



ANNUAL  
REPORT AND  
ACCOUNTS  
2016

FINANCIAL SOLUTIONS  
FOR INTERNATIONAL  
CLIENTS



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

We administer assets in excess of \$1 billion for over 500 financial advisor businesses with over 40,000 client accounts in as many as 155 countries.



# Hansard Global plc Report and Accounts

## For the year ended 30 June 2016



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### Chairman's Statement

The Chairman reviews our performance, and the relevant issues affecting our business and how we operate.

### Strategic Report

A narrative review of the Group's performance that includes an overview from the Chief Executive and details of our business. You can also find out about our approach to risk management.

### Governance Information

In this section you can find out more on our Directors' background and experience, their specific responsibilities in relation to the Annual Report and Accounts, the key parts of our governance framework and how it was implemented during the year as well as reports from the various Board committees.

### Financial Information

The Group's IFRS financial statements which include detailed analysis of the Group's performance, assets and liabilities. You will also find the Company financial statements in this section.

### European Embedded Value

The Group's EEV Information which includes detailed analysis of the Group's performance.

### Shareholder Information

Further information for shareholders such as our financial calendar and how to get in touch.

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# Chairman's Statement

## Philip Gregory

I indicated in my two previous Chairman's Statements that the benefits of the strategic review that we undertook in financial year 2014 would take several years to be realised. I am pleased to report that financial year 2016 has been the year when the strategic changes made to our products, distribution, processes and executive management started to improve our performance.



# We have a clear view of the changes required to position the Group for future success



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## New business

The first signs of recovery in our new sales appeared in Q4 of the 2015 financial year. I am pleased to report that this trend has continued throughout financial year 2016. On the Present Value of New Business Premiums metric, our new business of £119.3m is 97% up on the last financial year. As a consequence our new business activities have made a positive contribution to our EEV in financial year 2016, after a negative contribution in 2015. The sales momentum has continued through July and August 2016.

The Group continues to work on a number of new initiatives that would enable us to sell our products in new markets. Although obtaining regulatory access to these markets has taken much longer than we envisioned, we hope that the remaining hurdles should be surmounted to assist our sales growth in financial year 2018 and beyond.

## Customer service

In financial year 2016, we have undertaken a significant amount of process re-engineering to improve customer service and operational efficiency. The initiative has improved the speed, accuracy and efficiency with which our staff are able to respond to our customers' needs. We anticipate that this programme will continue for most of financial year 2017. In addition, we continue to make improvements to Hansard Online in response to contract holder and Independent Financial Advisor ('IFA') demands.

## Financial performance

Our IFRS profit for the year after taxation of £8.3m (2015: £14.9m) is, as expected, lower than financial year 2015 which benefitted from a £3.0m release of a provision. In addition, the continuing run-off of Hansard Europe and the transition in Hansard International from the older, more profitable in-force policies to the competitively priced policies sold in the last three years has reduced income by £5.0m. This trend will continue until the level of income generated by the increasing new business exceeds the loss of revenue from surrenders and maturity of the in-force business.

On an EEV basis the profit for the year after taxation was £13.1m (2015: £2.9m). The most significant component of the increase in EEV has been caused by the fall in Sterling against the US dollar and euro following the UK's Brexit vote. Approximately three quarters of our income is earned in currencies other than Sterling, whilst most of our expenses are incurred in Sterling; consequently the future profitability of our in-force book has increased.

During the last two financial years, the Group has generated large amounts of surplus cash, as the cash generated from the in-force book was much larger than the amounts reinvested in the acquisition of new business. In financial year 2016 the near doubling of the new business has meant that the net cash inflow before

dividends was only £1.2m (2015: £16.7m). Higher new business in future financial years will result in a net outflow of cash until such time as the cash generated from the increased new in-force business is sufficient to cover the new business strain. The Group had cash and deposits of £76.6m on 30 June, 2016 (2015 £80.9m) out of which it can finance this anticipated cash outflow. Your Board will be managing carefully the cash position over the next few years.

## Capitalisation and solvency

The Group remains well capitalised to meet the requirements of regulators, contract holders, intermediaries and other stakeholders. Aggregate minimum solvency margins are covered by £35.5m of excess assets. We have maintained our prudent investment policy for shareholder assets, which minimises market risk and has provided a stable and resilient solvency position over recent years.

## Dividends

The Board has resolved to pay an increased final dividend of 5.3p per share (2015: 5.25p). The dividend is subject to approval at the Annual General Meeting. If approved, this will represent total dividends for the financial year of 8.9p per share. The final dividend will be paid on 17 November, 2016.

## Concluding remarks

Financial year 2016 has been encouraging, with clear evidence that the strategic changes made by the Group over the last three years are working. In financial year 2017 we will continue with those strategic changes, particularly in opening new markets and completing our process re-engineering initiative.

**Philip Gregory**

**Chairman**

**21 September 2016**

# Group Chief Executive Officer's Overview

## Gordon Marr

The past year has been a positive one for the Group as we see the results of the hard work over the last two years bear fruit. We have returned to a level of new business that provides a positive new business margin and are working hard to ensure the momentum in growth is maintained in the coming year.

Economic and political circumstances in many places across the world remain uncertain. One example was the unexpected outcome of the UK referendum on EU membership. While Brexit in itself will not pose any restrictions for Hansard in terms of our market access, the vote has provoked significant movements in stock and foreign exchange markets which affect our assets under management and the income earned from such assets.

While external developments present challenges and volatility, we remain focused on what is in our control. We continue to see opportunity, and given our size and flexibility, we believe we are well positioned to take advantage of those opportunities.



Our priority this year was to leverage our distribution team, infrastructure and technology to drive greater levels of new business.



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## Strategy development

The Group's strategy is to direct its efforts "to be the preferred choice of distributors when recommending international savings and investment products to their clients".

I mentioned last year that having refreshed our product range, our priority this year was to leverage our distribution team, infrastructure and technology to drive greater levels of new business. This objective has been successfully achieved with a near doubling of our new business over the course of the year.

There is much more to do. We have many distribution relationships which are still in their infancy and we expect these to deliver improved sales in the coming year. We continue initiatives to secure additional licenses and partnerships in a small number of targeted locations.

In 2016 we have continued to deliver significant process efficiencies and customer focussed improvements as part of a two year programme of process re-engineering.

We also will need to react and take account of rapidly changing regulations at home and abroad. The Isle of Man is expected to introduce a number of significant changes in coming years, including in the areas of consumer disclosure and intermediary regulations.

## Results for the year under review

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

- 1. Sourcing significant flows of regular premium new business flows from diversified target markets;**
- 2. Managing our exposure to business risk;**
- 3. Positioning ourselves to incorporate ever-increasing levels of regulation into our business model;**
- 4. Leveraging Hansard Online developments; and**
- 5. Managing our cash flows through the cycle to fund the appropriate balance of investment in new business and dividends.**

**I would draw your attention to the additional following information that is contained in the Business and Financial Review on pages 14 to 25.**

### 1. New Business distribution

Following the closure of Hansard Europe DAC (previously Hansard Europe Limited) to new business with effect from 30 June 2013, new business performance commentary within this document will relate to Hansard International Limited alone, except where indicated.

The level of new business we earned during the financial year ("FY") of £119.3m (using the basis of Present Value of New Business Premiums ("PVNBP") metric) is some 97% above the £60.6m from FY 2015.

We experienced very strong growth in the Middle East and Africa which increased almost four-fold from 2015. This is a strong endorsement of the time and resources spent on enhancing our products and distribution network over the past two years.

During the year, we introduced an improved regular premium proposition and are in the process of doing the same with our single premium proposition – providing wider choices and better value for our distributors and customers.

Under the guidance of our Chief Distribution Officer, we have initiatives planned for all regions during FY 2017 to increase sales.

# Group Chief Executive Officer's Overview *continued*

## Gordon Marr

### 2. Operational, Business and Financial Risks

Our business model involves the acceptance of a number of risks. We maintain an enterprise risk management framework to identify, assess, manage, monitor and control current and emerging risks. However the system of internal control can only provide reasonable and not absolute assurance against material misstatement or loss. The Group's internal control and risk management processes have operated satisfactorily throughout the year. There are a number of areas outlined below which are of significance for understanding the results and operating environment of the Group.

#### 2.1. Complaints and potential litigation

We continue to deal with complaints in circumstances where a contract holder believes that the performance of an asset linked to a particular contract is not satisfactory. We do not give investment advice and are not party to the selection of the asset and therefore we believe that such claims have no merit. Sometimes these complaints progress to litigation with the resulting increase in cost and resource to the Group. In many cases the litigation relates to decisions taken by individuals during, or as a result of, the global financial crisis some years ago.

At the beginning of this financial year Hansard Europe was facing litigation based on writs totalling €12.4m (approximately £8.8m) as a result of these and related complaints. We have seen some additional contract holders join these group actions which has increased the overall level of writs outstanding at the end of the year to €15.7m (approximately £13.1m).

We have however had some positive developments. During the year the Group successfully won three cases in Belgium and Italy which affirms confidence in the Group's legal arguments. The outstanding writs have not been reduced for these cases (totalling €1.4 or £1.1m) however as they have all since been appealed.

In general, each case is considered on its merits and where appropriate we will consider circumstances where it is in our best interests to reach a resolution with regard to certain of those claims (without any admission of liability). At this time it is not possible to put a reliable estimate of the ultimate liability on such writs. Such writs continue to be treated as contingent liabilities within the Annual Report and Accounts

### 3. Leverage Hansard Online

Hansard Online is a powerful sales and business administration tool that is used by IFAs and clients the world over. It is an integral part of the Group's operating model and allow us to better service IFAs and clients, embed process efficiencies and be flexible in operational deployment.

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

We have continued to invest in the system over the last year, extending its functionality and reporting capabilities.

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



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#### 4. Operating cash flows and dividends

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

As highlighted in previous public announcements, our strategy included a restructure of our product proposition to ensure we are well placed in the market to increase sales and meet our target growth. This is reflected in the significant increase in new business investment reported in the Business and Financial Review in this Report and Accounts.

The results reflect that the Group generated a net £1.2m (2015: £16.7m) in net cash flows before dividends, after the investment of £15.4m (2015: £8.6m) in new business. Dividends of £12.2m

were paid in the financial year (2015: £11.7m), reflecting the strong cash reserves we have in place while we return the business to the necessary scale.

An interim dividend of 3.6p per share was declared on 25 February 2016. A final dividend of 5.3p per share has been proposed by the Board and will be considered at the Annual General Meeting on 12 November 2016. When the final dividend is paid at this level, these dividends will total 8.9p per share in respect of this financial year, in line with our strategic commitment.



# Group Chief Executive Officer's Overview *continued*

## Gordon Marr

### Financial performance

#### Results for the year

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

	<b>FY 2016 £m</b>	<b>FY 2015 £m</b>
New business sales – Compensation Credit	<b>10.2</b>	5.5
Underlying IFRS profit after tax	<b>9.2</b>	12.0
IFRS profit after tax	<b>8.3</b>	14.9
New business contribution	<b>0.2</b>	(3.7)
EEV operating loss after tax	<b>(1.1)</b>	(6.3)
EEV at 30 June	<b>195.9</b>	195.0

#### IFRS results

Fees and commissions were £51.3m for the year, down 9% or £5m from 2015. The decreased level of fee income is largely as a result of the movement from previous product types which had higher levels of initial income to our newer products which earn fees more evenly over their life time. The run-off of Hansard Europe, together with a number of other smaller items, also contributed to the overall reduction. Further detail and analysis is contained in the Business and Financial Review.

Administrative and other expenses were £25.3m for the year, increased from £22.8m in 2015. However after eliminating the effect caused by the release of an exceptional provision of £3m in 2015, administrative and other expenses are lower on a like for like basis.

After eliminating significant, once-off items, the underlying profit after tax was £9.2m compared to £12.0m in 2015. This reduction is primarily driven by the lower fees and commissions noted above.





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## EEV results

During the year, the Group has continued to invest in the development and implementation of its strategic objectives, while at the same time managing the expenses of supporting its existing business. Operating cash flows have remained positive.

With distribution levels increasing during the year, New Business Contribution has recovered to a positive £0.2m for the year (2015: negative £3.7m). Together with strong investment return variances (driven predominantly by favourable foreign currency movements) an overall EEV profit after tax of £13.1m was produced (2015: £2.9m).

The key drivers of these variances were:

	FY 2016 £m	FY 2015 £m
Exchange rate movements	26.1	0.4
Investment performance of contract holder funds	(7.6)	3.4
Impact of economic changes on contract holder activity margins	(4.7)	1.1
Strengthening of partial encashment assumption	(2.5)	0.2

Following the payment of dividends of £12.2m (2015: £11.7m), the Group's EEV is £195.9m at 30 June 2016 (30 June 2015: £195.0m).

## Capitalisation and solvency

Our key financial objective is to ensure that the Group's solvency is managed safely through the economic cycle to meet the requirements of regulators, contract holders, intermediaries and shareholders. The Group is well capitalised. The required minimum solvency margins are covered by excess assets of £35.5m, which are typically held in a wide range of deposit institutions and in highly-rated money market liquidity funds. This prudent investment policy for shareholder assets minimises market risk and has provided a stable and resilient solvency position over recent years.

We recognise that Hansard Europe's capital surplus is not available for distribution in the near future. It is therefore included within the total of Required Capital of £27.6m in the analysis of the Group's EEV balance sheet at 30 June 2016. Allowing for this, the EEV balance sheet reflects that the Group has a free surplus of £27.9m (2015: £36.5m) available for investment and distribution.

## Our people

The Group has a dedicated dynamic workforce across a number of locations around the world. We recognise that our people are key to our success. Both the front facing distribution team and the head office administration and support functions have achieved an immense amount during the past year. This is seen in our sales figures but also in the results of our customer service surveys and in the efficiency gains achieved in the re-engineering of numerous back office processes. We continue to promote a mix of talent from within and externally to ensure we have the best possible team to meet the goals and challenges ahead. I would like to thank all of our employees for their continued commitment to Hansard.

**G S Marr**  
Group Chief Executive Officer  
21 September 2016

# Our Business Model and Strategy

## Our Business Model and Strategy

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

**We administer assets in excess of \$1 billion for over 500 financial advisor businesses with over 40,000 client accounts in as many as 155 countries.**

## Business

The Company's head office is in Douglas, Isle of Man, and its principal subsidiaries operate from the Isle of Man and the Republic of Ireland. Hansard International Limited ("Hansard International") is regulated by the Isle of Man Financial Services Authority and has a branch in Malaysia, regulated by the Labuan Financial Services Authority, to support business flows from Asian growth economies. Hansard Europe DAC ("Hansard Europe", previously Hansard Europe Limited) is regulated by the Central Bank of Ireland. Hansard Europe ceased accepting new business with effect from 30 June 2013.

Our products are designed to appeal to affluent international investors, institutions and wealth-management groups. They are distributed exclusively through independent financial advisors ("IFAs") and the retail operations of financial institutions.

Our network of Account Executives provides local language-based support services to financial advisors in key territories around the world, supported by our multi-language online platform, Hansard Online.

## Strategy

Our aim is to be the preferred choice of distributors when recommending international savings and investment products to their clients.

We have developed attractive products and services and will continue to improve them. We recognise that clients are at the heart of our business and, consequently, we must work hard to build long-term positive relationships with them.

Our vision encompasses every part of our business. Beneath this, we have identified a range of strategic objectives to meet this target and continue to work towards them. Through careful execution of our plans in each of the following areas we intend to add increased scale to the business, on a diversified basis, at acceptable levels of risk and profitability.

- More long-term relationships with distributors;
- Better value for clients;
- A more visible profile in the market;
- Excellent client service;
- A motivated and engaged workforce; and
- Market-leading Online systems.



We administer assets exceeding \$1 billion for over 500 financial advisor businesses with over 40,000 client accounts in as many as 155 countries



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## Products

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

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

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

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

During the past year we successfully leveraged our refreshed product range, growing business substantially in the Middle East & Africa and Rest of World regions. We continue to enhance our products, having recently launched a more flexible version of our Vantage Platinum product and a number of additional pricing options for our single premium products.

## Revenues

The main sources of income for the Group are the fees earned from the administration of insurance contracts. These fees are largely fixed in nature and amount. Approximately 30% of the Group's revenues, under IFRS, are based upon the value of assets under administration. The new business generated in a particular year is expected to earn income for an average period of 14 years. Accordingly, with careful expense management, this provides a healthy return on the capital invested in that business. Our business is therefore long term in nature both from a contract holder perspective and with regards to the income that is generated.

From this income we meet the overheads of the business, invest in our business, invest to acquire new insurance contracts and pay dividends.

## Managing Risk

While markets have substantially emerged from the recent financial crisis, there remains fragility to global economic and market growth. Surprise developments, such as the UK referendum result on EU membership, can cause significant volatility to stock market and foreign exchange markets. We therefore continue to maintain a robust, low risk balance sheet. We believe this prudent approach to be appropriate to meet the requirements of regulators, contract holders, intermediaries and shareholders.

We are conscious that managing operational risk is critical to our business and we are continuously developing our enterprise risk management system and controls. Further details of our approach to risk management and the principal risks facing the Group are outlined in the Risk Management and Internal Control Section on pages 26 to 31.

The regulatory environment continues to evolve and our risk framework will have to respond to a number of developments, including:

- The Isle of Man Financial Services Authority has outlined its timetable for significant changes to the regulatory framework, which will impact on Hansard International;
- Solvency II, which became live on 1 January 2016 for Hansard Europe, fundamentally changes the approach to capital and risk management for the European insurance industry, together with enhanced governance and reporting requirements. It is expected that broadly equivalent requirements will become applicable to Hansard International over time; and
- The roll-out of automatic information exchange programmes through regulations such as FATCA and Common Reporting Standards will impact on the entire business.

## Hansard Online

Hansard Online is a powerful tool that is used by our IFAs around the world. It allows them to access vast amounts of information about their clients, to generate reports for their clients, to submit new business applications online, to place dealing and switch instructions online, to access all client correspondence and to access a library of forms and literature.

Over 2 million reports and actions are processed through Hansard Online every year and 85% of new business applications and dealing/switch instructions are submitted online. In a recent survey, our IFAs awarded this online platform a **99% satisfaction rating**.

# Our Business Model and Strategy *continued*

## Online Accounts

Whilst many of our IFAs are technologically sophisticated and have been utilising our online offering for years, our client base has typically lagged behind. However, we are now observing a growing trend amongst our clients to take more control of their financial well-being by embracing mobile technology to better monitor and manage their finances.

To support our commitment to delivering 'excellent customer service', we believe it is vital to provide our clients with a modern and secure online platform that allows them to access their finances easily and comprehensively, 24/7. We provide this through our client-facing version of Hansard Online, called Online Accounts. Similar to our IFA-facing online platform, the client's Online Account allows them to access all their policy information, valuation statements, transaction history, premium reports, switch their funds online, access all correspondence, access a library of forms and literature, and much more.

Clients can view all documentation and communications relating to their contracts via their Online Account and the number of clients choosing to receive post electronically, rather than in hard-copy form, has risen to 66%. This provides a more secure, faster and cost efficient means of communication with clients.

In a recent survey, which received over 5,000 responses, our clients awarded the Online Account platform a **95% satisfaction rating**.

## New Online Functionality

When it comes to improving how we operate and the proposition we offer, we value the views of our clients and IFAs. This means that we regularly seek **feedback** through surveys and office visits in order to identify ways in which we can improve our systems and processes to best meet their needs. Over the last two years alone, we have implemented 160 changes from such feedback, helping us to remain useful and relevant.

Last year we provided IFAs with the facility to make a payment online and we have now extended that facility to allow clients to **pay a premium online** by credit card or debit card.

We have also developed a facility for IFAs and clients to instruct a **withdrawal payment online**, which was piloted by a small number of IFAs over the last few months and is expected to be launched shortly.

Given the trend for clients to manage their finances on their mobile devices, we have added further **smartphone-friendly features** to our client online platform.

## Hansard Online Lite

This time last year we reported the recent launch of a new version of our IFA-facing online platform, called Hansard Online Lite, which provides prospective and new IFAs with easy access to a subset of the online system. Its purpose is to showcase our online proposition to prospective and new IFAs and to allow easy access to non-sensitive documents and functionality.

The system has proven to be very popular, with over **500 IFAs using the system** in the year, accessing documents, generating fund reports, reading company news and even submitting new business online.

## Excellent Customer Service

Given our commitment to providing 'excellent customer service', last year we undertook a significant restructure of the business in order to facilitate First Contact Resolution of client queries and instructions. The re-structure involved a move away from a hierarchical structure to a more modern and self-organising organisational structure of highly empowered and connected multi-disciplinary teams. The restructure has facilitated the removal of many hand-offs of work, thus improving processing efficiency and **reducing customer waiting times by 50%**.

In the customer survey referred to above, which received over 5,000 responses, our clients awarded our customer service a **94% satisfaction rating**.

Within a range -100% to +100%, our customers also awarded Hansard an impressive **Net Promoter Score of +52%**, which compares very favourably against the insurance industry average which is less than zero.

## Process Re-engineering

Last year, Hansard embarked upon a significant programme of process re-engineering in order to improve customer service levels, reduce operational waste, improve operational efficiency, improve productivity and increase scalability.

The initiative now has significant momentum and is proving to be a huge success. To date, 83 processes have been re-engineered with an overall average **process efficiency savings of 60%** being delivered. This re-engineering work is expected to continue for at least another year.



## Key Performance Indicators

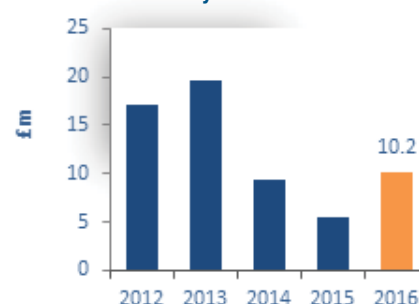
The Group's senior management team monitors a wide range of Key Performance Indicators, both financial and non-financial, that are designed to ensure that performance against targets and expectations across significant areas of activity are monitored and variances explained.

The following is a summary of the key indicators that were monitored during the financial year under review.

**New Business** – The Group's prime internal indicator of calculating new business production, Compensation Credit ("CC") reflects the amount of base commission payable to intermediaries. Incentive arrangements for intermediaries and the Group's Account Executives incorporate targets based on CC (weighted where appropriate).

New business levels are reported daily and monitored weekly against target levels. As is reported elsewhere in this Report and Accounts, new business flows have recovered significantly this year after a year of transition in 2015. The Group expects further recovery of CC levels in future years.

Issued CC for years ended 30 June



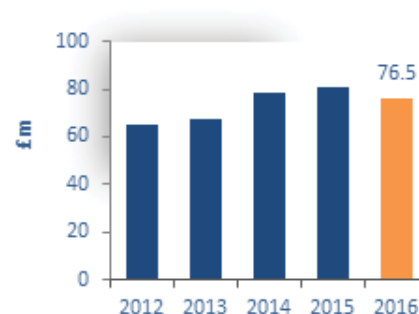
**Administrative Expenses (excl. exceptional items)** – The Group maintains a rigorous focus on expense levels and the value gained from such expenditure. The objective is to develop processes to restrain increases in administrative expenses to the rates of inflation assumed in the charging structure of the Group's policies. The Group's administrative and other expenses for the year (excl. exceptional items) were £21.5m compared to £21.9m in the previous year. Efficiencies were achieved in the year through an on-going programme of business process reengineering, reduced executive costs and lower investment spend. Further detail is contained in the section on Administrative and other expenses on page 19.

Group Admin and other expenses for year ended 30 June



**Cash** – Bank balances and significant movements on balances are reported weekly. The Group's liquid funds at the balance sheet date were £76.6m (2015: £80.9m). The change is reflective of the increased levels of new business during the year which have an initial cash flow strain.

Shareholder cash at 30 June



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

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

# Business and Financial Review

## Strategy development

We have sought to build distribution relationships for the long term over a diversified geographical base. With a refreshed product suite and a number of further additions to our distribution team, we have been focussed in 2016 in leveraging our proposition across new and existing distribution channels.

Many of our intermediaries are newly appointed in the last 2-3 years and we are starting to see significant results from a number of key relationships. In particular we have been pleased with the progress of the Middle East & Africa and the Rest of World regions and expect to replicate this success in other regions over time.

Our strategy takes account of current and future regulatory developments and we have a target to increase the level of onshore business written through new licenses or partnerships in a small number of jurisdictions where we believe attractive levels of business can be obtained.

## Strategic initiatives

These initiatives impact upon the whole of the Group's business, its clients and other stakeholders.

### ■ Contract holders and Product

The Group has developed a range of savings and investment products that are designed to allow the Group to access business more successfully in a number of target markets, having made a range of product improvements to the benefit of the consumer and distributor. In March 2016, we launched the upgraded version of our regular premium product, Vantage Platinum, which has been well received in the market

### ■ Distribution

The Group continues to build long-term relationships with distributors in key markets with growing economies and high concentrations of wealth. We continue to work towards the acquisition of licenses or partnership arrangements in targeted locations.

### ■ Hansard Online

As reported in the section on Hansard Online above, we believe that Hansard Online is a very powerful resource and have committed to continually increase accessibility and functionality.

### ■ Resources

The Group's proposition is to develop and enhance relationships with contract holders and intermediaries through the use of our people, products and technology in a way that meets shared objectives. We have continued to recruit talented and experienced employees with additions made during the year in particular to our distribution team and senior management team.



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## New Business Flows – Year Ended 30 June 2016

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

Basis	2016 £m	2015 £m	% change
Compensation Credit	10.2	5.5	85.5%
Present Value of New Business Premiums	119.3	60.6	96.9%
Annualised Premium Equivalent	18.7	9.7	92.8%

New business figures were substantially higher than the prior year as the business continued the roll-out of its refreshed product proposition through substantially new distribution channels than that of previous years. The Middle East & Africa and the Rest of World regions performed particularly well.

### ■ Present Value of New Business Premiums (“PVNBP”)

New business flows for Hansard International on the basis of PVNBP are summarised as follows:

PVNBP by product type	2016 £m	2015 £m	% change
Regular premium	65.6	36.8	78.3%
Single premium	53.7	23.8	125.6%
Total	119.3	60.6	96.9%

PVNBP by region	2016 £m	2015 £m	% change
Middle East and Africa	36.8	7.5	390.7%
Far East	25.7	16.1	59.6%
Rest of World	44.6	15.4	189.6%
Latin America	12.2	21.6	(43.5)%
Total	119.3	60.6	96.9%

We continue to receive business from a diverse range of financial advisors around the world. There has been no significant change in the currencies in which contractual premiums were received.

Currency denominations (as a percentage of PVNBP)	2016 %	2015 %
US dollar	68.4	71.4
Sterling	25.4	22.4
Euro	4.4	3.3
Other	1.8	2.9
	100.0	100.0

### ■ New business margins

New business margins (calculated on a PVNBP basis) are sensitive to sales levels and product mix (regular premium products and smaller premium sizes typically have a higher margin). During 2016, we experienced significantly higher new business levels than 2015 which was the primary factor in our improved new business margin of 0.2% for the year (2015: negative margin of 6.2%). The percentage of single premium business and larger case sizes increased during the year which reduced the overall margin. Our target is to progress towards a mid single digit level.

# Business and Financial Review *continued*

## Presentation of financial results

Our business is long term in nature. For this reason we present the results on an EEV basis in addition to the statutory IFRS basis. We believe that EEV is a valid measure of profitability and shareholder value. Our embedded value is based on the EEV principles which were set out as an industry standard by the Chief Financial Officers (CFO) Forum in 2004 and most recently extended in 2016.

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 IFRS methodology smoothes recognition of profit from new business by spreading the initial costs (and revenues) evenly over the life of the business. The IFRS result therefore, reflects neither the future shareholder value added, nor the cash impact of the new business in a particular year.

## Results for the year

The following is a summary of key items to allow readers to better understand the results for the year. A small number of comparative figures have been restated in this section to ensure consistency of presentation. IFRS profit after tax for the year is £8.3m (2015: £14.9m).

The reduction in IFRS profit in 2016 is driven by reduced income primarily due to the following factors:

Description	£m
On-going shrinkage of the Hansard Europe business	1.7
Contract holder driven activity margins	0.7
Refinements to deferred income reserve	0.8
<b>Contract fee income</b>	<b>3.2</b>

Income levels in general from the Group's newer products have less upfront fees than in the past and as a result have a longer earning period.

2015 profit benefitted by the one-off release of a provision of £3.0m related to the settlement of a provision for chargeable event certificates costs provided for in 2014.

Prior to significant, once-off items totalling a cost of £0.8m (2015: benefit of £2.9m), the underlying IFRS profit was £9.2m before taxation, compared with £12.0m in 2015.

## Abridged consolidated income statement

The consolidated statement of comprehensive income presented under IFRS reflects the financial results of the Group's activities during the year. This income statement however, as a result of its method of presentation, incorporates a number of features that might affect an understanding of the results of the Group's underlying transactions. This relates principally to:

- Investment income, gains and losses relating to the assets administered by the Group to back its liability to contract holders. These assets are selected by the contract holder or an authorised intermediary and the contract holder bears the investment risk. Investment gains during the year attributable to contract holder assets were £60.8m (2015: £47.8m).
- 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 statement of comprehensive income under IFRS, the disclosure distorts results compared with an understanding of the Group's own entitlement to fund management fees and any requirement to pay such fees for services rendered in respect of the Group's own assets. In 2016, third party fund management fees attributable to contract holder assets were £3.6m (2015: £3.8m). These are reflected in both income and expenses under the IFRS presentation on page 58.

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



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	2016 £m	2015 £m
Fees and commissions attributable to Group activities before one-off items	48.4	52.5
Investment and other income	2.7	1.4
	51.1	53.9
Origination costs	(20.2)	(20.1)
Administrative and other expenses attributable to the Group, before exceptional items	(21.7)	(21.8)
Operating profit for the year before significant one-off items	9.2	12.0
One-off income adjustments	(0.8)	-
One-off expense items	-	2.9
<b>Profit for the year before taxation</b>	<b>8.4</b>	<b>14.9</b>
Taxation	(0.1)	-
<b>Profit for the year after taxation</b>	<b>8.3</b>	<b>14.9</b>

## Fees and commissions

Fees and commissions for the year attributable to Group activities were £47.6m, a decrease of £4.9m or 9% over the previous year.

Contract fee income totalled £34.3m for the year (2015: £38.7m). Contract fee income includes the amortised element of up-front income deferred under IFRS and contract-servicing charges. Fee income is falling generally as the Group's newer products have less upfront income than the Group's older products which are reducing as time goes by. The reduction in the year is also driven by the continuing run-off of Hansard Europe which closed to new business in 2013 (£1.7m), reductions in contract holder activity driven margins (£0.7m) and adjustments to the estimate of the deferred income reserve (£0.8m).

Fund management fees accruing to the Group and commissions receivable from third parties totalling £13.2m (2015: £13.8m) are related directly to the value of assets under administration and are therefore exposed to market movements, currency rates and valuation judgements.

A summary of fees and commissions is set out below:

	2016 £m	2015 £m
Contract fee income	34.4	38.7
Fund management fees accruing to the Group	9.1	9.6
Commissions receivable	4.1	4.2
	47.6	52.5

Included in contract fee income is £18.5m (2015: £20.0m) representing the amortisation of fees prepaid in previous years, as can be seen in the analysis set out below.

	2016 £m	2015 £m
Amortisation of deferred income	18.5	20.0
Income earned during the year	15.9	18.7
<b>Contract fee income</b>	<b>34.4</b>	<b>38.7</b>

# Business and Financial Review *continued*

## Investment and other income

Historically low UK interest rates continue to result in relatively modest levels of interest income earned on the Group's deposits and money market funds. Volatility in foreign exchange markets continued during the year. In particular the weakening of sterling after the UK referendum on EU membership resulted in the Group benefiting from gains on foreign currency denominated net assets.

A summary of Investment and other income is set out below:

	2016 £m	2015 £m
Bank interest	0.9	1.0
Foreign exchange gains/(losses) on revaluation of net operating assets	1.2	(0.2)
Other operating income	0.6	0.6
	<b>2.7</b>	1.4

## Origination costs

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

With the significantly increased new business volumes which the Group experienced during the year, origination costs are significantly increased from the prior year. While most of these are deferred, the amortisation of previous years' origination costs continue to exceed those deferred in the current year. Overall, net origination costs expensed to the consolidated statement of comprehensive income were relatively unchanged at £20.2m compared to £20.1m in 2015.

	2016 £m	2015 £m
Origination costs – deferred to match future income streams	15.1	7.6
Origination costs – expensed as incurred	2.5	1.1
Total origination costs incurred in the year	17.6	9.7
Net amortisation of deferred origination cost	2.6	10.4
	<b>20.2</b>	20.1

Amounts totalling £17.7m (2015: £18.0m) have been expensed to match contract fee income earned this year from contracts issued in previous financial years, as can be seen in the analysis below.

Origination costs in the year are:

	2016 £m	2015 £m
Amortisation of deferred origination costs	17.7	18.0
Other origination costs incurred during the year	2.5	2.1
	<b>20.2</b>	20.1



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## Administrative and other expenses

We continue to robustly manage our expense base to control administrative expenses while supporting our strategic developments and other new business activities with targeted expenditure.

Administrative expenses prior to significant one-off items were marginally down in 2016, despite the significant increase in business.

Total administrative expenses in 2015 were reduced by an exceptional write-back of £3m in relation to a provision for chargeable event certificates costs.

An analysis of administrative and other expenses is set out in notes 8 and 9 to the consolidated financial statements under IFRS. The following summarises some of the expenses attributable to the Group's own activities.

	2016 £m	2015 £m
Salaries and other employment costs	10.0	9.5
Other administrative expenses	6.6	6.7
Professional fees, including audit	2.8	3.1
<b>Recurring administrative and other expenses</b>	<b>19.3</b>	<b>19.3</b>
Growth investment spend	2.3	2.6
<b>Administrative and other expenses, excl. significant one-off items</b>	<b>21.7</b>	<b>21.9</b>
Write back of CEC provision	–	(3.0)
Litigation settlements	–	0.1
<b>Total administrative and other expenses</b>	<b>21.7</b>	<b>19.0</b>

**Salaries and other employment costs** have increased by £0.5m or 5% to £10.0m. Salaries in general have remained relatively flat. As a result of hitting targets, bonuses of £0.3m were payable for the year which were not payable in 2015. Costs of £0.3m were incurred in recruitment and other handover costs relating to a number of senior management positions. Management has sought to offset such increases by continuing its programme of operational efficiency and business process re-engineering. Administrative headcount is running at 9 less than at the end of the 2015 financial year.

The average Group headcount for the 2016 financial year was 206 people (2015: 206 people).

**Other administrative expenses** have decreased slightly, from £6.7m to £6.6m, following the reduction of some IT costs.

**Growth investment spend** represents internal and external costs to generate opportunities for growth. The Group continues to invest to build its business and to implement product and technological changes to support intermediaries, contract holders and other stakeholders. The amount of expenditure has decreased from the previous year reflecting reduced external advisory costs in the financial year.

**Professional fees including audit** in the year include legal fees of £0.5m (2015: £0.5m) incurred to protect the Group's position against complaints and litigation; amounts totalling £0.6m paid to the Group's auditor (2015: £0.6m); £0.3m (2015: £0.4m) for administration, custody, dealing and other charges paid under the terms of the investment processing outsourcing arrangements; recruitment costs of £0.2m (2015: £0.1m) and costs of Investor Relations activities of £0.4m (2015: £0.4m).

# Business and Financial Review *continued*

## Cash flow analysis

Operating cash flows continue to be positive albeit reduced from previous years as the Group's newer products earn less upfront cash than its older products and as the Hansard Europe portfolio continues to reduce after closing to new business in 2013.

The operational cash surplus (fees deducted from contracts and commissions received, less operational expenses paid) for the year was £15.9m (2015: £24.3m). This surplus was sufficient to fund the significant increase in new business investment in the year of £15.4m (2015: £8.6m).

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

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

To reduce the risk that the targeted return on investment in new business is jeopardised, the Group withholds a portion of initial commission from certain intermediaries pending completion of the initial period of particular contracts. At the balance sheet date, amounts totalling £1.6m (2015: £2.0m) had been withheld. These amounts are reflected within "Other payables" in note 19 to the consolidated balance sheet.

The following non-GAAP tables summarise the Group's own cash flows in the year. This analysis demonstrates that the in-force contract book generated the cash required to support the Group's primary business objective of investing in new business whilst enhancing distribution and other infrastructure. Dividends of £12.2m (2015: £11.7m) paid during the year were funded primarily by the Group's excess cash resources. Overall cash and deposits have decreased from £80.9m at 30 June 2015 to £76.6m at 30 June 2016.

	2016 £m	2015 £m
Net cash surplus from operating activities	15.9	24.3
Interest received on shareholder bank deposits	1.0	1.0
Net cash inflow from operations	16.9	25.3
Net cash investment in new business	(15.4)	(8.6)
Purchase of property and computer equipment	(0.2)	(0.2)
Corporation tax received / (paid)	(0.1)	0.2
Net cash inflow before dividends	1.2	16.7
Dividends paid	(12.2)	(11.7)
<b>Net cash inflow</b>	<b>(11.0)</b>	<b>5.0</b>

	2016 £m	2015 £m
Net cash (outflow) / inflow	(11.0)	5.0
Increase / (Decrease) in amounts due to contract holders	3.4	(2.4)
Net Group cash movements	(7.6)	2.6
Group cash at beginning of year	80.9	78.5
Effect of exchange rate changes	3.3	(0.2)
<b>Group cash and deposits at end of year</b>	<b>76.6</b>	<b>80.9</b>

## Bank deposits and money market funds

The Group holds its liquid assets in highly-rated money market liquidity funds and with a wide range of deposit institutions to minimise market risk. Deposits totalling £15.6m have original maturity dates greater than 3 months and are therefore excluded from the definition of "cash and cash equivalents" under IFRS as reflected in note 16 to the consolidated balance sheet (2015: £15.5m). The following table summarises the total shareholder cash and deposits at the balance sheet date.



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	2016 £m	2015 £m
Money market funds	53.6	56.5
Short-term deposits with credit institutions	7.3	8.9
Cash and cash equivalents under IFRS	60.9	65.4
Shareholders' longer-term deposits with credit institutions	15.7	15.5
<b>Shareholder cash and deposits</b>	<b>76.6</b>	<b>80.9</b>

The longer-term term deposits have maturity dates of between 4 months and 11 months from the balance sheet date.

## Abridged consolidated balance sheet

The consolidated balance sheet on page 60 presented under IFRS reflects the financial position of the Group at 30 June 2016. As a result of its method of presentation, the consolidated balance sheet incorporates the financial assets held to back the Group's liability to contract holders, and also incorporates the net liability to those contract holders of £923.5m (2015: £907.1m). Additionally, that portion of the Group's capital that is held in bank deposits is disclosed in "cash and cash equivalents" based on original maturity terms, as noted above.

The abridged consolidated balance sheet presented below, adjusted for those differences in disclosure, allows a better understanding of the Group's own capital position.

	2016 £m	2015 £m
<b>Assets</b>		
Deferred origination costs	110.9	113.5
Other assets	6.5	6.9
Bank deposits and money market funds	76.6	80.9
	<b>194.0</b>	<b>201.3</b>
<b>Liabilities</b>		
Deferred income	130.5	137.6
Other payables	27.3	23.6
	<b>157.8</b>	<b>161.2</b>
<b>Net assets</b>	<b>36.2</b>	<b>40.1</b>
<b>Shareholders' equity</b>		
Share capital and reserves	36.2	40.1

## Deferred origination costs

The deferral of origination costs reflects that the Group will earn fees over the long-term from contracts issued in a given financial year. These costs are recoverable out of future net income from the relevant contract and are charged to the income statement on a straight-line basis over the life of each contract.

The Group has continued to invest in new business during the year under review but the reduction in the rate of acquisition, as compared with recent years, is reflected in a net decrease in carrying value of deferred origination costs since 30 June 2015.

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

	2016 £m	2015 £m
<b>Carrying value</b>		
At beginning of financial year	113.5	123.9
Origination costs incurred during the year	15.1	7.6
Origination costs amortised during the year	(17.7)	(18.0)
	<b>110.9</b>	<b>113.5</b>

The level of costs amortised during the year incorporates an element of deferred origination costs on policies that have lapsed during the year, in order to ensure that the carrying value of deferred origination costs is not impaired by contract holder activity.

# Business and Financial Review *continued*

## Deferred income

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

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

The majority of initial fees collected during the year relates to charges taken from contracts issued in prior financial years demonstrating the cash generative nature of the business. Regular premium contracts issued in this financial year will generate the majority of their initial fees over the next 18 months on average.

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

Carrying value	2016 £m	2015 £m
At beginning of financial year	137.6	141.2
Income received and deferred during the year	11.4	16.4
Income recognised in contract fees during the year	(18.5)	(20.0)
	130.5	137.6

## Contract holder assets under administration

In the following paragraphs, contract holder assets under administration ("AuA"), refers to net assets held to cover financial liabilities, as analysed in note 17 to the consolidated financial statements presented under IFRS.

The Group enjoys a stream of cash flows from the large number of regular premium contracts administered on behalf of clients around the world. The Group has also built an increasing stream of single premium business which increased to £52m this year (2015: £21.5m). The majority of premium contributions are designated in currencies other than sterling, reflecting the wide geographical spread of those contract holders. Premium contributions during the

year also includes additional contributions of approximately £4.3m (2015: £5.4m) relating to single and regular premium contracts issued by Hansard Europe in prior years.

These flows are offset by charges and withdrawals, by premium holidays affecting regular premium policies and by market valuation movements. During the year, the Group benefitted from lower levels of outflows and from significant currency movements, primarily the weakening of sterling against the US dollar.

## AuA currency composition

The currency composition of AuA at the balance sheet date is similar to that as at 30 June 2015, with 69% of AuA designated in US dollar (2015: 59%) and 12% in euro (2015: 19%).

The value of AuA at 30 June 2016 was £923.5m, £16.4m above the value at 30 June 2015.

	2016 £m	2015 £m
Deposits to investment contracts – regular premiums	71.9	79.4
Deposits to investment contracts – single premiums	52.0	21.5
Withdrawals from contracts and charges	(168.3)	(185.2)
Effect of market movements	(48.1)	51.2
Effect of currency movements	108.9	(3.4)
Movement in year	16.4	(36.5)
At beginning of financial year	907.1	943.6
	923.5	907.1

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

Fair value of AuA at 30 June	2016 £m	2015 £m
Hansard International	749.0	700.3
Hansard Europe	174.5	206.8
	923.5	907.1

As expected the level of assets in Hansard Europe continues to decline after closing to new business in 2013.



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## Complaints and potential litigation

In valuation issues such as those referred to above, financial services institutions can be drawn into disputes in cases where the performance of assets selected directly by or on behalf of contract holders through their advisors fails to meet their expectations. This is particularly relevant in the case of more complex products distributed throughout Europe.

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

Some of these complaints escalate into litigation, particularly in Europe. At the beginning of this financial year the Group was facing litigation based on writs totalling €12.4m (£8.8m).

During the year the Group successfully won three cases in Belgium and Italy which affirms confidence in the Group's legal arguments. The outstanding writs have not been reduced for these cases (totalling €1.4 or £1.1m) however as they have all since been appealed. A number of additional complainants have been added to existing writs which has increased the overall level of writs outstanding.

The total level of writs outstanding at the end of the year was €15.7m (£13.1m).

While it is not possible to forecast or determine the final results of such litigation, based on the pleadings and advice received from the Group's legal representatives, we believe we have a strong chance of success in defending these claims. The writs have therefore been treated as contingent liabilities and are disclosed in note 26 to the consolidated financial statements.

## Results for the year under European Embedded Value

### Headline Results

During the course of the 2016 financial year, the Group made a European Embedded Value ("EEV") profit of £13.1m (2015: profit of £2.9m), analysed into an EEV operating loss of £1.1m (2015: loss of £6.3m) and gains from investment return variances and economic assumption changes of £14.2m (2015: gains of £9.2m).

The EEV operating loss is primarily driven by a negative experience variance of £3.8m. Experience variances arise when actual experience differs from that assumed in the prior year's EEV.

Headline results for the EEV are shown in the tables below:

	2016 £m	2015 £m
EEV Operating loss after tax	(1.1)	(6.3)
Investment Return Variances & Economic Assumption Changes	14.2	9.2
<b>EEV profit</b>	<b>13.1</b>	<b>2.9</b>

	2016 £m	2015 £m
EEV before dividends	208.1	206.7
Dividends paid during the financial year	(12.2)	(11.7)
<b>Closing Embedded Value</b>	<b>195.9</b>	<b>195.0</b>

The EEV at 30 June 2016 has marginally increased to £195.9m from the 30 June 2015 level of £195.0m following the payment of dividends of £12.2m for the year (2015: £11.7m).

# Business and Financial Review *continued*

## Sales Metrics

New business comparatives are shown below:

	2016	2015
New business sales (PVNBP basis)	<b>£119.5m</b>	£60.6m
New Business Contribution ("NBC")	<b>£0.2m</b>	£(3.7)m
New Business Margin ("NBM")	<b>0.2%</b>	(6.2)%

The change is primarily due to the increase in new business volumes over the period and the existence of a greater number of insurance contracts to spread initial expenses over.

The high-level components of the EEV are shown in the table below:

	2016 £m	2015 £m
Free Surplus	<b>27.9</b>	36.5
Required Capital	<b>27.6</b>	27.0
<b>Net Worth</b>	<b>55.5</b>	63.5
Value of In-Force ("VIF")	<b>147.8</b>	138.6
Other	<b>(7.4)</b>	(7.1)
<b>Value of Future Profits ("VFP")</b>	<b>140.4</b>	131.5
<b>EEV</b>	<b>195.9</b>	195.0

Net Worth has reduced to £55.5m from £63.5m as profits are earned from the existing business offset by the dividends paid. It is represented by liquid cash balances.

Free Surplus, which is available for investment and distribution, has reduced by 24% to £27.9m from £36.5m reflecting the fact that more of the cash which continues to emerge from the existing policies was needed to invest in increasing levels of new business. Required Capital has increased marginally. It currently includes around £20m of Hansard Europe capital, the use of which management estimates is constrained for up to three years.

The increase in VFP reflects sterling exchange rates on 30 June 2016, increased new business levels, the conversion of VFP to Net Worth and the impact of contract holder behaviour and renewal expenses.

The Other component of VFP is the reduction for non-market risk and frictional costs, neither of which have changed substantially over the year.

## Change In Net Worth

	2016 £m	2015 £m
Opening Net Worth	<b>63.5</b>	53.4
Expected new Net Worth from existing business	<b>24.0</b>	32.8
Time value	<b>0.5</b>	1.0
Net worth variance	<b>(1.7)</b>	2.2
<b>Net Worth from Existing Business</b>	<b>22.8</b>	36.0
New Business Strain	<b>(18.6)</b>	(14.1)
Dividends paid	<b>(12.2)</b>	(11.7)
<b>Closing Net Worth</b>	<b>55.5</b>	63.5

The Net Worth is lower than projected by £1.7m (2015: higher by £2.2m) primarily because of worse than assumed investment experience during the year. The Net Worth has grown by £22.8m (2015 £36.0m), of which £18.6m (2015: £14.1m) has been invested in new business (shown as New Business Strain) and £12.2m has been paid in dividends (2015: £11.7m).

## EEV Profit / (Loss) after tax

The Group's EEV profit after tax is £13.1m (2015: £2.9m). New business, experience variances, operating assumptions and model changes drive this result at an operating profit level. Thereafter, the impact of positive investment return variances and economic assumption changes more than offset the loss at an operating level.

	2016 £m	2015 £m
New Business Contribution	<b>0.2</b>	(3.7)
Experience Variances	<b>(3.8)</b>	2.6
Operating Assumption & Model Changes	<b>1.0</b>	(7.0)
Expected Return on new, existing business and Net Worth	<b>1.5</b>	1.8
<b>EEV operating loss after tax</b>	<b>(1.1)</b>	(6.3)
Investment Return Variances	<b>18.8</b>	4.3
Economic Assumption Changes	<b>(4.6)</b>	4.9
<b>EEV profit after tax</b>	<b>13.1</b>	2.9



### Experience Variances

	2016 £m	2015 £m
Ongoing expenses	(1.3)	(0.7)
Full encashments	(1.2)	(1.6)
Premium reductions and underpayments	(0.8)	1.1
Charges	(0.6)	(0.6)
One-off expenses	(0.3)	1.4
Other	0.4	3.0
<b>Experience variances</b>	<b>(3.8)</b>	<b>2.6</b>

Experience variances arise when the behaviour of the existing book differs from that assumed. Major contributors to the experience variances this year include an increase in both the recurring and one-off expense base and worse than assumed encashment and premium persistency.

### Operating Assumption Changes

	2016 £m	2015 £m
Partial encashment	(2.5)	0.2
Ongoing expenses	1.0	(11.2)
Premium persistency	0.9	3.0
Other	0.5	1.9
<b>Operating Assumption Changes</b>	<b>(0.1)</b>	<b>(6.1)</b>

The primary change in operating assumption changes during the year was a strengthening of the assumption for partial encashments to reflect experience during the year.

### Investment Return Variances

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

	2016 £m	2015 £m
Exchange rate movements	26.1	0.4
Investment performance of contract holder funds	(7.6)	3.4
Shareholder return	(0.2)	(0.1)
Other	0.5	0.6
<b>Investment Return Variances</b>	<b>18.8</b>	<b>4.3</b>

### Economic Assumption Changes

There was a negative variance of £4.6m (2015: positive £4.9m) from economic assumption changes. This reflects changes to government yields for the currencies to which the Group is exposed in line with EEV Principles.

	2016 £m	2015 £m
Contract holder activity margins	(4.7)	1.1
Risk discount rates and unit growth	0.1	3.8
<b>Economic Assumption Changes</b>	<b>(4.6)</b>	<b>4.9</b>

### Net asset value per share

On an EEV basis, the net asset value per share at 30 June 2016 is 142.5p (2015: 141.9p) based on the EEV at the balance sheet date divided by the number of shares in issue at that date, being 137,440,456 ordinary shares (2015: 137,388,669 shares).

The net asset value per share at 30 June 2016 on an IFRS basis, is 26.3p (2015: 29.2p).

# Risk Management and Internal Control

## Risk management and internal control

As with all businesses, the Group is exposed to risk in pursuit of its objectives. The Board has overall responsibility for the Group's system of risk management and internal control and for reviewing its effectiveness. The schedule of powers reserved to the Board ensures that the Directors are responsible for determining, evaluating and controlling the nature and extent of the principal risks which the Board is willing to take in achieving its strategic objectives and the Board oversees the strategies for principal risks that have been identified.

The Executive Management Team works within the risk appetite established by the Board and the governance, risk management and internal control arrangements which constitute the Group Enterprise Risk Management (ERM) Programme and which direct the Group, including setting the cultural tone and expectations from the top, delegating authorities and monitoring compliance.

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

- Facilitate the effective and efficient operation of the Group and its subsidiaries by enabling appropriate responses to be made to significant business, operational, financial, compliance and other risks to business objectives, so safeguarding the assets of the Group;
- Help to ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the Group;
- Seek to ensure compliance with applicable laws and regulations and also with internal policies with respect to the conduct of business.

## Approach

The ERM Programme is structured in accordance with the component elements and supporting principles of the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Framework and has been designed to be appropriate to the nature, scale and complexity of the Group's business at both corporate and subsidiary level.

The ERM Programme is built upon the 'three lines of defence' model, which addresses how specific duties relating to risk management and internal control are assigned and coordinated between front line management (first line), risk and compliance

monitoring functions (second line) and the independent assurance services of internal audit (third line). Each of the three lines plays a distinct role within the Group's overarching governance framework.

The ERM Programme seeks to add value through embedding risk management and effective internal control systems as continuous and developing processes within strategy setting, programme level functions and day-to-day operating activities. The ERM Programme also acknowledges the significance of the Group's operating culture and values in relation to risk management and their impact on the overall effectiveness of the internal control framework.

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

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

Risk management processes are undertaken on both a bottom-up and top-down basis. The top-down aspect involves the Board assessing, analysing and evaluating what it believes to be the principal risks facing the Group. The bottom-up approach involves the identification, review and monitoring of current and forward-looking risks on a continuous basis at functional and divisional levels, with analysis and formal reporting to the Management Risk Committee, established by the Board, on a quarterly basis and onward analytical reporting to the Board. The terms of reference of the Committee are published on the Group's website.

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



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## Review of risk management and internal control systems

The results of the risk management processes combine to facilitate identification of the principal business, financial, operational and compliance risks and any associated key risks at a subordinate level. Established reporting cycles enable the Board to maintain oversight of the quality and effectiveness of risk management and internal control activities throughout the year and ensure that the entirety of the governance, risk management and internal control frameworks, which constitute the ERM Programme, are operating as intended. These processes have been in place throughout the year under review and up to the date of this report.

Independently of the quarterly cyclical risk reporting arrangements and in accordance with provision C.2.1 of the UK Corporate Governance Code, the Board has conducted its annual review of the effectiveness of the company's risk management and internal control systems including financial, operational and compliance controls. This review is undertaken in collaboration with the Audit Committee and is based upon analysis and evaluation of:

- Attestation reporting from subsidiary companies of the Group as to the effective functioning of the risk management and internal control framework and the ongoing identification and evaluation of risk within each subsidiary;
- Formal compliance declarations from senior managers at divisional level that key risks are being managed appropriately within the functional and operational areas falling under their span of control and that controls have been examined and are effective;
- The cumulative results of cyclical risk reporting by senior and executive management via the Management Risk Committee, covering financial, operational and compliance controls;
- Independent assurance work by the Group Internal Audit Department to identify any areas for enhancements to internal controls and work with management to define associated action plans to deliver them.

The Board has determined that there were no areas for enhancement which constituted a significant weakness for the year under review and they are satisfied that the Group's governance, risk management and internal control systems are operating effectively and as intended.

## Financial reporting process

The Group maintains a process to assist the Board in understanding the risks to the Group of failing to meet its objectives. This incorporates a system of planning and sensitivity analysis incorporating Board approval of forecast financial and other information. The Board receives regular representations from the senior executives.

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

## Outsourcing

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

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

CIL is required to confirm monthly that no material control issues have been identified in their operations. Each year they are required to confirm and evidence the adequacy and effectiveness of their internal control framework through an Assurance report on their internal controls. Every second year, an external independent review is performed. The last such report, which included an external independent review, was issued by CIL on 13 May 2016 and did not reveal any material control deficiencies in the period reviewed from 1 January 2015 to 31 December 2015.

# Risk Management and Internal Control *continued*

## Risks relating to the Group's financial and other exposures

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

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

The Board believes that the principal risks facing the Group's earnings and financial position are those risks which are inherent to the Group's business model and to the environment within which the Group operates. Whilst the Group's business model has historically served to minimise the principal risks facing the Group, the regulatory environment continues to evolve at both a local and international level and the risk management and internal control frameworks of the Group will need to remain responsive to a number of developments, examples of which include:

- Transformation of the Isle of Man financial services regulatory regime via the new combined regulatory body, the Financial Services Authority (FSA), and its 'Roadmap for Updating the Regulatory Framework for Insurance Business'. The Roadmap seeks to ensure that the Isle of Man is operating a regulatory and supervisory framework for insurers which conforms to internationally accepted best practice standards and the proposals therein will inform future strategic and business development initiatives;
- The on-going roll-out of automatic information exchange programmes through regulations such as FATCA and Common Reporting Standards, which will impose additional reporting obligations and associated costs to the business.



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## Principal Risks

The following table sets out the principal inherent risks that may impact on the Group's strategic objectives, profitability or capital and how such risks are managed or mitigated. The Board robustly reviews and considers its principal risks on at least an annual basis.

Risk	Risk factors and management
<b>Business model risk</b>	<p>Changes and developments in domestic or international regulation, or the interpretation or application of regulation over time, may present material challenge to the business model and compromise distribution strategy. Such challenges could include, but are not limited to, those which impact commission models, broker relationships and market accessibility. If the Group fails to monitor the regulatory environment or adequately integrate the management of associated risk within strategic, business model or business planning processes there may be material risk to the achievement of strategic objectives both in the shorter and longer term.</p> <p><b>How we manage the risk:</b></p> <ul style="list-style-type: none"> <li>■ Robust strategic planning processes informed by analytical review of the external environment and consideration of associated risk in the shorter and longer term.</li> <li>■ Continuous monitoring and review of developments in local and international law and regulation.</li> <li>■ Engagement with regulatory authorities, including responding to regulatory consultations.</li> </ul>
<b>Distribution strategy compromised as a result of market changes, technology or competitor activity</b>	<p>The business environment in which the international insurance industry operates is subject to continuous change as new market and competitor forces come into effect and as technology continues to evolve. Hansard may fail to sufficiently differentiate itself from its competitors and global brands and as a result be unable to build successful relationships with targeted brokers and customers.</p> <p><b>How we manage the risk:</b></p> <ul style="list-style-type: none"> <li>■ Close monitoring of marketplaces and competitor activity for signs of threats to forecast new business levels.</li> <li>■ Revised strategies designed to add additional scale to the business, on a more diversified basis, through organic growth at acceptable levels of risk and profitability.</li> <li>■ Continuous development of technology.</li> </ul>
<b>Compliance risks arising from regulation</b>	<p>Any failure to adequately assess the impacts of and manage compliance with regulatory obligations, in particular changes in regulation which might impact pre-existing business, imposes the avoidable risk of regulatory restrictions to the Group's business, regulatory censure, financial penalty, contract holder litigation and / or reputational damage.</p> <p><b>How we manage the risk:</b></p> <ul style="list-style-type: none"> <li>■ Dedicated resources are in place to identify emerging risks arising from regulatory and legislative change and to monitor the timely implementation of new requirements.</li> <li>■ The Group maintains regular dialogue with its regulatory authorities and continual discussions with its advisors in relation to developments in the regulatory environment in which we operate.</li> </ul>
<b>Infrastructure failure</b>	<p>A material failure in our core business systems or business processes may result in significant, costly interruptions, customer dissatisfaction and regulatory censure.</p> <p><b>How we manage the risk:</b></p> <ul style="list-style-type: none"> <li>■ Maintenance of detailed and robust Business Continuity Plans, including full data replication at an independent recovery centre, which can be invoked when required.</li> <li>■ Frequent and robust testing of business continuity and disaster recovery arrangements.</li> </ul>

# Risk Management and Internal Control *continued*

## Cybercrime

As we and our business partners increasingly digitalise our businesses, we are unavoidably exposed to the risk of cybercrime. If the Group fails to take adequate and appropriate measures to protect its systems and data from the inherent risk of attack, disruption and/or unauthorised access by internal or external parties could arise, resulting in confidential data being exposed and/or systems interruption. A significant cybercrime event could result in reputational damage, regulatory censure and financial loss.

### How we manage the risk:

- Continuous focus on the maintenance of a robust, secure and resilient IT environment that protects customer and corporate data.
- Control techniques deployed to evaluate the security of systems and proactively address emerging threats both internally within the organisation and externally, through regular engagement with internet and technology providers and through industry forums.

## Failure to drive the right corporate culture and attract, develop, engage and retain key personnel

Delivery of the Group's strategy is dependent on attracting and retaining experienced and high-performing management and staff. The performance, knowledge and skills of our employees are central to our success. We must attract, integrate, engage and retain the talent required to deliver our strategy and have the appropriate processes and culture in place. The inability to retain key people, and adequately plan for succession will negatively impact on the performance of the Group.

### How we manage the risk:

- Significant resources focussed on communicating strategy and desired cultural behaviours to all employees.
- Forums established for employees to provide feedback for continuous improvement.
- Employee engagement monitored and measured through periodic employee surveys.
- Group performance management system in place.
- Training and development strategy in place to manage talent, provide development opportunities and address any skill gaps.
- Remuneration models and trends monitored closely by the Group's Human Resources department and the Remuneration committee.
- Succession planning strategy in place, to manage and mitigate 'key person' risk.



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## Other Key Risks

In addition to the principal risks identified above, there are other key risks that the Group is subject to that derive from the nature of the business it operates. These are outlined below, together with how they are managed.

Risk	Risk factors and management
<b>Market risk</b>	<p>While the Group does not invest shareholder funds in assets subject to any significant market risk, the Group's earnings and profitability are influenced by the performance of contract holder assets and the fees derived from their value. Significant changes in equity markets and interest rates can adversely affect fee income earned.</p> <p>Extreme market conditions can influence the purchase of financial services products and the period over which business is retained.</p> <p><b>How we manage the risk</b> – These risks are inherent in the provision of investment-linked products. We model our business plans across a broad range of market and economic scenarios and take account of alternative economic outlooks within our overall business strategy.</p>
<b>Credit risk</b>	<p>In dealing with financial institutions, banking, money market and settlement, custody and other counterparties the Group is exposed to the risk of financial loss and operational disruption of our business processes.</p> <p><b>How we manage the risk</b> – The Group seeks to limit exposure to loss from counterparty and third party failure through selection criteria, minimum rating agency limits, pre-defined risk based limits on concentrations of exposures and monitoring positions.</p>
<b>Liquidity risk</b>	<p>If the Group does not have sufficient liquid assets available to pay its creditors, the Group may fail to honour its obligations as they fall due, or may have to incur significant loss or cost to do so.</p> <p><b>How we manage the risk</b> – The Group maintains highly prudent positions in accordance with its risk appetite and investment policies which ensures a high level of liquidity is available in the short term at all times. Generally, shareholder assets are invested in cash or money market instruments with highly rated counterparties.</p>
<b>Currency risk</b>	<p>The Group operates internationally and earns income in a range of different currencies. The vast majority of its operational cost base is denominated in Sterling. The strengthening of Sterling against US Dollars is the most significant exposure to reported income levels.</p> <p><b>How we manage the risk</b> – We seek to match currency assets and liabilities to mitigate against currency movements to the extent possible. As the Group's products are long term products, over time currency movements tend to even out, reducing the need for active hedging policies. Long term trends are monitored however and considered in pricing models.</p>

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

# Board of Directors

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.

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## Board of Directors

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



### Philip Gregory

#### Non-executive Chairman

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

Philip was appointed Chairman of the Board with effect from 30 June 2014. He was appointed an

independent non-executive Director with effect from 1 October 2011. He is also an Independent non-executive Director of CFC Capital Limited and has no other significant commitments.

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



### Gordon Marr

#### Group Chief Executive Officer

Gordon was appointed Group Chief Executive Officer with effect from 1 January 2013. He has previously served as Managing Director and Group Counsel. He joined the Group in 1988.

Gordon is a Solicitor and a member of the Law Society.



### Tim Davies

#### Group Chief Financial Officer

Tim was appointed as Chief Financial Officer with effect from 8 April 2015 and subsequently appointed as executive Director and Company Secretary with effect from 1 December 2015. He is a Fellow of Chartered Accountants Ireland.

Prior to joining the Company, Tim was Managing Director of HSBC Life (Europe) Limited in Ireland, having joined as Finance Director in 2004. Prior to that he was a Senior Manager with PricewaterhouseCoopers in both Dublin and Boston, having worked 9 years within their insurance and financial services division.



### Dr Leonard Polonsky, CBE

#### Non-executive director – President

Dr Polonsky founded the Group in 1970 and served as Chairman for many years. He accepted the honorary title of President with effect from 30 June 2014. 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.



### Maurice Dyson

#### Senior Independent non-executive Director

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

Maurice was appointed the Senior Independent Director with effect from 30 June 2014, having been

appointed an independent non-executive Director on 24 November 2006. Maurice 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.



### Andy Frepp

#### Independent non-executive Director

*Member of Audit, Nominations and Remuneration Committees.*

Andy was appointed an independent non-executive Director with effect from 1 January 2014. He is a Fellow of the Faculty of Actuaries and

is currently Managing Director responsible for Moody's Analytics software business. Having joined Barrie & Hibbert in 2007, Andy was the Chief Executive Officer until Barrie & Hibbert was acquired by Moody's in 2012.

Prior to Barrie & Hibbert, Andy held numerous roles within Scottish Widows from 1988 to 2007. From 2003 to 2007 he was the Director of Sales and Marketing for Scottish Widows Investment Partnership, the asset management company of Scottish Widows.

# Directors' Report

## Financial statements

The Directors have pleasure in submitting their Annual Report on the affairs of the Company and the Group together with the financial statements and the auditor's report for the year ended 30 June 2016. Where the context requires "the Group" means Hansard Global plc and its wholly owned subsidiaries.

Hansard Global plc is the holding company of the Group and has a Premium Listing on the London Stock Exchange. The Company is a limited liability company incorporated and domiciled in the Isle of Man.

## Activities

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, which is incorporated in the Republic of Ireland. Hansard Europe was closed to new business with effect from 30 June 2013.

Company	Business
Hansard International Limited	Life Assurance
Hansard Europe Designated Activity Company (formerly 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 statement of comprehensive income on page 58. 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 additionally meaningful information on the financial position and performance of the Group in a particular financial year than that provided by IFRS reporting alone. The results of trading of the Group for the year on an EEV basis are set out in the EEV Information on pages 90 to 99.

### Results under IFRS

Profit after tax for the year was £8.3m, compared with a profit for the prior year of £14.9m.

Dividends totalling £12.2m were paid during the year (2015: £11.7m).

### Results under EEV

Following a significant increase in new business flows in the year, EEV profits returned to a positive position with New Business Contribution of £0.2m (2015: negative £3.7m). After taking into account favourable economic and investment experience over the year, an overall EEV profit after tax was earned of £13.1m (2015: £2.9m). After payment of the dividends of £12.2m during the year, the EEV of the Group as at 30 June 2016 was £195.9m (2015: £195.0m).

### Proposed final dividend

The Board has resolved to pay a final dividend of 5.3p per share on 17 November 2016, subject to approval at the Annual General Meeting, to shareholders on the register on 30 September 2016. If approved, this would bring the total dividends in respect of the year ended 30 June 2016 to 8.9p per share.



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## Business review and future developments

A full review of the Group's activities during the year, recent events and future developments is contained in the Chairman's Statement on pages 2 and 3, the Chief Executive Officer's Review on pages 4 to 9, and the Business and Financial Review on pages 14 to 25.

## Principal risks and uncertainties

The Board has established a process for identifying, evaluating and managing the significant risks the Group faces. A summary of the principal risks and uncertainties can be found on pages 29 to 31.

## Corporate governance and corporate social responsibility

Hansard is committed to achieving high standards of Corporate Governance throughout the Group. The Company continues to adhere to the principles of the UK Corporate Governance Code. The Group is compliant with the relevant provisions of the Code at the date of this report.

The Corporate Governance Report on pages 40 to 45 provides full details on the efforts made by the Group in the areas of corporate governance and corporate social responsibility within the business.

## Directors' remuneration

Details of Directors' remuneration for the year can be found in the Report of the Remuneration Committee on pages 50 to 55.

## Directors

Details of Board members at the date of this report, together with their biographical details, are set out in the previous section of this Annual Report and Accounts. All Board members served throughout the financial year and to the date of this report.

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

## Capital structure and significant shareholders

Details of the authorised and issued share capital together with details of movements in share capital during the year are included in Note 21 to the consolidated financial statements. The Company has one class of share in issue, ordinary shares of 50 pence each, all of which are fully paid.

Each ordinary share in issue carries equal rights including one vote per share on a poll at general meetings of the Company, subject to the terms of the Company's Articles of Association and applicable laws. Votes may be exercised by shareholders attending or otherwise duly represented at general meetings. Deadlines for the exercise of voting rights by proxy on a poll at a general meeting are detailed in the notice of meeting and proxy cards issued in connection with the relevant meeting. There are no restrictions on the transfer of shares.

At the Company's 2015 AGM, shareholders renewed the Company's authority to make market purchases of its own shares, up to 5,000,000 ordinary shares. As at 30 June 2016, and to the date of this report, none of this authority had been exercised. Similar shareholder authority will be requested at the Company's 2016 AGM.

## Substantial shareholdings

At 30 June 2016 the Company had been notified of the following holdings in its share capital. There have been no significant changes in these holdings between the balance sheet date and the date of this report.

Name	Shares (millions)	% holding
Dr L S Polonsky CBE *	51.0	37.1
Aberforth Partners LLP	17.1	12.5
The Polonsky Foundation	7.7	5.6
Mr M A Polonsky *	7.5	5.5

\*Including holdings of spouse

# Directors' Report *continued*

## Employee Benefit Trust

An Employee Benefit Trust ("EBT") was established in November 2011 with a gift of 400,000 Hansard Global plc shares from Dr Polonsky. No distributions were made from the EBT during the year. The EBT increased its holding to 760,521 shares at 30 June 2016 (2015: 699,910 shares) with the purchase of 34,416 shares on 25 September 2015 and 26,195 shares on 2 December 2015.

## 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 1,052,119 options remain outstanding (2015: 1,630,199), details of which can be found in the Report of the Remuneration Committee.

## Directors' interests

Directors' interests in shares in the Company and in options granted under the Save As You Earn programme are disclosed in the Report of the Remuneration Committee on pages 50 to 55 together with details of their contractual arrangements with the Group. The Committee is currently considering a proposal to implement a deferred bonus scheme. It is anticipated that a proposal will be presented to the shareholders for approval at the forthcoming Annual General Meeting.

Dr Polonsky is a controlling shareholder of the Group, as defined by the Listing Rule 3.13 of the Financial Conduct Authority. A summary of the most recent agreement, dated 22 September 2014, governing his relationship with the Group is set out in the Report of the Remuneration Committee on pages 50 to 55. Other than as mentioned below, there were no significant transactions between the Group and Dr Polonsky during the year.

- Dr Polonsky received fees of £50,000 (2015: £50,000) for services provided to the Group under the terms of his service agreement dated 22 September 2014. This fee represents the standard arm's length fee paid to each of the Group's non-executive directors.
- Dr Polonsky has an investment contract issued by the Group on terms available to employees in general. During the year a further contribution of £8.5m was made into this contract. At 30 June 2016 the contract had a fair value of £17.5m (2015: £7.2m).

## Company Secretary

The Company Secretary at 30 June 2016 was Tim Davies who was appointed 1 December 2015 following the retirement of Manoj Patel on 30 November 2015.

## Forward-looking statements

The Chairman's statement, the Group Chief Executive Officer's overview, the Business and Financial Review and other sections of this 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 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 Report and Accounts.

## Annual General Meeting

The Annual General Meeting ("the meeting") of the Company will be held on 9 November 2016 at the Company's registered office.

A copy of the notice of the meeting, with each separate issue presented as a separate resolution, is contained within this Report and Accounts. As well as the business normally conducted at such a meeting, shareholders will be asked to:-

- renew the authority for the Directors to make market purchases of the Company's shares;
- renew the general authority of the Directors to issue shares and;
- approve the adoption of a new deferred bonus scheme known as the Hansard Global Bonus Deferral Plan 2016. Full details of the changes are given in the covering letter to the notice for the Annual General Meeting.

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 Board undertakes to apply the Listing Rules in relation to the re-appointment of the independent non-executive directors.



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This requires that re-election is by majority of votes cast by independent shareholders as well as by majority of all shareholders. This is in relation to resolutions 5 and 8 to be presented at the meeting. The Company further confirms, as required by the Listing Rules, that it has an agreement in place with Dr Polonsky, as the controlling shareholder.

The notice of the meeting and the Report and Accounts are also available at [www.hansard.com](http://www.hansard.com). As required by the UK Corporate Governance Code, copies of the Company's Articles of Association, the Service Agreements for Gordon Marr and Tim Davies, Letters of Appointment for the non-executive Directors, the Relationship Agreement between the Company and Dr Polonsky are available for inspection at the Company's registered office until the conclusion of the meeting.

In accordance with the Group's normal practice, the total number of proxy votes lodged at the meeting on each resolution (categorised as for; against; and votes withheld) will be made available both at the meeting and subsequently on the Company's website.

### Political donations

The Group did not make any political donations during the year (2015: £nil).

### 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.

### Auditor

The Company's auditor, PricewaterhouseCoopers LLC ("PwC"), has indicated its willingness to continue in office. The Audit Committee has recommended that PwC be reappointed as the Company's auditor. Accordingly, a resolution to reappoint PwC as auditor to the Company, and to authorise the Directors to fix its remuneration, will be proposed at the Annual General Meeting.

### Statement of going concern

As shown within the Business and Financial Review, the Group's capital position is strong and well in excess of regulatory requirements. The long-term nature of the Group's business results in considerable positive cash flows arising from existing business. Investment in cash consumptive new business can be managed through a number of financing mechanisms. 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, being a period of 12 months from the approval of the Report and Accounts, and have prepared the financial statements on that basis.

### Longer-term viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a three year period and have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of assessment.

The assessment of prospects is considered over a three year period as this matches the period over which business plans are considered by the Board. The Board also considers it a reasonable period in light of rapidly changing regulation, competitive landscape and IT advancements.

The Group's business plan and associated scenario modelling includes projections of the Group's profit, capital, liquidity and solvency. Scenario and stress testing considers the Group's capacity to absorb or respond to potential economic, contract holder activity or operational stresses. These include for example material investment market declines, interest rate movements, mass surrenders by contract-holders and operational losses. Reverse stress tests are also considered to provide insight into the level of stress needed to breach regulatory solvency requirements.

The Group's insurance subsidiaries are required to maintain at all times minimum regulatory solvency capital levels based on the size and nature of business written. Commencing 1 January 2016, Hansard Europe was required to implement Solvency II, which requires a risk based calculation and assessment of capital, calibrated to withstand a 1 in 200 year event. It is expected a broadly equivalent regime will be introduced in the Isle of Man in coming years. Given the nature of Hansard International's business this will not significantly alter the levels of capital already held.

In making its overall assessment, the Board has also considered the principal risks and mitigants which it has identified and outlined on page 29 to 30. The Directors confirm that their assessment of the principal risks facing the Group was robust.

## Statement of Directors' responsibilities in respect of the Report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with IFRS as adopted by the European Union, and the Parent Company financial statements in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' (FRS 102).

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

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

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

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

Under applicable law and regulations, the Directors are also responsible for preparing the Directors' report, the Report of the Remuneration Committee 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 and updated in April 2016 ('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.



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

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

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

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

- the European Embedded Value ("EEV") supplementary information has been prepared in accordance with the European Embedded Value principles issued in May 2004 by the Chief Financial Officers Forum as supplemented by the Additional Guidance on European Embedded Value disclosures issued in October 2005 and updated in April 2016 ('the EEV Principles') and;

- the Business and Financial Review referenced to in the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

**By Order of the Board**

**Tim Davies**  
**Company Secretary**  
**21 September 2016**

# 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")

The Board believes high standards of corporate governance are integral to the delivery of the Group strategy and so the Board maintains a strong commitment to achieving the highest standards of corporate governance with the application of the provisions and principles of the Code to the business. A copy of the Code is available on the website of the Financial Reporting Council at [www.frc.org.uk](http://www.frc.org.uk).

Details on how we have applied the provisions and principles of the Code to our activities throughout the financial year and to the date of this report (as well as any exceptions to the Code) are set out in this Corporate Governance Report, in the Directors' Report on pages 34 to 39 and/or in the Report of the Remuneration Committee on pages 50 to 55.

The Board is of the opinion that the Board composition and governance frameworks are sufficient to maintain compliance with the principles of the Code.

## Role of the Board of Directors and its principal Committees

The primary role of the Board is to provide leadership of the Company. 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.

It achieves these goals by making decisions relating to a number of key areas for the business, by overseeing the activities of the executive management team, and by delegating certain matters for resolution through the principal Board Committees, namely the Audit Committee, the Executive Committee, the Management Risk Committee, the Remuneration Committee and the Nominations Committee.

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

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

- formulation of medium and long-term direction and strategy for the Group;

- establishment of capital structure and dividend policy;
- ensuring the Group's operations are well managed and proper succession plans are in place;
- review of major transactions or initiatives proposed by management;
- implementation of policy and procedures to support the governance framework of the Group;
- regular review of the results and operations of the Group;
- ensuring that proper accounting records are maintained and adequate controls are in place to safeguard the assets of the Group from fraud and other significant risks;
- regular evaluation of board performance
- oversight of the Group's Enterprise Risk Management framework and;
- decisions regarding the Group's policy on charitable and political donations.

The duties of the principal Board Committees are detailed in the relevant written terms of reference, which are reviewed annually and are available on the Company's website, [www.hansard.com](http://www.hansard.com).

## Board composition and key roles

At the date of this report the Board comprises the non-executive Chairman, two independent non-executive Directors, one non-executive Director, the Group Chief Executive Officer and the Group Chief Financial Officer.

The Code requires for "smaller companies" that the Board, excluding the Chairman, should comprise at least two independent non-executive Directors. Having considered the matter carefully, the Board confirms that it is in compliance with the Code in this respect.

As required by the Code, the full Board offer themselves for re-election at the Annual General Meeting ("AGM").

The Board supports greater transparency in regard to the election and re-election of independent non-executive directors. In compliance with the Listing Rules, the Company, at its forthcoming and future Annual General Meetings, will operate a dual voting structure for any such resolutions. The results from the AGM votes on any such resolutions, together with other information normally circulated following the conclusion of the meeting, will be disclosed through the Regulatory Information Services following the conclusion of the Meeting. In the event that the majority of independent shareholders are shown to have voted against these resolutions, a further vote will be called after 90 days.



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## Chairman

Philip Gregory was appointed the Company's non-executive Chairman with effect from 30 June 2014. He leads the Board within a solid corporate governance framework, and he ensures that the Board provides effective leadership for the Group including strategy and direction. As part of the appointment process the time commitments required for this role were considered.

## Group Chief Executive Officer

Gordon Marr was appointed the Group Chief Executive Officer ("CEO") with effect from 1 January 2013. As CEO, he leads the senior executive team in the day to day running of the Group's business, including execution of the Group's business plans and objectives and communicating its decisions and recommendations to the Board.

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

## Senior Independent Director

Under the Code the Board appoints one of the independent non-executive Directors to act as Senior Independent Director. Maurice Dyson was appointed Senior Independent Director on 30 June 2014.

## Non-executive Directors

Maurice Dyson and Andy Frepp are considered by the Board to be independent non-executive directors in accordance with the Code definition. Philip Gregory as Chairman and Dr Polonsky are non-executive directors but not considered to be independent for the purposes of the Code.

The non-executive Directors fulfil a critical role to constructively challenge all recommendations presented to the Board for approval and to provide the benefit of their experience and expertise to manage risk within the Group and enhance delivery of the overall strategy.

## Board independence

The Board's policy is to appoint and retain independent non-executive Directors who can apply their wider knowledge and experiences to their understanding of the Group. The process for appointing new Directors is conducted by the Nominations Committee.

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

Each independent non-executive Director serves for a fixed term not exceeding three years that may be renewed by mutual agreement. Subject to the Board being satisfied with a Director's performance, independence and commitment, there is no specified limit regarding the number of terms an independent non-executive Director may serve, subject to any explanation, if required under the provisions of B1.1 of the Code.

A review of the current arrangements affecting all non-executive directors covering the current term of appointment and review of their independence (where relevant) was undertaken at the November 2015 Nomination Committee meetings. The Committee was satisfied that both Mr Dyson who has served on the Board since November 2006 and Mr Frepp who was first elected to the Board in January 2014 remain independent.

# Corporate Governance Report *continued*

## Board meeting attendance

The Board meets regularly to determine the Company's strategic direction, to review the Company's operating and financial performance and to provide oversight that the Company is adequately resourced and effectively controlled.

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

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

	Board	Audit	Nominations	Remuneration
Number of meetings	6	4	5	3
Dr Leonard Polonsky <sup>*</sup>	4/6	n/a	n/a	n/a
Maurice Dyson <sup>^</sup>	6/6	4/4	5/5	3/3
Andy Frepp <sup>*</sup>	6/6	4/4	4/5	3/3
Philip Gregory <sup>&gt;</sup>	6/6	4/4	5/5	3/3
Marc Polonsky <sup>~</sup>	6/6	n/a	n/a	n/a
Gordon Marr	6/6	n/a	n/a	n/a
Tim Davies <sup>&lt;</sup>	4/4	n/a	n/a	n/a

<sup>^</sup> Chairman of the Audit and Remuneration Committees throughout the year

<sup>></sup> Chairman of the Nominations Committee throughout the year

<sup>~</sup> Alternative to Dr Polonsky

<sup>\*</sup> Some meetings attended by telephone

<sup><</sup> Appointed as Director and Company Secretary 1 December 2015

## Board committees

The Board has established a number of standing committees to oversee important issues of policy and maintain such oversight outside the main Board meetings. Each committee operates within defined terms of reference, which can be accessed on the Company's website.

- Audit Committee (Chair: Maurice Dyson. Members: Andy Frepp, Philip Gregory);
- Executive Committee (Chair: Gordon Marr. Member: Tim Davies);
- Management Risk Committee (Chair: Gordon Marr. Member: Tim Davies);
- Nominations Committee (Chair: Philip Gregory. Members: Maurice Dyson, Andy Frepp);

- Remuneration Committee (Chair: Maurice Dyson. Members: Andy Frepp, Philip Gregory).

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.

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

Reports from the Audit, Nominations and Remuneration Committees are set out later in this Report and Accounts, together with a summary of their activities during the year. The activities of the Management Risk Committee are summarised in the Risk Management and Internal Control Report on pages 26 to 31.

The Executive Committee is chaired by the Group Chief Executive Officer and currently meets weekly. The Executive Committee has responsibility for the day-to-day management of the Group, and other items as delegated from time to time by the Board. In addition to Gordon Marr, the Executive Committee is currently comprised of Steve Bland (Group General Counsel); Ollie Byrne (Chief Operating Officer); Karen Corran (Head of Human Resources); Tim Davies (Chief Financial Officer); Angela McCraith (Head of Group Risk and Compliance), Graham Morrall (Global Sales and Marketing Director); and Leslie Wong (Operations Director, Hansard Development Services Limited).

## Board processes

The agenda for each Board and Committee meeting is considered by the Chairman or Committee Chairman and the papers for each meeting are distributed by the Company Secretary to the Board or Committee members beforehand. As a standard agenda item during the scheduled Board meetings, the Chairman and non-executive Directors meet without the executives present. The Chairman maintains regular contact with the CEO and with the non-executive Directors, outside of Board meetings or calls, in order to discuss specific issues.

## Board evaluation and effectiveness

The effectiveness of the Board is vital to the success of the Group. The Company undertakes an evaluation each year in order to assess the performance of the Board, its committees, the Directors and the Chairman. The aim is to improve the effectiveness of the Board and its committees and the Group's performance. The process is led by the Chairman and supported by the Company Secretary through the use of a detailed questionnaire by way of a self-evaluation. The analysis and summary of responses in the year under review did not identify any significant issues.



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

Following these reviews, the Directors have concluded that the Board and its Committees operate effectively and have agreed actions in respect of certain processes identified for improvement. Additionally, the Chairman and the Senior Independent Director have concluded that each Director contributes effectively and demonstrates full commitment to his duties.

## Remuneration of Directors

The principles and details of Directors' remuneration, as well as the composition and working of the Remuneration Committee, are contained in the Report of the Remuneration Committee on pages 50 to 55.

## Insurance

The Company maintains insurance cover with respect to the liabilities of Directors and Officers within the Group. In addition, qualifying third party indemnity arrangements are in force for the benefit of the Directors within the Group and were in force for the benefit of former Directors of the Group during the year under review.

## Board support

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.

Directors are required to complete a number of mandatory training sessions during each year, for example on Anti-Money Laundering responsibilities. Training and support is also provided on any other key topics that the Board feel appropriate in addition to their individual professional Continuing Professional Development requirements.

## Risk management and internal controls

The Board has overall responsibility for the Group's system of risk management and internal control, which is effected via the Group Enterprise Risk Management ("ERM") Programme, and for reviewing its effectiveness. The ERM Programme is intended to reduce, but cannot eliminate, the range of possibilities which might cause detriment to the Group. Similarly the ERM Programme cannot provide protection with certainty against any failure of the

Group to meet its business objectives, or guard against material errors, losses, fraud, or breaches of laws and regulations. Taking all of these factors into account the ERM Programme is intended to provide reasonable, but not absolute, assurance against material mis-statement or losses and / or the breach of any laws or regulations.

The primary responsibility for developing and implementing internal control and risk management procedures covering all aspects of the business lies with the Executive Management Team. As part of the reporting processes from the ERM Programme, the Board regularly receives written reports covering all such aspects in addition to overseeing controls and risk management procedures via the Audit Committee.

Individual managers have primary responsibility for ensuring compliance with Group policies, principles and compliance obligations within their respective span of control. This includes the identification, evaluation, monitoring, management and reporting of risks within their areas of responsibility. The substance and form of risk management activities and the quality of their application are regularly reviewed by the Management Risk Committee and objectively analysed and evaluated by the Group's Internal Audit function, with oversight by and reporting to the Audit Committee, which is ultimately responsible for reporting on the same to the Board.

Processes for identifying, evaluating and managing the risks faced by the Group have been in place throughout the year under review and up to the date of this report. They are regularly reviewed by the Board, with the assistance of the Audit and Risk Committees.

The Board (through the Audit Committee) has reviewed the effectiveness of the company's risk management and internal control systems including financial, operational and compliance controls.

The Board has further undertaken a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity, in accordance with C.2.1. of the UK Corporate Governance Code. Additional information on the principal risks and uncertainties faced by the Group, together with steps taken to manage them, can be found in the Strategic Report on pages 29 and 31.

# Corporate Governance Report *continued*

## Financial reporting process

The Group maintains a process to assist the Board in understanding the risks to the Group failing to meet its objectives. This incorporates a system of planning and sensitivity analysis incorporating Board approval of forecast financial and other information. Operational management reports monthly to the Executive Committee on a wide range of key performance indicators and other significant matters. The Board receives regular representations from the senior executives. Performance against targets is reported to the Board quarterly through a review of the Group's and Company's results based on accounting policies that are applied consistently throughout the Group. Draft management 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.

## Financial reporting

The statement on the responsibilities of the Directors in relation to the preparation of the accounts and the Directors' evaluation of the business as a going concern is contained in the Directors' Report on pages 34 to 39.

The Directors as at the date of this report consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

## Communications with stakeholders

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.

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

## Human resources

The Group's principal administrative operations are performed in the Isle of Man. Management of Hansard Europe Designated Activity Company (formerly Hansard Europe Limited) and certain support functions are located in the Republic of Ireland. Account Executives and related market development resources are based in local markets to support Independent Financial Advisors and other intermediaries that introduce business to the Group. The principal locations at 30 June 2016 the Far East, the Middle East and Africa, and Latin America.

At 30 June 2016, the number of the Group's employees by location was as follows:

Location	Number 2016	Number 2015
Isle of Man	164	169
Republic of Ireland	16	21
Other	25	22
	205	212

The gender profile of the Group at 30 June 2016 is split with a total of 109 male and 96 female employees (2015: 113 male and 96 female). Within the executive management team, there are six male executives and two female executives.



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## Environmental responsibility

The Group 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 minimum. Provision of an electronic version of the Report and Accounts, where shareholders have chosen this option, and other market information has reduced the need to publish and distribute copies. In order to support this shareholders are asked to contact the Registrars and elect the electronic option for future receipt of the Report and Accounts.

## Corporate and social responsibility

Hansard is committed to being a socially responsible employer and member of the corporate community in all jurisdictions in which we have offices. The Group seeks to act fairly, responsibly and transparently in its operations and relationships with stakeholders.

## Our community

We recognise the importance of supporting our employees who volunteer in other areas which support our community. We encourage employees in their efforts to support local causes, through collections in the office, financial top-ups to funds raised by our people and time off to support the community.

The Group has also supported a number of initiatives to support young people in education. Examples include providing work experience placements and internships, scholarships and providing experts to deliver presentations on specific topics to students, particularly in the IT space. Hansard was one of the founder members of the ICT University on the Isle of Man which will specialise in the provision of leading information and communication technology for business use.

During the year the Company matched donations made by employees in support of a number of registered charities, primarily in the Isle of Man and the Republic of Ireland. This has resulted in a total of approximately £10,411 (2015: £24,700) being donated to various charities in those locations during the year ended 30 June 2016.

## Our People

We recognise that our team of over 200 people play a key role in delivering the strategic objectives of the business. Our core values of Innovation, Quality, Integrity and Respect were defined by our

people in 2014 and are central to our culture. We believe all of our people can make a difference and continually work to ensure that they are appropriately developed, engaged, rewarded and retained.

For the year ahead the Group has a strategic initiative focussed on the cultural aspects of the organisation and the significance of organisational culture to the successful pursuit and achievement of strategic objectives and the continued development and embedding of our governance, risk management and internal control frameworks.

## Engagement with shareholders

The Board is accountable to the shareholders for creating and delivering value through the effective governance of the business. The Group places considerable importance on developing its relationships with our shareholders and it aims to achieve this by way of the following regular communication activities:

- Regular dialogue with major institutional shareholders, both directly and through the Company's advisors;
- Market announcements, corporate presentations and other Company information which are available on our website at [www.hansard.com](http://www.hansard.com) and;
- The Annual Report and Accounts issued to all registered shareholders, either in hard copy or electronically for those that have elected to receive it in that form.

There have been regular meetings with the investor community, major shareholders and analysts during the financial year. This included formal meetings with investors, analysts and media at various points throughout the year.

In addition the Chairman is available to meet with and has met major shareholders to discuss any areas of concern not resolved through normal channels of investor communication. Arrangements can be made to meet with the Chairman 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 Board receives regular feedback on the views of shareholders on the Company from its executive management team after meetings with those shareholders, as well as from reports from the Company's corporate brokers and the Senior Independent Director.

### By Order of the Board

**Tim Davies**  
Company Secretary  
21 September 2016

# Report of the Audit Committee

## Purpose and terms of reference

This report provides details of the role of the Group Audit Committee and the work it has undertaken during the year. The 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, [www.hansard.com](http://www.hansard.com).

A summary is set out below:

- advising the Board on the Group's interim and annual financial statements, its accounting policies and compliance with accounting standards to ensure that the financial and non-financial information supplied to shareholders provides a fair, balanced and understandable assessment of the Group's position;
- monitoring the effectiveness and objectivity of the internal and external auditors; and
- keeping under review the effectiveness of the systems of internal control and risk management.

## Composition and structure

During the year the members of the Committee were the Group Chairman, Philip Gregory, and the Group's independent non-executive Directors who have considerable recent and relevant financial experience, being Maurice Dyson and Andy Frepp. All members served on the Committee throughout the year and to the date of this report. Maurice Dyson is the Chairman of the Committee.

The Company Secretary acts as the secretary to the Committee. The Chairman of the Committee reports to each subsequent meeting of the Board on the Committee's work and the Board receives a copy of the minutes of each meeting of the Committee.

## Meetings and frequency

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

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

It is the Committee's practice to meet separately, at least once a year, with both the Internal Audit Manager and with the engagement partner of the external auditor, without any members of management being present. In addition, outside the structure of formal meetings, Maurice Dyson (as Chairman of the Committee) has had separate meetings throughout the year directly with the external auditor, the Internal Audit Manager and the Group's reviewing actuaries. He also meets and has regular contact with the Group Chief Executive

Officer, the Chief Financial Officer, the Group Chief Actuary, the Head of Group Risk and Compliance and the independent Appointed Actuary.

In performing its duties, the Committee has access to the services of the Internal Audit Manager, the Company Secretary and, if required, external professional advisors.

## Subsidiary company audit committees

Each of the Group's life assurance subsidiaries has established an audit committee that provides an oversight role for its own business. The chairman of each of those committees is an independent non-executive director of the relevant company. Each committee operated throughout the financial year and considered specifically the reporting of outsourced services and the valuation of contract holder liabilities, having regard to the opinion of the independent Appointed Actuary.

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

## Committee activities during the financial year

### 1. Review of accounting and reporting

During the financial year the Committee:

- oversaw the implementation of Financial Reporting Standard ('FRS') 101 'Reduced Disclosure Framework' for the Group's insurance subsidiary companies. FRS 101 introduces a new reduced disclosure framework enabling companies to use the recognition and measurement bases of International Financial Reporting Standards ('IFRS') in their individual entity financial statements, while being exempt from a number of disclosures required by full IFRSs;
- oversaw the implementation of Solvency II for Hansard Europe. Solvency II introduces a harmonised, sound and robust prudential framework for insurance firms in the EU. It is based on the risk profile of each individual insurance company in order to promote comparability, transparency and competitiveness;
- agreed the annual audit plan with the external auditor, considered the auditor's reports and has monitored management actions in response to the issues raised;
- reviewed the annual and half yearly report and accounts, including the external auditor's reports, and associated announcements;
- reviewed the reports of the reviewing actuaries and considered disclosure and the recommendations for improvements;
- monitored compliance with the relevant parts of the UK Corporate Governance Code, the effectiveness of internal controls and reporting procedures for risk management processes;



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- continued to monitor the application of the Group's policy on whistle-blowing and;
- reviewed other Stock Exchange reporting prior to publication of each announcement.

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

- The accounting principles, policies, assumptions and practices adopted;
- Judgements exercised in the production of the financial results including, the valuation of certain financial investments, deferred origination costs and deferred income, and the appropriateness of assumptions in the Group's EEV reporting and;
- The status of known or potential claims against the Group.

## 2. Review of Internal audit

The Group's internal audit function reports to the Audit Committee 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. During the financial year the Committee monitored and reviewed the effectiveness of the internal audit function, including consideration of the internal audit plan (including changes thereof) and results from completed audits and concluded that the function was fit for purpose.

## 3. Review of External audit

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

During the year, the Committee performed its annual review of the independence, effectiveness and objectivity of the external auditor, assessing the audit firm, the audit partner and audit teams. In relation to the independence of the external auditor, the Committee considered confirmations concerning rotation of the auditor's senior management and of the engagement partners. The Committee considered auditor rotation and was satisfied in regards to its compliance with the Code. A new audit partner was appointed by rotation for the 2016 financial year audit.

Based on this review and with input from Group management and Internal Audit, the Committee concluded that the audit service of PwC was fit for purpose and provided a robust overall examination of the Group's business and the risks involved.

The Audit Committee has therefore recommended to the Board that PwC be re-appointed as the Group's auditor.

The Committee monitored compliance with the Group policy for the provision of non-audit services by the external auditor. This policy aims to ensure that external auditor objectivity and independence is safeguarded and sets out the categories of non-audit services which the external auditor is allowed to provide to the Group. Financial limits for non-audit related advice and consultancy work by the external audit firm apply to each company in the Group with a limit of £25,000 per company per year. Non-audit assignments exceeding the agreed limits, either individually or cumulatively, must have the prior approval of the Group Audit Committee.

The Committee also considered additional audit-related services which were necessary to meet local regulatory requirements in East Asia. The Committee was satisfied with the classification of such services and that the services did not impair the independence of the external auditor.

Details of the amount paid to the external auditors during the year for audit and non-audit related services are set out in note 8 to the consolidated financial statements.

## 4. Review of internal controls

The Committee has reported to the Board regarding the review of the Group's risk management and internal control systems in accordance with provision C.2.1 of the UK Corporate Governance Code.

The Committee took into account events during the year and to the date of signing of the Accounts, including internal reporting structures together with reporting from internal audit, external audit and the Group's reporting actuaries

## 5. Review of Committee performance

In line with the Code requirements, the Board undertook a review of the effectiveness of all its committees during the year, including the Audit Committee. In addition, the Committee also carried out a self-evaluation of its effectiveness. No significant issues were identified. The self-evaluation was carried out through response to a detailed questionnaire and analysing the responses compared to prior years' responses and other factors.

For the Board

**Maurice Dyson**  
**Chairman of the Audit Committee**  
**21 September 2016**

# Report of the Nominations Committee

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.

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

## Membership

During the year the members of the Committee were independent non-executive Directors being Maurice Dyson and Andy Frepp and the non-executive Group Chairman, Philip Gregory. All members served on the Committee throughout the year and to the date of this report. Philip Gregory is Chairman of the Committee.

The Company Secretary acts as the secretary to the Committee. The Chairman of the Committee reports to each 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.

## Activities of the Committee during the year

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

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

- considered and approved the appointment of Tim Davies as an Executive Director and Company Secretary following the retirement of Manoj Patel as Company Secretary;
- considered the replacement for the Head of Legal, using independent external consultants Paragon Recruitment, to identify candidates to fill the vacancy arising. Approved the appointment of Steve Bland to the role;
- reviewed and approved the recommendation for the internal candidate, Angela McCraith, to replace Ian Townsend as Head of Group Risk and Compliance;
- reviewed and agreed job descriptions for the Chief Executive Officer, Chairman and Senior Independent Director;
- considered the guidance in the UK Corporate Governance Code and information/interaction in relation to Mr Dyson and Mr Frepp and concluded that both remain independent;
- considered in detail and approved the succession plan for the positions on the Executive Committee and other critical roles within the Group.



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## Review of Committee performance

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

Philip Gregory had regular meetings during the year with the Group Chief Executive Officer and the non-executive Directors. After each Board meeting, the Chairman held an informal session with the full Board members (without management being present). In addition, the senior independent director held a meeting with only the independent non-executive Directors, which includes an evaluation of the performance of the Chairman.

### For the Board

**Philip Gregory**

**Chairman of the Nominations Committee**

**21 September 2016**



# Report of the Remuneration Committee

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

## Purpose and terms of reference

The main purpose of the Committee is to determine the overall remuneration policy and the remuneration packages and service contracts of the executive Directors, the Company Secretary and such other members of the executive management as it considers appropriate, including the operation of incentive schemes. The Committee aims to set remuneration at an appropriate level to promote the long term success of the Group.

As such the remuneration policy is designed to:

- recognise the need to be competitive in an international market, though taking account of the local knowledge and packages in the UK and the Isle of Man;
- support key business strategies and create a strong, performance-orientated environment;
- attract, motivate and retain talent and;
- be aligned to proper risk management consistent with risk tolerance set out by the Board as part of its strategy.

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

During the year the members of the Committee were independent non-executive Directors being Maurice Dyson and Andy Frepp and the non-executive Group Chairman, Philip Gregory. All members served on the Committee throughout the year and to the date of this report.

Maurice Dyson was Chairman of the Committee throughout the year.

The Company Secretary acts as the secretary to the Committee. The Chairman of the Committee reports to each 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.

## Activities of the Committee during the year

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

At the request of the Committee, Gordon Marr, the Group Chief Executive Officer, also attends meetings and makes recommendations to the Committee regarding changes to particular remuneration packages (excluding himself) or to policy generally. Such recommendations are discussed by the Committee and adopted or amended as it sees fit. The Head of HR provides all necessary support to Remuneration Committee in executing their duties.

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

- Agree six month extension to fee waiver by the Chairman of the Board, Philip Gregory to voluntarily waive £10,000 of the fee for the period to 31 December 2015. In addition, Philip Gregory has voluntarily implemented a sales-based fee waiver commencing 1 January 2016;
- Agree the remuneration package for Steve Bland, the new Group General Counsel;
- Agree the remuneration package for Angela McCraith, the new Head of Risk and Compliance;
- During the year considered and reviewed a proposal to introduce a deferred bonus scheme. Full details of the proposal (if approved by the Committee) will be provided in the covering letter to the notice for the Annual General Meeting when the shareholders will be requested to approve the adoption of the plan;
- Agreed annual cash bonus scheme for staff;
- Having regard to market data, considered and approved reviews in remuneration for senior management effective from 1 July 2016; and
- Agreed discretionary bonuses for a limited number of Executive Committee members, based on Company and individual performance targets.



## Incentive Schemes

### Cash-settled bonus scheme

The Committee approved the continuation of a bonus scheme for all employees. The terms of the scheme that are effective from 1 July 2016 incorporate targets of new business production and achievement of individual performance objectives. Bonuses earned will be paid in the October following the end of the financial year.

Although the 2016 financial year scheme did not generate an award for any participant (2015: nil), the Committee decided at its discretion that given the strategic progress made and the closeness to meeting challenging production targets, a reduced bonus pool would be approved and awarded in line with individual performance ratings.

### Long-term Incentive Plan

A proposal to implement a deferred bonus scheme is currently being considered by the Committee. The scheme was developed utilising the expertise of independent consultants who have no other connection to the Company. It is anticipated that a proposal will be presented to the shareholders for approval at the forthcoming Annual General Meeting on 9 November 2016.

### SAYE Share-save Programme

51,787 options over shares were exercised under the Scheme rules during the year (2015: 9,035).

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

Scheme year	2016 No. of options	2015 No. of options
2011	-	8,366
2013	4,044	266,538
2014	82,114	531,376
2015	783,332	823,919
2016	282,629	-
	1,052,199	1,630,199

### Employee Benefit Trust

An Employee Benefit Trust ("EBT") was established in November 2011 with a gift of 400,000 Hansard Global plc shares from Dr Polonsky. At 30 June 2016, following the purchase of shares using dividend proceeds, the EBT holds 760,521 shares (2015: 699,910 shares). No distributions were made from the EBT during the year (2015: £nil).

## Directors' employment terms and conditions

In accordance with the UK Corporate Governance Code all Directors are subject to annual re-election. All Directors serving on 12 November 2015 were re-elected at the Annual General Meeting held at that date.

The key terms and benefits of the contractual arrangements between each Director and the Company are as follows:

**Dr Leonard Polonsky – Non-executive director – President.** The letter of appointment effective from 22 September 2014 reflects Dr Polonsky's appointment as a non-executive Director and President and incorporates the requirements of the Listing Rules of the Financial Conduct Authority in relation to Dr Polonsky as controlling shareholder of the Group.

A summary of the agreement, dated 22 September 2014, governing his relationship with the Group is available for inspection at the Company's registered office and will be made available to shareholders at the Annual General Meeting to be held on 9 November 2016. In order to maintain effective corporate governance the agreement contains the following terms:

- All transactions between Dr Polonsky and the Group are to be conducted at arm's length and on normal commercial terms;
- Dr Polonsky will take no actions which would prevent the Company from complying with its obligations under the Listing Rules, or propose a resolution to circumvent the proper application of the Listing Rules;
- Dr Polonsky will exercise his voting rights to ensure a requisite number of independent non-executive directors are appointed to and retained by the Board and;
- Will consult with independent non-executive directors where proposals have been made by the Board in relation to its composition.

Consistent with other non-executive Directors, Dr Polonsky receives a fee for his participation on the Board of £50,000 per annum.

There were no significant transactions between the Group and Dr Polonsky during the year under review, except as noted in the Director's Report.

# Report of the Remuneration Committee *continued*

**Gordon Marr – Group Chief Executive Officer.** Housing allowance; company contribution into personal pension arrangements; private health insurance for himself and his spouse; permanent health insurance; life assurance; full-pay sick leave for a maximum of eight weeks of absence, whether or not consecutive, in any 12-month period due to illness or injury and 30 days annual leave in addition to public holidays. Other than the right to receive a payment in lieu of notice upon termination, his service agreement dated 24 November 2006 does not provide for any benefits upon termination of employment. The notice period (by either party) is 12 months.

Mr Marr was appointed to the Board on 27 April 2005 and last re-elected on 12 November 2015.

Mr Marr is a member of a cash-settled bonus scheme which is based upon targets of new business production and individual performance objectives agreed with the Board. Mr Marr's potential earnings under the scheme for the 2016 financial year range from nil to £75,000 depending upon results and performance. Mr Marr will be eligible to participate in any future approved deferred bonus scheme. When implemented this will replace the cash-settled scheme previously agreed. He is also entitled to receive benefits under the Employee Benefit Trust in the same manner as all employees. Additionally he has been granted an option to require the Company to acquire a residential property from him for the sum of £481,000. Mr. Marr purchased the property in July 2011 for £501,000.

**Tim Davies – Group Chief Financial Officer.** Company contribution into personal pension arrangements; private health insurance for himself, his spouse and dependent children; permanent health insurance; life assurance; full-pay sick leave for a maximum of eight weeks of absence, whether or not consecutive, in any 12-month period due to illness or injury and 30 days annual leave in addition to public holidays. Other than the right to receive a payment in lieu of notice upon termination, his service agreement dated 3 March 2015 does not provide for any benefits upon termination of employment. The notice period (by either party) is six months.

Mr Davies was appointed to the Board on 1 December 2015.

Mr Davies is a member of a cash-settled bonus scheme which is based upon targets of new business production and individual performance objectives agreed with the Board. Mr Davies' potential earnings under the scheme for the 2016 financial year range from nil to £60,000 depending upon results and performance. Mr Davies will be eligible to participate in any future approved deferred bonus scheme. When implemented this will replace the cash-settled scheme previously agreed. He is also entitled to receive benefits under the Employee Benefit Trust in the same manner as all employees.

**Non-executive Directors.** The appointment of each non-executive Director has been confirmed by an individual letter of appointment which includes a one month notice provision. The non-executive

Directors do not have service contracts or any benefits-in-kind arrangements and do not participate in any of the Group's pension or long-term incentive arrangements.

## Policy on Salary of Executive Directors

It is the policy of the Committee to pay base salaries to the Executive Directors at broadly market rates (taking account of the Isle of Man location where relevant) compared with those of executives of companies of a similar size and international scope, whilst also taking into account the executives' personal performance and the performance of the Group. In addition reliance is placed on the Human Resource function to give local data and the initial recommendation from the Management.

## Our policy on fees for non-executive Directors

It is our policy to set the fees for each non-executive Director so that they reflect the time commitment in preparing for and attending meetings, the responsibility and duties of the position and the contribution that is expected from them. Our policy is to pay a market rate which is set annually by the Board.



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## Directors' remuneration and other benefits in the financial year ended 30 June 2016

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 2016 for each Director who served during that year.

Name	Salary and fees 2016 £	Pension 2016 £	Bonus 2016 £	Other <sup>5</sup> 2016 £	Aggregate 2016 £	Aggregate 2015 £
<b>Executive Directors</b>						
Gordon Marr	325,000	45,500	–	39,770	410,270	412,856
Tim Davies <sup>1</sup>	94,208	14,875	–	863	109,946	n/a
<b>Non-executive Directors</b>						
Maurice Dyson <sup>2</sup>	68,000	–	–	–	68,000	68,000
Andy Frepp	50,000	–	–	–	50,000	50,000
Philip Gregory <sup>3</sup>	66,250	–	–	–	66,250	65,000
Dr L S Polonsky	50,000	–	–	–	50,000	50,000
Marc Polonsky <sup>4</sup>	–	–	–	–	–	–
<b>Total</b>	<b>653,458</b>	<b>60,375</b>	<b>–</b>	<b>40,633</b>	<b>754,466</b>	<b>645,856</b>

1 Appointed as Director and Company Secretary 1 December 2015. Figures quoted are from 1 December 2015 to 30 June 2016.

2 Mr Dyson receives additional fees in relation to his position as Chairman of the Board of Hansard International Limited.

3 For the year Mr Gregory's fee as Chairman was agreed at £85,000 but Mr Gregory voluntarily waived £18,750 of his fees (waived in 2015: £20,000).

4 Appointed alternate Director to Dr Polonsky on 26 September 2013.

5 "Other" includes contractual benefits for Mr Marr relating to accommodation costs of £36,000 per annum.

# Report of the Remuneration Committee *continued*

## Directors' estimated remuneration and other benefits for the financial year ending 30 June 2017

The following table sets out the elements of estimated aggregate emoluments for the year ending 30 June 2017 for each Director, as agreed by the Board.

Name	Salary and fees 2017 £	Pension 2017 £	Bonus 2017 £	Other <sup>4</sup> 2017 £	Aggregate 2017 £
<b>Executive Directors</b>					
Gordon Marr	325,000	45,500	–	37,184	407,684
Tim Davies	161,500	25,500	–	1,480	188,480
<b>Non-executive Directors</b>					
Maurice Dyson <sup>1</sup>	68,000	–	–	–	68,000
Andy Frepp	50,000	–	–	–	50,000
Philip Gregory <sup>2</sup>	85,000	–	–	–	85,000
Dr L S Polonsky	50,000	–	–	–	50,000
Marc Polonsky <sup>3</sup>	–	–	–	–	–
<b>Total</b>	<b>739,500</b>	<b>71,000</b>	<b>–</b>	<b>38,664</b>	<b>849,164</b>

1 Mr Dyson receives additional fees in relation to his position as Chairman of the Board of Hansard International Limited.

2 Chairman of the Group Board. Mr Gregory's fee for the year as Chairman is £85,000 but he has volunteered to waive fees ranging from nil to £20,000 based on a sliding scale related to new business volumes.

3 Alternate Director.

4 "Other" includes contractual benefits for Mr Marr relating to accommodation costs of £36,000 per annum.





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## Directors' interests in share capital

At 30 June 2016 and at the date of this report Dr Polonsky held 50,646,319 shares in the Company's share capital, or 36.86% (2015: 36.88%) and an additional 400,000 shares are held by his wife. The Polonsky Foundation (a UK Registered Charity of which Dr Polonsky and Mr Marc Polonsky are among the trustees) has a beneficial interest in 7,686,888 shares in the Company's share capital, or 5.6% (2015: 5.6%).

The table set out below shows the beneficial interests of other Directors and their families in the Company's share capital, at 30 June 2016 and at 30 June 2015.

Number of shares	Direct	Indirect <sup>1</sup>	Total 2016	Direct	Indirect <sup>1</sup>	Total 2015
<b>Executive Director</b>						
Gordon Marr	300,000	305,494	605,494	300,000	305,494	605,494
Tim Davies <sup>2</sup>	–	–	–	–	–	–
<b>Non-executive Directors</b>						
Maurice Dyson	32,500	–	32,500	32,500	–	32,500
Philip Gregory	15,462	–	15,462	13,913	–	13,913
Marc Polonsky <sup>3</sup>	7,500,000	–	7,500,000	7,500,000	–	7,500,000

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

2 Mr Davies participated in the 2016 SAYE share programme whereby 21,428 share options will be available on maturity in 2018.

3 Alternate Director to Dr Polonsky.

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

For the Board

**Maurice Dyson**  
Chairman of the Remuneration Committee  
21 September 2016

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# 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 2016 and the consolidated statement of comprehensive income, consolidated and parent company statement of changes in equity and consolidated and parent company 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 2016, 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 2016 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' statements, set out on page 37, in relation to going concern and longer term viability and;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the eleven provisions of the UK Corporate Governance Code specified for our review.

**Nicholas Mark Halsall, Responsible Individual**  
for and on behalf of PricewaterhouseCoopers LLC  
Chartered Accountants, Isle of Man

21 September 2016

# Consolidated Statement of Comprehensive Income for the year ended 30 June 2016

		Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
	Notes		
Fees and commissions	5	51.3	56.3
Investment income	6	62.8	48.6
Other operating income		0.6	0.7
		114.7	105.6
Change in provisions for investment contract liabilities		(60.8)	(47.8)
Origination costs	7	(20.2)	(20.1)
Administrative and other expenses	8	(25.3)	(22.8)
		(106.3)	(90.7)
<b>Profit before taxation</b>		<b>8.4</b>	<b>14.9</b>
Taxation	10	(0.1)	-
<b>Profit and total comprehensive income for the year after taxation</b>		<b>8.3</b>	<b>14.9</b>

## Earnings per share

	Note	2016 (p)	2015 (p)
Basic	11	6.0	10.9
Diluted	11	6.0	10.9

The notes on pages 62 to 81 form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity for the year ended 30 June 2016

	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
At 1 July 2014	68.7	(48.3)	16.5	36.9
Profit and total comprehensive income for the year after taxation	-	-	14.9	14.9
<b>Transactions with owners</b>				
Dividends paid	-	-	(11.7)	(11.7)
<b>At 30 June 2015</b>	<b>68.7</b>	<b>(48.3)</b>	<b>19.7</b>	<b>40.1</b>

	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
At 1 July 2015	68.7	(48.3)	19.7	40.1
Profit and total comprehensive income for the year after taxation	-	-	8.3	8.3
<b>Transactions with owners</b>				
Dividends paid	-	-	(12.2)	(12.2)
<b>At 30 June 2016</b>	<b>68.7</b>	<b>(48.3)</b>	<b>15.8</b>	<b>36.2</b>

The notes on pages 62 to 81 form an integral part of these financial statements.

# Consolidated Balance Sheet

## As at 30 June 2016

	Notes	30 June 2016 £m	30 June 2015 £m
<b>Assets</b>			
Property, plant and equipment	13	1.0	1.3
Deferred origination costs	14	110.9	113.5
<b>Financial investments</b>			
Equity securities		13.0	27.5
Investments in collective investment schemes		784.5	784.9
Fixed income securities		22.6	18.3
Deposits and money market funds		120.2	93.3
Other receivables	15	4.4	4.2
Cash and cash equivalents	16	60.9	65.4
<b>Total assets</b>		<b>1,117.5</b>	<b>1,108.4</b>
<b>Liabilities</b>			
Financial liabilities under investment contracts	17	923.5	907.1
Deferred income	18	130.5	137.6
Amounts due to investment contract holders		20.7	17.3
Other payables	19	6.6	6.3
<b>Total liabilities</b>		<b>1,081.3</b>	<b>1,068.3</b>
<b>Net assets</b>		<b>36.2</b>	<b>40.1</b>
<b>Shareholders' equity</b>			
Called up share capital	21	68.7	68.7
Other reserves	22	(48.3)	(48.3)
Retained earnings		15.8	19.7
<b>Total shareholders' equity</b>		<b>36.2</b>	<b>40.1</b>

The notes on pages 62 to 81 form an integral part of these financial statements.

The financial statements on pages 58 to 81 were approved by the Board on 21 September 2016 and signed on its behalf by:



**G S Marr**  
Director



**T N Davies**  
Director

# Consolidated Cash Flow Statement for the year ended 30 June 2016

	Year ended 30 June 2016 £m	Year ended 30 June 2015 £m
<b>Cash flow from operating activities</b>		
Profit before tax for the year	8.4	14.9
<b>Adjustments for:</b>		
Depreciation	0.5	0.6
Dividends receivable	(3.9)	(3.9)
Interest receivable	(0.6)	(1.0)
Foreign exchange gains	(3.3)	0.2
<b>Changes in operating assets and liabilities</b>		
Increase in other receivables	(0.3)	(0.2)
Dividends received	3.9	3.9
Interest received	0.7	1.0
Decrease in deferred origination costs	2.6	10.4
Decrease in deferred income	(7.1)	(3.6)
Increase/(decrease) in creditors	3.6	(8.0)
(Increase)/decrease in financial investments	(16.2)	41.2
Increase/(decrease) in financial liabilities	16.5	(36.6)
<b>Cash flow from operations</b>	4.8	19.0
Corporation tax (paid)/received	(0.1)	0.2
<b>Cash flow from operations after taxation</b>	4.7	19.2
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(0.2)	(0.2)
Proceeds from sale of investments	–	0.1
Purchase of investments	(0.1)	(0.2)
<b>Cash flows used in investing activities</b>	(0.3)	(0.3)
<b>Cash flows from financing activities</b>		
Dividends paid	(12.2)	(11.7)
<b>Cash flows used in financing activities</b>	(12.2)	(11.7)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(7.8)	7.2
Cash and cash equivalents at beginning of year	65.4	58.4
Effect of exchange rate changes	3.3	(0.2)
<b>Cash and cash equivalents at year end</b>	60.9	65.4

The notes on pages 62 to 81 form an integral part of these financial statements.

# Notes to the consolidated financial statements for the year ended 30 June 2016

## 1 Principal accounting policies

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 registered office of the Company is Harbour Court, Lord Street, Box 192, Douglas, Isle of Man, IM99 1QL.

These consolidated financial statements incorporate the assets, liabilities and the results of the Company and its subsidiary undertakings (“the Group”). The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below or, in the case of accounting policies that relate to separately disclosed values in the primary statements, within the relevant note to these consolidated financial statements. These policies have been consistently applied, unless otherwise stated.

### 1.1 Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRSs”), International Financial Reporting Standards Interpretations Committee (“IFRSIC”) interpretations, and with the Isle of Man Companies Acts 1931 to 2004. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial investments and financial liabilities at fair value through profit or loss. The Group has applied all International Financial Reporting Standards adopted by the European Union and effective at 30 June 2016.

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

There has been no significant impact in the financial statements due to the mandatory application of new accounting standards for the year ended 30 June 2016.

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

- Amendment to IAS 16, ‘Property, plant and equipment’ and IAS 38, ‘Intangible assets’, on depreciation and amortisation
- Amendments to IAS 27, ‘Separate financial statements’ on equity accounting
- IAS 39, ‘Financial Instruments’ – Recognition and measurement
- IFRS 9, ‘Financial Instruments’
- IFRS 12, ‘Disclosures of Interest in Other Entities’
- IFRS 15 ‘Revenue from contracts with customers’
- IFRS 10, ‘Consolidated Financial Statements’
- IFRS 15 ‘Revenue from contracts with customers’
- Annual improvements 2014
- Amendments to IAS 1, ‘Presentation of financial statements’ disclosure initiative.

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 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.

## 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 type of management expenses that are treated as origination costs and the period of amortisation of deferred origination costs and deferred income. 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 deferred origination costs and deferred income

Deferred origination costs and deferred income are amortised on a straight-line basis over the life of the underlying investment contract. Deferred origination costs and deferred income are amortised over the anticipated life of the contract estimated to be between 6 and 16 years, depending on the product type.

#### 2.1.3 Recoverability of deferred origination costs

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

If, based upon a review of the remaining contracts, there is any other indication of irrecoverability or impairment, the contract's recoverable amount is estimated. Impairment losses are reversed through the statement of comprehensive income if there is a change in the estimates used to determine the recoverable amount. Such losses are reversed only to the extent that the contract's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation where applicable, if no impairment loss had been recognised.

### 2.2 Judgements

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

- the classification of contracts between insurance and investment business. All contracts are treated as investment contracts as they do not transfer significant insurance risk;
- the Group has elected to treat all assets backing its contracts at fair value through profit or loss although some of the assets in question may ultimately be held to maturity;
- 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, as is discussed further in note 3.5 to these consolidated financial statements and;
- to determine whether a provision is required in respect of any pending or threatened litigation, which is addressed in note 26.

## 3 Financial risk management

### Risk management objectives and risk policies

The Group's objective in the management of financial risk is to minimise, where practicable, its exposure to such risk, except when necessary to support other objectives. The Group seeks to manage risk through the operation of unit-linked business whereby the contract holder bears the financial risk. In addition, shareholder assets are invested in highly rated investments.

Overall responsibility for the management of the Group's exposure to risk is vested in the Board. To support it in this role, an enterprise risk management framework is in place comprising risk identification, risk assessment, control and reporting processes. Additionally, the Board and the Boards of subsidiary companies have established a number of Committees with defined terms of reference. These are the Actuarial Review, Audit, Executive, Investment and Risk Committees. Additional information concerning the operation of the Board Committees is contained in the Corporate Governance section of this Report and Accounts.

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.

### 3.1 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. The Group adopts a risk averse approach to market risk, with a stated policy of not actively pursuing or accepting market risk except where necessary to support other objectives. However, the Group accepts the risk that the fall in equity or other asset values, whether as a result of price falls or strengthening of sterling against the currencies in which contract holder assets are denominated, will reduce the level of annual management charge income derived from such contract holder assets and the risk of lower future profits.

#### Sensitivity analysis to market risk

The Group's business is unit-linked and the direct associated market risk is therefore borne by contract holders (although there is a secondary impact as shareholder income is dependent upon the markets, as mentioned above). Financial assets and liabilities to support Group capital resources held outside unitised funds primarily consist of units in money market funds, cash and cash equivalents, and other assets and liabilities. Cash held in unitised money market funds and at bank is valued at par and is unaffected by movement in interest rates. Other assets and liabilities are similarly unaffected by market movements.

As a result of these combined factors, the Group's financial assets and liabilities held outside unitised funds are not materially subject to market risk, and movements at the reporting date in interest rates and equity values have an immaterial impact on the Group's profit after tax and equity. Future revenues from annual management charges may be affected by movements in interest rates, foreign currencies and equity values.

#### (a) Price risk

Unit linked funds are exposed to securities price risk as the investments held are subject to prices in the future which are uncertain. The fair value of financial assets (designated at fair value through profit or loss) exposed to price risk at 30 June 2016 was £830.7m (2015: £862.1). In the event that investment income is affected by price risk then there will be an equal and opposite impact on the value of the changes in provisions for investment contract liabilities in the same accounting period. The impact on the profit or loss before taxation in a given financial year is negligible.

An overall change in the market value of the unit-linked funds would affect the annual management charges accruing to the Group since these charges, which are typically 1% per annum, are based on the market value of contract holder assets under administration. The approximate impact on the Group's profits and equity of a 10% change in fund values, either as a result of price, interest rate or currency fluctuations, is £1.3m (2015: £1.4m).

#### (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. A change of 1% p.a. in interest rates will result in an increase or decrease of approximately £0.8m (2015: £0.8m) in the Group's annual investment income and equity.

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

**(c) Currency risk**

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

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

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

	2016 US\$m	2016 €m	2016 ¥m	2015 US\$m	2015 €m	2015 ¥m
Gross assets	10.9	7.4	254.0	17.0	5.5	311.4
Matching currency liabilities	(13.3)	(4.4)	(127.7)	(12.0)	(4.4)	(154.7)
Uncovered currency exposures	(2.4)	3.0	126.3	5.0	1.1	156.7
Sterling equivalent (£m)	(1.8)	2.5	0.9	3.2	0.8	0.8

The approximate effect of a 5% change: in the value of US dollars to sterling is less than £0.1m (2015: less than £0.1m); in the value of the euro to sterling is £0.1m (2015: £0.2m); and in the value of the yen to sterling is less than £0.1m (2015: less than £0.1m).

**(c)(ii) Financial investments by currency**

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

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

At the balance sheet date the analysis of financial investments by currency denomination is as follows, US dollars: 69.2% (2015: 59.4%); euro: 11.7% (2015: 18.9%); sterling: 16.3% (2015: 16.3%); other: 2.8% (2015: 5.4%).

**3.2 Credit risk**

Credit risk is the risk that the Group is exposed to lower returns or loss if another party fails to perform its financial obligations to the Group. The Group has adopted a risk averse approach to such risk and has a stated policy of not actively pursuing or accepting credit risk except when necessary to support other objectives.

The clearing and custody operations for the Group's security transactions are mainly concentrated with one broker, namely Capital International Limited, a member of the London Stock Exchange. At 30 June 2016 and 2015, substantially all contract holder cash and cash equivalents, balances due from broker and financial investments are placed in custody with Capital International Limited. These operations are detailed in a formal contract that incorporates notice periods and a full exit management plan. Delivery of services under the contract is monitored by a dedicated relationship manager against a documented Service Level Agreement and Key Performance Indicators, and attested periodically by external advisors. Investment risk is borne by the contract holder.

The Group has an exposure to credit risk in relation to its deposits with credit institutions and its investments in unitised money market funds. To manage these risks; deposits are made, in accordance with established policy, with credit institutions having a short-term rating of at least F1 and P1 from Fitch IBCA and Moody's respectively and a long-term rating of at least A and A3. Investments in unitised money market funds are made only where such fund is AAA rated. Additionally maximum counterparty exposure limits are set both at an individual subsidiary company level and on a Group-wide basis.

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 3.4):

	2016 £m	2015 £m
Deposits with credit institutions	21.1	24.4
Investments in money market funds	55.5	56.5
	<b>76.6</b>	<b>80.9</b>

### 3.3 Liquidity risk

Liquidity risk is the risk that the Group, though solvent, does not have sufficient financial resources to enable it to meet its obligations as they fall due, or can only secure them at excessive cost. The Group is averse to liquidity risk and seeks to minimise this risk by not actively pursuing it except where necessary to support other objectives.

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

Liquidity risk is principally managed in the following ways:

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

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

### 3.4 Undiscounted contractual maturity analysis

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

	2016 £m	2015 £m
<b>Maturity within 1 year</b>		
Deposits and money market funds	76.6	80.9
Other assets	1.4	1.5
	<b>78.0</b>	<b>82.4</b>
<b>Maturity from 1 to 5 years</b>		
Deposits with credit institutions	-	-
Other assets	0.1	0.3
	<b>0.1</b>	<b>0.3</b>
Assets with maturity values	78.1	82.7
Other shareholder assets	115.2	117.6
<b>Shareholder assets</b>	<b>193.3</b>	<b>200.3</b>
Gross assets held to cover financial liabilities under investment contracts	924.4	908.1
<b>Total assets</b>	<b>1,117.5</b>	<b>1,108.4</b>

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

Assets held to cover financial liabilities under investment contracts are deemed to have a maturity of up to one year since the corresponding unit-linked liabilities are repayable and transferable on demand. In certain circumstances the contractual maturities of a portion of the assets may be longer than one year, but the majority of assets held within the unit-linked funds are highly liquid. The Group actively monitors fund liquidity.

The contractual maturity analyses of financial and other liabilities are included in notes 17 and 19 to the consolidated balance sheet.

### 3.5.1 Fair value estimation

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

If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

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

- Level 1: fair value is determined 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.

The following table analyses the Group's financial assets and liabilities at fair value through profit or loss, at 30 June 2016:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets at fair value through profit or loss</b>				
Equity securities	13.0	-	-	13.0
Collective investment schemes	724.6	-	60.1	784.5
Fixed income securities	22.6	-	-	22.6
Deposits and money market funds	120.2	-	-	120.2
<b>Total financial assets at fair value through profit or loss</b>	<b>880.2</b>	<b>-</b>	<b>60.1</b>	<b>940.3</b>

### 3.5.2 Transfers into and out of Level 3

During this financial year, no assets were transferred from Level 2 to Level 1. Assets with a fair value of £2.8m were transferred from Level 1 to Level 3, due to the change in market for the related assets. Assets with a value of £3.3m were reclassified from Level 1 to Level 3 and subsequently valued at zero by the Directors, as they believe this reflects the fair value of these assets at the balance sheet date. Assets with a fair value of £57.3m were transferred from Level 2 to Level 3 during the year as the directors believe that valuations can no longer be obtained for these assets from an observable market price due to suspension in trading or the asset becoming illiquid.

No assets were transferred from Level 3 to Level 1 or Level 2 during the financial year.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>923.5</b>	<b>-</b>	<b>923.5</b>

The following table analyses the Group's financial assets and liabilities at fair value through profit or loss, at 30 June 2015:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets at fair value through profit or loss</b>				
Equity securities	27.5	-	-	27.5
Collective investment schemes	732.0	52.9	-	784.9
Fixed income securities	18.3	-	-	18.3
Deposits and money market funds	93.3	-	-	93.3
<b>Total financial assets at fair value through profit or loss</b>	<b>871.1</b>	<b>52.9</b>	<b>-</b>	<b>924.0</b>

During the previous financial year, no assets were transferred from Level 2 to Level 1. Assets with a fair value of £8.4m were transferred from Level 1 to Level 2. Assets with a value of £0.3m were reclassified from Level 1 to Level 3 and subsequently valued at zero by the Directors, as they believe this reflects the fair value of these assets at the balance sheet date. No assets were reclassified from Level 3 to Level 1 or Level 2 during the previous financial year.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>907.1</b>	<b>-</b>	<b>907.1</b>

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

## 4 Segmental information

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

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

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

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

	2016	2015
	£m	£m
Middle East and Africa	4.5	0.6
East Asia	2.1	0.9
Rest of World	1.9	1.2
Latin America	0.9	2.1
Net Issued Compensation Credit	9.4	4.8
Other commission costs paid to third parties	4.5	2.2
Enhanced unit allocations	1.2	0.6
Origination costs incurred during the year	15.1	7.6

The net issued compensation credit figure of £9.4m for the year all relates to continuing operations based in the Isle of Man (2015: £4.8m).

Revenues and expenses allocated to geographical locations contained in sections 4.1 to 4.4 below reflect the revenues and expenses generated in or incurred by the legal entities in those locations.

### 4.1 Geographical analysis of fees and commissions by origin

	2016	2015
	£m	£m
Isle of Man	44.5	47.6
Republic of Ireland	6.8	8.7
	51.3	56.3

#### 4.2 Geographical analysis of profit before taxation

	2016	2015
	£m	£m
Isle of Man	8.3	13.5
Republic of Ireland	0.1	1.4
	8.4	14.9

#### 4.3 Geographical analysis of gross assets

	2016	2015
	£m	£m
Isle of Man	909.7	865.7
Republic of Ireland	207.8	242.7
	1,117.5	1,108.4

#### 4.4 Geographical analysis of gross liabilities

	2016	2015
	£m	£m
Isle of Man	892.6	844.2
Republic of Ireland	188.7	224.1
	1,081.3	1,068.3

### 5 Fees and commissions

Fees are charged to the contract holders of investment contracts for contract administration services, investment management services, payment of benefits and other services related to the administration of investment contracts. Fees 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.

	2016	2015
	£m	£m
Contract fee income	34.4	38.7
Fund management charges	12.8	13.4
Commissions receivable	4.1	4.2
	51.3	56.3

## 6 Investment income

Investment income comprises dividends, interest and other income receivable, realised gains and losses on investments and unrealised gains and losses. Movements are recognised in the statement of comprehensive income in the period in which they arise. Dividends are accrued on the date notified. Interest is accounted for on a time proportion basis using the effective interest method.

	2016	2015
	£m	£m
Interest income	0.6	0.8
Dividend income	3.9	3.9
Gains on realisation of investments	30.7	41.0
Movement in unrealised gains /(losses)	27.6	(3.2)
	62.8	48.6

## 7 Origination costs

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

	2016	2015
	£m	£m
Amortisation of deferred origination costs	17.7	18.1
Other origination costs	2.5	2.1
	20.2	20.1

## 8 Administrative and other expenses

Included in administrative and other expenses is the following:

	2016	2015
	£m	£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	0.7
- Other services provided to the Group	0.2	0.1
Employee costs (see note 9)	11.4	10.9
Directors' fees	0.3	0.3
Release of provision for chargeable event certificates costs	-	(3.0)
Fund management fees	3.6	4.8
Renewal and other commission	1.3	1.2
Professional and other fees	2.3	2.6
Litigation fees and settlements	0.5	0.6
Operating lease rentals	0.7	0.6
Licences and maintenance fees	0.9	0.9
Insurance costs	0.9	0.9
Depreciation of property, plant and equipment	0.5	0.6
Communications	0.5	0.3

## 9 Employee costs

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

The Group pays fixed pension contributions on behalf of its employees (defined contribution plans). Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

The Group operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

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

	2016 £m	2015 £m
Wages and salaries	11.2	10.6
Social security costs	1.0	1.0
Contributions to pension plans	1.0	0.9
	13.2	12.5

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

	2016 £m	2015 £m
Administrative salaries and other staff costs	11.4	10.9
Origination costs	1.8	1.6
	13.2	12.5

The above information includes Directors' remuneration. Details of the Directors' remuneration, share options, pension entitlements and interests in shares are disclosed in the Report of the Remuneration Committee on pages 50 to 55.

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

	2016 No.	2015 No.
Administration	138	144
Distribution and marketing	31	27
IT development	37	35
	206	206

## 10 Taxation

Taxation is based on profits and income for the period as determined with reference to the relevant tax legislation in the countries in which the Company and its subsidiaries operate. Tax payable is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Tax is recognised in the 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%. Taxation for Hansard Europe dac includes £0.1 representing the recalculation of historic tax arising from that company's adoption of FRS 101 'Reduced Disclosure Framework' with effect from 1 July 2014.

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.

## 11 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.

	2016	2015
Profit after tax (£m)	8.3	14.9
Weighted average number of shares in issue (millions)	137.4	137.4
<b>Basic earnings per share in pence</b>	<b>6.0</b>	<b>10.9</b>

The Directors believe that there is no material difference between the weighted average number of shares in issue for the purposes of calculating either basic or diluted earnings per share. Earnings under either measure is 6.0p per share (2015: 10.9p).

## 12 Dividends

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

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

	Per share 2016 p	Total 2016 £m	Per share 2015 p	Total 2015 £m
Final dividend in respect of previous financial year	5.25	7.2	5.0	6.9
Interim dividend in respect of current financial year	3.6	4.9	3.5	4.8
	<b>8.85</b>	<b>12.2</b>	<b>8.5</b>	<b>11.7</b>

The Board has resolved to pay a final dividend of 5.3p per share on 17 November 2016, subject to approval at the Annual General Meeting, based on shareholders on the register on 30 September 2016.

## 13 Property, plant and equipment

**Property, plant and equipment is stated at historical cost less depreciation and any impairment. The historical cost of property, computer equipment and fixtures & fittings is the purchase cost, together with any incremental costs directly attributable to the acquisition. The historical cost of computer software is the purchase cost. Computer software is recognised as an intangible asset.**

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

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

The economic lives used for this purpose are:

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

The cost of property, computer equipment and fixtures & fittings at 30 June 2016 is £9.2m (2015: £9.6m), with a net book value of £0.9m (2015: £1.1m). The cost of computer software at 30 June 2016 is £0.7m (2015: £0.6m), with a net book value of £0.1m (2015: £0.2m). Accumulated depreciation at 30 June 2016 is £8.9m (2015: £8.3m).

## 14 Deferred origination costs

Amortisation of deferred origination costs is charged within the origination costs line in the consolidated statement of comprehensive income.

Formal reviews to assess the recoverability of deferred origination costs on investment contracts are carried out at each balance sheet date to determine whether there is any indication of impairment. If there is any indication of irrecoverability or impairment, the asset's recoverable amount is estimated. Impairment losses are reversed through the 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.

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

	2016 £m	2015 £m
<b>Carrying value</b>		
At beginning of financial year	113.5	123.9
Origination costs incurred during the year	15.1	7.6
Origination costs amortised during the year	(17.7)	(18.0)
	110.9	113.5

	2016 £m	2015 £m
<b>Carrying value</b>		
Current	9.5	11.3
Non-current	101.4	102.2
	110.9	113.5

## 15 Other receivables

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

	2016 £m	2015 £m
Contract fees receivable	0.3	0.6
Commission receivable	1.2	1.0
Other debtors	2.9	2.6
	4.4	4.2
Expected to be settled within 12 months	4.3	3.9
Expected to be settled after 12 months	0.1	0.3
	4.4	4.2

At the balance sheet date there are no receivables overdue but not impaired (2015: £nil) or impaired (2015: £nil). Due to the short-term nature of these assets the carrying value is considered to reflect fair value.

## 16 Cash and cash equivalents

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

	2016 £m	2015 £m
Money market funds	53.6	56.5
Short-term deposits with credit institutions	7.3	8.9
	60.9	65.4

## 17 Financial liabilities under investment contracts

### 17.1 Investment contract liabilities, premiums and benefits paid

#### 17.1.1 Investment contract liabilities

Investment contracts consist of unit-linked contracts written through subsidiary companies in the Group. Unit-linked liabilities are measured at fair value by reference to the 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.

#### 17.1.2 Investment contract premiums

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

#### 17.1.3 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.

### 17.2 Movement in financial liabilities under investment contracts

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

	2016 £m	2015 £m
Deposits to investment contracts	123.9	100.9
Withdrawals from contracts and charges	(168.3)	(185.2)
Change in provisions for investment contract liabilities	60.8	47.8
Movement in year	16.4	(36.5)
At beginning of year	907.1	943.6
	923.5	907.1

	£m	£m
Contractually due to be settled within 12 months	25.0	26.7
Contractually due to be settled after 12 months	898.5	880.4
	923.5	907.1

The change in provisions for investment contract liabilities includes dividend and interest income and net realised and unrealised gains and losses on financial investments held to cover financial liabilities.

### 17.3 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 are valued at the latest available net asset valuation provided by the administrators or managers of the funds and companies, unless the directors are aware of good reasons why such valuations would not be the most appropriate or indicative of fair value. Where necessary, the Group uses other valuation methods to arrive at the stated fair value of its financial assets, such as recent arms' length transactions or reference to similar listed investments.

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

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

	2016 £m	2015 £m
Equity securities	13.0	27.5
Investments in collective investment schemes	784.0	784.4
Fixed income securities	22.6	18.3
Deposits and money market funds	104.8	77.9
Total assets	924.4	908.1
Other payables	(0.9)	(1.0)
<b>Net financial assets held to cover financial liabilities</b>	<b>923.5</b>	<b>907.1</b>

## 18 Deferred income

Fees charged for services related to the management of investment contracts are recognised as revenue as the services are provided. Initial fees which exceed the level of recurring fees and relate to the future provision of services are deferred. These are amortised over the anticipated period in which services will be provided.

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

	2016 £m	2015 £m
<b>Carrying value</b>		
At beginning of financial year	137.6	141.2
Income received and deferred during the year	11.4	16.4
Income recognised in contract fees during the year	(18.5)	(20.0)
	<b>130.5</b>	<b>137.6</b>

	2016 £m	2015 £m
<b>Carrying value</b>		
Current	12.8	15.6
Non-current	117.7	125.6
	<b>130.5</b>	<b>137.6</b>

## 19 Other payables

Other payables are initially recognised at fair value and subsequently measured at amortised cost. They are recognised at the point where service is received but payment is due after the balance sheet date.

	2016 £m	2015 £m
Commission payable	1.6	2.0
Other creditors and accruals	5.0	4.3
	<b>6.6</b>	<b>6.3</b>

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.

## 20 Capital management

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

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

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

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

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

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

Hansard Europe became subject to the new Solvency II regulations from 1 January 2016. This did not have a material impact in the level of capital considered necessary to be held by that company.

The capital held within Hansard Europe is considered not to be available for dividend to Hansard Global plc until such time as the legal cases referred to in note 26 are resolved.

## 21 Called up share capital

	2016 £m	2015 £m
<b>Authorised:</b>		
200,000,000 ordinary shares of 50p	100.0	100.0
<b>Issued and fully paid:</b>		
137,440,456 (2015: 137,388,669) ordinary shares of 50p	68.7	68.7

## 22 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.

	2016 £m	2015 £m
Merger reserve	(48.5)	(48.5)
Share premium	0.1	0.1
Share save reserve	0.1	0.1
	(48.3)	(48.3)

## 23 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 consolidated statement of comprehensive income 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.

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

## 23.1 SAYE programme

This is a standard scheme approved by the Revenue authorities in the Isle of Man and HMRC that is available to all employees where individuals may make monthly contributions over three or five years to purchase shares at a price not less than 80% of the market price at the date of the invitation to participate.

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

Scheme year	2016 No. of options	2015 No. of options
2011	-	8,366
2013	4,044	266,538
2014	82,114	531,376
2015	783,332	823,919
2016	182,629	-
	<b>1,052,119</b>	<b>1,630,199</b>

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

	2016		2015	
	No. of options	Weighted average exercise price (p)	No. of options	Weighted average exercise price (p)
Outstanding at the start of year	1,630,199	78	473,024	97
Granted	182,629	84	531,376	83
Exercised	(51,787)	78	(9,035)	88
Forfeited	(708,922)	78	(12,893)	88
Outstanding at end of year*	<b>1,052,119</b>	<b>79</b>	<b>1,630,199</b>	<b>78</b>

\*None of these options are exercisable as at 30 June 2016.

**Financial assumptions underlying the calculation of fair value**

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

The fair value of the share options granted during the year has been calculated using the following assumptions:

<b>2016 award assumptions</b>	<b>3-year</b>	<b>5-year</b>
Date of grant	1 May 2016	1 May 2016
Fair value (pence)	16	13
Exercise price (pence)	84	84
Share price (pence)	106	106
Expected volatility	26 %	26 %
Expected dividend yield	7.5 %	7.5 %
Risk-free rate	0.36 %	0.47 %

**2016 award details**

Date of grant	1 May 2016
No. of shares awarded	182,629
Vesting conditions	3- or 5-year savings term
Exercise period - 3-year	1 May 2016 - 31 October 2019
Exercise period - 5-year	1 May 2016 - 31 October 2021

**24 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 for property rental is as follows:

	<b>2016 £m</b>	<b>2015 £m</b>
<b>Amounts due:</b>		
Within one year	<b>0.6</b>	0.6
Between two and five years	<b>1.3</b>	1.4
After five years	<b>0.2</b>	0.5
	<b>2.1</b>	2.5

## 25 Related party transactions

### 25.1 Intra-group transactions

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

### 25.2 Key management personnel compensation

Key management consists of 9 individuals (2015: 10), being members of the Group's Executive Committee and executive Directors of direct subsidiaries of the Company.

The aggregate remuneration paid to key management as at 30 June 2016 is as follows:

	2016 £m	2015 £m
Salaries, wages and bonuses	1.8	2.4

The total value of investment contracts issued by the Group and held by key management is zero (2015: zero).

### 25.3 Transactions with controlling shareholder

Dr L S Polonsky is regarded as the controlling shareholder of the Group, as defined by the Listing Rules of the Financial Conduct Authority. Except as reported below, there were no significant transactions between the Group and Dr Polonsky during the year under review.

- As reported in the Report of the Remuneration Committee on page 51, Dr Polonsky received fees of £50,000 (2015: £50,000) for services provided to the Group under the terms of his service agreement dated 22 September 2015. This fee represents the standard arm's length fee paid to each of the Group's non-executive directors
- Dr Polonsky has an investment contract issued by the Group on terms available to employees in general. At 30 June 2016 this contract had a fair value of £17.5m (2015: £7.2m), following a contribution of £8.5m in the year.

### 25.4 Employee Benefit Trust

An Employee Benefit Trust was established in November 2011 with the transfer to it of 400,000 ordinary shares in Hansard Global plc by Dr Polonsky. The purpose of the Trust is to use the income derived from dividends to reward longer serving staff, where sales targets are met. At the date of this Report and Accounts, the Trust holds 760,521 shares (2015: 699,910 shares), following the purchase of 60,611 shares in the year. There were no awards paid by the Trust during the year as the performance targets were not met (2015: £nil).

### 25.5 Other related party transactions

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

## 26 Contingent liabilities

The Group does not give any investment advice. Investment decisions are taken either by the contract holder directly or through a professional intermediary appointed by the contract holder. Contract holders bear the financial risk relating to the investments underpinning their contracts, as the policy benefits are linked to the value of the assets. Notwithstanding the above, financial services institutions are frequently drawn into disputes in cases where the value and performance of assets selected by or on behalf of contract holders fails to meet their expectations. At the balance sheet date a number of fund structures remain affected by liquidity or other issues that hinder their sales or redemptions on normal terms with a consequent adverse impact on transactions.

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

As at 30 June 2016, there were outstanding writs served upon Hansard Europe totalling €15.7m, or £13.1m in sterling terms (30 June 2015: €12.4m, or £8.8m). The increase during the year is primarily as a result of additional contract holders being added to existing writs.

During the year, the Group successfully won three cases in Belgium and Italy, which affirms confidence in the Group's legal arguments. The outstanding writs have not been reduced for these cases (totalling €1.4m or £1.1m) however as they have all since been appealed.

While it is not possible to forecast or determine the final results of pending or threatened legal proceedings, based on the pleadings and advice received from the Group's legal representatives, the Directors believe that the Group has strong defences to such claims. Notwithstanding this, there may be circumstances where in order to avoid the expense and distraction of protracted litigation the Group may consider it in the best interests of the Group and its shareholders to reach a commercial resolution with regard to certain of these claims. There were no such settlements made or provided for during the year (2015: £0.1m). It is not possible at this time to make any further estimates of liability.

## 27 Foreign exchange rates

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

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

Non-monetary assets and liabilities that are held at historical cost are translated using exchange rates prevailing at the date of transaction; those held at fair value are translated using exchange rates ruling at the date on which the fair value was determined.

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

	2016	2015
US Dollar	1.33	1.57
Japanese Yen	137.4	192.5
Euro	1.20	1.41

# Hansard Global plc

## Parent Company Statement of Changes in Equity

### for the year ended 30 June 2016

	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
At 1 July 2014	68.7	0.2	19.7	88.6
Profit and total comprehensive income for the year after taxation	-	-	12.2	12.2
<b>Transactions with owners</b>				
Dividends paid	-	-	(11.7)	(11.7)
At 30 June 2015	68.7	0.2	20.2	89.1

	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
At 1 July 2015	68.7	0.2	20.2	89.1
Profit and total comprehensive income for the year after taxation	-	-	6.3	6.3
<b>Transactions with owners</b>				
Dividends paid	-	-	(12.2)	(12.2)
At 30 June 2016	68.7	0.2	14.3	83.2

The notes on pages 85 to 89 form an integral part of these financial statements.

# Hansard Global plc

## Parent Company Balance Sheet

### as at 30 June 2016

	Notes	30 June 2016 £m	30 June 2015 £m
<b>Assets</b>			
<b>Fixed assets</b>			
Tangible assets	6	0.5	0.5
Investment in subsidiary companies	4	71.8	71.8
<b>Current assets</b>			
Cash and cash equivalents		4.2	9.1
Amounts due from subsidiary companies	5	7.2	8.2
Other receivables		0.4	0.4
<b>Total assets</b>		<b>84.1</b>	<b>90.0</b>
<b>Liabilities</b>			
Other payables		0.9	0.9
<b>Total liabilities</b>		<b>0.9</b>	<b>0.9</b>
<b>Net assets</b>		<b>83.2</b>	<b>89.1</b>
<b>Shareholders' equity</b>			
Called up share capital	7	68.7	68.7
Share premium		0.1	0.1
Retained earnings		14.3	20.2
Share save reserve		0.1	0.1
<b>Total shareholders' equity</b>		<b>83.2</b>	<b>89.1</b>

The notes on pages 85 to 89 form an integral part of these financial statements.

The parent company financial statements on pages 82 to 89 were approved by the Board on 21 September 2016 and signed on its behalf by:



**G S Marr**  
Director



**T N Davies**  
Director

# Hansard Global plc

## Parent Company Cash Flow Statement

### for the year ended 30 June 2016

	2016 £m	2015 £m
<b>Cash flow from operating activities</b>		
Profit before tax for the year	6.3	12.2
<b>Adjustments for:</b>		
Depreciation	-	0.1
Dividends received	(11.0)	(16.0)
Interest receivable	-	(0.2)
<b>Changes in operating assets and liabilities</b>		
Interest received	-	0.2
Decrease/(increase) in amounts due from subsidiaries	1.0	(0.5)
Decrease in creditors	-	(4.5)
<b>Cash flow from operations</b>	<b>(3.7)</b>	<b>(8.7)</b>
<b>Cash flows from investing activities</b>		
Dividends received	11.0	16.0
<b>Cash flows from investing activities</b>	<b>11.0</b>	<b>16.0</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(12.2)	(11.7)
<b>Cash flows from financing activities</b>	<b>(12.2)</b>	<b>(11.7)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4.9)</b>	<b>(4.4)</b>
Cash and cash equivalents at beginning of year	9.1	13.5
<b>Cash and cash equivalents at year end</b>	<b>4.2</b>	<b>9.1</b>

The notes on pages 85 to 89 form an integral part of these financial statements.

## 1. General information

Hansard Global plc ("the Company") is a limited liability company, and is incorporated and domiciled in the Isle of Man. The registered office of the company is Harbour Court, Lord Street, Box 192, Douglas, Isle of Man, IM99 1QL. The Company is listed on the London Stock Exchange.

The principal activity of the Company is to act as the holding company of the Hansard group of companies ("the Group").

## 2. General information

### 2.1 Basis of preparation

The individual financial statements of the Company have been prepared on a going concern basis in compliance with United Kingdom Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Isle of Man Companies Acts 1931 to 2004. They are prepared 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 2016, including dividends received from subsidiaries, is £6.3m (2015: £12.2m).

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

### 2.2 Investment income

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

### 2.3 Dividends payable

Dividends payable to shareholders are recognised in the year in which the dividends are approved. These amounts are recognised in the statement of changes in equity.

### 2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered, net of returns, discounts and rebates allowed by the company and value added taxes.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The Company recognises revenue when the services are rendered, the amount of revenue can be measured reliably and it is probable that future economic benefits will flow to the company.

### 2.5 Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

The Company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

# Notes to the parent company financial statements

## *continued*

### 2.6 Investments in subsidiaries

Investments in subsidiary companies are held at fair value, which equates to net asset value with any changes recognised in Other Comprehensive Income. Any increases in valuation above original cost are taken to a revaluation reserve, which is not distributable.

### 2.7 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.

### 2.8 Tangible assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation.

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 tangible assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal rates used for this purpose are:

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

### 2.9 Cash and cash equivalents

Cash at bank and in hand comprise of cash at bank, deposits held at banks and highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

### 2.10 Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

#### (i) Financial assets

Basic financial assets, including trade and other receivables, (i.e. debtors and amounts due from group undertakings) and cash at bank, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

#### (ii) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

#### (iii) Financial liabilities

Basic financial liabilities, including accruals and other creditors, and amounts due to group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Other creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

#### 2.11 Operating lease assets

Leases that do not transfer all of the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

#### 2.12 Share capital

Ordinary shares are classified as equity.

#### 2.13 Related parties

The company discloses transactions with related parties which are not wholly owned by the same group. It does not disclose transactions with members of the same group that are wholly owned.

### 3 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.

#### 3.1 Accounting estimates and assumptions

The principal areas in which the Company applies accounting estimates and assumptions include:

##### *(a) Investment in subsidiary companies*

Management assesses the net asset value of the underlying investments and considering they are part of the Group it is considered its best estimate.

### 4 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 Designated Activity Company (formerly Hansard Europe Limited) (incorporated in the Republic of Ireland)

Hansard Development Services Limited

Hansard Administration Services Limited

### 5 Amounts due 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.

### 6 Tangible assets

The Company purchased a freehold property in July 2014 for £0.4m and spent a further £0.1m to bring the property to a useable condition. Depreciation is included in the profit and loss account and calculated in line with the accounting policy published above.

# Notes to the parent company financial statements

*continued*

## 7 Share capital

	2016 £m	2015 £m
<b>Authorised:</b>		
200,000,000 ordinary shares of 50p	100.0	100.0
<b>Issued and fully paid:</b>		
137,440,456 (2015:137,388,669) ordinary shares of 50p	68.7	68.7

During the year 51,787 shares were issued (2015: 9,035) 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.

## 8 Related party transactions

During the year fees totalling £0.2m (2015: £0.2m) were paid to non-Executive Directors.

The aggregate remuneration paid to key management of the Company as at 30 June 2016 is as follows:

	2016 £m	2015 £m
Salaries, wages and bonuses	1.3	1.6

## 9 Equity settled share-based payments

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 £500 per month for a three or five-year period to purchase shares at a price not less than 80% of the market price on the date of the invitation to participate.

The scheme is operated annually, with the option price and awards criteria normally being established in February. The estimated fair value of the schemes and the imputed cost for the period under review is not material to these financial statements.

At the balance sheet date, all remaining options (including all options granted in the year ending 30 June 2016) relate to Isle of Man based staff. Details are available in Note 23 to the consolidated financial statements.

## 10 Transition to FRS 102

This is the first year that the company has presented the results under FRS 102. The last financial statements under the previous UK GAAP were for the year ended 30 June 2015. The date of transition to FRS 102 was 1 July 2014. There are no changes in accounting policies, therefore there are no changes to equity, nor profit or loss as a result of preparing the financial statements in accordance with FRS 102.

# 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 ("VFP") i.e. future profits – from business in-force at the valuation date, 30 June 2016. 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 most recently extended in April 2016. It has been calculated using market-consistent economic assumptions and best estimate operating assumptions having regard for the Group's experience and its assessment of future experience. A description of the EEV methodology is set out in the Notes to the EEV Information. There have been no significant changes in the EEV methodology from that used in the previous financial year.

## 2 EEV Profit performance for the year

### 2.1 EEV Profit / (Loss)

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

	2016 £m	2015 £m
New Business Contribution	0.2	(3.7)
Experience Variances	(3.8)	2.6
Operating Assumption Changes	(0.1)	(6.1)
Model Changes	1.1	(0.9)
Expected Return on new and existing business	1.0	1.3
Expected Return on Net Worth	0.5	0.5
<b>EEV Operating Loss after tax</b>	<b>(1.1)</b>	<b>(6.3)</b>
Investment Return Variances	18.8	4.3
Economic Assumption Changes	(4.6)	4.9
<b>EEV profit after tax</b>	<b>13.1</b>	<b>2.9</b>

#### 2.1.1 New Business Contribution

New Business Contribution ("NBC") was £0.2m (2015: (£3.7m)). The positive NBC reflects the increase in new business volumes during 2016 and the existence of a greater number of insurance contracts to spread initial expenses over.

#### 2.1.2 Experience Variances

Experience variances arise where actual experience differs from that assumed in the prior year's EEV. Major contributors to the experience variances this year include a reallocation of the expense base from initial to recurring expenses and worse than assumed encashment and premium persistency.

	2016 £m	2015 £m
Ongoing expenses	(1.3)	(0.7)
Full encashments	(1.2)	(1.6)
Premium reductions and underpayments	(0.8)	1.1
Charges	(0.6)	(0.6)
One-off expenses	(0.3)	1.4
Policies made paid up	(0.1)	1.3
Partial encashments	(0.1)	0.7
FX and Unit Pricing	(0.2)	0.6
Other	0.8	0.4
	(3.8)	2.6

### 2.1.3 Operating Assumption Changes

The operating assumption changes reflect changes in management's view of the behaviour of the existing business. These changes decreased the EEV by £0.1m, (2015: (£6.1m)), as shown below.

Operating assumptions are generally management's best estimate, having regard to recent experience. Management has weakened the expense, premium persistency and full encashment assumptions, while strengthening the partial encashment assumptions.

	2016 £m	2015 £m
Partial encashment	(2.5)	0.2
Ongoing expenses	1.0	(11.2)
Premium persistency	0.9	3.0
Other	0.5	1.9
	(0.1)	(6.1)

### 2.1.4 Model Changes

The Group continues to develop its modelling functionality. In particular, this year, a revised approach to unit growth rates and discounting cashflows was implemented. As a result of these model changes, the EEV increased by £1.1m (2015: (£0.9m)).

### 2.1.5 Expected Return on new and existing business

Under EEV methodology, it is a convention to assume that the value of the business grows at 'start of period' assumptions. The expected return is therefore based on assumptions determined at 30 June 2015. These assumptions are applied to give the expected conversion from VFP to Net Worth in the year, and the time value of both existing business and non-market risk.

No assumptions are made about the level of future new business. New Business Strain is the initial capital needed to fund new sales. This is calculated using end of period operating assumptions (i.e. assumptions determined at 30 June 2016).

	EEV	2016 Net Worth	VIF*	EEV	2015 Net Worth	VIF
	£m	£m	£m	£m	£m	£m
Cash generated from VFP	-	24.0	(24.0)	-	32.8	(32.8)
New Business Strain	-	(18.6)	18.6	-	(14.1)	14.1
Time value of existing business	1.0	0.5	0.5	1.3	1.0	0.3
Time value of new business	-	(0.1)	0.1	-	-	-
	1.0	5.8	(4.8)	1.3	19.7	(18.4)

\*Value of In-Force.

The expected value of cash generated was £24.0m (2015: £32.8m). The decrease reflects, both lower levels of new business in recent years, and a movement towards products with cash generation weighted towards longer durations. The higher New Business Strain of £18.6m (2015: £14.1m) reflects higher new business during the year. The time value figures use economic assumptions at 30 June 2015.

## 2.1.6 Expected Return on Net Worth

The expected return on Net Worth of £0.5m (2015: £0.5m) reflects the anticipated increase in shareholder assets over the period due to the time value of money. In line with the EEV, its calculation is based on the 30 June 2015 year one risk discount for sterling which was 0.7% (2015: 0.9%).

## 2.1.7 Investment return variance

Investment performance principally reflects the investment choices, by nature and currency, made by contract holders. It is therefore largely outside the Group's control. The weakening of sterling against other currencies, and US dollars in particular, has led to an increase in income from non sterling cashflows. The movement in exchange rate has increased the EEV by £26.1m.

	2016 £m	2015 £m
Exchange rate movements	26.1	0.4
Investment performance of contract holder funds	(7.6)	3.4
Shareholder return	(0.2)	(0.1)
Other	0.5	0.6
	18.8	4.3

### 2.1.8 Economic Assumption Changes

There was a negative variance of (£4.6m) (2015: £4.9m) from economic assumption changes: this variance follows the application of the EEV Principles and reflects changes to government bond yields for the currencies to which the Group is exposed.

	2016 £m	2015 £m
Contract holder activity margins	(4.7)	1.1
Risk discount rates and unit growth	0.1	3.8
	(4.6)	4.9

### 2.2 Analysis of EEV profit / (loss) by EEV component

The table below shows a detailed analysis of EEV profit after tax for the year ended 30 June 2016.

	2016 Movement in			2015 Movement in		
	EEV	Net Worth	VIF	EEV	Net Worth	VIF
	£m	£m	£m	£m	£m	£m
New Business Contribution	0.2	-	0.2	(3.7)	-	(3.7)
Experience Variances	(3.8)	(3.0)	(0.8)	2.6	1.3	1.3
Operating Assumption Changes	(0.1)	-	(0.1)	(6.1)	-	(6.1)
Model Changes	1.1	-	1.1	(0.9)	-	(0.9)
Expected Return on New and Existing Business	1.0	5.8	(4.8)	1.3	19.7	(18.4)
Expected Return on Net Worth	0.5	0.5	-	0.5	0.5	-
<b>EEV Operating Profit/(Loss) after tax</b>	<b>(1.1)</b>	<b>3.3</b>	<b>(4.4)</b>	<b>(6.3)</b>	<b>21.5</b>	<b>(27.8)</b>
Investment Return Variances	18.8	0.8	18.0	4.3	0.3	4.0
Economic Assumption Changes	(4.6)	-	(4.6)	4.9	-	4.9
<b>EEV Profit/(Loss) after tax</b>	<b>13.1</b>	<b>4.1</b>	<b>9.0</b>	<b>2.9</b>	<b>21.8</b>	<b>(18.9)</b>

The VIF expected return on new and existing business figure includes an adjustment of (£0.1m) for non-market risk.

## 3 Embedded value at 30 June 2016

Following the payment of dividends of £12.2m (2015: £11.7m), the Group's EEV has increased to £195.9m (2015: £195.0m). The EEV balance sheet is presented below.

	2016 £m	2015 £m
Free surplus	27.9	36.5
Required Capital	27.6	27.0
<b>Net Worth</b>	<b>55.5</b>	<b>63.5</b>
VIF	147.8	138.6
Frictional costs	(1.2)	(1.0)
Reduction for non-market risk	(6.2)	(6.1)
<b>Value of Future Profits ("VFP")</b>	<b>140.4</b>	<b>131.5</b>
<b>EEV</b>	<b>195.9</b>	<b>195.0</b>

At the balance sheet date, the Net Worth of the Group is represented by liquid cash balances. Given the uncertainties inherent in the ultimate outcome of the litigation against Hansard Europe, we believe the extraction of any capital by the parent company will be constrained for up to three years.

The VFP is based on the value of contract holder funds under administration at 30 June 2016.

## 4 New business profitability

Levels of new business written in 2016 reached sufficient quantity to cover the marginal and fixed costs of writing such business. As a result the new business contribution and new business margin are positive in 2016. The following metrics illustrate the profitability of the Group's new business.

### 4.1 New business margin

	2016	2015
New business sales (PVNBP basis)	£119.5m	£60.6m
New business contribution ("NBC")	£0.2m	(£3.7m)
New business margin ("NBM")	0.2%	(6.2)%

The New Business Margin for the year is 0.2% (2015: (6.2%)). The change is primarily due to the increase in new business volumes over the period and the existence of a greater number of insurance contracts to spread initial expenses over.

## 5 EEV sensitivity analysis

Sensitivities provide an indication of the impact of changes in particular assumptions on the EEV at 30 June 2016 and the NBC for the year then ended.

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

The sensitivity analysis indicates that the Group's exposure to operating factors is limited, largely as a result of product design. A change in the level of expenses is the main operating exposure of the Group, although the VIF has become proportionately less sensitive to the changes in expense assumptions as a result of Hansard Europe being closed to new business. The largest sensitivities for the Group are related to economic factors. In particular, as a result of the diversified portfolio of assets under administration, it is exposed to movements in exchange rates and asset values through the impact on the level of future fund-based management income.

Impact on:	EEV £m	NBC £m
<b>Central assumptions</b>	<b>195.9</b>	<b>0.2</b>
<b>Operating sensitivities</b>		
10% decrease in expenses	9.1	0.5
1% increase in expense inflation	(6.5)	(0.6)
1% increase in charge inflation	4.3	0.2
1% increase in expense & charge inflation	(2.0)	(0.4)
10% decrease in full encashment rates	1.8	0.2
5% decrease in mortality	0.1	0.0
<b>Economic sensitivities</b>		
1% increase in risk discount rate	(7.1)	(0.7)
1% decrease in investment return rate	(6.8)	(0.5)
1% increase in risk discount rate & investment return rate	(0.6)	(0.3)
1% decrease in risk discount rate & investment return rate	0.4	0.3
10% decrease in the value of equities and property	(9.5)	-
10% strengthening of sterling	(15.9)	(0.8)

In each sensitivity calculation, all other assumptions remain unchanged, except those being tested. 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 most recently extended in April 2016. 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 Covered business

EEV covers the entire business of the Group.

### 1.3 New business premiums

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

- 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 policies.

### 1.4 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 and PVNBP, where applicable have been calculated using economic assumptions as at the start of the year and operating assumptions as at the end of the year.

### 1.5 Real world returns

No credit is taken in the calculation of EEV, NBC or PVNBP, where applicable for returns in excess of risk-free returns. This approach may differ, 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 IFRS methodology used in relation to the consolidated financial statements for the year ended 30 June 2016. 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 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 European Embedded Value

The Group's European Embedded Value is calculated on its covered business and is shown net of corporation tax. The Group does not have any debt or financial reinsurance arrangements in place at the valuation date. The EEV comprises the Net Worth and the Value of Future Profits, which can be further categorised as shown in the table below:

#### Components of the EEV

Component	Sub-component
Net Worth	Required Capital
	Free Surplus
Value Of Future Profits	Value of In-Force
	Reduction for Non-market Risk
	Frictional Cost of Required Capital
	Cost of Financial Options & Guarantees

Each component is determined separately, as follows:

#### 2.2.1 Required Capital

Required Capital is determined by the Board, bearing in mind the requirements of regulators of the Group's life insurance subsidiaries and the working capital required by the Boards of Group's subsidiaries.

### 2.2.2 Free surplus

The Free Surplus is the difference between the Net Worth and the Required Capital.

### 2.2.3 Value of In-Force covered business ("VIF")

The VIF is determined by projecting, 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 contract holder funds, following an actuarial valuation by the appointed actuary.

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. The projections are performed using a proprietary actuarial modelling tool called Prophet.

### 2.2.4 Reduction for non-market Risk

The directors make an annual assessment of the cost of non-market risks that are not covered in the VIF projections and determine an allowance to be deducted from VFP to meet these risks.

This year, the Directors have established an allowance of £6.2m (2015: £6.1m). This is equivalent to an increase of 0.8% in the risk discount rate assumption at the valuation date. The allowance has been assessed after considering past experience, the operational characteristics of the business and market information.

### 2.2.5 Frictional Cost of Required Capital

The cost of holding the Required Capital is, for the Group, the cost of tax on interest on the capital retained in Hansard Europe. The expected interest is projected, the tax calculated and then discounted to the valuation date.

### 2.2.6 Cost of financial options and guarantees

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

## 3 OPERATING ASSUMPTIONS

The EEV is calculated using best estimate operating assumptions having regard for the Group's recent experience and management's best estimate of future behaviour, together with other relevant data.

The covered business is unit-linked: it comprises mainly investment-type products with minimal life cover and no financial options or guarantees. The three main product groups are regular premium, personal portfolio and recurrent single premium. Variations in experience between the product groups have been considered and, where appropriate, separate assumptions have been used.

The EEV assumptions are based on an assessment of the business as a going concern.

### 3.1 Expense assumptions

The allocation of expenses between acquisition and maintenance and the assumption setting process has changed from prior years to a more granular approach. Changes to the expense methodology have been included in the model changes total.

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 are generally charged as incurred, and hence will be reflected as a profit or loss in the year.

The policy count has been falling over the last few years, partially as a result of the closure to new business of Hansard Europe in 2013. This trend is expected to continue for a period before the policy count is assumed to return to the current level. We have made an allowance for this feature in the EEV calculation. In quantifying the impact we have assumed significant growth in new business levels into the future albeit at a lower rate than the growth actually achieved this year.

Exceptional items are generally charged as incurred and hence are reflected as a variance in the year. Their value in 2016 was £0.3m (2015: £1.4m).

# Notes to the European Embedded Value Information *continued*

## 3.2 Demographic & contract holder experience assumptions

The assumption setting process is consistent with prior years.

## 3.3 Taxation

Current and expected future tax legislation, regulation and the Group's own tax position were considered in setting the assumptions. The tax rate assumptions for this year have remained unaltered as follows:

Corporation tax rates	2016	2015
Isle of Man	0%	0%
Republic of Ireland	12.5%	12.5%

## 3.4 Other operating assumptions

The process for setting assumptions for the impact of contract holder activity, such as fund switching, is generally consistent with prior years.

## 4 ECONOMIC ASSUMPTIONS

Under EEV principles, the economic assumptions used in the EEV calculations are actively reviewed at each valuation date and are internally consistent. The assumption setting process is generally consistent with prior years.

### 4.1 Risk discount rate

The risk discount rates are set equal to the risk-free rates based on the bid-swap yield curve for the applicable currency and term, sourced from the European Insurance and Occupational Pensions Authority (EIOPA). The EEV calculation uses the risk-free rates at the end of the year (i.e. at the valuation date), while the calculation of NBC and PVNBP uses the risk-free rate at the start of the year (i.e. at the previous year-end date).

### 4.2 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 contract holder funds.

### 4.3 Risk premium

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

### 4.4 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. Future price inflation is derived from the yields of UK inflation linked bonds, appropriate for the duration and nature of the cash flows. For service companies, expense inflation relates to the underlying expenses rather than the fees charged to the life assurance companies.

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

Inflation assumptions are as follows:

<b>Inflation rates</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
Expense inflation per annum	<b>2.6%</b>	2.6%
Charge inflation per annum – Hansard Europe	<b>5.0%</b>	5.0%
Charge inflation per annum – Hansard International – Year 1	<b>1.9%</b>	1.9%
Charge inflation per annum – Hansard International – Year 2	<b>2.4%</b>	2.2%
Charge inflation per annum – Hansard International – Year 3+	<b>2.6%</b>	2.6%

*The 5% charge inflation rate for Hansard Europe reflects the terms of the products. The three-year stepped approach to charge inflation for Hansard International reflects the terms of the products, trending towards a long-term inflation rate of 2.6% per annum.*

# Report of the Reviewing Actuaries to the Directors of Hansard Global plc

## Review of the European Embedded Value (“EEV”) of Hansard Global plc for the year ended 30 June 2016

### 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 2016.

### 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 and updated in April 2016 (the “CFO Forum Principles”)
- 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.

### Deloitte MCS Limited

21 September 2016

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## Account Executives

Individuals employed by the Group to develop markets and support Independent Financial Advisors (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 contract holders, who have selected an external third party investment manager.

## 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 Code”)

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

## Covered business

The business covered by the EEV methodology. For the Company, this covers the entire in-force business of the Group, including all contracts issued by the Group’s life insurance subsidiaries and subsidiaries providing administration, distribution and other services, as at the valuation date. It excludes the value of any future new business that the Group may write after the valuation date.

## 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.

## Discounting

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

## Earnings per share (“EPS”)

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

## Economic assumptions

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

## Enterprise risk management (“ERM”) programme.

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

## Embedded Value

A measure of the value of the shareholders’ interest in a life and/or related businesses, represented by the total of the Net Worth and the Value of Future Profits from the covered business as at the relevant valuation date. It ignores the value of any future new business.

## European Embedded Value (“EEV”)

An embedded value prepared in accordance with the EEV Principles.

## EEV Information

EEV Information is the material set out in sections “European Embedded Value Information” (pages 90 to 95) and “Notes to the European Embedded Value Information” (pages 96 to 99) of the Report and Accounts.

## EEV operating profit

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

## EEV Principles

A set of principles published by the CFO Forum which provide a consistent basis for European insurers to prepare their Embedded Value reports. Along with additional guidance published by the CFO Forum, the principles describe how companies should prepare their supplementary embedded value reporting on the performance of their life insurance operations.

## 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 ("FATCA")

The Foreign Account Tax Compliance Act is a US law aimed at foreign financial institutions and other financial intermediaries to prevent tax evasion by US citizens and residents through use of offshore accounts.

## Free surplus

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.

## Frictional costs

The additional taxation and investment costs incurred by shareholders through investing the Required Capital in the Company rather than directly. EEV calculations assume that any surplus projected capital in excess of the Group's requirements is transferred to shareholders. However, some surplus is not immediately transferable as it is needed to satisfy regulatory capital requirements and provide working capital. An allowance is made for the frictional cost of retaining this capital in the business (to reflect the cost to shareholders of delaying its distribution, for example, via taxation on any interest that it might earn). This cost is explicitly deducted from the VIF.

## 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.

## 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 one of a number of measures 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 the shareholders' funds, determined on an IFRS basis, adjusted to exclude certain assets such as the deferred origination costs and liabilities such as deferred income and to add back any non-admissible assets. The Net Worth consists of Required Capital and Free surplus.

## New business contribution ("NBC")

The expected present value of all future cash flows attributable to shareholders from new business, as included within EEV operating profit. NBC is calculated after the effect of any frictional costs. Unless otherwise stated, it is also quoted net of tax. It is calculated at point of sale. NBC is shown after allowing for the cost of required capital, calculated on the same basis as for in-force business.

## New business margin ("NBM")

NBC expressed as a percentage of PVNBP. This measures whether new business written is adding value or eroding value. It is a measure of profitability (not profit), comparing the expected profit (or losses) with the value of expected premiums.

## New business strain ("NBS")

Costs involved in acquiring new business (such as commission payments to intermediaries, expenses and 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.



### Non-market Risk

Allowance in the EEV for the cost of risks not already covered by 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.

### 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.

### Regular premium

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

### Required capital

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

### Risk discount rate

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

### Single premium

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

### Solvency II

The EU-wide regulatory regime which aims to more closely align solvency capital to an insurer's risk profile. It came into force on 1 January 2016.

### Unit-linked policy

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

### Value of In-Force covered business ("VIF")

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

# Financial Calendar

## Financial Calendar for the financial year ending 30 June 2017

Annual General Meeting	9 November 2016
Publication of first Interim Management Statement	10 November 2016
Payment date for final dividend	17 November 2016
Announcement of 2nd quarter new business results	26 January 2017
Publication of half-yearly results	23 February 2017
Declaration of interim dividend	23 February 2017
Ex-dividend date for interim dividend	2 March 2017
Record date for interim dividend	3 March 2017
Payment of interim dividend	30 March 2017
Publication of second Interim Management Statement	11 May 2017
Announcement of 4th quarter new business results	27 July 2017
Announcement of results for the year ended 30 June 2017	28 September 2017
Declaration of final dividend	28 September 2017
Ex-dividend date for final dividend	5 October 2017
Record date for final dividend	6 October 2017
Annual General Meeting	8 November 2017
Payment date for final dividend	16 November 2017



## Registered Office

Harbour Court  
Lord Street  
Box 192  
Douglas  
Isle of Man  
IM99 1QL  
Tel: +44 (0)1624 688000  
Fax: +44 (0)1624 688008  
www.hansard.com

## President

Dr L S Polonsky, CBE  
Dr.Polonsky@hansard.com

## Non-executive chairman

PPC Gregory  
Philip.Gregory@hansard.com

## Financial Advisor

Lazard & Co. Limited  
50 Stratton Street  
London  
W1J 8LL  
Tel: +44 (0)20 7187 2000

## Independent Auditor

PricewaterhouseCoopers LLC  
Sixty Circular Road  
Douglas  
Isle of Man  
IM1 1SA  
Tel: +44 (0)1624 689689

## Reviewing Actuaries

Deloitte MCS Limited  
Hill House  
1 Little New Street  
London  
EC4A 3TR  
Tel: +44 (0)20 7936 3000

## Media Enquiries

Bell Pottinger LLP  
6th Floor, Holborn Gate  
330 High Holborn  
London  
WC1V 7QD  
Tel: +44 (0)20 3772 2500

## Broker

Panmure Gordon (UK) Limited  
3rd Floor  
One New Change  
London  
EC4M 9AF  
Tel: +44 (0)20 7886 2500

## Broker

Macquarie Capital (Europe) Limited  
28 Ropemaker Street  
London  
EC2Y 9HD  
Tel: +44 (0)20 3037 2000

## Registrar

Capita Registrars (Isle of Man) Limited  
Clinch's House  
Lord Street  
Douglas  
Isle of Man  
IM99 1RZ  
Tel (UK): 0871 664 0300\*  
Tel (Overseas): +44 208 639 3399

## UK Transfer Agent

Capita IRG Limited  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU  
Tel (UK): 0871 664 0300\*  
Tel (Overseas): +44 208 639 3399

\*Nb: 0871 Number - calls cost 10p per minute plus network extras.



HANSARD  
INTERNATIONAL

Hansard International Limited  
Harbour Court  
Lord Street  
Box 192  
Douglas  
Isle of Man  
IM99 1QL  
British Isles

Tel: +44 (0)1624 688000

[hansard.com](http://hansard.com)