation management will continue to be exercised from Dublin for the foreseeable future. The embedding of the Operating Model and the outcome of litigation management will drive the timing of the release of excess capital from Hansard Europe.

We expect that the implementation of the Operating Model will be completed by Christmas 2013 and will result in a net reduction in Group administrative and other headcount of a further 6 people over the course of FY 2014.



Products

The Group's products are unit-linked regular or single premium life assurance contracts, which offer access to a wide range of investment assets. The contract benefits are directly linked to the value of those assets that are selected by, or on behalf of, the policyholder. The Group does not offer investment advice. Policyholders bear the investment risk.

These contracts are distributed exclusively through IFAs and other intermediaries, supported by our multi-language internet platform, Hansard OnLine. As a result of high levels of service, the nature of the Group's products, the functionality of Hansard OnLine, and the ability of the policyholder to reposition assets within a policy, we expect to retain the policyholder relationship over the long term.

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

Revenues

The main source of income for the Group is the fees earned from the administration of the insurance contracts. These fees are largely fixed in nature and amount. Only approximately 30% of the Group's revenues are based upon the value of assets under administration. The new business generated in a particular year is expected to earn income for an average period of 14 years and so, with careful expense management, provides a healthy return on the investment that is in excess of our competitors. In the year under review we have seen growth of over 25% in regular premium new business flows (based on PVNBP), which will provide an income stream for the future. Our business is therefore long-term in nature both from a policyholder perspective and with regards to the income that is generated.

From this income we meet the overheads of the business, invest in our business and invest to acquire new insurance contracts. Capital invested in new business earns a return in excess of 15% p.a. and, depending upon the mix of products sold, is typically returned in two years. A large proportion of the annual cash generated each year from the policies under administration is re-invested in growing the business, with the aim of increasing future returns for shareholders.

Capitalisation and solvency

A key financial objective is to ensure that the Group's solvency is managed safely through the economic cycle to meet the requirements of regulators, policyholders, intermediaries and shareholders. The Group is well capitalised. The required minimum solvency margins are covered 12 times (2012: 13 times) by our capital resources, which are typically held in a wide range of deposit institutions and in highly-rated money market liquidity funds. This prudent investment policy for shareholder assets has removed much of the market risk and provided a stable and resilient solvency position over recent years.

Additionally, as mentioned above, the Group's products do not include any policies with financial options and/or guarantees regarding investment performance. Therefore the Group carries no guarantee risk that can cause capital strain, further insulating it against volatile investment markets.

We are well advanced in our preparation for the adoption of the new EU Solvency II requirements that are now not expected to be implemented before 2015. As noted previously, we do not believe the Group will be adversely impacted by the new requirements.



Business and Operating Review continued

Hansard OnLine

Hansard OnLine is the Group's multi-language internet platform. It is a secure extranet platform hosting all information about the policies administered by the Group. We provide access to relevant portions of this information to Intermediaries and their clients around the world, around the clock, to allow them to better manage their objectives. Content may be presented in any of 11 different languages – helping IFAs communicate more effectively with their clients and reinforcing their brand.

Hansard OnLine is a valuable sales and administration tool that continues to be developed to meet the needs of Intermediaries and policyholders. Functionality introduced recently aims to improve data access; increase security and; reduce operational risks, which, in turn, has allowed the Group to reduce its expense base.



Meeting policyholders' requirements

Local needs in local languages

Policy information (policy valuations, premium collection, unit fund and investment performance information) is available OnLine to policyholders and intermediaries with content presented in 11 different languages.

Secure communications

Through an OnLine account policyholders can view all the documentation relating to their policy. Over 13,000 OnLine accounts are used regularly. The number of clients choosing not to receive hard copy post continues to show a steady increase.

Payment of premiums

Enhanced functionality to allow flexibility in payment of premiums by credit card is to be launched in the next few months.

Supporting intermediaries' business models

OnLine processing

- **Pre-sale policy illustrations**
During the year a new, multi-language feature rich OnLine policy illustrations system was launched to allow intermediaries to better demonstrate projected returns to policyholders. An average of 170 illustrations are generated per week.
- **OnLine processing of new business applications**
Over 8,000 new business applications have been received OnLine since launch. Over 90% of all new business applications are now received OnLine. In particular over 3,600 (FY 2012: 2,100) policies were introduced electronically this year by those financial advisors in international markets using Hansard OnLine.
- **OnLine processing of policy investment transactions**
The majority of Fund Advisors now transact policy-related investment dealing OnLine. Almost 90% of all available transactions are now processed OnLine. A facility to allow Fund Advisors to transact in aggregate throughout their client range has been released. A project to allow policyholders to transact OnLine is underway.

Up to date analytical information

- **Unit Fund Centre**
The Unit Fund Centre is an interactive research application that allows an intermediary to filter the entire range of Hansard unit funds available, based on a range of specific criteria, and create bespoke, personalised reports for their clients.
- **Personal Investment Review ("PIR")**
Significant enhancements have been made to the popular PIR tool, accessed via Hansard OnLine. The PIR is a tool used by intermediaries in Hansard's key markets, enabling them to produce branded reports detailing comprehensive fund performance and holdings data for their clients. The enhanced version of the application has increased functionality and more robust underlying data, and also 'plugs in' as a new tool to the recently launched Unit Fund Centre.

Reducing Operational risk

- **Straight-through processing**
The straight-through processing of policyholder instructions (whether received directly or through their appointed agents) reduces the Group's operational risk exposures, as does the ability of the Group to communicate electronically with intermediaries and policyholders, irrespective of geographical boundaries.
- **Administrative efficiencies**
Hansard OnLine will be a vital resource as the Group implements the revised Operating Model for Hansard Europe, allowing more efficient management of operations from the Isle of Man while meeting the needs of regulators, intermediaries and policyholders.



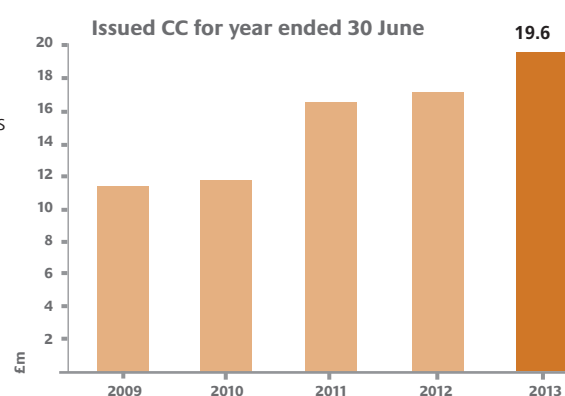
Key performance indicators

We intend to grow our business in our preferred markets and at an acceptable return on capital. To support this the Group's senior management team monitors a range of Key Performance Indicators, both financial and non-financial, that are designed to ensure that performance against targets and expectations across significant areas of activity is monitored and variances explained.

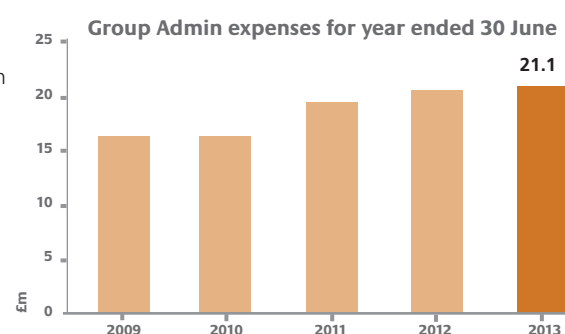
The following is a summary of the key indicators:

New Business — The Group's prime indicator of calculating new business production, Compensation Credit ("CC"), indicates the relative value of each piece of new business and is used, therefore, in the calculation of commission payable to intermediaries. Incentive arrangements for intermediaries and the Group's Account Executives incorporate targets based on CC.

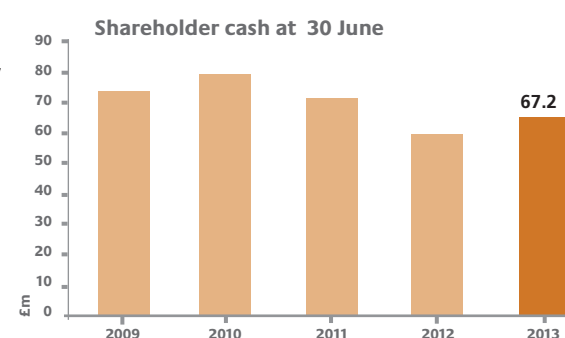
New business levels are reported daily. The Group's objective remains to grow new business at a rate of 10% - 15% per annum on this measure over the medium term. As is outlined elsewhere in this Report and Accounts, new business flows have grown by an average 15% annually on this measure since 2009, reflecting better positioning of the Group's activities to capture new business.



Expenses — The Group maintains rigorous focus on expense levels and the value gained from such expenditure. The objective is to develop processes to restrain increases in administrative expenses to the rates of inflation assumed in the charging structure of the Group's policies. The Group's administrative and other expenses for the year, before litigation settlements and closure costs, of £21.1m, were only marginally above the £21.0m of the previous financial year.



Cash — Bank balances and significant movements on balances are reported weekly. The Group's liquid funds at the balance sheet date were £67.2m (2012: £65.3m). The change reflects the increased fees from the in-force book, new business investment and dividends paid.



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

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

Business and Operating Review continued

New business flows for the year ended 30 June 2013

Hansard's strategy to acquire increased levels of more profitable regular premium new business from growth markets continues to be rewarded, driven by continued development of relationships with financial advisors, establishment of new relationships, and introduction of new product initiatives in the early part of this financial year. This activity has been particularly successful in those areas of the Far East targeted by the Group.

The success of the Group's new business strategies is demonstrated by an increased level of regular premium volumes and by increased new business profits over FY 2012. New business sales for FY 2013 are 14.6% ahead of FY 2012, on the Group's internal metric, Compensation Credit ("CC").

Increased levels of CC over last year demonstrate that the Group continues to grow new business levels profitably. This is a measure of the quality of our proposition and of increased levels of interest among IFAs and their clients throughout the world. Since June 2009, following

the global financial crisis, the Group's new business sales have increased by an average of 15% annually, on that basis.

Our focus on regular premium products from growth markets has driven increased new business margins, when compared to FY 2012, and speedier return of capital invested by the Group in these products. Capital is returned within 2 years (2012: 2.6 years).

We have achieved a record performance in regular premium new business sales in spite of the fact that economic conditions and other factors in Latin American markets have restricted the volume of new business from those markets.

The volumes of regular premium new business from those target markets has been partially offset by a reduction in single premium flows caused by the announcement in February this year of our intention to close Hansard Europe to new business.

The results for the year that are summarised below reflect the successful implementation of the decisions taken by the Group to:

- **develop and enhance profitable relationships with IFAs, intermediaries and their clients and;**
- **increase the functionality of Hansard OnLine to continue to meet the needs of IFAs and policyholders.**

New business performance

	2013	2012	Change
New business sales - CC	£19.6m	£17.1m	14.6 %
New business sales - PVNBP	£188.7m	£175.7m	7.4 %
New business contribution ("NBC")	£22.5m	£16.8m	33.9 %
New business margin ("NBM")	12.0%	9.6%	25 %
Internal rate of return ("IRR")	>15%	>15%	-
Cash payback on new business ("BEP")	2.0 yrs	2.6 yrs	0.6 years



Present Value of New Business Premiums

On the basis of the Present Value of New Business Premiums ("PVNBP"), regular premium flows for the year are at a record level of £156.2m, and over 25% ahead of FY 2012, as we continue to develop markets in the Far East.

Single premiums have however fallen from £51.3m in FY 2012 to £32.5m, reflecting uncertainty and other economic factors in the Eurozone and the announcement in February this year of our intention to close Hansard Europe to new business. Hansard Europe contributed less than 10% of the Group's new business flows in FY 2013 on all metrics reported by the Group.

The record level of regular premium new business levels in the year of £156.2m constitutes some 83% of total new business (FY 2012: 71%).

PVNBP by contract type

	2013 £m	2012 £m	% change
Regular premium	156.2	124.4	25.6 %
Single premium	32.5	51.3	(36.6)%
	188.7	175.7	7.4 %

PVNBP by region

	2013 £m	2012 £m	% change
Far East	114.3	69.4	64.7 %
Latin America	30.6	37.1	(17.5)%
EU and EEA	26.3	46.6	(43.6)%
Rest of World	17.5	22.6	(22.6)%
	188.7	175.7	7.4 %

New business profits

Despite market conditions, we have retained our focus on profitability. Increased regular premium flows, which earn higher margins than single premium business, have contributed to the growth in the new business margin to 12.0% on the PVNBP basis (FY 2012: 9.6%).

The underlying profitability of the Group's new business remains consistently above those levels enjoyed by competitors, reflecting the efficiency of the Group's product design. The Internal Rate of Return of new business written in the year remains in excess of 15% p.a., reflecting the product design which sees initial capital invested in new business being returned, on average, in two years.

Developing and enhancing relationships

The Group's proposition is to develop and enhance relationships with intermediaries and their clients through the use of our people, products and technology in a way that meets shared objectives.

We continue to look to better position our market development resources to provide local language and other support to IFAs in the Group's target markets. During the financial year we continued to increase our exposure to the growth markets of South-East Asia and North Africa together with adding resource to East Africa. While distribution resources have been withdrawn from certain areas in Western Europe we continue to service intermediaries, including those focussed on an expatriate market.

To help focus our efforts we have reorganised our sales management structure into three regions headed by a Regional Director, Latin America, Middle East & Africa and Asia. In addition we have added a Head of International Business Development to the management team.

Selective recruitment of distribution resources will continue, in line with our policy of expanding our reach amongst suitable financial advisors in the Group's target markets. Throughout the next financial year we intend to continue to develop relationships through targeted expansion of resources in the Far East, in more countries in Latin America, Middle East and Africa.

Through our network of Account Executives we continue to receive business from a range of financial advisors around the world. The growth in regular premium new business flows from target markets is reflected in the proportions of contractual premiums denominated in Japanese Yen and US Dollars. Some 75% of this year's PVNBP is denominated in those currencies (2012: 62%). Reduced receipts in Euro reflect reduced single premiums in the year.

Currency denominations (as a percentage of PVNBP)

	2013 %	2012 %
Japanese Yen	48.1	29.1
US Dollars	27.8	32.5
Euro	13.0	24.4
Sterling	10.2	10.0
Other	0.9	4.0
	100.0	100.0

Business and Operating Review continued

Presentation of financial results

As noted above, our business is long term in nature, and for this reason we present the results on an EEV basis in addition to the statutory IFRS basis. We believe that EEV is a valid measure of profitability and shareholder value as our products are designed to minimise capital strain.

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

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

Results for the year

The following is a summary of key items to allow readers to better understand the results of strategy implementation, as represented under accounting disclosures affecting the consolidated income statement, an analysis of cashflows and the consolidated balance sheet. A small number of comparative figures have been restated in this section.

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 might affect an understanding of the results of the Group's underlying transactions. This relates principally to:

- investment income, gains and losses relating to the assets administered by the Group to back its liability to policyholders. These assets are selected by the policyholder or an authorised intermediary and the policyholder bears the investment risk. Investment gains during the year attributable to policyholder assets were £73.4m (2012: £146.5m losses).

- 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 consolidated income statement under IFRS, the disclosure 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 third party fund management fees attributable to policyholder assets were £4.3m (2012: £4.3m). These are reflected in both income and expenses under the IFRS presentation.

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

While the Group has been successful in harnessing process efficiencies and reducing administrative headcount during the year, the benefits of these savings have been outweighed by the effects of litigation settlements of £1.6m and by the charge of £0.4m taken in relation to the closure of Hansard Europe to new business.

Prior to those exceptional items the IFRS profit before tax would have been £12.7m, an increase of £1.6m or 14.4% over the pre-tax profit of £11.1m in FY 2012, as can be seen below.

After recognising the exceptional items referred to above, IFRS profit after tax for the year is £10.4m.

	2013 £m	2012 £m
Fees and commissions attributable to Group activities	52.8	50.2
Investment and other income	2.2	1.2
Origination costs	55.0 (21.2)	51.4 (19.3)
Administrative and other expenses attributable to the Group, before litigation settlements and discontinued activities	(21.1)	(21.0)
Operating profit for the year before litigation settlements and discontinued activities	12.7	11.1
Litigation settlements and discontinued activities	(2.0)	-
Profit for the year before taxation	10.7	11.1
Taxation	(0.3)	0.1
Profit for the year after taxation	10.4	11.2



Fees and commissions

Fees and commissions for the year attributable to Group activities are £52.8m, an increase of 5.2% over the previous year (2012: £50.2m).

Through product design, elements of contract fee income are largely fixed in nature, representing both the smoothing of up-front income required under IFRS, and policy-servicing charges applied to the relevant policy annually or as required by the policy terms and conditions. The effect of recent new business growth on the Group's income can be seen in the increase in fees and commissions over the comparative year. This demonstrates the resilience of the Group's business model and supports our strategy of focussing on more profitable regular premium sales. The impact on current year income of policy contracts issued this year is minimal.

Approximately 30% of the Group's fees and commissions, being fund management fees and commissions receivable from third parties, are related directly to the value of assets under administration and exposed to market movements and valuation judgements. The level of fund management fees and commissions receivable, when compared with last year, reflects primarily that levels of assets under administration have not moved significantly over the course of the financial year.

A summary of fees and commissions is set out below:

	2013 £m	2012 £m
Contract fee income	38.0	35.9
Fund management fees accruing to the Group	10.5	10.1
Commissions receivable	4.3	4.2
	52.8	50.2

Included in contract fee income is £20.1m (2012: £19.1m) representing the amounts prepaid in previous years, as can be seen below in the reconciliation of deferred income.

Investment and other income

A summary of Investment and other income is set out below. Foreign exchange gains of £0.6m have been recognised as a result of the strengthening of currencies against Sterling during the financial year (2012: losses of £1.0m). The Group's own assets are held predominantly in Sterling but Hansard Europe is required to hold Euro currency balances to support its regulatory capital requirements.

	2013 £m	2012 £m
Bank interest	1.5	1.8
Foreign exchanges gains / (losses) on revaluation of net operating assets	0.6	(1.0)
Other operating income	0.1	0.4
	2.2	1.2

You can find further information about the Group's foreign currency exposures in note 22 to the IFRS section of this Report and Accounts.

Origination costs

Our target is to grow new business through profitable relationships with intermediaries. Under IFRS, new business commissions paid, together with the directly attributable incremental costs incurred on the issue of a policy contract, are deferred and amortised over the life of that policy. This accounting policy reflects that the Group will continue to earn income over the long-term from policies issued in a given financial year, as mentioned above.

The growth in new business volumes, on the Group's internal metric, over last year is reflected in an increase of 14% in these direct costs of new business to £28.5m. This is deferred to match the longer-term income streams expected to accrue from the policies issued this year.

Amounts totalling £18.7m (2012: £16.9m) have been expensed to match contract fee income earned this year from policies issued in previous financial years, as can be seen below in the reconciliation of Deferred Origination Costs. The expected 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.

Other elements of the Group's new business costs, for example recruitment costs and initial payments to new Account Executives, are expensed as incurred.

Origination costs in the year are:

	2013 £m	2012 £m
Origination costs – deferred to match future income streams	28.5	25.0
Origination costs – expensed as incurred	2.5	2.4
Origination costs incurred in the year	31.0	27.4
Net amortisation of deferred origination costs	(9.8)	(8.1)
	21.2	19.3

Business and Operating Review continued

Administrative and other expenses

We continue to robustly manage administrative and other expenses and support new business developments with targeted expenditure.

The Group has been successful in harnessing process efficiencies and reducing administrative headcount during the year but the benefits of these expense reductions in this financial year have been outweighed by two particular exceptional items, being the effects of litigation settlements of £1.6m, and by the charge of £0.4m taken in respect of professional fees, redundancy payments and related costs following the closure of Hansard Europe to new business on 30 June 2013 (2012: £nil).

The Group's underlying administration and other expenses, without taking those two exceptional items into account, increased by only £0.1m over FY 2012. A summary of administrative and other expenses attributable to the Group is set out below:

	2013 £m	2012 £m
Salaries and other employment costs	9.6	9.6
Other administrative expenses	6.2	5.6
Growth investment spend	2.5	2.5
Audit and other professional fees	2.8	3.3
	21.1	21.0
Costs relating to the closure of Hansard Europe to new business	0.4	-
Litigation settlements	1.6	-
	23.1	21.0

Salaries and other employment costs have remained relatively flat over the two periods reflecting the harnessing of process efficiencies and targeted reduction of administrative headcount. A number of positions were made redundant in the year as management implemented the decision to close Hansard Europe to new business.

Other administrative expenses have increased reflecting primarily depreciation on IT capital spend designed to achieve process efficiencies of £0.6m (2012: £0.5m) and provisions of £0.6m for policy fees that are not expected to be collected due to reductions in asset values (2012: £nil).

Growth investment spend. The Group continues to invest in order to generate opportunities to build scale in its business and to roll out product and technological changes to support intermediaries, policyholders and other stakeholders. This expenditure will continue into the new financial year with a focus on Hansard OnLine and ensuring both that it remains a key part of our proposition to IFAs and policyholders and that it continues to give Hansard a competitive edge in its target markets. In addition to the above, we recognise that we will need to ensure future developments are targeted to support any strategic plans for sales expansion whether through new products, fund offerings or markets.

Audit and other professional fees in the year include amounts totalling £0.5m paid to the Group's auditor (2012: £0.5m); £0.5m (2012: £0.5m) for administration, custody, dealing and other charges paid under the terms of the investment processing outsourcing arrangements; costs of Investor Relations activities (£0.4m) (2012: £0.3m) and recruitment fees of £0.2m (2012: £nil) in respect of the Chief Distribution Officer position.

Included in administrative and other expenses are items totalling £0.4m in respect of professional fees, redundancy and related costs following the **closure of Hansard Europe** to new business on 30 June 2013 (2012: £nil).

Litigation settlements. Incorporated above are amounts totalling £1.6m (2012: £nil) in full and final settlement of underlying claims of approximately €9.5m served upon Hansard Europe in previous financial years. These settlements were made, without any admission of liability, in order to avoid the expense and distraction of extended litigation and to allow management to focus fully on our strategy of driving growth in regular premium products in fast growing markets.



Cash Flow Analysis

Operating cash flows continue to be strongly positive. The operational cash surplus (fees deducted from contracts and commissions received, less operational expenses paid) of £41.4m has grown by £4.7m or 12.8% over FY 2012 despite the litigation settlements and other increased expenditure referred to above. The cash surplus has funded increased investment in new business in the year, which has increased by almost 14% in line with the increased new business levels reported elsewhere in this Report and Accounts.

Investment in new business earns a return of at least 15% annually. While the construction of the Group's products means that this investment will be recouped within 3 years, continued investment in profitable regular premium contracts produces a short-term cash strain as a result of the commission and other costs incurred at inception of a contract.

To reduce the risk that the targeted return on investment in new business is jeopardised, the Group withholds a portion of initial commission from certain intermediaries pending completion of the initial period of particular policy contracts. At the balance sheet date, amounts totalling £5.4m (2012: £3.0m) had been withheld. These amounts are reflected within "Other payables" in note 17 to the consolidated balance sheet. The cash invested in new business, after adjusting for amounts due to intermediaries, is £28.8m, an increase of £2.7m over the previous year.

The following table summarises the Group's own cash flows in the year. This analysis demonstrates that the in-force policy book continues to generate the cash required to support the Group's main business objectives of investing in new business, enhancing distribution and other infrastructure and supporting dividend payments. Dividends of £15.5m (2012: £19.1m) paid during the year have been funded by the Group's own resources – the reduction in the dividend during this financial year in order to retain cash to fund new business and strategic developments is reflected in the reduced net cash outflows relative to last year.

	2013 £m	2012 £m
Net cash surplus from operating activities	41.4	36.7
Interest received on shareholder bank deposits	1.6	2.1
Net cash inflow	43.0	38.8
Net cash investment in new business	(28.8)	(26.1)
Purchase of plant and equipment	(0.6)	(0.7)
Corporation tax received	0.2	-
Net cash inflow before dividends	13.8	12.0
Dividends paid	(15.5)	(19.1)
Net cash outflows	(1.7)	(7.1)

	2013 £m	2012 £m
Net cash outflows	(1.7)	(7.1)
Increase/(decrease) in amounts due to policyholders	3.6	(0.7)
Net Group cash movements	1.9	(7.8)
Group cash at 1 July	65.3	73.1
Shareholder cash and deposits at 30 June	67.2	65.3

Available cash balances – allowing for regulatory restrictions on distributions

Having regard to the conditions imposed by the Central Bank of Ireland as a result of the implementation of the revised Operating Model for Hansard Europe, dividends or other distributions from that company to the holding company will be delayed until such time as the Operating Model is fully embedded and the legal cases referred to in note 25.2 to the consolidated balance sheet are concluded. No conditions have been placed on the use of that company's resources to manage its own business.

Under those circumstances the Group cash available for investment and distribution can be summarised as:

	2013 £m	2012 £m
Shareholder cash and deposits at 30 June	67.2	65.3
Amounts due to policyholders and intermediaries	(23.0)	(17.2)
	44.2	48.1
Net cash held by Hansard Europe	(17.3)	(15.1)
Group cash available for investment and distribution	26.9	33.0

Business and Operating Review continued

Abridged consolidated balance sheet

The consolidated balance sheet presented under IFRS reflects the financial position of the Group at 30 June 2013. 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 £1.03bn (2012: £1.03bn). Additionally, the Group's capital that is held in bank deposits and money market funds is disclosed 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 demonstrates continued investment in profitable new business.

The successful implementation of the Group's strategy to invest in a higher proportion of regular premium new business results in an increase of deferred origination costs ("DOC"). The fee income derived from policies to cover origination costs specifically, is recognised in deferred income as premiums are applied to those policies in the initial period. This results in a lag between capitalising the origination cost and applying the pertinent income to the deferred income reserve ("DIR"). Given the Group's new business performance, DIR therefore increases at a slower rate than DOC.

	2013 £m	2012 £m
Assets		
Deferred origination costs	131.0	121.2
Other assets	7.8	7.8
Bank deposits and money market funds	67.2	65.3
	206.0	194.3
Liabilities		
Deferred income reserve	137.6	129.9
Other payables	28.6	19.5
	166.2	149.4
Net assets	39.8	44.9
Shareholders' equity		
Share capital and reserves	39.8	44.9

Deferred origination costs

As mentioned above, deferral of origination costs reflects that the Group will continue to earn income over the long-term from policies issued in a given financial year. The increase in value since 30 June 2012 reflects the continued acquisition of profitable contracts, at a growth rate higher than prior years.

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

	2013 £m	2012 £m
Carrying value		
At 1 July	121.2	113.1
Origination costs incurred during the year	28.5	25.0
Origination costs amortised against contract fees during the year	(18.7)	(16.9)
	131.0	121.2

Deferred income reserve

The treatment of deferred income ensures that up-front fees are taken to the consolidated income statement in equal installments over the longer-term, reflecting the services to be provided over the period of the contract. This is consistent with the treatment of deferred origination costs.

The deferred income reserve represents the unamortised balance of accumulated initial amounts received on new business. The proportion of income deferred in any one year is dependent upon the mix and volume of business flows in previous years; the Group's focus on more profitable regular premium business means that the future value of DIR will not necessarily move in line with the value of DOC.

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

	2013 £m	2012 £m
Carrying value		
At 1 July	129.9	125.3
Income received and deferred during the year	27.8	23.7
Income recognised in contract fees during the year	(20.1)	(19.1)
	137.6	129.9



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.

The Group has retained positive cash flows from the large number of regular premium contracts administered on behalf of policyholders around the world but these flows are offset by policy charges and withdrawals, by premium holidays affecting regular premium policies and by market valuation reductions. Accordingly, the value of AuA at 30 June 2013 is £1.03bn, and marginally below the value at 30 June 2012.

	2013 £m	2012 £m
Deposits to investment contracts – regular premiums	87.9	87.3
Deposits to investment contracts – single premiums	32.5	51.3
Withdrawals from contracts and charges	(199.5)	(187.9)
Effect of market movements	8.5	(128.3)
Effect of currency movements	64.9	(18.2)
Movement in year	(5.7)	(195.8)
Assets under Administration at 1 July	1,033.8	1,229.6
Assets under Administration at 30 June	1,028.1	1,033.8

AuA currency composition

The Group administers a diverse range of assets linked to contracts held by policyholders around the world. The currency composition of AuA at 30 June 2013 is similar to that of the previous year, with 55% designated in US dollar (2012: 53%) and 25% in euro (2012: 26%). The Group's AuA is therefore subject to currency rate fluctuations when reported in sterling, as reflected above.

AuA Valuation

Certain assets selected by policyholders and held within policy contracts at the year-end remain impacted by the global financial crisis. While we have seen an increase in efforts to resolve uncertainty over asset values in this financial year, we have also seen an increase in announcements by regulators concerning the suitability of certain asset types held by retail investors. This has resulted in a further small number of funds held within policy contracts being affected by liquidity or other issues that hinder their sales or redemptions on normal terms with a consequent adverse impact on policy transactions. This caused us to apply a prudent valuation by writing down those assets by £16m (2012: £41m) and by reducing the corresponding linked liability, in accordance with our normal practice.

The write-downs in this financial year, as well as prudent valuations on other assets similarly affected, have reduced asset-based fees in the current financial year and impacted profits under IFRS and EEV. 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.

The net effect of these particular valuation issues under IFRS is a write-down of £12m (2012: £26m) that is incorporated in "Effect of market movements" shown in the table.

Contingent Liabilities

In valuation issues such as those referred to above, financial services institutions are drawn into disputes in cases where the performance of assets selected directly by or on behalf of policyholders through their advisors fails to meet their expectations. This is particularly relevant in the case of more complex structured products distributed throughout Europe that have been selected for inclusion in policies.

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

At the beginning of this financial year writs totalling €14m (approximately £11m) had been served on Hansard Europe as a result of these and related complaints. The Group made no provision for settlement as the Group does not provide investment advice and the Board remains of the view that these complaints have no merit.

However, consistent with the closure of Hansard Europe to new business the Board considered the economic and other options available to the Group to better manage legal claims served upon that company, in order to reduce uncertainty and protect regulatory capital. The Board considered it in the best interests of the Group and its shareholders to reach a resolution with regard to certain of those claims. Settlements totalling £1.6m (€1.9m) have been agreed relating to underlying claims of approximately €9.5m issued in Norway and Italy in prior years. Of these amounts, £1.3m was paid in May 2013 and the balance, although agreed, remains unpaid at the date of this report as formalities have not been concluded.

While these settlements have had a negative impact on reported results, they were agreed, without any admission of liability, in order to avoid the expense and distraction of extended litigation and to allow management to focus fully on our strategy of driving growth in regular premium products in fast growing markets.

At the date of this report, there remains a number of writs served upon Hansard Europe totalling €4.6m or approximately £3.9m. We will continue to defend ourselves from all claims but will consider early settlement where there is a clear economic benefit.

Based on the pleadings and advice received to date from legal counsel the Group has not made any provision in respect of any complaints, other than that referred to above.

Business and Operating Review continued

Results for the year under European Embedded Value

Headline results for the Group's European Embedded Value ("EEV") are shown in the table below:

	2013 £m	2012 £m
EEV Operating Profit after tax	11.7	4.8
Investment Return Variances & Economic Assumption Changes	5.2	(18.5)
EEV before dividends	241.2	243.4
Dividends paid during the financial year	(15.5)	(19.1)
Closing Embedded Value	225.7	224.3

The EEV has grown slightly over the year to £225.7m (2012: £224.3m) having paid dividends of £15.5m (2012: £19.1m). Operating Profit has improved significantly, at £11.7m (2012: £4.8m) and the Investment Return Variance – generally outside the Group's control – has been relatively benign at +£5.2m (2012: £(18.5m)).

The contribution from new business has been significant:

	2013	2012
New business sales (PVNBP)	£188.7m	£175.7m
New Business Contribution (NBC)	£22.5m	£16.8m
New Business Margin (NBM)	12.0%	9.6%
Internal Rate of Return (IRR)	>15%	>15%
Break Even Point (BEP)	2.0 yrs	2.6 yrs

The EEV results show the consequences of the Group's strategy to increase the proportion of regular premium new business, the closure of Hansard Europe to new business and the settlement of some long-standing legal issues.

As reported above, the Group announced in February 2013 that Hansard Europe would close to new business on 30 June 2013. This, together with a review of the assumption methodologies in some cases, led to a number of significant assumption changes in the year. The combined impact of these changes on the EEV was a reduction of £(6.9)m in EEV profit which is reflected as £(4.2)m for operating assumption changes and £(2.7)m for economic assumption changes.

During the year, regular premium business PVNBP has increased to 83% (2012: 71%) of total PVNBP. Regular premium business tends to be more profitable and more capital efficient, as seen in the increase in NBM and shorter BEP. Overall, the IRR for new business remains well in excess of 15% per annum, the NBM has increased to 12.0% (2012: 9.6%) and the BEP has shortened to 2.0 years (2012: 2.6 years). The Group's profitability remains above that reported by competitors.

The change in the Net Worth over the year shows the use of cash:

	2013 £m	2012 £m
Opening Net Worth	50.4	59.8
Expected cash from existing business	39.1	38.9
New Business Strain	(26.8)	(22.6)
Time value	0.2	0.4
Dividends paid	(15.5)	(19.1)
Cash Generation Variance	(2.8)	(7.0)
Closing Net Worth	44.6	50.4

The business has generated net cash of £34.7m (2012: £31.9m), of which £26.8m (2012: £22.6m) has been invested in new business (shown as New Business Strain).

The value of the EEV has changed marginally over the year.

	2013 £m	2012 £m
Free surplus	20.0	35.1
Required Capital	24.6	15.3
Net Worth	44.6	50.4
VIF	188.2	180.9
Other	(7.1)	(7.0)
Value of Future Profits ("VFP")	181.1	173.9
EEV	225.7	224.3

The Required Capital has increased significantly by some £9.3m following the decision to close Hansard Europe to new business. One consequence of the closure is that the Group has given undertakings not to release capital from that business until its new Operating Model has stabilised and other regulatory requirements have been satisfied. The Group estimates that this additional required capital will be constrained for three years.



EEV Profit after tax

The Group's EEV Profit after tax is higher than last year at £17.0m (2012: £(13.7m)). The most significant component is the New Business Contribution, which is higher by £5.7m (2013: £22.5m, 2012: £16.8m) reflecting increased sales and a change in sales mix.

The Investment Return Variance, Experience Variances and Operating Assumption Changes also contribute, as shown in the table below:

	2013 £m	2012 £m
New Business Contribution	22.5	16.8
Expected Return on new and existing business	1.2	5.4
Expected Return on Net Worth	0.3	1.6
Model Changes	(2.6)	0.0
Operating Assumption Changes	(4.2)	(13.0)
Experience Variances	(5.5)	(6.0)
EEV Operating Profit after tax	11.7	4.8
Investment Return Variances	7.9	(17.1)
Economic Assumption Changes	(2.6)	(1.4)
EEV profit/(loss) after tax	17.0	(13.7)

Experience Variances

	2013 £m	2012 £m
Ongoing expenses	0.7	(0.7)
Premium reductions & underpayments	(0.1)	(0.1)
Policies made paid up	(0.3)	(1.9)
Partial encashments	(0.8)	0.5
Full encashments	(1.0)	(1.2)
One-off expenses	(3.3)	(0.8)
Other	(0.7)	(1.8)
Experience variances	(5.5)	(6.0)

The experience variances appear relatively unchanged at £(5.5m) (2012: £(6.0m)); however this masks the one-off expenses of £(3.3m) (2012: £(0.8m)) largely incurred in the resolution of pending litigation. Of the £(5.5m) total experience variance, the reduction in Net Worth is £(5.1m) and in Value of Future Profits is £(0.4m).

Operating Assumption Changes

	2013 £m	2012 £m
Ongoing expenses	(1.3)	(2.8)
Changes to charge & expense inflation	1.7	0.0
Premium reductions & underpayments	(4.1)	(1.5)
Policies made paid up	0.6	(2.0)
Partial encashments	(5.0)	(0.4)
Full encashments	3.9	(2.4)
Other	0.0	(3.9)
Operating Assumption Changes	(4.2)	(13.0)

The processes for setting best estimate assumptions have been extensively reviewed in the year.

Investment performance

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

	2013 £m	2012 £m
Investment performance of policyholder funds	6.2	(14.1)
Exchange rate movements	1.6	(1.4)
Shareholder return	0.2	(1.2)
Other	(0.1)	(0.4)
	7.9	(17.1)

The exchange rate movements arise because of premiums paid in and policyholder-selected assets denominated in currencies other than sterling, and the relative exchange rate movements of those currencies. The shareholder return has reduced in line with earnings on shareholder cash.

Business and Operating Review continued

EEV balance sheet

	2013 £m	2012 £m
Net Worth	44.6	50.4
Value of Future Profits	181.1	173.9
EEV	225.7	224.3

Following the payment of dividends totalling £15.5m (2012: £19.1m), the Group's EEV has increased by £1.4m to £225.7m (2012: £224.3m).

The reduction in Net Worth reflects the netting off effects of cash released from the Value of In-Force, increased investment of cash in new business and cash paid as dividend.

The increase in VFP reflects the value of policyholder funds at 30 June 2013, the conversion of expected future profit to cash (or Net Worth) and the addition of new 'future profits' from this year's sales. The conversion from future profits to Net Worth is rapid: over 50% of the VFP is expected to be converted into Net Worth within 5 years.

Net asset value per share

On an EEV basis, the net asset value per share at 30 June 2013 is 164.3p (2012: 163.3p) based on the EEV at the balance sheet date divided by the number of shares in issue at that date, being 137,379,634 ordinary shares (2012: 137,372,255 shares).

The net asset value per share at 30 June 2013 on an IFRS basis, is 32.5p (2012: 32.7p).



Board of Directors



The Directors serving at the date of approval of this Report and Accounts are as follows:



Dr Leonard Polonsky
Non-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
Group Chief Executive
Officer

Gordon was appointed Group Chief Executive Officer with effect from 1 January 2013, having been appointed Managing Director of the Company on 1 July 2009. Gordon has previously served as Group Counsel and as an Executive Director. Gordon joined the Group in 1988. He is a Solicitor and a member of the Law Society.



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 currently a Director and Trustee of several companies and trusts involved with corporate re-construction, investment and pensions. He is a Fellow of the Institute of Actuaries, and an Associate of the CFA Society of the UK. Previously he was Deputy Chairman and Managing Director of Aon's consulting division in the UK, was the Head of the Actuarial Practice at Alexander Clay & Partners and a Partner in the actuarial firm, Clay & Partners.



Philip Gregory
Senior Independent
Non-executive Director

Chairman of Nominations and Remuneration Committees. Member of Audit Committee.

Philip was appointed a non-executive Director with effect from 1 October 2011. He was appointed the Senior Independent non-executive Director on 24 September 2012. He is also an Independent non-executive Director of CFC Capital Limited.

Philip is a chartered accountant. He has been CEO of HSBC Insurance Brokers Limited; Tullett & Tokyo Liberty plc; Municipal Mutual Insurance Limited; and CFO of Marsh – Europe, Middle East and Africa; and Sema Group plc.

We recognise our obligations to adopt a responsible attitude towards our stakeholders. The Board believes that the Group continues to demonstrate such an attitude but recognises that the Group is a relatively small organisation with the main functions split across two distinct locations and territories.

The Board believes that Hansard's policies and actions fulfil the Group's obligations.

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Environmental, Corporate and Social Responsibility Report



Environmental

Hansard continues its efforts to reduce and restrain our carbon footprint both in relation to daily operations, and in our communications. At the Group's locations we have regard to energy efficiency and ensure that appropriate waste is recycled. Whenever possible we conduct meetings using video conferencing facilities installed at the Group's offices to reduce travel requirements. In the refurbishment of a number of floors at the Isle of Man offices, following renewal of the leases, investment in new lighting has substantially reduced the electricity used and heat generated compared to the previous electrical equipment. Plans are in place to ensure the remaining floor spaces are configured in the most appropriate way.

OnLine propositions provide increasing electronic access to information and allow us to be more creative with printing requirements, including deliberately keeping the print runs to a bare minimum. Provision of an electronic version of the Annual Report and Accounts, where shareholders have chosen this option, and other market information has reduced the need to publish and distribute copies. In order to support this shareholders are asked to contact the registrars and elect the electronic option for future receipt of the Annual Report and Accounts.

Corporate

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.

The Group's principal administrative operations are performed in the Isle of Man and the Republic of Ireland. Account Executives and related market development resources are based in local markets to support the IFAs and other intermediaries that introduce business to the Group. The principal locations at 30 June 2013 are the Far East, Latin America, the Middle East and Eastern Europe.

During the financial year the Group took steps to harness efficiencies from its OnLine and other developments by restraining headcount and making targeted reductions in certain areas. In addition, the Group closed Hansard Europe to new business with effect from 30 June 2013, with the result that a further 7 roles were made redundant in June and July 2013. The Group has provided affected employees with professional advice (including personal tax advice) and outplacement services to facilitate the transition to other employment.

At 30 June 2013 the number of the Group's employees, excluding non-executive directors, by location, was as follows:

Location	Number 2013	Number 2012
Isle of Man	158	177
Republic of Ireland	37	48
Other	14	18
	209	243

As a result of the closure of Hansard Europe to new business we anticipate a reduction of 12 employees in the Republic of Ireland over the course of the current financial year, and an increase of 6

employees in the Isle of Man to provide additional administrative capacity.

The gender profile of the Group at 30 June 2013 is split with a total of 116 male and 93 female employees (2012: 130 male and 113 female).

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 £15,800 (2012: £13,800) being donated to various charities in those locations during the financial year.

Communication with shareholders

The Company places importance on communication with shareholders and engages with them on a wide range of issues and has an ongoing programme of dialogue and meetings between the executive Directors and institutional investors, fund managers and analysts. At these meetings a 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, Philip Gregory, is available to meet with and has met 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 complies with governance guidance contained in the UK Corporate Governance Code ("the Code") relating to the conduct of the Annual General Meeting, particularly as regards voting; proxy voting by shareholders, including votes withheld; the separation of resolutions, and the attendance of committee chairmen. Whenever possible, all Directors attend the Annual General Meeting.

The Company's Annual Report and 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

Gordon Marr

Group Chief Executive Officer
25 September 2013

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 to 2004. The Board confirms that the Company is in compliance with the relevant provisions of the Companies Acts.

Compliance with the UK Corporate Governance Code ("the Code")

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

Notwithstanding the above, since listing and prior to 1 January 2013 the Company did not comply with the provisions of A2.1 of the Code in that the roles of Chairman and Chief Executive were combined with Dr Leonard Polonsky having the role of Executive Chairman. The changes implemented with effect from 1 January 2013 meant that Dr Polonsky took the role of non-executive Chairman (his service agreement being replaced by a letter of appointment consistent with the other non-executive directors of the company) and Gordon Marr was appointed Group Chief Executive Officer. However it should be noted that after these changes the Company does not comply with A3.1 of the Code which requires that the Chairman meets the independence criteria upon appointment.

The Board is of the opinion that the Board composition and governance frameworks are sufficient to maintain compliance with the principles of the Code. The Board confirms that no one individual has unfettered powers of decision.

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

The Directors

The Code requires that at least half the Board, excluding the Chairman, should comprise independent non-executive Directors as determined by the Board. 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 Board therefore confirms that it is in compliance with the Code in this respect.

The Board currently comprises the non-executive Chairman, two independent non-executive Directors and the Group Chief Executive Officer.

As required by the Code the full Board offer themselves for re-election at each Annual General Meeting.

Independent non-executive Directors

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. 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.

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 independent non-executive Director was renewed for a further three years from November 2012.

Subject to the Board being satisfied with a Director's performance, independence and commitment, there is no specified limit regarding the number of terms an independent non-executive Director may serve, subject to any explanation, if required under the provisions of B1.1 of the Code.

Senior Independent Director

Under the Code the Board appoints one of the independent non-executive Directors to act as Senior Independent Director. Philip Gregory was appointed the Senior Independent Director on 24 September 2012, to replace Bernard Asher.

The roles of the Chairman and Group Chief Executive Officer

Gordon Marr was appointed the Group Chief Executive Officer with effect from 1 January 2013 and Dr Leonard Polonsky accepted the position of non-executive Chairman of the Board from that date.

The division of responsibilities between the Chairman of the Board and the Group Chief Executive Officer is clearly defined and has been approved by the Board. The Chairman has no day-to-day involvement in the management of the Group. The Group Chief Executive Officer has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.



The Board of Directors

The Company is directed and controlled both 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 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 management;
- 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 Risk Management framework and;
- decisions regarding the Group's policy on charitable and political donations.

Board meetings and meeting attendance

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.

At Board and committee meetings, Directors receive regular reports on the Group's financial position, regulatory compliance, key business operations and other relevant issues. The Board meets at least quarterly, with additional meetings arranged as required.

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 Company requires Directors to devote sufficient time to the Company in order to perform their duties. If Directors are not able to attend a meeting they have the opportunity to submit their comments in advance to the Chairman or the Company Secretary. If necessary, they can follow up with the Chairman of the meeting.

The attendance of the Directors at the Board and committee meetings held during the year (and the maximum number of meetings that each Director could have attended) was as follows:

	Board	Audit	Nominations	Remuneration
Number of meetings	4	5	4	3
Dr Leonard Polonsky	4/4	n/a	n/a	n/a
Bernard Asher	3/4	4/5	3/4	3/3
Maurice Dyson [^]	4/4	5/5	4/4	3/3
Philip Gregory ^{>}	4/4	5/5	4/4	3/3
Joseph Kanarek [#]	4/4	n/a	n/a	n/a
Harvey Krueger [#]	0/3	n/a	0/3	0/2
Gordon Marr	4/4	n/a	n/a	n/a
^{>} Chairman of the Remuneration and Nominations Committees				
[^] Chairman of the Audit Committee				
[#] resigned 25 June 2013				

Corporate Governance Report continued

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**
- **Executive Committee**
- **Management Risk Committee**
- **Nominations Committee**
- **Remuneration Committee**

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.

Each committee operates 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 from the Audit, Nominations and Remuneration Committees are set out later in this Report and Accounts, together with a summary of their activities during the year. The activities of the Management Risk Committee are indicated below.

The Executive Committee is chaired by the Group Chief Executive Officer 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. In addition to Mr. Marr, the Executive Committee is currently comprised of Ollie Byrne (Managing Director, Hansard Administration Services Limited); Paul Harwood (Group Chief Actuary); Graham Morrall (Chief Distribution Officer); Vince Watkins (Chief Financial Officer) and Leslie Wong (Operations Director, Hansard Development Services Limited).

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 the performance of the Board, its committees, the Directors and the Chairman. 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 through the use of a questionnaire by way of a self-evaluation and analysing the responses both on their own, against responses by the executive directors who served during the year and compared to prior years' responses. No significant issues were identified by this process.

As part of the Chairman's evaluation the independent non-executive Directors meet separately under the chairmanship of the Senior Independent Director who, in turn, engages in reviews with the Chairman.

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 and the Senior Independent Director have concluded that each Director contributes effectively and demonstrates full commitment to his duties.

Risk management and internal control

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board is also responsible for maintaining sound risk management and internal control systems and for reviewing their effectiveness.

During the year the Group has continued to invest in risk management resources to promptly identify, measure, manage, report and monitor risks that affect the achievement of objectives.

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

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 below. These processes are managed and monitored by executive management.

In accordance with provision C.2.1. of the Code, the Board has reviewed the risk management and internal control systems operated throughout the Group and is satisfied that they are functioning effectively.

Risk management resources

The Board has established a Management Risk Committee ("MRC") covering the Group's subsidiaries and operations, to supplement the activities of the Audit and Risk Committees operated by the regulated entities within the Group. The members of the Committee comprise a number of the Group's executive and senior management. The Committee is chaired by the Group Chief Executive Officer.

The objective and role of the Management Risk Committee is to:

- **report to the Board on all risk matters across the Group;**
- **assist the Audit Committee and the Board in ensuring an effective system of internal control and compliance, including its obligations under applicable laws and regulations and;**
- **assist the Board in ensuring the embedding of the Enterprise Risk Management framework across the Group.**

The terms of reference of the Committee are published on the Company's website.



Risk management framework

The Group operates a Three Lines of Defence model of risk management, with clearly defined roles and responsibilities for committees and individuals:

- First Line:** Day-to-day risk management is delegated from the Board to the Group Chief Executive Officer and, through a system of delegated authorities and limits, to business managers.
- Second Line:** Risk oversight is provided by the Group Chief Risk Officer and established risk management committees. These committees are supported by compliance functions across the Group.
- Third Line:** Independent verification of the adequacy and effectiveness of the risk management and internal control systems is provided by the Group Audit Committee which is supported by the Group Internal Audit function.

In support of its accountabilities to operate a sound system of internal control the Board has implemented and maintains an enterprise risk management ("ERM") framework. The ERM framework has been in place throughout the year and up to the date of this report. To support the governance process the Group relies on documented policies and guidelines.

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

The systems of internal control which make up the ERM framework are designed to recognise the Board's responsibilities 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 systems of internal control which make up the ERM framework 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;
- Committees of senior managers responsible for reviewing the Group's financial and non-financial risks and;

- 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.

The overarching objectives of the ERM framework 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.

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

The Board has established a formal Risk Appetite Statement 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, operational, financial and compliance objectives.

Risk identification and assessment

The ERM framework requires all subsidiary companies to identify and record risks to business objectives. 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 framework ensures that all staff are made aware of the relevance of risk management to the achievement of their individual objectives and accountabilities.

Risk monitoring and management

As well as operational management monitoring activities, the MRC meet on a monthly basis to discuss emergent strategic and operational risks.

Risk reporting

The subsidiary company Boards are asked to attest to the effective functioning of the internal control framework and the ongoing identification and evaluation of risk within each subsidiary. These attestations are then presented to the Board of the Company in order to give assurance to the Group Board.

Corporate Governance Report continued

Financial reporting process

The Group maintains a process to assist the Board in understanding the risks to the Group failing to meet its objectives. This incorporates a system of planning and sensitivity analysis incorporating Board approval of forecast financial and other information. 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 targets is reported to the Board quarterly through a review of the Group's and Company's results based on accounting policies that are applied consistently throughout the Group. 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 annually and for the full financial year, and meet with the CFO to discuss and challenge the presentation and disclosures therein. Once the draft document is approved by the Audit Committee, it is reviewed by the Board before final approval at a Board meeting.

Outsourcing

Certain investment dealing and custody processes are outsourced to Capital International Limited ("CIL"), a company authorised by the Financial Supervision Commission of the Isle of Man Government and a member of the London Stock Exchange.

These processes are detailed in a formal contract and their delivery is monitored by a dedicated relationship manager against a documented Service Level Agreement and Key Performance Indicators.

The outsourced service provider is required to confirm monthly that no material control issues have been identified in their operations. Each year they are required to confirm and evidence the adequacy and effectiveness of their internal control framework through an Assurance report on their internal controls. The last such report was issued by CIL on 1 June 2013 and did not reveal any material control deficiencies in the period from 1 April 2012 to 31 December 2012.

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 Group's exposure on this unit-linked business is limited to the extent that income arising from asset management charges and commissions is generally based on the value of assets in the funds, and any sustained falls in value will reduce earnings. In addition, there are certain financial risks (credit, market and liquidity risks) in relation to the investment of shareholders' funds. The Group's exposure to financial risks is explained in note 22 to the consolidated financial statements.

The Board believes that the principal risks facing the Group's earnings and financial position are those risks which are inherent to the Group's business model and 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 that continue to be encountered may impact on the Group's strategic objectives, profitability or capital requirements.

The following table provides examples of the principal inherent risks that may impact on the Group's strategic objectives, profitability or capital. Where necessary, the Group will implement controls to mitigate the risks and minimise the potential impact of the risks on the Group as far as possible.

By order of the Board



Gordon Marr

Group Chief Executive Officer

25 September 2013



Risk event examples	Risk factors and uncertainties
Group profitability affected by financial market and economic conditions	<p>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, exchange rate movements and inflation.</p> <p>Extreme market conditions can influence the purchase of financial services products and the period over which business is retained.</p>
Distribution strategy compromised as a result of market changes or competitor activity	<p>The Group closely monitors marketplaces and competitor activity for signs of threats to forecast new business levels. New business may be adversely affected in the short-term if distribution channels are too concentrated and circumstances change in those markets.</p>
Non-compliance with regulations in relation to product design or intermediary behaviour	<p>The Group maintains dialogue with the Insurance & Pensions Authority of the Isle of Man Government, Central Bank of Ireland 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 and may incur the possibility of litigation risk.</p>
Hansard OnLine development and availability	<p>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 will develop alternative strategies to minimise the impact of any changes.</p>
Counterparty and third party risks	<p>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.</p>
Outsourcing	<p>The Group's dependence on outsourced activities comes under threat should business partners decide to exit the market, revise strategy or fail.</p>
Infrastructure failure	<p>Business Continuity Plans, including full data replication at an independent recovery centre, can be invoked when required. Testing is conducted frequently.</p>

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 2013.

The 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 Generally Accepted Accounting Practice ("UK GAAP").

Additionally, certain information relating to embedded value is presented using the European Embedded Value ("EEV") methodology. 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.

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.

The Group has concluded that it is in its long-term interests to reduce its exposure to Europe and a subsidiary company, Hansard Europe was closed to new business with effect from 30 June 2013.

Plans to achieve an orderly run-off of that company's activities were developed with regulators and stakeholders and approved by the Central Bank of Ireland on 1 August 2013.

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.

Results under both IFRS and EEV reflect the effects of litigation settlements of £1.6m (2012: £nil), and by a charge of £0.4m taken in relation to the closure of Hansard Europe to new business (2012: £nil).

Results under IFRS

The profit after tax is £10.4m, compared with a profit for the prior year of £11.2m.

Dividends totalling £15.5m were paid during the year (2012: £19.1m). The deficit of £5.1m after payment of dividends (2012: £7.9m) has been transferred from retained earnings.

Results under EEV

EEV profit after tax was £17.0m (2012: loss of £13.7m). After payment of the dividends of £15.5m during the year, the EEV of the Group as at 30 June 2013 has increased to £225.7m (2012: £224.3m).

Proposed final dividend

The Board has resolved to pay a final dividend of 4.75p per share on 13 November 2013, subject to approval at the Annual General Meeting, to shareholders on the register on 4 October 2013. If approved, this would bring the total dividends in respect of the year ended 30 June 2013 to 8.0p 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 which is incorporated in the Republic of Ireland. Hansard Europe was closed to new business with effect from 30 June 2013.

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 £68,689,817 divided into 137,379,634 ordinary shares of 50p each (2012: £68,686,127.50 divided into 137,372,255 ordinary shares of 50p each). The increase of 7,379 shares (2012: 80,870 shares) is from the exercise of options granted under the SAYE share save programme in prior years.

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

Share incentive schemes

Save As You Earn share save programme

A Save As You Earn share save programme allows eligible employees to have the opportunity of acquiring an equity interest in the Company.

At the balance sheet date 473,024 options remain outstanding (2012: 287,897), details of which can be found in the Remuneration Committee Report.

Long Term Incentive Plan

At the date of this report 1,200,000 options are awarded but not vested under the Long Term Incentive Plan (2012: 2,014,000 options), details of which can be found in the Remuneration Committee Report.

No awards were made in the current financial year under the Long Term Incentive Plan.

Directors

Messrs J Kanarek and H Krueger resigned from the Board on 25 June 2013. Bernard Asher retired from the Board on 16 September 2013.

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 and Accounts. All of the Directors will retire at the Annual General Meeting and, being eligible, seek re-election.

The Company maintains insurance cover with respect to the liabilities of directors and officers within the Group. In addition, qualifying third party indemnity arrangements are in force for the benefit of the directors within the Group and were in force for the benefit of former directors of the Group during 2013.

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, together with details of their contractual arrangements with the Group.

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.

Substantial shareholdings

At 30 June 2013 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 millions	% holding
Dr Leonard Polonsky	55.1	40.1
Aberforth Partners	14.1	10.3
Polonsky Foundation	7.7	5.6
F&C Asset Management	6.4	4.7

Company Secretary

The Company Secretary at 30 June 2013 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 (2012: £nil). Through matching employee initiatives and collections the Group made charitable donations amounting to £7,303 (2012: £5,355).

Directors' Report continued

Forward-looking statements

The Chairman's statement, Report of the Group Chief Executive Officer, the Business and Operating Review and other sections of this Annual Report and Accounts may contain forward-looking statements about the Group's current plans, goals and expectations on future financial conditions, performance, results, strategy and objectives. Statements containing the words: 'believes', 'intends', 'expects', 'plans', 'seeks', 'anticipates' and other words of similar meaning are forward-looking. All forward-looking statements involve risk and uncertainty. This is because they relate to future events and circumstances that are beyond the Group's control.

As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set out in the forward-looking statements. The Company will not undertake any obligation to update any of the forward-looking statements in this Annual Report and Accounts.

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 and Operating 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 environment.

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 LLC, has indicated its willingness to continue in office. The Audit Committee has recommended that PricewaterhouseCoopers LLC be reappointed as the Company's auditor. Accordingly, a resolution to reappoint 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 7 November 2013 at the Company's registered office.

A copy of the notice of the Annual General Meeting is contained within this Report and Accounts. As well as the business normally conducted at such a meeting, shareholders will be asked to renew the authority for the Directors to make market purchases of the Company's shares and to renew the general authority of the Directors to issue shares.

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 and Accounts are also available at www.hansard.com.

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with IFRS as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.



In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRS as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Parent Company financial statements respectively and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and 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 comply with the Isle of Man Companies Acts 1931 to 2004 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors have chosen to present 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"). When compliance with the EEV Principles is stated, those principles require supplementary information to be prepared in accordance with the Embedded Value methodology contained in the EEV Principles and to disclose and explain any non-compliance with the EEV Guidance included in the EEV Principles.

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

- the supplementary information prepared in accordance with the EEV Principles;
- the business covered by the EEV Principles identified and described;
- the EEV Principles applied consistently to the covered business;
- determined assumptions on a realistic basis, 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.

The Directors are responsible for the maintenance and integrity of 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.

Each of the Directors, whose names and functions are listed in the Board of Directors section of the Report and Accounts confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the European Embedded Value ("EEV") supplementary information has been prepared 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;
- the Business and Operating review referenced to in the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By Order of the Board

Manoj B Patel

Company Secretary
25 September 2013

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.

This includes reviewing the Company's internal and external audit resource and examining any matters that relate to the financial affairs of the Group, monitoring the financial reporting process and advising the Board on the Group interim and annual financial statements, its accounting policies and compliance with accounting standards. The Committee also assists the Board in ensuring that the financial and non-financial information supplied to shareholders provides a balanced assessment of the Company's position.

The full terms of reference for the Committee can be found on the Company's website, www.hansard.com.

Composition and structure

Throughout the year the members of the Committee were independent non-executive Directors who have considerable recent and relevant financial experience, being Bernard Asher, Maurice Dyson and Philip Gregory. All members served on the Committee throughout the year and to the date of this report, with the exception of Bernard Asher who retired with effect from 16 September 2013. Maurice Dyson is the Chairman of the Committee. 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.

Meetings and frequency

The Committee met on five occasions during the year. The members' attendance record is set out in the Corporate Governance Report.

During the year, the Chairman invited the Chief Financial Officer, representatives from internal audit and PricewaterhouseCoopers LLC (the external auditor) to attend all meetings of the Committee. Other members of senior management, including the Group Chief Executive Officer, were also invited to attend as appropriate.

It is the Committee's practice, at least once a year, to meet separately with both the head of internal audit and with the engagement partner of the external auditor without any members of management being present. In addition, outside the structure of formal meetings, Maurice Dyson (as Chairman of the Committee) has had separate meetings directly with the external auditor and the Head of internal audit. He also meets and has regular contact with the Group Chief Executive Officer, the Chief Financial Officer, the Chief Actuary, the Group Chief Risk Officer and the Compliance Officer.

In performing its duties, the Committee has access to the services of the Head of internal audit, the Company Secretary and, if required, external professional advisers.

Subsidiary company audit committees

Each of the Group's life assurance subsidiaries has established an Audit Committee that provides an oversight role for its business in order to provide the Board of that company 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. Each committee operated throughout the financial year and reviewed specifically the valuation of policyholder liabilities, having regard to the opinion of the independent Appointed Actuary.

The minutes of the meetings of those Committees are circulated to the Group Audit Committee which monitors in particular the adherence of the subsidiaries to regulatory requirements.

As part of the closure to new business of Hansard Europe, that company's Regulator has agreed that the Board of Hansard Europe will also act as the Audit Committee of that company from 1 July 2013.

Committee activities during the financial year

1. Review of accounting and reporting

During the financial year the Committee:

- reviewed the annual and half yearly report and accounts, including the external auditor's reports, and associated announcements;
- monitored compliance with the relevant parts of the UK Corporate Governance Code, the effectiveness of internal controls and reporting procedures for risk management processes;
- agreed the annual audit plan with the external auditor, considered the auditor's reports and has monitored and followed up management actions in response to the issues raised and;
- continued to monitor the application of the Group's policy on whistle-blowing.

Whilst reviewing the annual and half yearly report and accounts, the Committee focussed on the following areas where significant financial judgements were required:

- The accounting principles, policies, assumptions and practices adopted;
- Judgements exercised in the production of the financial results including, the valuation of certain assets, the IFRS adjustments relating to deferred origination costs and deferred income reserve, and the appropriateness of persistency assumptions in the Group's EEV reporting;
- The status of known or potential claims against the Group and;
- The impact of the decision to close Hansard Europe to new business.

The Committee also reviewed other Stock Exchange reporting prior to publication.

The Committee has reported 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.

2. Review of internal audit

The Group's internal audit function reports to management on the effectiveness of the Group'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.

During the financial year the Committee monitored and reviewed the effectiveness of the internal audit function, including consideration of the internal audit plan and results from completed audits.

The plans, the level of resources and the budget of the internal audit function are reviewed at least annually by the Committee. In light of the closure to new business of Hansard Europe it is expected that the Hansard Europe aspects will have more focus and priority in the next financial year.

3. Review of external audit

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

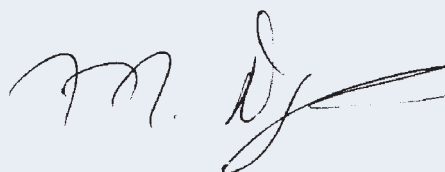
During the year, the Committee performed its annual review of the independence, effectiveness and objectivity of the external auditor, assessing the audit firm, the audit partner and audit teams. Based on this review, the Committee concluded that the audit service of PricewaterhouseCoopers LLC was fit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

The Committee monitored compliance with the Group policy for the provision of non-audit services by the external auditor. This policy aims to ensure that external auditor objectivity and independence is safeguarded and sets out the categories of non-audit services which the external auditor is allowed to provide to the Group. Financial limits for non-audit related advice and consultancy work by the external audit firm apply to each company in the Group with an aggregate Group limit of £50,000 per year. Non-audit assignments exceeding the agreed limits, either individually or cumulatively, must have the prior approval of the Group Audit Committee. Details of the amount paid to the external auditors during the year for audit and non-audit related services are set out in note 7 to the Accounts.

4. Review of Committee performance

In line with the 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. The evaluation was carried out through response to a questionnaire and analysing the response both on its own, against responses by the executive directors and the independent non-executive directors and compared to prior years' responses.

For the Board



Maurice Dyson

Chairman of the Audit Committee

25 September 2013

Nominations Committee Report

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

Purpose and terms of reference

The role, responsibilities and work of the Committee can best be understood by reference to its written terms of reference. 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

Throughout the year the members of the Committee were independent non-executive Directors being Bernard Asher, Maurice Dyson, Philip Gregory and Harvey Krueger. All members served on the Committee to the date of this report, with the exception of Harvey Krueger who resigned with effect from 25 June 2013 and Bernard Asher who retired with effect from 16 September 2013. Philip Gregory was appointed Chairman of the Committee on 24 September 2012, in place of Bernard Asher. The Group Company Secretary acts as the secretary to the Committee.

Activities of the Committee during the year

The Committee met on four occasions during the year. The members' attendance record is set out in the Corporate Governance Report.

During the year the Committee addressed a number of issues concerning the Board structure and division of responsibilities, in particular:

- Agreed the appointment of Philip Gregory to the position of Senior Independent Director and to the position of Chairman of the Group's Nominations and Remuneration Committees;

- Confirmed the appointment of Gordon Marr as Group Chief Executive Officer with effect from 1 January 2013 and recommended to the Board the division of responsibilities between the Group Chief Executive Officer and the non-executive Chairman;
- Agreed the roles and responsibilities of the non-executive Chairman and the Senior Independent Director;
- Oversaw the appointment of a Group Chief Distribution Officer to replace Mr J Kanarek;
- Considered the balance of the Board following the Board retirements and instituted a process using external consultants, the Miles Partnership, to identify replacement directors to fill vacancies arising, with a view to recommending appropriate candidates to the Board and;
- Recommended to the Board the approval of a Succession planning policy.

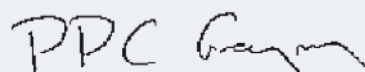
In the appointment of the new Group Chief Distribution Officer the Committee utilised the services of an external consultancy, the Rose Partnership. This process included assessments of internal and external candidates resulting in the appointment of Graham Morrall who commenced in the role on 16 July 2013.

Review of Committee performance

Philip Gregory had regular meetings during the year with the non-executive Chairman, the Group Chief Executive Officer and the non-executive Directors. In addition, normally after each Board meeting, the Senior Independent Director will have an informal session with the full Board members (without management or the Company Secretary being present) and one with only the independent non-executive Directors.

In addition, in line with the 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 Chairman and the Committee.

For the Board



Philip Gregory

Chairman of the Nominations Committee

25 September 2013



Remuneration Committee Report

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

Purpose and terms of reference

The main purpose of the Committee is to determine the overall pay policy and the remuneration packages and service contracts of the executive Directors who were in office during the financial year, the Company Secretary and such other members of the executive management as it considers appropriate, including the operation of incentive schemes. The Committee aims to set remuneration at an appropriate level to attract, retain and motivate executives of the necessary calibre.

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

Membership

Throughout the year the members of the Committee were independent non-executive Directors being Bernard Asher, Maurice Dyson, Philip Gregory and Harvey Krueger. All members served on the Committee throughout the year and to the date of this report, with the exception of Harvey Krueger who resigned with effect from 25 June 2013 and Bernard Asher who retired with effect from 16 September 2013. Philip Gregory was appointed Chairman of the Committee on 24 September 2012 in place of Bernard Asher. The Group Company Secretary acts as the secretary to the Committee.

Activities of the Committee during the year

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

At the request of the Committee, Gordon Marr, the Group Chief Executive Officer, also attends meetings and makes recommendations to the Committee regarding changes to particular remuneration packages (excluding himself) or to policy generally. Such recommendations are discussed by the Committee and adopted or amended as it sees fit.

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

- Having regard to market data, considered and approved reviews in remuneration for senior management (including the Group Chief Executive Officer) effective from 1 July 2013, including bonus payment;
- Considered the termination arrangements for Joseph Kanarek who ceased to be the Chief Distribution Officer with effect from 30 June 2013;

- Reviewed and approved the remuneration package for Graham Morral, the new Chief Distribution Officer and;
- Approved the appointment of Deloitte LLP to review the current incentive schemes for senior management.

Incentive Schemes

Cash-settled bonus scheme

The Committee approved the continuation of the bonus scheme for all employees. The terms of the scheme that is effective from 1 July 2013 are similar to those of the prior year and incorporate targets of new business production and expenses. Bonuses earned will be paid in tranches, half in October 2014 and the remainder in March 2015. For the 2012-2013 scheme this generated an award of £12,592 for Gordon Marr (50% payable in October 2013 and the balance payable in March 2014).

Long-term Incentive Plan

Shareholders at the Annual General Meeting on 14 November 2012 approved the grant of 1,800,000 options under the 2011-2014 scheme, of which 600,000 options allocated to Mr Kanarek have lapsed upon his resignation. At the date of this report, options over 1,200,000 shares are awarded but not vested for the Plan. Mr Gordon Marr holds 350,000 options (2012: 350,000) under the Plan.

No options have been granted under subsequent tranches of the Long-term Incentive Plan.

SAYE Share-save Programme

Options over 7,379 (2012: 80,870) 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	2013	2012
2008	18,193	24,781
2009	44,170	124,826
2010	-	22,550
2011	30,294	115,740
2013	380,367	-
	473,024	287,897

In light of the initial set up cost, ongoing cost and the nil or negligible bonus it was decided not to offer a SAYE Scheme for 2012.

Mr Gordon Marr does not hold any options (2012: nil) under this Programme.

Remuneration Committee Report continued

Employee Benefit Trust

An Employee Benefit Trust ("EBT") was established in November 2011 with a gift of Hansard Global plc shares from Dr Polonsky. The EBT has increased its holding to 434,500 shares with the purchase of an additional 11,050 shares on 17 July 2013.

The terms of any distributions made under the Trust are as follows;

- In the event of meeting the agreed target for the year to 30 June 2014 of £18m Net Issued Compensation Credit ("NICC") the amount of the final dividend received by the Trust on its holding of Hansard shares at that time will be paid out as a cash bonus to all employees who had been employed with the Group for 5 years or more as at 1 July 2013 (different allocations will be made based on length of service) or;
- the interim dividend and, in the event of the target NICC not being met, the final dividend, is to be reinvested in Hansard Global plc shares to provide increased dividend income for future bonus awards.

In light of the fact that the target for the year ended 30 June 2013 has been met a cash distribution amounting in total to £20,638.75 will be made in December 2013, based on the final dividend of 4.75p per share that is to be considered at the Annual General Meeting on 7 November 2013.

Directors' employment terms and conditions

In accordance with the UK Corporate Governance Code all Directors are subject to annual re-election. All Directors were re-elected at the Annual General Meeting held on 14 November 2012.

The key terms and benefits pursuant to the contractual arrangements between a currently-serving Director and the Company are as follows:

Dr Leonard Polonsky – Non-executive Chairman. The letter of appointment effective from 1 January 2013 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.

Dr Polonsky receives a nominal fee of £1 per annum.

Gordon Marr – Group Chief Executive Officer. Housing allowance; 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 30 days annual leave in addition to public holidays. Other than the right to receive a payment in lieu of notice upon termination, his service agreement dated 24 November 2006 does not provide for any benefits upon termination of employment. The notice period (by either party) is 12 months.

Mr Marr was appointed to the Board on 27 April 2005 and last re-elected on 14 November 2012.

Mr Marr is a member of the Cash-settled bonus scheme, the Long-term Incentive Plan and is entitled to receive benefits under the Employee Benefit Trust. Additionally he has been granted an option to require the Company to acquire a residential property from him for the sum of £481,000. Mr. Marr purchased the property in July 2011 for £501,000.

Independent non-executive Directors. The appointment of each independent non-executive Director has been confirmed by an individual letter of appointment which includes a one month notice provision. The non-executive Directors do not have service contracts or any benefits-in-kind arrangements and do not participate in any of the Group's pension or long-term incentive arrangements.

Our policy on fees for independent non-executive Directors

It is our policy to set the fees for each non-executive Director so that they reflect the time commitment in preparing for and attending meetings, the responsibility and duties of the position and the contribution that is expected from them. Our policy is to pay a market rate. The Board sets the fees for the non-executive Directors annually. No increase is proposed for the year to 30 June 2014 and the fee remains at £50,000 per annum.

Mr Dyson receives additional fees in relation to his position as Chairman of the Board of Hansard International Limited, and of that company's Audit Committee.



Directors' remuneration and other benefits in the financial year ended 30 June 2013

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 2013 for each Director who served during that year.

Name	Salary and fees 2013 £	Pension 2013 £	Bonus 2013 £	Other 2013 £	Aggregate 2013 £	Aggregate 2012 £
Dr Leonard Polonsky	1	-	-	-	1	1
Gordon Marr	300,000	42,000	9,495	42,097	393,592	388,620
Joseph Kanarek#	400,844	48,000	611	• 469,200	918,655	674,600
<i>Total</i>	700,845	90,000	10,106	511,297	1,312,248	1,063,221
Independent non-executive Directors						
Bernard Asher	50,000	-	-	-	50,000	50,000
Maurice Dyson	68,000	-	-	-	68,000	68,000
Philip Gregory	50,000	-	-	-	50,000	*37,500
Harvey Krueger#	50,000	-	-	-	50,000	50,000
<i>Total</i>	218,000	-	-	-	218,000	205,500
Total – all Directors	918,845	90,000	10,106	511,297	1,530,248	1,268,721

resigned 25 June 2013.

• Mr Kanarek's remuneration includes a termination payment of £400,000, together with pension contribution and related entitlements, which also includes an undertaking to not compete with the Group or to recruit members of the Group distribution force for one year.

* appointed 1 October 2011.

Directors' estimated remuneration and other benefits in the financial year ending 30 June 2014

The following table sets out the elements of estimated aggregate emoluments for the year ending 30 June 2014 for each Director, as agreed by the Board. Bernard Asher retired from the Board with effect from 16 September 2013.

Name	Salary and fees 2014 £	Pension 2014 £	Bonus 2014 £	Other 2014 £	Aggregate 2014 £
Dr Leonard Polonsky	1	-	-	-	1
Gordon Marr	324,000	45,360	68,300	41,966	479,626
<i>Total</i>	324,001	45,360	68,300	41,966	479,627
Independent non-executive Directors					
Bernard Asher	12,500	-	-	-	12,500
Maurice Dyson	68,000	-	-	-	68,000
Philip Gregory	50,000	-	-	-	50,000
<i>Total</i>	130,500	-	-	-	130,500
Total – all Directors	454,501	45,360	68,300	41,966	610,127

Remuneration Committee Report continued

Directors' interests in share capital

At 30 June 2013 and at the date of this report Dr Polonsky held 54,790,319 shares in the Company's share capital, or 39.9% (2012: 39.9%) and an additional 400,000 shares are held by his wife. The Polonsky Foundation (a UK Registered Charity of which Dr Polonsky is a trustee) has a beneficial interest in 7,686,888 shares in the Company's share capital, or 5.6% (2012: 7,186,888 shares or 5.2%).

The table set out below shows the beneficial interests of other serving Directors and their families in the Company's share capital, at 30 June 2013 and at 30 June 2012.

Number of shares

Executive	Direct	Indirect*	Total 2013	Direct	Indirect*	Total 2012
Gordon Marr	300,000	258,994	558,994	432,379	105,315	537,694
Independent non-executive Directors						
Bernard Asher	15,000	-	15,000	15,000	-	15,000
Maurice Dyson	32,500	-	32,500	32,500	-	32,500
Philip Gregory	8,462	-	8,462	-	-	-

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

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

For the Board



Philip Gregory

Chairman of the Remuneration Committee

25 September 2013



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Independent Auditor's Report

Independent auditor's report to the members of Hansard Global plc

Report on the Consolidated and Parent Company Financial Statements

We have audited the accompanying consolidated and parent company financial statements ('the financial statements') of Hansard Global plc and its subsidiaries (the 'Group') which comprise the consolidated and parent company balance sheets as at 30 June 2013 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated and Parent Company Financial Statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with applicable Isle of Man law and International Financial Reporting Standards 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), and for such internal control as the directors determine is necessary to enable the preparation of consolidated and parent company financial statements that are free from material misstatement, whether due to fraud or error.

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 judgment, 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.



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 2013, 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 2013 in accordance with United Kingdom Accounting Standards as applied in accordance with the provisions of the Isle of Man Companies Act 1982; and
- the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004.

Matters on which we are required to report by exception

We have nothing to report on the following:

The Isle of Man Companies Acts 1931 to 2004 require us to report to you if, in our opinion:

- proper books of account have not been kept by the parent company or, proper returns adequate for our audit have not been received from branches not visited by us; or
- the parent company's balance sheet is not in agreement with the books of account and returns; or
- we have not received all the information and explanations necessary for the purposes of our audit; and
- certain disclosures of directors' loans and remuneration specified by law have not been complied with.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 34, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- the Directors' Remuneration Report for the six disclosures specified for our review.

Ian Clague, Responsible Individual

for and on behalf of PricewaterhouseCoopers LLC

Chartered Accountants

Isle of Man

25 September 2013

Consolidated Income Statement

	Notes	Year ended	
		30 June 2013 £m	30 June 2012 £m
Fees and commissions	4	57.1	54.5
Investment income	5	75.5	(145.7)
Other operating income		0.1	0.4
		132.7	(90.8)
Change in provisions for investment contract liabilities		(73.4)	146.5
Origination costs	6	(21.2)	(19.3)
Administrative and other expenses	7	(27.4)	(25.3)
		(122.0)	101.9
Profit before taxation		10.7	11.1
Taxation	9	(0.3)	0.1
Profit for the year after taxation		10.4	11.2
Total comprehensive income		10.4	11.2

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	2013 (p)	2012 (p)
Basic	10	7.6	8.2
Diluted	10	7.6	8.2

The notes on pages 50 to 69 form an integral part of these financial statements.



Consolidated Statement of Changes in Equity

	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 July 2011	68.6	(48.4)	32.4	52.6
Total comprehensive income	-	-	11.2	11.2
Transactions with owners				
Issue of new shares	0.1	0.1	-	0.2
Dividends paid	-	-	(19.1)	(19.1)
Balance at 30 June 2012	68.7	(48.3)	24.5	44.9

	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 July 2012	68.7	(48.3)	24.5	44.9
Total comprehensive income	-	-	10.4	10.4
Transactions with owners				
Dividends paid	-	-	(15.5)	(15.5)
Balance at 30 June 2013	68.7	(48.3)	19.4	39.8

The notes on pages 50 to 69 form an integral part of these financial statements.

Consolidated Balance Sheet

	Notes	30 June 2013 £m	30 June 2012 £m
Assets			
Plant and equipment	12	1.0	1.1
Deferred origination costs	13	131.0	121.2
Financial investments			
Equity securities		25.8	31.2
Investments in collective investment schemes		853.1	838.5
Fixed income securities		27.0	38.7
Deposits and money market funds		144.3	147.5
		1,050.2	1,055.9
Other receivables	14	5.1	7.9
Cash and cash equivalents	15	46.8	43.7
Total assets		1,234.1	1,229.8
Liabilities			
Financial liabilities under investment contracts	16	1,028.1	1,033.8
Deferred income reserve		137.6	129.9
Amounts due to investment contract holders		16.8	13.2
Other payables	17	11.8	8.0
Total liabilities		1,194.3	1,184.9
Net assets		39.8	44.9
Shareholders' equity			
Called up share capital	18	68.7	68.7
Other reserves	20	(48.3)	(48.3)
Retained earnings		19.4	24.5
Total shareholders' equity		39.8	44.9

The notes on pages 50 to 69 form an integral part of these financial statements.

The financial statements on pages 46 to 69 were approved by the Board on 25 September 2013 and signed on its behalf by:



L S Polonsky
Director



G S Marr
Director



Consolidated Cash Flow Statement

	Year ended 30 June 2013 £m	Year ended 30 June 2012 £m
Cash flow from operating activities		
Profit before tax for the year	10.7	11.1
Adjustments for:		
Depreciation	0.6	0.5
Dividends receivable	(4.1)	(3.6)
Interest receivable	(1.2)	(1.0)
Foreign exchange gain	(0.4)	(1.0)
Changes in operating assets and liabilities		
Decrease in debtors	2.4	4.1
Dividends received	4.1	3.6
Interest received	1.5	1.8
Increase in deferred origination costs	(9.8)	(8.1)
Increase in deferred income reserve	7.7	4.6
Increase in creditors	7.3	0.8
Decrease in financial investments	5.8	185.8
Decrease in financial liabilities	(5.7)	(193.3)
Cash flow from operations	18.9	5.3
Corporation tax received	0.2	-
Cash flow from operations after taxation	19.1	5.3
Cash flows from investing activities		
Purchase of plant and equipment	(0.6)	(0.7)
Proceeds from sale of investments	0.1	0.1
Purchase of investments	(0.2)	(0.1)
Cash flows from investing activities	(0.7)	(0.7)
Cash flows from financing activities		
Proceeds from issue of shares	-	0.2
Dividends paid	(15.5)	(19.1)
Cash flows from financing activities	(15.5)	(18.9)
Net increase/(decrease) in cash and cash equivalents	2.9	(14.3)
Cash and cash equivalents at beginning of year	43.7	59.3
Effect of exchange rate changes	0.2	(1.3)
Cash and cash equivalents at year end	46.8	43.7

The notes on pages 50 to 69 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 or, in the case of accounting policies that relate to separately disclosed values in the primary statements, within the relevant note to these consolidated financial statements. These policies have been consistently applied, unless otherwise stated.

1.1 Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), International Financial Reporting Standards Interpretations Committee ("IFRSIC") interpretations, and with the Isle of Man Companies Acts 1931 to 2004. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial investments and financial liabilities at fair value through profit or loss. The Group has applied all IFRS standards adopted by the European Union and effective at 30 June 2013.

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

- IAS 1, 'Financial statement presentation'
- IAS 12, 'Income taxes'
- IFRS 9, 'Financial Instruments'
- IFRS 10, 'Consolidated financial statements'
- IFRS 12, 'Disclosures of interest in other entities'
- IFRS 13, 'Fair value measurement'

The adoption of the above standards is not expected to have any material impact on the Group's results.

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

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

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

1.2 Basis of consolidation

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

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

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.



2 Critical accounting estimates and judgements in applying accounting policies

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

2.1 Accounting estimates and assumptions

The principal areas in which the Group applies accounting estimates and assumptions are in deciding the 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.

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 which is currently estimated at 15 years. 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, at product group level, for recoverability by reference to expected future income levels.

2.2 Judgements

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

- to determine whether a provision is required in respect of pending or threatened litigation 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. This is discussed further in note 22 to these consolidated financial statements.

3 Segmental information

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

In the opinion of the CODM, the Group operates in a single reportable segment, that of the distribution and servicing of long-term investment products through the Group's subsidiaries.

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

Notes to the financial statements continued

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

	2013 £m	2012 £m
Far East	12.5	7.8
Latin America	3.3	3.8
EU and EEA	1.5	2.9
Rest of World	1.5	1.6
Net Issued Compensation Credit	18.8	16.1
Other commission costs paid to third parties	7.8	7.2
Enhanced unit allocations	1.9	1.7
Origination costs incurred during the year	28.5	25.0
Net Issued Compensation Credit	£m	£m
Isle of Man	17.8	13.8
Republic of Ireland	1.0	2.3
	18.8	16.1

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.

Revenues and expenses allocated to geographical locations contained in section 3.5 below, using a number of the new business measurement bases used by the Group, reflect the forecast revenues and expenses expected to be generated in or incurred by the legal entities in those locations.

New business development, distribution and associated activities in relation to the Republic of Ireland ceased with effect from 30 June 2013. All other activities of the Group are continuing.

3.1 Geographical analysis of fees and commissions by origin

	2013 £m	2012 £m
Isle of Man	44.7	42.0
Republic of Ireland	12.4	12.5
	57.1	54.5

3.2 Geographical analysis of profit before taxation

	2013 £m	2012 £m
Isle of Man	10.7	11.2
Republic of Ireland	-	(0.1)
	10.7	11.1



3.3 Geographical analysis of gross assets

	2013 £m	2012 £m
Isle of Man	906.0	870.9
Republic of Ireland	328.1	358.9
	1,234.1	1,229.8

3.4 Geographical analysis of gross liabilities

	2013 £m	2012 £m
Isle of Man	884.7	854.0
Republic of Ireland	309.6	330.9
	1,194.3	1,184.9

3.5 Geographical analysis of new business results

3.5.1 Issued compensation credit	2013 £m	2012 £m
Isle of Man	18.6	14.7
Republic of Ireland	1.0	2.4
	19.6	17.1

3.5.2 Present value of new business premiums

Isle of Man	172.1	135.4
Republic of Ireland	16.6	40.3
	188.7	175.7

PVNB by type

Isle of Man	151.0	112.9
Republic of Ireland	5.2	11.5
Regular premium PVNB	156.2	124.4
Isle of Man	21.1	22.5
Republic of Ireland	11.4	28.8
Single premium PVNB	32.5	51.3
Total PVNB	188.7	175.7

Notes to the financial statements continued

4 Fees and commissions

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.

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

	2013 £m	2012 £m
Contract fee income	38.0	35.9
Fund management charges	14.8	14.4
Commissions receivable	4.3	4.2
	57.1	54.5

5 Investment income

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

	2013 £m	2012 £m
Interest income	1.1	1.6
Dividend income	4.1	3.6
Losses on realisation of investments	(10.2)	(2.3)
Movement in unrealised gains and losses	80.5	(148.6)
	75.5	(145.7)

6 Origination costs

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

	2013 £m	2012 £m
Amortisation of deferred origination costs	18.7	16.9
Other origination costs	2.5	2.4
	21.2	19.3



7 Administrative and other expenses

Included in administrative and other expenses is the following:

	2013 £m	2012 £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
- Other services provided to the Group	0.1	-
Employee costs	11.4	12.1
Directors' fees	0.4	0.4
Investment management fees	4.3	4.3
Renewal and other commission	1.2	1.3
Professional and other fees	2.4	2.0
Litigation fees and settlements	2.1	0.9
Operating lease rentals	0.5	0.6
Licences and maintenance fees	0.8	0.8
Insurance costs	0.9	0.7
Depreciation of plant and equipment	0.6	0.5
Communications	0.4	0.4

In administrative and other expenses above are items totalling £0.4m in respect of professional fees, redundancy and related costs following the closure of Hansard Europe Limited to new business on 30 June 2013 (2012: £nil).

8 Employee costs

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

	2013 £m	2012 £m
Wages and salaries	13.8	14.4
Social security costs	1.0	1.1
Contributions to pension plans	0.9	0.9
	15.7	16.4

Included in aggregate remuneration above are items totalling £0.2m in respect of redundancy and related costs following the closure of Hansard Europe Limited to new business on 30 June 2013 (2012: £nil).

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.

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.

Notes to the financial statements continued

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

	2013 No.	2012 No.
Administration	156	164
Distribution and marketing	27	34
IT development	34	35
	217	233

8.3 Share-based payments

The costs attributed to the share-based payments programmes implemented by the Company are immaterial in the year under review. Details of the programmes can be found in note 19.

9 Taxation

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

The Group's profits arising from its Isle of Man-based operations are taxable at 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.

	2013	2012
Profit after tax (£m)	10.4	11.2
Weighted average number of shares in issue	137,379,149	137,311,224
Basic earnings per share in pence	7.6	8.2

The Directors believe that there is no material difference between the weighted average number of shares in issue for the purposes of calculating either basic or diluted earnings per share. The figure under both measures is 7.6 pence per share (2012: 8.2p).



11 Dividends

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

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

	Per share 2013 p	Total 2013 £m	Per share 2012 p	Total 2012 £m
Final dividend paid	8.0	11.0	8.0	11.0
Interim dividend paid	3.25	4.5	5.9	8.1
	11.25	15.5	13.9	19.1

The Board has resolved to pay a final dividend of 4.75p per share on 13 November 2013, subject to approval at the Annual General Meeting, based on shareholders on the register on 4 October 2013.

12 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.

Depreciation is included in administration 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.

The economic lives used for this purpose are:

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

The cost of plant and equipment at 30 June 2013 is £8.1m (2012: £7.5m). Accumulated depreciation at 30 June 2013 is £7.1m (2012: £6.4m).

The Company purchased a freehold property on 1 July 2013 for £0.4m and anticipates spending a further £0.1m before the property is brought into use. Proceeds were paid for the property before year end and are included in other debtors in note 14 below.

13 Deferred origination costs

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

Carrying value	2013 £m	2012 £m
At 1 July	121.2	113.1
Origination costs incurred during the year	28.5	25.0
Origination costs amortised during the year	(18.7)	(16.9)
	131.0	121.2

Notes to the financial statements continued

14 Other receivables

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

	2013 £m	2012 £m
Contract fees receivable	1.8	3.2
Outstanding investment trades	-	1.3
Commission receivable	1.0	1.0
Corporation tax recoverable	-	0.3
Other debtors	2.3	2.1
	5.1	7.9
Expected to be settled within 12 months	4.1	5.9
Expected to be settled after 12 months	1.0	2.0
	5.1	7.9

At the balance sheet date there are no receivables overdue but not impaired (2012: £nil) or impaired (2012: £nil). Due to the short-term nature of these assets the carrying value is considered to reflect fair value.

15 Cash and cash equivalents and deposits

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.

	2013 £m	2012 £m
Money market funds	27.2	26.1
Short-term deposits with credit institutions	19.6	17.6
Shareholders' cash and cash equivalents	46.8	43.7
Shareholders' long-term deposits with credit institutions	20.4	21.6
Total shareholder cash and deposits	67.2	65.3

16 Financial liabilities under investment contracts

16.1.1 Investment contract liabilities

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

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

16.1.2 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 recognised at the point the premium falls due. The liability for premiums received on new business is deemed to commence at the acceptance of risk.



16.1.3 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 and transferred to amounts due to investment contract holders on the basis of notifications received, when the benefit falls due for payment or, on the earlier of the date when paid or when the contract ceases to be included within those liabilities.

16.2 Movement in financial liabilities under investment contracts

The following table summarises the movement in liabilities under investment contracts during the year:

	2013 £m	2012 £m
Deposits to investment contracts	120.4	138.6
Deductions from contracts	(199.5)	(187.9)
Change in provisions for investment contract liabilities	73.4	(146.5)
Movement in year	(5.7)	(195.8)
At 1 July	1,033.8	1,229.6
	1,028.1	1,033.8

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	18.2	15.5
Expected to be settled after 12 months	1,009.9	1,018.3
	1,028.1	1,033.8

16.3 Investments held to cover liabilities under investment contracts

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

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

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

All gains and losses derived from financial investments, realised or unrealised, are recognised within investment income in the 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.

Notes to the financial statements continued

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.

	2013 £m	2012 £m
Equity securities	25.8	31.2
Investments in collective investment schemes	852.9	838.4
Fixed income securities	27.0	38.7
Cash and cash equivalents	123.8	125.8
Other receivables	-	1.3
Total assets	1,029.5	1,035.4
Other payables	(1.4)	(1.6)
Net financial assets held to cover financial liabilities	1,028.1	1,033.8

17 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.

	2013 £m	2012 £m
Commission payable	6.2	4.0
Provision for litigation settlement	0.3	-
Other creditors and accruals	5.3	4.0
	11.8	8.0

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

	2013 £m	2012 £m
Authorised:		
200,000,000 ordinary shares of 50p	100.0	100.0
Issued and fully paid:		
137,379,634 (2012: 137,372,255) ordinary shares of 50p	68.7	68.7

During the year, 7,379 shares (2012: 80,870) 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

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.

19.1 SAYE programme

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

Scheme year	2013 No. of options	2012 No. of options
2008	18,193	24,781
2009	44,170	124,826
2010	-	22,550
2011	30,294	115,740
2013	380,367	-
	473,024	287,897

No awards were made in the previous financial year.

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

	Year ended 30 June			
	2013 No. of options	Weighted average exercise price (p)	2012 No. of options	Weighted average exercise price (p)
Outstanding at the start of year	287,897	132	465,413	132
Granted	403,287	89	-	-
Exercised	(7,379)	132	(80,870)	132
Forfeited	(210,781)	127	(96,646)	132
Outstanding at end of year*	473,024	97	287,897	132

* 18,193 of these options are exercisable as at 30 June 2013.

The fair values of the share options granted during the year have been calculated using the following assumptions:

2013 award assumptions	3-year	5-year
Date of grant	1 March 2013	1 March 2013
Fair value (pence)	14	12
Exercise price (pence)	89	89
Share price (pence)	110	110
Expected volatility	17%	17%
Expected dividend yield	6.6%	6.6%
Risk-free rate	2.2%	2.2%

Notes to the financial statements continued

2013 award details

Date of grant	1 March 2013
No. of shares awarded	403,287
Vesting conditions	3- or 5-year savings term
Exercise period - 3-year	1 May 2013 - 31 October 2016
Exercise period - 5-year	1 May 2013 - 31 October 2018

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.

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

19.2 Long Term Incentive Plan (LTIP)

The Company has introduced LTIPs for the Executive and senior management based on EEV performance over the 3 years ended 30 June 2013 and the 3 years ending 30 June 2014. 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 2013 therefore there is no charge in the Consolidated Income Statement (2012: nil).

20 Other reserves

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

	2013 £m	2012 £m
Merger reserve	(48.5)	(48.5)
Share premium	0.1	0.1
Share save reserve	0.1	0.1
	(48.3)	(48.3)

21 Capital management

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

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

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

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

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

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



21.1 Capital position at the balance sheet date

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.

Except in relation to Deferred Acquisition Cost (DAC) assets held by Hansard Europe Limited at the balance sheet date, the capital, defined as total shareholders' funds, is available to meet the regulatory capital requirements without any restrictions. The Group's other assets are largely cash and cash equivalents, deposits with credit institutions and money market funds.

	2013 £m	2012 £m
Consolidated shareholders' funds	39.8	44.9
Adjustment arising from change in GAAP basis (*)	20.7	17.8
Total shareholders' funds	60.5	62.7
Comprising shareholders' funds of:		
Non-life assurance Group companies	18.7	26.6
Life assurance subsidiary companies	41.8	36.1
	60.5	62.7
Less: DAC asset inadmissible for solvency purposes	(1.8)	(2.0)
Total capital available to meet regulatory capital requirements	58.7	60.7

*These 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.

21.2 Regulatory Minimum Solvency Margin

The aggregate required minimum margin of the regulated entities at each balance sheet date was as set out below.

	2013 £m	2012 £m
Aggregate minimum margin	4.9	4.6

21.3 Required regulatory capital

As both regulated entities provide unit-linked contracts only, the majority of surplus can generally be distributed to shareholders subject to meeting the regulatory and working capital requirements of each business. Conditions imposed by the Central Bank of Ireland as a result of the implementation of the revised Operating Model for Hansard Europe Limited have the effect of delaying dividends or other distributions from that company until such time as the Operating Model is fully embedded and the legal cases referred to in note 25.2 are concluded. That company's capital available to meet regulatory capital requirements at 30 June 2013, which is incorporated within the table above, is £12.8m (2012: £11.4m).

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 is through the operation of unit-linked business and to restrict the investment of its capital 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 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 Actuarial Review, Audit, Executive, Investment and Risk Committees. Additional information concerning the operation of the Board Committees is contained in the Corporate Governance section of this Report and 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 managed 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 Group's exposure is limited to the extent that certain contract income is based on the value of assets under administration.

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 assets under administration. 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 the Group's profits and equity of a 10% change in fund values, either as a result of price or currency fluctuations, is £1.5m (2012: £1.5m).

(b) Interest rate risk

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

The Group is primarily exposed to interest rate risk on the balances that it holds with credit institutions and in money market funds.

Taking into account the proportion of Group funds held on longer-term, fixed-rate deposits, a change of 1% p.a. in interest rates will result in an increase or decrease of approximately £0.6m (2012: £0.4m) 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.

(c) Currency risk

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

(c)(i) Group foreign currency exposures

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

	2013 US\$m	2013 €m	2013 ¥m	2012 US\$m	2012 €m	2012 ¥m
Gross assets	11.9	9.1	838.0	12.4	8.6	277.6
Matching currency liabilities	(10.1)	(3.2)	(719.1)	(10.3)	(2.0)	(249.2)
Uncovered exposures	1.8	5.9	118.9	2.1	6.6	28.4
Sterling equivalent of exposures (£m)	1.2	5.1	0.8	1.3	5.4	0.2



The approximate impact on profit and equity of a 5% change in the value of these currencies against sterling is immaterial to an understanding of IFRS profits. The approximate effect of a 5% change in the value of US dollars to sterling is £0.1m (2012: £0.2m), in the value of the euro to sterling is £0.2m (2012: £0.3m), and in the value of the yen to sterling is less than £0.1m (2012: £nil).

(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	2013 %	2012 %
US Dollars	55.0	53.0
Euro	25.0	26.0
Sterling	16.0	17.0
Others	4.0	4.0
	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 unitised money market funds.

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

	2013 £m	2012 £m
Deposits with credit institutions	40.0	39.2
Investments in money market funds	27.2	26.1
	67.2	65.3

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

Liquidity risk is principally managed in the following ways:

- Assets of a suitable marketability are held to meet 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

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

	2013 £m	2012 £m
Maturity within 1 year		
Deposits and Money Market funds	62.2	43.7
Other assets	3.6	4.2
	65.8	47.9
Maturity from 1 to 5 years		
Deposits with credit institutions	5.0	21.6
Other assets	1.3	2.0
	6.3	23.6
Assets with maturity values	72.1	71.5
Other shareholder assets	132.5	122.9
Shareholder assets	204.6	194.4
Gross assets held to cover financial liabilities under investment contracts	1,029.5	1,035.4
Total assets	1,234.1	1,229.8

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 value of the Group's assets on an undiscounted basis and the balance sheet values.

22.5 Fair value measurement hierarchy

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.

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. 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 2013:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss				
Equity securities	25.8	-	-	25.8
Collective investment schemes	830.3	22.8	-	853.1
Fixed income securities	27.0	-	-	27.0
Deposits and money market funds	144.3	-	-	144.3
Total financial assets at fair value through profit or loss	1,027.4	22.8	-	1,050.2



During this financial year, no assets were transferred from Level 2 to Level 1. Assets with a fair value of £4.7m were transferred from Level 1 to Level 2.

Assets with a value of £10.9m (2012: £29.3m) 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. No assets were reclassified from Level 3 to Level 1 or Level 2 during the financial year.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities at fair value through profit or loss	-	1,028.1	-	1,028.1

The following table analyses the Group's financial assets and liabilities at fair value through profit or loss, at 30 June 2012:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss				
Equity securities	31.2	-	-	31.2
Collective investment schemes	806.1	32.4	-	838.5
Fixed income securities	38.7	-	-	38.7
Deposits and money market funds	147.5	-	-	147.5
Total financial assets at fair value through profit or loss	1,023.5	32.4	-	1,055.9

Assets with a fair value of £14.2m were transferred to Level 2 during the year ended 30 June 2012.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities at fair value through profit or loss	-	1,033.8	-	1,033.8

23 Financial commitments

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

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

	2013 £m	2012 £m
Amounts due:		
Within one year	0.6	0.5
Between one and five years	2.0	2.1
After five years	1.1	1.4
	3.7	4.0

Notes to the financial statements continued

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 10 individuals (2012: 10), being executive Directors of the Company, executive Directors of direct subsidiaries of the Company and the Company Secretary.

The aggregate remuneration paid to key management as at 30 June 2013 is as follows:

	2013 £m	2012 £m
Salaries, wages and bonuses	2.8	2.6
Charged to the income statement	2.8	2.6
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	5.8	-
The sum assured or fund balance of those policies at 30 June	11.8	17.0

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

24.3 Employee Benefit Trust

An Employee Benefit Trust was established in November 2011 with the transfer to it of 400,000 ordinary shares in Hansard Global plc by Dr Polonsky. The purpose of the Trust is to use the income derived from dividends to reward longer serving staff, where sales targets are met. The first awards by the Trust totalled approximately £33,000 and were made in December 2012. These awards are not reflected as an expense in these financial statements.

The second awards by the Trust are expected to total approximately £21,000 and to be made in December 2013.

24.4 Other related party transactions

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



25 Provisions and contingent liabilities

25.1 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.

Included in note 17 is an amount totalling £0.3m (€0.4m) relating to an expected settlement in a legal case brought against Hansard Europe Limited. The terms of the settlement were agreed in May 2013 and payment has not yet been made as formalities have not been concluded.

25.2 Contingent liabilities

The Group does not give any investment advice and this is left to the policyholder directly or through an agent, advisor or an entity appointed at the policyholder's request or preference. Policyholders bear the financial risk relating to the investments underpinning their contracts, as the policy benefits are linked to the value of the assets.

Notwithstanding the above, financial services institutions are frequently drawn into disputes in cases where the value and performance of assets selected by or on behalf of policyholders fails to meet their expectations. This is particularly true of more complex structured products distributed throughout Europe that have been selected for inclusion in policies by policyholders and / or their agents. At the balance sheet date a number of those fund structures remain affected by liquidity or other issues that hinder their sales or redemptions on normal terms with a consequent adverse impact on policy transactions.

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

At the date of this report, there remains a number of unsettled writs served upon Hansard Europe Limited totalling €4.6m or approximately £3.9m (2012: €14m or approximately £11m).

While it is not possible to forecast or determine the final results of pending or threatened legal proceedings, based on the pleadings and advice received from the Group's legal representatives, the Directors believe that the Group will be successful in its defence of these claims. Accordingly no provisions have been made in respect of outstanding complaints other than that referred to in 25.1.

26 Foreign exchange rates

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

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

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

	2013	2012
US Dollar	1.52	1.57
Japanese Yen	150.82	125.32
Euro	1.17	1.24

Parent Company Balance Sheet

	Notes	2013 £m	2012 £m
Assets			
Investment in subsidiary companies	2	71.8	71.8
Long term deposits with credit institutions		5.0	10.0
Cash and cash equivalents	3	10.4	12.7
Amounts due from subsidiary companies	4	2.8	2.1
Other receivables	5	1.2	0.8
Tangible assets		0.2	0.1
Total assets		91.4	97.5
Liabilities			
Amounts due to subsidiary companies	4	1.0	1.2
Other payables		1.4	1.2
Total liabilities		2.4	2.4
Net assets		89.0	95.1
Shareholders' equity			
Called up share capital	6	68.7	68.7
Share premium		0.1	0.1
Retained earnings	7	20.1	26.2
Share save reserve		0.1	0.1
Total shareholders' equity	8	89.0	95.1

The notes on pages 71 to 74 form an integral part of these financial statements.

The parent company financial statements on pages 70 to 74 were approved by the Board on 25 September 2013 and signed on its behalf by:



L S Polonsky
Director



G S Marr
Director



Notes to the parent company financial statements

1. 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 2013, including dividends received from subsidiaries, is £9.4m (2012: £17.1m).

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 and 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 approximate 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 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:

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

Notes to the parent company financial statements continued

2 Investments in subsidiary companies

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

All cash and cash equivalents are held in money market funds.

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 Other receivables

The Company purchased a freehold property on 1 July 2013 for £0.4m and anticipates spending a further £0.1m before the property is brought into use. Proceeds were paid for the property before year end and are included in other receivables in the balance sheet.

6 Share capital

	2013 £m	2012 £m
Authorised:		
200,000,000 ordinary shares of 50p	100.0	100.0
Issued and fully paid:		
137,379,634 (2012:137,372,255) ordinary shares of 50p	68.7	68.7

During the year, 7,379 (2012: 80,870) 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.

7 Retained earnings

	2013 £m	2012 £m
Profit for the financial year	9.4	17.1
Dividends paid	(15.5)	(19.1)
Net decrease in retained earnings	(6.1)	(2.0)
As at 1 July	26.2	28.2
	20.1	26.2

8 Movement in shareholders' equity

	2013 £m	2012 £m
Profit for the financial year	9.4	17.1
Dividends paid	(15.5)	(19.1)
Increase in share capital	-	0.1
Increase in share premium	-	0.1
Net decrease in shareholders' equity	(6.1)	(1.8)
As at 1 July	95.1	96.9
	89.0	95.1

9 Related party transactions

The Company has taken advantage of the exemption in FRS 8 'Related Party Disclosures' not to disclose transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group.

During the year fees totalling £0.2m (2012: £0.2m) were paid to non-executive Directors.

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

10 Equity settled share-based payments

10.1 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	2013	2012
2008	15,810	22,398
2009	44,170	124,826
2010	-	15,988
2011	15,785	85,031
2013	380,367	-
	456,132	248,243

No awards were made in the previous financial year.

Notes to the parent company financial statements continued

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

	2013		2012	
	No. of options	Weighted average exercise price (p)	No. of options	Weighted average exercise price (p)
Outstanding at the start of year	248,243	133	389,446	133
Granted	403,287	89	-	-
Exercised	(7,379)	133	(80,870)	133
Forfeited	(188,019)	128	(60,333)	133
Outstanding at end of year*	456,132	96	248,243	133

* 15,810 of these options are exercisable as at 30 June 2013.

The fair values of the share options granted during the year have been calculated using the following assumptions:

2013 award assumptions	3-year	5-year
Date of grant	1 March 2013	1 March 2013
Fair value (pence)	14	12
Exercise price (pence)	89	89
Share price (pence)	110	110
Expected volatility	17 %	17 %
Expected dividend yield	6.6 %	6.6 %
Risk-free rate	2.2 %	2.2 %

2013 award details

Date of grant	1 March 2013
No. of shares awarded	403,287
Vesting conditions	3- or 5-year savings term
Exercise period - 3-year	1 May 2013 - 31 October 2016
Exercise period - 5-year	1 May 2013 - 31 October 2018

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.

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

10.2 Long-Term Incentive Plan (LTIP)

The Company has introduced LTIPs for the Group's Executive and senior management based on EEV performance over the 3 years ended 30 June 2013 and the 3 years ending 30 June 2014. The awards may take the form of a conditional right to acquire shares, a nil-cost option or a forfeitable award.

The minimum conditions required under the plans were not achieved in the year ended 30 June 2013 therefore there is no charge in the Income Statement (2012: nil).



1 Introduction

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

The EEV comprises Net Worth and the Value of In Force ("VIF") i.e. future profits – from business in-force at the valuation date, 30 June 2013. It excludes the value of any future new business that the Group may write after the valuation date. All results are calculated net of corporation tax.

The Group's EEV methodology complies fully with the set of EEV Principles published by the CFO Forum in May 2004 and extended in October 2005. It has been calculated using market-consistent economic assumptions and best estimate operating assumptions having regard for the Group's experience and its assessment of future experience. A description of the EEV methodology is set out in the Notes to the EEV Information. There have been no significant changes in the EEV methodology from that used in the previous financial year.

2 EEV Profit Performance for the Year

2.1 EEV Profit

EEV Profit is a measure of the performance over the year. It is derived as follows:

	2013 £m	2012 £m
New Business Contribution	22.5	16.8
Expected Return on business (new and existing)	1.2	5.4
Expected return on Net Worth	0.3	1.6
Model Changes	(2.6)	0.0
Operating Assumption Changes	(4.2)	(13.0)
Experience Variances	(5.5)	(6.0)
EEV Operating Profit after tax	11.7	4.8
Investment Return Variances	7.9	(17.1)
Economic Assumption Changes	(2.6)	(1.4)
EEV Profit after tax	17.0	(13.7)

2.1.1 New Business Contribution ("NBC")

New Business Contribution is the value of new business written in the year. It is calculated at point of sale. NBC for the year is £22.5m (2012: £16.8m).

European Embedded Value Information continued

2.1.2 Expected Return on In Force (new and existing business)

Under EEV methodology, it is a convention to assume that the value of the business grows at 'start of period' assumptions. The Expected Return is therefore based on assumptions determined at 30 June 2012. These assumptions are applied to give the expected conversion from VFP to Net Worth in the year, and the time value of both existing business and non-market risk.

No assumptions are made about new business, so the New Business Strain is that incurred in the year from new sales, using end of period assumptions (i.e. assumptions determined at 30 June 2013).

	2013				2012			
	EEV	Net worth	VIF	Non-market Risk*	EEV	Net worth	VIF	Non-market Risk*
	£m	£m	£m	£m	£m	£m	£m	£m
Cash generated from existing business	0.0	39.1	(39.1)	0.0	0.0	38.9	(38.9)	0.0
New Business Strain	0.0	(26.8)	26.8	0.0	0.0	(22.6)	22.6	0.0
Time value of existing business	1.1	0.3	0.8	0.0	5.4	0.7	4.7	0.0
Time value of new business	0.1	(0.1)	0.2	0.0	0.2	(0.3)	0.5	0.0
Time value of non-market risk	0.0	0.0	0.0	0.0	(0.2)	0.0	0.0	(0.2)
	1.2	12.5	(11.3)	0.0	5.4	16.7	(11.1)	(0.2)

*this includes frictional costs

The expected value of cash generated from existing business of £39.1m is very similar to last year's (2012: £38.9m), reflecting the solidity of the existing business. The higher New Business Strain of £26.8m (2012: £22.6m) reflects higher new business and a different business mix (generally towards business with higher New Business Strain per £ of premium). The time value figures reflect the economic assumptions at 30 June 2012 and 2013.

2.1.3 Experience Variances

Experience Variances arise where actual experience differs from that assumed in the prior year's EEV.

	2013 £m	2012 £m
Ongoing expenses	0.7	(0.7)
Premium reductions & underpayments	(0.1)	(0.1)
Policies made paid up	(0.3)	(1.9)
Partial encashments	(0.8)	0.5
Full encashments	(1.0)	(1.2)
One-off expenses	(3.3)	(0.8)
Other	(0.7)	(1.8)
Experience variances	(5.5)	(6.0)

The most notable feature of this year's experience variances is the one-off expenses of £3.3m (2012: £0.8m). This has arisen primarily from action taken to conclude litigation.

2.1.4 Operating Assumption Changes

The Operating Assumption Changes reflect changes in management's view of the behaviour of the existing business. They reduced the EEV by £4.2m (2012: £13.0m), as shown below.

	2013 £m	2012 £m
Ongoing expenses	(1.3)	(2.8)
Changes to charge & expense inflation	1.7	0.0
Premium reductions & underpayments	(4.1)	(1.5)
Policies made paid up	0.6	(2.0)
Partial encashments	(5.0)	(0.4)
Full encashments	3.9	(2.4)
Other	0.0	(3.9)
Operating Assumption Changes	(4.2)	(13.0)

The investigations to assess experience and hence to lead the assumption setting process have been extensively re-worked this year. This notwithstanding, the book is relatively small and patterns in data may be magnified simply due to randomness.

2.1.5 Expected Return on Net Worth

The Expected Return on Net Worth of £0.3m (2012: £1.6m) reflects the anticipated increase in shareholder assets over the period due to the time value of money. In line with EEV convention, its calculation is based on the 30 June 2012 year one risk discount rate of 0.6% (2012: 2.7%).

2.1.6 Model Changes

The Group continues to develop its modelling functionality.

In particular, this year, it refined the approach to the selection of discount rates, moving from a single weighted average rate to an approach which applies the actual currency-denominated risk-free rate by term (in years) to liabilities. This resulted in a slight increase in VFP. The approach to modelling unit pricing margins and certain foreign exchange margins was simplified. These changes reduced VFP.

As a result of these model changes, EEV was reduced by £2.6m (2012: £nil).

2.1.7 Investment Return Variances

The impact of market and economic conditions led to EEV Investment Return Variances of £7.9m (2012: £(17.1m)). The investment return primarily reflects the performance of investments chosen by policyholders, while the shareholder return is primarily dictated by the risk-free rates assumed in the EEV calculation.

	2013 £m	2012 £m
Investment performance of policyholder funds	6.2	(14.1)
Exchange rate movements	1.6	(1.4)
Shareholder return	0.2	(1.2)
Other	(0.1)	(0.4)
Investment Return Variances	7.9	(17.1)

2.1.8 Economic Assumption Changes

Economic Assumption Changes resulted in an EEV loss of £2.6m (2012: £(1.4m)). This reflects changes to government bonds yields for the currencies in which the Group is exposed, and the revaluation of policyholder assets that are subject to restrictions on normal pricing, as referred to in the balance sheet presented under IFRS.

European Embedded Value Information continued

2.2 Analysis of EEV Profit by EEV Component

The table below shows a detailed analysis of EEV profit after tax for the year ended 30 June 2013.

	2013 Movement In					2012 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	22.5	0.0	22.5	0.0	0.0	16.8	0.0	16.8	0.0	0.0
Expected Return on new and existing business	1.2	12.5	(11.3)	0.0	0.0	5.4	16.6	(11.0)	(0.2)	0.0
Experience Variances	(5.5)	(5.1)	(0.4)	0.0	0.0	(6.0)	(4.7)	(1.1)	0.0	(0.2)
Operating Assumption Changes	(4.2)	0.0	(4.2)	0.0	0.0	(13.0)	0.0	(13.0)	0.0	0.0
Expected Return on Net Worth	0.3	0.3	0.0	0.0	0.0	1.6	1.6	0.0	0.0	0.0
Model Changes	(2.6)	0.0	(2.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EEV Operating Profit after tax	11.7	7.7	4.0	0.0	0.0	4.8	13.5	(8.3)	(0.2)	(0.2)
Investment Return Variances	7.9	2.0	5.9	0.0	0.0	(17.1)	(3.9)	(13.2)	0.0	0.0
Economic Assumption Changes	(2.6)	0.0	(2.6)	0.0	0.0	(1.4)	0.0	(1.4)	0.0	0.0
EEV Profit after tax	17.0	9.7	7.3	0.0	0.0	(13.7)	9.6	(22.9)	(0.2)	(0.2)

3 Embedded Value at 30 June 2013

3.1 EEV Balance Sheet

Following the payment of dividends of £15.5m (2012: £19.1m), the Group's EEV has increased to £225.7m (2012: £224.3m). The EEV balance sheet is presented below.

	2013 £m	2012 £m
Free surplus	20.0	35.1
Required Capital	24.6	15.3
Net Worth	44.6	50.4
VIF	188.2	180.9
Reduction for non-market risk	(6.1)	(6.0)
Frictional costs	(1.0)	(1.0)
Value of Future Profits ("VFP")	181.1	173.9
EEV	225.7	224.3

Net Worth is the market value of shareholder funds on an IFRS basis with adjustments to exclude certain accounting assets and liabilities. At the balance sheet date, the Net Worth of the Group is represented by liquid cash balances. The Required Capital has increased significantly following the decision to close Hansard Europe Limited to new business, a consequence of which is that the Group has given undertakings not to release capital from that business until its new operating model has stabilised and other regulatory requirements have been satisfied. Currently, the Group estimates that this additional required capital (of, currently £9.3m) will be constrained for three years.

The Value of expected future profits is the capitalised value of future profit allowing for best estimate policyholder behaviour and generally specified economic assumptions. It is based on the value of policyholder funds under administration at 30 June 2013. The Reduction for non-market risk represents the capitalised cost of operational risk. Frictional costs are the costs associated with holding Required Capital.



4 New Business Profitability

The Group writes business on a profitable basis. The following metrics illustrate the profitability of the Group's new business written in the year.

4.1 New Business Margin

New Business Margin is the New Business Contribution (NBC) divided by the Present Value of New Business Premiums (PVNBP). It is a measure of profitability (not profit), comparing the expected profit with the value of expected premiums.

	2013	2012
New business sales (PVNBP)	£188.7m	£175.7m
New business contribution (NBC)	£22.5m	£16.8m
New business margin (NBM)	12.0%	9.6%

The New Business Margin for the year is 12.0% (2012: 9.6%), an increase of some 25%. This is primarily due to the change in mix of sales towards higher-margin regular-premium business.

NBC and PVNBP have, by convention, been calculated using 30 June 2012 economic assumptions and 30 June 2013 operating assumptions. As for the VIF, the NBC does not take credit for returns in excess of the projected risk-free return. NBC is shown after allowing for the cost of required capital, calculated on the same basis as for in-force business.

4.2 Internal Rate Of Return (IRR)

New business requires initial capital investment to cover set-up costs including commission. The Internal Rate of Return (IRR) is a measure of the post-tax shareholder return on the capital so 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. IRR is a profitability, rather than a profit, measure.

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

4.3 Break Even Point (BEP)

The Break Even Point (BEP) indicates how quickly shareholders can expect new business to repay its initial capital investment. It is the point at which the initial capital invested is recouped from profit from that business. BEP is calculated ignoring the time-value of money.

The average BEP for new business written during the year is 2.0 years (2012: 2.6 years). The reduction reflects the change in mix to regular premium business.

European Embedded Value Information continued

5 EEV Sensitivity Analysis

Sensitivities provide an indication of the impact of changes in particular assumptions on the EEV at 30 June 2013 and the NBC for the year then ended.

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

The sensitivity analysis indicates that the Group's exposure to operating factors is limited, largely as a result of product design. A change in the level of expenses is the main operating exposure of the Group, although the VIF has become proportionately less sensitive to the changes in expense assumptions as a result of Hansard Europe Limited being closed to new business. The largest sensitivities for the Group are related 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	NBC £m
Central assumptions	225.7	22.5
Operating sensitivities		
10% decrease in expenses	7.3	1.4
1% increase in expense inflation	(5.3)	(1.4)
1% increase in charge inflation	5.0	1.5
1% decrease in charge inflation	(3.3)	(1.2)
1% increase in expense & charge inflation	(0.2)	0.2
1% decrease in expense & charge inflation	1.5	0.0
10% decrease in full encashment rates	2.1	0.4
Economic sensitivities		
1% increase in risk discount rate	(8.8)	(2.3)
1% decrease in investment return rate	(6.6)	(1.0)
1% increase in risk discount rate & investment return rate	(2.6)	(1.4)
1% decrease in risk discount rate & investment return rate	0.9	1.0
10% decrease in the value of equities and property	(8.7)	0.0
10% depreciation against sterling	(17.2)	(2.3)

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 different from the sum of the individual sensitivities.

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

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. In April 2011, the CFO Forum withdrew the intention that the MCEV approach is the only recognised format of embedded value reporting from 31 December 2011. The withdrawal reflects the ongoing development of insurance reporting under Solvency II and IFRS. The CFO Forum remains committed to the value in supplementary information, including embedded value.

That said, the Group's EEV is already calculated on a market-consistent bottom-up basis. This year, the approach to determining the risk discount rate was extended to use currency-dependent risk-free rates appropriate to the term of annual cash flows (based on relevant interest swap rates as at 30 June 2013). (Previously, a single rate was derived as the weighted sum of the mean term currency liability cash flows). 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 2012. 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 projected 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.

2.3.1 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, the regulatory solvency margin, an internal margin held in excess of these statutory requirements, and the shareholder capital of Hansard Europe Limited which, following its closure to new business, is deemed to be restricted for three years.

2.3.2 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.

2.4 Present value of future profits

The present value of future profits (VFP) is calculated as:

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

2.4.1 Value of in-force covered business

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. 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 all net cash flows arising from the products supported by the subsidiary companies providing administration, distribution and other services.

2.4.2 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 in the calculation of the present value of future profits.



2.4.3 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.

2.5 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 insurers, 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. for expenses, mortality, full and partial encashments, premium persistency and other policyholder activity) having regard for the Group's experience and management's best estimate of future behaviour, 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 financial options or guarantees. The three main product groups are regular premium, personal portfolio 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 the directors' estimate of realistic future expense levels.

On review, some expenses previously recorded as 'one-off' which have recurred have now been absorbed into the expected acquisition expenses (and hence will be reflected in the NBC).

The allocation of expenses between acquisition and maintenance is generally consistent with prior years and the allocation used to derive the pricing and reserving bases. In preparing Hansard Europe for closure, a tariff structure has been agreed for its per policy expenses in run off, and it is the tariff that has been used in the calculation of Hansard Europe's VIF rather than the underlying expenses, on the basis that this is a better reflection of the worth of that emerging value to the Group.

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 £3.3m in the year ended 30 June 2013 (2012: £0.8m).

Save for those mentioned above, there has been no material change from the previous year to the Group's methodology for allocating expenses between different types of cost.

3.2 Demographic assumptions

Assumptions for future rates of mortality, full and partial encashments, 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. 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 2013	30 June 2012
Isle of Man	0%	0%
Republic of Ireland	12.5%	12.5%

Notes to the European Embedded Value Information *continued*

3.4 Non-market risk

The directors have established an allowance of £6.1m (2012: £6.0m) to account for the cost of non-market risks. This amount is equivalent to an increase of 0.7% 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 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 valuation 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.

This year, the approach has changed. In prior years, a single equivalent risk-free rate was derived using the term and currency of overall cash flows that would produce similar results to those using individual cash flow risk-free rates (bid swap yield curves). This year, individual cash flows in GBP, JPY, USD and EUR have been valued with the appropriate currency matching risk-free rate split by annual terms. For the unwind, the relevant one-year yield for GBP, JPY, USD and EUR was used to calculate the expected returns from 30 June 2012 to 30 June 2013, weighted by the currency of funds. The aggregate weighted rate is shown in the table below:

Risk-free rate	30 June 2013	30 June 2012
Aggregate weighted discount rate	2.2%	1.6%
Aggregate weighted one-year discount rate	0.4%	0.6%

4.2 Risk discount rate

The risk discount rates are set to the risk-free rates for the applicable currency and term. The EEV calculation uses the risk-free rates at the end of the year (i.e. at the valuation date), while the calculation of NBC and PVNBP uses the risk-free rate at the start of the year (i.e. at the previous year-end date).

Risk discount rate	Year ended 30 June 2013		Year ended 30 June 2012	
	EEV	NBC	EEV	NBC
per annum	2.2%	1.6%	1.6%	2.7%

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. The rate is calculated based on the aggregate weighted discount rate.

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

Inflation assumptions are as follows:

Inflation rates	30 June 2013	30 June 2012
Expense inflation per annum	3.0%	5.0%
Charge inflation per annum – Hansard Europe Limited	5.0%	5.0%
Charge inflation per annum – Hansard International Limited – Year 1	2.4%	5.0%
Charge inflation per annum – Hansard International Limited – Year 2	2.7%	5.0%
Charge inflation per annum – Hansard International Limited – Year 3+	3.0%	5.0%

The 5% charge inflation rate for Hansard Europe reflects the terms of the products. The three-year stepped approach to charge inflation for Hansard International reflects the terms of the products, trending towards a long-term inflation rate of 3% per annum.

Report of the Reviewing Actuaries

The Directors
Hansard Global plc
Harbour Court, Lord Street, Box 192
Douglas, Isle of Man IM99 1QL
25 September 2013

Dear Sirs

Review of the European Embedded Value ("EEV") of Hansard Global plc for the year ended 30 June 2013

Our role

Deloitte MCS Limited 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 2013.

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 MCS Limited

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Member of Deloitte Touche Tohmatsu Limited



Glossary

Account Executives

Individuals employed by the Group to develop markets and support IFAs.

Annualised premium equivalent (APE)

An industry measure of insurance new business sales. It is calculated as the sum of regular premiums and 10% of single premiums written in the year.

Assets under administration (AUA)

A measure of the total assets that the Group administers on behalf of policyholders, who have selected an external third party investment manager.

Assumptions

Variables applied to data used to project expected outcomes.

Board

The board of Directors of the Company.

Break-even point (BEP)

The Break-even point, or cash payback on new business, indicates how quickly shareholders can expect new business to repay its initial capital investment. It is the point at which the initial capital invested is recouped from profit from that business. BEP is calculated ignoring the time-value of money.

CFO Forum

A high-level discussion group formed and attended by the Chief Financial Officers of major European listed, and some non-listed, insurance companies.

Company

Hansard Global plc.

Compensation Credit (CC)

The Group's prime indicator of calculating new business production. This indicates the relative value of each piece of new business and is used, therefore, in the calculation of commission payable.

Corporate Governance Code

The UK Corporate Governance Code sets out guidance in the form of principles and provisions on how companies should be directed and controlled to follow good governance practice. The Financial Reporting Council requires companies listed in the UK to disclose how they have applied principles of the Code and whether they have complied with its provisions throughout the accounting year. Where the provisions have not been complied with, companies must provide an explanation for this.

Covered business

The business covered by the EEV methodology. This includes all contracts issued by the Group's insurance company subsidiaries. Additional information may be found in the EEV methodology within the EEV supplementary information.

Deferred origination costs (DOC)

The method of accounting whereby origination costs of long-term business are deferred in the balance sheet as an asset and amortised over the life of those contracts. This leads to a smoothed recognition of up front expenses instead of the full cost in the year of sale.

Deferred income reserve (DIR)

The method of accounting whereby front end fees that relate to services to be provided in future periods are deferred in the balance sheet as a liability and amortised over the life of those contracts. This leads to a smoothed recognition of up front income instead of the full income in the year of sale.

Development costs

Costs that are considered to be non-recurring and are reported separately from other expenses in the EEV movement analysis.

Director

A director of the Company.

Discounting

The reduction to present value at a given date of a future cash transaction at an assumed rate, using a discount factor reflecting the time value of money.

Earnings per share (EPS)

EPS is a commonly used financial metric which can be used to measure the profitability and strength of a company over time. EPS is calculated by dividing profit by the number of ordinary shares. Basic EPS uses the weighted average number of ordinary shares outstanding during the year. Diluted EPS adjusts the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, for example share awards and share options awarded to employees.

Economic assumptions

Assumptions in relation to future interest rates, investment returns, inflation and tax. These assumptions, and variances in relation to these assumptions, are treated as non-operating profits / (losses) under EEV.

Enterprise risk management (ERM) programme.

The programme implemented by the Group to promote identification, monitoring and management of risks.

European Embedded Value (EEV)

The EEV is the value to shareholders of the net assets plus the expected future profits on in-force business from a life assurance business. Prepared in accordance with the EEV Principles and Guidance issued in May 2004 by the CFO Forum and the Additional Guidance issued in October 2005. EEV reports the value of business in-force based on a set of best estimate assumptions, allowing for the impact of uncertainty inherent in future assumptions, the costs of holding required capital and the value of free surplus.

EEV operating profit

Covered business EEV operating profit provides an assessment of the value generated by the Group during the year. It represents profit generated from new business sales and the in-force book of business, based on closing non-economic and opening economic assumptions.

EEV Information

EEV Information relates to details prepared on an EEV basis set out in pages 20 to 22 and 75 to 85.

Glossary continued

Expected return on EEV

Anticipated results based on applying opening assumptions to the opening EEV.

Experience variances

Current period differences between the actual experience incurred over the period and the assumptions used in the calculation of the embedded value, excluding new business non-economic experience variances which are captured in new business contribution.

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (FATCA) is a US law aimed at foreign financial institutions (FFIs) and other financial intermediaries to prevent tax evasion by US citizens and residents through use of offshore accounts. The FATCA provisions are expected to be implemented in 2014.

Free surplus

The amount of capital and any surplus allocated to, but not required to support, the in-force business covered by the EEV.

Frictional costs

The additional taxation and investment costs incurred by shareholders through investing the Required Capital in the Company rather than directly.

Group

Hansard Global plc and its subsidiaries.

Growth investment spend

Costs we incur investing in the future of our business, including technology to support our growth.

Independent Financial Advisors (IFAs)

A person or organisation authorised to give advice on financial matters and to sell the products of financial service providers. Outside the UK IFAs may be referred to by other names.

In-force

Long-term business which has been written before the period end and which has not terminated before the period end.

Internal rate of return (IRR)

A measure of rate of return on an investment and so an indicator of capital efficiency. The IRR is equivalent to the discount rate at which the present value of the after-tax cash flows expected to be earned over the lifetime of new business written is equal to the capital invested to support the writing of the business.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards are accounting standards issued by the International Accounting Standards Board (IASB). The Group's consolidated financial statements are required to be prepared in accordance with IFRS as adopted by the European Union to allow comparable reporting between companies.

IFRS equity per share

Total IFRS equity divided by the diluted number of issued shares at the end of the period.

Key performance indicators (KPI)

This is a measure by reference to which the development, performance or position of the business can be measured effectively.

Maintenance expenses

Expenses related to the servicing of the in-force book of business (including investment and termination expenses and a share of overheads).

Net worth

The market value of shareholders' funds.

New business contribution (NBC)

The expected present value of all future cash flows attributable to shareholders from new business, as included within EEV operating profit. NBC is calculated using economic assumptions set at the start of each quarter and the same operating assumptions as those used to determine the embedded values at the end of the reporting period and is stated after the effect of any frictional costs. Unless otherwise stated, it is also quoted net of tax.

New business margin (NBM)

New business margin is NBC expressed as a percentage of PVNBP. This measures whether new business written is adding value or eroding value.

New business strain (NBS)

Costs involved in acquiring new business (such as commission payments to intermediaries, expenses, reserves) affecting the insurance company's financial position at that point and where all of the income from that new business (including premiums and investment income) has not yet been received and will not be received until a point in the future. To begin with, therefore, a strain may be created where cash outflows exceed inflows.

Non-economic assumptions

Assumptions in relation to future levels of mortality, morbidity, persistency and expenses. These assumptions, and variances in relation to these assumptions, are included as operating profits/(losses) under EEV.

Origination costs

Expenses related to the procurement and processing of new business written including a share of overheads. Sometimes known as acquisition costs.

Present value of future profits (VFP)

The present value of future profits is calculated as:

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

Present value of new business premiums (PVNBP)

The industry measure of insurance new business sales under the EEV methodology. It is calculated as 100% of single premiums plus the expected present value of new regular premiums.

**Regular premium**

A regular premium contract (as opposed to a single premium contract), is one where the policyholder agrees at inception to make regular payments throughout the term of the contract.

Required capital

The amount of assets, over and above the value placed on liabilities in respect of covered business, whose distribution to shareholders is restricted.

Return on EEV (RoEV)

The annualised post-tax operating profit on an EEV basis expressed as a percentage of the opening embedded value, adjusted for dividends paid to shareholders.

Risk discount rate

The present value of a future cash amount depends on its currency and the time until it will become available. The present value is determined using a discount rate that reflects currency and timing. Discount rates are set based on swap rates for the relevant currency determined at year-long intervals for amounts in GBP, JPY, EUR and USD up to year 30, and the year 30 rate thereafter. This covers over 95% of the future expected cash amounts by funds under management: other currencies are assumed to be subject to the GBP rate. Year 1 rates are used to unwind the existing business and are shown separately in the disclosures.

Single premium

A single premium contract (as opposed to a regular premium contract (see above)), involves the payment of one premium at inception with no obligation for the policyholder to make subsequent additional payments.

Solvency II

A proposed EU-wide regulatory regime which intends to align solvency capital to an insurer's risk profile. It is uncertain when, or whether, this regime will be implemented: January 2016 has been suggested.

Unit linked policy

A policy where the benefits are determined by reference to the investment performance of a specified pool of assets referred to as the unit linked fund.

Value of In-force covered business (VIF)

VIF is the present value of expected future shareholder profits, less the present value cost of holding capital required to support the in-force business.

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Financial Calendar for the financial year ending 30 June 2014

Annual General Meeting	7 November 2013
Publication of first interim management statement	8 November 2013
Payment date for final dividend	13 November 2013
Announcement of 2nd quarter new business results	29 January 2014
Publication of half-yearly results	27 February 2014
Declaration of interim dividend	27 February 2014
Ex-dividend date for interim dividend	5 March 2014
Record date for interim dividend	7 March 2014
Payment of interim dividend	3 April 2014
Publication of second interim management statement	9 May 2014
Announcement of 4th quarter new business results	24 July 2014
Announcement of results for the year ended 30 June 2014	25 September 2014
Declaration of final dividend	25 September 2014
Ex-dividend date for final dividend	1 October 2014
Record date for final dividend	3 October 2014
Annual General Meeting	6 November 2014
Payment date for final dividend	13 November 2014

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