HANSARD GLOBAL plc

Structured for future growth

Annual Report and Accounts 2012

Hansard Global has a lean organisational structure and a low risk, high margin business model

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

Contents

Hansard Global administers assets in excess of £1 billion for over 540 financial advisor businesses with 48,000 client accounts in over 170 countries

Delivering on our Strategy

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

£124m
Record level of regular premium new business (2011: £112m)

71%
Regular premium new business as proportion of total new business (2011: 49%)

9.6%
Industry-leading new business margin (2011: 8.3%)

60%
Proportion of regular premium new business applications processed through Hansard OnLine

24/7 Hansard OnLine

We meet local needs in local languages

Policy information is available OnLine to policyholders and intermediaries with content presented in **11 different languages** (English, Dutch, French, German, Italian, Japanese, Mandarin, Norwegian, Portuguese, Spanish and Swedish).

Secure communications

- Approx. **40%** of policyholder correspondence is no longer posted.
- Clients access electronic copies via their **OnLine Account.**

OnLine processing to support intermediaries' business

- **OnLine processing of new business applications**

  Over **4,200** new business applications have been received OnLine since launch. **60%** of all new business applications are now received OnLine.

- **OnLine processing of policy investment transactions**

  The majority of Fund Advisors now transact policy-related investment dealing OnLine. Over **60%** of all available transactions are now processed OnLine.

Up to date analytical information

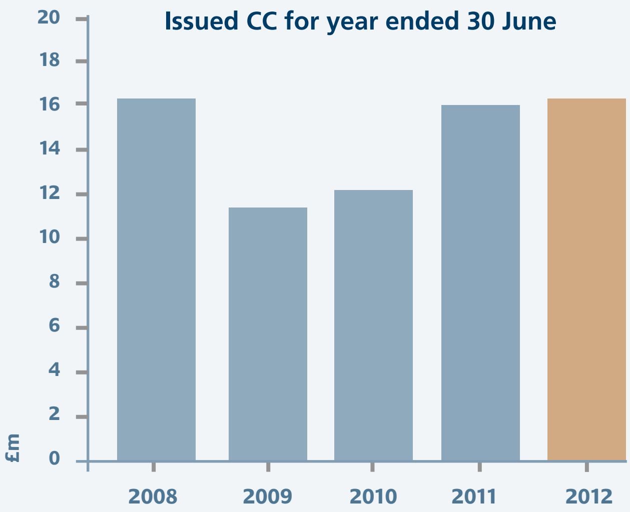
With the Policy Timeline functionality released last month the IFA is able to have a single-screen view of the entire policy history that allows them to zoom in on the correspondence and transactions at interesting points of the policy's life, and thus improve at a glance their understanding of the policyholder's relationship with Hansard.

Financial Track Record

New Business -

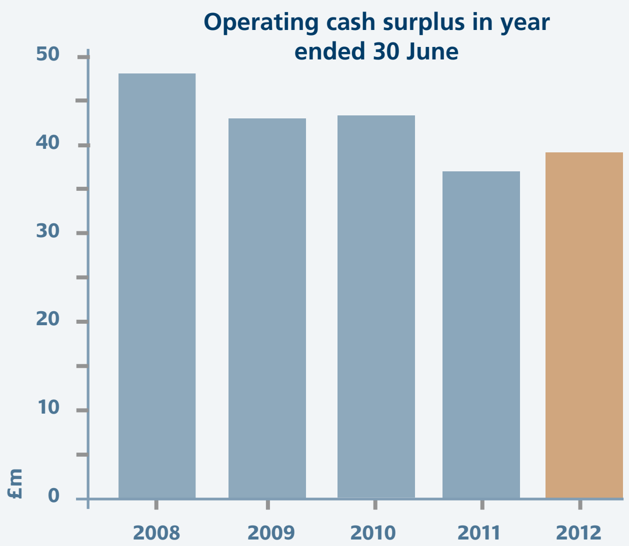
Issued Compensation Credit

New business for the year measured on the Group's internal metric is 3.6% above last year's level reflecting the strategic focus on regular premium flows from growth markets and continued investment in distribution infrastructure. New business levels under this basis have grown by an average of 14% annually since 30 June 2009.



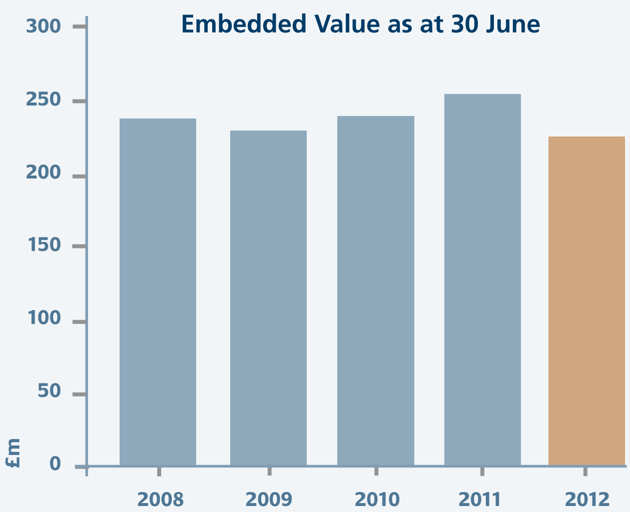
Operating cash surplus

One of the strategic aims of the business is to generate sufficient cash to support organic new business growth. The graph demonstrates the strength of cashflows generated by the existing book of investment contracts, despite increased expenses, that funds increased regular premium new business levels.



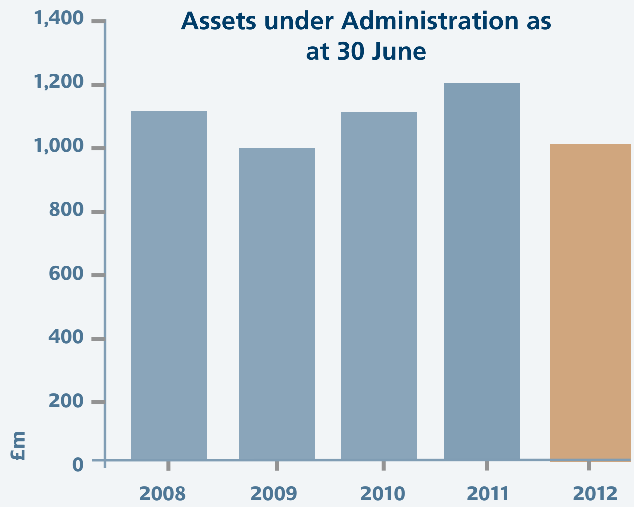
Embedded Value

Notwithstanding increased new business, the Group's EEV has reduced over the year to £224.3m. In addition to dividend payments of £19.1m, the change largely reflects a reduction in asset values and changes in policyholder behaviour in the light of sustained uncertainly around the economic environment for medium- to long-term savings.



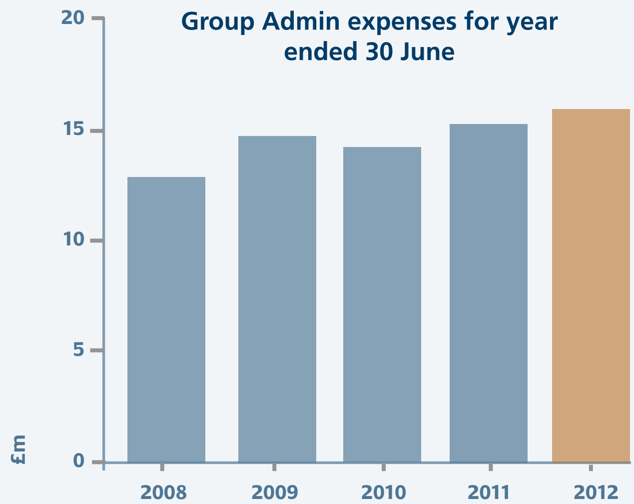
Assets under Administration

Assets under administration decreased by 15.9% over the year, driven by falls in asset values and withdrawals that have outweighed increased levels of regular premiums.



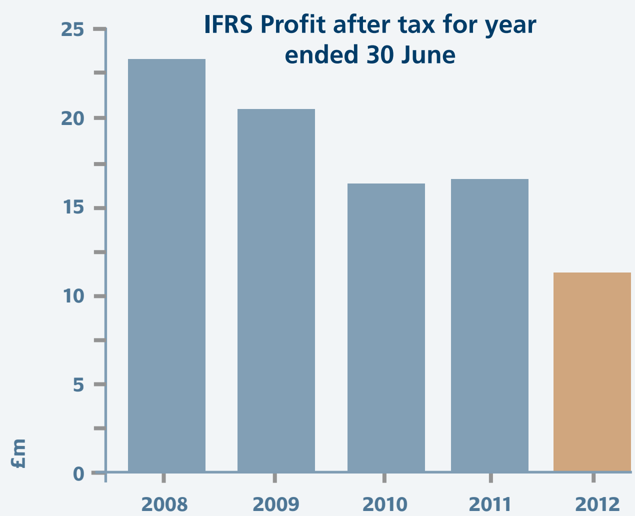
Group administrative expenses

This represents the direct costs of administering the policy book and related activities. It ignores developmental activities and professional fees to allow a more transparent view of underlying costs. The increase of 7% reflects increased regulatory and other costs.



IFRS profit after tax

While we enjoy significant positive operating cash flows, falling markets, instability in the Eurozone, and foreign currency rates that have tested new lows have all impacted on the Group's profitability. IFRS profit, before taking into account FX losses on the euro holdings in Hansard Europe Limited to meet regulatory capital requirements was £12.1m (2011: £15.2m). Profit after tax is £11.2m (2011: £16.5m).



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 2012.

The performance of the Group during the financial year demonstrates 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.

Almost 60% of this regular premium business has been introduced electronically through Hansard OnLine.

Despite turmoil in all major stock markets throughout the year, new business flows are marginally higher than those of the previous financial year on the Group's internal measure. The initial costs of acquiring this new business have been funded by positive cash flows generated internally.

However we are not immune from market forces that have combined to erode value for almost all market participants. Results under both IFRS and EEV reflect the impact of market falls during the year and reactions to the continuing uncertainties in the Eurozone.

International Financial Reporting Standards ("IFRS")

Reflecting continued investment in our business, reduced asset values and the continuing weakness of the Euro, IFRS profit after tax for the year is £11.2 million (US$17.6m), compared with the profit of £16.5m (US$25.9m) earned in the previous financial year. Earnings per share for the year are 8.2p (US 12.9 cents), compared with 12.0p (US 18.8c).

We remain confident that we will be successful following our appeal against the initial ruling in the Norwegian litigation and we anticipate continuing additional expenditure to address this and other cases of which we have been made aware.

European Embedded Value ("EEV")

Following the payment of dividends totalling £19.1m (US$30m) during the year, the Group's embedded value at 30 June 2012 is £224m (US$352m), (2011: £257m, US$403m). Falls in market levels and changes in policyholder behaviour have been incorporated in our expectations of value. EEV operating profit after tax of £4.8m (US$7.5m) has reduced from £14.9m (US$23.4m) in the previous year.

New business

Against the backdrop of volatile market conditions and global economic concerns affecting investor confidence, new business for the year is marginally above the level of the previous financial year. Increased new business levels have been driven, in large part, by the Group's continued focus on the growth markets of the Far East and Latin America, and continued investment in Hansard OnLine. Calculated on the Group's internal metric, Compensation Credit, new business has increased by 3.6% to £17.1m (US$26.9m) from £16.5m (US$25.9m).

60%

new business generated through Hansard OnLine

During the year we achieved a record level of regular premium new business flows that has contributed to industry-leading margins.

Single premium business remains constrained by market volatility and the instability in the Eurozone that shows few signs of abating. While the economic environment remains challenging, we have a robust strategy in place and are successfully developing the business in the growth markets of the Far East and Latin America.

Dividends

Dividends totalling 13.9p per share have been paid to shareholders during the year. This represents an increase of 3.3% over the dividends of 13.45p per share paid during the previous financial year.

The Board has resolved to pay a final dividend of 8.0p (2011: 8.0p) per share on 19 November 2012 which is subject to approval at the Annual General Meeting. If approved, this will represent total dividends for the financial year of 13.9p, an increase of 1.1% over the dividends of 13.75p per share paid in respect of the previous financial year.

The proposed final dividend is at the same level as the previous year. Over the last two years the Company has paid dividends that have been £16m in excess of cash generated by the business. The Board believes that now is an appropriate time to adjust the dividend to a level commensurate with the surplus cash generated by the business.

Dividend payments for the year ended 30 June 2013 therefore are expected to total 8.0p per share and it is the Board's intention to pursue a progressive policy thereafter.

Hansard OnLine

Hansard OnLine is an important component of the Group's relationship with financial advisors and their clients and continues to be developed to meet their needs.

Assets under Administration

The value of policyholders' assets under administration reflects the economic environment and was £1.03 billion (US$1.6bn) at the balance sheet date, (2011; £1.23bn, US$1.9bn).

Employees

The progress that we have made in these turbulent times is a reflection of the skill and enthusiasm of our employees throughout the world. On behalf of the Board and Shareholders, I thank them all for their continued commitment to Hansard's success.

L S Polonsky

Chairman
20 September 2012

Report of the Managing Director

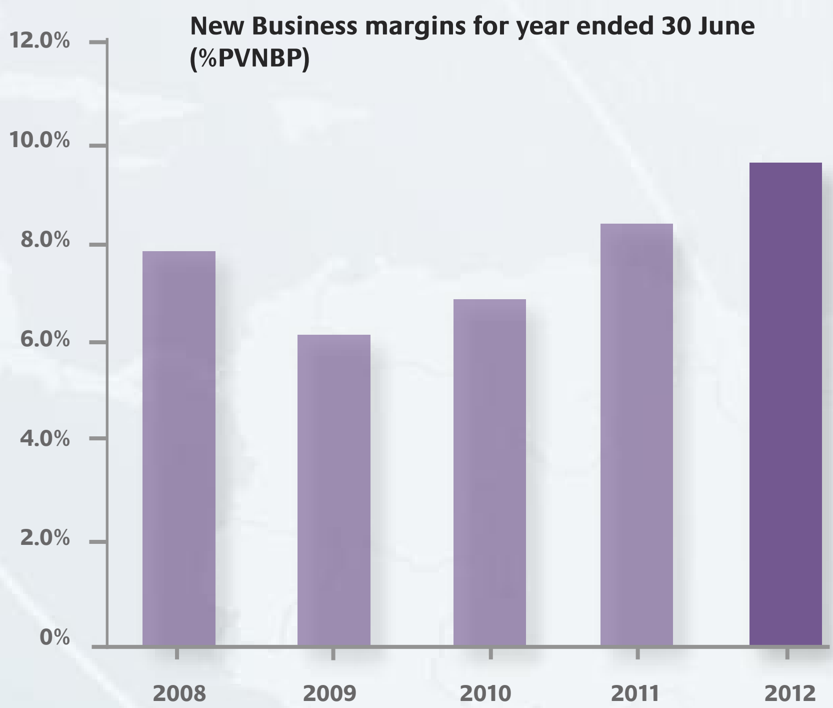
Gordon Marr

Throughout the year we have continued to invest in our business;

- **to focus distribution resources;**
- **to improve support to Independent Financial Advisors (IFAs) in our target markets, and**
- **to reduce our exposure to operational risk.**

I believe that the success of our strategy is reflected in a record level of regular premium new business and in increasing utilisation of Hansard OnLine amongst IFAs in our target markets.

Against those successes however we need to balance the uncertain economic conditions; increased regulatory complexity; instability in the Eurozone; and the costs of defending ourselves against asset performance-related litigation. The combined effect of these factors has depressed our results under IFRS and EEV.



Investing in new business

The Group invested £27.3m (2011: £25.7m) in new business during the year, funded by positive operating cash flows from the policies on hand at the beginning of this financial year.

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, new business is 3.6% up on the previous financial year. This statistic, however, does not fully convey that we have achieved growth of 11% in regular premium new business over the previous year. This represents a record level of regular premium new business.

This growth, despite volatile markets and uncertain economic outlook, reflects a continuation of profitable relationships with IFAs in our target markets.

The design of our systems, aided by the Hansard OnLine new business functionality, allows us to capture and administer regular premium business efficiently and to deliver new business margins on the PVNBP basis of 9.6% (2011: 8.3%). These margins remain well above the industry average.

Investing for growth

The Group's investments in distribution and other infrastructure, in order to improve relationships with IFAs and policyholders, and further automate processes, have continued throughout the financial year, and have underpinned increasing regular premium flows from the growth markets of the Far East and Latin America.

In particular, Hansard OnLine new business functionality is continuing to develop in response to feedback from a wide range of intermediaries throughout the world. At time of writing, more than 4,200 new business applications have been processed through this facility.

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. In partnership with a local financial services organisation we have developed systems to support online processing of policyholder investment transactions. These systems have been implemented on a targeted basis with selected intermediaries. Approximately 60% of fund switches and asset dealing instructions are now received online.

Report of the Managing Director continued

Our business model involves the controlled acceptance and management of risk exposures.

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

The mechanisms for identifying, assessing, managing and monitoring risks are an integral part of our day to day management process.

Risk management

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

While the Group has designed its products, distribution methods and cost base with a view to reducing operational and financial risks, the regulatory, corporate and legislative responses to the extreme financial and market circumstances encountered over the last four years will have a significant impact on the business environment in which we operate. Like other financial services groups, we continue to adapt to these challenges.

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.

Hansard Europe has been served with writs totalling approximately £11m arising from such 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. The negative initial judgement in Norway was not unanticipated as our defence is very much based on technical arguments and we have appealed. The Group intends to defend itself against all claims strenuously.

Hansard OnLine continues to be developed to meet the needs of our client base.

Corporate Governance

Hansard is committed to achieving high standards of corporate governance. This was demonstrated by the Board implementing the provisions of the UK Corporate Governance Code with effect from 1 July 2010 and adhering to its principles throughout this financial year, as is reported elsewhere in this Report & Accounts.

Throughout the year we have refreshed Board and Committee structures and composition throughout the Group, and have also taken steps to increase the objectivity of Actuarial oversight.

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

Financial performance

Throughout the financial year we continued to generate positive operating cash flows that enable us to fund new business strain and support dividend payments. We believe that the pursuit of profitable contracts is the best use of our resources at this time.

The success of our endeavours is not immediately apparent under IFRS reporting. New business flows will contribute to income streams over many years, but our continued investment in systems and other resources currently outweighs the initial growth in income. Our business is long term in nature, and for this reason we present the results on an EEV basis, which better reflects the true profitability of new business, in addition to the IFRS basis, which are set out in the Financial Review.

Investing in our people

The Group has a dedicated dynamic workforce in the Isle of Man, the Republic of Ireland and other locations. 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.

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

G S Marr

Managing Director
20 September 2012

Report of the Chief Distribution Officer

Joseph Kanarek

I feel that our decision to better position the Group to benefit from the growth that we envisaged in the economies of the Far East and Latin America is being rewarded.

Despite challenging economic conditions the Group has continued to generate strong levels of new business flows throughout the financial year, reflecting continuing levels of interest in Hansard's products, aided by developments in Hansard OnLine.

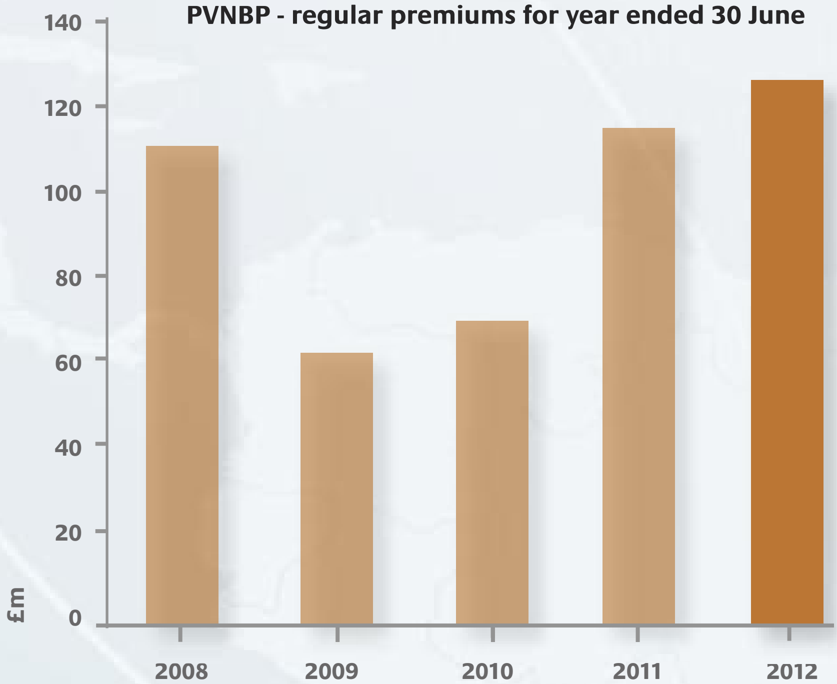
Importantly, stronger flows of regular premium new business have contributed to a record level of regular premium new business at £124.4m (PVNBP) in the year (2011: £112.0m).

I believe that this is recognition, in uncertain market conditions, 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.

11.1%

growth in Regular Premium new business

PVNBP - regular premiums for year ended 30 June



Strategy

It is generally accepted that a regular premium-based investment approach is appropriate in uncertain economic conditions. We believe that extending the Group's proposition will allow a continued flow of regular premium business from growth markets, together with limited flows of single premium new business.

Our objective is to grow by attracting profitable new business and positioning ourselves to adapt rapidly to market trends and conditions. The continued growth in new business reflects our efforts to:

- **develop and enhance 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 volumes

New business volumes for the year on the Group's internal metric, Compensation Credit, and on two metrics widely used by the market are set out below.

The increase in Compensation Credit over last year illustrates 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. New business levels measured under the CC basis have grown by an average of 14% annually since 30 June 2009.

At first glance, the indicated fall in total new business levels under PVNBP and APE would appear problematic, however we are well aware that one impact of the uncertain market conditions that we continue to experience is to cause deferrals in certain financial planning and, therefore, in single premium business. Reporting under PVNBP and APE highlights the reduction in single premiums from the level of the previous year.

New business sales

Basis	2012 £m	2011 £m	% change
Compensation Credit ("CC")	**17.1**	16.5	3.6 %
Present Value of New Business Premiums ("PVNBP")	**175.7**	221.1	(20.5)%
Annualised Premium Equivalent ("APE")	**27.0**	30.1	(10.3)%

Report of the Chief Distribution Officer continued

The Group generates the majority of its new business from the Far East and Latin America.

PVNBP for year ended 30 June

Basis	2012 £m	2011 £m	% change
Regular premium	**124.4**	112.0	11.1 %
Single premium	**51.3**	109.1	(53.0)%
PVNBP	**175.7**	221.1	(20.5)%

PVNBP new business flows by region

Basis	2012 £m	2011 £m	% change
Far East	**69.4**	60.7	14.3 %
EU and EEA	**46.6**	64.0	(27.2)%
Latin America	**37.1**	51.4	(27.8)%
Rest of World	**22.6**	45.0	(49.8)%
PVNBP	**175.7**	221.1	(20.5)%

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

New business flows on the PVNBP basis

We continue to generate the majority of our new business from the growth economies of the Far East and Latin America. Despite a reduction in the level of new business from Latin America, a combined 61% of the Group's new business was sourced from those areas (2011: 51%). This is predominantly regular premium business introduced by Independent Financial Advisors, many of whom use the Hansard OnLine new business functionality. An increase in the proportion of more profitable regular premium flows has led to the increased new business margin.

Those regular premium flows from those growth economies, together with steady flows from other parts of the world, totalled £124.4m PVNBP for the year, or 11.1% above the previous year. Consistent with our strategy of attracting a greater mix of regular premium flows, regular premium products accounted for almost 71% of the Group's PVNBP in the year (2011: 51%).

Single premium flows that are typically sourced from the EU and the Rest of the World have been reduced from previous levels as policyholder investment decisions are deferred in the face of instability in the Eurozone and a continuing difficult market environment. We do not accept new business from certain parts of Scandinavia pending the finalization of the Norwegian litigation, and that will probably not be finalized for a further year.

Single premiums in the year are £51.3m compared with £109.1m in 2011. As reported previously, large single premium cases issued in Q1 2011 totalling £20.0m have distorted the comparison to last year.

71%

Regular Premiums now 71% of PVNBP (2011: 49%)

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.

Currency denominations (as a percentage of PVNBP)

	2012	2011
Currency	**%**	%
US Dollars	**32.5**	40.5
Japanese Yen	**29.1**	12.7
Euro	**24.4**	27.1
Sterling	**10.0**	15.0
Other	**4.0**	4.7
Total	**100.0**	100.0

We continue to look to better position market development resources to provide local language and other support to IFAs in the Group's target markets. During the financial year we increased our exposure to the growth markets of South-East Asia and to North Africa. While we continue to develop new business opportunities in Western Europe and for intermediaries focussed on an expatriate market, we do not intend to increase distribution resource in those markets at this time.

Selective recruitment of distribution resources continues, in line with our policy of expanding our reach amongst suitable financial advisors in the Group's target markets, and we look to extend the management pool. 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, Africa and, assuming that confidence in the Eurozone returns, a better focussed activity in Europe.

Through our network of Account Executives we continue to receive business from a strong and well-diversified 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 US Dollars and Japanese Yen. Some 60% of this year's PVNBP is denominated in those currencies (2011: 53%).

We are monitoring the discussions concerning the implementation of the Retail Distribution Review by the Financial Services Authority in the UK. While we support transparency in fee and other disclosures, the breadth of our distribution and the limited proportion of new business sourced from the UK means that we do not expect significant disruption when the Review is implemented.

New business profits

Despite market conditions, we have has 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 9.6% on the PVNBP basis (2011: 8.3%). These margins are well above the industry average, and are now at a higher level than the margin reported prior to the global credit crisis.

Hansard OnLine

We continue to invest in order to enhance existing relationships with IFAs and other intermediaries in the Group's target markets. In particular over 1,900 policies were introduced electronically this year by those financial advisors in international markets using the online new business facility through Hansard OnLine. This incorporates over 60% of the relevant regular premium policies issued in the year. We intend to increase the number of intermediaries using the system. Functionality to support online submission of a range of products for European-based advisors has been rolled out to a number of those advisors over the period since the balance sheet date. The cost savings to intermediaries of these applications is significant, and can be expected to increase as the demand for paper copies reduces.

J Kanarek
Chief Distribution Officer
20 September 2012

Business Review

Hansard is a specialist long-term savings provider that began trading internationally from the Isle of Man in 1987 and has operated in the Republic of Ireland since 1995.

The Group offers a range of flexible, tax-efficient investment products within life assurance 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.

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

We intend to grow our business in our preferred markets and at an acceptable return on capital.

Strategy

In support of our growth targets, our strategy is to develop long-term, profitable relationships with IFAs and other Intermediaries.

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

- **invest in Hansard OnLine and the Group's systems;**
- **increase the proportion of regular premium new business;**
- **develop profitable relationships with intermediaries in growth markets and;**
- **maintain levels of solvency cover that meet the requirements of regulators, policyholders, intermediaries and other stakeholders.**

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 to allow them to better manage their objectives.

Hansard OnLine joins together IFAs and other intermediaries around the world with Hansard's offices, and with their clients, who may also have intermediary-controlled access through their OnLine accounts. IFAs and their clients get fast, easy and secure access to current data and analytical information around the world, around the clock.

Content may be presented in any of 11 different languages – helping IFAs communicate more effectively with their clients and reinforcing their brand.

Widely and independently regarded as best in class, Hansard OnLine is a valuable sales and administration tool that continues to be developed to meet the needs of intermediaries and policyholders. Functionality introduced during the financial year aims to improve access; increase security; scalability and speed of processing and reduce operational risks.

A summary of more recent innovations include:

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 10,000 OnLine accounts are used regularly.

Approx. 40% of policyholder correspondence is no longer posted. Clients access electronic copies via their OnLine Account. The number of clients choosing not to receive hard copy post has shown a steady increase since launch in February.

Supporting intermediaries' business models

OnLine processing

- OnLine processing of new business applications
  Over 4,200 new business applications have been received OnLine since launch. 60% of all new business applications are now received OnLine.
- OnLine processing of policy investment transactions
  The majority of Fund Advisors now transact policy-related investment dealing Online. Over 60% of all available transactions are now processed OnLine. Development of a facility to allow Fund Advisors to transact in aggregate throughout their client range is expected to be ready to pilot in the next few months.

Up to date analytical information

- Policy Timeline
  With the Policy Timeline functionality released last month the IFA is able to have a single-screen view of the entire policy history that allows them to zoom in on the correspondence and transactions at interesting points of the policy's life, and thus improve at a glance their understanding of the policyholder's relationship with Hansard.
- Unit Fund Centre
  The Unit Fund Centre is an interactive research application that allows the IFA 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.
- SMS Alerts
  A new SMS alerting system is being piloted. The system allows the IFA to set OnLine alerts (fund and policy movement, new correspondence etc) then receive a SMS message when an event is triggered.

Reducing Operational risk

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. In certain circumstances this allows the Group to reduce its operational expense base.

Products

The Group's products are unit-linked regular or single premium life assurance contracts, issued by Hansard International and Hansard Europe, 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 contracts with financial options and/or guarantees regarding investment performance and, hence, unlike the situation faced by many other life assurers, the Group carries no guarantee risk that can cause capital strain. Capital invested in new business is typically returned within three years.

Revenues

The main source of income for the Group is the fees earned from the administration of the insurance contracts. 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 good return on the investment. In the year under review we have seen growth of over 11% in regular premium new business flows, 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% pa and is typically returned within three years. A large proportion of the annual cash generated each year from the contracts under administration is re-invested in growing the business, with the aim of increasing future returns for shareholders.

Capitalisation and solvency

The Group is well capitalized to meet the requirements of regulators, policyholders and intermediaries. The required solvency margins are covered 13.6 times (2011: 13.4 times) by our capital resources, which are typically held in a wide range of deposit institutions and in highly-rated money market liquidity funds. Therefore the solvency position is well insulated against the difficult investment markets. Additionally, the in-force portfolio has no material investment options or guarantees that could cause capital strain.

The introduction of Solvency II in January 2014 will see a fundamental change in the way EU based insurers assess their capital requirements and risk management standards. The Group's EU based insurer, Hansard Europe, has participated throughout the design process. Based on current guidance the Group does not expect additional capital requirements as a result of these legislative changes.

Key performance indicators

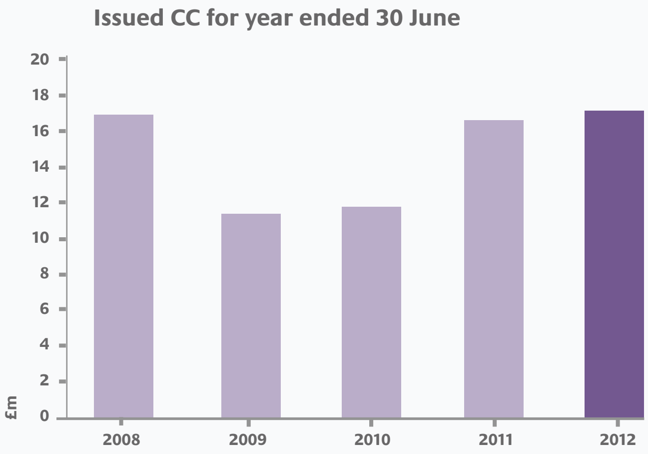
We intend to grow our business in our preferred markets and at an acceptable return on capital. To support this the Group's senior management team monitors a range of Key Performance Indicators, both financial and non-financial, that are designed to ensure that performance against targets and expectations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

Our key indicators are summarised in the table on the opposite page:

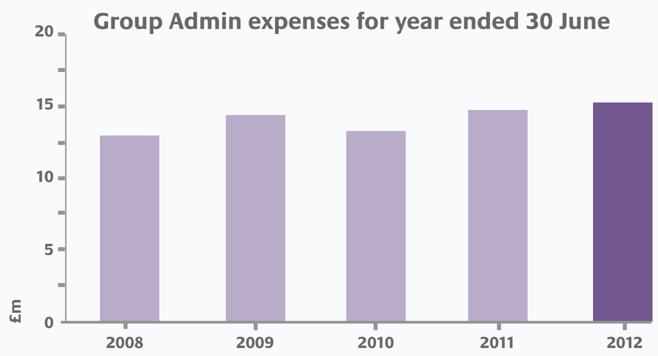
Key performance indicators

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, the Group's Account Executives and the Chief Distribution Officer incorporate targets based on CC.

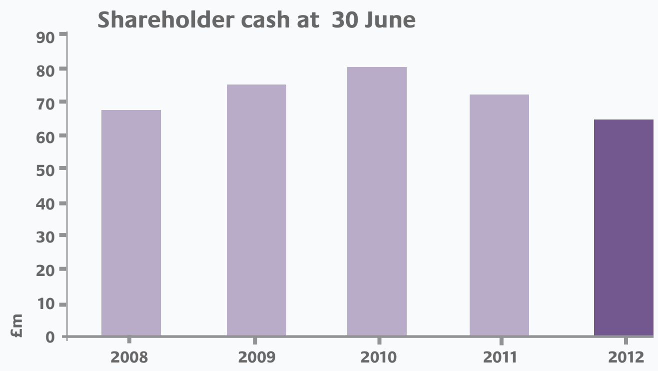
New business levels are reported daily. The Group's objective remains to grow new business at a rate of 10% - 15% per annum on this measure over the medium term. As is outlined elsewhere in this Report & Accounts, new business flows have grown by an average 14% annually on this measure since 2009, reflecting better positioning of the Group's activities to capture new business in periods of global economic weakness.



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 growth investment spend, of £15.3m were 7% above that of the previous financial year. While a proportion of this increase was anticipated in policy charging assumptions, a portion of this increase has had a negative impact on EEV and IFRS profits.



Cash – Bank balances and significant movements on balances are reported weekly. The Group's liquid funds at the balance sheet date were £65.3m (2011: £73.1m). The change reflects the increased new business investment, translation losses for Euro-based assets 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 summarized in the Corporate Governance report.

Financial Review

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 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

Despite the volatile markets throughout the financial year and uncertain economic outlook, the Group has invested £27.3m in new business during the year, an increase of 6.2% over the previous year. As can be seen in the report of the Chief Distribution Officer, the level of regular premium new business received in the year rose to £124m, an increase of 11% over the previous year.

The increased proportion of regular premium new business has driven a growth in the new business margin, as calculated under EEV, to 9.6% (2011: 8.3%) and a growth in the level of deferred origination costs held on the IFRS balance sheet to £121.2m (2011: £113.1m).

While we enjoy significant positive operating cash flows, falling markets, instability in the Eurozone, and foreign currency rates that have tested new lows have all impacted on the Group's profitability. IFRS profit, before taking into account FX losses on the euro holdings in Hansard Europe Limited to meet regulatory capital requirements was £12.1m (2011: £15.2m). Profit after tax is £11.2m (2011: £16.5m).

Policyholders' assets under administration decreased over the year to £1.03bn (2011: £1.23bn), reflecting the continued impact of the global financial crisis on the valuation of assets selected by policyholders, which has in turn restrained the level of our asset-based income streams.

The following is a summary of key items to allow readers to better understand the results of strategy implementation, as represented under accounting disclosures.

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 generally selected by the policyholder or an authorised intermediary and the policyholder bears the investment risk. Investment losses during the year attributable to policyholder assets were £146.5m (2011: £109.2m gains).
- 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, it distorts results compared with an understanding of the Group's own entitlement to fund management fees and any requirement to pay such fees for services rendered in respect of the Group's own assets. In the current year third party fund management fees attributable to policyholder assets was £4.3m (2011: £4.8m). These are reflected in both income and expenses under the IFRS presentation.

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

	2012 £m	2011 £m
Fees and commissions	**50.2**	50.8
Investment and other income	**2.2**	2.3
	52.4	53.1
Origination costs	**(19.3)**	(18.2)
Administrative and other expenses attributable to the Group	**(21.0)**	(19.7)
	12.1	15.2
Foreign exchange (losses) / gains on revaluation of net operating assets	**(1.0)**	1.5
Profit for the year before taxation	**11.1**	16.7
Taxation	**0.1**	(0.2)
Profit for the year after taxation	**11.2**	16.5

Fees and commissions

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 policy book annually or as required by the policy terms and conditions. Consistent levels of contract fee income reflects the strength of the existing book of business, as the increased levels of new business in this financial year will be reflected in fee income in future financial years.

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 ("AuA") and exposed to market movements and valuation judgements.

Reduced asset values, policyholder caution, and weaknesses in foreign currencies against sterling have contributed to a decrease over the prior year fees and commissions of £50.8m. Fees and commissions for the year attributable to Group activities are £50.2m

A summary of fees and commissions is set out below:

	2012 £m	2011 £m
Contract fee income	**35.9**	36.1
Fund management fees accruing to the Group	**10.1**	10.2
Commissions receivable	**4.2**	4.5
Fees and commissions attributable to Group activities	**50.2**	50.8

Included in Contract fee income is £19.8m (2011: £20.2m) representing the amounts prepaid in previous years, as can be seen below in the reconciliation of Deferred income

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. The impact on current year income of contracts issued this year is minimal.

The growth in new business volumes over last year is reflected in an increase of 7% in these direct costs of new business to £25.0m. This is deferred to match the longer-term income streams expected to accrue from the policies issued this year.

Amounts totalling £16.9m (2011: £15.9m) have been expensed to match contract fee income earned this year from policies issued in previous financial years.

Origination costs in the year are:

	2012 £m	2011 £m
Origination costs – deferred to match future income streams	**25.0**	23.4
Origination costs – expensed as incurred	**2.3**	2.3
Origination costs incurred in the year	**27.3**	25.7
Net amortisation of deferred origination costs	**(8.1)**	(7.5)
	19.3	18.2

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

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

Administrative and other expenses

We continue to robustly manage administrative and other expenses. However we recognise that expenses for the year reflect higher new business levels, increased legal fees, continued investment in the Group's proposition and distribution capabilities as well as the costs of strengthening the governance and controls to meet the needs of a growing, complex business. Expenses have increased by 6.6% over the previous year.

Growth investment spend has increased by 4% to £2.5m as we have continued to invest for future growth in the business, with a number of Hansard OnLine and other initiatives launched during the year or in course of development.

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

	2012 £m	2011 £m
Salaries and other employment costs	**9.6**	8.8
Other administrative expenses	**5.7**	5.5
	15.3	14.3
Growth investment spend	**2.5**	2.4
Professional fees	**3.2**	3.0
	21.0	19.7

Professional fees in the year include increased legal fees of £0.9m relating to policyholder complaints and other issues (2011: £0.5m); amounts totalling £0.5m for audit related services (2011: £0.5m); and £0.5m (2011: £0.6m) for administration, custody, dealing and other charges paid under the terms of the investment processing outsourcing arrangements.

Financial Review continued

Foreign exchange losses / gains

Foreign exchange losses of £1.0m (2011: gains of £1.5m) have been recognised as a result of the strengthening of Sterling against the Euro during the financial year. 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.

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

Cash Flows

Operating cash flows continue to be strongly positive. The operational surplus (fees deducted from contracts and Commissions received, less operational expenses) of £37.2m has grown by £1.5m despite the increased expenses referred to above. This surplus has funded investment in new business in the year, which has increased to £27.3m, in line with the new business levels reported elsewhere in this Report & Accounts.

This 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, and enhancing distribution and other infrastructure.

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

	2012	2011
	£m	£m
Net cash surplus from operating activities	**37.2**	35.7
Interest received	**2.1**	0.6
Cash inflow	**39.3**	36.3
Investment in new business	**(27.3)**	(25.7)
Purchase of plant and equipment	**(0.7)**	(0.6)
Corporation tax paid	**-**	(0.2)
Net cash inflow before dividends	**11.3**	9.8

Dividends of £19.1m paid during the year have been funded by the Group's own resources.

	2012	2011
	£m	£m
Shareholder cash and deposits at 1 July	**73.1**	81.8
Net cash inflow before dividends	**11.3**	9.8
	84.4	91.6
Dividends paid	**(19.1)**	(18.5)
Shareholder cash and deposits at 30 June	**65.3**	73.1

Abridged consolidated balance sheet

The consolidated balance sheet presented under IFRS reflects the financial position of the Group at 30 June 2012. 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 (2011: £1.23bn). Additionally, the Group's cash and bank deposits are 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 reflects 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 in deferred origination costs ("DOC"). The volume and nature of single premium new business in the financial year means that there is a more limited increase in the deferred income reserve ("DIR").

	2012 £m	2011 £m
Assets		
Deferred origination costs	**121.2**	113.1
Other assets	**7.8**	12.1
Bank deposits and money market funds	**65.3**	73.1
	194.3	198.3
Liabilities		
Deferred income reserve	**129.9**	125.3
Other payables	**19.5**	20.4
	149.4	145.7
Net assets	**44.9**	52.6
Shareholders' equity		
Share capital and reserves	**44.9**	52.6

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 of £25.0m in value since 30 June 2011 (net of amounts amortised against contract fee income in the current financial year).reflects the continued acquisition of profitable contracts.

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

	2012 £m	2011 £m
Carrying value	**£m**	£m
At 1 July	**113.1**	105.6
Origination costs incurred during the year	**25.0**	23.4
Origination costs amortised during the year	**(16.9)**	(15.9)
	121.2	113.1

Cash and bank deposits

The Group feels that the best use of its capital is to ensure continued investment in profitable regular premium contracts. These investments earn a return of at least 15% pa. As can be seen above, the Group invested £27.3m in new business during the year which was funded by cash flows from the existing policy book. 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.

Following this investment and coupled with a continuation of the Group's dividend record, cash at 30 June 2012 stood at £65.3m, a reduction of £7.8m from the value reported at 30 June 2011. Despite this reduction, the Group is well capitalized to meet the requirements of regulators, intermediaries, policyholders and other stakeholders.

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

Deferred income reserve

Consistent with the treatment of deferred origination costs, 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 provided over the period of the contract. 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 summarized below.

	2012	2011
Carrying value	**£m**	£m
At 1 July	**125.3**	125.9
Income deferred during the year	**24.4**	19.6
Income amortised during the year	**(19.8)**	(20.2)
	129.9	125.3

Assets under administration

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

Despite market conditions, the Group has retained positive cash flows from the large number of regular premium contracts that the Group administers on behalf of policyholders around the world. Policyholder deposits to regular premium contracts in the year increased by 13% to £87.3m.

While the change in the mix of new business towards more regular premiums is reflected in positive cash flows, these flows are offset by withdrawals of larger single premium contracts, by premium holidays affecting regular premium policies and by market valuation reductions. Accordingly, the value of AuA at 30 June 2012 is £1.03bn, a decrease of 15.9% since 30 June 2011.

	2012	2011
	£m	£m
Deposits to investment contracts – regular premiums	**87.3**	77.3
Deposits to investment contracts – single premiums	**51.3**	109.1
Withdrawals from contracts and charges	**(187.9)**	(200.7)
Effect of market movements	**(128.3)**	90.7
Effect of currency movements	**(18.2)**	18.5
(Decrease) / increase in year	**(195.8)**	94.9
Assets under Administration at 1 July	**1,229.6**	1,134.7
Assets under Administration at 30 June	**1,033.8**	1,229.6

AuA currency composition

The investment choices of policyholders and their agents generally reflect the currency of the territories in which they are resident. The currency composition of AuA at 30 June 2012 is similar to that of the previous year, with 53% designated in US Dollar (2011: 50%) and 26% in Euro (2011: 28%). 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 remain impacted by the global financial crisis. During this financial year we saw an increase in efforts to resolve uncertainty over some policyholder asset values. However, a further small number of funds held within policy contracts became 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 £41m, 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 EEV profits. 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 £26m that is incorporated in "Effect of market movements" shown in the table above.

Complaints over AuA performance and related issues

In valuation issues such as those referred to above, financial services institutions are increasingly 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 selection and performance of assets linked to policies. At time of writing, writs totalling approximately £11m have been served on Hansard Europe Limited as a result of these and related complaints. An initial Court hearing into the majority of these complaints was held in Norway in April, at which the Judge concluded that the Group has a case to answer. This negative initial judgement was not unanticipated as our defence is very much based on technical arguments and we have appealed. The Group intends to defend itself against these and any other claims strenuously.

Based on the pleadings and advice received to date from legal counsel the Group has not made any provision in respect of any complaints.

Results for the year under European Embedded Value

As anticipated in the design of the Group's products, last year's value of in force business of £197.2m has, in the year, generated £38.9m of cash, of which £22.6m has been re-invested in new business and the Group paid dividends of £19.1m in the year from its cash resources.

The Group's EEV has reduced over the year to £224.3m, a change of £32.7m since 30 June 2011. Beyond dividend payments totaling £19.1m (2011: £18.5m), the change largely reflects a reduction in asset values and changes in policyholder behaviour in the light of sustained uncertainly around the economic environment for medium- to long-term savings.

Within the results, trends can be observed that are consequences of the Group's strategy to:

- increase the proportion of regular premium new business,
- develop profitable relationships with intermediaries in growth markets, and
- invest in Hansard OnLine and the Group's systems.

The profitability of new business has increased, as shown by the new business margin of 9.6% (2011: 8.3%) which is well above the level of our competitors. The increase reflects the change in business mix towards more profitable products. Less business was sold in PVNBP terms (a consequence of the move from high PVNBP, low margin single premium business).

EEV return

The Group's EEV return is lower than the comparable period last year at £(13.7m) (2011: £28.5m). The main contributors were Investment Return Variances of £(17.1m) (2011: £12.0m) and Operating Profit of £4.8m (2011: 14.9m) compared to the prior year.

The three most significant components of EEV profit after tax are the New Business Contribution, Operating Assumption Changes and Investment Return Variances.

- New Business Contribution is lower by some £1.7m (2012: £16.8m, 2011: £18.5m). This masks the changing mix of new business; a greater proportion of regular premium business has been sold this year, which is inherently more profitable (hence the increased new business margin of 9.6%).
- The Operating Assumption Changes (2012 £(13.0m), 2011 £(11.3m)) reflect the emergence of evidence that the Group's policyholders are more inclined to reduce future premiums or surrender their contracts which is putting pressure on unit costs.
- This year, the Investment Return Variance, largely dictated by the assets selected by policyholders, has had a net negative impact on EEV arising primarily from the fall in assets under administration and consequently a lower level of future fee income than previously anticipated.

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

Year ended 30 June	**2012**	2011
	£m	£m
New business contribution	**16.8**	18.5
Expected return on existing business	**5.4**	4.9
Experience variances	**(6.0)**	(3.0)
Operating assumption changes	**(13.0)**	(11.3)
Expected return on net worth	**1.6**	1.7
Model changes	**0.0**	4.1
EEV operating profit after tax	**4.8**	14.9
Investment return variances	**(17.1)**	12.0
Economic assumption changes	**(1.4)**	1.6
EEV profit after tax	**(13.7)**	28.5

Operating performance - New business

Year ended 30 June	**2012**	2011
	£m	£m
New business sales (PVNBP)	**175.7**	221.1
New business contribution	**16.8**	18.5
New business margin	**9.6%**	8.3%
Internal rate of return (IRR)	**>15%**	>15%
Cash payback on new business	**2.6 yrs**	2.3 yrs

Under EEV reporting, it is a convention to measure sales using the Present Value of New Business Premiums ('PVNBP'). This is the capitalised value of expected premiums using the assumptions that underpin the EEV calculation. Sales using this measure have fallen in the year to £175.7m (2011: £221.1m). The Group's strategy is to increase the proportion of regular premium sales. The success of this approach is demonstrated by the increase in proportion of regular premium business from 49% to 70% of PVNBP (primarily through activity in the growth markets of the Far East and Latin America and the increase in new business margin to 9.6% (2011: 8.3%).

The underlying profitability of the Group's new business remains consistently above those levels enjoyed by a majority of 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, within three years.

Operating performance - In-force business

Experience Variances

In the year, policyholders switched between unit funds less and reduced or ceased premiums to a greater extent than expected, resulting in a £6.0m fall in EEV (2011: £(3.0m)). This was driven in part by more policyholders choosing to continue their policies but opting to pay no further premiums (£1.8m reduction) and greater than expected lapses (£1.2m reduction). Costs were higher than expected (a £1.6m EEV reduction). Smaller variances arose due to actual charge inflation being lower than expected, from lower than expected FX margins and from fewer partial surrenders.

Summary details of sources of experience variance are shown in the tables below:

Year ended 30 June	2012	2011
	£m	£m
Premium changes and surrenders	(3.3)	(0.3)
Expenses	(1.5)	(1.6)
Other	(1.2)	(1.1)
Experience variances	**(6.0)**	(3.0)

Operating Assumption Changes

The experience variances indicate the changing behaviour of policyholders. These changes are assessed and generally reflected in future projections and thus affect the VIF. This year, the value of changes in assumptions driving future cash flows has resulted in a £13.0m Operating Profit reduction (2011: £11.3m).

Year ended 30 June	2012	2011
	£m	£m
Lapses & paid up policies	(4.4)	0.7
Expenses	(2.8)	(10.9)
Premium reductions and holidays	(1.5)	(0.8)
Mortality	(0.5)	(0.3)
Other	(3.8)	-
Operating assumption changes	**(13.0)**	(11.3)

The 'Other' assumption changes relate to the future changes in the expected level of fees from policyholder activity.

Investment performance

Investment performance is a key driver of the EEV profit. It principally reflects the investment choices made by policyholders.

The components of investment performance impact are shown in the table below.

Year ended 30 June	2012	2011
	£m	£m
Investment performance of policyholder funds	(14.1)	11.5
Exchange rate movements	(1.4)	0.2
Other	(1.6)	0.3
	(17.1)	12.0

The exchange rate movements are a consequence of the proportion of premiums, policyholder investments and policies denominated in currencies other than Pounds Sterling and the relative exchange rate movements of those currencies.

EEV balance sheet

Following the payment of dividends totalling £19.1m, the Group's EEV has decreased by £32.7m to £224.3m (2011: £257.0m).

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

Year ended 30 June	2012	2011
	£m	£m
Net worth	50.4	59.8
Value of future profits	173.9	197.2
EEV	**224.3**	257.0

Net worth is the market value of shareholders' funds on an IFRS basis with adjustments to exclude certain accounting assets and liabilities (such as deferred origination costs and deferred income reserves). At the balance sheet date, the net worth of the Group is represented by liquid cash balances.

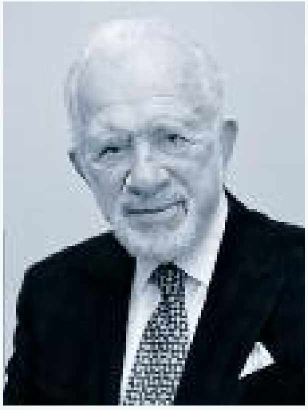
The Value of future profits is the capitalised value of future profit with due allowance for policyholder behaviour based on the policyholder funds under administration at 30 June 2012. Given the Group's product design, the cash generation from the Value of future profits is rapid: some 50% is expected to be converted into cash within 4 years.

Net asset value per share

On an EEV basis, the net asset value per share at 30 June 2012 is 163.3p (2011: 187.2p), a decrease of 12.8%, based on the EEV at the balance sheet date divided by the number of shares in issue at that date, being 137,372,255 ordinary shares.

The Net asset value per share at 30 June 2012 on an IFRS basis, is 32.7p, a decrease of 14.6% from the value of 38.3p at 30 June 2011.

Directors

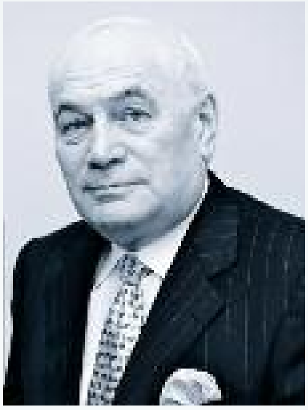


Dr Leonard Polonsky
Executive Chairman

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

Gordon Marr
Managing Director

Gordon was appointed Managing Director of the Company on 1 July 2009, having previously served as Group Counsel and as an Executive Director. Gordon joined the Group in 1988. Previously he was on the Board of Liberty Life, a UK insurance company, and worked with the Sedgwick Group plc and BUPA. He is a Solicitor and a member of the Law Society.



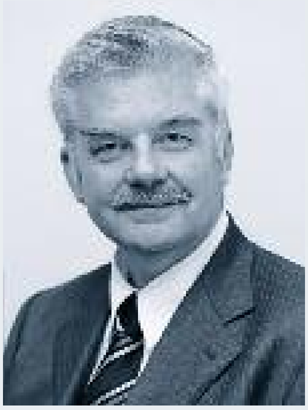
Joseph Kanarek
Chief Distribution Officer

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

Bernard Asher
Senior Independent Non-executive Director

Chairman of Nominations and Remuneration Committees Member of Audit Committee.

Bernard was appointed a non-executive Director on 24 November 2006. He is currently a Governor of the London School of Economics. Previously he had non-executive roles with Legal & General Group plc as Vice-Chairman and Lonrho Africa plc as Chairman. Bernard was 20 years with HSBC Holdings plc as an executive Director of the Group and Chairman of the Investment Bank.



Maurice Dyson
Independent Non-executive Director

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

Maurice was appointed a non-executive Director on 24 November 2006. He is 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
Independent Non-executive Director

Member of Audit, Nominations and Remuneration Committees.

Philip was appointed a non-executive Director with effect from 1 October 2011. He is a chartered accountant. He has been CEO of HSBC Insurance Brokers Limited; Tullett & Tokyo Liberty plc, and Municipal Mutual Insurance Limited; and CFO of Marsh – Europe, Middle East and Africa; and Sema Group plc.

Harvey Krueger
Independent Non-executive Director

Member of Nominations and Remuneration Committees.

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

Governance

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.

Contents

Environmental, Corporate and Social Responsibility Report

At 30 June 2012 the number of the Group's employees, by location, was as follows:

Location	Number 2012	Number 2011
Isle of Man	177	180
Republic of Ireland	50	45
Other	23	25
	250	250

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

The gender profile of the Group at 30 June 2012 is split with a total of 137 male and 113 female employees (2011: 126 male and 124 female).

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.

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 & 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 & Accounts.

Corporate

We believe that our employees are assets which influence the return to shareholders and to policyholders.

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

Social responsibility

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

This has resulted in a total of approximately £13,800 (2011: £12,500) 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, Bernard Asher, is available to meet with major shareholders to discuss any areas of concern not resolved through normal channels of investor communication. Arrangements can be made to meet with the Senior Independent Director through the Company Secretary.

The Board is equally interested in communications with private shareholders and the Company Secretary oversees communication with these investors. All information reported to the regulatory news services is simultaneously published on the Company's website, affording the widest possible access to Company announcements.

The Company 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. In line with the Code all Directors will offer themselves for re-election.

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

By order of the Board

Dr Leonard Polonsky

Executive Chairman
20 September 2012

Directors' Report

The Directors have pleasure in submitting their report together with the consolidated and parent company financial statements for the year ended 30 June 2012.

Financial statements

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.

Principal operating subsidiaries

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

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

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 impact of market falls during the year and reactions to the continuing uncertainties in the Eurozone.

Results under IFRS

The profit after tax is £11.2m, compared with a profit for the prior year of £16.5m.

Dividends totalling £19.1m were paid during the year (2011: £18.5m). The deficit of £7.9m after payment of dividends (2011: £2.0m) has been transferred from retained earnings.

Results under EEV

EEV operating profit after tax was £4.8m (2011: £14.9m). After payment of the dividends of £19.1m during the year, the EEV of the Group as at 30 June 2012 was £224.3m (2011: £257.0m).

Proposed final dividend

The Board has resolved to pay a final dividend of 8p per share on 19 November 2012, subject to approval at the Annual General Meeting, to shareholders on the register on 28 September 2012. If approved, this would bring the total dividends in respect of the year ended 30 June 2012 to 13.9p per share and will represent an increase of 1.1% over the dividends in respect of the previous year (13.75p per share).

Share capital

The issued share capital of the Company is £68,686,127.50 divided into 137,372,255 ordinary shares of 50p each (2011: £68,645,692.50 divided into 137,291,385 ordinary shares of 50p each). The increase of 80,870 shares (2011: 8,279 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 & 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, 287,897 options remain outstanding (2011: 465,413), details of which can be found in the Remuneration Committee Report.

Long-Term Incentive Plan

At the date of this report, 2,014,000 options are awarded but not vested for the year ended 30 June 2012 (2011: 528,500), details of which can be found in the Remuneration Committee Report.

Directors

Mr P Gregory was appointed to the Board on 1 October 2011. Mr U J K Eymer resigned as a Director on 31 December 2011. Details of Board members at the date of this report, together with their biographical details, are set out in the previous section of this Report & Accounts. All of the Directors will retire by rotation at the Annual General Meeting and, being eligible, seek re-election.

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 the executive Directors' service contracts and non-executive Directors' appointment letters.

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 2012 the Company had been notified of the following holdings in its share capital. There have been no significant changes in these holdings between the balance sheet date and the date of this report.

Name	Shares	% holding
Dr Leonard Polonsky	55,190,319	40.2
Aberforth Partners	14,235,724	10.4
F&C Asset Management	7,429,634	5.4
Polonsky Foundation	7,186,888	5.2

Directors' Report continued

Company Secretary

The Company Secretary at 30 June 2012 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 (2011: £nil). Through matching employee initiatives and collections the Group made charitable donations amounting to £5,355 (2011: £7,000).

Forward-looking statements

The Chairman's statement, Report of the Managing Director, Report of the Chief Distribution Officer, Business 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 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, will retire at the forthcoming Annual General Meeting. The Audit Committee has recommended that PricewaterhouseCoopers LLC be reappointed as the Company's auditor. Accordingly, a resolution to appoint PricewaterhouseCoopers LLC as auditor to the Company, and to authorise the Directors to fix its remuneration, will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held on 14 November 2012 at the Company's registered office.

A copy of the notice of Annual General Meeting is contained within this Annual Report. As well as the business normally conducted at such a meeting, shareholders will be asked to renew the 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 are also available at www.hansard.com.

By Order of the Board

Manoj B Patel

Company Secretary
20 September 2012

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 International Financial Reporting Standards ("IFRSs") 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 IFRSs 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 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 this 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 confirm that they have complied with the above requirements in preparing the Annual Report & Accounts.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

L S Polonsky

Director
20 September 2012

G S Marr

Director
20 September 2012

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.

The Company recognises however that the Code states that there should be "a clear division of responsibilities at the head of the company between the running of the Board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision".

The Board is of the opinion that, while Dr Leonard Polonsky is the Executive Chairman with a Service Contract with the Company and a major shareholder in the Company, the Board composition and governance frameworks are sufficient in the circumstances to maintain compliance with the principles of the Code.

The Board considers that Dr Polonsky, by virtue of his extensive knowledge and experience of the Company's business, adds considerable value in enhancing the Board's decision making and understanding of strategic issues. 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 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 Board meets regularly to determine the Company's strategic direction, to review the Company's operating and financial performance and to provide oversight that the Company is adequately resourced and effectively controlled.

The specific duties of the Board are clearly set out in a Board Procedures Manual that addresses a wide range of corporate governance issues and lists those items that are specifically reserved for decision by the Board.

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

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

Board meetings and meeting attendance

The Board and its committees operate in line with work plans agreed prior to the start of each year. At Board and committee meetings, Directors receive regular reports on the Group's financial position, regulatory compliance, key business operations and other material issues. The Board meets at least quarterly, with additional meetings arranged as required. All meetings are held on the Isle of Man.

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 attend all meetings of the Board and the committees on which they serve and to devote sufficient time to the Company in order to perform their duties. 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 was as follows:

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.

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

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

Reports from the Audit, Nominations and Remuneration Committees are set out later in this Report & 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 comprised of the executive Directors, together with Paul Harwood (Chief Actuary) and Vince Watkins (Chief Financial Officer). The Executive Committee is chaired by Dr Polonsky and meets monthly. The Executive Committee has responsibility for the day-to-day management of the Group, and other items as delegated from time to time by the Board.

	Board	Audit	Nominations	Remuneration
Number of meetings	**4**	**5**	**1**	**1**
Dr Leonard Polonsky	4	n/a	n/a	n/a
Bernard Asher*	4	4	1	1
Maurice Dyson^	4	5	1	1
Uwe Eymer#	0	1	0	0
Philip Gregory>	3	4	n/a	n/a
Harvey Krueger	4	n/a	1	1
Gordon Marr	4	n/a	n/a	n/a
Joseph Kanarek	4	n/a	n/a	n/a

* Chairman of the Remuneration and Nominations Committees

^ Chairman of the Audit Committee

resigned 31 December 2011

> appointed 1 October 2011

Corporate Governance Report continued

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. The Company complies with this requirement at the date of this report. The Board currently comprises the Executive Chairman, four independent non-executive Directors and two executive Directors.

Each independent non-executive Director serves for a fixed term not exceeding three years that may be renewed by mutual agreement. The term of each non-executive Director (excluding Mr Gregory) was renewed for a further three years from November 2009. It is the current intention to renew this for a further period of 3 years from November 2012. 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 through the Nominations Committee.

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

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

Subject to the Board being satisfied with a Director's performance, independence and commitment, there is no specified limit regarding the number of terms a Director may serve. However, as required by the Code the full Board will offer themselves for re-election at each Annual General Meeting.

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.

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 has concluded that each Director contributes effectively and demonstrates full commitment to his duties.

Senior Independent Director

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

Risk management and internal control

The Board has overall responsibility for:

- determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives; and
- maintaining the Group's 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 strategic, operational and financial objectives.

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.

The Hansard Global plc Board has sought positive assurance, and is satisfied that risk management and internal controls are functioning effectively and are operating as intended within the Group.

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. Mr R G Taylor, the Group Chief Risk Officer, is the Chairman of the MRC.

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

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

Key responsibilities of the Committee

- to review the Group's Risk Appetite and risk strategy and make recommendations on risk appetite to the Board;
- to review the Group's risk profile against its risk appetite and strategy and review any drivers of change in the profile;
- review the design, effectiveness and completeness of the Group's risk management framework; and
- assess the adequacy and quality of the risk management function and the effectiveness of risk reporting within the Group.

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 Managing Director and, through a system of delegated authorities and limits, to business managers.

Second Line: Risk oversight is provided by the 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 internal risk and control management system 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-wide risk management ("ERM") programme. The ERM programme 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 programme has been subject to review during the year and policies have been strengthened for various areas to reflect new insights and changes in the Group's environment.

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

The systems of internal control

The systems of internal control which make up the ERM programme are designed to recognise the Board's responsibilities under the UK Corporate Governance Code to:

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

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

- Terms of Reference for the Board and each of its committees;
- A clear organisational structure, with documented delegation of authority from the Board to executive management;
- 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 programme 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.

Corporate Governance Report continued

Risk appetite

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

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

Risk identification and assessment

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

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

The Group has defined a clear and simple process for identifying and managing emerging risks. The process provides for:

- the identification of emerging financial and non-financial risks;
- the creation of action plans and identification of early warning indicators;
- the effective management of emerging risks by the appropriate risk owner and;
- the passage of any risks identified into "business as usual" processes where appropriate.

Risk monitoring and management

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

Risk reporting

All subsidiary company Boards receive qualitative reporting from the assigned risk owners. A quarterly Risk Report is also considered before the Boards are asked to attest to the effective functioning of the internal control framework and the ongoing identification and evaluation of risk within the subsidiary. These attestations are then presented to the Board of the Company in order to obtain the same comfort at Group level.

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 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.

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. The Group's exposure to financial risks is addressed within note 22 to the consolidated financial statements.

The Board believes that the principal risks facing the Group's earnings and financial position are those relating to the operation of the Group's business model and to the environment within which the Group operates. While the Group's business model has served to minimise the principal risks facing the Group, the responses to the extreme financial and market circumstances that continue to be encountered may impact on the Group's strategic objectives, profitability or capital requirements.

By order of the Board

Dr Leonard Polonsky

Executive Chairman
20 September 2012

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

Risk event examples	Risk factors and uncertainties
Group profitability affected by financial market and economic conditions	The Group's earnings and profitability are influenced by a broad range of factors including the performance and liquidity of investment markets, interest rate movements and inflation.
Distribution strategy compromised as a result of market changes or competitor activity	The Group closely monitors competitor activity and marketplaces for signs of any potential new entrants or threats to forecast new business levels.
Non-compliance with regulations in relation to product design or intermediary behaviour	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.
Hansard OnLine development and availability	Any prolonged failure in internet capacity preventing the Group from delivering Hansard OnLine might impact on the Group's reputation and strategic objectives. The Group closely monitors technological developments in relation to the functioning of the internet and will develop alternative strategies to minimise the impact of any changes.
Operational risks	The Group investigates exceptions to expected results, behaviour and parameters, and investigates the root causes. Corrective actions are implemented in accordance with the impact and likelihood of recurrence.
Counterparty and third party risks	The Group seeks to limit exposure to loss from counterparty and third party failure through selection criteria, pre-defined risk based limits on concentrations of exposures and monitoring positions. However, in extreme conditions an event causing widespread default may impact the Group's profitability.
Outsourcing	The Group's dependence on outsourced activities comes under threat should business partners decide to revise strategy or fail.
Fraud	Recruitment and retention policies allow for appropriate vetting of staff to be conducted to determine their suitability and integrity.
Infrastructure failure	Business Continuity Plans, including full data replication at an independent recovery centre, can be invoked when required. Testing is conducted frequently.
Key staff loss	The Group actively focuses on retaining the best personnel. However, sudden unanticipated loss of pools of expertise may, in the short term, impact certain segments of the Group's business.
Introduction of business taxation on the Isle of Man	The Group maintains dialogue with the Tax authorities of the Isle of Man Government to identify any proposed or potential changes that may affect the Group's exposure. Introduction of business tax may impact on the Group's earnings and cash flows.

Audit Committee Report

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

Purpose and terms of reference

The purpose of the Committee is to provide the Board with independent assurance on the Group's financial reporting processes, the assessment of the effectiveness of the systems of internal financial controls and monitoring the effectiveness and objectivity of the internal and external auditors. The full terms of reference for the Committee can be found on the Company's website, www.hansard.com.

Composition and structure

All members of the Audit Committee are independent non-executive Directors who have considerable recent and relevant financial experience. Bernard Asher and Maurice Dyson served on the Committee throughout the year and to the date of this report. Philip Gregory served on the Committee from 1 October 2011 until the date of this report while Uwe Eymer was a member from 1 July 2011 to 31 December 2011. Maurice Dyson is the Chairman of the Committee. A biography for each Director can be found on pages 26 to 27 of this Report & Accounts.

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

During the year, the Chairman invited 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 Managing Director, are 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 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 Chief Financial Officer, the Chief Actuary, and the Group Chief Risk 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.

Activities

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

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

Throughout the financial year the Committee has:

- monitored compliance with the relevant parts of the 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 and has considered the auditor's report and has monitored and followed up management actions in response to the issues raised;
- monitored compliance with the policy on the use of the auditor for non-audit related work;
- worked closely with Internal Audit, reviewed the resourcing of Internal Audit and agreed an Internal Audit plan;
- continued to monitor the application of the policy on whistle blowing and;
- monitored known or potential claims against the Group.

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.

Each of the Group's life assurance subsidiaries has established an Audit Committee that provides an oversight role for its business. 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.

External auditor

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

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

Non-audit services where the external auditor may be used include: non-recurring internal controls and risk management reviews (i.e. excluding outsourcing of internal audit work), advice on financial reporting and regulatory matters and tax compliance services including employee tax services.

The Group paid paid £0.4m to PricewaterhouseCoopers LLC for audit services in the current financial year, relating to the statutory audit of the Group and Company financial statements and the audit of Group subsidiaries (2011: £0.5m). The fees for other services which included advice on accounting and regulatory matters, corporate governance matters, and non-audit related work were £0.1m giving a total fee to PricewaterhouseCoopers LLC of £0.5m (2011: £0.5m).

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 re-appointed as the Company's auditor.

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.

The plans, the level of resources and the budget of the internal audit function are reviewed at least annually by the Committee, which also undertakes a continual review of the effectiveness of the Group's internal audit function.

Maurice Dyson

Chairman of the Audit Committee
20 September 2012

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

The members of the Committee are independent non-executive Directors. Bernard Asher (Chairman) and Maurice Dyson served on the Committee throughout the year and to the date of this report. Philip Gregory served on the Committee from 1 October 2011 until the date of this report while Uwe Eymer was a member from 1 July 2011 to 31 December 2011. The Group Company Secretary acts as the secretary to the Committee.

Activities of the Committee during the year

The Committee met on one occasion during the year. The members' attendance record is set out in the Corporate Governance report.

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 Executive Chairman and the Committee.

In addition, meetings took place during the year between the Executive Chairman and the non-executive Directors.

For the Board

Bernard Asher

Chairman of the Nominations Committee
20 September 2012

Remuneration Committee Report

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

Purpose and terms of reference

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

The 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

The members of the Committee are independent non-executive Directors. Bernard Asher (Chairman) and Maurice Dyson served on the Committee throughout the year and to the date of this report. Philip Gregory served on the Committee from 1 October 2011 until the date of this report while Uwe Eymer was a member from 1 July 2011 to 31 December 2011. The Group Company Secretary acts as the secretary to the Committee.

Activities of the Committee during the year

During the year there was one meeting of the Committee. The members' attendance record is set out in the Corporate Governance Report.

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

- **the establishment of an Employee Benefit Trust;**
- **the terms of consideration of other incentive schemes, and**
- **considered and approved reviews in remuneration for senior management (including executive Directors) effective from 1 July 2012.**

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 2012 are similar to those of the prior year and incorporate targets of new business production and expenses. Bonuses earned will be paid over two financial years, half in October 2013 and the remainder in October 2014.

Employee Benefit Trust

An Employee Benefit Trust ("EBT") was established during the year with a gift of 400,000 Hansard Global plc shares from Dr Polonsky.

(i) In the event of meeting the agreed target for the year to 30 June 2013 of £18m NICC the final dividend 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 2012 (different allocations will be made based on length of service); or

(ii) 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 30 June 2012 has been met a cash distribution will be made in December 2012, based on the final dividend of 8p per share.

Long-term Incentive Plan

1,800,000 options were granted under the 2011 – 2014 scheme, as approved by shareholders at the Annual General Meeting on 16 November 2011. For the 2012 - 2015 scheme no recommendation has been made to grant any options. This will be reviewed next year.

At the date of this report, the following options are awarded but not vested for the annual schemes.

Scheme term	2012	2011
2009 - 2012	**-**	302,000
2010 - 2013	**214,000**	226,500
2011 - 2014	**1,800,000**	-
	2,014,000	528,500

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

SAYE Share-save Programme

Options over 80,870 (2011: 8,729) shares were exercised under the Scheme rules during the year, including 7,379 in respect of Gordon Marr.

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

Scheme year	2012	2011
2008	**24,781**	55,770
2009	**124,826**	246,997
2010	**22,550**	39,324
2011	**115,740**	123,322
	287,897	465,413

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. The matter will be reviewed again in November 2012.

Options held by executive Directors under this scheme are disclosed on the following page.

Remuneration Committee Report continued

Executive Directors

Each of the executive Directors has a service agreement with the Company dated 24 November 2006. The key terms and benefits pursuant to the agreements are as follows:

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

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

Gordon Marr: 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 25 days annual leave in addition to public holidays.

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

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

Name	Date of appointment	Last re-elected	Notice period (by either party)
Dr Leonard Polonsky	27 April 2005	16 November 2011	12 months
Gordon Marr	27 April 2005	16 November 2011	12 months
Joseph Kanarek	1 January 2010	16 November 2011	12 months

Remuneration

The Committee, following recommendations from management, and having regard to market data:

- considered and approved reviews in remuneration for senior management (including executive Directors) effective from 1 July 2012. The remuneration components of each executive Director for the financial year ending 30 June 2013 are as follows:

Name	Salary, fees and allowances £	Pension %	Other
Dr Leonard Polonsky	1	-	None
Gordon Marr	336,000	14%	Bonus, LTIP, EBT
Joseph Kanarek	400,000	12%	Bonus, LTIP

Mr Marr is a member of the Cash-settled bonus scheme, the Long-term Incentive Plan and is entitled to receive benefits under the EBT. 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 on 7 July 2011 for £501,000.

His entitlements under incentive arrangements are reported below.

Mr Kanarek is entitled to awards under a bonus scheme based largely on new business levels measured on the Group's internal metric, Compensation Credit, and a member of the 2011 – 2014 LTIP scheme. Bonus entitlements will accrue based on new business achieved in the year ending 30 June 2013 over a target level of £19m Net Issued Compensation Credit (NICC). New business volumes calculated on this basis are subject to claw-back for a period of two years from the date of issue and, in such circumstances, Mr Kanarek's current and future bonus calculations will be adjusted accordingly. In the event that new business volumes in the year to 30 June 2013 exceed the target level, Mr Kanarek will be entitled to a bonus of £200,000 with incremental awards for each £1m of NICC thereafter.

Non-executive Directors

The Company's non-executive directors' appointments were confirmed by individual letters of appointment which include a one month notice provision. In accordance with the UK Corporate Governance Code all directors are subject to annual re-election.

Our policy on non-executive Directors fees

It is our policy to set the fees for the non-executive Directors 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, based on a recommendation from the Executive Chairman. No increase is proposed for the year to 30 June 2013 and the fee remains at £50,000 per annum. Mr Dyson receives additional fees for services rendered to Group companies.

The following fee levels apply to each non-executive Director in respect of the year ending 30 June 2013:

Name	Fees £	Pension %
Bernard Asher	50,000	-
Maurice Dyson	68,000	-
Philip Gregory	50,000	-
Harvey Krueger	50,000	-

Directors' remuneration and other benefits in the financial year ended 30 June 2012

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 2012 for each Director who served during that year.

Name Executive	Salary, fees and allowances 2012 £	Pension 2012 £	Bonus 2012 £	Other 2012 £	Aggregate 2012 £	Aggregate 2011 £
Dr Leonard Polonsky	1	-	-	-	1	1
Gordon Marr	336,000	42,000	4,654	5,966	388,620	295,802
Joseph Kanarek	400,000	48,000	216,000	10,600	674,600	635,383
Non-executive						
Bernard Asher	50,000	-	-	-	50,000	48,000
Maurice Dyson	68,000	-	-	-	68,000	67,000
Uwe Eymer#	25,000	-	-	-	25,000	48,000
Philip Gregory>	37,500	-	-	-	37,500	n/a
Harvey Krueger	50,000	-	-	-	50,000	48,000

resigned 31 December 2011

> appointed 1 October 2011

Remuneration Committee Report continued

Directors' interests in share capital

At 30 June 2012 and at the date of this report Dr Polonsky held 54,790,319 shares in the Company's share capital, or 39.88% (2011: 40.2%) 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 7,186,888 shares in the Company's share capital, or 5.2% (2011: 5.2%).

The table set out below shows the beneficial interests of other Directors and their families in the Company's share capital, at 30 June 2012 and at 30 June 2011.

	Number of shares			Number of shares		
Executive	**Direct**	**Indirect***	**Total 2012**	Direct	Indirect*	Total 2011
Gordon Marr	**432,379**	**105,315**	**537,694**	425,000	105,315	530,315
Joseph Kanarek	**2,013,680**	**-**	**2,013,680**	2,013,680	-	2,013,680
Non-executive						
Bernard Asher	**15,000**	**-**	**15,000**	15,000	-	15,000
Maurice Dyson	**32,500**	**-**	**32,500**	32,500	-	32,500
Philip Gregory	**-**	**-**	**-**	n/a	n/a	n/a
Harvey Krueger	**29,500**	**-**	**29,500**	29,500	-	29,500

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

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

Directors' interests in share options

The following entitlements under the share option schemes maintained by the Group are held by Directors:

Scheme year	**G S Marr LTIP**	**J Kanarek LTIP**
2011-13	50,000	-
2012-14	350,000	600,000
	400,000	**600,000**

For the Board

B H Asher

Bernard Asher

Chairman of the Remuneration Committee
20 September 2012

Financials

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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 2012 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 2012, 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 2012 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 33, 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

20 September 2012

Consolidated Income Statement

	Notes	Year ended 30 June 2012 £m	30 June 2011 £m
Fees and commissions	4	**54.5**	55.6
Investment income	5	**(145.7)**	112.9
Other operating income		**0.4**	0.1
		(90.8)	168.6
Change in provisions for investment contract liabilities		**146.5**	(109.2)
Origination costs	6	**(19.3)**	(18.2)
Administrative and other expenses	7	**(25.3)**	(24.5)
		101.9	(151.9)
Profit before taxation		**11.1**	16.7
Taxation	9	**0.1**	(0.2)
Profit for the year after taxation		**11.2**	16.5
Total comprehensive income		**11.2**	16.5

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	2012 (p)	2011 (p)
Basic	10	**8.2**	12.0
Diluted	10	**8.2**	12.0

The notes on pages 54 to 70 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 2010	68.6	(48.4)	34.4	**54.6**
Total comprehensive income	-	-	16.5	**16.5**
Transactions with owners				
Dividends paid	-	-	(18.5)	**(18.5)**
Balance at 30 June 2011	**68.6**	**(48.4)**	**32.4**	**52.6**

	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)**
	0.1	0.1	(19.1)	**(18.9)**
Balance at 30 June 2012	**68.7**	**(48.3)**	**24.5**	**44.9**

The notes on pages 54 to 70 form an integral part of these financial statements.

Consolidated Balance Sheet

	Notes	30 June 2012 £m	30 June 2011 £m
Assets			
Plant and equipment	12	**1.1**	0.9
Deferred origination costs	13	**121.2**	113.1
Financial investments			
Equity securities		**31.2**	38.6
Investments in collective investment schemes		**838.5**	990.1
Fixed income securities		**38.7**	50.9
Deposits and money market funds		**147.5**	162.1
		1,055.9	1,241.7
Other receivables	14	**7.9**	12.9
Cash and cash equivalents	15	**43.7**	59.3
Total assets		**1,229.8**	1,427.9
Liabilities			
Financial liabilities under investment contracts	16	**1,033.8**	1,229.6
Deferred income reserve		**129.9**	125.3
Amounts due to investment contract holders		**13.2**	13.9
Other payables	17	**8.0**	6.5
Total liabilities		**1,184.9**	1,375.3
Net assets		**44.9**	52.6
Shareholders' equity			
Called up share capital	18	**68.7**	68.6
Other reserves	20	**(48.3)**	(48.4)
Retained earnings		**24.5**	32.4
Total shareholders' equity		**44.9**	52.6

The financial statements on pages 50 to 70 were approved by the Board on 20 September 2012 and signed on its behalf by:

L S Polonsky
Director

G S Marr
Director

The notes on pages 54 to 70 form an integral part of these financial statements.

Consolidated Cash Flow Statement

	Year ended 30 June 2012 £m	Year ended 30 June 2011 £m
Cash flow from operating activities		
Profit before tax for the year	**11.1**	16.7
Adjustments for:		
Depreciation	**0.5**	0.5
Dividends receivable	**(3.6)**	(4.6)
Interest receivable	**(1.0)**	(1.9)
Foreign exchange (losses)/gains	**(1.0)**	1.5
Changes in operating assets and liabilities		
Decrease in debtors	**4.1**	2.5
Dividends received	**3.6**	4.6
Interest received	**1.8**	0.5
Increase in deferred origination costs	**(8.1)**	(7.5)
Increase/(decrease) in deferred income reserve	**4.6**	(0.6)
Increase in creditors	**0.8**	2.7
(Decrease)/increase in financial investments	**185.8**	(84.3)
(Decrease)/increase in financial liabilities	**(193.3)**	92.5
Cash flow from operations	**5.3**	22.6
Corporation tax paid	**-**	(0.2)
Cash flow from operations after taxation	**5.3**	22.4
Cash flows from investing activities		
Purchase of plant and equipment	**(0.7)**	(0.6)
Proceeds from sale of investments	**0.1**	0.2
Purchase of investments	**(0.1)**	(0.1)
Cash flows from investing activities	**(0.7)**	(0.5)
Cash flows from financing activities		
Proceeds from issue of shares	**0.2**	-
Dividends paid	**(19.1)**	(18.5)
Cash flows from financing activities	**(18.9)**	(18.5)
Net (decrease)/increase in cash and cash equivalents	**(14.3)**	3.4
Cash and cash equivalents at beginning of year	**59.3**	55.3
Effect of exchange rate changes	**(1.3)**	0.6
Cash and cash equivalents at year end	**43.7**	59.3

The notes on pages 54 to 70 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 now set out below or, in the case of 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 comparative classification of financial investments has been restated to better reflect the underlying assets.

The Group has applied all IFRS standards adopted by the European Union and effective at 30 June 2012.

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 total amount of basic initial commission payable to intermediaries for business sold in a period and is calculated on each piece of new business. It excludes override commission paid to intermediaries over and above the basic level of commission. The Group maintains a close control over the margins realised on new business which are consistent across the Group's products and, hence, NICC is a reliable indicator of 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):

	2012 £m	2011 £m
Far East	**7.8**	5.2
Latin America	**3.8**	5.2
EU and EEA	**2.9**	3.5
Rest of World	**1.6**	1.8
Net Issued Compensation Credit	**16.1**	15.7
Other commission costs paid to third parties	**7.2**	6.3
Enhanced unit allocations	**1.7**	1.4
Origination costs incurred during the year	**25.0**	23.4

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

3.1 Geographical analysis of fees and commissions by origin

	2012 £m	2011 £m
Isle of Man	**42.0**	42.5
Republic of Ireland	**12.5**	13.1
	54.5	55.6

3.2 Geographical analysis of profit before taxation

	2012 £m	2011 £m
Isle of Man	**11.2**	14.1
Republic of Ireland	**(0.1)**	2.6
	11.1	16.7

3.3 Geographical analysis of gross assets

	2012 £m	2011 £m
Isle of Man	**870.9**	989.0
Republic of Ireland	**358.9**	438.9
	1,229.8	1,427.9

3.4 Geographical analysis of gross liabilities

	2012 £m	2011 £m
Isle of Man	**854.0**	956.4
Republic of Ireland	**330.9**	418.9
	1,184.9	1,375.3

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.

	2012 £m	2011 £m
Contract fee income	**35.9**	36.1
Fund management charges	**14.4**	15.0
Commissions receivable	**4.2**	4.5
	54.5	55.6

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.

	2012 £m	2011 £m
Interest income	**1.6**	1.9
Dividend income	**3.6**	4.6
(Losses) / gains on realisation of investments	**(2.3)**	21.0
Movement in unrealised gains and losses	**(148.6)**	85.4
	(145.7)	112.9

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.

	2012 £m	2011 £m
Amortisation of deferred origination costs	**16.9**	15.9
Other origination costs	**2.4**	2.3
	19.3	18.2

7 Administrative and other expenses

Included in administrative and other expenses is the following:

	2012 £m	2011 £m
Auditors' remuneration:		
- Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.1**	0.1
- Fees payable for the audit of the Company's subsidiaries pursuant to legislation	**0.3**	0.3
Employee costs	**12.1**	10.9
Directors' fees	**0.4**	0.3
Investment management fees	**4.3**	4.8
Renewal and other commission	**1.3**	1.6
Professional and other fees	**2.9**	2.5
Operating lease rentals	**0.6**	0.7
Licences and maintenance fees	**0.8**	0.7
Insurance costs	**0.7**	0.7
Depreciation of plant and equipment	**0.5**	0.5
Communications	**0.4**	0.4

8 Employee costs

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

	2012 £m	2011 £m
Wages and salaries	**14.4**	13.3
Social security costs	**1.1**	1.0
Contributions to pension plans	**0.9**	0.8
	16.4	15.1

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.

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

	2012 No.	2011 No.
Administration	**164**	160
Distribution and marketing	**34**	36
IT development	**35**	28
	233	224

8.3 Share-based payments

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

9 Taxation

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.

	2012	2011
Profit after tax (£m)	**11.2**	16.5
Weighted average number of shares in issue	**137,311,224**	137,283,469
Basic earnings per share in pence	**8.2**	12.0

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 8.2 pence per share.

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 2012 p	**Total 2012 £m**	Per share 2011 p	Total 2011 £m
Final dividend	**8.0**	**11.0**	7.7	10.6
Interim dividend	**5.9**	**8.1**	5.75	7.9
	13.9	**19.1**	13.45	18.5

The Board has resolved to pay a final dividend of 8p per share on 19 November 2012, subject to approval at the Annual General Meeting, based on shareholders on the register on 28 September 2012. If approved, this would bring the total dividends in respect of the year ended 30 June 2012 to 13.9p per share and will represent an increase of 1.1% over the dividends in respect of the financial year ended 30 June 2011 (13.75p per share).

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, as follows:

Computer equipment and software	3 years
Fixtures and fittings	4 years

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 cost of plant and equipment at 30 June 2012 is £7.5m (2011: £6.8m). Accumulated depreciation at 30 June 2012 is £6.4m (2011: £5.9m).

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	**2012 £m**	2011 £m
At 1 July	**113.1**	105.6
Origination costs incurred during the year	**25.0**	23.4
Origination costs amortised during the year	**(16.9)**	(15.9)
	121.2	113.1

14 Other receivables

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

	2012 £m	2011 £m
Contract fees receivable	**3.2**	5.1
Outstanding investment trades	**1.3**	3.9
Commission receivable	**1.0**	1.1
Corporation tax recoverable	**0.3**	0.1
Other debtors	**2.1**	2.7
	7.9	12.9
Expected to be settled within 12 months	**5.9**	10.0
Expected to be settled after 12 months	**2.0**	2.9
	7.9	12.9

At the balance sheet date there are no receivables overdue but not impaired (2011: £nil) or impaired (2011: £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.

	2012 £m	2011 £m
Money market funds	**26.1**	23.3
Short-term deposits with credit institutions	**17.6**	36.0
Shareholders' cash and cash equivalents	**43.7**	59.3
Shareholders' long-term deposits with credit institutions	**21.6**	13.8
Total shareholder cash and deposits	**65.3**	73.1

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

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:

	2012 £m	2011 £m
Deposits to investment contracts	**138.6**	186.4
Deductions from contracts	**(187.9)**	(200.7)
Change in provisions for investment contract liabilities	**(146.5)**	109.2
Movement in year	**(195.8)**	94.9
At 1 July	**1,229.6**	1,134.7
	1,033.8	1,229.6

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	**15.5**	15.9
Expected to be settled after 12 months	**1,018.3**	1,213.7
	1,033.8	1,229.6

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.

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.

	2012 £m	(restated Note 1.1) 2011 £m
Equity securities	**31.2**	38.6
Investments in collective investment schemes	**838.4**	990.1
Fixed income securities	**38.7**	50.9
Cash and cash equivalents	**125.8**	148.3
Other receivables	**1.3**	3.9
Total assets	**1,035.4**	1,231.8
Other payables	**(1.6)**	(2.2)
Net financial assets held to cover financial liabilities	**1,033.8**	1,229.6

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.

	2012 £m	2011 £m
Commission payable	**4.0**	2.8
Other creditors and accruals	**4.0**	3.7
	8.0	6.5

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

	2012 £m	2011 £m
Authorised:		
200,000,000 ordinary shares of 50p	**100.0**	100.0
Issued and fully paid:		
137,372,255 (2011: 137,291,385) ordinary shares of 50p	**68.7**	68.6

During the year, 80,870 shares (2011: 8,729) 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	2012	2011
2008	**24,781**	55,770
2009	**124,826**	246,997
2010	**22,550**	39,324
2011	**115,740**	123,322
	287,897	465,413

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

	Year ended 30 June			
	2012		2011	
	No. of options	Weighted average exercise price (p)	No. of options	Weighted average exercise price (p)
Outstanding at the start of year	**465,413**	**132**	416,436	133
Granted	-	-	123,560	131
Exercised	**(80,870)**	**132**	(8,729)	133
Forfeited	**(96,646)**	**132**	(65,854)	133
Outstanding at end of year*	**287,897**	**132**	465,413	132

* 44,271 of these options are exercisable as at 30 June 2012.

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 ending 30 June 2012, the 3 years ending 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 2012 therefore there is no charge in the Consolidated Income Statement (2011: 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.

	2012 £m	2011 £m
Merger reserve	**(48.5)**	(48.5)
Share premium	**0.1**	-
Share save reserve	**0.1**	0.1
	(48.3)	(48.4)

21 Capital position statement

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

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

	2012 £m	2011 £m
Consolidated shareholders' funds	**44.9**	52.6
Adjustment arising from change in GAAP basis (*)	**17.8**	18.4
	62.7	71.0
Comprising shareholders' funds of:		
Non-life assurance Group companies	**26.6**	27.9
Life assurance subsidiary companies	**36.1**	43.1
Total capital available to meet regulatory capital requirements	**62.7**	71.0

*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.

Regulatory Minimum Solvency Margin

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

	2012 £m	2011 £m
Aggregate minimum margin	**4.6**	5.3

Group policy is for regulated insurance subsidiaries to hold prudential reserves in excess of the minimum regulatory requirements.

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

The Group's other assets are largely cash and cash equivalents, deposits with credit institutions and money market funds.

Capital management

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

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

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-wide risk management framework is in place comprising risk identification, risk assessment, control and reporting processes. The framework provides assurance that risks are being appropriately identified and managed. Additionally, the Board and the Boards of subsidiary companies have established a number of Committees with defined terms of reference. These are the Actuarial Review, Audit, Credit Control, Executive, Investment and Risk Committees. Additional information concerning the operation of the Board Committees is contained in the Corporate Governance section of this Report & Accounts.

Policyholders bear the financial risk relating to the investments underpinning their contracts, as the policy benefits are directly linked to the value of the assets. These assets are 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 (2011: £1.6m).

(b) Interest rate risk

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

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

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 £0.4m (2011: £0.7m) in the Group's equity and annual investment income.

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

(c) Currency risk

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

(c)(i) Group foreign currency exposures

The Group is exposed to currency risk on the foreign currency denominated bank balances, 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 minimized by frequent repatriation of excess foreign currency funds to sterling. At the balance sheet date the Group had exposures in the following currencies:

	2012 US$m	**2012 €m**	2011 US$m	2011 €m
Gross assets	**12.4**	**8.6**	12.0	17.5
Matching currency liabilities	**(7.6)**	**(2.0)**	(9.3)	(2.3)
	4.8	**6.6**	2.7	15.2

The approximate impact on profit and equity of a 5% change in the value of the Euro to Sterling is £0.3m (2011: £0.7m). The approximate effect of a 5% change in the value of US Dollars to Sterling is £0.2m (2011: £0.1m).

(c)(ii) Financial investments by currency

Certain fees and commissions are earned in currencies other than Sterling, based on the value of financial investments held in those currencies from time to time.

The sensitivity of the Group to the currency risk inherent in investments held to cover financial liabilities under investment contracts is incorporated within the analysis set out in (a) above.

At the balance sheet date the analysis of financial investments by currency denomination is as follows:

Currency	**2012 %**	2011 %
US Dollars	**53.0**	50.0
Euro	**26.0**	28.0
Sterling	**17.0**	16.0
Others	**4.0**	6.0
	100.0	100.0

22.2 Credit risk

Credit risk is the risk that the Group is exposed to lower returns or loss if another party fails to perform its financial obligations to the Group.

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

At the balance sheet date, an analysis of the 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 below):

	2012 £m	2011 £m
Deposits with credit institutions	**39.2**	49.8
Investments in money market funds	**26.1**	23.3
	65.3	73.1

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.

22.4 Undiscounted contractual maturity analysis

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

	2012 £m	2011 £m
Maturity within 1 year		
Deposits and Money Market funds	**43.7**	59.3
Other assets	**4.2**	3.3
	47.9	62.6
Maturity from 1 to 5 years		
Deposits with credit institutions	**21.6**	13.8
Other assets	**2.0**	2.9
	23.6	16.7
Assets with maturity values	**71.5**	79.3
Other shareholder assets	**122.9**	116.8
Shareholder assets	**194.4**	196.1
Gross assets held to cover financial liabilities under investment contracts	**1,035.4**	1,231.8
Total assets	**1,229.8**	1,427.9

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 2012:

Financial assets at fair value through profit or loss	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
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**

During this financial year, assets with a fair value at 30 June 2011 of £22.2m were transferred from Level 2 to Level 1, following the restructure of a number of underlying funds. In addition, assets with a fair value of £14.2m were transferred from Level 1 to Level 2.

Assets with a value of £29.3m (2011: £2.0m) 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	**-**	**1,033.8**	**-**	**1,033.8**

The following table analyses the Group's financial assets and liabilities at fair value through profit or loss, at 30 June 2011 (restated):

Financial assets at fair value through profit or loss	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Equity securities	38.6	-	-	38.6
Collective investment schemes	955.8	34.3	-	990.1
Fixed income securities	50.9	-	-	50.9
Deposits and money market funds	162.1	-	-	162.1
Total financial assets at fair value through profit or loss	1,207.4	34.3	-	1,241.7

Assets with a fair value of £24.5m were transferred to Level 2 during the year ending 30 June 2011.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial liabilities at fair value through profit or loss	-	1,229.6	-	1,229.6

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:

	2012 £m	2011 £m
Amounts due:		
Within one year	**0.5**	0.7
Between one and five years	**2.1**	1.5
After five years	**1.4**	0.2
	4.0	2.4

24 Related party transactions

24.1 Intra-group transactions

Various subsidiary companies within the Group perform services for other Group companies in the normal course of business. The financial results of these activities are eliminated in the consolidated financial statements.

24.2 Key management personnel compensation

Key management consists of individuals (2011: 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 2012 is as follows:

	2012 £m	2011 £m
Salaries, wages and bonuses	**2.6**	2.2
Benefits under SAYE share save programme	**-**	-
Charged to the income statement	**2.6**	2.2
Payments during the year by key management in respect of policies issued by the Group	**-**	-
Payments during the year to key management in respect of policies issued by the Group	**-**	(0.1)
The sum assured or fund balance of those policies at 30 June	**17.0**	17.1

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

24.2 Employee Benefit Trust

An Employee Benefit Trust was established on 16th 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 are expected to total approximately £33,000 and to be made in December 2012.

24.4 Other transactions with 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 on 7 July 2011 for £501,000. The contract has not been exercised at the date of these Report & 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.

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 increasingly 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 Group has been served with a number of writs arising from such complaints and other asset-related issues, and believes that other writs might be served in the next few months. Claims under writs served to date total approximately £11m. An initial Court hearing into the majority of these complaints was held in Norway in April, at which the Judge concluded that the Group has a case to answer.

The Group has appealed this judgement and intends to defend its position strenuously. Any further court hearings linked to these writs are not anticipated to take place before August 2013.

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.

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 balance sheet items from US Dollar and Euro to Sterling were as follows:

	2012	2011
US Dollar	**1.57**	1.61
Euro	**1.24**	1.11

Parent Company Balance Sheet

	Notes	2012 £m	2011 £m
Assets			
Investment in subsidiary companies	2	**71.8**	71.8
Long term deposits with credit institutions		**10.0**	10.0
Cash and cash equivalents	3	**12.7**	14.2
Amounts due from subsidiary companies	4	**2.1**	1.1
Other receivables		**0.8**	0.6
Tangible assets		**0.1**	0.1
Total assets		**97.5**	97.8
Liabilities			
Amounts due to subsidiary companies	4	**1.2**	0.2
Other payables		**1.2**	0.7
Total liabilities		**2.4**	0.9
Net assets		**95.1**	96.9
Shareholders' equity			
Called up share capital	5	**68.7**	68.6
Share premium		**0.1**	-
Retained earnings	6	**26.2**	28.2
Share save reserve		**0.1**	0.1
Total shareholders' equity	7	**95.1**	96.9

The notes on pages 72 to 75 form an integral part of these financial statements.

The parent company financial statements on pages 71 to 75 were approved by the Board on 20 September 2012 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 to 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 2012, including dividends received from subsidiaries, is £17.1m (2011: £13.9m).

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

1.2 Significant accounting policies

1.2.1 Investment income

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

1.2.2 Dividends payable

Interim dividends payable to shareholders are recognised in the year in which the dividends are paid. Final dividends payable are recognised as liabilities when approved by the shareholders at the annual general meeting.

1.2.3 Taxation

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

1.2.4 Investments in subsidiary companies

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

1.2.5 Foreign currencies

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

Foreign currency transactions are translated into sterling using the 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:

Computer equipment and software	3 years
Fixtures and fittings	4 years

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

	2012 £m	2011 £m
Money market funds	**12.7**	4.1
Deposits with credit institutions	-	10.1
	12.7	14.2

4 Amounts due to/from subsidiary companies

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

5 Share capital

	2012 £m	2011 £m
Authorised:		
200,000,000 ordinary shares of 50p	**100.0**	100.0
Issued and fully paid:		
137,372,255 (2011: 137,291,385) ordinary shares of 50p	**68.7**	68.6

During the year, 80,870 (2011: 8,729) shares were issued under the terms of the Save as You Earn (SAYE) share save programme approved by the shareholders.

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

6 Retained earnings

	2012 £m	2011 £m
Profit for the financial year	**17.1**	13.9
Dividends paid	**(19.1)**	(18.5)
Net decrease in retained earnings	**(2.0)**	(4.6)
As at 1 July	**28.2**	32.8
	26.2	28.2

Notes to the parent company financial statements
continued

7 Movement in shareholders' equity

	2012 £m	2011 £m
Profit for the financial year	**17.1**	13.9
Dividends paid	**(19.1)**	(18.5)
Increase in share capital	**0.1**	-
Increase in share premium	**0.1**	-
Net decrease in shareholders' equity	**(1.8)**	(4.6)
As at 1 July	**96.9**	101.5
	95.1	96.9

8 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 (2011: £0.2m) were paid to non-executive Directors.

During the year, the Company 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 on 7 July 2011 for £501,000. The contract has not been exercised at the date of these Report & Accounts.

9 Equity settled share-based payments

9.1 Save As You Earn (SAYE) programme

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

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

Scheme year	2012	2011
2008	**22,398**	53,387
2009	**124,826**	221,408
2010	**15,988**	22,038
2011	**85,031**	92,613
	248,243	389,446

No awards were made in the financial year under review.

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

	2012		2011	
	No. of options	**Weighted average exercise price (p)**	No. of options	Weighted average exercise price (p)
Outstanding at the start of year	**389,446**	**133**	356,335	133
Granted	**-**	**-**	96,973	131
Exercised	**(80,870)**	**133**	(8,729)	133
Forfeited	**(60,333)**	**133**	(55,133)	133
Outstanding at end of year*	**248,243**	**133**	389,446	133

* 44,271 of these options are exercisable as at 30 June 2012.

No awards were made during the year.

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

9.2 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 ending 30 June 2012, 3 years ending 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 2012 therefore there is no charge in the Income Statement (2011: nil).

European Embedded Value Information

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 future profits from business in-force at the valuation date, 30 June 2012. 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 own past, current and expected 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 provides a measure of the Group's performance over the year. The components of EEV profit after tax are set out in the table below.

	2012 £m	2011 £m
New business contribution	**16.8**	18.5
Expected return on existing business	**5.4**	4.9
Experience variances	**(6.0)**	(3.0)
Operating assumption changes	**(13.0)**	(11.3)
Expected return on net worth	**1.6**	1.7
Model changes	**0.0**	4.1
EEV operating profit after tax	**4.8**	14.9
Investment return variances	**(17.1)**	12.0
Economic assumption changes	**(1.4)**	1.6
EEV profit after tax	**(13.7)**	28.5

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, including any acquisition expense overrun. NBC for the year is £16.8m (2011: £18.5m).

2.1.2 Expected return on existing business

The table below shows the return on existing business in-force at the start of the year in greater detail. The table also provides valuable insight into cashflows generated by the business relating to both new and existing business.

The expected return on existing business of £5.4m (2011: £4.9m) represents, in large part, the Group's view of the factors impacting upon the increase in the value of future profits over the year and in new business between the point of sale and the end of the year due to the time value of money

	2012 EEV £m	2012 Net worth £m	2012 VIF £m	2012 Non-market Risk* £m	2011 EEV £m	2011 Net worth £m	2011 VIF £m	2011 Non-market Risk* £m
Cash flows generated by existing business	**0.0**	**38.9**	**(38.9)**	**0.0**	0.0	35.1	(35.1)	0.0
New business strain	**0.0**	**(22.6)**	**22.6**	**0.0**	0.0	(20.8)	20.8	0.0
Time value of existing business	**5.4**	**0.7**	**4.7**	**0.0**	4.9	0.4	4.5	0.0
Time value of new business	**0.2**	**(0.3)**	**0.5**	**0.0**	0.2	(0.3)	0.5	0.0
Time value of non-market risk	**(0.2)**	**0.0**	**0.0**	**(0.2)**	(0.2)	0.0	0.0	(0.2)
	5.4	**16.7**	**(11.1)**	**(0.2)**	4.9	14.4	(9.3)	(0.2)

*this includes frictional costs

2.1.3 Experience variances

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

Experience variances are summarised in the following table.

	2012 £m	2011 £m
Premium changes and surrenders	**(3.3)**	(0.3)
Expenses	**(1.5)**	(1.6)
Other	**(1.2)**	(1.1)
	(6.0)	(3.0)

2.1.4 Operating assumption changes

The operating assumption changes reflect management's view of the future impact of the experience variances described above. A review of operating assumptions is conducted each year. Changes are made to the EEV assumptions to reflect current expectations about future levels of future expenses, premiums, lapses and other operating matters.

These operating assumption changes reduced the EEV by £13.0m (2011: £11.3m), as shown below.

	2012 £m	2011 £m
Lapses and paid up policies	**(4.4)**	0.7
Switches	**(3.5)**	0.0
Premium reductions and holidays	**(1.5)**	(0.8)
Expenses	**(2.8)**	(10.9)
Mortality	**(0.5)**	(0.3)
Other	**(0.3)**	0.0
	(13.0)	(11.3)

European Embedded Value Information continued

2.1.5 Expected return on net worth

The expected return on net worth of £1.6m (2011: £1.7m) reflects the anticipated increase in shareholder assets over the period due to the time value of money. In line with the Group's policy its calculation is based on the 2.7% risk discount rate at the previous financial year-end (2011: 2.5%).

2.1.6 Model changes

The Group continues to develop its modelling functionality. There were no significant changes to the model used to determine the EEV this year (2011: £4.1m).

2.1.7 Investment return variances

The impact of market and other external conditions gave rise to EEV investment return of (£17.1m) in the year (2011: £12.0m profit). The investment return affects the value of the assets under administration. The investment return primarily reflects the investment choices made by policyholders. The performance of the resulting investments will then affect the value of future income to the Group.

The main elements contributing are as follows:

	2012 £m	2011 £m
Investment performance of policyholder funds	**(14.1)**	11.5
Exchange rate movements	**(1.4)**	0.2
Treasury Margins	**(0.4)**	0.2
Commissions receivable	**0.1**	0.0
Other	**(1.3)**	0.1
	(17.1)	12.0

2.1.8 Economic assumption changes

Economic assumption changes resulted in an EEV loss of £1.4m (2011: £1.6m profit). This reflects changes to government bonds yields for the currencies in which the Group is exposed.

2.2 Detailed analysis of EEV profit

The table below shows a detailed analysis of EEV profit after tax. This is split between net worth, the value of in-force business (VIF), non-market risk and frictional costs. The increase in net worth of £9.6m demonstrates the continued ability of the Group to generate cash from the in-force book through volatile economic conditions while at the same time continuing to invest in new business as shown in 2.1.2 above.

	2012 Movement In					2011 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	**16.8**	**0.0**	**16.8**	**0.0**	**0.0**	18.5	0.0	18.5	0.0	0.0
Expected return on new and existing business	**5.4**	**16.6**	**(11.0)**	**(0.2)**	**0.0**	4.9	14.4	(9.3)	(0.2)	0.0
Experience variances	**(6.0)**	**(4.7)**	**(1.1)**	**0.0**	**(0.2)**	(3.0)	(6.3)	3.3	0.0	0.0
Operating assumption changes	**(13.0)**	**0.0**	**(13.0)**	**0.0**	**0.0**	(11.3)	0.0	(11.3)	0.0	0.0
Expected return on net worth	**1.6**	**1.6**	**0.0**	**0.0**	**0.0**	1.7	1.7	0.0	0.0	0.0
Model changes	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	4.1	0.0	4.1	0.0	0.0
EEV operating profit after tax	**4.8**	**13.5**	**(8.3)**	**(0.2)**	**(0.2)**	14.9	9.8	5.3	(0.2)	0.0
Investment return variances	**(17.1)**	**(3.9)**	**(13.2)**	**0.0**	**0.0**	12.0	0.5	11.5	0.0	0.0
Economic assumption changes	**(1.4)**	**0.0**	**(1.4)**	**0.0**	**0.0**	1.6	0.0	1.6	0.0	0.0
EEV profit after tax	**(13.7)**	**9.6**	**(22.9)**	**(0.2)**	**(0.2)**	28.5	10.3	18.4	(0.2)	0.0

3 Embedded Value at 30 June 2012

3.1 EEV Balance Sheet

Following the payment of dividends totalling £19.1m, the Group's EEV has decreased by £32.7m to £224.3m (2011: £257.0m). The EEV balance sheet is presented below.

	2012 £m	2011 £m
Free surplus	**35.1**	44.5
Required capital	**15.3**	15.3
Net worth	**50.4**	59.8
VIF	**180.9**	203.9
Reduction for non-market risk	**(6.0)**	(5.8)
Frictional costs	**(1.0)**	(0.9)
Value of future profits	**173.9**	197.2
EEV	**224.3**	257.0

European Embedded Value Information continued

3.2 Reconciliation of EEV

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

	2012					2011				
	EEV	Net Worth	VIF	Non market risk	Frictional costs	EEV	Net Worth	VIF	Non market risk	Frictional costs
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Opening	**257.0**	**59.8**	**203.9**	**(5.8)**	**(0.9)**	247.0	68.0	185.6	(5.7)	(0.9)
EEV profit after tax*	**(13.7)**	**9.6**	**(22.9)**	**(0.2)**	**(0.1)**	28.5	10.3	18.3	(0.1)	(0.0)
	243.4	**69.4**	**181.0**	**(6.0)**	**(1.0)**	275.5	78.3	203.9	(5.8)	(0.9)
Dividends paid	**(19.1)**	**(19.1)**	**0.0**	**0.0**	**0.0**	(18.5)	(18.5)	0.0	0.0	0.0
Closing	**224.3**	**50.3**	**181.0**	**(6.0)**	**(1.0)**	257.0	59.8	203.9	(5.8)	(0.9)

* Numbers do not sum because of rounding

4 New Business Profitability

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

4.1 New Business Margin

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

The new business margin for the year is 9.6% (2011: 8.3%) on a PVNBP basis, an increase of 15.7%. This increase is primarily due to the change in mix of sales towards higher-margin regular-premium business.

The main elements contributing are as follows:

	2012 £m	2011 £m
New business sales (PVNBP)	**175.7**	221.1
New business contribution	**16.8**	18.5
New business margin	**9.6%**	8.3%

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

4.2 Internal Rate Of Return (IRR)

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

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

4.3 Break Even Point (BEP)

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

The average BEP for new business written during the year is 2.6 years (2011: 2.3 years).

5 EEV SENSITIVITY ANALYSIS

Sensitivities provide an indication of the impact of changes in particular assumptions on the EEV at 30 June 2012 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.

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. 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	**224.3**	**16.8**
Operating sensitivities		
10% increase in expenses	(8.6)	(1.3)
1% increase in expense inflation	(7.0)	(1.6)
1% increase in charge inflation	6.3	1.3
1% increase in expense & charge inflation	(0.5)	(0.2)
10% decrease in lapse rates	2.4	0.3
10% increase in paid-up rates	(1.4)	(0.4)
10% increase in mortality rates	(0.3)	0.0
10% increase in partial withdrawals	(1.6)	(0.2)
10% increase in premium reductions	(0.7)	(0.3)
10% increase in premium holidays	(0.6)	(0.1)
Economic sensitivities		
1% increase in risk discount rate	(8.6)	(1.8)
1% decrease in investment return rate	(6.6)	(0.9)
1% increase in risk discount rate & investment return rate	(2.1)	(1.0)
10% decrease in the value of equities and property	(8.1)	0.0
10% depreciation against sterling	(16.6)	(2.0)

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 2012, the CFO Forum withdrew the intention that the MCEV are the only recognised format of embedded value reporting from 31 December 2012. 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 using interest swap rates to determine the risk discount rate. Therefore, adoption of the MCEV Principles as currently proposed is not expected to have a material financial impact on the embedded value results, although it will necessitate formatting and disclosure changes.

1.3 Covered business

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

1.4 New business premiums

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

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

1.5 Timing of cash flows

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

1.6 Real world returns

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

2 Methodology

2.1 Overview

The methodology used to derive the EEV results at the valuation date is consistent with the EEV methodology used in relation to the consolidated financial statements for the year ended 30 June 2011. 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 and the regulatory solvency margin and an internal margin held in excess of these statutory requirements.

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 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 (VIF)

The VIF is determined by calculating, on a best estimate basis, the stream of future shareholder cash flows expected to arise from assets backing the liabilities of the covered business and then calculating the present value of the cash flows using an appropriate risk discount rate. 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 and NBC 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 assurers, the Group's cost of financial options and guarantees is zero.

Notes to the European Embedded Value Information

continued

3 Operating Assumptions

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

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

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

3.1 Expense assumptions

A realistic estimate of the Group's future expenses is allowed for in the EEV calculations, based on actual recent expense levels and the directors' estimate of realistic future expense levels.

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

Development costs to enable future new business have been allocated to new business and are fully reflected in the calculation of the NBC. Other non-recurring development costs and any other expenditure of an exceptional nature are generally charged as incurred, and hence will be reflected as a profit or loss in the year. Such costs amounted to £1.9m in the year ended 30 June 2012 (2011: £1.8m).

There has been no 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, lapses, partial withdrawals, policies being made paid-up, premium reductions and premium holidays have been derived from investigations of the Group's own recent experience and having regard for expected future experience and relevant market data. Separate assumptions have been set for each product class, where appropriate.

3.3 Taxation

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

Corporation tax rates	30 June 2012	30 June 2011
Isle of Man	**0%**	0%
Republic of Ireland	**12.5%**	12.5%

3.4 Non-market risk

The directors have established an allowance of £6.0m (2011: £5.8m) to account for the cost of non-market risks. This amount is equivalent to an increase of 0.6% (2011: 0.6%) per annum in the risk discount rate assumption at the valuation date. It has been assessed after considering past experience, the operational characteristics of the business and market information. The suitability of this allowance is 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.

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

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

Risk-free rate	**30 June 2012**	30 June 2011
per annum	**1.6%**	2.7%

4.2 Risk discount rate

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

Risk discount rate	**Year ended 30 June 2012**		Year ended 30 June 2011	
	EEV	**NBC**	EEV	NBC
per annum	**1.6%**	**2.7%**	2.7%	2.5%

4.3 Investment returns

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

4.4 Risk premium

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

4.5 Inflation rates

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

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

Inflation assumptions are as follows:

Inflation rates	**30 June 2012**	30 June 2011
Expense inflation per annum	**5.0%**	5.0%
Charge inflation per annum	**5.0%**	5.0%

Report of the Reviewing Actuaries

The Directors
Hansard Global plc
Harbour Court, Lord Street, Box 192
Douglas, Isle of Man IM99 1QL
20 September 2012

Dear Sirs

Review of the European Embedded Value ("EEV") of Hansard Global plc for the year ended 30 June 2012

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 2012.

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.

Cash payback on new business
Cash payback on new business is the time at which the value of the expected cash flows, after tax, is sufficient to have recouped the capital invested to support the writing of the business. The cash flows are calculated on the same assumptions and expense basis as those used for the contribution from new business.

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 Services Authority (FSA) 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. The choice of a discount rate will usually greatly influence the value of insurance provisions, and may give indications on the conservatism of provisioning methods.

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-wide risk management (ERM) programme.
The programme implemented by the Group to allow identification, monitoring and management of risks.

European Embedded Value (EEV)
The EEV is the value to equity 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.

Glossary continued

EEV Information
EEV Information relates to details prepared on an EEV basis set out in pages 24 to 25 and 76 to 85.

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.

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 will be implemented in 2013.

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 and the shareholders' interest in the surplus held in the non profit component of the long term business funds, determined on a statutory solvency basis and adjusted to add back any non-admissible assets per regulatory returns.

New business contribution (NBC)
The expected present value of all future cash flows attributable to the equity holder 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 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 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.

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

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 equity holders 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 equity holders.

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 expected to be implemented in 2014.

Total shareholder return (TSR)
This is a measure of the overall return to shareholders and includes the movement in the share price and any dividends paid and reinvested.

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 In force (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 2013

Publication of first interim management statement	**8 November 2012**
Annual General Meeting	**14 November 2012**
Payment date for final dividend	**19 November 2012**
Announcement of 2nd quarter new business results	**29 January 2013**
Publication of half-yearly results	**28 February 2013**
Declaration of interim dividend	**28 February 2013**
Ex-dividend date for interim dividend	**6 March 2013**
Record date for interim dividend	**8 March 2013**
Payment of interim dividend	**3 April 2013**
Publication of second interim management statement	**7 May 2013**
Announcement of 4th quarter new business results	**26 July 2013**
Announcement of results for the year ended 30 June 2013	**26 September 2013**
Declaration of final dividend	**26 September 2013**
Ex-dividend date for final dividend	**2 October 2013**
Record date for final dividend	**4 October 2013**
Annual General Meeting	**7 November 2013**
Payment date for final dividend	**13 November 2013**

Notes

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