



HANSARD GLOBAL plc

Gathering momentum

Interim Accounts 2013

Hansard Global plc

Results for the six months ended 31 December 2012

Hansard's performance in H1 2013 demonstrates the benefits arising from the Group's focus on its product mix and on our OnLine proposition.

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Our focus on regular premium business sourced from growth markets continues to be rewarded with an increased proportion of regular premiums and market-leading new business margins of 12.1%.

Results summary

	H1 2013	H1 2012
New business sales – regular premiums (PVNBP)	£66.8m	£67.6m
New business sales – single premiums (PVNBP)	£16.6m	£22.1m
New business margin after tax	12.1%	10.4 %
EEV profit / (loss) after tax	£10.5m	(£2.6m)
IFRS profit after tax	£6.1m	£5.2m
IFRS earnings per share	4.4p	3.8p
Interim dividend per share	3.25p*	5.90p

As at	31 December 2012	30 June 2012
Assets under Administration	£1,046m	£1,034m
European Embedded Value	£224m	£224m

* Payment date – 3 April 2013

Chairman's Statement

Dr. Leonard Polonsky

I am pleased to report that Hansard's performance in the first half of this financial year (H1 2013) demonstrates the benefits arising from the Group's focus on its product mix and on our OnLine proposition.

Our focus on regular premium business sourced from growth markets continues to be rewarded with an increased proportion of regular premiums and market-leading new business margins of 12.1%.

As anticipated, new business sales in Q2 2013, on all metrics reported by the Group, were significantly above the levels of Q1 2013. This momentum has accelerated in Q3 2013 with the result that total new business sales for the year to date are now higher than the comparative period.

Hansard Europe Limited

With the success of the Group's strategy to build relationships with intermediaries in growth markets and the lack of prospects in the eurozone, we have concluded that it is in the long-term interests of the Group to reduce its exposure to Europe. Following a strategic review of the operations of Hansard Europe Limited we have decided to close that company to new business with effect from 30 June 2013.

We do not believe that this decision will have a significant impact on future levels of new business. The levels of new business from the countries serviced by Hansard Europe are less than 10% of the Group's total new business in H1 2013, using the Group's internal metric. Using the Present Value of New Business Premiums ("PVNBP"), new business flows are less than 15% of the total. The majority of these flows are single premiums.

Note 4 to the condensed consolidated financial statements provides a range of metrics summarising the relative size of Hansard Europe Limited against the remainder of the Group.

Financial performance for the six months ended 31 December 2012

Throughout the period we have continued to generate positive operating cash flows to fund new business and invest in our business. The Group's profit under International Financial Reporting Standards ("IFRS") has grown by £0.9m over H1 2012, to £6.1m after tax and although European Embedded Value ("EEV") Operating profit after tax has fallen to £9.5m (H1 2012: £10.2m) the effect of rising markets in Q2 2013 has reversed previous investment return variances and resulted in a EEV Profit of £10.5m after tax (compared with a loss of £2.6m in H1 2012).

The EEV of the Group, following the payment of a dividend of £11m in November 2012, is £223.9m, fractionally below the value at 30 June 2012.



Assets under administration (“AuA”)

Increased levels of regular premiums have underpinned AuA performance in Q2 2013, despite continued levels of premium holidays enjoyed by policyholders and lower levels of single premiums. Taken with the effects of market gains in the quarter, AuA of £1.05bn as at 31 December 2012 is marginally above the level at 30 June 2012.

Capitalisation and solvency

The Group continues to be substantially capitalised to satisfy operational, regulatory and policyholder expectations. The Solvency requirements of our regulators are covered almost 14 times by the Group’s capital, which is held with a wide range of deposit institutions and in highly-rated money market liquidity funds to protect against capital market volatility.

Dividends

In line with previous guidance, dividend payments for the year ended 30 June 2013 are expected to total 8.0p per share and it is the Board’s intention to pursue a progressive policy thereafter. The Board has resolved to pay an interim dividend of 3.25p per share (2012: 5.90p). This will be paid on 3 April 2013.

Board Composition

The business profile of the Group continues to change, as does the Board. I was delighted to appoint Gordon Marr as Group Chief Executive Officer. This development will enable Gordon to focus on the execution of our strategy during the next phase of our growth, and I remain committed to supporting Gordon and the Board in my new capacity of non-executive Chairman.

Joe Kanarek has announced his intention to retire from the Group with effect from 30 June 2013. We are grateful to Joe for his hard work over the last twelve years and will be working with him for the

remainder of this financial year to execute the Group’s strategy and oversee a smooth transition. We are making progress in finding a replacement for Joe and have drawn up a shortlist of potential candidates.

Hansard OnLine

We continue to develop Hansard OnLine in order to implement new business initiatives and meet the needs of policyholders and those intermediaries who introduce new business to us. We are gratified that an increasing proportion of independent financial advisors have used Hansard OnLine to transact with us electronically.

Outlook

We continue to face economic uncertainty, but believe we have the right strategy in place to grow the business. There is a strong momentum, and we are confident of delivering further new business growth in the second half and beyond.

L S Polonsky

Chairman

27 February 2013

Report of the Group Chief Executive Officer

Gordon Marr

I am pleased to present my first report in my capacity of Group Chief Executive Officer. I believe that the Group's prospects are positive and, supported by the Board, we can together drive forward the business.

Strategy

Throughout H1 2013 Hansard has continued to generate positive cashflows to fund new business and dividends; continued to invest in distribution infrastructure; to improve support to Independent Financial Advisors ("IFAs") in our target markets, and to reduce our exposure to operational and business model risk.

The Group's executive are focused on three specific areas: sourcing new business from growth markets, controlling costs and managing business risk.

- We will continue to focus our distribution activities in order to gain an increasing proportion of regular premium flows from growth markets. We expect to achieve this through enhanced service levels; innovative support to IFA networks; improvements to our product range and by extending the reach of our OnLine offering.
- Furthermore, we intend to embed process efficiencies to reduce our cost base and to press for resolution of those legal cases where it serves the Group's interest.
- We intend to minimise future exposure to those assets that have given rise to significant policyholder complaints and to those jurisdictions where we have been subject to legal challenge. This will be achieved, in large part, by closing Hansard Europe Limited to new business with effect from 30 June 2013.

Results for the period

Our target is to grow new business through profitable relationships with intermediaries and to retain that business on the books over the longer term. This success is demonstrated in our results under both EEV and IFRS. The increasing proportion of regular premium policies results in both increased new business margins at time of issue, and increased contract fee income in future financial periods.

The results of H1 2012 were impacted by falls in investment values and the strength of sterling against euro. Market gains and strengthening of the euro have contributed to increased profits in H1 2013 as they impact directly upon the value of fees that we expect to collect from the existing book of policies in the future.

New business distribution

While new business flows in H1 2013 are marginally below those of H1 2012 we are happy with the sales momentum from Q1 2013 into Q2. Strong growth in regular premium sales underpinned Q2 sales of £44.3m on the basis of Present Value of New Business Premiums ("PVNBP") which are 13.3% ahead of Q1 levels, reflecting the attractiveness of our long term investment products among financial advisors and their clients. This growth has continued into Q3 2013. New business sales in Q3 to date are significantly higher than Q3 2012, on all metrics used by the group. Performance in Far Eastern markets has been particularly strong.

	H1 2013	H1 2012
New business margin after tax	12.1%	10.4 %
EEV profit / (loss) after tax	£10.5m	(£2.6m)
IFRS profit after tax	£6.1m	£5.2m
IFRS earnings per share	4.4p	3.8p

As at	31 December 2012	30 June 2012
Assets under Administration	£1,046m	£1,034m
European Embedded Value	£224m	£224m



Innovative methods of enhancing relationships have driven recent growth. The increased proportion of regular premium sales continues to drive growth in profitability and the Group's new business profits have increased by almost 10% over H1 2012, under EEV. Commentary on new business is contained in the report of the Chief Distribution Officer.

We are working to build our sales force over the next few months and we have identified a shortlist of potential candidates to replace Joe Kanarek.

We are pleased with the progress of increased functionality developed for Hansard OnLine to allow intermediaries and policyholders to more efficiently transact with us, and which demonstrates further the value of the insurance wrapper.

As is reported in section 3 of the Financial and Business Review, 90% of applications for regular premium policies are currently delivered to us electronically, as are approximately 60% of instructions for investment transactions within policy wrappers.

Risks

The principal risks that impact on our strategy and results, and which are set out in section 4 of the Financial and Business Review, are those arising from regulatory interpretation, policyholder and intermediary behaviour and economic conditions. Our business model is such that the assets linked to policies, and which determine the policy values, are selected by policyholders or their advisors yet a significant portion of the complaints received by the Group relate to the selection and performance of assets. This is particularly true of more complex structured assets distributed throughout Europe that have been selected by policyholders and / or their advisors for inclusion in policies. We intend to minimise future exposure to assets of similar types.

Litigation

As discussed above the Group does not give any investment advice. However we have been subject to a number of policyholder complaints in relation to the selection and performance of assets linked to policies. Writs totalling €4.4m (approximately £3.7m) were served on Hansard Europe Limited in H1 2013, to bring the total of writs served to €14m (£11.6m). The significant components of this total are those relating to:

- Norway (€7.2m) - where the appeal hearing is currently scheduled for February 2014;
- Asset performance and other issues in Italy (€4m) - where a hearing has been set for next month and;
- Madoff-related litigation (€1.7m) where the case has been stayed and we have no firm commencement date.

We remain confident that we will be successful following our appeal against the initial ruling in the Norwegian litigation.

Based on the advice received to date from legal counsel the Group has not made any provision in respect of any complaints. The Group intends to defend itself against all claims strenuously.

As reported in the Interim Management Statement that we issued on 9 November 2012, we continue to deal with Policyholder complaints, principally in relation to suspended assets and product questions arising in Italy and Belgium. A small number of cases have proceeded to mediation or arbitration in those jurisdictions. We estimate that current complaints could result in additional writs of up to £9m.

As is reported in note 15 to the financial statements, the Board is of the view that these complaints have no merit. 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 company's legal advisors, the Directors believe that the Group will be successful in its defence of these claims.

Dividend

In line with previous guidance, the Board has resolved to pay an interim dividend of 3.25p per share (2012: 5.90p). This will be paid on 3 April 2013.

G S Marr
Chief Executive Officer

27 February 2013

Report of the Chief Distribution Officer

Joseph Kanarek

Continued development of relationships with financial advisors, establishment of new relationships and introduction of new product initiatives, particularly in the Far East and Latin America, have underpinned new business in the period.

These factors have contributed to an increased percentage of more profitable regular premium sales.

We believe that our strategic decision to focus on non-EU markets, and the Far East and Latin America in particular, continues to be vindicated given the continuing instability in the eurozone.

New business sales for Q1 2013 were weaker than we expected (and a comparison to a strong Q1 2012 compounded the apparent weakness) however the initiatives that we put in place in Q1 2013 to secure additional flows of new business resulted in growth of 20.5% in regular premium new business sales in Q2, over Q1. This growth has continued into Q3. Currently, new business sales for Q3 to date are significantly higher than Q3 2012 with the result that new business sales for the year to date are higher than the comparative period of the previous year, on all metrics used by the Group.

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

New business for the six months ended 31 December 2012

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

A summary of new business flows on each metric is set out below. Comparisons against the corresponding periods are on an actual currency basis.

	Six months ended 31 December		Change %	Year ended 30 June
	2012 £m	2011 £m		2012 £m
CC	8.4	8.6	(2.3)%	17.1
PVNBP	83.4	89.7	(7.0)%	175.7
APE	12.7	13.5	(5.9)%	27.0



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

By type of contract	Six months ended 31 December		Change %	Year ended 30 June
	2012 £m	2011 £m		2012 £m
Regular premium	66.8	67.6	(1.2)%	124.4
Single premiums	16.6	22.1	(24.9)%	51.3
PVNBP	83.4	89.7	(7.0)%	175.7

By geographical area	Six months ended 31 December		Change %	Year ended 30 June
	2012 £m	2011 £m		2012 £m
Far East	42.4	35.6	19.1 %	69.4
Latin America	18.1	23.1	(21.6)%	37.1
EU and EEA	15.1	21.0	(28.1)%	46.6
Rest of World	7.8	10.0	(22.0)%	22.6
PVNBP	83.4	89.7	(7.0)%	175.7

We continue to direct our market development and other resources to attract sources of regular premium new business flows. This is reflected in regular premiums of £66.8m (H1 2012: £67.6m) which represent some 80% of total new business premiums (H1 2012: 75%). More particularly, this is reflected in continuing flows from the Far East and Latin America regions;

- Relationships with independent financial advisors in the Far East continue to deliver significant new business. Sales of £42.4m for the six month period, which are primarily regular premium policies, have increased by 19% over H1 2012.
- Renewed focus on relationships in Latin America and product initiatives have resulted in a resurgence of interest among advisors and their clients such that Q2 2013 new business flows of £11.1m are 58% higher than Q1 2013 and approaching levels experienced in prior periods.

The flow of single premium business in certain parts of the EU and EEA regions remains depressed as a result of volatile market conditions and current regulatory complexity. Single premium flows of £16.6m have fallen from £22.1m in H1 2012.

New business flows are received in a range of currencies. Approximately 40% (as a percentage of PVNBP) of new business premiums in the period were denominated in Japanese Yen, 33% in US Dollar, 14% in Euro and 11% in Sterling.

Hansard OnLine

The Group continues to invest in Hansard OnLine to allow financial advisors to provide a better service to their clients. We believe that all aspects of the lifecycle of a Hansard policy should be capable of OnLine transaction.

Currently 90% of new regular premium policies are introduced to us through Hansard OnLine.

This allows a significant reduction in paper flows and in turnaround time, and a significant increase in data security and efficiency. These facilities continue to be enhanced and we believe they will be more widely used by financial advisors and policyholders.

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

Hansard Europe Limited

The success of our strategy to develop increased flows of more profitable regular premium new business from growth markets has contributed to our decision to close Hansard Europe Limited to new business with effect from 30 June 2013.

We do not believe that this decision will have a significant impact on future levels of new business. As can be seen below, the levels of new business from the regions serviced by Hansard Europe are less than 10% of total new business in H1 2013, using the Group's internal metric. Using PVNBP, new business flows are less than 15% of the total. The majority of these flows are single premiums.

New business – Hansard Europe	Six months ended 31 December		Change %	Year ended
	2012 £m	2011 £m		30 June 2012 £m
CC	0.6	1.2	(50.0)%	2.4
PVNBP	10.7	18.6	(42.5)%	40.3
APE	1.3	2.3	(43.5)%	4.9

Market Growth

We continue to believe that the way to build long lasting profitable partnerships with intermediaries is to leverage the local relationship supported by a strong technology platform and an appropriate product range. During the last 12 months we have further enhanced our OnLine proposition, and launched two new products.

In South East Asia and Latin America we have also recently introduced a number of targeted local initiatives, with more to follow. This targeted tactical and flexible approach for some markets is providing us with a number of new opportunities. We, therefore, believe that the success generated in the Far East by taking a segmented approach can be replicated in these two regions.



Joseph Kanarek

27 February 2013



Financial performance for the six months ended 31 December 2012

1. IFRS Results

The performance of the Group under IFRS for H1 2013 remained resilient in difficult economic conditions in Europe. Profit after taxation for the period is £6.1m (H1 2012: £5.2m) reflecting a consistent underlying performance. While volatility in foreign exchange markets continued throughout the period, the IFRS effect of the performance of sterling against both the Euro and US Dollar was largely neutral. This compares with unrealised losses of £0.7m on translation of net operating assets held in Euro (principally regulatory capital of Hansard Europe Limited) that reduced IFRS profit in H1 2012.

Recent new business flows have contributed to increased levels of policy fees and, as a result of the Group's accounting policies, increased amortisation of Deferred Origination Costs applicable to that income. Efficiency gains from continued investment in Hansard OnLine, coupled with reduced Administrative and other expenses have contributed to increased IFRS profits.

The IFRS results reflect continuing investment of the Group's capital in profitable contracts, funded by positive cashflows. During the period, £13.2m (H1 2012: £13.8m) was invested in the acquisition of new business with a value (under EEV) of £22.3m (H1 2012: £21.6m).

The success of our endeavours is not immediately reflected under IFRS reporting. New business flows will contribute to income streams over many years, but continued investment in systems and other resources will outweigh the initial growth in income. Our business is long term in nature, and for this reason we present the results on an EEV basis, which better reflects the true profitability of new business, in addition to the statutory IFRS basis. EEV results are set out in section 2 below.

To provide additional clarity on the financial performance of the Group, we have again presented abridged financial information. An abridged consolidated income statement, balance sheet and cash flow statement is set out below, together with commentary on salient figures.

1.1 Abridged consolidated income statement

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

- Investment income, gains and losses relating to the assets administered by the Group to back its liability to policyholders. These assets are selected by the policyholder or an authorised intermediary and the policyholder bears the investment risk arising from the performance of the asset. The general strengthening of markets over the period can be seen in investment gains made on policyholder assets of £46.2m (H1 2012: losses of £152.5m; FY 2012: losses of £146.5m).

- fund management fees paid by the Group to third parties having a relationship with the underlying contract. While fund management fees paid are properly recorded in the Group's income statement under IFRS, this distorts results compared with an understanding of the Group's own entitlement to fund management fees and any requirement to pay such fees for services rendered in respect of the Group's own assets. In the current year third party fund management fees attributable to policyholder assets were £2.3m (H1 2012: £2.1m; FY 2012: £4.3m). These are reflected in both income and expenses under the IFRS presentation.

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

	Six months ended		Year ended
	31 December	2011	30 June
	2012	2011	2012
	£m	£m	£m
Fees and commissions	26.2	25.2	50.2
Investment and other income	0.7	1.2	2.2
	26.9	26.4	52.4
Origination costs	(10.3)	(9.8)	(19.3)
Administrative and other expenses	(10.4)	(10.7)	(21.0)
	6.2	5.9	12.1
Foreign exchange (losses) / gains	-	(0.7)	(1.0)
Profit for the period before taxation	6.2	5.2	11.1
Taxation	(0.1)	-	0.1
Profit for the period after taxation	6.1	5.2	11.2

1.1.1 Fees and commissions

A summary of fees and commissions attributable to Group activities is set out below:

	Six months ended		Year ended
	31 December	2011	30 June
	2012	2011	2012
	£m	£m	£m
Contract fee income	19.0	18.1	35.9
Fund management fees	5.2	5.0	10.1
Commissions receivable	2.0	2.1	4.2
Fees and commissions	26.2	25.2	50.2

Fees and commissions for the half-year have increased to £26.2m, compared to £25.2m in H1 2012.

Financial and Business Review continued

Elements of contract fee income are largely fixed in nature, representing both the smoothing of up-front income required under IFRS, and policy servicing charges applied to the policy book annually or as required by the policy terms and conditions. Increased levels of contract fee income reflect the strength of the existing book of business, as the fees from increased levels of new business in previous periods are reflected under IFRS.

The composition of contract fee income in the period under review reflects both the continued acquisition of profitable new business and policyholder concerns over economic conditions. Contract fees based on policyholder activity, such as transaction charges, lapse and surrender profits are all below those of H1 2012 while deferred fees, such as actuarial funding, have increased and will be amortised to income over the life of the contract, as can be seen in Section 1.3.2.

Approximately 30% of the Group's fees and commissions, being fund management fees and commissions receivable from third parties, are related directly to the value of assets under administration ("AuA") and are thus exposed to market movements and valuation judgements. Income of £7.2m from these sources in the period is in line with the comparative periods which reflect consistent levels of AuA.

1.1.2 Origination costs

Our target is to grow new business through profitable relationships with intermediaries. Under IFRS, new business commissions paid, together with the directly attributable incremental costs incurred on the issue of a policy contract, are deferred and amortised over the life of that policy. The life of a typical single premium contract is 15 years. The life of a regular premium contract is deemed to be the term of the individual policy. Typical terms range between 10 years and 25 years. This accounting policy reflects that the Group will continue to earn income over the long-term from policies issued in a given financial year. The impact on current year fee income of contracts issued this year is minimal.

Other origination costs incurred, 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.

As new business levels in H1 2013 are largely in line with those of H1 2012, direct policy origination costs remain in line. This reflects the Group's commitment to maintain margins. These costs are deferred to match the longer-term income streams expected to accrue from the policies issued in this period.

Amounts totalling £9.3m (H1 2012: £8.3m) have been expensed to match contract fee income earned this year from policies issued in previous financial years.

Origination costs in the period are:

	Six months ended		Year ended
	31 December	2011	30 June
	2012	2011	2012
	£m	£m	£m
Policy origination costs - deferred to match future income streams	12.2	12.3	25.0
Origination costs - expensed as incurred	1.0	1.5	2.3
Investment in new business in period	13.2	13.8	27.3
Net amortisation of deferred origination costs (see 1.3.1)	(2.9)	(4.0)	(8.1)
	10.3	9.8	19.3

1.1.3 Administrative expenses

We continue to manage administrative and other expenses robustly and we have implemented process and other efficiencies driven by our investment in prior years in Hansard OnLine and other systems. While expenses for the period reflect continued investment in the Group's proposition and distribution capabilities, they have reduced overall to £10.4m.

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

	Six months ended		Year ended
	31 December	2011	30 June
	2012	2011	2012
	£m	£m	£m
Salaries and other employment costs	5.0	5.2	10.0
Other administrative expenses	3.0	2.9	5.3
	8.0	8.1	15.3
Legal fees for litigation	0.3	0.2	0.9
Professional fees	1.1	1.1	2.3
Growth investment spend	1.0	1.3	2.5
	10.4	10.7	21.0

Legal fees for asset performance and policyholder-related litigation work have increased marginally over H1 2012. Given the expected profile of the various cases to which we are subject, we do not expect such costs to exceed amounts spent in FY 2012.

The Group is continuing to invest for future growth in the business. Strategic projects to develop Hansard OnLine, develop new business initiatives, streamline administrative processes and reduce operational risk have continued in the period. Progress on these key developments is discussed in detail in section 3 of the Financial and Business Review.

The impact on operational costs of the drive by management to improve systems and processes can be seen in the following tables. We have seen a significant reduction in headcount (primarily through natural wastage) as system and process improvements have been implemented.



Headcount as at	31 December		30 June
	2012 £m	2011 £m	2012 £m
Administration and operational	153	165	164
Distribution and marketing	28	36	29
IT development	36	34	36
Total	217	235	229

The Group continues to focus on maintaining high levels of customer service while addressing regulatory and other complexities brought about, in large part, by the global financial crisis. Despite the decrease in net headcount from 30 June 2012, recent recruitment has focused on senior people to help cope with the changing nature of our business landscape.

1.1.4 Foreign Exchange

The Group's own assets are held predominantly in sterling but Hansard Europe is required to hold Euro currency balances to support its regulatory capital requirements.

As mentioned above, volatility in foreign exchange markets continued throughout the period but the IFRS effect of the weakening of sterling against the Euro was offset by its performance against US Dollar. This compares with unrealised losses of £0.7m on translation of net operating assets held in Euro in H1 2012.

You can find further information about the Group's foreign currency exposures in note 14 to these condensed consolidated financial statements.

1.1.5 Taxation

The Group's profits arising from its Isle of Man-based operations remain taxable at zero percent. The rate of corporation tax for the Republic of Ireland is expected to be retained at 12.5%.

1.2 Abridged consolidated cash flow statement

In the current low interest rate environment the Group feels that the best use of its capital is to ensure continued investment in profitable regular premium contracts. These investments earn a return of at least 15% p.a. As can be seen below, the Group invested £13.3m in new business during the period which was funded by strongly positive cash flows from the existing policy book.

The operational surplus of £20.1m (fees deducted from contracts and commissions received, less operational expenses) in H1 2013 has increased by £2.4m over the comparative period. The change in the mix of new business has changed the profile of the income collected from policies, with initial fees taken as premiums are received on regular premium policies, rather than upfront as with single premium contracts.

This demonstrates that the in-force policy book continues to generate the cash required to support the Group's main business objectives of investing in new business, enhancing distribution and other infrastructure, and paying dividends.

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

	Six months ended		Year ended
	31 December	30 June	2012
	2012 £m	2011 £m	2012 £m
Net cash inflow from operating activities	20.1	17.7	36.3
Interest received	1.0	0.6	2.1
Investment in new business	(13.3)	(13.8)	(27.3)
Purchase of plant and equipment	(0.2)	(0.1)	(0.7)
Corporation tax received/(paid)	0.3	-	-
Net operating cash inflow before dividends	7.9	4.4	10.4
Dividends paid	(11.0)	(11.0)	(19.1)
Net operating cash flow after dividends	(3.1)	(6.6)	(8.7)
Movement in cash due to insurance transactions	3.3	0.9	0.9
Movement in bank balances	0.2	(5.7)	(7.8)

Following this investment in new business, cash at 31 December 2012 stood at £65.5m. This is a marginal increase from the value of £65.3m reported at 30 June 2012, despite the payment of a dividend of £11m during the period. This further reflects the Group's continued cash generative capability.

	Six months ended		Year ended
	31 December	30 June	2012
	2012 £m	2011 £m	2012 £m
Group cash and deposits at 1 July	65.3	73.1	73.1
Net cash flow after dividends	0.2	(5.7)	(7.8)
Group cash and deposits	65.5	67.4	65.3

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

As can be seen in the abridged consolidated cash flow statement above, short-term creditors (representing primarily amounts due to policyholders for surrender requests and policy maturities) have increased since year end. These liabilities are included in other payables in the abridged balance sheet below.

Financial and Business Review continued

1.3 Abridged consolidated balance sheet

The condensed consolidated balance sheet presented under IFRS elsewhere in this report reflects the financial position of the Group at 31 December 2012. As a result of its method of presentation, the consolidated balance sheet incorporates the value of assets under administration held to back the Group's liability to policyholders, and also incorporates the equivalent liability to policyholders. Additionally, some elements of the Group's own capital resources of £65.5m are disclosed in different positions based on maturity date of bank deposits.

The abridged consolidated balance sheet presented below, excluding those assets and liabilities, allows a better understanding of the Group's own capital position and reflects continued investment in profitable new business. The successful implementation of the Group's strategy to focus on regular premium new business results in an increase of deferred origination costs ("DOC"), and a smaller increase in the deferred income reserve ("DIR") since 30 June 2012.

The dividend of £11.0m paid during the period exceeded IFRS profit of £6.1m in H1 2013, and has therefore caused a reduction in Shareholders' equity since 30 June 2012.

As at	31 December		30 June
	2012 £m	2011 £m	2012 £m
Assets			
Deferred origination costs	124.1	117.1	121.2
Other assets	8.6	9.1	7.8
Cash and bank deposits	65.5	67.4	65.3
	198.2	193.6	194.3
Liabilities			
Deferred income reserve	133.0	127.1	129.9
Other payables	25.2	19.6	19.5
	158.2	146.7	149.4
Net assets	40.0	46.9	44.9
Shareholders' equity			
Share capital and reserves	40.0	46.9	44.9

1.3.1 Deferred origination costs

As mentioned above, deferral of origination costs reflect that the Group will continue to earn income over the long-term from policies 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 increase of £2.9m in value since 30 June 2012 reflects continuing investment of the Group's capital in profitable policy contracts funded by positive cashflows, net of amounts amortised. Direct distribution costs of £12.2m (H1 2012: £12.3m) were invested in the acquisition of new business in the period.

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

	Six months ended		Year ended
	31 December	2011	30 June
	2012 £m	£m	2012 £m
At 1 July	121.2	113.1	113.1
Origination costs incurred during the period	12.2	12.3	25.0
Origination costs amortised during the period	(9.3)	(8.3)	(16.9)
At 31 December	124.1	117.1	121.2

1.3.2 Deferred income reserve

Consistent with the treatment of deferred origination costs, the treatment of deferred income ensures that initial fees are taken to the consolidated income statement in equal instalments over the longer-term, reflecting the services provided over the period of the contract. The deferred income reserve represents the unamortised balance of accumulated initial fees collected on new business.

The proportion of income deferred in any one year is dependent upon the mix and volume of business flows; 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 period relates to charges taken from policies issued in prior financial years demonstrating the cash generative nature of the business. Policies issued in this financial period will generate the majority of their initial fees over the next 18 months on average. The movement in value of DIR over the period is summarized below:

	31 December		30 June
	2012 £m	2011 £m	2012 £m
At 1 July	129.9	125.3	125.3
Initial fees collected in the period	13.2	11.2	24.4
Income amortised during the period	(10.1)	(9.4)	(19.8)
At 31 December	133.0	127.1	129.9

1.4 Dividends

A final dividend of 8.0p per share in relation to the previous financial year was paid in November 2012. This amounted to £11.0m.

The Board has considered the results for H1 2013, the Group's continued cash flow generation and its future expectations and has resolved to pay an interim dividend of 3.25p per share (2012: 5.90p). This will be paid on 3 April 2013.



1.5 Assets under Administration

In the following paragraphs, assets under administration ("AuA") refers to net assets held to cover financial liabilities as analysed in note 10 to the condensed consolidated financial statements presented under IFRS.

The Group has retained positive cash flows from the large number of regular premium contracts that the Group administers on behalf of policyholders around the world. Increased levels of regular premiums have underpinned AuA performance in Q2 2013, despite continued levels of premium holidays enjoyed by policyholders. Taken with the effects of market gains in that quarter, AuA of £1.05bn as at 31 December 2012 is marginally above the level at 30 June 2012.

Notwithstanding increasing levels of new regular premium contracts, the changing mix of new business has caused a steady decline in the flow of single premium contracts over the last few years. While this has affected the value of gross policyholder cash flows we believe that increasing the level of regular premium contracts (with more stable, recurring cash inflows) will be value enhancing in the longer term.

The flexible nature of our products, allowing policyholders the ability to determine the investment mix held within policy contracts has, we believe, helped maintain benefits paid out on those contracts at the previous year's levels and further emphasises the value of the insurance wrapper.

	31 December		30 June
	2012 £m	2011 £m	2012 £m
Deposits to investment contracts – regular premiums	42.3	43.9	87.3
Deposits to investment contracts – single premiums	16.6	22.1	51.3
Deductions from investment contracts	(92.8)	(94.0)	(187.9)
Effect of market and currency movements	46.2	(152.5)	(146.5)
Increase in period	12.3	(180.5)	(195.8)
Opening balance	1,033.8	1,229.6	1,229.6
Closing balance	1,046.1	1,049.1	1,033.8

1.6 Capitalisation and Solvency

The Group continues to be substantially capitalised to satisfy the requirements of regulators, intermediaries and policyholders. The required minimum solvency margins are covered 13.3 times (31 December 2011: 13.9 times; 30 June 2012: 13.6 times) by the Group's capital resources.

The solvency position is well insulated against the difficult investment markets, as the Group invests its excess capital resources in a wide range of deposit institutions and in highly-rated money market liquidity funds. The in-force portfolio has no material investment

options or guarantees that could cause capital strain, is not exposed to longevity risk through an annuity book and uses a prudent reinsurance programme to manage the mortality and morbidity risks of the life businesses. This policy continues to immunise the Group's capital base from stock market falls.

The introduction of Solvency II will see a fundamental change in the way EU-based insurers assess their capital requirements and risk management standards. Based on current guidance we do not expect additional capital requirements as a result of these legislative changes. While it seems likely that the implementation of Solvency II may be deferred beyond 1 January 2014, the Group will have developed its requirements by that date.

2. Embedded Value Results

Our business is long term in nature and therefore we present the results on a European Embedded Value ('EEV') basis as well as a statutory IFRS basis. The EEV is a discounted valuation of the future profits expected to emerge in the future on certain assumptions. The EEV takes into account the expected timing of those profits.

Regardless of the measurement basis used, the projected total profit from the issue of a new insurance contract is the same. That said:

- The EEV basis recognises profit from new insurance contracts as a lump sum addition to the Value of In-force ('VIF') equal to the discounted value of future profits (called the New Business Contribution or 'NBC'). The VIF is converted to cash ('Net Worth') in future years as the business progresses. The NBC reflects the shareholder value added from new business: the change in EEV will reflect the cash impact of writing new business as well as other changes within the business.
- The IFRS basis smoothes the recognition of profit from new insurance contracts by spreading the initial revenues and corresponding costs evenly over their expected lives. The IFRS new business result therefore reflects neither the shareholder value added from writing new business, nor its cash impact.

Results for H1 2013 under European Embedded Value

The EEV profit is primarily driven by value added from new business, cash generated from the existing portfolio and changes in investment/currency values (the latter impact being largely driven by policyholder choices and movements in financial markets). In the period, new business added positive value, the existing portfolio generated cashflows largely to the degree expected and the impact of investment/currency values was relatively benign.

The VIF of £173.9m at 30 June 2012 generated £21.7m of cash in H1 2013, of which £13.2m has been re-invested in new business: this capital is generally repaid plus interest within 3 years. The Group paid dividends of £11.0m in the half year from its cash resources.

Prior to dividend payments, the EEV grew to £234.9m over the period. After dividend payments of £11.0m, the EEV was £223.9m (at 30 June 2012: £224.3m), a reduction of £0.4m over the period. The NBC at point of sale was £10.1m (H1 2012: £9.3m).

Financial and Business Review continued

The profitability of new business has increased as a proportion of the present value of new business premiums ('PVNBP'): the new business margin was 12.1% (H1 2012: 10.4%) reflecting the continuing change in business mix towards more profitable products. PVNBP in the period was £83.4m (H1 2012: £89.7m).

EEV profit after tax

The Group's EEV profit after tax is significantly higher than the comparable period last year: a profit of £10.5m (H1 2012: loss of £2.6m). This follows the very small impact of the investment return variance and economic assumption changes (generally outside the Group's control) thus allowing the impact of new business to be translated almost directly to the EEV profit after tax.

The most significant component of EEV profit after tax was the NBC of £10.1m (H1 2012: £9.3m). As reported above, this increase reflects the continuing change in new business mix towards more profitable products.

The business is closely monitoring policyholder lapse and premium reduction behaviour, which is the primary driver of the experience variance in the period.

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

Six-month period ended 31 December	H1 2013 £m	H1 2012 £m
New business contribution	10.1	9.3
Expected return on existing business	1.4	2.7
Experience variances	(2.4)	(2.4)
Operating assumption changes	0.0	(0.2)
Expected return on net worth	0.4	0.8
EEV operating profit after tax	9.5	10.2
Investment return variances	0.8	(15.0)
Economic assumption changes	0.2	2.2
EEV profit after tax	10.5	(2.6)

Operating performance

Six-month period ended 31 December	H1 2013 £m	H1 2012 £m
New business sales (in PVNBP terms)	83.4	89.7
New business contribution	10.1	9.3
Cash generated from existing business	21.7	21.2
Cash invested in new business	13.2	13.7
	%	%
New business margin	12.1%	10.4%
Internal rate of return	>15%	>15%

Under EEV reporting, sales are measured in terms of PVNBP, the capitalised value of expected premiums, and in terms of NBC, the discounted value of future profits, both using EEV assumptions. Dividing one by the other gives the new business margin ('NBM'): in essence the rate at which shareholder value is increased from premiums from new business.

Sales in PVNBP terms have fallen in the half year to £83.4m (H1 2012: £89.7m), largely reflecting reduced single premiums in the period. The Group's strategy, arising from its continual focus on profitability, is to increase the proportion of sales of regular premium products, which typically have a higher NBM than single premium products. This strategy has been successful, with the proportion of regular premium business increasing to 80% of PVNBP (H1 2012: 75%) and the consequent increase in NBM to 12.1% (H1 2012: 10.4%).

The underlying profitability of the Group's new business remains consistently above those levels enjoyed by a majority of competitors. This reflects the capital efficiency of the Group's products, its relationships with intermediaries and its ability to identify and target profitable segments in the marketplace. The Internal Rate of Return of new business written in the year remains in excess of 15%p.a., reflecting the product design which sees initial capital invested in new business being returned, on average, within three years.

Operating performance – In-force business

Experience Variances

The expense variance was comprised of two items – a positive variance for recurring costs, offset by an adverse impact arising from one-off costs. Policyholder behaviour was slightly different to expectation, resulting in a £2.4m adverse variance. There are several causes of this small variance, shown in summary in the table below:

Six-month period ended 31 December	H1 2013 £m	H1 2012 £m
Expenses	(0.6)	(0.9)
Premium changes and surrenders	(0.9)	(1.2)
Lapsed Policies	(0.7)	(0.0)
Other	(0.2)	(0.3)
Experience variances	(2.4)	(2.4)

Operating Assumption Changes

Operating assumptions are generally reviewed once per year, unless experience suggests that an earlier change would give a more accurate result. Experience in the half year suggests no change is appropriate (HY 2012: (£0.2m)).

Investment performance

Investment performance and exchange rate movements affect EEV profit. These movements principally reflect the investment and currency choices made by policyholders and associated market movements, which are generally outside the Group's control. In the half year, better than expected returns on assets under administration were offset by a strengthening of sterling, as shown in the table opposite.



Six-month period ended 31 December	H1 2013 £m	H1 2012 £m
Investment performance of policyholder funds	7.6	(15.1)
Exchange rate movements	(6.7)	0.6
Other	(0.1)	(0.5)
	0.8	(15.0)

EEV balance sheet

Following the payment of dividends totalling £11.0m (HY 2012: £11.0m), the Group's EEV has decreased by £0.4m to £223.9m (30 June 2012: £224.3m).

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

	H1 2013 £m	FY 2012 £m
Net worth	46.7	50.4
Value of future profits	177.2	173.9
EEV	223.9	224.3

Net worth is the market value of shareholder funds on an IFRS basis with adjustments to exclude certain assets (such as deferred origination costs) and liabilities (such as deferred income reserve). At the balance sheet date, the net worth of the Group is represented by liquid cash balances. A proportion of the Net worth, £16.8m is retained to meet prudential capital requirements.

The value of future profits or Value of In Force ('VIF') is the capitalised value of future profits with due allowance for policyholder behaviour based on the policyholder assets under administration at 31 December 2012 and using EEV methodology and assumptions. Given the Group's product design, the cash generation from the VIF is rapid: some 50% is expected to be converted into cash within 5 years.

Net asset value per share

On an EEV basis, the net asset value per share at 31 December 2012 is 163.0p (H1 2012: 177.3p), a decrease of 8%, 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 (H1 2012 137,372,255 shares).

The net asset value per share at 31 December 2012, on an IFRS basis is 29.1p, a decrease of 14.4% from the value of 34.1p at 31 December 2011.

3. OnLine Systems

There is momentum behind the delivery of system projects with tangible benefits being experienced in operational areas. Recent system deliveries, particularly OnLine switching and OnLine new business, have helped to introduce process efficiencies and facilitate a reduction in staffing numbers whilst maintaining service standards.

Hansard OnLine

Hansard OnLine is the Group's multi-language internet platform. A secure extranet platform hosting all information about the policies administered by the Group, Hansard OnLine ("HOL") is a valuable sales and administration tool that was first introduced in 1999 and continues to be developed to meet the needs of policyholders, intermediaries and the Group's administrative functions. Functionality continues to be developed to improve access; increase security; increase scalability and speed of processing and reduce operational risks.

Meeting policyholders' requirements

Local needs in local languages

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

Secure communications

We provide access to relevant portions of our information to Policyholders and Intermediaries to allow them to better manage their objectives.

- Through an OnLine account policyholders can view all the documentation relating to their policy. Over **12,000** OnLine accounts are used regularly.
- Over **40%** of policyholder correspondence is no longer posted. Clients access electronic copies via their OnLine Account. The number of clients choosing not to receive hard copy post has shown a steady increase since launch.

Supporting intermediaries' business models

Hansard OnLine joins together IFAs and other intermediaries around the world with Hansard's offices, and with their clients. IFAs and their clients get fast, easy and secure access to current data and analytical information around the world, around the clock.

- In response to intermediary feedback, HOL reports have been enhanced, to provide better information, others are being developed;
- We are developing functionality to allow intermediaries to get an aggregated view of all the policies of a particular policyholder held with a range of product providers, to allow them to better serve their clients.

Reducing Operational risk

The straight-through processing of policyholder instructions (whether received directly or through their appointed agents) reduces the Group's operational risk exposures, as does the ability of the Group to communicate electronically with intermediaries and policyholders, irrespective of geographical boundaries. In certain circumstances this allows the Group to reduce its operational expense base.

Financial and Business Review continued

OnLine processing

OnLine new business, OnLine fund switching and OnLine dealing have now been rolled-out to all intermediaries.

■ OnLine processing of new business applications

We have seen a steady increase in the proportion of new business applications processed through HOL. **90%** of all new business applications are now received OnLine.

■ OnLine processing of policy investment transactions

The majority of Fund Advisors now transact policy-related investment dealing Online. Over **65%** of all available transactions are now processed OnLine. Development of a facility to allow Fund Advisors to transact in aggregate throughout their client range has been developed and is in test.

4. 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 by Group subsidiary companies. 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 those funds.

The Group's exposure on this unit-linked business is limited to the extent that income arising from asset management charges and commissions is generally based on the value of assets in the funds, and any sustained falls in value will reduce earnings. The Group's exposure to financial risks is addressed within note 14 of these condensed consolidated financial statements. Additionally, details prepared on an EEV basis set out in pages 13 to 15 and 32 to 38 ("EEV Information") include a summary of the sensitivity of the Group's EEV results to economic and other factors.

The Board believes that the principal risks facing the Group are those relating to the operation of the Group's business model and to the environment within which the Group operates. The Group has designed its products, distribution methods and cost base with a view to reducing operational and financial risk, and has in place a risk management framework that is continually being refreshed to better support our objectives and to recognise regulatory and legislative change.

While the Group's business model has served to minimise the principal risks facing the Group, the responses to the extreme financial and market circumstances encountered over the last few years continues to impact on the Group's strategic objectives, profitability or capital requirements.

A comprehensive review of the principal risks and uncertainties facing the business, and the Group's approach to managing these risks and uncertainties, are outlined on pages 36 to 39 of the 2012 Annual Report. These principal risks and uncertainties have not changed materially since the 2012 Annual Report was published.

A summary of those principal key risks and uncertainties which could impact the Group for the remainder of the current financial year are outlined opposite. Where necessary the Group will develop alternative strategies to minimise the impact of any changes to its risk profile.



Risk event examples	Risk factors and uncertainties
Group profitability affected by financial market and economic conditions	The Group's earnings and profitability are influenced by a broad range of factors including the performance and liquidity of investment markets, interest rate movements and inflation. Extreme market conditions can influence the purchase of financial services products and the period over which business is retained.
Non-compliance with regulations	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.
Distribution strategy compromised as a result of market changes or competitor activity	A major entrant to any of the Group's target markets may have an impact on the success of the Group's new business strategy.
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 its strategic objectives.
Operational risks	Weak operational processes may produce exceptions to expected results. Unchecked processes may increase the impact and likelihood of recurrence.
Outsourcing	The Group's dependence on outsourced activities comes under threat should business partners decide to revise strategy or fail.
Counterparty and third party risks	Third party failure or default may impact the Group's profitability.
Fraud	Any fraudulent activities by intermediaries, employees or other individuals may have an adverse impact on the Group's business.
Key staff loss	Sudden unanticipated loss of pools of expertise may impact certain segments of the Group's business.

Consolidated Income Statement

	Notes	Six months ended		Year ended
		31 December 2012 £m	31 December 2011 £m	30 June 2012 £m
Fees and commissions	5	28.5	27.3	54.5
Investment income		46.9	(152.2)	(145.7)
Other operating income		-	0.3	0.4
		75.4	(124.6)	(90.8)
Change in provisions for investment contract benefits		(46.2)	152.5	146.5
Origination costs		(10.3)	(9.8)	(19.3)
Administrative and other expenses	6	(12.7)	(12.9)	(25.3)
		(69.2)	129.8	101.9
Profit on ordinary activities before taxation		6.2	5.2	11.1
Taxation on profit on ordinary activities	7	(0.1)	-	0.1
Profit for the period after taxation		6.1	5.2	11.2
Total comprehensive income		6.1	5.2	11.2

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

Earnings per share

	Notes	Six months ended		Year ended
		31 December 2012 (p)	31 December 2011 (p)	30 June 2012 (p)
Basic	8	4.4	3.8	8.2
Diluted	8	4.4	3.8	8.2

The notes on pages 22 to 29 form an integral part of these condensed consolidated half-yearly financial statements.

Consolidated Statement of Changes in Equity



	Note	Share capital £m	Other reserves £m	Retained earnings £m	Total £m
Shareholders' equity at 30 June 2011		68.6	(48.4)	32.4	52.6
Total comprehensive income		-	-	5.2	5.2
Increase in share save reserve		-	0.1	-	0.1
Transactions with owners					
Dividends	9	-	-	(11.0)	(11.0)
Shareholders' equity at 31 December 2011		68.6	(48.3)	26.6	46.9

		Share capital £m	Other reserves £m	Retained earnings £m	Total £m
Shareholders' equity at 30 June 2012		68.7	(48.3)	24.5	44.9
Total comprehensive income		-	-	6.1	6.1
Transactions with owners					
Dividends	9	-	-	(11.0)	(11.0)
Shareholders' equity at 31 December 2012		68.7	(48.3)	19.6	40.0

The notes on pages 22 to 29 form an integral part of these condensed consolidated half-yearly financial statements.

Consolidated Balance Sheet

	Notes	31 December 2012 £m	31 December 2011 £m	30 June 2012 £m
Assets				
Plant and equipment		1.0	0.8	1.1
Deferred origination costs		124.1	117.1	121.2
Financial investments				
Equity securities		25.0	32.6	31.2
Collective investment schemes		869.1	832.4	838.5
Fixed income securities		39.4	39.2	38.7
Deposits and money market funds		134.6	160.6	147.5
		1,068.1	1,064.8	1055.9
Other receivables		7.0	7.9	7.9
Cash and cash equivalents		44.1	53.8	43.7
Total assets		1,244.3	1,244.4	1,229.8
Liabilities				
Financial liabilities under investment contracts	10	1,046.1	1,049.1	1,033.8
Deferred income reserve		133.0	127.1	129.9
Amounts due to investment contract holders		15.9	13.9	13.2
Other payables		9.3	7.4	8.0
Total liabilities		1,204.3	1,197.5	1,184.9
Net assets		40.0	46.9	44.9
Shareholders' equity				
Called up share capital	11	68.7	68.6	68.7
Other reserves		(48.3)	(48.3)	(48.3)
Retained earnings		19.6	26.6	24.5
Total shareholders' equity		40.0	46.9	44.9

The notes on pages 22 to 29 form an integral part of these condensed consolidated half-yearly financial statements.

Consolidated Cash Flow Statement



	Six months ended		Year ended
	31 December	31 December	30 June
	2012	2011	2012
	£m	£m	£m
Cash flow from operating activities			
Profit before tax for the year	6.2	5.2	11.1
Adjustments for:			
Depreciation	0.3	0.2	0.5
Dividends receivable	(2.2)	(1.6)	(3.6)
Interest receivable	(0.6)	(0.9)	(1.0)
Foreign exchange losses/(gain)	-	1.3	(1.0)
Changes in operating assets and liabilities			
Decrease in debtors	0.1	5.4	4.1
Dividends received	2.2	1.6	3.6
Interest received	1.0	0.6	1.8
Increase in deferred origination costs	(2.9)	(4.0)	(8.1)
Increase in deferred income reserve	3.1	1.8	4.6
Increase in creditors	3.9	0.9	0.8
(Increase)/decrease in financial investments	(12.2)	176.9	185.8
Increase/(decrease) in financial liabilities	12.8	(180.5)	(193.3)
Cash generated from operations	11.7	6.9	5.3
Corporation tax received/(paid)	0.3	-	-
Net cash generated by operations	12.0	6.9	5.3
Cash flows from investing activities			
Purchase of plant and equipment	(0.7)	(0.1)	(0.7)
Proceeds from sale of investments	-	-	0.1
Purchase of investments	-	-	(0.1)
Cash flows from investing activities	(0.7)	(0.1)	(0.7)
Cash flows from financing activities			
Proceeds from issue of shares	-	-	(0.2)
Dividends paid	(11.0)	(11.0)	(19.1)
Net increase /(decrease) in cash and cash equivalents	0.8	(4.2)	(14.3)
Cash and cash equivalents at beginning of period	43.7	59.3	59.3
Effect of exchange rate changes	(0.4)	(1.3)	(1.3)
Cash and cash equivalents at period end	44.1	53.8	43.7

The notes on pages 22 to 29 form an integral part of these condensed consolidated half-yearly financial statements.

Notes to the Condensed Consolidated Financial Statements

1 General information

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

The Company has its primary listing on the London Stock Exchange.

These condensed consolidated half-yearly financial statements were approved for issue on 27 February 2013.

These condensed consolidated half-yearly financial statements do not comprise statutory financial statements and are unaudited. The board of directors approved the statutory financial statements for the year ended 30 June 2012 on 20 September 2012. The report of the auditor on those financial statements was unqualified and did not contain an emphasis of matter paragraph.

2 Basis of presentation

These condensed consolidated half-yearly financial statements for the half-year ended 31 December 2012 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority ("DTR") and with IAS 34 "Interim Financial Reporting" as adopted by the European Union ("EU"). The condensed consolidated half-yearly financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2012, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU.

Except where otherwise stated, all figures included in the condensed consolidated half-yearly financial statements are stated in pounds sterling, which is also the functional currency of the Company, rounded to the nearest hundred thousand pounds. The comparative classification of financial investments has been restated to reflect better the underlying assets.

Going Concern

As shown within the Financial and Business Review, the Group's capital position is strong and well in excess of regulatory requirements. The long-term nature of the Group's business results in considerable positive cash flows arising from existing business. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

The Directors are satisfied that the Company and the Group have adequate resources to continue to operate as a going concern for the foreseeable future and have prepared the condensed consolidated financial statements on that basis.

3 Accounting policies

The principal accounting policies applied, and the critical accounting estimates and judgements in applying them, are consistent with those of the annual financial statements for the year ended 30 June 2012 which can be accessed on the Company's website: www.hansard.com.

4 Segmental information

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

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

The Group's Executive Committee uses two principal measures when appraising the performance of the business: net issued compensation credit ("NICC") and expenses. NICC is a measure of the value of new in-force business and top-ups on existing single premium contracts. NICC is the total amount of basic initial commission payable to intermediaries for business sold in a period and is calculated on each piece of new business. It excludes override commission paid to intermediaries over and above the basic level of commission. The Group maintains a close control over the margins realised on new business, which are consistent across the Group's products and, hence, NICC is a reliable indicator of income.



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

	Six months ended		Year ended
	31 December 2012 £m	31 December 2011 £m	30 June 2012 £m
Far East	4.5	3.7	7.8
Latin America	1.9	2.2	3.8
EU and EEA	0.9	1.2	2.9
Rest of World	0.6	0.9	1.6
Net Issued Compensation Credit	7.9	8.0	16.1
Other commission costs paid to third parties	3.5	3.4	7.2
Enhanced unit allocations	0.8	0.9	1.7
Direct origination costs incurred during the year	12.2	12.3	25.0
Net Issued Compensation Credit	£m	£m	£m
Isle of Man	7.3	6.8	13.8
Republic of Ireland	0.6	1.2	2.3
	7.9	8.0	16.1

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.

Revenues and expenses allocated to geographical locations contained in section 4.5 below, using a number of the new business measurement bases used by the Group, reflect the forecast revenues and expenses expected to be generated in or incurred by the legal entities in those locations.

4.1 Geographical analysis of fees and commissions by origin

	Six months ended		Year ended
	31 December 2012 £m	31 December 2011 £m	30 June 2012 £m
Isle of Man	22.4	20.9	42.0
Republic of Ireland	6.1	6.4	12.5
	28.5	27.3	54.5

4.2 Geographical analysis of profit before taxation

	Six months ended		Year ended
	31 December 2012 £m	31 December 2011 £m	30 June 2012 £m
Isle of Man	5.9	5.5	11.2
Republic of Ireland	0.3	(0.3)	(0.1)
	6.2	5.2	11.1

Notes to the Condensed Consolidated Financial Statements

continued

4.3 Geographical analysis of gross assets

	31 December 2012 £m	31 December 2011 £m	30 June 2012 £m
Isle of Man	897.8	885.2	870.9
Republic of Ireland	346.5	359.2	358.9
	1,244.3	1,244.4	1,229.8

4.4 Geographical analysis of gross liabilities

	31 December 2012 £m	31 December 2011 £m	30 June 2012 £m
Isle of Man	876.9	856.3	854.0
Republic of Ireland	327.4	341.2	330.9
	1,204.3	1,197.5	1,184.9

4.5 Geographical analysis of new business results

	Six months ended		Year ended
	31 December 2012 £m	31 December 2011 £m	30 June 2012 £m
Issued compensation credit			
Isle of Man	7.8	7.4	14.7
Republic of Ireland	0.6	1.2	2.4
	8.4	8.6	17.1
Present value of new business premiums ("PVNBP")			
Isle of Man	72.7	71.1	135.4
Republic of Ireland	10.7	18.6	40.3
	83.4	89.7	175.7
PVNBP by type			
Isle of Man	63.2	61.6	112.9
Republic of Ireland	3.6	6.0	11.5
Regular premium PVNBP	66.8	67.6	124.4
Isle of Man	9.5	9.5	22.5
Republic of Ireland	7.1	12.6	28.8
Single premium PVNBP	16.6	22.1	51.3
Total PVNBP	83.4	89.7	175.7



5 Fees and commissions

	Six months ended		Year ended
	31 December 2012 £m	31 December 2011 £m	30 June 2012 £m
Contract fee income	19.0	18.1	35.9
Fund management charges	7.5	7.1	14.4
Commission receivable	2.0	2.1	4.2
	28.5	27.3	54.5

6 Administrative and other expenses

Included in Administrative and other expenses are the following:

	Six months ended		Year ended
	31 December 2012 £m	31 December 2011 £m	30 June 2012 £m
Auditors' remuneration			
- Fees payable to the Company's auditor for the audit of the Company's annual accounts	-	-	0.1
- Fees payable for the audit of the Company's subsidiaries pursuant to legislation	0.2	0.1	0.3
Employee costs	5.7	6.1	12.1
Investment management fees	2.3	2.1	4.3
Legal fees	0.3	0.2	0.9
Professional and other fees	0.9	1.0	2.0
Renewal and other commission	0.4	0.5	1.3
Operating lease rentals	0.4	0.4	0.6
Licences and maintenance fees	0.4	0.3	0.8
Insurance costs	0.4	0.4	0.7
Depreciation of plant and equipment	0.3	0.2	0.5
Communications	0.2	0.2	0.4
Directors' fees	0.2	0.1	0.4

7 Taxation

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

Corporation tax for the Republic of Ireland-based operations is based on the effective annual rate for taxable income of 12.5%, applied to the expected taxable profits for the period.

Notes to the Condensed Consolidated Financial Statements

continued

8 Earnings per share

Earnings per share is based upon the profit for the period after taxation divided by the average number of shares in issue throughout the period. There is no significant difference between earnings per share and fully-diluted earnings per share.

	Six months ended		Year ended
	31 December	31 December	30 June
	2012	2011	2012
	£m	£m	£m
Profit after tax (£m)	6.1	5.2	11.2
Weighted average number of shares in issue (millions)	137.3	137.3	137.3
Earnings per share in pence	4.4p	3.8p	8.2p

The Directors believe that there is no material difference between the weighted average number of shares in issue for the purposes of calculating either basic or diluted earnings per share. The figure under both measures is 4.4p pence per share.

9 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 period:

	Six months ended 31 December		Year ended 30 June	
	2012		2011	
	Per share	Total	Per share	Total
	p	£m	p	£m
Final dividend paid	8.0	11.0	8.0	11.0
Interim dividend paid	-	-	-	-
	8.0	11.0	8.0	11.0
			13.9	19.1

The Board have resolved to pay an interim dividend of 3.25p per share. This amounts to £4.5m and will be paid on 3 April 2013 to shareholders on the register at 8 March 2013.

10 Financial investments held to cover liabilities under investment contracts

The following investments, 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.

	31 December		30 June
	2012	(restated Note 2)	2012
	£m	£m	£m
Equity securities	25.0	32.6	31.2
Investment in collective investment schemes	869.0	832.3	838.4
Fixed income securities	39.4	39.2	38.7
Deposits	113.2	146.9	125.8
Other receivables	1.1	-	1.3
Total assets	1,047.7	1,051.0	1,035.4
Other payables	(1.6)	(1.9)	(1.6)
Financial investments held to cover liabilities	1,046.1	1,049.1	1,033.8



11 Called up share capital

	31 December 2012 £m	31 December 2011 £m	30 June 2012 £m
Authorised:			
200,000,000 ordinary shares of 50p	100	100	100
Issued and fully paid:			
137,379,634 ordinary shares of 50p (30 June 2012: 137,372,255 ordinary shares)	68.7	68.6	68.7

12 Foreign exchange rates

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

	31 December 2012	31 December 2011	30 June 2012
US Dollar	1.62	1.55	1.57
Euro	1.23	1.20	1.24

13 Related party transactions

Intra-Group transactions are eliminated on consolidation and are not disclosed separately here.

There have been no significant related party transactions in the period nor changes to related parties. Related party transactions affecting the results of previous periods and an understanding of the Group's financial position at previous balance sheet dates are as disclosed in the Annual Report & Accounts for the year ended 30 June 2012.

There have been no significant awards during the period under the Save As You Earn (SAYE) share-save programme for employees, nor the long-term incentive plans in existence at the balance sheet date. The estimated fair value of the schemes and the imputed cost for the period under review is not material to these financial statements.

14 Financial risk management

The Group's operations expose it to a variety of financial risks. The Group's objective in the management of financial risk is to minimise, where practicable, its exposure to such risk, except when necessary to support other objectives. The principal method by which the Group seeks to manage risk is through the operation of unit-linked business, whereby the policyholder bears the financial risk relating to the financial assets and liabilities arising from such contracts.

Under the unit-linked investment contracts that are written by the Group, policyholders bear the investment risk on the assets in the unit-linked funds, as the policy benefits are directly linked to the fair value of the assets. These assets are managed consistent with the expectations of the policyholders. By definition, there is a precise match between the investment assets and the policyholder liabilities, and so the market risk and credit risk lie with policyholders.

The Group's exposure is limited to the extent that certain fees and commission income are based on the value of assets in the unit-linked funds.

Information concerning the operation of the frameworks to manage financial and other risks is contained within the Report & Accounts for the year ended 30 June 2012, and particularly in note 22 thereto, "Financial risk management". There have been no significant changes to the frameworks in the period to 31 December 2012.

The more significant financial risks to which the Group is exposed, and an estimate of the potential financial impact of each on the Group's IFRS earnings, are set out below. For each category of risk, the Group determines its risk appetite and sets its investment, treasury and associated policies accordingly.

Notes to the Condensed Consolidated Financial Statements

continued

14.1 Market risk

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

(a) Price risk

An overall change in the market value of the unit-linked funds would affect the annual management charges accruing to the Group since these charges, which are typically 1% pa, are based on the market value of assets under administration. Similarly, due to the fact that some of these charges may be deducted from policies in foreign currency, a change in foreign exchange rates relative to sterling can result in fluctuations in management fee income and expenses reflected in these financial statements. The approximate impact on the Group's profits and equity of a 10% change in unit-linked fund values, either as a result of price or currency fluctuations, is £1.5m (H1 2012: £1.6m) in a financial year.

(b) Interest rate risk

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

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

Taking into account the proportion of Group funds held on longer-term, fixed-rate deposits, a change of 1% p.a. in interest rates will result in an increase or decrease of approximately £0.7m (H1 2012: £0.7m) in the Group's equity and annual investment income.

(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.

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.

(c) (i) Group foreign currency exposures

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

	31 December			
	2012 US\$m	2012 €m	2011 US\$m	2011 €m
Gross assets	15.4	12.5	12.8	9.9
Matching currency liabilities	(9.7)	(3.1)	(8.9)	(2.6)
	5.7	9.4	3.9	7.3

(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.

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

Currency	31 December	31 December	30 June
	2012 %	2011 %	2012 %
US Dollars	55	51	53
Euro	24	26	26
Sterling	16	17	17
Others	5	6	4
	100	100	100



14.2 Credit risk

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

The Group's main exposure to credit risk is in relation to deposits with credit institutions and investments in highly-rated money market funds. These investments are made in accordance with established policy regarding minimum credit rating profile.

An analysis of the Group's cash and cash equivalent balances and liquid investments is as follows:

	31 December 2012 £m	31 December 2011 £m	30 June 2012 £m
Deposits with credit institutions	38.3	49.5	39.2
Money market funds	27.2	17.9	26.1
	65.5	67.4	65.3

Maximum counterparty exposure limits are set both at an individual subsidiary company level and on a Group wide basis.

14.3 Liquidity risk

Liquidity risk is the risk that the Group, though solvent, does not have sufficient financial resources to enable it to meet its obligations as they fall due, or can only secure them at excessive cost.

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

Liquidity risk is principally managed in the following ways:

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

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

15 Contingent Liabilities

The Group does not give any investment advice. In all cases the selection of assets linked to policies is decided either by the policyholder or their independent financial advisor. Despite this the Group has been subject to a large number of policyholder complaints in relation to the selection and performance of assets linked to policies. Writs totalling €14m (approximately £11.6m) have been served on Hansard Europe Limited. The significant components of this total are those relating to:

- Norway (€7.2m) - where the appeal hearing is currently scheduled for February 2014;
- Asset performance and other issues in Italy (€4m) - where a hearing has been set for March 2013 and;
- Madoff-related litigation (€1.7m) where the case has been stayed and we have no firm commencement date.

The Group remains confident that it will be successful following its appeal against the initial ruling in the Norwegian litigation. The Group intends to defend itself against all claims strenuously.

The Group continues to deal with Policyholder complaints, principally in relation to suspended assets and product questions arising in respect of Italy and Belgium. A small number of cases have proceeded to mediation or arbitration in those jurisdictions. We estimate that current complaints could result in additional writs of up to £9m.

The Board is of the view that these complaints have no merit. 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 company's legal representatives, the Directors believe that the Group will be successful in its defence of these claims. Accordingly no provisions have been made.

Statement of Directors' Responsibilities

The directors, whose names are reflected on the company's website, www.hansard.com, confirm that, to the best of their knowledge, this condensed set of consolidated half-yearly financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

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

By order of the Board



L S Polonsky

Chairman



G S Marr

Chief Executive Officer

27 February 2013



Independent review report to Hansard Global plc

Introduction

We have been engaged by the company to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 31 December 2012, which comprises the consolidated income statement, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of financial statements.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 31 December 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLC

Chartered Accountants

Isle of Man

27 February 2013

European Embedded Value Information

1 Introduction

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

The EEV is composed of 'net worth' and the 'value of future profits' from business in-force at the valuation date, 31 December 2012. It does not include or make an allowance for 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 as at the valuation date (31 December 2012) and best estimate operating assumptions (having regard for the Group's own past, current and expected future experience) set at 30 June 2012. There have been no significant changes in the EEV methodology from that used in the previous reporting period.

2 EEV Profit Performance for the Period

2.1 EEV profit

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

	H1 2013 £m	H1 2012 £m
New business contribution	10.1	9.3
Expected return on existing business	1.4	2.7
Experience variances	(2.4)	(2.4)
Operating assumption changes	0.0	(0.2)
Expected return on net worth	0.4	0.8
EEV operating profit after tax	9.5	10.2
Investment return variances	0.8	(15.0)
Economic assumption changes	0.2	2.2
EEV profit after tax	10.5	(2.6)

2.1.1 New Business Contribution ("NBC")

New Business Contribution represents the value of new business written in the year. It is calculated at point of sale, including any acquisition expense overrun, and is net of corporation tax. NBC for the half-year is £10.1m (H1 2012: £9.3m).

2.1.2 Expected return on existing business

The table following shows the expected return and the cash flows generated and consumed by the business.

The existing business generated cash of £21.7m (2012 H1: £21.2m). The Group invested £13.2m in new business (2012: H1 £13.7m).

The expected return on existing business is primarily dependent upon the risk discount rate at 30 June in accordance with EEV principles. The 30 June 2012 discount rate was 1.6% (30 June 2011: 2.7%) and this change reduced the expected return on existing business to £1.4m (H1 2012: £2.7m).



	EEV	H1 2013 Net worth	VIF	EEV	H1 2012 Net worth	VIF
	£m	£m	£m	£m	£m	£m
Cash flows generated by existing business	0.0	21.7	(21.7)	0.0	21.2	(21.2)
New business strain	0.0	(13.2)	13.2	0.0	(13.7)	13.7
Time value of existing business	1.4	0.1	1.3	2.7	0.2	2.5
Time value of new business	0.0	(0.1)	0.1	0.1	(0.1)	0.2
Time value of non-market risk	0.0	0.0	0.0	(0.1)	0.0	(0.1)
	1.4	8.5	(7.1)	2.7	7.6	(4.9)

The EEV component for the change from non-market risk and for frictional costs was assessed as zero for the six-month period ended 31 December 2012 (H1 2012: (£0.1m)).

2.1.3 Experience variances

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

Experience variances are summarised in the following table.

Six-month period ended 31 December	H1 2013 £m	H1 2012 £m
Expenses	(0.6)	(0.9)
Premium changes and surrenders	(0.9)	(1.2)
Lapsed Policies	(0.7)	(0.0)
Other	(0.2)	(0.3)
	(2.4)	(2.4)

2.1.4 Operating assumption changes

There have been no operating assumption changes in the period, given management's view that the experience variances described above are insufficiently credible to require a change in assumption at this time. A review of operating assumptions is conducted annually at each year-end. Changes are made to the EEV assumptions to reflect current expectations about future levels of future expenses, premiums, lapses and other operating matters. Changes are made more often if experience suggests that this would provide a more accurate result. No such changes were made for the 31 December 2012 calculations (H1 2012: (£0.2m) expense variance).

2.1.5 Model changes

The Group continues to develop its modelling functionality. There were no significant changes to the model used to determine the EEV at the end of the period (H1 2012: £0.0m).

European Embedded Value Information continued

2.1.6 Investment return variances

The impact of market and other external conditions gave rise to EEV investment return profit of £0.8m in the half year (H1 2012: £15.0m loss). The investment return primarily reflects the return on assets under administration arising from investment and currency choices made by policyholders.

The main elements contributing are as follows:

	H1 2013 £m	H1 2012 £m
Investment performance of policyholder funds	7.6	(15.1)
Exchange rate movements	(6.7)	0.6
Other	(0.1)	(0.5)
	0.8	(15.0)

2.1.7 Economic assumption changes

The change in risk discount rate over the period from 1.6% at 30 June 2012 to 1.5% at 31 December 2012 and corresponding change in assumed asset growth rates resulted in an EEV profit of £0.2m (H1 2012: £2.2m profit).

2.2 Detailed analysis of EEV profit

The table below shows a detailed analysis of EEV profit after tax split between net worth and the value of in-force business ('VIF'):

	H1 2013			H1 2012		
	Movement In			Movement In		
	EEV	Net	VIF	EEV	Net	VIF
	£m	worth	£m	£m	worth	£m
New business contribution	10.1	0.0	10.1	9.3	0.0	9.3
Expected return on existing business	1.4	8.5	(7.1)	2.7	7.7	(5.1)
Experience variances	(2.4)	(1.8)	(0.6)	(2.4)	(2.7)	0.3
Operating assumption changes	0.0	0.0	0.0	(0.2)	0.0	(0.2)
Expected return on net worth	0.4	0.4	0.0	0.8	0.8	0.0
EEV operating profit after tax	9.5	7.1	2.4	10.2	5.9	4.3
Investment return variances	0.8	0.1	0.7	(15.0)	(1.9)	(13.1)
Economic assumption changes	0.2	0.0	0.2	2.2	0.0	2.2
EEV profit after tax	10.5	7.2	3.3	(2.6)	4.0	(6.6)



3 Embedded Value at 31 December 2012

3.1 EEV Balance Sheet

Following the payment of dividends totalling £11.0m, the Group's EEV has decreased by £0.4m to £223.9m (30 June 2012: £224.3m). The EEV balance sheet is presented below.

	H1 2013 £m	H1 2012 £m
Free surplus	29.9	37.5
Required capital	16.8	15.3
Net worth	46.7	52.8
VIF	184.4	197.4
Reduction for non-market risk	(6.0)	(5.9)
Frictional costs	(1.2)	(0.9)
Value of future profits	177.2	190.6
EEV	223.9	243.4

3.2 Reconciliation of EEV

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

	H1 2013					H1 2012				
	EEV £m	Net Worth £m	VIF £m	Non market risk £m	Frictional costs £m	EEV £m	Net Worth £m	VIF £m	Non market risk £m	Frictional costs £m
Opening	224.3	50.4	180.9	(6.0)	(1.0)	257.0	59.8	204.0	(5.8)	(0.9)
EEV profit after tax	10.5	7.2	3.5	0.0	(0.2)	(2.6)	4.0	(6.6)	(0.1)	0.0
	234.9	57.6	184.4	(6.0)	(1.2)	254.4	63.8	197.4	(5.9)	(0.9)
Dividends paid	(11.0)	(11.0)	0.0	0.0	0.0	(11.0)	(11.0)	0.0	0.0	0.0
Closing	223.9	46.7	184.4	(6.0)	(1.2)	243.4	52.8	197.4	(5.9)	(0.9)

4 New Business Profitability

The Group continues to write new business and new business overall is profitable as modelled and in practice (as can be seen by the generation of cash). The following metrics illustrate an indication of the profitability of the Group's new business written in the period.

European Embedded Value Information *continued*

4.1 New Business Margin

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

The NBM for the period is 12.1% (H1 2012: 10.4%), an increase of 16.3%. This increase reflects the change in mix of sales towards higher-margin regular-premium business.

Six-month period ended 31 December	H1 2013 £m	H1 2012 £m
PVNBP	£83.4m	£89.7m
NBC	£10.1m	£9.3m
New business margin	12.1%	10.4%

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

4.2 Internal Rate Of Return ("IRR")

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

The IRR on new business written during the year continues to be in excess of 15% p.a.

4.3 Break Even Point ("BEP")

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

There has been no significant change in average BEP for new business, which remains below three years.

As at 31 December 2012, the value of future profits is £177.2m. A third of these profits are expected to convert into net worth within 2 years, half within 5 years and three quarters within 10 years. This speedy conversion of VIF to net worth is a consequence of the Group's pricing methodology.



5 EEV SENSITIVITY ANALYSIS

Sensitivities provide an indication of the impact of changes in particular assumptions on the EEV at 31 December 2012 and the NBC for the period then ended. The sample sensitivity tests shown are illustrative – it is not the case that each test is as likely as the others.

In practice, the EEV and NBC sensitivity depends on the mix of products in the existing book and the mix of products sold at new business stage. Different product types are sensitive to different assumptions to different degrees.

The sensitivity analysis indicates that exposure to operating factors is limited: this is largely a result of product design.

Impact on:	EEV £m	NBC £m
Central assumptions	223.9	10.1
Operating sensitivities		
10% increase in expenses	(8.8)	(0.6)
1% increase in expense inflation	(7.7)	(0.8)
1% increase in charge inflation	7.1	0.8
1% increase in expense & charge inflation	(0.4)	0.1
10% decrease in lapse rates	2.3	0.2
10% increase in paid-up rates	(1.3)	(0.2)
10% decrease in mortality rates	0.3	0.0
10% increase in partial withdrawals	(1.6)	(0.1)
10% increase in premium reductions	(0.7)	(0.1)
10% increase in premium holidays	(0.6)	(0.1)
10% corporation tax in Isle of Man (currently zero)	(18.5)	(1.1)
Economic sensitivities		
1% decrease in risk discount rate	10.0	1.2
1% decrease in investment return rate	(6.8)	(0.4)
1% decrease in risk discount rate & investment return rate	2.5	0.7
10% decrease in the value of equities and property	(8.6)	0.0
10% increase in sterling exchange rates	(16.8)	(1.0)
10% increase in commissions receivable	3.1	0.2

In each sensitivity calculation, all other assumptions remain unchanged. There is a natural correlation between many of the sensitivity scenarios tested, so the impact of two occurring together may be less than 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

The results of the Group's operations for the six months ended 31 December 2012 as measured on a European Embedded Value ("EEV") basis are set out in the European Embedded Value Information. For interim reporting purposes certain disclosures have been reduced from those which would be required under the EEV Principles.

The results are measured on a basis determined in accordance with the EEV Principles published by the CFO Forum in May 2004 and extended in October 2005.

2 Methodology

The methodology used to derive the EEV results at the valuation date is consistent with the EEV methodology used in relation to the consolidated financial statements for the year ended 30 June 2012. Under EEV methodology, profit is recognised as margins are released from policy-related balances over the lifetime of each policy within the Group's in-force covered business. The total 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.

The EEV is an estimate of the value of the shareholders' interest in the Group based on the in-force portfolio at the valuation date, 31 December 2012. It excludes the value of any future new business that the Group may write after that date. EEV comprises net worth and the value of future profits ('VIF') from business in-force at the valuation date. Net worth is the market value of shareholder funds, determined on an IFRS basis, adjusted to exclude deferred origination costs and deferred income reserve. VIF is the present value of profits expected to arise from assets backing the liabilities of the covered business, being the entire business of the Group, including its life assurance companies and subsidiaries providing administration, distribution and other services. All results are calculated net of corporation tax.

2.1 Operating assumptions

The EEV was calculated using best estimate operating assumptions (e.g. expenses, mortality, lapses, premium persistency, partial withdrawals and policyholder activity) having regard for the Group's own past, current and expected future experience, together with other relevant data. All assumptions are based on the business being part of a going concern.

There have been no material changes to assumptions from those used for the year ended 30 June 2012 and set out in detail in the 2012 Report and Accounts.

2.2 Economic assumptions

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

	31 December 2012	31 December 2011	30 June 2012
Risk-free rate	1.5%	1.8%	1.6%
Risk discount rate (VIF calculation)	1.5%	1.8%	1.6%
Risk discount rate (NBC calculation)	1.6%	2.7%	1.6%
Future charge & expense inflation	5.0%	5.0%	5.0%
Corporation Tax – Isle of Man	0%	0%	0%
Corporation Tax – Republic of Ireland	12.5%	12.5%	12.5%



Report of the Reviewing Actuaries

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

Dear Sirs

Review of the European Embedded Value (“EEV”) of Hansard Global plc for the six-month period ended 31 December 2012

Our role

Deloitte MCS Limited has been engaged by Hansard Global plc to act as Reviewing Actuaries in connection with results on an EEV basis published in sections within Hansard Global plc’s Results for the six-month period ended 31 December 2012.

Responsibilities

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

Our limited 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 limited review, nothing has come to our attention that causes us to retract our opinion that:

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

Reliances and limitations

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

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

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

Yours faithfully
Deloitte MCS Limited

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