HANSARD
GLOBAL PLC

Annual Report and Accounts 2014

Financial Solutions for International Clients

Hansard Global plc Report and Accounts
For the year ended 30 June 2014

View from the top

The President and the Chairman share their views on 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.

President's Statement
Dr Leonard Polonsky CBE

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"The year ended 30 June 2014 has been eventful and one where we continued to strive to deliver on our new strategy. The international backdrop, including the changes in regulatory requirements, poses its own challenges but also opportunities, and these will be an important focus for management in the coming period. I am confident that Hansard has the ability and determination to adapt to these changes.

As previously announced, at the year-end I handed over the Chairmanship to Philip Gregory. I felt the time had come to pass on the role to a new generation, which can continue to exploit the considerable potential of the business. As an ongoing major shareholder and Board member I look forward to working with Philip, the rest of the Board and the executive team, to implement our recently launched revised strategy and move Hansard further forward."

Dr L S Polonsky CBE

24 September 2014

Chairman's Statement

Philip Gregory

The Board's succession plan announced earlier in the year was implemented on 30 June 2014. On that date I was appointed Chairman to succeed Dr Polonsky. Leonard remains a non-executive Director and has accepted the position of President of the Group.

I would like to thank Leonard for his huge contribution to the growth of Hansard during his period as Chairman of the Company. As founder of the Group there would be no Hansard if it had not been for his vision and drive. I am certain that we will continue to benefit from his advice and support in the future.

Maurice Dyson has taken over the position of Senior Independent Director. On 1 January 2014 Andy Frepp was appointed a non-executive Director to fill the vacancy left by the retirement of Bernard Asher in September 2013.

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

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Strategy

The Group undertook a thorough strategic review during the year. The review was triggered by the change in executive management last year and a concern that our previous strategy needed adjusting in view of changes in the fast moving global investment market. Our objective was to identify opportunities that could enable us to double the new business in five years time. The conclusions of the review were presented to Stock Market analysts, our supporting Independent Financial Advisors ("IFAs") and our staff during the first half of 2014.

Many aspects of our previous strategy have been reconfirmed by our review. There is a market opportunity for a well capitalised offshore life assurance company, with strong positive cash flows and an excellent on-line system, concentrating solely on providing wrapper products to IFAs and their clients. Similarly, our previous strategies of reducing the risk to our shareholders by not giving investment advice and not selling in either the USA or the EU remain valid. The review identified growth opportunities that we should take advantage of, particularly with products aimed at intermediaries focused on the expatriate market. In order to be competitive in this market, we launched a number of revised products in the second quarter of 2014. The strategic review also highlighted areas where we can improve our processes, either to be more cost effective or to reduce our risk.

The full benefits of the strategic review will take several years to achieve, due to the time required to attract new IFAs and implement the necessary changes. However, we are confident that we now have a clear view of the changes required to position the Group for future success.

New business

New business during the year has been disappointing, highlighting the necessity of the strategic review. In October 2013 our largest supporting IFA suspended its new business operations in Japan. Consequently new business sales in FY 2014 are approximately half that of FY 2013. Whilst our sales team are working hard to attract new IFAs, this will take time.

Financial performance

The Group has traded profitably during the year and generated strong positive cash flows from the in-force business. The cash flows have been invested in Hansard OnLine, distribution and other infrastructure to support new business activities, and to pay dividends.

During May 2014 we identified weaknesses in the Group's procedures in relation to the issue of Chargeable Events Certificates ("CECs") required by the UK tax authorities. We immediately strengthened our controls over this area of our administration.

We have submitted detailed information to the UK tax authorities and are awaiting their response. While we cannot prejudge the response of the UK tax authorities, accounting standards require us to include a provision in FY 2014 for our estimate of the potential liability and our professional costs. After taking professional advice we have made a provision of £5m.

Consequently the Group's profit under International Financial Reporting Standards ("IFRS") has fallen to £8.3m after tax (2013: £10.4m). The European Embedded Value ("EEV") operating loss after tax of £6.6m reflects the significantly lower new business in the year (2013: £11.7m profit).

The EEV of the Group, following the payment of dividends of £11.2m in the year is £203.8m (2013: £226m).

Dividends

In view of the Board's confidence in the long-term future of the Group, it has resolved to pay an increased final dividend of 5.0p per share (2013: 4.75p) despite the fall in profits for the year. The dividend is subject to approval at the Annual General Meeting. If approved, this will represent total dividends for the financial year of 8.4p per share which is in line with our previous commitment to investors. The final dividend will be paid on 13 November 2014.

Capitalisation and Solvency

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

Concluding remarks

The results for 2014 were disappointing, due to the suspension of new sales by our largest IFA and the need for a £5m provision against our administration of CECs. However, in the last year considerable work has been undertaken on the strategic review to ensure that the Group is positioned for future growth and further work will be ongoing into 2015. It will take time for the full benefits of this adjustment to our strategy to emerge in increased sales and longer still for a significant impact on IFRS profits. However, we are confident that the long-term outlook for the Group is strong.

P P C Gregory
Chairman
24 September 2014

Group Chief Executive Officer's Overview

Gordon Marr

I reported in the Annual Report and Accounts a year ago that the Group operates in a fast-moving environment. Since then we have seen the rate of change in the regulatory environment increase markedly and we have responded to that by conducting a wide-ranging review of our business and developed a strategic plan which has gained support from the Group's employees, intermediaries, investors and other stakeholders.

We have launched a range of new products that will provide better outcomes for clients and intermediaries and have continued to develop the functionality of Hansard OnLine.

The Group has traded profitably during the year and generated strong positive cash flows

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Throughout this financial year we have continued to generate positive cash flows to support investment in new business and the payment of a progressive dividend. In this financial year, however, we have seen significant reductions in new business levels, as compared to last year, following the suspension of the new business activities of our largest distributor. Additionally, in the latter part of the year, we discovered that we had not been meeting all the reporting requirements of HM Revenue and Customs in relation to a small number of UK resident contract holders. We have taken steps to prevent a recurrence of this situation and we have set aside £5m in these accounts to meet the estimated liability.

Strategy development

The business model that the Group successfully operated in the past is becoming more susceptible to increasing regulatory, competitor and other intervention and an increasing barrier to achieving strategic goals at an appropriate level of risk. We recognised that we have to change. The Group's business is well-capitalised and cash-generative and the strategic plan that we have developed aims to use the Group's financial strength and flexibility to build a business that is diversified, profitable and of increased scale. We are implementing changes which will set our direction for the foreseeable future.

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".

We have developed attractive products and will continue to improve them. We recognise that clients are at the heart of our business and, consequently, we must work harder to build long-term positive relationships with them. We aim to become even better at serving and rewarding our clients and shareholders.

Results for the year

In the Report and Accounts for the year ended 30 June 2013 I commented on a number of key areas of focus in order for us to attract and retain clients and increase the value of the Group to investors and stakeholders. While we have devoted a great deal of our resources to strategy development and related activities during the year, our areas of prime focus are those to which I referred last year. We believe that these areas are fundamental to the success of the Group.

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

I would draw your attention to the following. Additional information is contained in the Business and Financial Review on pages 16 to 27.

1. New Business distribution

Following the closure of 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 year of £83.0m (using the Present Value of New Business Premiums ("PVNBP") metric) is some 50% below that of FY 2013. This reduction was driven primarily by the fact that a significant introducer network in Japan suspended its new business activities in October 2013. This network introduced £9.5m PVNBP to us in Q1 2014 and £74m PVNBP in FY 2013. We had anticipated an element of regulatory intervention in the relationship and had been in discussions to agree an acceptable way forward at the time of the suspension. As a result of the suspension we no longer accept new business from Japanese residents.

For comparative purposes, if we discount the business introduced by that distributor then new business levels in FY 2014 are some 25% below those of FY 2013, which includes the effect of Hansard Europe closing to new business and the consequent loss of relationships with those intermediaries.

During the year we continued to support intermediaries and other new business activities with incentive arrangements and revised products that we feel will allow us to capture increased levels of new business in future, albeit at lower margins than we have enjoyed in the past. In support of our strategic plans we have increased marketing and distribution resource across the Group to allow us to better pursue a range of distribution opportunities in a number of jurisdictions and with a range of intermediary networks, as reported in the Business and Financial Review.

I would like to record my thanks to all members of the Group's distribution force, in particular to Graham Morrall for his tireless activity in his first year with the Group, and to all those IFAs and intermediaries who have introduced new business to us this year.

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. In general the Group's internal control and risk management processes have operated satisfactorily throughout the year, but we have had to recognise an expense of £5m in this financial year arising from a failure of operational risk management that has persisted for a number of years, as is more fully described below.

2.1 Breach of Chargeable Event Certificate Regulations

During the implementation of the revised Operating Model for Hansard Europe we discovered long-standing breaches in the processing and issue of Chargeable Events Certificates ("CECs") required by Her Majesty's Revenue and Customs ("HMRC") in relation to a limited number of contracts held by UK residents. Upon discovery we immediately strengthened our controls over this area of our administration and initiated a review by external advisors to determine the full extent of any breaches, to estimate the potential liability and to assist us in preventing a recurrence.

We recognise our obligations to clients to accurately process contract transactions and related regulatory requirements. The Board therefore agreed to negotiate a settlement with HMRC on an "estimate of tax lost" basis in order to minimise client inconvenience and defray tax liabilities that might otherwise fall on clients as a direct result of our failure to comply with those requirements of HMRC.

The breach has given rise to a very significant amount of work for our employees and our advisors to allow us to confirm to HMRC that we have adequately investigated our data and have correctly performed a large number of complex calculations to support our estimate of the tax lost and, therefore, the potential liability. All the necessary documentation has been submitted to HMRC. We await the conclusion of their review of our documentation. We cannot prejudge the response of HMRC but we estimate that the cost to the Group, including professional costs, will not exceed £5m and have made a provision for that amount in this financial year.

The Group Audit Committee is tasked with agreeing and monitoring steps taken to improve operational risk awareness and reporting throughout the Group.

2.2 Revised Operating Model for Hansard Europe

Plans to protect the interests of clients and other stakeholders of Hansard Europe and to achieve an orderly run-off have been implemented in full. Contract servicing and related activities have been outsourced to a Group company in the Isle of Man while regulatory control functions and litigation management remain at Hansard Europe's offices in Dublin.

Headcount reductions have been achieved as anticipated and at the date of this report Hansard Europe employs 7 people (2013: 37 people). We have taken a charge of £0.7m in this financial year (2013: £0.4m) representing accelerated redundancy costs, professional fees and other costs arising from the implementation of the plans. With the successful implementation of the revised Operating Model we do not anticipate a significant level of these costs in the future.

As a result of these factors, Hansard Europe remains strongly capitalised although the conditions agreed with the Central Bank of Ireland following approval of the plans will defer dividend distributions from that company for the foreseeable future.

2.3 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 feel that such claims have no merit. Sometimes these complaints progress to threatened litigation with the resulting increase in cost and resource to the Group. In many cases the threatened litigation relates to decisions taken by individuals during, or as a result of, the global financial crisis some 5 years ago.

We have taken action during the year to minimise future exposure to significant complaints by the introduction of an asset universe that provides a wide range of investment assets, but which seeks to minimise access to those asset types that have given rise to significant complaints in the past, and by careful risk management of existing litigation. We believe that this action will be positive for the Group.

At the beginning of this financial year Hansard Europe was facing litigation based on writs totalling €4.6m (approximately £3.9m) as a result of these and related complaints. Each case is considered on its merits and during the year the Board considered it in our best interests to reach a resolution with regard to certain of those claims. Settlements totalling £0.7m (2013: £1.6m) have been agreed. These settlements relate to underlying claims of approximately £1.9m (2013: claims of approximately £7.5m) which demonstrates the disparity between amounts claimed (and therefore reported as contingent liabilities within the Report and Accounts) and amounts subsequently settled following disclosure of the facts of each case.

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

As a result of further writs issued during the year and in the period to the date of this report, writs outstanding against Hansard Europe total €6.5m or approximately £5.2m. We will continue to defend ourselves from all claims but will consider early settlement where there is a clear economic benefit.

3. Leverage Hansard OnLine

Hansard OnLine is a powerful sales and business administration tool that is used by intermediaries and clients the world over. It is an integral part of Group administration systems that allows us to better service intermediaries and clients, embed process efficiencies and be flexible in operational deployment. During the year we continued to extend the reach of Hansard OnLine among those few intermediaries throughout the world who do not currently utilise this powerful tool in their dealings with Hansard.

Our goal is to provide clients with an online 24/7 self-service model and we have continued to improve access, useability and security. More than 10,000 new business applications have been processed through Hansard OnLine since launch of the facility and over 90% of new business applications are processed online.

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

4. Positive operating cash flows and progressive dividend stream

The Group generates positive operating cash flows to fund investment in new business and support a progressive dividend payment stream. The Board made a commitment to a dividend of 8.0p per share in respect of FY 2013, and to a progressive dividend policy in subsequent financial years.

Although new business flows (and therefore the investment in new business) are less than anticipated for the reasons discussed above, the Business and Financial Review reflects that the Group generated a net £21.8m in cash flows to support dividend payments in respect of FY 2014 totalling £11.2m (2013: a net £13.8m to support dividend payments totalling £15.5m).

An interim dividend of 3.40p per share was declared on 26 February 2014. A final dividend of 5.0p per share has been proposed by the Board and will be considered at the Annual General Meeting on 6 November 2014. When the final dividend is paid at this level, these dividends will total 8.4p 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 on pages 16 to 27.

	2014 £m	2013 £m
New business sales - Compensation Credit	**9.3**	18.6
Underlying IFRS profit after tax	**14.7**	12.4
IFRS profit after tax	**8.3**	10.4
EEV operating (loss) / profit after tax	**(6.6)**	11.7
EEV at 30 June	**203.8**	225.7

IFRS results

Fees and commissions have increased by 4.2% or £2.4m over FY 2013. The increased level of fee income in this financial year is largely as a result of those contracts issued in the last few years which are now contributing to revenue streams for a full financial year. The strengthening of sterling during the year against those foreign currencies in which contract fees are denominated has however restricted the growth of reported fee income.

The Group has been successful in harnessing the results of process efficiencies. Primarily as a result of transferring the administration of Hansard Europe's contract servicing activities to the Isle of Man, at 30 June 2014, administrative headcount is 206, a reduction of 35 people over the last 2 years. The associated expense savings in this financial year have however been outweighed by the effects of a small number of exceptional items; the provisions of £5m against potential liabilities in relation to the settlement of the CEC issues; litigation settlements of £0.7m (2013: £1.6m), and by the charge of £0.7m (2013: £0.4m) taken in relation to the closure of Hansard Europe to new business.

After recognising those exceptional items, which total £6.4m (2013: £2.0m), IFRS profit after tax for the year is £8.3m, a reduction of 20.2% from the profit of £10.4m in 2013. Without those exceptional items the underlying IFRS profit after tax was £14.7m (2013: £12.4m).

EEV results

During the year, the Group has invested significant resource in the development and implementation of its new strategy, while at the same time managing the expenses of supporting its existing business. Cash flows have remained strongly positive.

As mentioned above, sales were reduced by approximately 50% as a result of the loss of a key distributor and the closure of Hansard Europe to new business. The planned product redesign (part of the refreshed strategy) was implemented on time, but the nature of the Group's distribution cycle is such that sales of the new product range would never build sufficiently quickly to replace the business lost in this financial year. The result was an EEV new business contribution of £3.3m (2013: £22.5m). In the light of low new business, this year's EEV result has been driven predominantly by the strengthening of sterling against those currencies that are favoured by the Group's contract holders, and deteriorating policy experience that has been incorporated in our expectations of future revenues.

The high level of sterling at 30 June 2014 drove a reduction in EEV of £17.5m (2013: £1.6m increase), more than offsetting investment gains of £9.7m (2013: £6.2m increase). The scale of this impact reinforces the international nature of the Group's business and, for EEV reporting purposes, the impact of foreign exchange rates. Investment return and foreign exchange rates are generally outside the Group's control.

The impact of experience variances and operating assumption changes reduced EEV by £12.7m (2013: £9.7m decrease). The experience variances include the Chargeable Event Certificate provision of £5m referred to above: the assumption changes reflect our decision to subsidise credit card charges for all new regular premium contracts issued during the year and also deteriorating experience of contract holder behaviour. In particular we have considered the recent behaviour of those clients introduced by the Japanese distributor: premiums on this business continue to be received.

Following the payment of dividends of £11.2m (2013: £15.5m), the Group's EEV is £203.8m at 30 June 2014 (30 June 2013: £225.7m).

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 12 times (2013: 12 times) by our capital resources, which are typically held in a wide range of deposit institutions and in highly-rated money market liquidity funds. This prudent investment policy for shareholder assets has removed much of the market risk and provided a stable and resilient solvency position over recent years.

We recognise that Hansard Europe's capital surplus is not available for distribution in the foreseeable future. It is therefore included within the total of Required Capital of £25.1m in the analysis of the Group's EEV balance sheet at 30 June 2014. Allowing for this, the EEV balance sheet reflects that the Group has a free surplus of £28.3m available for investment and distribution, an increase of over 40% since 30 June 2013.

Our People

The Group has a dedicated dynamic workforce. We have a commitment to service and quality at the highest level in relation to the development of successful products, servicing, distribution mechanisms and Hansard OnLine. I thank them all for their continued commitment to Hansard. I am sure that our employees will continue to meet the strategic challenges facing us.

G S Marr
Group Chief Executive Officer

24 September 2014

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.

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 is regulated by the Insurance and Pensions Authority of the Isle of Man Government and has a branch in Malaysia, regulated by the Labuan Financial Services Authority, to support business flows from Asian growth economies. 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.

We administer assets exceeding $1 billion for 528 financial advisor businesses with over 40,000 client accounts in over 155 countries

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. We need to become even better at understanding, serving and rewarding our clients and shareholders.

We recognize that our vision encompasses every part of our business. With the support of our management and employees we have identified a range of strategic objectives to meet this target and are working towards them. Through careful execution of our plans in each of the following areas we intend to add significant scale to the business, on a more 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;**
- **Market-leading OnLine systems; and**
- **Progressive dividend policy.**

We have developed a range of key performance indicators ("KPIs") that will demonstrate progress towards these objectives. Since we have only limited baseline metrics for some of these objectives, we will provide additional appropriate reporting on those other objectives in future years.

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. Having made a significant change to our pricing model, to the benefit of the client and distributor, a range of new products was launched in Q4 2014.

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 many 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 Insurance and Pensions Authority of the Isle of Man Government to act as an Insurance Manager to both Hansard International and Hansard Europe.

Revenues

The main source of income for the Group is the fees earned from the administration of the insurance contracts.

These fees are largely fixed in nature and amount. Less than 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 increasing dividends.

Managing Risk

Our growth plans will mean that our operational risk profile will increase across our business.

We are investing in our system capabilities and business processes to ensure that we meet the expectations of our clients, comply with regulation and mitigate the risks of loss or reputational damage from operational risk events.

We continue to maintain a robust, low risk balance sheet and, while markets have improved over the last few years, we still believe this to be appropriate to meet the requirements of regulators, contract holders, intermediaries and shareholders. This prudent investment policy for shareholder assets has removed much of the market risk and provided a stable and resilient solvency position over recent years.

The principal risks facing the Group are those which are inherent in our business model and to the environment within which we operate. The regulatory environment continues to evolve and our risk framework will have to respond to a number of developments in future, including:

- Solvency II, which is scheduled for implementation on 1 January 2016, will impose additional costs and reporting on Hansard Europe;
- The Insurance and Pensions Authority of the Isle of Man Government has outlined its timetable for significant changes to the regulatory framework, which will impact on Hansard International; and
- The implementation of FATCA and related regulations which will impact on the entire business.

Hansard OnLine

Enhancing client service

Our vision is to develop a more intimate and rewarding online experience for our clients and IFAs. We are investing in new developments that increase our ability to provide a better service and to better position the Group to meet our clients' future needs.

For example, we are enhancing functionality to allow clients to receive more information and more content in an electronic format. Our goal is to provide clients with an online 24/7 self-service model.

Hansard OnLine ("HOL") is key to our vision. HOL is the Group's online platform providing secure access for intermediaries around the world, around the clock. Key content can be presented in **11 different languages** – helping IFAs communicate more effectively with their clients.

HOL is a valuable sales and administration tool that continues to be developed to meet the needs of intermediaries and their clients. This has allowed the Group to reduce its operational expense base and provide better positioning to achieve its long term strategic goals. OnLine Accounts for clients have been refreshed recently to enhance the look and feel. This has improved usability. We plan to further improve usability for both the advisor and client sites. Intermediaries will be supported with more market leading sales and administration tools whilst clients will see enhancements such as the addition of transactional and data maintenance utilities.

Meeting contract holders' requirements

Secure communications

Through an OnLine Account contract holders can view all the documentation and communications relating to their contracts. Over 15,000 OnLine Accounts are accessed regularly with the number of clients choosing not to receive hard copy post continuing to show a steady increase. Indeed, 60% of client communications are now accessed exclusively online.

Local needs in local languages

OnLine Accounts display content in 11 languages, customisable at log in or at any time during use via a language selection tool.

Payment of premiums

Premium payments can now be better managed online via a credit and debit card payment and reporting system. Work continues to further enhance and build on this valuable functionality.

Supporting intermediaries

Secure information

- **Management information**

  We have increased the number of reports available to the intermediary enabling a more efficient management of their book of business and their workforce.

  The traditional "Keyfob" supplied has been supplemented by a "Virtual Keyfob". This can be installed on a laptop or desktop PC, tablet or smartphone ensuring that it is even easier for intermediaries to log in whenever they need to, wherever they are, while retaining secure links to Hansard.

- **Investment research functionality**

  The Unit Fund Centre is an interactive research application that allows an intermediary to filter the entire range of Hansard unit funds, based on a range of specific criteria relevant to a client's objectives. A branded report can then be produced detailing comprehensive fund performance and holdings data for their clients. The enhanced version of the application has increased functionality and more robust underlying data.

Online processing

Pre-sale illustrations

Our multi-language, feature rich online illustrations system is designed to allow intermediaries to better demonstrate projected returns to clients. Usage continues to grow with an average of 200 illustrations generated per week.

Planned enhancements will see increased usability, with a goal of streamlining the pre-sales process.

Online processing of new business applications

Over 90% of all new business applications are received via HOL. Popularity of this functionality continues to increase with Online New Business being seen as a key advantage by new intermediaries.

Online processing of investment transactions

The majority of fund advisors now submit contract-related investment changes online with over 90% of advisor instructions now being keyed via this mechanism. A facility to allow fund advisors to transact in aggregate throughout their client range has been released.

With the introduction of these new systems the actual number of switches has doubled which shows that our intermediaries find online fund switching to be an efficient and much valued service.

Selected contract holders now have the functionality to perform their own investment changes online allowing them to better meet their investment objectives. This utility will be rolled out to all relevant clients in due course.

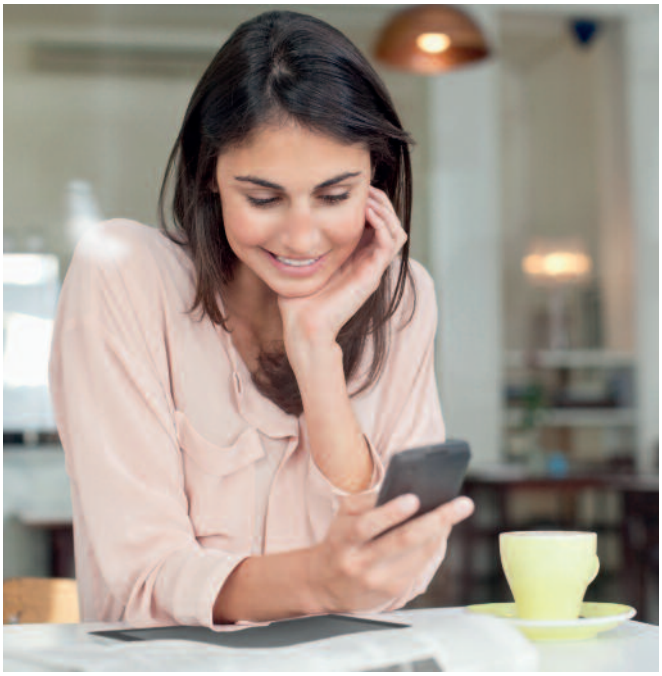
Reducing Operational risk

Straight-through processing

The straight-through processing of investment instructions (whether received from contract holders or through their appointed agents) reduces the Group's operational risk exposures, as does the ability of the Group to communicate electronically with intermediaries and clients, irrespective of geographical boundaries and time zone limitations.

Administrative efficiencies

Hansard OnLine is a vital component of the revised Operating Model for Hansard Europe, meeting the needs of that company's regulators, clients and intermediaries while allowing more efficient management of operations from the Isle of Man.



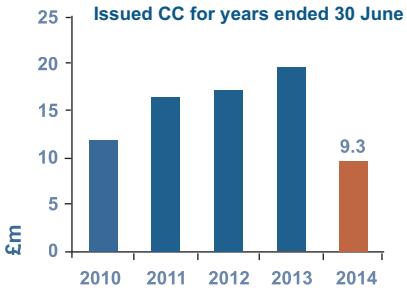
Key Performance Indicators

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. Indicators reflecting operational performance have been enhanced following the launch of the Group's Strategic Plan and will be incorporated in future reporting.

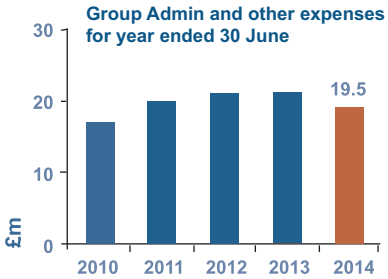
The following is a summary of the key indicators that were monitored during the financial year under review.

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

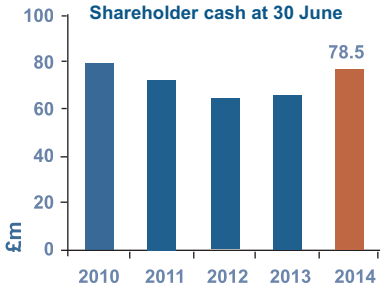
New business levels are reported daily. The Group's objective remains to grow new business at a rate of 10% - 15% per annum on this measure over the medium term. As is reported elsewhere in this Report and Accounts, new business flows have fallen by approximately 50% since the prior year. Strategic plans implemented during the year are intended to support sales growth.



Expenses – The Group maintains rigorous focus on expense levels and the value gained from such expenditure. The objective is to develop processes to restrain increases in administrative expenses to the rates of inflation assumed in the charging structure of the Group's policies. The Group's administrative and other expenses for the year, before HMRC settlement, litigation settlements and closure costs, of £19.5m, were 6% below the £21.1m of the previous financial year.



Cash – Bank balances and significant movements on balances are reported weekly. The Group's liquid funds at the balance sheet date were £78.5m (2013: £67.2m). The change demonstrates predominantly that VIF continues to be recouped in cash, although reduced new business levels have prevented profitable investment of the surplus during the year.



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 on pages 32 and 33.

Business and Financial Review

New Business flows for the year ended 30 June 2014

Strategy Development

The Group has access to a large portfolio of distributors who know that our combined efforts can meet the needs of contract holders around the world.

Throughout this financial year we have completed a thorough review, with the assistance of external professional resources, of the sales and marketing operations of the Group. As a result we have implemented a range of strategic and tactical adjustments to better diversify new business flows and increase the scale of our business.

In Q4 2014 the Group hosted a number of activities in target markets to launch its Strategic Plan and new products. Various launch events took place in Latin America, the Far East, the Middle East and Africa. These events have been supported by other local market development activities which have generated considerable interest among Independent Financial Advisors and contract holders around the world and will provide a platform for sustainable diversified new business flows in the medium term. We have launched a series of promotional initiatives in trade journals in our target markets outlining our strengths and the value of our proposition to intermediaries and their clients.

Strategic initiatives

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

Policyholders and Product

The Group has developed a range of savings and investment products that are designed to allow us to access business more successfully in a number of target markets, having made a significant change to our pricing model, to the benefit of the consumer and distributor.

Distribution

The Group continued negotiations with a number of well-established distributors, including brokers, expatriate IFAs, insurers and private banks involved in both expatriate and local markets around the world, some of which are drawing to a successful conclusion. Our main aim is to build long-term relationships with our distributors in key markets with growing economies and high concentrations of wealth. Since we began building the base for our new distribution strategy, we have added 33 new quality terms of business adding well over 200 new brokers to our available distribution in target markets.

Hansard OnLine

As reported on page 13 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 policyholders and intermediaries through the use of our people, products and technology in a way that meets shared objectives.

We have already started to restructure and refocus our sales force and have recruited a number of highly experienced Account Executives, primarily to focus on the Far East, the Middle East and the international expatriate market. We are looking to expand further in other regions over the next financial year as opportunities develop and as suitable candidates become available. We have also signed leases on larger offices in Malaysia and Dubai to enable us to provide more extensive training capabilities to support our distributors.

To help further focus our resources we have reorganised our sales management structure into three regions, each headed by a Regional Director; Latin America, Middle East & Africa and Asia.

New Business flows

Following the closure of Hansard Europe to new business with effect from 30 June 2013, the new business performance reported below is that of Hansard International alone. As can be seen, new business sales for FY 2014 on all metrics are approximately half of the levels of the prior year.

Basis	2014 £m	2013 £m
Compensation Credit	**9.3**	18.6
Present Value of New Business Premiums	**83.0**	172.1
Annualised Premium Equivalent	**14.3**	27.3

Throughout the year the Group has continued to develop relationships with financial advisors in a number of target markets including the Far East, Latin America and the Middle East. Following its product launches the Group has widened the range of target jurisdictions which will extend further as these new jurisdictions start to become established. The Group's activity, supported by the introduction of product-based incentive arrangements, the launch of new products, and by enhancements to Hansard OnLine, has underpinned new business flows in the year under review.

In particular, the Group has further increased its investment in Malaysia to take better advantage of its licensed position and early signs are positive – sales of this year are some 33% above FY 2013.

Following the suspension of activities by a large distribution network in Japan in Q2 2014, the Group has suspended accepting new business from Japanese residents. As a consequence, new business emanating from the Far East in the current year is significantly reduced from the prior year, which was particularly strong.

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	2014 £m	2013 £m	% change
Regular premium	**63.7**	151.0	(57.8)%
Single premium	**19.3**	21.1	(8.5)%
	83.0	172.1	(51.8)%

PVNBP by region	2014 £m	2013 £m	% change
Latin America	**27.0**	30.6	(11.8)%
Far East	**35.9**	114.2	(68.6)%
Rest of World	**12.9**	17.1	(24.6)%
EU and EEA	**7.2**	10.2	(29.4)%
	83.0	172.1	(51.8)%

We continue to receive business from a diverse range of financial advisors around the world. Our focus on growth markets is reflected in the proportions of contractual premiums denominated in US dollars while the reduction in Japanese Yen flows in the table below demonstrates the effect of the suspension of Japanese business. Comparative figures in this table have been restated to show only currency flows relating to contracts issued by Hansard International Limited in FY 2013.

Currency denominations (as a percentage of PVNBP)	2014 %	2013 %
US dollar	**50.8**	27.5
Japanese Yen	**25.2**	50.4
Sterling	**13.3**	9.1
Euro	**9.1**	12.3
Other	**1.6**	0.7
	100.0	100.0

New business margins

Continued low volumes of new business impact directly on the Group's new business margins. Reduced volumes, coupled with the more competitive product design and other incentives in operation during the year, have resulted in margins of approximately 4.0% on the PVNBP basis for FY 2014. We expect these margins to remain at this level for the foreseeable future, although the margin is expected to be volatile in the short-term. The new business margin will reflect sales volumes measured against the marketing function platform costs that we have established as part of our refreshed strategy. As a result, the margin may be negative in the early part of the financial year, moving towards target as the year completes.

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.

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. After recognising the exceptional items referred to below, IFRS profit after tax for the year is £8.3m (2013: £10.4m).

During the year the Group implemented the revised Operating Model for Hansard Europe and has been successful in harnessing process efficiencies and reducing administrative headcount, as planned. The benefits of these savings have been outweighed by the provision of £5m in relation to potential liability and related professional costs for the breaches of CEC regulations; the effects of litigation settlements of £0.7m (2013: £1.6m) and by the charge of £0.7m (2013: £0.4m) taken in relation to the closure of Hansard Europe to new business.

Prior to those exceptional items totalling £6.4m (2013: £2.0m) the underlying IFRS profit was £14.7m before taxation compared with an underlying profit of £12.7m in FY 2013, as can be seen below.

Abridged consolidated income statement

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

- Investment income, gains and losses relating to the assets administered by the Group to back its liability to 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 £7.3m (2013: £73.4m losses).
- Fund management fees paid by the Group to third parties having a relationship with the underlying contract. While fund management fees paid are properly recorded in the consolidated income statement under IFRS, the disclosure distorts results compared with an understanding of the Group's own entitlement to fund management fees and any requirement to pay such fees for services rendered in respect of the Group's own assets. In the current year third party fund management fees attributable to contract holder assets were £4.3m (2013: £4.3m). These are reflected in both income and expenses under the IFRS presentation on page 56.

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

Abridged consolidated income statement for the year ended 30 June 2014	2014 £m	2013 £m
Fees and commissions attributable to Group activities	**55.2**	52.8
Investment and other income	**0.2**	2.2
	55.4	55.0
Origination costs	**(21.2)**	(21.2)
Administrative and other expenses attributable to the Group, before compensation, litigation settlements and discontinued activities	**(19.7)**	(21.1)
Operating profit for the year before compensation, litigation settlements and discontinued activities	**14.7**	12.7
Compensation, litigation settlements and discontinued activities	**(6.4)**	(2.0)
Profit for the year before taxation	**8.3**	10.7
Taxation	**-**	(0.3)
Profit for the year after taxation	**8.3**	10.4

Fees and commissions

Fees and commissions for the year attributable to Group activities are £55.2m, an increase of 4.6% over the previous year (2013: £52.8m).

Elements of contract fee income are largely fixed in nature, representing both the smoothing of up-front income required under IFRS, and contract-servicing charges. The increase in contract fees over the comparative year shows the effect of increased fee income derived from new business flows in prior financial years, despite the strengthening of sterling against those currencies in which new business premiums are collected. This demonstrates the resilience of the Group's business model as each new contract issued represents a store of value for future years.

Fund management fees and commissions receivable from third parties totalling £14.1m (2013: £14.8m), are related directly to the value of assets under administration and are therefore exposed to market movements, currency rates and valuation judgements. The level of this income, when compared with last year, reflects primarily that the reported level of assets under administration has fallen by approximately 8% over the course of this financial year.

A summary of fees and commissions is set out below:

	2014 £m	2013 £m
Contract fee income	**41.1**	38.0
Fund management fees accruing to the Group	**9.9**	10.5
Commissions receivable	**4.2**	4.3
	55.2	52.8

Included in contract fee income is £21.3m (2013: £20.1m) representing the amortisation of fees prepaid in previous years, as can be seen in the analysis set out below. This increased level of amortised fees incorporates an element of deferred income on contracts that have lapsed during the year.

	2014 £m	2013 £m
Amortisation of deferred income	**21.3**	20.1
Income earned during the year	**19.8**	17.9
	41.1	38.0

Investment and other income

Volatility in foreign exchange markets continued throughout the year. Having regard to the geographic spread of the Group's clients and the currencies in which their contracts are denominated, the strengthening of sterling since 30 June 2013 has reduced investment and other income by £0.8m (2013: gains of £0.6m). With the implementation of the revised Operating Model Hansard Europe has reduced its currency holdings, as can be seen in note 3.1 to the consolidated financial statements under IFRS.

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

	2014 £m	2013 £m
Bank interest	**0.9**	1.5
Foreign exchange (losses) / gains on revaluation of net operating assets	**(0.8)**	0.6
Other operating income	**0.1**	0.1
	0.2	2.2

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 life of that contract to match the longer-term income streams expected to accrue from the contracts issued this year. The life of a regular premium contract is deemed to be its agreed term. Typical terms range between 10 years and 25 years. The expected life of a typical single premium contract is 15 years. 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.

The reduced new business volumes which the Group has experienced during the year are reflected in a fall in the direct costs of new business to £12.2m from £28.5m in the previous financial year.

	2014 £m	2013 £m
Origination costs - deferred to match future income streams	**12.2**	28.5
Origination costs - expensed as incurred	**1.9**	2.5
Total origination costs incurred in the year	**14.1**	31.0
Net amortisation of deferred origination costs	**7.1**	(9.8)
	21.2	21.2

Amounts totalling £19.2m (2013: £18.7m) 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. This increased level of amortised costs incorporates an element of deferred origination costs on those contracts that have lapsed during the year.

Origination costs in the year are:

	2014 £m	2013 £m
Amortisation of deferred origination costs	**19.2**	18.7
Other origination costs incurred during the year	**2.0**	2.5
	21.2	21.2

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.

The Group has been successful in harnessing process efficiencies and reducing administrative headcount during the year, largely through the full implementation of the revised Operating Model for Hansard Europe. We believe that the headcount reductions and other efficiencies gained from the implementation of the revised Operating Model are a result of our investment in prior years in Hansard OnLine and other systems. These savings will allow continued investment in the Group's strategic developments.

The benefits of these expense reductions in this financial year have been outweighed by three particular exceptional items that have been discussed earlier, being the provision for £5m in relation to a settlement to HMRC and related professional costs for breaches of the CEC Regulations; litigation settlements of £0.7m (2013: £1.6m); and by the charge of £0.7m (2013: £0.4m) taken in respect of professional fees, redundancy payments and related costs following the closure of Hansard Europe to new business on 30 June 2013.

The Group's underlying administrative and other expenses, without taking those exceptional items into account, decreased by 7% over FY 2013 to £19.5m.

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.

	2014 £m	2013 £m
Salaries and other employment costs	**8.8**	9.6
Other administrative expenses	**6.1**	6.2
Growth investment spend	**1.6**	2.5
Audit and other professional fees	**3.0**	2.8
Continuing administrative and other expenses	**19.5**	21.1
Estimated cost of HMRC settlement	**5.0**	-
Costs relating to the closure of Hansard Europe to new business	**0.7**	0.4
Litigation settlements	**0.7**	1.6
	25.9	23.1

Salaries and other employment costs have reduced by 8% to £8.8m. In large part this reflects the targeted reduction of administrative headcount following the implementation of the revised Operating Model for Hansard Europe. To support the Group's strategic development activity we increased distribution, marketing and related resources in the latter part of the financial year as well as targeted expenditure on training and employee engagement. The Group headcount at 30 June 2014 is 206 people (2013: 209 people).

Other administrative expenses have decreased marginally. Depreciation on IT capital spend designed to achieve process efficiencies is £0.6m (2013: £0.6m). Premium collection-related charges increased to £0.4m (2013: £0.3m) following additional incentive arrangements for contract holders. We saw a reduction in activity in relation to distressed assets under administration and were able to reduce provisions against contract fees to £0.2m compared with £0.6m in FY 2013.

Growth investment spend represents internal and external costs to generate opportunities for scale. The Group continues to invest to build its business and to implement product and technological changes to support intermediaries, policyholders and other stake-holders. The amount of expenditure has reduced from the previous year as some external opportunities were not repeated.

Audit and other professional fees in the year include legal fees of £0.9m (2013: £0.5m) incurred to protect the Group's position against complaints; amounts totalling £0.5m paid to the Group's auditor (2013: £0.5m); £0.3m (2013: £0.5m) for administration, custody, dealing and other charges paid under the terms of the investment processing outsourcing arrangements; and costs of Investor Relations activities of £0.4m (2013: £0.4m).

The provision for the **estimated cost of the HMRC settlement** and related professional costs is in relation to our estimate of potential liabilities flowing from the breaches in Chargeable Event Regulations. The provision is based upon our estimate of tax lost by HMRC. All the necessary documentation has been submitted to HMRC and we await the conclusion of their review of our documentation and will then be in a position to agree the liability.

Included in administrative and other expenses are items totalling £0.7m in respect of professional fees, redundancy and related costs following the **closure of Hansard Europe** to new business on 30 June 2013 (2013: £0.4m). With the successful implementation of the revised Operating Model we do not anticipate a significant level of these costs in the future.

Litigation settlements. Incorporated above are amounts totalling £0.7m (2013: £1.6m) in full and final settlement of underlying claims of approximately €2.4m (2013: €9.5m) served upon Hansard Europe. These settlements were made, without any admission of liability, in order to avoid the expense and distraction of extended litigation and to allow management to focus fully on execution of the Group's strategy.

Cash Flow Analysis

Operating cash flows continue to be strongly positive. The operational cash surplus (fees deducted from contracts and commissions received, less operational expenses paid) is £37.8m following the litigation settlements and other expenditure referred to above. While the operational cash surplus has been restrained by the strengthening of sterling against those currencies in which the Group's fees are collected, the surplus is sufficient to fund investment in new business in the year of £15.4m (2013: £28.8m) which is almost 50% below the anticipated level.

The Group believes that the best use of its capital resources is to invest in new business, recognising that continued investment in profitable regular premium contracts produces a short-term cash strain as a result of the commission and other costs incurred at inception of a contract.

To reduce the risk that the targeted return on investment in new business is jeopardised, the Group withholds a portion of initial commission from certain intermediaries pending completion of the initial period of particular contracts. At the balance sheet date, amounts totalling £2.3m (2013: £5.4m) had been withheld, of which £0.8m (2013: £2.5m) was in relation to the Japanese distributor that suspended its operations during the year. These amounts are reflected within "Other payables" in note 19 to the consolidated balance sheet.

The following table summarises the Group's own cash flows in the year. This analysis demonstrates that the in-force contract book continues to generate the cash required to support the Group's main business objectives of investing in new business, enhancing distribution and other infrastructure and supporting dividend payments. Dividends of £11.2m (2013: £15.5m) paid during the year have been funded by the Group's own resources.

The impact of strongly positive cash flows and reduced new business strain is an increase of £8.3m in the Group's own cash resources which supports the increased shareholder cash and deposits of £78.5m (2013: £67.2m).

	2014 £m	2013 £m
Net cash surplus from operating activities	**37.8**	41.4
Interest received on shareholder bank deposits	**1.0**	1.6
Net cash inflow from operations	**38.8**	43.0
Net cash investment in new business	**(15.4)**	(28.8)
Purchase of property and computer equipment	**(1.4)**	(0.6)
Corporation tax (paid) / received	**(0.2)**	0.2
Net cash inflow before dividends	**21.8**	13.8
Dividends paid	**(11.2)**	(15.5)
Net cash inflow / (outflow)	**10.6**	(1.7)

	2014 £m	2013 £m
Net cash inflow / (outflow)	**10.6**	(1.7)
Increase in amounts due to contract holders	**2.9**	3.6
Net Group cash movements	**13.5**	1.9
Group cash at beginning of year	**67.2**	65.3
Effect of exchange rate changes	**(2.2)**	-
Group cash and deposits at 30 June	**78.5**	67.2

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 £20.1m 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 (2013: £20.4m). The following table summarises the total shareholder cash and deposits at the balance sheet date.

	2014 £m	2013 £m
Money market funds	**45.1**	27.2
Short-term deposits with credit institutions	**13.3**	19.6
Cash and cash equivalents under IFRS	**58.4**	46.8
Shareholders' longer-term deposits with credit institutions	**20.1**	20.4
Shareholder cash and deposits	**78.5**	67.2

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

Abridged Consolidated Balance Sheet

The consolidated balance sheet on page 58 presented under IFRS reflects the financial position of the Group at 30 June 2014. 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 £0.94bn (2013: £1.03bn). 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.

	2014 £m	2013 £m
Assets		
Deferred origination costs	**123.9**	131.0
Other assets	**7.3**	7.8
Bank deposits and money market funds	**78.5**	67.2
	209.7	206.0
Liabilities		
Deferred income	**141.2**	137.6
Other payables	**31.6**	28.6
	172.8	166.2
Net assets	**36.9**	39.8
Shareholders' equity		
Share capital and reserves	**36.9**	39.8

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 profitable contracts 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 2013.

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

Carrying value	**2014 £m**	2013 £m
At beginning of financial year	**131.0**	121.2
Origination costs incurred during the year	**12.1**	28.5
Origination costs amortised during the year	**(19.2)**	(18.7)
	123.9	131.0

This increased 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.

Deferred income

The treatment of deferred income ensures that contract fees are taken to the consolidated income statement in equal installments over the longer-term, reflecting the services to be provided over the period of the contract. This is consistent with the treatment of deferred origination costs. 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 profitable 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	**2014 £m**	2013 £m
At beginning of financial year	**137.6**	129.9
Income received and deferred during the year	**24.9**	27.8
Income recognised in contract fees during the year	**(21.3)**	(20.1)
	141.2	137.6

This increased level of income recognised in contract fees during the year incorporates an element of deferred income on those contracts that have lapsed during the year, in order to ensure that the carrying value of deferred income is not impaired.

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 majority of premium contributions are designated in currencies other than sterling, reflecting the wide geographical spread of those policyholders. Premium contributions during the year includes additional contributions of approximately £7m (2013: £18m) relating to single and regular premium contracts issued by Hansard Europe in prior years. As a result of the closure of that company to new business with effect from 30 June 2013 the level of single premiums received by the Group in FY 2014 has reduced from the previous year.

These flows are offset by charges and withdrawals, by premium holidays affecting regular premium policies and by market valuation movements. Certain assets held within contracts at the year-end remain impacted by the global financial crisis. While we have seen efforts in this financial year to resolve uncertainty over asset values, we have also seen a small number of funds held within contracts being affected by liquidity or other issues that hinder their sales or redemptions on normal terms. While the directors have exercised their judgement in relation to the fair value of these assets the cumulative impact on the balance sheet is immaterial. Accordingly, the value of AuA at 30 June 2014 is £0.94bn, some 8% below the value at 30 June 2013.

AuA currency composition

The value of AuA is based upon the assets selected by or on behalf of contract holders to meet their needs from time to time. The currency composition of AuA at the balance sheet date is similar to that as at 30 June 2013, with 54% of AuA designated in US dollar (2013: 55%) and 25% in euro (2013: 25%). The strengthening of sterling against those currencies in the year has largely offset market gains of the underlying assets as is reflected in the following table.

	2014 £m	2013 £m
Deposits to investment contracts – regular premiums	**85.1**	87.9
Deposits to investment contracts – single premiums	**19.6**	32.5
Withdrawals from contracts and charges	**(196.5)**	(199.5)
Effect of market movements	**87.7**	8.5
Effect of currency movements	**(80.4)**	64.9
Movement in year	**(84.5)**	(5.7)
At beginning of financial year	**1,028.1**	1,033.8
	943.6	1,028.1

An initial response to the closure of Hansard Europe to new business was a number of full surrenders. Taking this into account with the other factors mentioned above, the analysis of AuA held by each Group subsidiary to cover financial liabilities is as follows:

Fair value of AuA at 30 June	**2014 £m**	2013 £m
Hansard International	**704.6**	742.0
Hansard Europe	**239.0**	286.1
	943.6	1,028.1

Complaints and potential litigation

In valuation issues such as those referred to above, financial services institutions are drawn into disputes in cases where the performance of assets selected directly by or on behalf of contract holders through their advisors fails to meet their expectations. This is particularly relevant in the case of more complex structured 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 €4.6m (approximately £3.9m) as a result of these and related complaints.

During the year the Board considered it in the best interests of the Group to reach a resolution with regard to certain of those claims. Settlements totalling £0.7m (2013: £1.6m) have been agreed relating to underlying claims of approximately €2.4m or £1.9m.

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

As a result of further writs issued during the year and in the period to the date of this report, there remains a number of outstanding writs served upon Hansard Europe totalling €6.5m or approximately £5.2m. We will continue to defend ourselves from all claims but will consider early settlement where there is a clear economic benefit.

Results for the year under European Embedded Value

During the year, the Group has invested significant resource in the development and implementation of its new strategy, while at the same time managing the expenses of supporting its existing business. Cash flows have remained strongly positive.

Sales were reduced by approximately 50% as a consequence of the closure of Hansard Europe to new business and the loss of a key distributor in Japan that had introduced some 43% of the Group's new business in FY 2013. The planned product redesign (part of the refreshed strategy) was implemented on time, but the nature of the Group's distribution cycle is such that sales of the new product range would never build sufficiently quickly to replace the business lost in this financial year. The result was an EEV new business contribution of £3.3m (2013: £22.5m). Faced with low new business, this year's EEV result has been driven by the strengthening of sterling against those currencies favoured by contract holders and by assumption changes reflecting deteriorating policy experience.

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

	2014 £m	2013 £m
EEV Operating (Loss) / Profit after tax	**(6.6)**	11.7
Investment Return Variances & Economic Assumption Changes	**(4.1)**	5.2
EEV before dividends	**215.0**	241.2
Dividends paid during the financial year	**(11.2)**	(15.5)
Closing Embedded Value	**203.8**	225.7

There was an Operating Loss of £6.6m (2013: £11.7m profit), reflecting a lower new business contribution of £3.3m (2013: £22.5m), experience variances of (£6.7m) (2013: (£5.5m)) and strengthening operating assumptions of (£6.0m) (2013: (£4.2m)). The table shows a 'below the line' impact of (£4.1m) (2013: +£5.2m) which is comprised of positive investment return and economic assumption variances and a negative foreign exchange variance. The EEV has fallen to £203.8m (2013: £225.7m) having paid dividends of £11.2m (2013: £15.5m).

Net asset value per share

On an EEV basis, the net asset value per share at 30 June 2014 is 148.3p (2013: 164.3p) based on the EEV at the balance sheet date divided by the number of shares in issue at that date, being 137,379,634 ordinary shares (2013: 137,379,634 shares).

The net asset value per share at 30 June 2014, on an IFRS basis, is 26.9p (2013: 32.5p).

Sales Metrics

New business comparatives are shown below:

	2014	2013
New Business Sales (PVNBP basis)	**£83.0m**	£188.7m
New Business Contribution ("NBC")	**£3.3m**	£22.5m
New Business Margin ("NBM")	**4.0%**	12.0 %
Internal Rate of Return ("IRR")	**6.7%**	>15 %
Break Even Point ("BEP")	**9.1 yrs**	2.0 yrs

New business sales levels reflect the impact of the significant distributor discontinuing its sales operations (sales from this distributor in this year were £9.5m in PVNBP terms (2013: £74.5m)) and the closure of Hansard Europe to new business (Hansard Europe recorded new business sales of £16.6m PVNBP in FY 2013 which is included in the comparative figure shown in the table). When sales levels are lower than expected, sales expenses are spread over fewer policies: this has a gearing effect on metrics like the new business margin, the internal rate of return and increases the break-even point of those few cases issued during the year. Until sales volumes recover, we recognise that NBM may remain low for coming quarters.

EEV Balance sheet

The EEV has reduced over the year: its high-level components are shown in the table below:

	2014 £m	2013 £m
Free Surplus	**28.3**	20.0
Required Capital	**25.1**	24.6
Net Worth	**53.4**	44.6
VIF	**157.5**	188.2
Other	**(7.1)**	(7.1)
Value of Future Profits ("VFP")	**150.4**	181.1
EEV	**203.8**	225.7

Net Worth has grown from £44.6m to £53.4m as profits are earned from the existing business. Free Surplus, which is available for investment and distribution, has grown by over 40% to £28.3m. At the balance sheet date, the Net Worth of the Group is represented by liquid cash balances. The Required Capital has increased marginally: it currently includes around £9.0m of Hansard Europe capital, the use of which management estimates is constrained for three years.

The change in VFP reflects sterling exchange rates on 30 June 2014, new business levels, the conversion of VFP to Net Worth and the impact of policyholder behaviour. Approximately 9% of the VIF at the reporting date relates to policies introduced by the Japanese distributor. Notably, lower new business means the stock of future profits has fallen.

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	**2014 £m**	2013 £m
Net Worth at beginning of financial year	**44.6**	50.4
Expected new Net Worth from existing business	**41.5**	39.1
Time value	**0.6**	0.2
Net worth variance	**(5.4)**	(2.8)
Net Worth from Existing Business	**36.7**	36.5
New Business Strain	**(16.8)**	(26.8)
Dividends paid	**(11.2)**	(15.5)
Closing Net Worth	**53.4**	44.6

The Net Worth is lower than projected (a variance of £5.4m (2013: (£2.8m)): the primary reason for this is the provision of £5m to cover the Chargeable Event Certificate issue. The Net Worth has grown by £36.7m (2013: £36.5m), of which £16.8m (2013: £26.8m) has been invested in new business (shown as New Business Strain) and £11.2m has been paid in dividends (2013: £15.5m).

EEV (Loss) / Profit after tax

The Group's EEV loss after tax is £10.7m (2013: £17.0m profit). Lower new business and deteriorating policyholder experience drive this result at an operating profit level. Thereafter, the impact of strong sterling more than offsets a positive investment return.

	2014 £m	2013 £m
New Business Contribution	**3.3**	22.5
Experience Variances	**(6.7)**	(5.5)
Operating Assumption & Model Changes	**(4.7)**	(6.8)
Expected Return on new, existing business and Net Worth	**1.5**	1.5
EEV Operating (Loss) / Profit after tax	**(6.6)**	11.7
Investment Return Variances	**(8.2)**	7.9
Economic Assumption Changes	**4.1**	(2.6)
EEV (loss) / profit after tax	**(10.7)**	17.0

Experience Variances

Experience variances arise when the behaviour of the existing book differs from that assumed. Major contributors to the experience variances this year include one-off expenses (the Chargeable Event Certificate provision, offset by savings on expected legal expenses) and more encashments than projected. Excluding the one-off expenses, expense performance was largely as expected when setting the assumptions at FY 2013.

	2014 £m	2013 £m
One-off expenses	**(4.5)**	(3.3)
Full encashments	**(3.5)**	(1.0)
Other	**1.3**	(1.2)
	(6.7)	(5.5)

Operating Assumption Changes

Operating assumption changes reflect the Group's revised view of the drivers of future income and costs. This has resulted in a negative impact of £6.0m (2013: £4.2m). A significant proportion of this (£1.9m) relates to our decision to provide a subsidy for credit card charges borne by a large number of regular premium contract holders. This was a change made as part of our strategic review and, as such, was not envisioned in the assumptions set at FY 2013.

In addition, management has responded to the adverse policyholder behaviour experience in the year by significantly strengthening its assumptions. Given the product structure, this does not change the rate of conversion of VIF to Net Worth: as in previous years over 50% of the VIF is projected to be converted within 5 years.

	2014 £m	2013 £m
Full encashment	**(6.2)**	3.9
Policies made paid up	**(4.0)**	0.6
Ongoing expenses	**2.2**	(1.3)
Other	**2.0**	(7.4)
	(6.0)	(4.2)

Investment performance

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

	2014 £m	2013 £m
Exchange rate movements	**(17.5)**	1.6
Investment performance of policyholder funds	**9.7**	6.2
Other	**(0.4)**	0.1
	(8.2)	7.9

The exchange rate movements arise because most premiums are paid, and the greater proportion of policyholder-selected assets are denominated, in currencies other than sterling, yet the reporting is in sterling, based on exchange rates on the last day of the financial year.

Economic assumption changes

There was a positive variance of £4.1m (2013: negative £2.6m) from Economic Assumption Changes.

	2014 £m	2013 £m
Risk Discount Rates & Unit Growth	**3.5**	(0.5)
Marketing Allowances	**1.5**	0.0
Treasury Margin	**(0.9)**	(1.2)
Other	**0.0**	(0.9)
	4.1	(2.6)

The Risk Discount Rate and Unit Growth variances arise from the application of the EEV Principles, which require that changes in government bond yields for the currencies in which policyholder assets are denominated are reflected. The other changes reflect changes in policyholder activity margins.

Risk Management and Internal Control

As with all businesses, the Group is exposed to risk in pursuit of its objectives. The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving those objectives.

The Board is also responsible for maintaining sound risk management and internal control systems and for reviewing their effectiveness. The Group maintains an enterprise risk management ("ERM") framework to identify, assess, manage, monitor and control current and emerging risks.

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

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

Review of risk management and internal control systems

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

In accordance with provision C.2.1 of the UK Corporate Governance Code, the Board (through the Audit Committee) has conducted an annual review of the systems of internal control including financial, operational and compliance controls and risk management systems. Additional safeguards have been, and are being, implemented and monitored in relation to significant weaknesses identified during the year. Future reviews of the systems' effectiveness will take into account any new controls and processes that are implemented subsequently.

Risk management resources

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

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

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

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

Risk management framework

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

First Line: Day-to-day risk management is delegated from the Board to the Group Chief Executive Officer and, through a system of delegated authorities and limits, to business managers.

Second Line: Risk oversight is provided by the Group Chief Risk Officer and established risk management committees. These committees are supported by compliance functions across the Group.

Third Line: Independent verification of the adequacy and effectiveness of the risk management and internal control systems is provided by the Group Audit Committee which is supported by the Group Internal Audit function.

In support of its accountabilities to operate a sound system of internal control the Board has implemented and maintains an enterprise risk management ("ERM") framework. To support the governance process the Group relies on documented policies and guidelines.

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

The systems of internal control which make up the ERM framework are designed to recognise the Board's responsibilities to:

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

The key features of the systems of internal control which make up the ERM framework include:

- Terms of reference for the Board and each of its committees;
- A clear organisational structure, with documented delegation of authority from the Board to executive management;
- Committees of senior managers responsible for reviewing the Group's financial and non-financial risks and;
- Risk management and internal control frameworks for the Group's operations. Each subsidiary company Board is required to attest to its adherence to these control frameworks on a quarterly basis. Additionally each department manager is required to confirm to the MRC that the risk and control framework is effective.

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

These five elements are defined as:

- Establish business objectives;
- Risk identification and assessment;
- Risk response, including risk mitigation;
- Control monitoring and;
- Reporting.

The result is a risk management strategy, which is led from the top whilst being embedded in the Group's business systems, strategy and policy setting processes and the normal working routines and activities of the organisation. In this way risk management becomes an intrinsic part of the way business is conducted within the Group.

Risk appetite

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

Risk identification and assessment

The ERM framework requires all business areas to identify and record risks to business objectives. These risks are rated according to the impact and likelihood of risk events, and these ratings are continuously re-assessed in response to changes in the business environment. This aspect of the configuration and integration of the ERM framework ensures that all staff are made aware of the relevance of risk management to the achievement of their individual objectives and accountabilities.

Risk monitoring and management

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

Risk reporting

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

Outsourcing

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

These processes are detailed in a formal contract 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. The last such report was issued by CIL on 28 April 2014 and did not reveal any material control deficiencies in the period from 1 January 2013 to 31 December 2013. This Assurance report was reviewed by PricewaterhouseCoopers LLC prior to issue. PricewaterhouseCoopers LLC, in noting a small number of minor exceptions (which are being resolved by CIL) confirmed that the control procedures that were tested were operating with sufficient effectiveness to achieve reasonable, but not absolute, assurance that the related control objectives were achieved in the period 1 January 2013 to 31 December 2013.

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. 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.

Risks relating to the Group's financial and other exposures

Hansard's business model involves the controlled acceptance and management of risk exposures.

The steps taken to minimise those exposures include the operation of unit-linked insurance business. Under the terms of the unit-linked investment contracts issued by the Group, the policyholder bears the investment risk on the assets in the unit-linked funds, as the policy benefits are directly linked to the value of the assets in the funds. These assets are administered in a manner consistent with the expectations of the policyholders. By definition, there is a precise match between the investment assets and the policyholder liabilities, and so the market risk and credit risk lie with policyholders.

The Group's exposure on this unit-linked business is limited to the extent that income arising from asset management charges and commissions is generally based on the value of assets in the funds, and any sustained falls in value will reduce earnings. In addition, there are certain financial risks (credit, market and liquidity risks) in relation to the investment of shareholders' funds. The Group's exposure to financial risks is explained in note 3 on page 61 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. The Group's business model has served to minimise the principal risks facing the Group for a number of years but the regulatory environment continues to evolve and the risk framework will have to respond to a number of developments in future, including:

- Solvency II, which is scheduled for implementation on 1 January 2016, will impose additional costs and reporting on Hansard Europe;
- The Insurance and Pensions Authority of the Isle of Man Government ("IPA") has outlined its timetable for significant changes to the regulatory framework, which will impact on Hansard International and;
- The implementation of FATCA and related regulations which will impact on the entire business.

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

Principal Risks

Risk event examples	Risk factors and management
Group profitability affected by financial market and economic conditions	The Group's earnings and profitability are influenced by a broad range of factors including the performance and liquidity of investment markets, interest rate movements and inflation. Extreme market conditions can influence the purchase of financial services products and the period over which business is retained. **How we manage the risk** - These risks are inherent in the provision of financial services internationally. We model our business plans across a broad range of economic scenarios and take account of alternative economic outlooks within our overall business strategy.
Distribution strategy compromised as a result of market changes or competitor activity	New business may be adversely affected in the short-term if distribution channels are too concentrated and circumstances change in those markets. **How we manage the risk** - The Group closely monitors marketplaces and competitor activity for signs of threats to forecast new business levels. Revised strategies have been designed to add significant scale to the business, on a more diversified basis, through organic growth at acceptable levels of risk and profitability.
Non-compliance with regulations	The Group maintains dialogue with the IPA and other regulatory and legislative authorities. In addition to this, we have continual discussions with our advisors in relation to developments in the regulatory environment in which we operate. However, sudden changes in legislation without prior consultation, or the differing interpretation and application of regulations over time, may have a detrimental effect on the Group's strategy, profitability and risk profile and may incur the possibility of litigation risk. **How we manage the risk** - The Group has enhanced the processes in place to identify emerging risks from regulatory and legislative change (such as those mentioned above) and to monitor the timely implementation of new requirements.
Infrastructure failure	A material failure in our business processes may result in unanticipated financial loss or reputational damage. **How we manage the risk** - Business Continuity Plans, including full data replication at an independent recovery centre, can be invoked when required. Testing is conducted frequently.
Cyber crime	As we and our business partners increasingly digitalise our businesses, we are inherently exposed to the risk that third parties may seek to disrupt our OnLine business operations, steal customer data or perpetrate acts of fraud. A significant cyber event could result in reputational damage and financial loss. **How we manage the risk** - We are focused on maintaining a robust and secure IT environment that protects our customer and corporate data. We deploy control techniques to evaluate the security of our systems and proactively address emerging threats.

Risk event examples	Risk factors and management
Hansard OnLine development and availability	Any prolonged failure in internet capacity preventing the Group from delivering Hansard OnLine might impact on the Group's reputation and strategic objectives. **How we manage the risk** - The Group closely monitors technological developments in relation to the functioning of the internet and will develop alternative strategies to minimise the impact of any changes.
Counterparty and third party risks	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. **How we manage the risk** - The Group seeks to limit exposure to loss from counterparty and third party failure through selection criteria, pre-defined risk based limits on concentrations of exposures and monitoring positions.
Outsourcing	The Group's dependence on outsourced activities comes under threat should any of its key investment management or administration business partners decide to revise strategy or fail. **How we manage the risk** - We maintain close working relationships with our outsourcing partners who are central to our business model. This provides early warning of any material change that could significantly impact our business. Our principal outsourcing relationships are governed by formal agreements with notice periods and full exit management plans.

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 with the main functions split across two distinct locations and territories.

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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 and relinquished the roles of Senior Independent Director and Chairman of the Remuneration Committee on that date. 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, having been appointed Managing Director of the Company on 1 July 2009. Gordon has previously served as Group Counsel and as an executive Director. Gordon joined the Group in 1988. He is a Solicitor and a member of the Law Society.

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 ("SWIP"), 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 2014. 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 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 56. The consolidated financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union ("IFRS"). The financial statements of the parent company have been prepared under UK Generally Accepted Accounting Practice ("UK GAAP").

Additionally, certain information relating to embedded value is presented using the European Embedded Value ("EEV") methodology. The Board believes that EEV Information provides more meaningful information on the financial position and performance of the Group in a particular financial year than that provided by IFRS reporting alone. The results of trading of the Group for the year on an EEV basis are set out in the EEV Information on pages 86 to 95.

Results under both IFRS and EEV reflect the effects of a number of events that, while arising from the normal activities of the Group, are material to an understanding of the results of the Group for the year under review and the prior year. These include:

- a provision of £5.0m for the settlement of the Group's estimated liability, including professional costs, arising from weaknesses in the Group's procedures in relation to the issue of Chargeable Events Certificates required by Her Majesty's Revenue and Customs (2013: £nil);
- litigation settlements by Hansard Europe of £0.7m (2013: £1.6m); and
- charges of £0.7m taken in relation to the closure of Hansard Europe to new business (2013: £0.4m).

Further information is contained in the Business and Financial Review.

Results under IFRS

Having regard to the issues noted above, the profit after tax is £8.3m, compared with a profit for the prior year of £10.4m.

Dividends totalling £11.2m were paid during the year (2013: £15.5m). The deficit of £2.9m after payment of dividends (2013: £5.1m) has been transferred from retained earnings.

Results under EEV

Following a significant reduction in new business flows in the year, and with the impact of those expense issues noted above, EEV loss after tax was £10.7m (2013: profit of £17.0m). After payment of the dividends of £11.2m during the year, the EEV of the Group as at 30 June 2014 is £203.8m (2013: £225.7m).

Proposed final dividend

The Board has resolved to pay a final dividend of 5.0p per share on 13 November 2014, subject to approval at the Annual General Meeting, to shareholders on the register on 3 October 2014. If approved, this would bring the total dividends in respect of the year ended 30 June 2014 to 8.4p per share.

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 to 3, the Chief Executive Officer's Overview on pages 4 to 9 and the Business and Financial Review on pages 16 to 27.

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 32 and 33.

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. One aspect of a practical breach of the Code, as explained in prior years and highlighted in the Corporate Governance Report, has been rectified. The Group is fully compliant with the requirements 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 Remuneration Committee Report on pages 50 to 53.

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 Report and Accounts. With the exception of Mr Bernard Asher who retired from the Board on 16 September 2013 and Mr Andy Frepp who was appointed to the Board with effect from 1 January 2014, 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.

Substantial shareholdings

At 30 June 2014 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	52.2	38.0
Aberforth Partners LLP	15.7	11.4
The Polonsky Foundation	7.7	5.6
Mr M A Polonsky	7.5	5.5

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 828,208 options remain outstanding (2013: 473,024), details of which can be found in the Remuneration Committee Report.

Long Term Incentive Plan

No awards were made in the current financial year under the Long Term Incentive Plan. No options from prior years will vest as the minimum requirements have not been met.

Directors' interests

Directors' interests in shares in the Company, in options granted under the Save As You Earn programme and in options granted under the Long Term Incentive Plan are disclosed in the report of the Remuneration Committee on pages 50 to 53 together with details of their contractual arrangements with the Group.

Dr Polonsky is a controlling shareholder of the Group, as defined by the Listing Rules 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 Remuneration Committee Report on page 51. Other than as mentioned below, there were no significant transactions between the Group and Dr Polonsky during the year.

Dr Polonsky has an investment contract issued by the Group on terms available to employees in general. At 30 June 2014, following a withdrawal of approximately £4.5m during the year, this contract had a fair value of £6.6m (2013: £11.8m).

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 6 November 2014 at the Company's registered office. All Directors are expected to be present at the meeting.

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 and to renew the general authority of the Directors to issue shares.

The Directors consider that all the resolutions to be put to the meeting are in the best interests of the Company and its shareholders as a whole and will be voting in favour of them. The Board undertakes to apply the new Listing Rules in relation to the re-appointment of the independent non-executive Directors. 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, 6 and 8 to be presented at the meeting. The Company further confirms, as required by the recent revisions to 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. As required by the UK Corporate Governance Code, copies of the Company's Articles of Association, the Service Agreement for Gordon Marr, Letters of Appointment for the non-executive Directors and 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.

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 (2013: £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, has indicated its willingness to continue in office. The Audit Committee has recommended that PricewaterhouseCoopers LLC be reappointed as the Company's auditor. Accordingly, a resolution to reappoint PricewaterhouseCoopers LLC as auditor to the Company, and to authorise the Directors to fix its remuneration, will be proposed at the Annual General Meeting.

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. 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.

Company Secretary

The Company Secretary at 30 June 2014 and throughout the year then ended was Manoj Patel.

Directors' responsibilities in respect of the Annual 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 (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

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

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

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

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

The Directors have chosen to present supplementary information in accordance with the European Embedded Value Principles issued in May 2004 by the Chief Financial Officers Forum, as supplemented by the Additional Guidance on European Embedded Value Disclosures issued in October 2005 ('the EEV Principles'). When compliance with the EEV Principles is stated, those principles require supplementary information to be prepared in accordance with the Embedded Value methodology contained in the EEV Principles and to disclose and explain any non-compliance with the EEV Guidance included in the EEV Principles.

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

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

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

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

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the European Embedded Value ("EEV") supplementary information has been prepared in accordance with the European Embedded Value principles issued in May 2004 by the Chief Financial Officers Forum as supplemented by the Additional Guidance on European Embedded Value Disclosures issued in October 2005 ('the EEV Principles') and;
- the Business and 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

Company Secretary
24 September 2014

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 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.

Details on how we have applied the 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 36 to 38 and/or in the Remuneration Committee Report on pages 50 to 53.

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

Notwithstanding the above, it should be noted that throughout the year under review the Company did not comply with A3.1 of the Code as Dr Polonsky did not meet the independence criteria upon appointment as non-executive Chairman. Subsequently Dr Polonsky has accepted the position of non-executive director and President with effect from 30 June 2014. Philip Gregory was appointed to the position of non-executive Chairman. Philip Gregory was independent in accordance with the Code definition upon appointment as Chairman on 30 June 2014.

The Company confirms that it complies with the relevant independence criteria in the Code following these changes.

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;
- 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.

Board composition and key roles

At the date of this report the Board comprises the non-executive Chairman, three non-executive Directors and the Group Chief Executive Officer.

The Code requires that at least half the Board, excluding the Chairman, should comprise independent non-executive Directors as determined by the Board. Having considered the matter carefully the Board 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 each 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 changes to 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.

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. Philip Gregory acted as Senior Independent Director throughout the financial year and relinquished the role on 30 June 2014 when he was appointed non-executive Chairman. Maurice Dyson was appointed Senior Independent Director on 30 June 2014.

Non-executive Directors

Philip Gregory, Maurice Dyson and Andy Frepp are considered by the Board to be independent non-executive Directors in accordance with the Code definition. Dr Polonsky is a non-executive Director although he is 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.

The memberships of each of the principal Board Committees are detailed on page 42.

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. The term of appointment of Philip Gregory and Maurice Dyson was renewed for a further three years from November 2012.

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

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**	**5**	**4**	**3**
Dr Leonard Polonsky	5/6	n/a	n/a	n/a
Bernard Asher#	n/a	n/a	n/a	1/1
Maurice Dyson^	6/6	5/5	4/4	3/3
Andy Frepp+	3/3	2/2	2/2	1/1
Philip Gregory>	6/6	5/5	4/4	3/3
Gordon Marr	6/6	n/a	n/a	n/a

retired 16 September 2013
^ Chairman of the Audit Committee throughout the year
+ appointed 1 January 2014
> Chairman of the Remuneration and Nominations Committees throughout the year

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);
- Management Risk Committee (Chair: Gordon Marr);
- 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 Strategic Report on pages 28 to 33.

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 Ollie Byrne (Managing Director, Hansard Administration Services Limited); Paul Harwood (Group Chief Actuary); Graham Morrall (Chief Distribution Officer); Manoj Patel (Group Company Secretary); Ian Townsend (Chief Risk Officer); Vince Watkins (Chief Financial Officer) and Leslie Wong (Operations Director, Hansard Development Services Limited).

The Executive Committee has a combined 200 years' experience in the financial services industry with almost half of that time accounted for within the Hansard Group of Companies.

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 questionnaire by way of a self-evaluation. The analysis and summary of responses in the year under review did not identify any significant issues.

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 Remuneration Committee Report on pages 50 to 53.

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.

Risk management and internal controls

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 Group's Enterprise Risk Management ("ERM") framework, the Board regularly receives written reports covering all such aspects. In addition, the Board plays a direct role in the development of the Group's internal controls and risk management systems in addition to overseeing controls and risk management procedures via the Audit Committee.

Individual managers are responsible for ensuring compliance within their departments which includes the identification, evaluation and mitigation of risks within their areas of responsibility. The application and consistency of these policies and procedures are regularly reviewed by the Group's Internal Audit function, and are then overseen and reported to the Audit Committee, which is ultimately responsible for reporting on the same to the Board.

In accordance with provision C.2.1 of the UK Corporate Governance Code, the Board (through the Audit Committee) has conducted its annual review of the systems of internal control including financial, operational and compliance controls and risk management systems. Additional safeguards have been, and are being, implemented and monitored in relation to weaknesses identified during the year. Future reviews of the systems will take into account any new controls and processes that have been implemented.

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 32 to 33.

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 36 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 with the main functions split across two distinct locations and territories.

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

Human resources

The Group's principal administrative operations are performed in the Isle of Man and the Republic of Ireland. Account Executives and related market development resources are based in local markets to support the IFAs and other intermediaries that introduce business to the Group. The principal locations at 30 June 2014 are the Far East, the Middle East and Latin America.

Following the closure of Hansard Europe to new business with effect from 30 June 2013 the Group took steps to harness efficiencies from its OnLine and other developments by restraining headcount, with the result that a further 12 roles in relation to Hansard Europe were made redundant in the early part of this financial year. The Group provided affected employees with professional advice (including personal tax advice) and outplacement services to facilitate the transition to other employment.

At 30 June 2014, following recruitment of appropriate resources to support the Group's strategic plans, the number of the Group's employees by location was as follows:

Location	**Number 2014**	Number 2013
Isle of Man	**166**	158
Republic of Ireland	**22**	37
Other	**18**	14
	206	209

The gender profile of the Group at 30 June 2014 is split with a total of 114 male and 92 female employees (2013: 116 male and 93 female).

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 bare 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.

Social responsibility

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

This has resulted in a total of approximately £13,100 (2013: £15,800) being donated to various charities in those locations during the financial year. The majority of these donations were to support Cancer research.

Corporate responsibility

The following legislative changes will impact directly upon the Group's operations and relationships;

- Bribery Act 2013 – following the changes in the UK the Group had adopted a Board policy in line with the UK and updated this with the passing of the Bribery Act 2013 in the Isle of Man. This included a review of our contractual arrangements with our intermediaries to ensure that the changes from this Act were reflected in the terms of business. In addition there is an ongoing review to bring consistency across various group policies covering Ethics, Gifts and Whistleblowing.
- FATCA – The governments of the Isle of Man and the Republic of Ireland have agreed an Intergovernmental Agreement with the USA. A substantial amount of time and effort has been expended to ensure that the Group is compliant when the reporting needs to be made on affected accounts in 2015. The Group's life assurance subsidiaries have registered and obtained GII Numbers as required.
- UK FATCA (or "the UK / IOM Intergovernmental Agreement") – this is based on the US FATCA structure referenced above. The regulations only affect our Isle of Man operations with the first reporting of UK resident accounts required in 2016.

Communications 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; and
- The Annual Report 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 in particular when launching the Group's business strategy in March 2014.

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

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

The 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

Manoj B Patel
Company Secretary

24 September 2014

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.

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 independent non-executive Directors who have considerable recent and relevant financial experience, being Bernard Asher, Maurice Dyson, Andy Frepp and Philip Gregory. All members served on the Committee throughout the year and to the date of this report, with the exception of Bernard Asher who retired with effect from 16 September 2013 and Andy Frepp who was appointed a member of the Committee with effect from 1 January 2014. 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 five occasions during the year. The members' attendance record is set out in the Corporate Governance Report.

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

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

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

Subsidiary company audit committees

Each of the Group's life assurance subsidiaries has established an audit committee that provides an oversight role for its 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; the valuation of policyholder liabilities, having regard to the opinion of the independent Appointed Actuary, and the assessment of liabilities following the breaches in Chargeable Event Certificates regulations referred to earlier. In addition each committee has considered the actions to be put in place to minimise the recurrence of such operational risks.

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

Review of accounting and reporting

During the financial year the Committee:

- 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;
- 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 focused 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 persistency assumptions in the Group's EEV reporting; and
- The status of known or potential claims against the Group.

Subsequent to the year-end, the Committee, with the assistance of its professional advisors, assessed the liabilities faced by the Group following the breaches in Chargeable Event Certificates regulations identified in the latter part of the financial year. The Committee considered in particular the reporting obligations and other factors underpinning the calculation of the proposed settlement with HMRC and the extent of the data review and other work performed by management. Having regard also to the complexity of the calculations the Committee agreed that the provision of £5m (including professional costs) was reasonable in the circumstances. Accordingly the Committee recommended appropriate disclosure to the Board.

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 and results from completed audits and concluded that the function was fit for purpose.

Review of External audit

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

During the year, the Committee performed its annual review of the independence, effectiveness and objectivity of the external auditor, assessing the audit firm, the audit partner and audit teams. 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.

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

The Audit Committee has therefore recommended to the Board that PricewaterhouseCoopers LLC be re-appointed as the Company's auditor.

The Committee monitored compliance with the Group policy for the provision of non-audit services by the external auditor. This policy aims to ensure that external auditor objectivity and independence is safeguarded and sets out the categories of non-audit services which the external auditor is allowed to provide to the Group. Financial limits for non-audit related advice and consultancy work by the external audit firm apply to each company in the Group with 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. 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.

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.

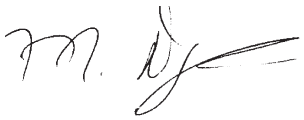
The Committee took into account events during the year and to the date of signing of the Accounts, including internal reporting structures together with reporting from internal audit, external audit and the Group's reporting actuaries.

The Committee has considered the actions recommended by executive management to minimise the recurrence of weaknesses identified during the year and established a reporting timetable for their implementation.

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 questionnaire and analysing the responses compared to prior years' responses and other factors.

For the Board



Maurice Dyson

Chairman of the Audit Committee
24 September 2014

Report of the Nominations Committee

Purpose and terms of reference

This report provides details of the role of the Nominations Committee and the work it has undertaken during the year. The role, responsibilities and work of the Committee can best be understood by reference to its written terms of reference. 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 Bernard Asher, Maurice Dyson, Andy Frepp and Philip Gregory. All members served on the Committee throughout the year and to the date of this report, with the exception of Bernard Asher who retired with effect from 16 September 2013 and Andy Frepp who was appointed a member of the Committee with effect from 1 January 2014. 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 four occasions during the year. The members' attendance record is set out in the Corporate Governance Report.

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

- Agreed the appointment of Dr Polonsky to the honorary position of President with effect from 30 June 2014;
- Agreed the appointment of Philip Gregory to the position of Chairman of the Board with effect from 30 June 2014;
- Agreed the appointment of Maurice Dyson to the position of Senior Independent Director and to the position of Chairman of the Group's Remuneration Committee with effect from 30 June 2014;
- Agreed the appointment of Marc Polonsky to the position of alternate director to Dr Polonsky with effect from 26 September 2013;
- Agreed the appointment of Andy Frepp to the position of independent non-executive Director with effect from 1 January 2014 and facilitated an appropriate induction programme;
- Agreed the roles and responsibilities of the non-executive Chairman and the Senior Independent Director;
- Considered the balance of the Board following the retirement from the Board of Bernard Asher using independent external consultants, the Miles Partnership, to identify a replacement director to fill the vacancy arising, with a view to recommending appropriate candidates to the Board and;
- Recommended to the Board the approval of a succession planning policy.

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 then Chairman, the Group Chief Executive Officer and the non-executive Directors. In addition, after each Board meeting, the Senior Independent Director held an informal session with the full Board members (without management or the Company Secretary being present) and one with only the independent non-executive Directors, which includes an evaluation of the performance of the Chairman.

For the Board

Philip Gregory

Chairman of the Nominations Committee
24 September 2014

Report of the Remuneration Committee

Purpose and terms of reference

This report provides details of the role of the Committee and the work it has undertaken during the year. 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 attract, retain and motivate executives of the necessary calibre.

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

Membership

During the year the members of the Committee were independent non-executive Directors being Bernard Asher, Maurice Dyson, Andy Frepp and Philip Gregory. All members served on the Committee throughout the year and to the date of this report, with the exception of Bernard Asher who retired with effect from 16 September 2013 and Andy Frepp who was appointed a member of the Committee with effect from 1 January 2014.

Philip Gregory was Chairman of the Committee throughout the year and resigned as Chairman with effect from 30 June 2014. Maurice Dyson was appointed Chairman of the Committee with effect from that date.

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.

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

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

- Having regard to market data, considered recommendations on remuneration for senior management (including the Group Chief Executive Officer) effective from 1 July 2014, including bonus payment and concluded that there be no increase in remuneration.
- Approved the appointment of KPMG to review the current incentive schemes for senior management to replace the current Long Term Incentive Plan.

Incentive Schemes

Cash-settled bonus scheme

The Committee approved the continuation of the bonus scheme for all employees. The terms of the scheme that is effective from 1 July 2014 are similar to those of the prior year and incorporate targets of new business production and expenses. Bonuses earned will be paid in tranches, half in October 2015 and the remainder in March 2016.

The 2013-2014 scheme did not generate an award for any participant (in the prior year this scheme generated an award of £12,592 for Gordon Marr).

Long-term Incentive Plan

At the date of this report, options over 1,200,000 shares are awarded but not vested for the Plan. Mr Gordon Marr holds 350,000 options (2013: 350,000) under the Plan. All these options will lapse with no value in light of the minimum performance criteria not being met over the period of the scheme.

No further options will be granted under this Long-Term Incentive Plan.

The Group intends to implement a replacement scheme in due course. KPMG have been retained to assist the Committee in the development of a future scheme. It is anticipated that the new scheme rules will be presented to the shareholders at the Annual General Meeting to be held in November 2015. If approved, any awards will be effective for the year ending 30 June 2016.

SAYE Share-save Programme

No options over shares were exercised under the Scheme rules during the year (2013: 7,379 shares).

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

Scheme year	**2014 No. of options**	2013 No. of options
2008	**-**	18,193
2009	**-**	44,170
2010	**-**	-
2011	**30,294**	30,294
2013	**266,538**	380,367
2014	**531,376**	-
	828,208	473,024

Employee Benefit Trust

An Employee Benefit Trust ("EBT") was established in November 2011 with a gift of Hansard Global plc shares from Dr Polonsky. At 30 June 2014 the EBT holds 434,500 shares (2013: 434,500 shares). Dr Polonsky has indicated that he wishes to gift an additional 250,000 shares to the EBT following the publication of the results for the year ended 30 June 2014.

No distributions were made from the EBT during the year (2013: a distribution totalling £20,639).

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 7 November 2013 were re-elected at the Annual General Meeting held on 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 6 November 2014. 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.

There were no significant transactions between the Group and Dr Polonsky during the year ended 30 June 2014, except as noted in the Director's Report.

Gordon Marr – Group Chief Executive Officer

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

Mr Marr was appointed to the Board on 27 April 2005 and last re-elected on 7 November 2013.

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

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.

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.

Directors' remuneration and other benefits for the financial year ended 30 June 2014

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 2014 for each Director who served during that year.

Name	Salary and fees 2014 £	Pension 2014 £	Bonus 2014 £	Other 2014 £	Aggregate 2014 £	Aggregate 2013 £
Executive Director						
Gordon Marr	325,000	45,500	69,076	41,751	481,327	393,592
Non-executive Directors						
Bernard Asher*	12,500	-	-	-	12,500	50,000
Maurice Dyson	68,000	-	-	-	68,000	68,000
Andy Frepp#	25,000	-	-	-	25,000	-
Philip Gregory	50,000	-	-	-	50,000	50,000
Dr L S Polonsky	1	-	-	-	1	1
Marc Polonsky~	-	-	-	-	-	-
Total	480,501	45,500	69,076	41,751	636,828	561,593

* retired 16 September 2013

appointed 1 January 2014

~ appointed alternate Director to Dr Polonsky on 26 September 2013

Directors' estimated remuneration and other benefits for the financial year ending 30 June 2015

The following table sets out the elements of estimated aggregate emoluments for the year ending 30 June 2015 for each Director, as agreed by the Board.

Name	Salary and fees £	Pension £	Bonus £	Other £	Aggregate £
Executive Director					
Gordon Marr	325,000	45,500	-	36,000	406,500
Non-executive Directors					
Maurice Dyson*	68,000	-	-	-	68,000
Andy Frepp	50,000	-	-	-	50,000
Philip Gregory#	85,000	-	-	-	85,000
Dr L S Polonsky	50,000	-	-	-	50,000
Marc Polonsky	-	-	-	-	-
Total	578,000	45,500	-	36,000	659,500

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

#Chairman of the Board

Directors' interests in share capital

At 30 June 2014 and at the date of this report Dr Polonsky held 51,782,319 shares in the Company's share capital, or 37.7% (2013: 39.9%) 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% (2013: 5.6%).

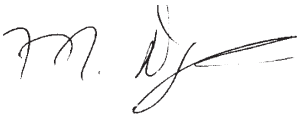
The table set out below shows the beneficial interests of other Directors and their families in the Company's share capital, at 30 June 2014 and at 30 June 2013.

Number of shares	**Direct**	**Indirect***	**Total 2014**	Direct	Indirect*	Total 2013
Executive Director						
Gordon Marr	**300,000**	**258,994**	**558,994**	300,000	258,994	558,994
Non-executive Directors						
Bernard Asher	**n/a**	**n/a**	**n/a**	15,000	-	15,000
Maurice Dyson	**32,500**	**-**	**32,500**	32,500	-	32,500
Philip Gregory	**11,070**	**-**	**11,070**	8,462	-	8,462
Marc Polonsky	**7,500,000**	**-**	**7,500,000**	n/a	n/a	n/a

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

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

For the Board



Maurice Dyson
Chairman of the Remuneration Committee

24 September 2014

Financials

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

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 2014 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Consolidated and Parent Company Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 15 of the Isle of Man Companies Act 1982 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2014, 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 2014 in accordance with United Kingdom Accounting Standards as applied in accordance with the provisions of the Isle of Man Companies Act 1982; and
- the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004.

Matters on which we are required to report by exception

We have nothing to report on the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 38, in relation to going concern; and
- the part of the Corporate Governance Statement and UK Corporate Governance Code specified for our review.

Ian Clague BSc FCA, Responsible Individual for and on behalf of PricewaterhouseCoopers LLC
Chartered Accountants
Isle of Man

24 September 2014

Consolidated Statement of Comprehensive Income for the year ended 30 June 2014

	Notes	Year ended 30 June 2014 £m	30 June 2013 £m
Fees and commissions	5	**59.5**	57.1
Investment income	6	**7.4**	75.5
Other operating income		**0.1**	0.1
		67.0	132.7
Change in provisions for investment contract liabilities		**(7.3)**	(73.4)
Origination costs	7	**(21.2)**	(21.2)
Administrative and other expenses	8	**(30.2)**	(27.4)
		(58.7)	(122.0)
Profit before taxation		**8.3**	10.7
Taxation	10	**-**	(0.3)
Profit and total comprehensive income for the year after taxation		**8.3**	10.4

Earnings per share

	Note	2014 (p)	2013 (p)
Basic	11	**6.0**	7.6
Diluted	11	**6.0**	7.6

The notes on pages 60 to 80 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

HANSARD GLOBAL PLC

	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 July 2012	68.7	(48.3)	24.5	**44.9**
Profit and total comprehensive income for the year after taxation	-	-	10.4	**10.4**
Transactions with owners				
Dividends paid	-	-	(15.5)	**(15.5)**
At 30 June 2013	**68.7**	**(48.3)**	**19.4**	**39.8**

	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 July 2013	68.7	(48.3)	19.4	**39.8**
Profit and total comprehensive income for the year after taxation	-	-	8.3	**8.3**
Transactions with owners				
Dividends paid	-	-	(11.2)	**(11.2)**
Balance at 30 June 2014	**68.7**	**(48.3)**	**16.5**	**36.9**

The notes on pages 60 to 80 form an integral part of these financial statements.

Consolidated Balance Sheet at 30 June 2014

	Notes	30 June 2014 £m	30 June 2013 £m
Assets			
Property, plant and equipment	13	**1.8**	1.0
Deferred origination costs	14	**123.9**	131.0
Financial investments			
Equity securities		**35.3**	25.8
Investments in collective investment schemes		**802.7**	853.1
Fixed income securities		**24.1**	27.0
Deposits and money market funds		**103.0**	144.3
Other receivables	15	**4.1**	5.1
Cash and cash equivalents	16	**58.4**	46.8
Total assets		**1,153.3**	1,234.1
Liabilities			
Financial liabilities under investment contracts	17	**943.6**	1,028.1
Deferred income	18	**141.2**	137.6
Amounts due to investment contract holders		**19.7**	16.8
Other payables	19	**11.9**	11.8
Total liabilities		**1,116.4**	1,194.3
Net assets		**36.9**	39.8
Shareholders' equity			
Called up share capital	21	**68.7**	68.7
Other reserves	22	**(48.3)**	(48.3)
Retained earnings		**16.5**	19.4
Total shareholders' equity		**36.9**	39.8

The notes on pages 60 to 80 form an integral part of these financial statements.

The financial statements on pages 56 to 80 were approved by the Board on 24 September 2014 and signed on its behalf by:

P P C Gregory
Director

G S Marr
Director

Consolidated Cash Flow Statement for the year ended 30 June 2014

HANSARD GLOBAL PLC

	Year ended 30 June 2014 £m	Year ended 30 June 2013 £m
Cash flow from operating activities		
Profit before tax for the year	**8.3**	10.7
Adjustments for:		
Depreciation	**0.6**	0.6
Dividends receivable	**(4.4)**	(4.1)
Interest receivable	**(0.7)**	(1.2)
Foreign exchange gains / (losses)	**2.2**	(0.4)
Changes in operating assets and liabilities		
Decrease in debtors	**0.9**	2.4
Dividends received	**4.4**	4.1
Interest received	**1.0**	1.5
Decrease / (increase) in deferred origination costs	**7.1**	(9.8)
Increase in deferred income	**3.6**	7.7
Increase in creditors	**3.1**	7.3
Decrease in financial investments	**85.2**	5.8
Decrease in financial liabilities	**(84.5)**	(5.7)
Cash flow from operations	**26.8**	18.9
Corporation tax (paid) / received	**(0.2)**	0.2
Cash flow from operations after taxation	**26.6**	19.1
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1.4)**	(0.6)
Proceeds from sale of investments	**0.1**	0.1
Purchase of investments	**(0.3)**	(0.2)
Cash flows from investing activities	**(1.6)**	(0.7)
Cash flows from financing activities		
Dividends paid	**(11.2)**	(15.5)
Cash flows from financing activities	**(11.2)**	(15.5)
Net increase in cash and cash equivalents	**13.8**	2.9
Cash and cash equivalents at beginning of year	**46.8**	43.7
Effect of exchange rate changes	**(2.2)**	0.2
Cash and cash equivalents at year end	**58.4**	46.8

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.

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 ("IFRS"), International Financial Reporting Standards Interpretations Committee ("IFRSIC") interpretations, and with the Isle of Man Companies Acts 1931 to 2004. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial investments and financial liabilities at fair value through profit or loss. The Group has applied all International Financial Reporting Standards adopted by the European Union and effective at 30 June 2014.

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.

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

- IAS 32, 'Financial instruments: presentation'
- IAS 36, 'Impairment of Assets'
- IAS 39, 'Financial Instruments' – Amendment to hedge accounting
- IFRS 9, 'Financial Instruments' – classification and measurement
- IFRS 9, 'Financial Instruments' – Amendment to hedge accounting
- IFRS 10, 'Consolidated Financial Statements'
- IFRS 12, 'Disclosures of Interests in other Entities'
- Annual improvements 2012
- Annual improvements 2013

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. The life of a contract is either the contractual term thereof or the expected life of a single premium contract which is currently estimated at 15 years. This is calculated in a manner consistent with the assumptions used in the calculation of European Embedded Value.

2.1.3 Recoverability of deferred origination costs

Deferred origination costs are tested annually, at product group level, for recoverability by reference to expected future income levels.

2.2 Judgements

The primary areas in which the Group has applied judgement in applying accounting policies are 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 as 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;
- to form an estimate of the potential exposure to Her Majesty's Revenue and Customs in relation to the weaknesses in compliance with the Chargeable Event Certificate regulations as more fully explained in note 27.1 and;
- to determine whether a provision is required in respect of any pending or threatened litigation, which is addressed in note 27.2.

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

An overall change in the market value of the unit-linked funds would affect the annual management charges accruing to the Group since these charges, which are typically 1% p.a., are based on the market value of contract holder assets under administration. Similarly, due to the fact that these charges are deducted from contracts in contract currency, a change in foreign exchange rates relative to sterling can result in fluctuations in reported fee income and expenses. The approximate impact on the Group's profits and equity of a 10% change in fund values, either as a result of price or currency fluctuations, is £1.5m (2013: £1.5m).

(b) Interest rate risk

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

The Group is primarily exposed to interest rate risk on the balances that it holds with credit institutions and in money market funds. A change of 1% p.a. in interest rates will result in an increase or decrease of approximately £0.8m (2013: £0.6m) 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:

	2014 US$m	**2014 €m**	**2014 ¥m**	2013 US$m	2013 €m	2013 ¥m
Gross assets	**16.5**	**4.5**	**337.6**	11.9	9.1	838.0
Matching currency liabilities	**(13.9)**	**(3.9)**	**(288.2)**	(10.1)	(3.2)	(719.1)
Uncovered currency exposures	**2.6**	**0.6**	**49.4**	1.8	5.9	118.9
Sterling equivalent of exposures (£m)	**1.5**	**0.5**	**0.3**	1.2	5.1	0.8

The approximate effect of a 5% change in the value of US dollars to sterling is £0.1m (2013: £0.1m); in the value of the euro to sterling is less than £0.1m (2013: £0.2m); and in the value of the yen to sterling is less than £0.1m (2013: 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:

Currency	**2014 %**	2013 %
US Dollars	**54.0**	55.0
Euro	**25.0**	25.0
Sterling	**16.0**	16.0
Others	**5.0**	4.0
	100.0	100.0

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 2014, 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.

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).

	2014 £m	2013 £m
Deposits with credit institutions	**33.4**	40.0
Investments in money market funds	**45.1**	27.2
	78.5	67.2

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.

	2014 £m	2013 £m
Maturity within 1 year		
Deposits and money market funds	**78.5**	62.2
Other assets	**1.5**	3.6
	80.0	65.8
Maturity from 1 to 5 years		
Deposits with credit institutions	**-**	5.0
Other assets	**0.3**	1.3
	0.3	6.3
Assets with maturity values	**80.3**	72.1
Other shareholder assets	**128.4**	132.5
Shareholder assets	**208.7**	204.6
Gross assets held to cover financial liabilities under investment contracts	**944.6**	1,029.5
Total assets	**1,153.3**	1,234.1

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.

Maturity analyses of financial and other liabilities are included in the relevant notes to the consolidated balance sheet.

3.5 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, 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.

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 2014:

Financial assets at fair value through profit or loss	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Equity securities	**35.3**	**-**	**-**	**35.3**
Collective investment schemes	**779.9**	**22.8**	**-**	**802.7**
Fixed income securities	**24.1**	**-**	**-**	**24.1**
Deposits and money market funds	**103.0**	**-**	**-**	**103.0**
Total financial assets at fair value through profit or loss	**942.3**	**22.8**	**-**	**965.1**

During this 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 financial year.

	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial liabilities at fair value through profit or loss	**-**	**943.6**	-	**943.6**

The following table analyses the Group's financial assets and liabilities at fair value through profit or loss, at 30 June 2013:

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

Assets with a fair value of £14.2m were transferred to from Level 1 to Level 2 during the year ended 30 June 2013. Assets with a value of £10.9m were reclassified from Level 1 to Level 3 and subsequently valued at zero.

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

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 Group maintains a close control over the margins realised on new business which are consistent across the Group's products and, hence, NICC is a reliable indicator of value.

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

	2014 £m	2013 £m
Latin America	**3.2**	3.3
Far East	**3.0**	12.5
EU and EEA	**0.4**	1.5
Rest of World	**1.2**	1.5
Net Issued Compensation Credit	**7.8**	18.8
Other commission costs paid to third parties	**3.5**	7.8
Enhanced unit allocations	**0.9**	1.9
Origination costs incurred during the year	**12.2**	28.5

The Net Issued Compensation Credit figure of £7.8m for the year all relates to continuing operations based in the Isle of Man (2013: £17.8m).

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

	2014 £m	2013 £m
Isle of Man	**47.6**	44.7
Republic of Ireland	**11.9**	12.4
	59.5	57.1

4.2 Geographical analysis of profit before taxation

	2014 £m	2013 £m
Isle of Man	**9.3**	10.7
Republic of Ireland	**(1.0)**	-
	8.3	10.7

4.3 Geographical analysis of gross assets

	2014 £m	2013 £m
Isle of Man	**876.5**	906.0
Republic of Ireland	**276.8**	328.1
	1,153.3	1,234.1

4.4 Geographical analysis of gross liabilities

	2014 £m	2013 £m
Isle of Man	**856.5**	884.7
Republic of Ireland	**259.9**	309.6
	1,116.4	1,194.3

5 Fees and commissions

Fees are charged to 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.

	2014 £m	2013 £m
Contract fee income	**41.1**	38.0
Fund management charges	**14.2**	14.8
Commissions receivable	**4.2**	4.3
	59.5	57.1

6 Investment income

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

	2014 £m	2013 £m
Interest income	**0.8**	1.1
Dividend income	**4.4**	4.1
Gains/(losses) on realisation of investments	**5.4**	(10.2)
Movement in unrealised gains and losses	**(3.2)**	80.5
	7.4	75.5

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.

	2014 £m	2013 £m
Amortisation of deferred origination costs	**19.2**	18.7
Other origination costs	**2.0**	2.5
	21.2	21.2

8 Administrative and other expenses

Included in administrative and other expenses is the following:

	2014 £m	2013 £m
Auditors' remuneration:		
- Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.1**	0.1
- Fees payable for the audit of the Company's subsidiaries pursuant to legislation	**0.3**	0.3
- Other services provided to the Group	**0.1**	0.1
Employee costs (see note 9)	**10.8**	11.4
Directors' fees	**0.3**	0.4
Estimated cost of HMRC settlement, including related professional fees	**5.0**	-
Fund management fees	**4.3**	4.3
Renewal and other commission	**1.2**	1.2
Professional and other fees	**2.2**	2.4
Litigation fees and settlements	**1.1**	2.1
Operating lease rentals	**0.6**	0.6
Licences and maintenance fees	**0.9**	0.8
Insurance costs	**0.9**	0.9
Depreciation of property, plant and equipment	**0.6**	0.6
Communications	**0.4**	0.4

In administrative and other expenses are items totalling £0.7m in respect of professional fees, redundancy and related costs following the closure of Hansard Europe Limited to new business on 30 June 2013 (2013: £0.4m).

9 Employee costs

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

	2014 £m	2013 £m
Wages and salaries	**11.0**	13.8
Social security costs	**0.9**	1.0
Contributions to pension plans	**0.9**	0.9
	12.8	15.7

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

	2014 £m	2013 £m
Administrative salaries and other staff costs	**10.8**	11.4
Origination costs	**2.0**	4.3
	12.8	15.7

The above information includes Directors' remuneration. Details of the Directors' remuneration, share options, pension entitlements and interests in shares are disclosed in the Remuneration Committee Report on pages 50 to 53.

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

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

	2014 No.	2013 No.
Administration	**145**	156
Distribution and marketing	**25**	27
IT development	**34**	34
	204	217

10 Taxation

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

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

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

11 Earnings per share

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

	2014	2013
Profit after tax (£m)	**8.3**	10.4
Weighted average number of shares in issue (millions)	**137.4**	137.4
Basic earnings per share in pence	**6.0**	7.6

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 (2013: 7.6p).

12 Dividends

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

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

	Per share 2014 p	**Total 2014 £m**	Per share 2013 p	Total 2013 £m
Final dividend in respect of previous financial year	**4.75**	**6.5**	8.0	11.0
Interim dividend in respect of current financial year	**3.4**	**4.7**	3.25	4.5
	8.15	**11.2**	11.25	15.5

The Board has resolved to pay a final dividend of 5.0p per share on 13 November 2014, subject to approval at the Annual General Meeting, based on shareholders on the register on 3 October 2014.

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 2014 is £9.0m (2013: £7.7m), with a net book value of £1.5m (2013: £0.8m). The cost of computer software at 30 June 2014 is £0.5m (2013: £0.4m), with a net book value of £0.3m (2013: £0.2m). Accumulated depreciation at 30 June 2014 is £7.7m (2013: £7.1m).

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.

Carrying value	2014 £m	2013 £m
Current	**12.8**	14.1
Non-current	**111.1**	116.9
	123.9	131.0

15 Other receivables

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

	2014 £m	2013 £m
Contract fees receivable	**0.8**	1.8
Commission receivable	**1.0**	1.0
Corporation tax recoverable	**0.2**	-
Other debtors	**2.1**	2.3
	4.1	5.1
Expected to be settled within 12 months	**3.8**	4.1
Expected to be settled after 12 months	**0.3**	1.0
	4.1	5.1

At the balance sheet date there are no receivables overdue but not impaired (2013: £nil) or impaired (2013: £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.

	2014 £m	2013 £m
Money market funds	**45.1**	27.2
Short-term deposits with credit institutions	**13.3**	19.6
	58.4	46.8

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:

	2014 £m	2013 £m
Deposits to investment contracts	**104.7**	120.4
Deductions from contracts	**(196.5)**	(199.5)
Change in provisions for investment contract liabilities	**7.3**	73.4
Movement in year	**(84.5)**	(5.7)
At beginning of year	**1,028.1**	1,033.8
	943.6	1,028.1

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

	£m	£m
Expected to be settled within 12 months	**25.8**	18.2
Expected to be settled after 12 months	**917.8**	1,009.9
	943.6	1,028.1

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 consolidated statement of comprehensive income in the period in which they arise.

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

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables consist, primarily, of contract fees receivable, long-term cash deposits (i.e. with 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.

	2014 £m	2013 £m
Equity securities	**35.2**	25.8
Investments in collective investment schemes	**802.4**	852.9
Fixed income securities	**24.1**	27.0
Deposits and money market funds	**82.9**	123.8
Total assets	**944.6**	1,029.5
Other payables	**(1.0)**	(1.4)
Net financial assets held to cover financial liabilities	**943.6**	1,028.1

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.

Carrying value	**2014 £m**	2013 £m
Current	**15.6**	16.6
Non-current	**125.6**	121.0
	141.2	137.6

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.

	2014 £m	2013 £m
Commission payable	**3.0**	6.2
Provisions for HMRC settlement and related costs	**4.8**	-
Other creditors and accruals	**3.9**	5.3
Other provisions	**0.2**	0.3
	11.9	11.8

Provisions totalling £4.8m have been established to settle potential liabilities to HMRC, together with related professional costs, arising from the Group's failure to comply fully with regulations in relation to the issue of Chargeable Events Certificates to HMRC. The provision represents the charge of £5.0m referred to in note 8, less amounts paid during the year for professional fees.

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 the minimum solvency requirements at the balance sheet date.

20.1 Capital position at the balance sheet date

The capital position statement sets out the financial strength of the businesses of the Group, measured on the basis of the presentation within the financial statements of the Company's regulated life assurance subsidiaries. These are located in the Isle of Man (Hansard International Limited) and the Republic of Ireland (Hansard Europe Limited). The Group and its individually regulated operations have complied with all externally and internally imposed capital requirements throughout the period.

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

	2014 £m	2013 £m
Consolidated shareholders' funds	**36.9**	39.8
Adjustment arising from change in GAAP basis (*)	**22.7**	20.7
Total shareholders' funds	**59.6**	60.5
Comprising shareholders' funds of:		
Non-life assurance Group companies	**19.0**	18.7
Life assurance subsidiary companies	**40.6**	41.8
	59.6	60.5
Less: DAC asset inadmissible for solvency purposes	**(0.6)**	(1.8)
Total capital available to meet regulatory capital requirements	**59.0**	58.7

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

20.2 Regulatory Minimum Solvency Margin

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

	2014 £m	2013 £m
Aggregate minimum margin	**4.8**	4.9

20.3 Required regulatory capital

Our agreement with the Central Bank of Ireland as a result of the implementation of the revised Operating Model for Hansard Europe Limited has the effect of delaying dividends or other distributions from that company until such time as the Operating Model is fully embedded and the legal cases referred to in note 27.2 are concluded. That company's capital available to meet regulatory capital requirements at 30 June 2014, which is incorporated within the table in note 20.1 above, is £13.4m (2013: £12.8m).

21 Called up share capital

	2014 £m	2013 £m
Authorised:		
200,000,000 ordinary shares of 50p	**100.0**	100.0
Issued and fully paid:		
137,379,634 (2013: 137,379,634) 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.

	2014 £m	2013 £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 consolidated statement of comprehensive income. A corresponding amount is credited to equity over the same period.

At each balance sheet date, the Group reviews its estimate of the number of options expected to be exercised. The impact of any revision in the number of such options is recognised in the consolidated statement of comprehensive income so that the charge to the consolidated statement of comprehensive income is based on the number of options that 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 HMRC approved scheme 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	2014 options	2013 options
Pre-2010	**-**	62,363
2011	**30,294**	30,294
2013	**266,538**	380,367
2014	**531,376**	-
	828,208	473,024

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

	2014		2013	
	No. of options	**Weighted average exercise price (p)**	No. of options	Weighted average exercise price (p)
Outstanding at the start of year	**473,024**	**97**	287,897	132
Granted	**531,376**	**83**	403,287	89
Exercised	**-**	**-**	(7,379)	132
Forfeited	**(176,192)**	**127**	(210,781)	127
Outstanding at end of year*	**828,208**	**88**	473,024	97

*66,098 of these options are exercisable as at 30 June 2014, with a weighted average price of 126p.

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:

2014 award assumptions	**3-year**	**5-year**
Date of grant	8 April 2014	8 April 2014
Fair value (pence)	12	10
Exercise price (pence)	83	83
Share price (pence)	105	105
Expected volatility	22 %	22 %
Expected dividend yield	9.5 %	9.5 %
Risk-free rate	1.7 %	2.2 %

2014 award details	
Date of grant	8 April 2014
No. of shares awarded	531,376
Vesting conditions	3- or 5-year savings term
Exercise period - 3-year	1 May 2014 - 31 October 2017
Exercise period - 5-year	1 May 2014 - 31 October 2019

23.2 Long Term Incentive Plan ("LTIP")

The Company introduced an LTIP for the Executive and senior management based on EEV performance over the 3 years ended 30 June 2014. The minimum condition required under the plan was not achieved in the year ended 30 June 2014 therefore there is no charge in the Consolidated Statement of Comprehensive Income (2013: nil).

24 Exceptional items

Items that are material either because of their size or their nature are presented within a relevant category in the Consolidated Statement of Comprehensive Income, but highlighted separately in the notes to the financial statements. The separate reporting of exceptional items helps provide a better picture of the Group's underlying performance.

Exceptional items affecting the results for the year total £6.4m (2013: £2.0m). An analysis of the nature of the relevant expenses is as follows:

24.1 Estimated costs of settlement with HMRC

As a result of weaknesses in the Group's procedures in relation to the processing and issue of Chargeable Event Certificates, the Board has agreed to negotiate a settlement with HMRC on an "estimate of tax lost" basis. We have performed a large number of complex calculations to support our estimate of the tax lost by HMRC and, therefore, the potential liability. We estimate that the cost to the Group, including professional costs, will not exceed £5.0m (2013: nil) and have made a provision for that amount in this financial year. This provision is reflected within note 19 to this Annual Report and Accounts.

24.2 Costs of closure of Hansard Europe Limited

We have taken a charge of £0.7m in this financial year (2013: £0.4m) representing accelerated redundancy costs, professional fees and other costs arising from the closure of Hansard Europe to new business and the restructure of the Group's contract servicing and related activities. With the successful implementation of the revised Operating Model we do not anticipate a significant level of these costs in the future.

24.3 Litigation settlements

At the beginning of this financial year Hansard Europe was facing litigation based on writs totalling €4.6m (approximately £3.9m) as a result of asset performance and related complaints. Each case is considered on its merits and the Board considered it in our best interests to reach a resolution with regard to certain of those claims. Settlements totalling £0.7m (2013: £1.6m) have been paid or are reflected as a provision in note 19.

25 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 rentals is as follows:

	2014 £m	2013 £m
Amounts due:		
Within one year	**0.6**	0.6
Between two and five years	**1.7**	2.0
After five years	**0.8**	1.1
	3.1	3.7

26 Related party transactions

26.1 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.

26.2 Key management personnel compensation

Key management consists of 10 individuals (2013: 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 2014 is as follows:

	2014 £m	2013* £m
Salaries, wages and bonuses	**2.5**	2.9

* comparative figures have been restated to reflect changes in key management in the year under review.

The total value of investment contracts issued by the Group and held by key management is less than £0.1m (2013: £0.1m).

26.3 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. There were no significant transactions between the Group and Dr Polonsky during the year under review. Dr Polonsky received no remuneration for services provided to the Group under the terms of his service agreement dated 1 January 2013 in this or the preceding year.

Dr Polonsky has an investment contract issued by the Group on terms available to employees in general. At 30 June 2014 this contract had a fair value of £6.6m (2013: £11.8m).

26.4 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. Awards by the Trust during the year totalling £21,000 (2013: £33,000) are not reflected as an expense in these financial statements. At the date of this Report and Accounts the Trust holds 434,500 shares.

26.5 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 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.

27 Provisions and contingent liabilities

27.1 Provisions

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

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

Included within note 19 (other payables) are provisions totalling £5.0m. Provisions totalling £4.8m have been established to settle potential liabilities to HMRC, together with related professional costs. The provision has been calculated on the basis of an "estimate of tax lost by HMRC" and represents the charge of £5.0m referred to in note 8, less amounts paid during the year for relevant professional fees. This provision represents the Directors' best estimate, however it is subject to uncertainty regarding both amount and timing of settlement as it will depend on the final agreement with HMRC. Additionally, provisions totalling £0.2m have been established in relation to a small number of legal cases brought against a Group company following a decision to pursue settlement.

27.2 Contingent liabilities

The Group does not give any investment advice and this is left to the contract holder directly or through an agent, advisor or an entity appointed at the contract holder's request or preference. Contract holders bear the financial risk relating to the investments underpinning their contracts, as the contract 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. This is particularly true of more complex structured products distributed throughout Europe that have been selected for inclusion in contracts by contract holders and / or their advisors. At the balance sheet date a number of those fund structures remain affected by liquidity or other issues that hinder their sales or redemptions on normal terms with a consequent adverse impact on 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 and has been served with a number of writs arising from such complaints and other asset-related issues.

At the date of this report, there remains a number of outstanding writs served upon Hansard Europe Limited totalling €6.5m or approximately £5.2m (2013: €4.6m or approximately £3.9m).

While it is not possible to forecast or determine the final results of pending or threatened legal proceedings, based on the pleadings and advice received from the Group's legal representatives, the Directors believe that the Group will be successful in its defence of these claims. The Group is however prepared to settle claims where there is a clear economic benefit to do so and provisions totalling £0.2m (2013: £0.3m) have been established in relation to a small number of those writs following a decision to pursue settlement.

28 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 consolidated statement of comprehensive income.

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

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

	2014	2013
US Dollar	**1.72**	1.52
Japanese Yen	**173.32**	150.82
Euro	**1.25**	1.17

Hansard Global plc

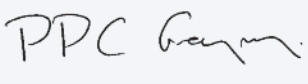
Parent company balance sheet

HANSARD GLOBAL PLC

	Notes	30 June 2014 £m	30 June 2013 £m
Assets			
Investment in subsidiary companies	2	**71.8**	71.8
Long-term deposits with credit institutions	3	**5.0**	5.0
Cash and cash equivalents		**8.5**	10.4
Amounts due from subsidiary companies	4	**2.7**	2.8
Other receivables	5	**0.6**	1.2
Tangible assets	6	**0.5**	0.2
Total assets		**89.1**	91.4
Liabilities			
Amounts due to subsidiary companies	4	**-**	1.0
Other payables		**0.5**	1.4
Total liabilities		**0.5**	2.4
Net assets		**88.6**	89.0
Shareholders' equity			
Called up share capital	7	**68.7**	68.7
Share premium		**0.1**	0.1
Retained earnings	8	**19.7**	20.1
Share save reserve		**0.1**	0.1
Total shareholders' equity	9	**88.6**	89.0

The notes on pages 82 to 85 form an integral part of these financial statements.

The parent company financial statements on pages 81 to 85 were approved by the Board on 24 September 2014 and signed on its behalf by:



P P C Gregory
Director

G S Marr
Director

Notes to the parent company financial statements

1 Accounting policies

1.1 Basis of preparation

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

The financial statements have been prepared in accordance with UK GAAP and the Isle of Man Companies Acts 1931 to 2004 and under the historical cost convention. In accordance with the provisions of the Isle of Man Companies Act 1982 the Company has not presented its own profit and loss account. The Company's profit for the year ended 30 June 2014, including dividends received from subsidiaries, is £10.8m (2013: £9.4m).

As discussed in the Directors' Report the going concern basis has been adopted in preparing these financial statements.

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

1.2 Significant accounting policies

1.2.1 Investment income

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

1.2.2 Dividends payable

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

1.2.3 Taxation

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

1.2.4 Investments in subsidiary companies

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

1.2.5 Foreign currencies

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

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

1.2.6 Tangible assets

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

The economic lives used for this purpose are:

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

2 Investments in subsidiary companies

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

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

3 Long term deposits with credit institutions

Long term deposits with credit institutions are redeemable within one year of the balance sheet date.

4 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.

5 Other receivables

Other receivables in 2013 includes amounts totalling £0.4m representing contractual payments in advance in relation to the purchase of a freehold property (see note 6 below); the Company exchanged contracts for the property in July 2013 and it is now included in tangible assets.

6 Tangible assets

The Company purchased a freehold property in July 2013 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 calculated in line with the company's accounting policy.

7 Share capital

	2014 £m	2013 £m
Authorised:		
200,000,000 ordinary shares of 50p	**100.0**	100.0
Issued and fully paid:		
137,379,634 (2013:137,379,634) ordinary shares of 50p	**68.7**	68.7

During the year no shares were issued (2013: 7,379 shares) 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 Retained earnings

	2014 £m	2013 £m
Profit for the financial year	**10.8**	9.4
Dividends paid	**(11.2)**	(15.5)
Net decrease in retained earnings	**(0.4)**	(6.1)
At beginning of year	**20.1**	26.2
	19.7	20.1

9 Movement in shareholders' equity

	2014 £m	2013 £m
Profit for the financial year	**10.8**	9.4
Dividends paid	**(11.2)**	(15.5)
Net decrease in shareholders' equity	**(0.4)**	(6.1)
At beginning of year	**89.0**	95.1
	88.6	89.0

10 Related party transactions

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

During the year fees totalling £0.1m (2013: £0.2m) were paid to non-executive Directors.

The Company entered into a contract with Mr. Gordon Marr in July 2011 to purchase a 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.

11 Equity settled share-based payments

11.1 SAYE programme

Shareholders have approved an SAYE share save programme for employees. The scheme is a standard SAYE plan, approved by the Revenue Authorities in the Isle of Man and is available to eligible employees. Under the terms of the scheme, individuals can invest up to £250 per month for a three- or five-year period to purchase shares at a price not less than 80% of the market price on the date of the invitation to participate. The estimated fair value of the schemes and the imputed cost for the period under review is not material to these financial statements.

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

Scheme year	2014	2013
Pre-2010	**-**	59,980
2011	**15,785**	15,785
2013	**266,538**	380,367
2014	**531,376**	-
	813,699	456,132

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

	2014		2013	
	No. of options	**Weighted average exercise price (p)**	No. of options	Weighted average exercise price (p)
Outstanding at the start of year	**456,132**	**96**	248,243	133
Granted	**531,376**	**83**	403,287	89
Exercised	**-**	**96**	(7,379)	133
Forfeited	**(173,809)**	**96**	(188,019)	128
Outstanding at end of year*	**813,699**	**88**	456,132	96

*51,589 of these options are exercisable as at 30 June 2014, with a weighted average price of 125p.

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

2014 award assumptions	**3-year**	**5-year**
Date of grant	8 April 2014	8 April 2014
Fair value (pence)	12	10
Exercise price (pence)	83	83
Share price (pence)	105	105
Expected volatility	22 %	22 %
Expected dividend yield	9.5 %	9.5 %
Risk-free rate	1.7 %	2.2 %

2014 award details	
Date of grant	8 April 2014
No. of shares awarded	531,376
Vesting conditions	3- or 5-year savings term
Exercise period - 3-year	1 May 2014 - 31 October 2017
Exercise period - 5-year	1 May 2014 - 31 October 2019

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.

11.2 Long Term Incentive Plan ("LTIP")

The Company has introduced LTIPs for the Group's Executive and senior management based on EEV performance over the 3 years ended 30 June 2014. The minimum conditions required under the plans were not achieved and therefore there is no charge in the Income Statement (2013: nil).

European Embedded Value Information

1 Introduction

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

The EEV comprises Net Worth and the Value of Future Profits ("VFP") i.e. future profits from business in-force at the valuation date, 30 June 2014. It excludes the value of any future new business that the Group may write after the valuation date. All results are calculated net of corporation tax.

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

2 EEV Profit performance for the year

2.1 EEV Profit / (Loss)

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

	2014 £m	2013 £m
New Business Contribution	**3.3**	22.5
Experience Variances	**(6.7)**	(5.5)
Operating Assumption Changes	**(6.0)**	(4.2)
Model Changes	**1.3**	(2.6)
Expected Return on New and Existing Business	**1.2**	1.2
Expected Return on Net Worth	**0.3**	0.3
EEV Operating Profit / (loss) after tax	**(6.6)**	11.7
Investment Return Variances	**(8.2)**	7.9
Economic Assumption Changes	**4.1**	(2.6)
EEV profit / (loss) after tax	**(10.7)**	17.0

2.1.1 New Business Contribution

New Business Contribution was £3.3m (2013: £22.5m).

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 one-off expenses (the Chargeable Event Certificate provision, offset by savings on expected legal expenses) and more full encashments.

	2014 £m	2013 £m
One-off expenses	**(4.5)**	(3.3)
Full encashments	**(3.5)**	(1.0)
Premium reductions & underpayments	**1.2**	(0.1)
Charge Inflation	**(1.1)**	0.0
Policyholder Activity Margins	**0.6**	(0.1)
Policies made paid up	**(0.4)**	(0.3)
Partial encashments	**0.4**	(0.8)
Ongoing expenses	**(0.1)**	0.7
Other	**0.7**	(0.6)
	(6.7)	(5.5)

2.1.3 Operating Assumption Changes

The Operating Assumption Changes reflect changes in management's view of the behaviour of the existing business. They reduced the EEV by £6.0m (2013: £4.2m), as shown below.

Operating assumptions are generally management's best estimate, having regard to recent experience. Management's view is that more policies will fully encash or convert to paid-up status than had been assumed in previous years.

	2014 £m	2013 £m
Full encashment	**(6.2)**	3.9
Policies made paid up	**(4.0)**	0.6
Ongoing expenses	**2.2**	(1.3)
Policyholder Activity Margins	**1.9**	0.0
Partial encashment	**0.7**	(5.0)
Premium reductions & underpayments	**(0.6)**	(4.1)
Changes to charge & expense inflation	**0.0**	1.7
	(6.0)	(4.2)

2.1.4 Model Changes

The Group continues to develop its modelling functionality. In particular, this year, it refined the approach to the timing of enhanced allocations for regular premium products and reviewed the monetary charge structure. As a result of these model changes, EEV was increased by £1.3m (2013: loss £2.6m).

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 2013. 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, so the New Business Strain is that incurred in the year from new sales, using end of period assumptions (i.e. assumptions determined at 30 June 2014).

	2014			2013		
	EEV	**Net Worth**	**VIF**	EEV	Net Worth	VIF
	£m	**£m**	**£m**	£m	£m	£m
Cash generated from VFP	**0.0**	**41.5**	**(41.5)**	0.0	39.1	(39.1)
New Business Strain	**0.0**	**(16.8)**	**16.8**	0.0	(26.8)	26.8
Time value of existing business	**1.2**	**0.6**	**0.6**	1.1	0.3	0.8
Time value of new business	**0.0**	**(0.1)**	**0.1**	0.1	(0.1)	0.2
	1.2	**25.2**	**(24.0)**	1.2	12.5	(11.3)

There was no change in the actual or time value of non-market risk and frictional costs over the period, or in the prior period.

The expected value of cash generated was £41.5m (2013: £39.1m). The increase reflects the higher levels of new business in 2012/13 being capitalised in this year. The lower New Business Strain of £16.8m (2013: £26.8m) reflects lower new business. The time value figures use economic assumptions at 30 June 2013 (for existing business) and 2014 (for new business).

2.1.6 Expected Return on Net Worth

The Expected Return on Net Worth of £0.3m (2013: £0.3m) reflects the anticipated increase in shareholder assets over the period due to the time value of money. In line with EEV convention, its calculation is based on the 30 June 2013 year one risk sterling discount rate which was 0.7% (2013: 0.6%).

2.1.7 Investment return variance

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

	2014	2013
	£m	£m
Exchange rate movements	**(17.5)**	1.6
Investment performance of policyholder funds	**9.7**	6.2
Shareholder return	**(0.4)**	0.2
Other	**0.0**	(0.1)
	(8.2)	7.9

The exchange rate movements arise because most premiums are paid, and the greater proportion of policyholder-selected assets are denominated, in currencies other than sterling, yet the reporting is in sterling, based on exchange rates on the last day of the financial year.

2.1.8 Economic Assumption Changes

There was a positive variance of £4.1m (2013: negative £2.6m) from Economic Assumption Changes: this variance follows the application of the EEV Principles, and reflects changes to government bonds yields for the currencies to which the Group is exposed.

	2014 £m	2013 £m
Risk Discount Rates & Unit Growth	**3.5**	(0.5)
Marketing Allowances	**1.5**	0.0
Treasury Margin	**(0.9)**	(1.2)
Other	**0.0**	(0.9)
	4.1	(2.6)

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 2014.

	2014			2013		
	EEV	**Movement in Net Worth**	**VIF**	EEV	Movement in Net Worth	VIF
	£m	**£m**	**£m**	£m	£m	£m
New Business Contribution	**3.3**	**0.0**	**3.3**	22.5	0.0	22.5
Experience Variances	**(6.7)**	**(2.9)**	**(3.8)**	(5.5)	(5.1)	(0.4)
Operating Assumption Changes	**(6.0)**	**(0.3)**	**(5.7)**	(4.2)	0.0	(4.2)
Model Changes	**1.3**	**0.0**	**1.3**	(2.6)	0.0	(2.6)
Expected Return on new and existing business	**1.2**	**25.2**	**(24.0)**	1.2	12.5	(11.3)
Expected Return on Net Worth	**0.3**	**0.3**	**0.0**	0.3	0.3	0.0
EEV Operating Profit / (Loss) after tax	**(6.6)**	**22.4**	**(29.0)**	11.7	7.7	4.0
Investment Return Variances	**(8.2)**	**(2.4)**	**(5.8)**	7.9	2.0	5.9
Economic Assumption Changes	**4.1**	**0.0**	**4.1**	(2.6)	0.0	(2.6)
EEV Profit / (Loss) after tax	**(10.7)**	**20.0**	**(30.7)**	17.0	9.7	7.3

3 Embedded value at 30 June 2014

Following the payment of dividends of £11.2m (2013: £15.5m), the Group's EEV has decreased to £203.8m (2013: £225.7m). The EEV balance sheet is presented below.

	2014 £m	2013 £m
Free surplus	**28.3**	20.0
Required Capital	**25.1**	24.6
Net Worth	**53.4**	44.6
VIF	**157.5**	188.2
Frictional costs	**(1.0)**	(1.0)
Reduction for non-market risk	**(6.1)**	(6.1)
Value of Future Profits ("VFP")	**150.4**	181.1
EEV	**203.8**	225.7

At the balance sheet date, the Net Worth of the Group is represented by liquid cash balances. The Required Capital has increased marginally. Following the decision to close Hansard Europe to new business, the Group has given undertakings not to release capital from that business until its new operating model has stabilised and other regulatory requirements have been satisfied. Currently, the Group estimates that this additional required capital (of, currently £9.0m) will be constrained for three years.

The VFP is based on the value of policyholder funds under administration at 30 June 2014.

4 New business profitability

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

4.1 New business margin

	2014	2013
New business sales (PVNBP basis)	**£83.0m**	£188.7m
New business contribution ("NBC")	**£3.3m**	£22.5m
New business margin ("NBM")	**4.0%**	12.0%

The New Business Margin for the year is 4.0% (2013: 12.0%). The change is primarily due to the reduction in new business volumes over the period and the spreading of initial expenses over fewer policies sold.

The premium reduction rate and the rate of conversion to PUP status assumptions differed for business written during this year, reflecting the different special offer terms on which that business was written.

4.2 Internal rate of return ("IRR")

The average IRR per annum on new business written during the year was 6.7% (2013: more than 15%).

4.3 Break even point ("BEP")

The average BEP for new business written during the year is 9.1 years (2013: 2.0 years). The increase reflects the reduction in new business volumes and the spreading of initial expenses over fewer policies sold.

5 EEV sensitivity analysis

Sensitivities provide an indication of the impact of changes in particular assumptions on the EEV at 30 June 2014 and the NBC for the year then ended.

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

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

Impact on:	EEV £m	NBC £m
Central assumptions	**203.8**	**3.3**
Operating sensitivities		
10% decrease in expenses	5.9	1.2
1% decrease in expense inflation	3.5	0.5
1% increase in charge inflation	3.5	0.5
1% decrease in charge inflation	(2.8)	(0.5)
1% increase in expense & charge inflation	(0.3)	(0.0)
1% decrease in expense & charge inflation	0.8	0.0
10% decrease in full encashment rates	2.0	0.2
5% decrease in mortality	0.1	0.0
Economic sensitivities		
1% increase in risk discount rate	(7.3)	(0.9)
1% decrease in investment return rate	(5.8)	(0.4)
1% increase in risk discount rate & investment return rate	(1.7)	(0.5)
1% decrease in risk discount rate & investment return rate	0.3	0.3
10% decrease in the value of equities and property	(8.7)	(0.0)
10% strengthening of sterling	(13.7)	(0.9)

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 extended in October 2005. It has been calculated using market-consistent economic assumptions and best estimate operating assumptions having regard for the Group's own past, current and expected future experience.

1.2 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, PVNBP, IRR and BEP:

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

1.4 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, PVNBP, IRR and BEP have been calculated using economic assumptions as at the start of the year and operating assumptions as at the end of the year.

1.5 Real world returns

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

2 METHODOLOGY

2.1 Overview

The methodology used to derive the EEV results at the valuation date is consistent with the EEV methodology used in relation to the consolidated financial statements for the year ended 30 June 2013. 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

- **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 policyholder 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 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.

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.

This year, the Directors have established an allowance of £6.1m (2013: £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 (including the Chargeable Event Certificate issue), the operational characteristics of the business and market information.

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 assurers, 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 are generally consistent with prior years.

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.

Exceptional items are generally charged as incurred and hence are reflected as a variance in the year. Their value was £4.5m which includes £5m for the Chargeable Event Certificate issue less tax applicable to Hansard Europe (2013: £3.3m).

3.2 Demographic & policyholder experience assumptions

The assumption setting process is consistent with prior years.

For business written in the last year, different assumptions were used for premium reductions and conversion to paid-up status, to reflect the special offer terms on which this business was written.

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	**2014**	2013
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 policyholder 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. 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).

Aggregate weighted risk discount rate	**Year ended 30 June 2014**		Year ended 30 June 2013	
	EEV	**NBC**	EEV	NBC
per annum	**1.9%**	**2.2%**	2.2%	1.6%

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

4.3 Risk premium

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

4.4 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. For service companies, expense inflation relates to the underlying expenses rather than the fees charged to the life assurance companies.

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

Inflation assumptions are as follows:

Inflation rates	**2014**	2013
Expense inflation per annum	**3.0%**	3.0%
Charge inflation per annum – Hansard Europe	**5.0%**	5.0%
Charge inflation per annum – Hansard International – Year 1	**2.4%**	2.4%
Charge inflation per annum – Hansard International – Year 2	**2.7%**	2.7%
Charge inflation per annum – Hansard International – Year 3+	**3.0%**	3.0%

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

Report of the Reviewing Actuaries to the Directors of Hansard Global plc

Review of the European Embedded Value ("EEV") of Hansard Global plc for the year ended 30 June 2014

Our role

Deloitte MCS Limited has been engaged by Hansard Global plc to act as Reviewing Actuaries in connection with the EEV Information within Hansard Global plc's Results for the year ended 30 June 2014.

Responsibilities

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

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

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

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

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

Opinion

In our opinion, on the basis of our review:

- the methodology and assumptions used to prepare the EEV Information comply in all material respects with the European Embedded Values Principles set out by the CFO Forum in May 2004, and additional guidance released in October 2005 (the "CFO Forum Principles"); and
- the EEV Information has been compiled on the basis of the methodology and assumptions and complies in all material respects with the CFO Forum Principles.

Reliances and limitations

We have relied on data and information, including the value of net assets, management accounting data and solvency information supplied to us by the Group. Further, we have relied on the terms of the contracts, as they have been reported to us, being enforceable.

We have relied on the reported mathematical reserves, the adequacy of those reserves, and of the methods and assumptions used to determine them. We have assumed that all provisions made in the audited financial statements for any other liabilities (whether actual, contingent or potential) of whatever nature, are appropriate.

We have also relied on information relating to the current and historical operating experience of the Group's life insurance business, including the results of experience investigations relating to policy persistency, and expense analysis. In forming our opinion, we have considered the assumptions used in the EEV Information in the context of the reported results of those investigations although we have not attempted to predict the impact of potential future changes in competitive forces on the assumptions.

Deloitte MCS Limited
24 September 2014

Glossary

HANSARD GLOBAL PLC

Account Executives

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

Annualised premium equivalent ("APE")

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

Assets under administration ("AUA")

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

Break-even point ("BEP")

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

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 the 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.

Enterprise risk management ("ERM") programme.

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

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.

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 "Results for the year under European Embedded Value" (pages 86 to 91) and "Notes to the European Embedded Value Information" (pages 92 to 95) 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.

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 FATCA 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.

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.

Internal rate of return ("IRR")

A measure of the post-tax shareholder return on the capital invested in new business, and so is an indicator of capital efficiency. It is defined as the discount rate at which the present value of expected cash flows over the life of the new business written in the year is equal to the total capital invested to support the writing of that business. IRR is a profitability, rather than a profit, measure.

International Financial Reporting Standards ("IFRS")

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

IFRS equity per share

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

Key performance indicators ("KPI")

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

Maintenance expenses

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

Net Worth

The market value of 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 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 policyholder agrees at inception to make regular payments throughout the term of the contract.

Required capital

The market value of assets attributed to the covered business over and above that required to back covered business liabilities, 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, JPY, EUR and USD up to year 30, and the year 30 rate thereafter. This covers over 95% of the future expected cash amounts by funds under management: other currencies are assumed to be subject to the GBP rate. Year 1 rates are used to unwind the existing business and are shown separately in the disclosures.

Single premium

A contract which involves the payment of one premium at inception (as opposed to a regular premium contract) with no obligation for the policyholder 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 comes 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 2015

Annual General Meeting	6 November 2014
Publication of first interim management statement	7 November 2014
Payment date for final dividend	13 November 2014
Announcement of 2nd quarter new business results	29 January 2015
Publication of half-yearly results	26 February 2015
Declaration of interim dividend	26 February 2015
Ex-dividend date for interim dividend	5 March 2015
Record date for interim dividend	6 March 2015
Payment of interim dividend	2 April 2015
Publication of second interim management statement	7 May 2015
Announcement of 4th quarter new business results	30 July 2015
Announcement of results for the year ended 30 June 2015	23 September 2015
Declaration of final dividend	23 September 2015
Ex-dividend date for final dividend	1 October 2015
Record date for final dividend	2 October 2015
Annual General Meeting	12 November 2015
Payment date for final dividend	19 November 2015

Contacts and Advisors

HANSARD GLOBAL PLC

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

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

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
GLOBAL PLC

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

Tel: +44 (0)1624 688000
Fax: +44 (0)1624 688008

E: enquiries@hansard.com
www.hansard.com

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www.hansard.com