



Annual Report & Accounts 2010

**DELIVERING
SUSTAINED GROWTH**

...THROUGH FOCUSING ON LIFE ASSISTANCE

CPPGroup Plc (CPP) is an international Life Assistance business operating across 15 geographical markets with more than 200 Business Partners worldwide.

Via its Business Partners, CPP provides Life Assistance products that help consumers cope with the anxieties and complexities of modern life.

Today we are increasingly reliant on our payment cards and mobile phones, we travel more, value our free time, and we want to protect what is most valuable to us – at home and abroad.

The loss or disruption of these life essentials can be inconvenient and stressful.

CPP's annually renewed and packaged products provide assistance and insurance across a wide range of market sectors helping our customers to live life and worry less.

CPP was listed on the London Stock Exchange in March 2010.

Additional information



Corporate Website

For further information visit
our corporate website at
www.cppgroupplc.com

Contents

PERFORMANCE DRIVERS

CPP has a clearly defined strategy for delivering continued growth. Our growth strategy is based on organic growth through products, channels and geographical markets, supported by selective acquisitions. We believe the business is well placed to execute and deliver against these strategies and already has a proven track record.

Over the past four years we have delivered double-digit profit and revenue growth helping to forge mutually beneficial partnerships with our Business Partners. Helping our mutual customers cope with the anxieties and complexities of modern life through the provision of our Life Assistance products and services has been central to our success.

1. Strong Performance Despite the Downturn pg 2

We have increased operating profit margins from 14.2% in 2009 to 15.0% in 2010. This has been achieved through the introduction of product enhancements, direct and indirect cost management and also through economies of scale.

2. Broadening Our Range of Products and Services pg 4

CPP continues to diversify and broaden its portfolio of Life Assistance products distributed across multiple market sectors, helping our customers cope with the complexities and anxieties of modern life.

3. Applying Our Proven, International Scalable Business Model pg 6

Our business strategy has international expansion as one of its key drivers of growth. We have a business model that is continuing to expand internationally, with particular focus on developing markets such as India, Mexico and China. Our business model is highly cash generative with cash conversion of 109% in 2010. At December 2010 we had net debt of £2.2 million.

4. Developing Long-Standing Relationships with Global Brands pg 8

We work with more than 200 Business Partners, including relationships with leading financial and telecommunications organisations such as Barclays, HSBC, Bank of America, RBS, Standard Chartered and T-Mobile. CPP's top ten Business Partner relationships have an average ongoing relationship length of 16 years.

5. Expanding Internationally in High Growth Markets pg 10

CPP has targeted its geographical expansion with increased focus on key developing markets such as Turkey, India, Mexico and China. Countries are selected according to specific criteria, such as where the existing and expected growth in bankable population and plastic cards presents a significant and sustainable growth opportunity and the extent to which the Group may be able to leverage existing Business Partner relationships.

6. Strategy for Delivering Sustained Growth pg 16

In our more established markets including the UK, Spain and US, growth is generated through the introduction of new products and services, and the development of new sectors and channels. Our ambition to introduce Identity Protection and Airport Angel across the Group is exciting, as is the extension of our Card Activation 'service to sales' channel. In our newer geographical markets, such as India, Mexico and China, we are steadily building our Business Partner relationships.

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Overview: Financial highlights & Group KPIs

STRONG PERFORMANCE DESPITE THE DOWNTURN

Highlights of the year

Revenue

£325.8m
+12%

Group revenue has increased 12% from 2009. Our Northern Europe region has grown 15%.

Cash generated by operations

£53.0m
(4)%

Cash generation continues to be strong.

KPI

Live Policies

11.2m
+12%

The increase of 12% during the year has been driven by the expansion of Packaged Accounts in the UK.

Underlying operating profit

£48.7m
+17%

Underlying operating profit which excludes legacy scheme share based payments has grown by 17%.

KPI

Annual renewal rate

75.9%
(1.6)%

The Group annual renewal rate is lower than prior year due to mix effects and lower rates in Southern Europe.

KPI

New assistance income

£88.0m
+10%

New assistance income has grown by 10%.

Gross profit

£136.7m
+10%

Gross profit has increased by 10% during the year to £136.7 million, reflecting the 12% growth in revenues.

KPI

Cost/income ratio

51%
+3%

Cost income ratio has increased to 51% of revenues, reflecting the growth of our Packaged Account channels.

KPI

Operating profit margin

15.0%
+0.8%

Underlying operating profit as a percentage of revenue has grown by 0.8%.

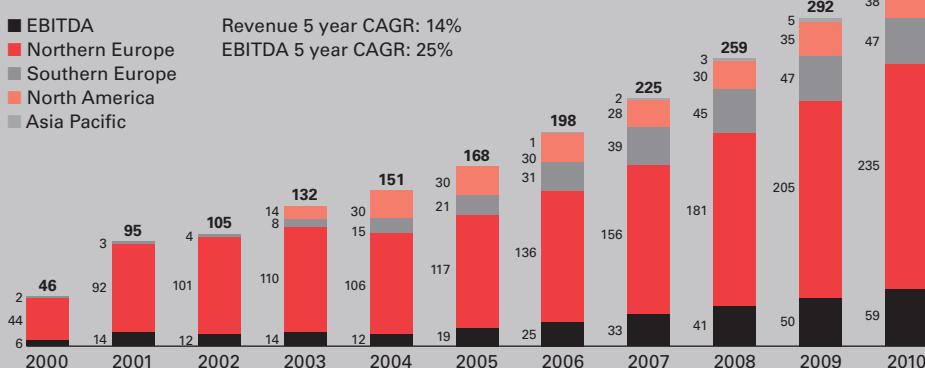
Performance for the period

In our first period as a listed company, we have grown revenues by 12% to £325.8 million and underlying operating profit by 17% to £48.7 million, 18% excluding the impact of foreign exchange. We have grown revenues from our Northern Europe, North America and Asia Pacific markets. Despite challenging market conditions we have maintained stable revenues in Southern Europe, excluding the impact of foreign exchange. Reported operating profit which includes costs associated with our pre-IPO share option schemes has also increased, by 44% to £44.9 million.

Profit before tax has increased by 60% to £39.8 million from this increase in operating profits together with a reduction in interest costs as we reduced our debt.

In line with our policy of distributing approximately 40% of underlying post tax profits, our proposed final dividend of 5.12 pence per share brings the total dividend for the year to 7.54 pence per share.

10 year company history – Revenue by region (£m)



Notes

1. EBITDA is defined as earnings before interest, tax, depreciation, amortisation, legacy share based payments and strategic review costs.
2. 2000 was 12 months to 31 August 2000. 2001 was a 16-month period to 31 December 2001.
3. US 2003 revenue represents 5 months from acquisition.
4. Financial information from 2007 is IFRS, prior to 2007 all data is UK GAAP.

Overview: Chairman's statement

Financial highlights & Group KPIs

Chairman's statement

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"An excellent first period since the IPO."

Charles Gregson
Chairman

This is the first Annual Report we have published since your Company's shares were floated on the London Stock Exchange on 19 March 2010, with unconditional trading commencing on 24 March 2010, and it gives me great pleasure to be writing to you as your Company's Chairman.

Preparations for launching the IPO involved many, many hours of hard work by our professional advisers and by the CPP team in York. All involved in the IPO process deserve our gratitude. Although the IPO process was extremely time consuming, the management team continued to drive the growth of the business both domestically and internationally. New products were launched and new Business Partner Agreements were signed across the Group.

The evolution of CPP from a private company to one whose shares are listed publicly has involved many changes in the organisation. I was delighted to accept the offer to be Chairman in advance of the IPO. I was formally appointed Chairman of the Group on 18 January 2010 in succession to our founder and controlling shareholder Hamish Ogston, who continues as a Non-Executive Director and to own 57% of your Company's shares. We are fortunate that we continue to have access to Hamish's experience and vision for the business. Of the three other Non-Executive Directors prior to the flotation, Colin Lloyd who had been a Director since 2001 retired from the previous Board on 11 February 2010, and Tim Kelly who had been a Director since January 2003 and Chairman of the Remuneration Committee, retired at the end of December 2010. Finally, Peter Morgan who has been a Non-Executive Director since January 2005 and Chairman of the Audit and Risk Committee, will retire at the end of March 2011. We owe them all a huge debt of gratitude and wish them well for the future.

However, we are pleased to have replaced them with the appointment of three new Non-Executive Directors, Patrick De Smedt who worked for Microsoft for 23 years and was Chairman of Microsoft Europe, Middle East and Africa for three years until he retired in 2006, Les Owen who was Chief Executive Officer of AXA Sun Life and AXA Asia Pacific for 11 years, and Duncan McIntyre who has been the Chairman of Monitise since demerger in 2007. Patrick was also appointed Chairman of the Remuneration Committee on 24 August 2010 and Les will assume the Chairmanship of the Audit and Risk Committee on Peter Morgan's retirement at the end of March 2011. An appropriate induction programme has been developed for all the new Non-Executive Directors to enable them to better understand your Company's business and to meet the management team. The new Non-Executive Directors bring to your Company a wealth of senior

managerial and international experience and a detailed understanding of new technologies and how these are likely to impact your Company's business in the future.

While there have been significant changes to the Non-Executive team at CPP; importantly the Executive team has remained in place throughout the transition period. Eric Woolley and Shaun Parker as CEO and CFO respectively have continued to drive the growth of the business, notwithstanding the huge distractions of the IPO. Ably supported by the CPP Executive Committee, the financial results for 2010 are a testament to their hard work and commitment.

There have been significant changes in the regulatory and governance environment during the year, with the publication of the Walker Report on 26 November 2009, significant revisions to the Combined Code now called the UK Corporate Governance Code and the publication of guidance from the Financial Services Authority on Corporate Governance and Remuneration. Whilst CPP has complied with a significant portion of these guidelines and rules, it has not in a number of cases and I want to explain why. The UK Corporate Governance Code recommends that companies such as CPP appoint a Senior Independent Director to act as an additional interface with the Executive team, the outside shareholders and the Chairman. This is an important role and with a very new group of Non-Executive Directors we have decided to defer the appointment of the Senior Independent Director until 2011 when we will have a better idea of the availability of the individual Non-Executive Directors and their willingness to take on the role. Additionally the Code recommends that companies such as CPP carry out an annual Board effectiveness review, implemented either internally or externally. Again with such a new Board of Directors it has been decided to defer this exercise until next year to enable the Board to 'bed down'.

Finally and most importantly, I want to thank all the management and employees at CPP – wherever in the world they may be – for all their hard work and efforts in 2010.

2010 was a momentous year for CPP with its flotation on the London Stock Exchange. 2011 promises to be a year of further growth.

Charles Gregson
Chairman

Overview: Our products and services

BROADENING OUR RANGE OF PRODUCTS AND SERVICES

CPP continues to diversify and broaden its portfolio of Life Assistance products that are distributed across multiple market sectors, which help our mutual customers cope with the complexities and anxieties of modern life.

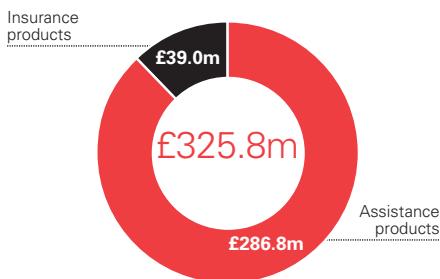
Over time we have increased the number of Life Assistance products that we present to our Business Partners' customers. Card Protection was the first product the Group introduced in the UK and it is now established in the majority of our international markets.

Other established products include Identity Protection, Packaged Accounts, Phonesafe, Purchase Shield and Legal Protection.

More recently we have introduced Travel Assistance, Airport Angel and Home 3, our joint venture with Mapfre Asistencia that provides home emergency assistance.

Customer service is key to the success of the business. We conduct agent training and service monitoring through each stage of the sales, service and claims process to strive to ensure that each customer contact is personal, professional and of the highest standard. Our contact centre operations support more than 11 million policies across Europe, Asia and North America.

Revenue contribution by product



Our products

Card Protection



Profile

Report lost or stolen cards with one call from anywhere in the world. Key features include card cancellation and re-issue, emergency cash advance, protection for keys, fraud protection insurance, valuable document replacement, handbag and wallet replacement and mobile phone loss reporting.

Identity Protection



Profile

Protects consumers against identity theft and provides specialist support if the customer becomes a victim of identity theft. Policyholders are helped to protect and restore their identity via access to credit reports, e-mail or SMS alerts, on-line personal data tracking, access to a caseworker and insurance cover for out-of-pocket expenses such as legal and communication costs.

Phonesafe



Profile

Comprehensive insurance cover for mobile devices. The policy includes cover for loss, theft and breakdown outside warranty and accidental damage.

Packaged Accounts



Profile

Products and services sourced from CPP's own product range and from third-party providers to create a 'package' tailored to customers' requirements. Products and services can range from roadside assistance to travel insurance and are primarily used in current accounts.

Financial highlights & Group KPIs

Chairman's statement

Our products and services

Our business model: a virtuous cycle

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Our international markets

Home 3**Profile**

Home emergency assistance for plumbing, drainage, gas, electrical and other home emergencies through our joint venture with Mapfre Asistencia.

Purchase Shield**Profile**

A product that protects purchases made by customers in the event of damage, non-returns or discounting of an item after purchase.

Airport Angel**Profile**

A travel service that provides customers with access to more than 560 airport lounges in more than 320 airports worldwide with complimentary facilities such as food and drink, business facilities and a host of support services.

Travel Assistance**Profile**

Travel support services, including passport assistance, mobile phrasebook, translation service, and a lost-and-found luggage service.

Legal Protection/Your Law**Profile**

Legal assistance to support consumers in a range of legal matters including trades-person disputes, retail purchase disputes, boundary disputes, medical and personal injury claims, and employment matters.

New Product Development**Profile**

CPP is committed to product development and innovation, which has seen the Group change from simply being a Card Protection business to a provider of Life Assistance products and services. The on-going enhancement of our existing products, associated with price increases, helps drive the appeal and profitability of existing products and services.

Overview: Our business model: a virtuous cycle

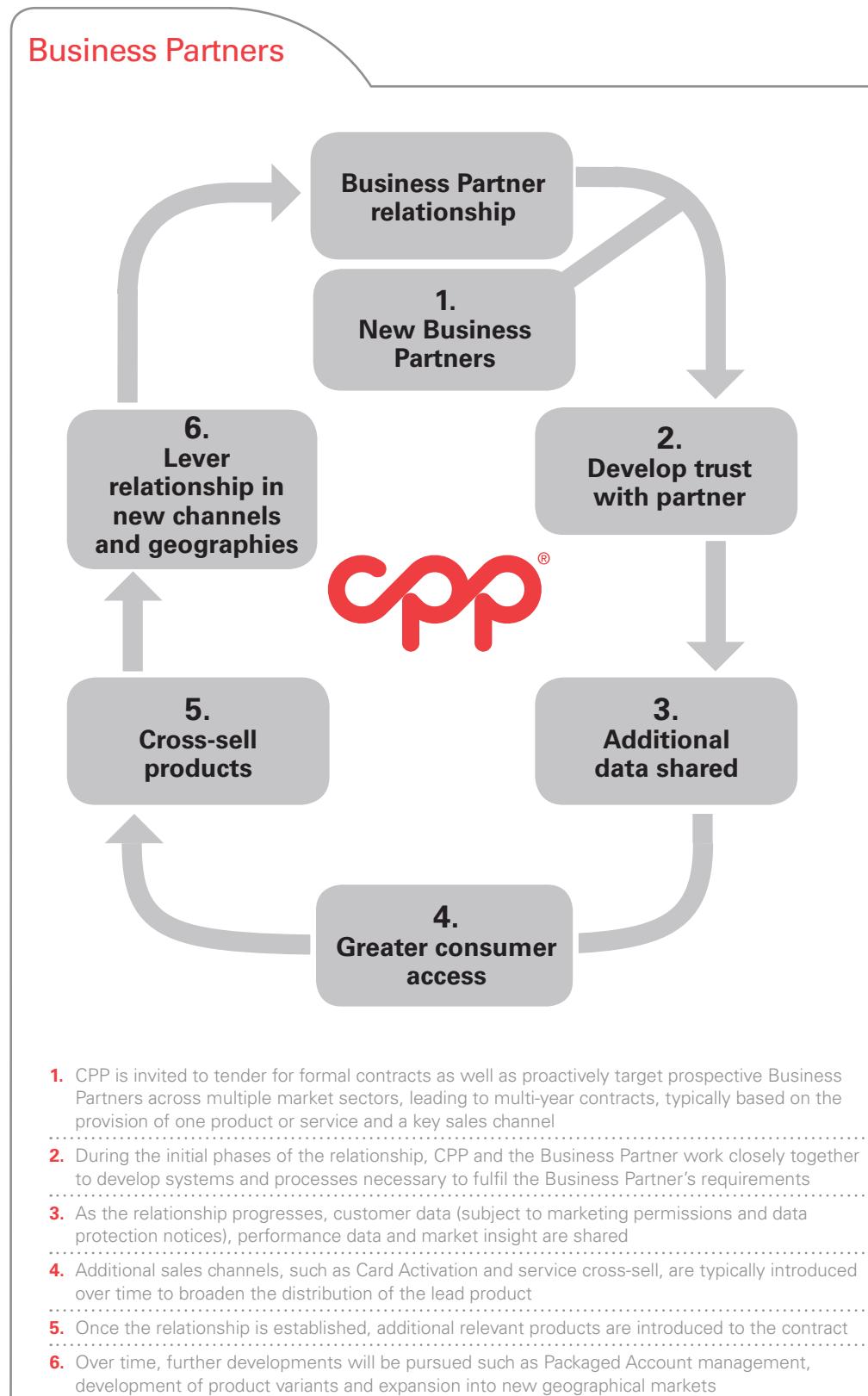
APPLYING OUR PROVEN, INTERNATIONAL SCALABLE BUSINESS MODEL

CPP operates a business-to-business-to-consumer business model. This proven model which we now operate across 15 geographical markets sees us sell and service annually-renewed products to our Business Partners' customers.

Our customers benefit from the provision of Life Assistance products designed to make life less stressful. Regular customer communications and on-going service interactions encourage product engagement with key features and benefits, which help encourage retention and annual renewal.

Our Business Partners benefit from commission payments and over time additional sales channels, products and services can be introduced to the relationship.

Our business model is highly cash generative and drives our renewal rates.



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Customers**1. Customer signs up****2. Service call****3. Renewal contract****4. Increased product engagement****Customer service**

Customer service and interaction are key to the success of our business and our relationships with Business Partners and customers. To ensure that each customer contact is personal, professional and of the highest quality, we conduct agent training and service monitoring through each stage of the sales, service and claims process, combined with regular customer satisfaction feedback.

To help us improve our customer experience in the UK, we conduct detailed Treating Customers Fairly (TCF) research.

Business Partner service

In addition to providing a portfolio of retail, wholesale and packaged products to Business Partners, CPP offers a range of support services that add value to our Business Partner relationships. These services include product development and marketing expertise, channel management, technology development, training, research and analytics, as well as the outsourced management of Card Activation campaigns and Packaged Accounts.

1. A prospect is presented with a CPP product through their relationship with the Business Partner. If they purchase the product they receive a fulfilment pack, with an appropriate cooling-off period
2. During the year, the customer will interact with CPP for policy administration, such as updating cards, change of address notifications, reporting lost or stolen cards or requesting Identity Protection support
3. Customer holds the product for a year and is presented with a renewal notification on the anniversary of purchase, reminding them of the product features and benefits. Products are regularly upgraded to include enhanced cover and superior protection, at a higher price point
4. In-life customer communications, on-going service interactions and cross-sales encourage engagement with the product's features and usage, which helps encourage retention and renewal

DEVELOPING LONG-STANDING RELATIONSHIPS WITH GLOBAL BRANDS

Our Business Partners

The strength of our Business Partner relationships, as evidenced by the duration of many of our partnerships, provides a solid foundation for delivering sustained growth across the Group.

Many of our Business Partners are international businesses that help to support our strategy to expand internationally in new developing market economies.

Our Business Partners operate across multiple market sectors including financial services, mobile telecommunications, travel, membership/affinity and retail.

CPP's top 10 Business Partner relationships have an average ongoing relationship length of 16 years.

16 years

Average relationship top ten partners

Building international relationships

Our Life Assistance products are distributed and sold to our Business Partners' customers either via their own sales and services channels or through sales channels managed directly by CPP.

Following the sale, CPP administers and services the policies, managing all aspects of customer service, on behalf of our Business Partners.

The benefits of partnering with CPP include incremental revenue in the form of commission payments and access to specialist expertise. Specifically, our retention and renewal programmes deliver long term sustainable income for our Business Partners.

An example of this is debit and credit card activation – the provision of this service is attractive for Business Partners because they replace an operational cost with a net profit income.

More than

200

Business Partners

BBVA

 **Agos**

AKBANK

 **Carrefour**

 **Cetelem**

 **citi**

 **ALLIANCE DATA SYSTEMS**

 **BANCA POPOLARE DI MILANO**

 **Clydesdale Bank**

 **COMMERZ FINANZ**

 **BANK ASYA**

 **DenizBank**

 **Bank of Ireland**

 **Findomestic**

 **BARCLAYS**

Financial highlights & Group KPIs

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Developing relationships for the future

CPP has signed contracts with a range of new Business Partners helping to provide sustainable growth for the future.



EXPANDING INTERNATIONALLY IN HIGH GROWTH MARKETS



CPP North America

Countries of operation:

- United States of America

£5.9m

Operating profit

Market information:

Access to the largest consumer market and the large number of credit and debit cards in circulation – 573 and 540 million respectively – means the United States is a significant market opportunity. This is helped by the size and maturity of the Identity Protection market.

Revenue contribution



150
Employees

CPP Southern Europe

Countries of operation:

- Spain
- Italy
- France
- Portugal
- Mexico

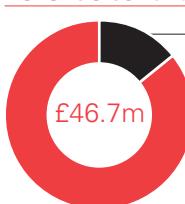
£10.5m

Operating profit

Market information:

Although impacted by the economic downturn, market potential in this region remains promising. Developing and developed markets are forecast to see population growth and increased debit and credit card usage. Southern Europe had 224 million cards with debit functionality in 2010.

Revenue contribution



306
Employees



See pages 30-31 to read more about our operations



See pages 28-29 to read more about our operations

Financial highlights & Group KPIs

Chairman's statement

Our products and services

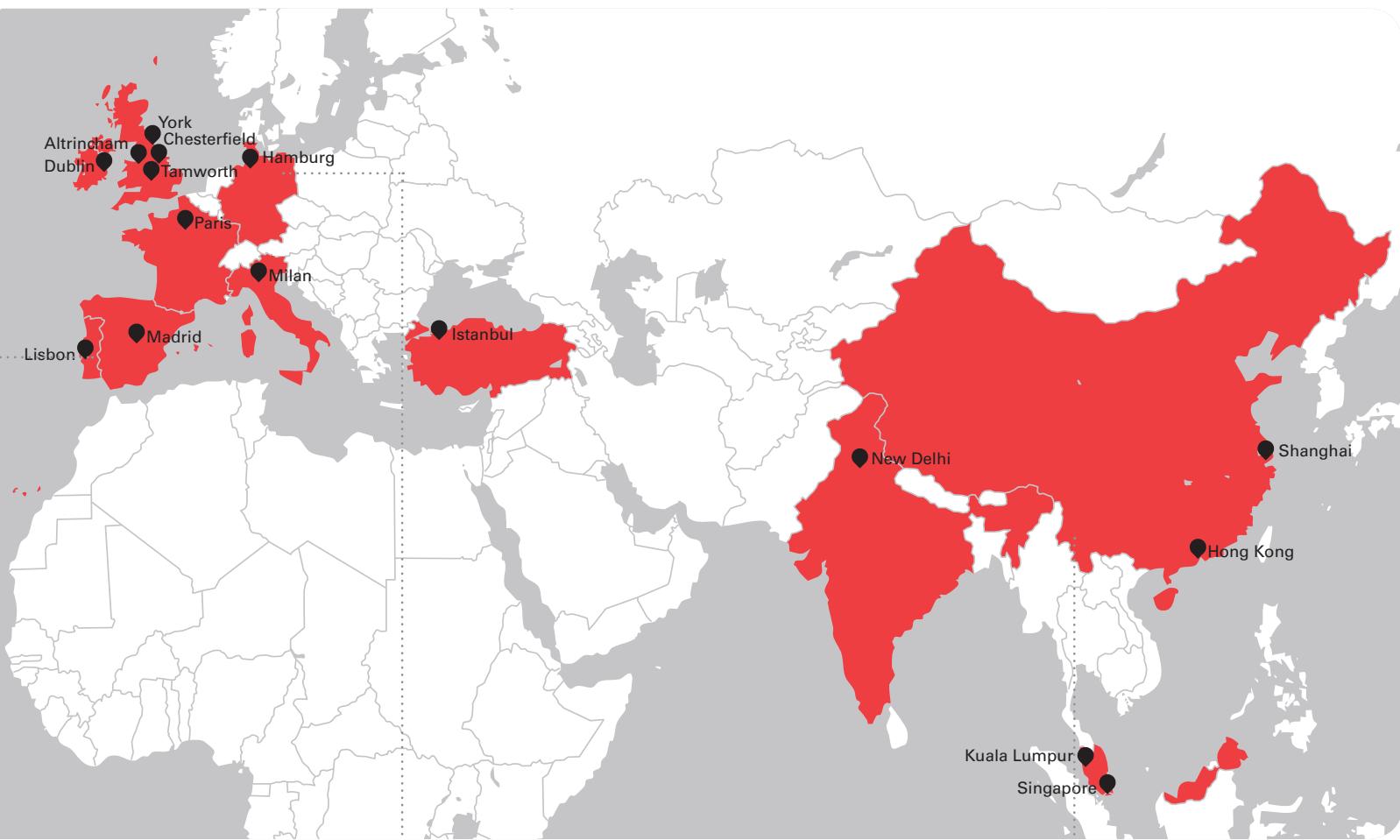
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Key:

Existing offices



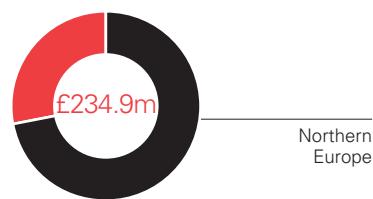
CPP Northern Europe

Countries of operation:
 • United Kingdom
 • Ireland
 • Germany
 • Turkey

£35.6m
 Operating profit

Market information:
 The increasing reliance by consumers on plastic cards as their dominant means of payment means that Northern Europe will remain important to CPP. The increasing use of pre-paid cards and debit cards indicates continued market potential with over 83 million debit cards in the UK alone.

Revenue contribution



1,716
 Employees



See pages 26-27 to read more about our operations

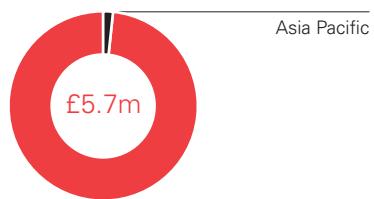
CPP Asia Pacific

Countries of operation:
 • China
 • Malaysia
 • Singapore
 • Hong Kong
 • India

£(2.3)m
 Operating loss

Market information:
 The increasing penetration of financial cards, especially in India and China, makes this region a key geographical market. Demand for financial cards is expected to show continued growth and increased levels of affluence points towards strong market potential.

Revenue contribution



48
 Employees



See pages 32-33 to read more about our operations

CONTINUING TO GROW AND LEAD THE WAY IN OUR MARKETS



"We are a fast growing international business with a proven track record."

Eric Rhys Woolley
Chief Executive Officer

I am pleased to report that CPP has delivered strong growth, continuing the trend established over the past few years. This year, Group revenue is up 12% and underlying operating profit is up 17%. These results are testament to the quality of our people, our products and services, and our long-standing relationships with Business Partners and customers. We are especially proud of our achievements given the backdrop of global economic and financial uncertainty.

It is also gratifying that we are able to report this performance in our first results following our listing on the London Stock Exchange in March 2010.

Business diversification has helped CPP to achieve this growth, and I am pleased to report that today the Group continues to pursue its ambition of operating across multiple market sectors, offering multiple products and services in an increasing number of geographical markets. Although our geographical markets are at different stages of maturity, the basic premise remains that consumers, irrespective of where they live, are increasingly reliant on their payment cards and mobile devices, and continue to travel for both business and leisure. CPP's Life Assistance products and services are well positioned to help consumers safeguard what is valuable to them and to cope with the anxieties and complexities of modern life. At the same time, our products and services help Business Partners generate incremental revenue and reduce cost.

The opportunities from CPP's ongoing diversification are driving our business forward and creating the momentum to establish CPP as a leader in the evolving Life Assistance market.

Continuing to perform well

CPP has grown Group revenue by 12% and underlying Group operating profit by 17% year-on-year. Underlying operating profit margin has increased by 0.8% to 15.0%. This increase in underlying Group operating profit and a reduction in legacy scheme share-based payments have generated reported operating profit growth of 44% year-on-year.

We have increased new assistance income by 10% year-on-year to £88.0 million through product, channel and market diversification, growth in Packaged Accounts and the roll out of higher-priced product variants. Live policies have increased 12% to 11.2 million.

Chief Executive Officer's review

Group strategy & KPIs

Strategy in action

We actively manage our renewal rates as they provide evidence that our products are valued by our customers who have chosen to retain them even when disposable income is under increased pressure. The Group renewal rate is a blended rate including all of our geographical markets. It reflects stability in the UK renewal rate offset by reduced rates in Southern Europe, which we attribute to local economic conditions and the expected mix effect of the growing renewal base in our new geographical markets and the US.

Management changes

Having led the sustained growth of Northern Europe, Stephen Kennedy was appointed to the new role of Chief Operating Officer in June. He will focus on delivering growth and efficiency across the Group, and our regional business units will report into him. Mike Kneafsey, previously Group Sales and Service Director, has been appointed Managing Director of UK and Ireland, having joined CPP in 2008 from Barclays.

In Southern Europe, Angel de Leon was appointed Managing Director in April. Angel brings a wealth of experience of the Southern European markets, including from his previous roles at Banesto.

In our Asia Pacific region, Richard Brady has been appointed Managing Director from March 2011. Richard has extensive experience of the insurance market through previous roles at Zurich Insurance and of the Asia Pacific region with AIG.

Global market growth

Growth in our Northern European region has been excellent. In the UK our Packaged Accounts business has continued to deliver good revenue growth as have our Card Activation programmes. We have continued the successful roll-out of improved product variants of our Card Protection and Identity Protection products, with associated price increases.

Our mobile phone insurance business has performed well with growth coming from our

new Packaged Accounts offering with RBS and higher sales with T-Mobile, particularly smartphone insurance. Renewing our contract with T-Mobile until 31 December 2011 was important, and we continue to have high level discussions with the merged T-Mobile business about potential future business opportunities.

I am encouraged by the progress we have made in our new market sectors. In addition, the successful integration of Leapfrog's product portfolio into our newly established CPP Travel Services and Promotional Marketing division has aided our entry into the travel sector. This has helped us to establish new Business Partner relationships outside the financial services sector.

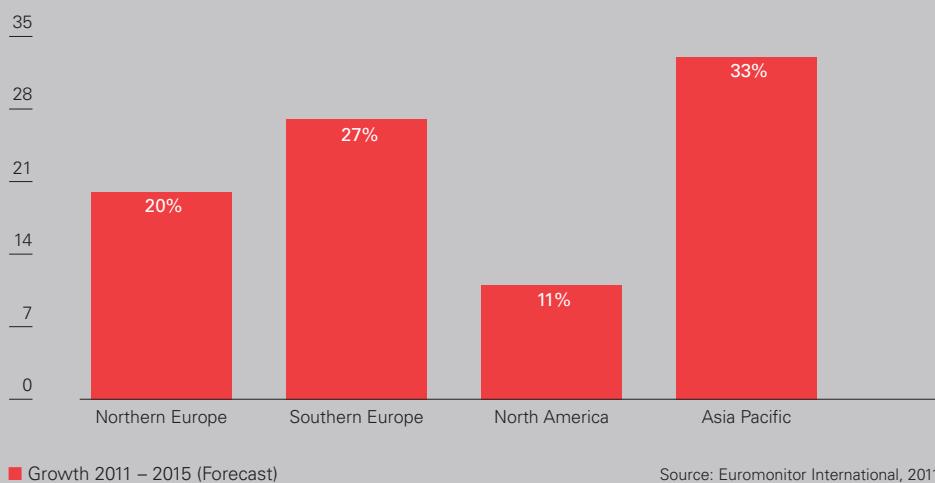
Continuing the theme of diversification, we are gaining some momentum with Home 3, our joint venture with Spanish insurer, Mapfre Asistencia. The business has recently contracted to support the AA with part of the claims fulfilment of their home emergency product and has established a

Key market data

As the demand for financial cards grows...

The bankable population across all our four regions showed growth between 2005 and 2010. This had a positive affect on the number of financial cards in circulation with all regions registering double-digit growth. This trend is forecasted to continue across 2011 – 2015.

Financial Cards Growth by Region (%)



CIFAS Statistical Update

The following table shows the number of victims of impersonation and cases of account takeover recorded by CIFAS Members, together with the percentage change from the same period of the previous year.

Year	Victims of impersonation	Account takeovers
2008	62,658 (-3.70%)	19,275 (+207%)
2009	85,402 (+35.65%)	22,434 (+16.29%)
2010 (to 30 September)	70,233 (+18.38%)	16,042 (-1.97%)

Source: CIFAS National Fraud Database

Strategy: Chief Executive Officer's review *continued*

"The demand for Life Assistance products and services is evolving and we are at the forefront of this market."

number of relationships with new Business Partners, including Homebase Retail Stores, BGL (Budget Group Limited) and Insure4Retirement.

In Turkey, where we launched our business in 2007, we are growing our policy numbers and thereby building a good renewal income base for the future. As a result, I am pleased to report that this geographical market has achieved full-year profits for the first time since launch.

Elsewhere, revenue in our Southern Europe markets is stable in challenging economic conditions especially in Spain – our largest market. Undeterred, we have worked hard to expand our Card Activation campaigns with a number of new Business Partners in Spain and Italy. Most notably, in Spain, we have a new relationship with Banco Sabadell, the country's fourth largest banking group and the largest bank in Catalonia.

We recognise that product innovation and development is central to our success in this region and I am pleased to report that we have introduced Identity Protection in Spain with Carrefour, and have more country launches in the pipeline planned for 2011. This product is already available in the US and Singapore, as well as in the UK.

In Mexico, as in other new developing markets where we have recently launched, performance has been encouraging. Card Protection sales are growing well and new campaigns have been implemented to support our performance.

The North America region continues to deliver year-on-year revenue growth. I am encouraged by new campaigns with Sovereign Bank and Wells Fargo Wachovia, which are generating significant new policy sales.

In our Asia Pacific region, I am encouraged by our performance in India and our entry into the Chinese market. In India we have continued to build Business Partner relationships, and now work with nine organisations, including Barclays, Deutsche Bank and Life Insurance Corporation of India. Furthermore, renewal income is now contributing to our growth in this strategically important and fast-growing economy. In China, we have made progress by signing our second retail agreement with Guangdong Development Bank (GDB), building on a wholesale agreement already in place with this Business Partner. Our first retail contract was signed earlier in the year with Shenzhen Development Bank (SDB).

Having taken the decision to launch in these two major developing economies, I am encouraged by our performance and progress in introducing our blend of assistance and insurance services.

In other markets across Asia Pacific, our performance has been affected by external factors such as the introduction of a new credit card tax in Malaysia. This has reduced the number of credit cards in circulation, as well as the number of new cards being issued, which has a direct impact on the opportunities we have to market our products. In Hong Kong, local concerns over the transfer of personal data to third parties for marketing purposes caused a temporary suspension of our telemarketing channels.

Organisational culture

As a business, we continue to work on strengthening the link between performance and people management. We achieve this through our Group Engagement Survey, which we conducted twice in 2010. Data from this survey is used to measure the strength of the relationship between individuals' performance and their engagement with the company. The results are used to identify areas for improvement that will help us deliver

...the incidence of theft and fraud increases

- Total fraud losses on UK cards totalled £365.4 million in 2010 (source: UK Cards Association)
- Figures from the National Fraud Authority show that UK identity fraud costs more than £2.7 billion and affects over 1.8 million people each year. On average fraudsters gain over £1,000 from every identity stolen (source: National Fraud Authority)
- Criminals are using more sophisticated methods to target online banking customers through malware, which targets vulnerabilities in customers' PCs, rather than the banks' own systems which are more difficult to attack (source: UK Cards Association)
- There were more than 61,000 phishing incidents recorded during 2010 – a 21% increase on the amount seen in 2009 (source: UK Cards Association)
- The Dedicated Cheque and plastic Crime Unit (DCPCU) – the unique bank-sponsored police squad has prevented an estimated £340 million of card and cheque fraud losses over the last eight years (source: The UK Cards Association)
- 50% of regular internet users (41.4 million) are banking online (source: UK Payments Association)

1.8m
People affected by identity fraud every year costing the UK £2.7 billion

+133%
Increase in the number of financial cards in circulation in Asia Pacific between 2005 and 2010

Mrs Goodman, a 57-year old from Bridgend first realised something was wrong when her applications for store and credit cards were refused. Soon after she had a message from a debt collection agency saying that she owed £500 to a catalogue

company she had not used before. She immediately called the debt collectors assuming it was a simple mistake that could be rectified. But when she spoke to the company they said as far as they were concerned she had spent the money and was liable for the debt. Around the same time she also received a letter from another catalogue company saying she owed them £300 for catalogue purchases.

Mrs Goodman was left feeling 'worried, guilty and angry' because she felt she was being punished for something which she had not done.

She continued to speak with the companies involved and the debt collection agency but was not able to resolve the problem. She also spoke to the police who told her it was not a police matter. She then went to Citizens Advice who said there was nothing they could do.

She then called one of CPP's identity theft caseworkers and explained her full story who then dealt directly with all the companies involved to clear her name, restore her identity and repair her credit status.

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sustainable business results. In 2010, the Group Engagement survey recorded that 79% of employees were engaged and satisfied.

In 2010, we continued to improve our people and performance data, allowing us to better support the Group's business strategy and organisational effectiveness. These improvements included a new operational performance management process, developing greater depth in our HR systems data and enhanced business priorities management.

Technology

A major focus throughout 2010 was the achievement of Payment Card Industry Data Security Standard (PCI DSS) compliance in the majority of our countries. We introduced a network of encrypted storage areas across the Group and call-recording platforms in the UK to meet PCI DSS requirements. We also upgraded telephony platforms in the US and Spain with the UK scheduled for completion in 2011. A major investment in enterprise storage and server platforms will ensure future scalability and resilience as the business grows, supported by a 'virtualisation' project that will radically reduce the number of physical servers in use.

Our software development teams continue to focus on enhancing our core capabilities including packaged services, e-commerce, global web services and contact centre sales platforms, as well as providing solutions to support our launch in China and the international roll-out of Identity Protection. The Group's business intelligence capability continues to support the growth of new business opportunities and the increasing efficiency of our sales channels.

Future outlook

Thanks to the dedicated efforts of our employees across the Group, CPP has delivered another year of excellent growth. This strong performance with organic constant currency revenue growth of 10% has been achieved against a challenging economic backdrop, confirming that our Life Assistance products are highly valued by our customers who are seeking to safeguard themselves against the anxieties and complexities of modern life. Our ongoing focus on operational efficiency has enabled us to both invest in future growth and deliver another increase in the operating profit margin.

Our UK business continues to perform well driven by good revenue growth from our Packaged

Accounts business and a stable renewal rate. Progress in our new developing markets, which offer significant longer term potential, has been encouraging and I was particularly pleased to see Turkey achieve maiden full year profits.

CPP is a fast growing international business with a proven track record, strong cash generation and a minimal level of net debt. Looking forward, whilst economic conditions remain challenging, we are excited by the growth opportunities we have around the world and the medium term new business pipeline is encouraging as existing markets continue to develop and new markets open up.

Eric Rhys Woolley

Chief Executive Officer



"I am responsible for operational performance across the Group on a day-to-day basis. The regional Managing Directors report to me and I am driving revenue and operating profit in line with Group strategy."

Stephen Kennedy

Appointed Chief Operating Officer in June 2010 to focus on delivering growth and efficiency across the Group.

STRATEGY FOR DELIVERING SUSTAINED GROWTH

Our strategy

Our vision

Our vision is to be a leader in the Life Assistance market, offering customers a broad range of products and services. We are here to help our customers cope with the anxieties associated with the challenges and opportunities of everyday life.

Our strategy

To optimise relationships with existing Business Partners and customers.
To achieve growth through new products, channels, sectors and countries with new and existing Business Partner relationships.

Our strategic actions

1. Product development and innovation

Roll out new and existing products and services in current markets.

2. Drive growth in existing channels and develop new sales channels

Develop Business Partner relationships through existing and new channels to increase the number of customer sales opportunities.

3. International expansion

Expand internationally in new developing market economies.

4. Pursue selected acquisitions

Selective acquisitions to drive incremental growth.



For more information see our strategy in action on page 18



For more information see our strategy in action on page 20



For more information see our strategy in action on page 22



For more information see our strategy in action on page 24

Business Partner relationships

Scalable infrastructure

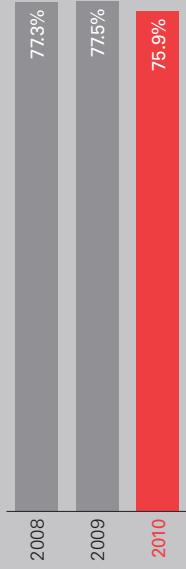
Global IT capability

Experienced management

KPIs

We use Key Performance Indicators to manage performance and growth of our business, reflecting the importance of both acquiring and retaining customers and control over our cost base.

Annual renewal rate



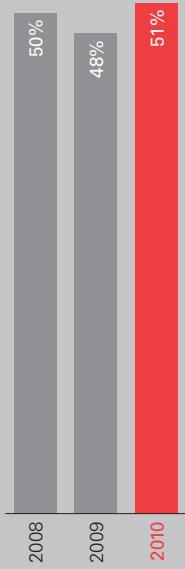
Definition

The net amount of annual retail policies remaining on book 45 calendar days after the scheduled renewal date as a proportion of those remaining from 45 days after acquisition/previous year renewal.

Performance

The Group annual renewal rate at 75.9% is lower than prior year. This results from a stable UK renewal rate, the expected mix effect of lower renewal rates in the US and our new markets, as well as reductions in Southern Europe.

Cost/income ratio



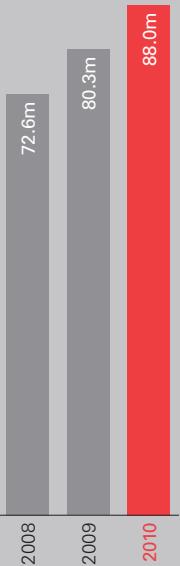
Definition

Cost of sales (excluding commission), and other administrative expenses as a percentage of revenue.

Performance

Cost income ratio has increased to 51% of revenues, reflecting the growth of our Packaged Account channels which do not generally incur Business Partner commissions and generally have a lower revenue per policy.

New assistance income



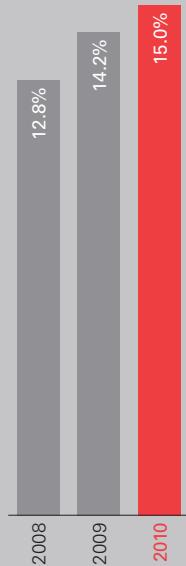
Definition

Revenue from customers of assistance products within one year from the customer being acquired.

Performance

New assistance income has grown by 10%. Growth in our Packaged Accounts channel, product diversification including Airport Angel and roll out of higher priced product variants contribute to this achievement, as does growth of our new markets.

Operating profit margin



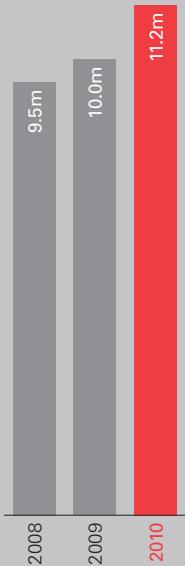
Definition

Operating profit before legacy scheme share based payments as a percentage of revenue.

Performance

Operating profit margin has grown by 0.8%. Growth in gross profit and control of overheads in Northern Europe has outweighed short term direct costs supporting Europay, Mastercard and Visa (EMV) Card Activation campaigns in Southern Europe and mix effects.

Live policies



Definition

Total number of policies which are live on Group policy databases.

Performance

Live policies have increased by 12% during the year, driven by the expansion of Packaged Accounts in the UK.



PRODUCT DEVELOPMENT AND INNOVATION

Product innovation is important in securing new Business Partner relationships and revenue diversification.

To provide Life Assistance products that meet the needs of our customers, CPP is committed to product development and innovation. The ongoing enhancement of our existing products and services helps to increase their appeal, penetration and profitability.

In the UK, one version of Identity Protection includes protection against spyware and malware, helping to address the latest criminal attacks and scams. Today, the threats posed to digital identities puts our personal and financial information at risk. If one of our customers suffers an extreme case of identity fraud, we will send an identity fraud expert to their home to help restore their identity, reputation and access to credit.

In the UK, for some variants of Card Protection and Identity Protection, we also offer Protective Registration through CIFAS, the UK's Fraud Prevention Service, so that extra checks are made before credit is granted in a policyholder's name.

Elsewhere, our Airport Angel airport lounge service is contributing towards the success of our Packaged Accounts offer and has strengthened our portfolio of travel products, not just in the UK, but internationally. Our new deal with Diners International is a good example of product diversification helping to penetrate new market sectors.

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DEVELOPING NEW CHANNELS

CPP is a multi-channel distributor of products utilising in-branch and Card Activation sales and more recently the web.

Our primary route to market for our Life Assistance products and services is via our Business Partners. Historically, CPP predominantly used outbound telemarketing to complement sales by Business Partners through their own sales channels. However, since the inbound Card Activation sales channel was fully rolled out in 2007, this has evolved into a major distribution channel in the UK, with increased prominence across the Group, particularly in the US, Spain and Germany.

Card Activation is a particularly effective sales channel because the call is initiated by the cardholder. During the activation process, with Business Partner and the customer's permission, Card Protection or Identity Protection is offered to the customer.

CPP has also developed a proven competency for cross-selling on an inbound customer service call. In this sales channel, CPP sells products and services to customers calling for 'service' on another CPP product or, potentially, a Business Partner's product. For example, our agent might introduce Identity Protection during a card cancellation and replacement call.

To help improve sales performance in our Business Partners' own contact centres, our Business Sales Performance team delivers dedicated sales training and coaching. Working at our Business Partners' sites, the team trains managers and advisors across both contact centres and high-street branches. Furthermore, the team works closely with our dedicated account management teams, helping to answer training requests and provide support on tactical marketing campaigns.

In addition to our other proven distribution channels – including positive option and in-branch retail sales with Business Partners such as T-Mobile – we are developing online and mobile channels. Our online capability enables us to acquire new customers and to service policyholders online. We execute joint online strategies with some Business Partners via their websites, as well as using e-mail and social media platforms.

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INTERNATIONAL EXPANSION

Launching CPP in developing markets is a key part of our growth strategy and we will continue to look at new markets.

CPP has identified a significant and sustainable growth opportunity in developing markets around the world, where bankable populations are increasing and lifestyles are becoming more complex and sophisticated.

Most recently, CPP launched its business in the developing markets of India, China and Mexico. We launched in India in December 2008 and since then we have established relationships with nine key Business Partners including, most recently, Barclays, Deutsche Bank and Life Insurance Corporation of India.

In Mexico, we used our experience in Southern Europe to capitalise on existing Business Partner relationships, as well as language and cultural similarities. Following our launch here in July 2009 with HSBC and IXE Tarjetas, we have been making progress to increase the penetration of Card Protection in this market.

In China, we have made progress by signing our second retail agreement with Guangdong Development Bank (GBD), building on a wholesale agreement already in place with this Business Partner. Our first retail agreement was signed earlier in the year with Shenzhen Development Bank (SDB).

Our international expansion is typically based on a strategy of entering the new market with Card Protection, then developing a broader product portfolio over time to meet the needs of the local market. Today, we continue to evaluate new developing markets and investigate international expansion opportunities as a core part of our business strategy.

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PURSUE SELECTED ACQUISITIONS

The Leapfrog acquisition complemented our existing travel products and helped build new sector competency.

Acquisitions have played a supportive role in CPP's growth strategy. Since 2000 we have acquired a number of established businesses, adding scale and depth to the Group.

The purchase of Homecare, an insurance and household warranty company, in April 2001, gave CPP a presence in the mobile phone sector. Today we provide mobile phone insurance for companies including T-Mobile, Meteor Mobile and the RBS Group.

International expansion has also been supported by strategic acquisitions. For example, in July 2003 CPP acquired Metris in the United States, giving us an established presence in this important market.

Most recently, to support our business development and future growth in the UK, we purchased the Leapfrog Group. Leapfrog specialises in sales promotion and international access to airport lounges via its Airport Angel product. Airport Angel gives customers access to a network of more than 560 airport lounges across 320 airports worldwide, with complimentary facilities such as food and drink, business facilities and a host of support services available.

The Leapfrog acquisition was important because its products and services have enhanced our Packaged Services division, which is a key area of growth, and will help us to develop a broader range of travel services.

Leapfrog's product portfolio and associated services are now integrated into CPP, with the newly created division known as CPP Travel Services and Promotional Marketing.

NORTHERN EUROPE

Key data



Mike Kneafsey

Managing Director,
UK and Ireland

Regional highlights

	2010 £'m	2009 £'m	Growth	Organic, constant currency growth
Revenue	234.9	204.9	15%	12%
Operating profit	35.6	27.8	28%	27%

Key operating highlights

- UK business grew strongly, with the Packaged Accounts market gaining momentum and continued strong performance from Identity Protection
- Continued Business Partner diversification in the UK with The Mileage Company in the travel sector and the AA in the affinity/membership sector
- Turkey achieved full-year profits for the first time since launch in 2007
- Expanded the Card Activation channel with Business Partners

Divisional profile

Northern Europe consists of four geographical markets and contributes 72.1% of Group revenue. These geographical markets are the UK, Ireland, Germany and Turkey.

The UK is CPP's most mature market having established our business there in 1980. Our German business was established in 1991. Our Ireland business launched in 1993 and Turkey in 2007.

Mike Kneafsey leads the UK and Ireland business.

Our products

- Card Protection
- Identity Protection
- Phonesafe mobile phone insurance
- Packaged Accounts
- Airport Angel
- Travel Assistance
- Home 3 through our joint venture
- Your Law

Strategy for future growth

- Driving increased Card Protection and Identity Protection volumes
- Growth in retail and wholesale mobile phone insurance
- Building scale in Packaged Accounts
- Volume growth for Airport Angel and Home 3 in the UK
- Implement planned product upgrades and price increases on the renewal book

Operating review: Northern Europe

Operating review: Southern Europe

Operating review: North America

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Northern Europe has increased revenue by 15% to £234.9 million, largely through the continued expansion of Identity Protection, the roll-out of higher-priced product variants and the development of the UK Packaged Accounts business. These have combined to increase growth in new and renewal income. Northern Europe has grown operating profit by 28% to £35.6 million, through increases in policy volumes, higher-priced product variants and tight control of operating costs.

UK

Consistent with our Group growth strategy, our UK business has delivered strong growth, helped by channel, sector and product diversification. Our Packaged Accounts business has performed very well, launching a new premium account with Santander and providing a range of mobile phone, gadget and handbag insurance variants for RBS group packaged accounts.

Targeting new sectors remains one of our strategic objectives. In 2010, CPP began providing the AA with a range of products and services for their packaged accounts customers. In the travel sector, we have developed a new relationship with The Mileage Company – operators of the Airmiles scheme – to provide Identity Protection.

Our Home 3 joint venture with Mapfre Asistencia continues to expand its Business Partner relationships. Building on our success in supporting the AA with part of the claims fulfilment of their home emergency product, we have secured partnerships with leading companies including Homebase Retail Stores, BGL (Budget Group Limited) and Insure4Retirement.

In line with our strategy of growing existing sales channels, the UK has expanded its Card Activation services. This sales channel not only positions CPP strongly in new debit and credit card issue programmes, but gives us incremental call volumes and builds a stronger relationship with Business Partners, based on our proven 'service to sales' competence. In 2010, we also rolled out higher-priced variants of Card Protection and Identity Protection. Renewing our contract to provide mobile phone insurance to T-Mobile until 31 December 2011 was important, and we continue to have high level discussions with the merged T-Mobile business about potential future business opportunities.

Ireland

Ireland's well publicised economic problems impacted our performance in 2010. Despite this we have maintained stable revenues.

We are encouraged by adding eMobile to our mobile phone insurance portfolio, which also includes Meteor Mobile. Together they have doubled the size of our mobile phone insurance book.

Turkey

Consistent with our strategy of expanding internationally into growth markets, our Turkish business has performed well.

Increased sales of Card Protection are delivering new income with Business Partners including Akbank, DenizBank, Anadolu Insurance Company and Bank Asya. In the second half of the year, we increased our number of Business Partners in Turkey to five with the announcement that insurance company ERGO would sell Card Protection through its direct sales representatives.

Following losses in the first three years of trading as we invested in our business, in 2010 Turkey achieved full year profits for the first time since launch in 2007.

Germany

In Germany, we have continued to implement our growth plans. Central to this was developing new sales channels with Business Partners, particularly the Card Activation channel. In 2010, we expanded the number of Card Activation campaigns we manage from our Hamburg contact centre.

Product innovation has also helped to improve the visibility and desirability of CPP in Germany. In 2010, CPP launched a combined Identity and Card Protection product with DZ WGZ Bank that will also give us greater flexibility in other Business Partner discussions.

Outlook

The outlook for our Northern European region remains positive. We will continue to pursue growth through product innovation and development and by establishing new sales channels. The success of our Packaged Accounts business in the UK points towards continued growth, as does the ongoing expansion of our Card Activation sales channel.

New assistance income will continue to be delivered by products such as Card Protection and Identity Protection, as well as through growth in Packaged Accounts and Airport Angel. The introduction of Identity Protection in new markets is an exciting development, as are new variants of Card Protection, which are helping to drive the appeal, penetration and profitability of this product.

Case study

The successful launch of CPP Travel Services and Promotional Marketing was helped by the successful integration of Leapfrog's product portfolio during 2010.

Based in Altrincham, England, the division was created to bring together the Airport Angel product with our portfolio of travel-related assistance and insurance products, such as lost and stolen passport assistance, card loss cover, luggage retrieval services and downloadable mobile phrasebooks.

In 2010 we secured a contract with Diners International to provide our Airport Angel lounge pass product. More than six million Diners customers now have access to airport lounges across 68 countries as diverse as the UK, USA, Spain, Germany, Hong Kong, Kenya, Zimbabwe and China.

SOUTHERN EUROPE

Key data



Angel de Leon

Managing Director,
Southern Europe

Regional highlights

	2010 £'m	2009 £'m	Growth	Organic, constant currency growth
Revenue	46.7	47.5	(2)%	1%
Operating profit	10.5	11.2	(7)%	(3)%

Key operating highlights

- Robust performance with revenue stable in challenging economic conditions
- Pursuing significant sales opportunities in Spain and Italy through Card Activation campaigns
- Introducing Identity Protection in Spain and France
- Making good progress in Mexico following launch in July 2009, including campaigns with HSBC and IXE Tarjetas

Divisional profile

Southern Europe consists of five geographical markets and contributes 14.3% of Group revenue. These geographical markets are Spain, Portugal, France, Italy and Mexico.

Spain is the most established business having launched in 1995. Our Portuguese business was established in 2000, after which Italy and France began operations in 2001 and 2003 respectively. Mexico is the latest addition to this region having commenced business in 2009.

Based in Spain, Angel de Leon is the regional Managing Director.

Our products

- Card Protection
- Identity Protection
- Phonesafe mobile phone insurance
- Legal Protection
- Gadget insurance

Strategy for future growth

- Secure new Business Partner contracts to drive Card Protection volumes
- Implement planned product upgrades and price increases on the renewal book
- Develop and grow Identity Protection
- Develop and launch Airport Angel
- Expand Card Activation and inbound telemarketing

Operating review: Northern Europe

Operating review: Southern Europe

Operating review: North America

Operating review: Asia Pacific

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Southern Europe has seen revenue increase slightly (excluding the impact of foreign currency movements) in challenging economic conditions. Operating profit for this region of £10.5 million is 7% lower than 2009, impacted by the costs of EMV Card Activation sales campaigns in Spain.

Spain

In Spain we have grown revenue marginally despite reduced consumer spending, high unemployment, difficult access to credit and financial instability.

Our EMV Chip and PIN Card Activations campaigns are presenting increased sales opportunities and enabling CPP to become a key player in card issue programmes. We now activate cards on behalf of Banco Santander, Banesto, Carrefour and, most recently, Banco Sabadell – Spain's fourth largest banking group and the largest bank in Catalonia. Already delivering good performance, we hope our new relationship with Banco Sabadell will provide additional sales opportunities across the wider Banco Sabadell Group.

As in our Northern European region, the Card Activation channel is expected to expand and generate growth in the medium term, but it has had a temporary negative impact on margins and operating profits in the short term.

We have also increased our presence with Spain's saving banks, after gaining a relationship with Caja Navarra.

As part of our strategy of diversifying through product development and innovation, we have launched Identity Protection with Carrefour in Spain. We have also developed CPP Alert, a non-insured variant of Identity Protection.

Portugal

2010 was a good year for revenue growth in Portugal. We now have relationships with two major banks in this country, having implemented new outbound telemarketing campaigns with key Business Partners. Our conversion rates for these campaigns are among the best in our Southern European region, demonstrating the effectiveness of our acquisition channels.

Specifically, revenue is up due to new assistance income and the contribution made to our business by new Business Partners like Banco Santander Totta. Moreover our stable renewal rates and tight overheads have helped Portugal deliver good performance.

France

In France our focus throughout 2010 has been to maximise the benefits from our existing Business Partner relationship with Cetelem. As a result, we have increased revenues year-on-year.

In November, we introduced Identity Protection through a pilot agreement with a new Business Partner. The development of Identity Protection will expand the portfolio of Life Assistance products we can offer Business Partners.

Italy

In 2010 our priorities were to sign new Business Partners and to maximise revenue through existing products and services.

We have succeeded in winning contracts to sell Card Protection with a number of new partners, including Deutsche Credit Card, Compass, Banca di Legnano, Diners Club Italia and Banca di Cividale.

To maximise revenue through existing products and services, we launched a household version of Card Protection towards the end of the year.

As in other Southern European markets, we continue to offer our Card Activation service to Business Partners including Barclays, Carrefour and Consumit.

Mexico

In Mexico we have continued to make good progress since our launch in July 2009. We believe that the expected growth in the bankable population and the number of financial cards in this country presents us with a significant and sustainable growth opportunity.

Card Protection sales in Mexico are growing well. Since launch we have implemented new campaigns with HSBC and IXE Tarjetas across multiple channels.

Mexico ended 2010 with strong prospects and important opportunities for the future, including the planned launch of Identity Protection.

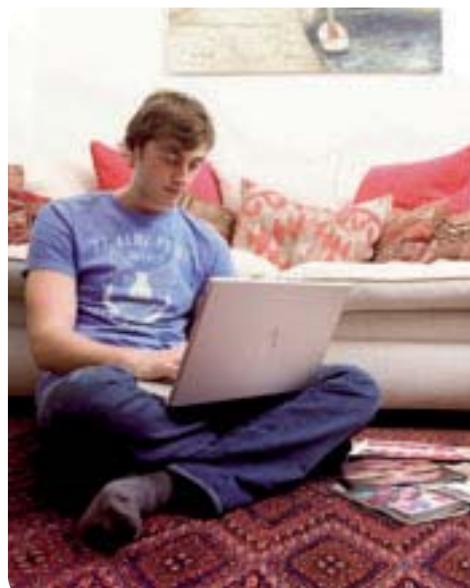
Outlook

After a challenging 2010, the outlook for Southern Europe is good. We hope to enter new Business Partner relationships and believe we can continue to increase the penetration of our products in all geographical markets.

The introduction of Identity Protection as a second core product, initially in Spain and France, will provide new Business Partner acquisition opportunities.

Further product developments will be investigated to meet demand for non-insured products, particularly in the mobile, travel and home sectors.

Case study



Aligned to our growth strategy of product development and innovation, our Southern European region was successful in developing Identity Protection – one of our most successful products across the Group.

We piloted Identity Protection with Carrefour in Spain, with a product that incorporates a comprehensive suite of prevention, detection and resolution services. These include SMS and e-mail alerts to proactively inform customers when a credit check is made in their name, access to an identity theft expert and insurance to cover the cost of resolving identity fraud.

We have also piloted Identity Protection in France.

NORTH AMERICA

Key data



Dave Pearce

Managing Director,
North America

Regional highlights

	2010 £'m	2009 £'m	Growth	Organic, constant currency growth
Revenue	38.5	34.8	11%	9%
Operating profit	5.9	5.2	13%	12%

Key operating highlights

- Growing US Business Partner portfolio with the important addition of Sovereign Bank
- Launching strategic contact centre partnership with two telemarketing vendors, Americall Group Inc. (AGI) and Call Assistant
- Establishing a new relationship with Barclaycard via L.L. Bean Visa cardholders
- Product innovation for new campaigns with Wells Fargo Wachovia and Best Buy

Divisional profile

North America consists of one geographical market, the United States, and contributes 11.8% of Group revenue.

Our US business was established in 2003 when we acquired the enhancement services division of Metris Inc, a medium-sized card issuer now owned by HSBC. Since then, the business has grown by launching a new portfolio of Life Assistance products and services and working with major organisations in the financial and retail sectors.

Dave Pearce is the regional Managing Director.

Our products

- IdentityProtector
- PurchaseShield 360
- Lifestyle Perks

Strategy for future growth

- Target new Business Partners in financial services and retail sectors
- Develop and grow new product variants
- Increase customer retention
- Develop Packaged Accounts and Promotional Marketing
- Expand in-house telemarketing capability

Operating review: Northern Europe

Operating review: Southern Europe

Operating review: North America

Operating review: Asia Pacific

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North America has increased revenue by 9%, excluding the impact of foreign currency movements. Operating profit has increased by 13% to £5.9 million, driven by existing member revenues and more efficient acquisition costs on new sales.

North America

CPP North America has delivered encouraging year-on-year revenue and profit growth. Key to our performance was new ways of doing business which included operational and product innovation, which have laid solid foundations for the North America business.

The Operations team has changed the way we approach customer relationship management, creating our first internal contact centre in the US, supported by strategic partnerships with two telemarketing vendors, Americall Group Inc. (AGI) and Call Assistant. We will continue to improve our telemarketing performance by developing our in-house capabilities.

During 2010 CPP North America signed new Business Partners, helped by product innovation and development. A key achievement was securing Sovereign Bank, a Santander Group subsidiary, to add to our major Business Partners portfolio, which also includes Alliance Data, Wells Fargo Wachovia and HSBC. The contract with Sovereign Bank gives CPP an exclusive agreement to cross-sell Identity Protection through debit card activation, in-branch, customer service, outbound telemarketing and e-mail campaigns.

Product innovation also led the way to a new relationship with Barclaycard. Our new product, Elite Extras, will provide travel, entertainment and fuel benefits to L.L. Bean Visa cardholders for a monthly membership fee. It will also provide warranty and price protection benefits. This new partnership is significant as it represents a diversification into the retail sector, taking our US business outside its traditional financial services heartland. Moreover we will benefit from the branded endorsement of L.L. Bean (a large-scale online catalogue retailer) and relationship with Barclaycard.

We have expanded our relationship with Wells Fargo Wachovia, moving into its recently acquired Wachovia portfolios with sales of our new purchase protection product, PurchaseShield 360. This updated product offers increased benefit limits, and covers customer purchases with benefits such as Repair Bill Rebate, Product Return Guarantee, Price Protection and Warranty Extension.

Our new Card Activation campaign with Wells Fargo Wachovia, including a voice-response Card Activation channel, is delivering very good results. Our double-digit conversion rates with another Business Partner, Alliance Data, are also encouraging and demonstrate our 'service-to-sales' competency.

Overall, our performance has been helped by price increases for monthly policies, upgrades to existing products, such as IdentityProtector and PurchaseShield, and successful marketing campaigns, including direct mail and statement inserts to our Barclaycard portfolios.

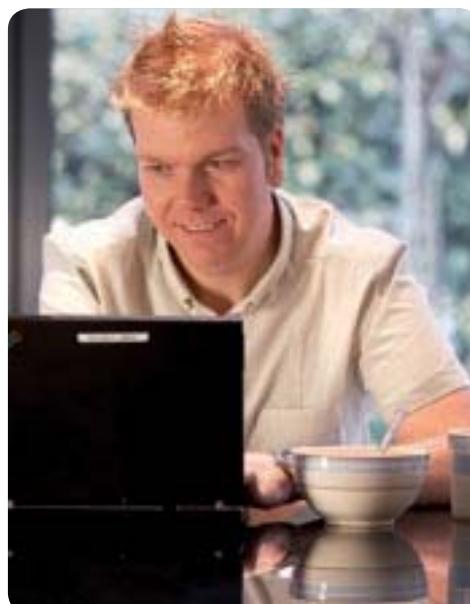
Furthermore, our commitment to product development and innovation, channel expansion and Business Partner acquisition has enabled us to diversify our business, making us less reliant on any one campaign or Business Partner relationship.

Outlook

We expect our North America region to continue to deliver year-on-year revenue growth. Our new campaigns with Sovereign Bank and Wells Fargo Wachovia are expected to generate attractive new policy sales.

Our performance will be driven by our continued commitment to product development, customer service and cost management.

Case study



In 2010, CPP North America used product development and innovation to deliver revenue and profit growth, alongside new Business Partner relationships and sales channels.

Our new Elite Extras product will provide travel, entertainment and fuel benefits to L.L. Bean Visa cardholders. L.L. Bean, a private-label card issued by Barclaycard, is a large retailer specialising in clothing and outdoor recreation equipment. The partnership is significant for CPP as it represents an expansion of our Business Partner portfolio and distribution of Life Assistance products into the retail sector.

Most recently, we have been developing a new product called eDefense that allows policyholders to shop, bank, interact and transact securely online. Significantly for the future, it allows members to take control of their personal information and identity online.

ASIA PACIFIC

Key data



Grace Tsang

Managing Director,
Asia Pacific

Regional highlights

	2010 £'m	2009 £'m	Growth	Organic, constant currency growth
Revenue	5.7	4.9	15%	6%
Operating loss	(2.3)	(2.0)	(17)%	(13)%

Key operating highlights

- Contracts signed in China with Shenzhen Development Bank (SDB) and Guangdong Development Bank (GDB) to sell Card Protection
- Nine Business Partner relationships in India after signing Barclays, Deutsche Bank and Life Insurance Corporation of India
- Indian revenues now include renewals from existing customers
- Regulatory challenges impacting outbound telemarketing channel in Hong Kong and credit card tax in Malaysia negatively affecting the number of credit cards in circulation

Divisional profile

Asia Pacific consists of five geographical markets and contributes 1.7% of Group revenue. These geographical markets are Hong Kong, Singapore, Malaysia, India and China.

Hong Kong is the most established CPP business in the region, having been launched in 2004. Singapore (2005) and Malaysia (2006) were the next to launch. Our India business commenced operations in 2008 and China in 2010.

Based in Hong Kong, Grace Tsang was the regional Managing Director in 2010.

Our products

- Card Protection
- Identity Protection

Strategy for future growth

- Secure new Business Partner contracts to increase Card Protection volumes
- Implement planned product upgrades and associated price increases on the renewal book
- Development of Identity Protection
- Building the renewal book in India

Operating review: Northern Europe	←
Operating review: Southern Europe	←
Operating review: North America	←
Operating review: Asia Pacific	↙
Corporate Social Responsibility	→
Financial review	→

Our Asia Pacific business has seen revenue increase 15% to £5.7 million. Strong growth in India and our launch in China was tempered elsewhere by a new credit card tax in Malaysia and new regulation for direct marketing in Hong Kong.

Hong Kong

Performance in Hong Kong was affected following heightened local concern over the transfer of personal data to third parties for marketing purposes. This has resulted in a temporary suspension of most direct marketing activities in this market. Despite this we have maintained stable renewal rates showing that our policyholders value our products and have chosen to retain them.

Singapore

We remain hopeful about our long term prospects in this market as evidenced by new initiatives such as an outbound telemarketing campaign with OCBC that was launched in December 2010. Policies were initially sold solely via the partner's in-house channels, but we successfully expanded the relationship to include our own outbound telemarketing activities.

With other strategically important partners we have expanded the number of agents certified to sell our products. Citibank in particular has resourced a dedicated team to cross-sell CPP products to their existing customers, in addition to its direct sales channels for new card customers.

Malaysia

The impact of a new credit card tax in Malaysia, introduced at the beginning of the year, has negatively affected the number of credit cards in circulation and therefore our marketing opportunities to sell relevant products. As a result, revenue is lower, although the country operation remains profitable. To address reduced sales opportunities, we have introduced new channels with Business Partners, including outbound telemarketing with Maybank, the largest financial services group in Malaysia and e-acquisition with HSBC.

We aim to take our Life Assistance products beyond financial services in this market and we continue to run outbound telemarketing with BonusLink, a leading Malaysian loyalty programme.

India

We have continued to build our business through expansion of our Business Partner base. We now work with nine financial institutions, having launched here in December 2008. In 2010, we signed three new Business Partners.

Indian revenues now include renewals from existing customers, and are in line with our expectations for a newly established geographical market. Our growing renewal book and low cancellation performance are helping to generate further growth.

Consistent with our Group strategy to develop new channels to market our Life Assistance products and services, card stickering campaigns driving leads through SMS have been launched with ICICI Bank and Citibank. In addition, positive option, inbranch and inbound sales are complementing our telemarketing channels.

China

In our first year we secured two Business Partner relationships with Guangdong Development Bank (GDB) and Shenzhen Development Bank (SDB). Our inaugural agreement with GDB provides Card Assistance services to its premium cardholders on a wholesale basis. We have since expanded this distribution to offer a retail version of this product to their customers.

This second retail contract builds on our relationship with SDB, our first retail distribution partner, to cross-sell Card Protection to selected SDB cardholders via outbound telemarketing, conducted by the bank's agents.

Outlook

Building on the successful launch of CPP in China and the combined expansion of our Business Partner relationships in other markets, notably India, the prospects for CPP in this region are positive.

As we establish ourselves in the region we continue to incur losses as renewal volumes in India and elsewhere are not yet sufficiently large to offset the costs of acquiring new customers.

We will look to secure new Business Partner contracts to increase the penetration of Card Protection and planned product upgrades and price increases will help to drive the performance of our organisation in this important region.

Case study



CPP launched in India in December 2008 with Card Protection. A large bankable population and increasing levels of disposable income meant the country was a good fit for our business model and our Life Assistance products.

Since then, CPP has made great progress achieving policy sales from our Business Partners and through multi-channel sales acquisition activities, including outbound and inbound telemarketing activity. Our list of Business Partners is impressive and includes the likes of Citibank, Standard Chartered, HSBC, Axis Bank and ICICI.

Our management team in India has a clear strategy to deliver new channels, sales efficiency and product value to grow the business. Recent inbound Card Activation campaigns to diversify our revenue show that this strategy is working and will help build a long term sustainable business in this important market.

LOOKING AFTER CUSTOMERS, EMPLOYEES AND OUR COMMUNITIES



“Supporting young people in our local communities is important to us.”

Eric Rhys Woolley
Chief Executive Officer

The Group recognises the importance of managing the impact of its activities on the community and the environment, and in doing so seeks to conduct its business in a professional, ethical and fair manner with all stakeholders, including employees, customers, Business Partners and suppliers. Our Corporate Social Responsibility framework is based on four key principles:

- We are committed to supporting the community and the environment in which we operate
- We will always seek to employ and train the best people for the job, ensuring that they understand that we demand the upmost integrity in all internal and external dealings
- We endeavour to meet our customers, Business Partners and stakeholder expectations in a responsible manner
- We are committed to ensuring that the business and its employees operate in a socially conscious way.

The community

CPP plays an active role in sponsoring initiatives in the local communities in which it operates where possible. Central to this is the support of young people in the community via education programmes and sporting clubs.

In York, home to our international headquarters, we have helped finance York City Football Club's Community Programme for the last four seasons. Elsewhere our Tamworth contact centre has supported Tamworth Athletic Club and other sporting groups in the local community such as cricket, football and rowing clubs. The Group has more recently pledged its commitment to grass roots sporting clubs in the Chesterfield and Altrincham areas.

The Group supports the running, in the UK, of competitions such as Young Sports Photographer of the Year and Young Sports Writer of the Year. In addition, the Group and its employees have committed their time to supporting the North Yorkshire Business Education Partnership, which aims to foster closer links between business and education, through a number of initiatives such as Green Griffins' Nest, an inter-school competition for students to devise a new way of enabling schools to make an ecological difference to their local environment.

Help has been given to youth initiatives such as the 'Takeover Festival' supported by the Arts Council at York's Theatre Royal. The Group has continued its fundraising activities by the use of its contact centre in York for Children in Need. Furthermore we have provided help to employees to give them the opportunity to fundraise and support local charities where appropriate.

CPP and the community



Three local sporting club members pictured with Jon Hine, Chesterfield's head of operations.



CPP employees getting ready to take calls on the night for BBC Children In Need.



Overseas initiatives include support for Fraser, a charitable organisation supporting special needs in North America and support in Southern Europe for fundraising and donations to the earthquake appeal in Haiti and other local causes.

Environment

During the year, the Group has worked to develop an ethos of environmental responsibility. In the UK, our largest operation, initiatives have included:

Energy efficiency

Year-on-year energy usage is falling in spite of business growth. This is through working to ensure that our buildings, energy-management and monitoring systems are effective and efficient.

Minimising the use of paper

We continue to encourage customers, Business Partners and suppliers to use on-line services as opposed to paper-based services.

Paper represents a considerable area of consumption for the Group and whilst there is a need for the business to continue to use paper for its communications, it has a policy for use of recycled paper and double-sided printing in its operations.

Waste reduction and recycling

The UK operation recycles its general paper, cardboard and non-confidential waste.

Confidential waste paper is shredded and, where possible, recycled.

Redundant IT equipment is disposed of in line with the UK Waste Electrical and Electronic Equipment Directive 2007. Printer cartridges and mobile phones are sent to recycling organisations at the end of their useful lives.

Carbon footprint

The Group endeavours to reduce its own carbon footprint whilst also encouraging its employees to reduce their own carbon footprint. In the UK, we are encouraging employees to use public transport, cycle, walk or car-share instead of using their own vehicles.

Employees

The Group has placed an increasing amount of focus on ensuring that engagement and motivation levels of our employees are sustained at a high level. We also believe that strong business performance is built on the integrity and openness of our employees with customers, Business Partners and suppliers.

To achieve this we carry out a biannual Group Employee Engagement survey that takes place across the entire Group in local languages. The survey provides us with an insight into how people feel about working for the Group, their relationship with their manager and, in the UK, with valuable data on our employees' attitudes towards Treating Customers Fairly. Action plans are created at organisational, departmental and manager levels to ensure that employee feedback is central to improving performance.

Customers

The fair treatment of our customers lies at the heart of what we do. We have clearly communicated promises and through the Group's Values this influences key areas of our business. 'Treating Customers Fairly' is critical for the UK, not only because we are regulated, but because it makes good business sense, helping to retain satisfied customers for longer. It also ensures that we deliver positive results for our Business Partners through incremental revenue generation and improved customer loyalty.

Training and development

The Group is committed to the continual development of its employees and offers a range of development courses that support employees throughout their career. These range from initial induction support, through to a range of core skills modules and development programmes.

The Group is committed to supporting the career planning for all of its employees and the annual review process provides an opportunity for every employee to discuss their personal aspirations and what skills they would like to develop.

Equal opportunities

The Group believes in equal opportunities for all employees. Applications for employment are treated fairly and are based on merit, irrespective of race, gender, religious belief, disability, age, marital status and sexual orientation.

The Group's policy is to give full and fair consideration to applications for employment made by disabled persons, taking into account their particular aptitudes and abilities and the nature of work involved. Should an employee become disabled, arrangements would be made, wherever practicable, to enable them to continue their employment within the Group, including the provision of appropriate training where relevant.

Health, safety and welfare

The Group is committed to ensuring that employees have a safe, healthy and pleasant working environment. In the UK, the Health and Safety Committee, with the assistance of external consultants, manages and monitors the effectiveness of its established Health and Safety policies and procedures. Health and Safety training initiatives have been in operation for some time.

We continue to aim to help employees to balance their work and personal lives. Flexible working is accommodated and in some instances is supported through the use of remote technology. Other initiatives such as the Flexible Benefits scheme allow employees to make choices on the provision of such items as pension provision, life assurance, medical and dental cover and childcare vouchers.

A GOOD YEAR OF UNDERLYING GROWTH



“We are delighted to deliver 12% revenue growth and 17% underlying operating profit growth in a difficult economic and business environment.”

Shaun Parker
Chief Financial Officer

Summary

	2010	2009	Growth %
Revenue (£ millions)	325.8	292.1	12%
Operating profit (£ millions)			
– Reported	44.9	31.1	44%
– Underlying ¹	48.7	41.5	17%
Reported earnings per share (pence)			
– Basic	16.33	11.21	46%
– Diluted	16.03	11.10	44%
Cash generated by operations (£ millions)	53.0	55.1	(4%)
Dividends (pence) ²	7.54	n/a	n/a

1 Excluding legacy scheme share based payments £3.8 million (2009: £10.4 million)

2 Comprises interim dividend paid and final dividend proposed

We have grown Group revenue by 12% year on year to £325.8 million (2009: £292.1 million), led by existing and new products and channels in Northern Europe. Underlying operating profit has also grown, by 17% to £48.7 million (2009: £41.5 million) and underlying profit after tax (excluding legacy scheme share based payments and accelerated amortisation of debt issue costs) has grown by 31% to £32.2 million (2009: £24.5 million).

Basic earnings per share has grown by 46% to 16.33 pence and diluted earnings per share has grown by 44% to 16.03 pence.

Our operations continue to be highly cash generative, with cash generated by operations of £53.0 million (2009: £55.1 million) and net proceeds from our Initial Public Offering (“IPO”) contributing to a reduction in net debt from £48.8 million at 31 December 2009 to £2.2 million at 31 December 2010.

Dividends, in line with our policy of an approximate 40% payout ratio, total 7.54 pence (2009: nil pence).



Initial public offering

The Group was admitted to the London Stock Exchange on 24 March 2010. The IPO raised £30 million, which after fees and other expenses resulted in a net cash flow of £25.6 million. The proceeds were used to reduce debt, and to settle the Group's existing term loan facilities.

Group financial performance

	2010 £'m	2009 £'m	Growth %
Revenue	325.8	292.1	12%
Gross profit	136.7	124.2	10%
Operating profit			
– Reported	44.9	31.1	44%
– Underlying ¹	48.7	41.5	17%
Profit before tax			
– Reported	39.8	24.8	60%
– Underlying ²	46.7	35.2	33%

1 Excluding legacy scheme share based payments £3.8 million (2009: £10.4 million).

2 Excluding legacy scheme share based payments £3.8 million (2009: £10.4 million), accelerated amortisation of debt issue costs £3.1 million (2009: £ nil)

Group statutory results

Group revenue grew by 12% to £325.8 million (2009: £292.1 million) as a result of the continuing development of our regional businesses, particularly Northern Europe. On an organic constant currency basis, revenue grew by 10%. Overall expenditure on Business Partner commissions reduced to 34% of revenue (2009: 37%) due to changes in mix. Despite this, cost of sales grew by 13% as the proportion of business from Packaged Accounts increased and as a result gross profit grew by 10%. Reported operating profit margin increased to 13.8% (2009: 10.7%) as lower legacy share option scheme charges and the benefit of operational leverage resulted in reported operating profit growing by 44% to £44.9 million (2009: £31.1 million).

Net finance costs of £5.1 million (2009: £6.3 million) were lower in 2010 as the Group reduced the amount of its debt, in part with funds raised during the initial public offering. This included one-off finance costs of £3.1 million (2009: £ nil) which related to the write off of unamortised debt costs.

As a result reported profit before tax grew by 60% to £39.8 million (2009: £24.8 million) and reported profit after tax grew 60% to £27.2 million (2009: £17.0 million).

Reported basic earnings per share was 16.33 pence (2009: 11.21 pence) and reported diluted earnings per share was 16.03 pence (2009: 11.10 pence).

Underlying financial performance

The Group's statutory results are adjusted to arrive at measures which better reflect underlying performance. The adjustment is made for two items which relate to the period prior to the Group's IPO. The first adjustment relates to the accounting charge for the Group's legacy share option scheme which amounted to £3.8 million during the year (2009: £10.4 million).

The second adjustment relates to the unamortised portion of the debt costs which the Group incurred when it refinanced its debt in April 2008 and which was written off at the time of the IPO when the existing debt arrangements were terminated and the Group agreed its new £80 million revolving credit facility. The value of this adjustment is £3.1 million (2009: £ nil).

After adjusting for these two items, underlying operating profit was £48.7 million, which is 17% higher than 2009 (£41.5 million). On the same basis, underlying profit after tax grew by 31% to £32.2 million (2009: £24.5 million). Basic underlying earnings per share was 19.34 pence (2009: 16.15 pence) and diluted underlying earnings per share was 18.99 pence (2009: 15.99 pence).

Investment in developing markets

The Group's investment in its new markets comprises mainly start-up losses which are accounted for in the current year's income statement. For these purposes, the Group considers the following markets to be developing: Hong Kong, Singapore, Home 3, India, Mexico and China. In 2010, the total investment in start-up losses in the Group's developing markets was £4.2 million, broadly consistent with the prior year (2009: £4.3 million).

Key performance indicators

	2010	2009	Growth
New assistance income (£ millions)	88.0	80.3	10%
Annual renewal rate	75.9%	77.5%	(1.6)%
Live policies (millions)	11.2	10.0	12%
Cost/income ratio	51%	48%	3%
Operating profit margin ¹	15.0%	14.2%	0.8%

1 Underlying operating profit as a percentage of revenue

New assistance income has grown by 10% (2009: 11% growth). Growth in Packaged Accounts, product diversification including Airport Angel, growth in new markets, and higher priced product variants all contribute to this achievement.

The Group annual renewal rate at 75.9% (2009: 77.5%) is lower than prior year. This results from the expected mix effect of lower renewal rates in some of our new markets (Turkey, India) and the US, as well as reductions in Southern Europe due to the economic situation. Our UK business has maintained a broadly stable renewal rate. Calculated on the basis of a constant territory mix compared to 2009, the Group annual renewal rate would be 76.6%.

Our live policies book has grown to 11.2 million policies (2009: 10.0 million) driven by the expansion of our Packaged Accounts channel in the UK.

Operating profit margin has grown year on year to 15.0%. Growth in gross profit and control of overheads in Northern Europe has outweighed short term direct costs supporting EMV (Europay, Mastercard and Visa) 'Chip and PIN' card activation campaigns in Southern Europe and the mix effect of Southern Europe, which has higher margins, contributing a smaller proportion of Group revenues than in 2009.

Performance: *Financial review continued*

“We continue to invest in our business and investment in tangible and intangible assets in the year was £18.2m (2009: £10.8m) which represents 6% of Group revenue.”

Cost/income ratio, which is expressed as a percentage of revenue, has increased year on year to 51%, reflecting the growth of our Packaged Accounts sales channels which do not incur Business Partner commissions and generally have a lower revenue per policy.

Regional performance

	2010 £'m	2009 £'m	Growth %	Organic, constant currency growth %
Northern Europe				
– Revenue	234.9	204.9	15%	12%
– Operating profit ¹	35.6	27.8	28%	27%
Southern Europe				
– Revenue	46.7	47.5	(2)%	1%
– Operating profit ¹	10.5	11.2	(7)%	(3)%
North America				
– Revenue	38.5	34.8	11%	9%
– Operating profit ¹	5.9	5.2	13%	12%
Asia Pacific				
– Revenue	5.7	4.9	15%	6%
– Operating loss ¹	(2.3)	(2.0)	(17)%	(13)%

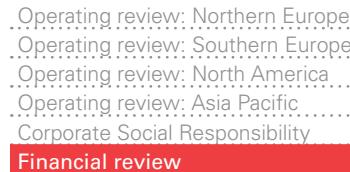
1 Excluding legacy scheme share based payments and share of loss of joint venture.

Our Northern Europe region (UK, Ireland, Germany and Turkey) grew revenue by 12% on an organic constant currency basis. The principal drivers of growth were UK Packaged Accounts, mobile phone insurance and the continued expansion of Identity Protection. Margins improved to 15.1% (2009: 13.6%) driven by improved overhead efficiency in the UK, together with the impact of Turkey, where our business delivered its first year of operating profits, only three years after we commenced policy sales.

Despite difficult economic and business conditions in Southern Europe (Spain, Portugal, France, Italy and Mexico), particularly in Spain and Italy, we have maintained stable revenues on a constant currency basis. Although margins remain high, they have been impacted by lower conversion rates, lower renewal rates, the cost of implementing Card Activation programmes associated with the Chip and PIN card migration in Spain and continuing start-up losses in Mexico. Operating profit of £10.5 million (2009: £11.2 million) is 3% lower than prior year on a constant currency basis.

In North America we have grown revenue by 9% and operating profit by 12% on a constant currency basis by focussing on profitable opportunities with existing Business Partners and by implementing new relationships with high quality Business Partners such as Sovereign Bank (subsidiary of Santander). Operating profit margins have been increased slightly to 15.2% (2009: 14.9%).

Asia Pacific is an exciting market with significant potential for the Group. As expected for a developing region incurring start-up losses, the region had an operating loss of £2.3 million for the year (2009: £2.0 million). Constant currency revenue growth of 6% reflected success in India, where the addition of three new Business Partners (nine in total) drove revenue growth, but also external challenges in Malaysia, where the new credit card tax adversely impacted growth, and Hong Kong, where data privacy concerns have caused



third party telemarketing to be suspended. Card Protection has now been launched in China, with a wholesale offering and retail pilot campaigns with two Business Partners. Initial performance of the campaigns is encouraging.

Investment in Home 3 joint venture

Our Home 3 joint venture with Mapfre Asistencia successfully established a sub-contractor network during 2010 as well as putting in place a dedicated management team, contact centre and claims administration system. The Group's 50% share of operating losses in the joint venture during this start-up phase was £0.8 million (2009: £0.7 million).

Tax

The Group's effective tax rate in 2010 was 31.7% (2009: 31.6%). The reduction in the UK corporation tax rate was offset by the impact of profits in overseas territories taxed at a higher rate, and the incidence of losses in overseas start-up subsidiaries for which no tax deduction is available.

Cash flow

	2010 £'m	2009 £'m
Underlying operating profit ¹	48.7	41.5
Share of loss of joint venture	0.8	0.7
Depreciation, amortisation and other non-cash items	10.6	8.5
Working capital	(7.1)	4.4
Cash generated by operations	53.0	55.1
Legacy scheme share option exercises ²	(3.7)	(3.0)
Tax	(9.1)	(6.6)
Operating cash flow ²	40.2	45.5
Capital expenditure (including intangibles)	(16.0)	(10.8)
Investment in subsidiary and joint venture	(0.6)	(4.0)
Net finance costs	(1.4)	(8.9)
Dividends	(4.1)	–
IPO ³	31.3	–
Net movement in cash/borrowings ⁴	49.4	21.8
Net debt ⁵	(2.2)	(48.8)

1 Excluding legacy scheme share based payments.

2 Excluding repayment of loan notes.

3 Comprises share issue proceeds, proceeds from the exercise of share options, debt issue costs and repayment of loan notes.

4 Excluding effect of exchange rates and amortisation of debt issue costs.

5 Includes unamortised debt issue costs.

Cash generated by operations amounted to £53.0 million (2009: £55.1 million) representing a cash conversion ratio (cash generated by operations as a percentage of underlying operating profit) of 109% (2009: 133%).

In total we had a working capital outflow in the year of £12.7 million (2009: inflow £1.4 million). Allowing for the movement associated with our legacy share scheme and associated loan notes results in an adjusted working capital outflow of £7.1 million. This reflects the growth in our mobile phone insurance business and our Packaged Accounts offering, where our Business Partners pay us for the services that have been provided to their customers, together with other timing differences.

Continuing investment

We continue to invest in our business and investment in tangible and intangible assets in the year was £18.2 million (2009: £10.8 million) which represents 6% of Group revenue. Tangible asset investment of £5.0 million was mainly computer hardware, including a major project to upgrade our servers and data storage to improve resilience and availability. Intangible asset investment comprised computer software and Business Partner intangibles. Computer software expenditure was £5.2 million as we further developed our systems to enhance our packaged services and e-commerce capabilities, to support new market and product launches and to manage our increasing customer base.

Investment in Business Partner intangibles of £8.1 million was £3.4 million higher than in the prior year and involved our ongoing investment with one Business Partner, £5.6 million, as well as one-off investment opportunities with two other Business Partners of £2.5 million. The net book value of our Business Partner intangible at 31 December 2010 was £9.8 million (31 December 2009: £4.4 million).

Dividend

CPPGroup's dividend policy is to distribute approximately 40% of underlying after tax profits to its shareholders. The Board has proposed a final dividend of 5.12 pence per share, bringing the total dividend for the year to 7.54 pence per share in line with the policy. The Group did not pay a dividend during 2009 or prior to the IPO in 2010. The final dividend will be paid on 25 May 2011 to shareholders on the register as at 15 April 2011.

Net debt

Net debt at 31 December 2010 was £2.2 million, a decrease of £46.6 million compared to prior year, as a result of operating cash flows and the benefit of net proceeds from our IPO. The Group's general insurance company, Homecare Insurance Limited, maintains cash deposits which were £11.0 million at 31 December 2010 (31 December 2009: £15.6 million) for solvency purposes. Excluding these deposits results in an adjusted Group net debt of £13.2 million (2009: £64.4 million).

The Group has in place an £80 million guaranteed revolving credit facility supported by a club of three banks which was put in place at the time of the IPO and which expires on 31 March 2013. The undrawn balance on this facility at 31 December 2010 was £51 million.

Shaun Parker

Chief Financial Officer

BOARD OF DIRECTORS



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1. Charles Henry Gregson

Non-Executive Chairman, Chairman of the Nomination Committee and Member of the Remuneration and Audit & Risk Committees

Charles Gregson was appointed Non-Executive Chairman of CPP in January 2010. He has also been Non-Executive Chairman of ICAP plc since 2001 and had been Executive Chairman since 1998. Between 1978 and 1998 he was responsible for the Garban businesses that demerged from United Business Media in 1998 and merged with Intercapital in 1999 to become ICAP. He was a Director of United Business Media plc and its predecessor companies from 1986 until 2007. He is currently a Non-Executive Director of International Personal Finance plc, Caledonia Investments plc and St James's Place plc.

2. Eric Rhys Woolley

Chief Executive Officer

As Chief Executive Officer of the Group, Eric Woolley is responsible for developing and executing the Group's business strategy across Europe, North America and Asia. The Group's legal and compliance functions also report to Eric. Eric joined the Group in 2003 from an oil services company, Expro International Group Plc, where he was Group Finance Director. Prior to this, Eric was Group Finance Director of Vp Plc. Before working in industry, Eric spent several years with Credit Suisse First Boston where he was Vice President – Mergers and Acquisitions.

3. Shaun Parker

Chief Financial Officer

Shaun Parker is responsible for the Group's Finance, Tax, Treasury, Risk and Audit functions. Shaun joined the Group in 2003 from Diageo where he was Chief Financial Officer of Guinness North America prior to leading the cross-functional team that completed the integration of the acquired Seagram Wines and Spirits business. Previously Shaun worked for ICI Plc, and then Mars Inc. (Pedigree Petfoods) where he held a number of senior finance roles in Germany and the UK. Shaun has extensive international experience gained through a number of regional roles, and through working and living in Germany and the US.

4. Hamish Macgregor Ogston, CBE

Founder and Non-Executive Director

Hamish Ogston founded the Group in 1980, before becoming Non-Executive Chairman in 1999. He acted in that capacity until Charles Gregson's appointment in January 2010. Hamish continues to contribute to the Group's strategic thinking as a Non-Executive Director and acts in an ambassadorial role helping to introduce CPP to industry organisations and other influential stakeholders. He was awarded a CBE in the 2011 New Year Honours for his services to business and to the community in York.

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- Corporate Governance statement
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5. Patrick De Smedt

Non-Executive Director, Chairman of the Remuneration Committee and Member of the Nomination Committee

Patrick De Smedt is Chairman of the Remuneration Committee having been appointed in August 2010. Patrick joined Microsoft in 1983 as one of its first appointments in Europe and enjoyed a 23 year career there, culminating in the role of Chairman for Europe, Middle East and Africa from 2003 until his retirement in 2006. Since then he has served as Non-Executive Director on the Boards of a number of public and private European companies including Option NV, Victrex Plc and Morgan Sindall Group Plc. He also serves on the advisory Board of the corporate finance division at ING Bank N.V.

7. Peter John Morgan

Non-Executive Director, Chairman of the Audit & Risk Committee and Member of the Nomination and Remuneration Committees

Peter Morgan is a chartered accountant and is Chairman of the Audit & Risk Committee. Until 2003, he was a partner in Deloitte LLP dealing predominantly with entrepreneurial high-growth businesses, many of which were private-equity backed or had public listings. During his career, Peter was also responsible for managing the London audit and assurance department at Spicer & Oppenheim, chairing a committee overseeing the firm's technical and training functions and for developing the marketing activity for rapidly growing companies at Deloitte.

6. Les Owen

Non-Executive Director, Member of the Audit & Risk, Nomination and Remuneration Committees

Les Owen was appointed in September 2010. Les worked for 35 years in retail financial services including 11 years as CEO of companies listed in UK and Australia, including AXA Sun Life (the life arm of Sun Life and Provincial Holdings Plc) and AXA Asia Pacific Holdings. He is a qualified actuary and serves as Non-Executive Director on the Boards of a number of international companies including Royal Mail Holdings Plc, Computershare Limited, Jelf Group plc, Just Retirement (Holdings) Limited and Discovery Group.

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EXECUTIVE COMMITTEE



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Chief Executive Officer

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2. Shaun Parker

Chief Financial Officer

Shaun Parker is responsible for the Group's Finance, Tax, Treasury, Risk and Audit functions. Shaun joined the Group in 2003 from Diageo where he was Chief Financial Officer of Guinness North America prior to leading the cross-functional team that completed the integration of the acquired Seagram Wines and Spirits business. Previously Shaun worked for ICI Plc, and then Mars Inc. (Pedigree Petfoods) where he held a number of senior finance roles in Germany and the UK. Shaun has extensive international experience gained through a number of regional roles, and through working and living in Germany and the US.

3. Stephen Kennedy

Chief Operating Officer

Stephen Kennedy is responsible for the operational performance across the Group. He joined the Group in February 2005 from HFC Bank where he was a Director of several business units, ranging from branch networks both in the UK and Europe to, more latterly, lending and central sales operations which included Hamilton Direct Bank, Marbles Loans and all group telemarketing activities. Stephen is a member of the Board of Leeds City Region Local Enterprise Partnership.

4. Neil Hamilton

Chief Information Officer

Since joining the Group in 2002, Neil Hamilton has been responsible for the definition and implementation of a new IT platform capable of meeting the Group's ambitious growth plans. Prior to joining the Group, Neil was the Group IT Director for the business process outsourcing division of Hays Group Plc. Before this, Neil was head of IT services for Perot Systems and has held a variety of other IT management positions.

5. Richard Coates

Group Marketing Director

Richard Coates joined the Group in 2003 and has led the marketing function at CPP for the past seven years. Prior to joining the Group, Richard was Director of Marketing and Strategic Planning for a major hotel brand, and previously held positions with a number of high-profile US-owned marketing agencies. Richard's responsibilities extend across corporate strategy, business planning, brand strategy, product portfolio, and channel and market development. His qualifications include an MBA from Leeds University Business School. Richard is a member of the Board of Governors at York St. Johns University.

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6. Mike Kneafsey

Managing Director, UK and Ireland

Mike Kneafsey has more than 20 years' experience of sales and marketing in the financial services industry. Before joining the Group in 2008 he was Regional Managing Director for retail banking at Barclays Plc in the North of England, Scotland and Northern Ireland, leading a team of 5,000 staff. Previously Mike spent 17 years at HSBC, holding senior-management positions in its branch and contact centre businesses and with First Direct, before becoming Sales and Service Director for M&S Money.

7. Angel de Leon

Managing Director, Southern Europe

Angel de Leon joined CPP in 2010 and has an extensive background in financial services. Most recently he held the positions of Director of Private Banking and Director of Payment Systems at Banesto. Prior to this he worked for companies such as American Express and Visa International and was Regional Director for Southern Europe at Kessler Financial Services, a leading company in loyalty programmes and co-branding agreements for financial institutions. In addition, he was Managing Director for Western Union International for Spain and Portugal. Based in Madrid, Angel is responsible for our Southern European and Latin American countries.

8. Dave Pearce

Managing Director, North America

Dave Pearce joined the Group in 2005, bringing with him extensive senior management experience gained in the retail and financial sectors. Prior to joining the Group, Dave led marketing, consumer research and strategic planning at Liberty Enterprises and retail marketing at Wells Fargo Home Mortgage.

9. Grace Tsang

Managing Director, Asia Pacific

Grace Tsang is responsible for the development and performance of the Group across the Asia Pacific region until 25 March 2011. Prior to joining the Group in 2008, Grace was Regional Director at Prudential Corporation Asia, responsible for the direct-marketing channel across Asia.

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Directors' report

The Company was incorporated on 9 February 2010 and therefore this report does not contain information regarding the Company for that part of the accounting period starting from 1 January 2010 to the Company's date of incorporation on 9 February 2010. The report focuses on that part of the accounting period starting from when the Company became operational on 9 February 2010 up to and including 31 December 2010 (the 'relevant period').

Principal activities

The principal activities of the Group during the relevant period were the provision of Life Assistance products with operations in 15 countries in both developed and developing markets. CPP's products and services are designed to meet a range of consumer needs, in particular relating to credit and debit card ownership, personal identity, mobile telephones, travel and the home. The activities of the Group primarily focus on providing customer assistance during stressful life events such as loss or theft of a wallet, purse, mobile telephone or keys, as well as support in the event of identity theft.

Further details of the Group's activities and a review of the business are set out in the Strategy and Performance sections of the Annual Report on pages 12 to 39.

Details of the key performance indicators used by the Directors to assist in management of the business and to provide evidence of the achievement of its strategies are included on page 37.

Information relating to the environment and employees is included in the Corporate Social Responsibility report on pages 34 and 35.

These sections are by reference part of the Directors' report.

Dividends

In accordance with the Group's dividend policy, the Directors recommend a final dividend of 5.12 pence per ordinary share to be paid on 25 May 2011 to ordinary shareholders on the register on 15 April 2011. Together with the interim dividend of 2.42 pence paid on 13 September 2010, this makes a total dividend of 7.54 pence per ordinary share for the year. No dividends were paid by the Group in the year ended 31 December 2009.

Directors

The Directors holding office from incorporation up to the date of the Annual Report were:

		Appointed	Resigned
Charles Gregson	Chairman	9 February 2010	–
Eric Woolley	Chief Executive Officer	9 February 2010	–
Shaun Parker	Chief Financial Officer	9 February 2010	–
Hamish Ogston	Non-Executive Director	9 February 2010	–
Les Owen	Non-Executive Director	21 September 2010	–
Peter Morgan	Non-Executive Director	9 February 2010	–
Patrick de Smedt	Non-Executive Director	19 August 2010	–
Tim Kelly	Non-Executive Director	9 February 2010	31 December 2010
Duncan McIntyre	Non-Executive Director	1 January 2011	–

Tim Kelly resigned on 31 December 2010. In accordance with the Company's Articles of Association, all Directors holding office will retire from the Board at the Company's first Annual General Meeting and, being eligible, offer themselves for re-election.

Details of powers of Directors, procedures for appointment and re-election of Directors, Directors' indemnity insurance and procedures for managing Directors' conflicts of interest are included in the Corporate Governance statement on pages 48 to 52.

Biographical details for each Director are set out on pages 40 and 41.

Details of committee memberships are set out on pages 49 to 51 of the Corporate Governance statement.

Details of Directors' beneficial interests in and options over the Company's shares are set out in the Remuneration report on pages 53 to 58.

These sections are by reference part of the Directors' report.

Annual General Meeting

The first Annual General Meeting of the Company is to be held on 19 May 2011. The notice of the Annual General Meeting and an explanation of the non-routine business are set out in the explanatory circular that accompanies this Annual Report. The notice of the Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the meeting.

Capital structure

Details of the issued share capital, together with movements in the Company's issued share capital for the period can be found in note 29 to the financial statements. The Company has one class of capital, ordinary shares, which carry no right to fixed income. Each fully paid share carries the right to one vote at a general meeting of the Company.

Details of the Group's employee share schemes are set out in note 30 to the financial statements.

A special resolution of shareholders on 18 March 2010 authorised the Directors to allot shares up to an aggregate amount equal to one third of the aggregate amount of the share capital of the Company immediately following its Admission to the London Stock Exchange. This authority expires on the conclusion of the Company's Annual General Meeting to be held on 19 May 2011. Similar resolutions will be put to the Annual General Meeting to renew this authority, allowing the Directors to allot ordinary shares equal to an amount of up to one third of the Company's existing issued ordinary share capital.

Pursuant to Article 5 of the Company's Articles of Association and subject to the provisions of the applicable regulations, statutes and subordinate legislation, the Company is entitled to purchase its own shares.

The Company did not purchase any of its own shares during the period.

Change of control provisions

Some agreements to which the Company or its subsidiaries are a party may be at risk of termination by counterparties in certain restricted circumstances in the event of a change of control of the Company.

Supplier payment policy

The Group's policy is to agree terms of payment with all suppliers, ensure that these terms are understood, and abide by the agreed terms of payment. At 31 December 2010 invoiced trade creditors were equivalent to 20 days purchases (2009: 23 days), based on the average daily amount invoiced by suppliers during the year.

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Charitable and political donations

During the year donations to local charities made by the Group amounted to £30,000 (2009: £36,000).

No political donations were made during the year (2009: £nil).

Substantial shareholdings

On 2 March 2011, the Company had been notified, in accordance with the Disclosure and Transparency Rules of the Financial Services Authority of the notifiable interests in the ordinary share capital of the Company set out in the table below. As far as the Directors are aware as at 2 March 2011 no person had a beneficial interest in 3% or more of the voting share capital except for the following:

Name	Ordinary shares (thousands)	%
Hamish Ogston	98,021	57%
Vidacos Nominees Ltd	5,610	3%
Chase Nominees Ltd	5,484	3%

Hamish Ogston holds 57% of the issued shares of the Company. Under the terms of a Relationship Agreement between Hamish Ogston and the Company dated 18 March 2010 for so long as Hamish Ogston (or any person connected to him) holds, in aggregate, 30 per cent. or more of the ordinary shares in the capital of the Company (or the attached voting rights in these shares) Hamish Ogston (and each person connected to him) shall not:

- Vote in favour of, or propose, any resolution to amend the Company's Articles of Association which would be contrary to the principle of the independence of the Company from Hamish Ogston (and each person connected to him);
- Take any action which precludes any member of the Group from carrying on its business independently of Hamish Ogston (and each person connected to him); and
- Take any action (or omit to take any action) to prejudice the Company's status as a listed company or its suitability for listing, or the Company's compliance with the Listing Rules and Disclosure Rules, save in circumstances of a takeover or merger of the Company.

Going concern

The Directors have prepared the financial statements on a going concern basis consistent with their views, formed after making appropriate enquiries, as outlined in the Corporate Governance statement on page 52, which is by reference part of the Directors' report.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group, and the actions taken by the Directors to address these, are:

Geographic markets

The Group has existing and proposed operations in several geographic markets with varying levels of business maturity in terms of size, operating model and product base. The Group is subject to the risks inherent in international operations.

The Group's Risk Policy summarises the processes used to identify, evaluate and monitor risks faced in each of the Group's operating geographical markets as well as the Board's appetite for risk. A series of Group Board Policies and delegated responsibilities, together with ongoing management oversight and support, are in place to manage the principal risks. The impacts which varying economic, social and political conditions in individual countries have on the Group's risk profile are regularly considered and appropriate management actions implemented.

Regulation

The Group has a number of regulated subsidiaries and as such the risks of non-compliance with current regulation, continuance of the Group's 'licence to trade' in any given territory or future changes to regulatory frameworks are ever present. Strong oversight and governance procedures coupled with a robust prudential risk management framework are maintained centrally and in each key territory to maximise operational and financial compliance.

Developments in the regulatory environment are closely monitored and the Group pro-actively responds to potential future change. As set out in their recent discussion paper on product intervention, one such development is the approach of the Financial Services Authority ('FSA'), the regulator for the Group's main products in the UK, in seeking to influence product design in the sector. This may result in changes to the Group's product development processes, extended lead times in bringing new products or product changes to market and increased management overhead to deal with higher levels of interaction with the regulator, each of which could adversely affect the Group's sales and profitability.

Changes in tax legislation, either direct or indirect, in any of the Group's geographic operating markets are ever present. The impact of emerging tax legislation is monitored by management and the Board. Appropriate action would be taken to mitigate any adverse impact from crystallisation of tax legislation changes.

Business Partner relationships

The Group mainly operates a 'Business to Business to Consumer' model and as such a relatively high proportion of the Group's revenue is attributable to relationships with its Business Partners. Future revenues could be adversely impacted by deterioration of existing, or failure to develop new, Business Partner relationships. In addition, if the Group's Business Partners merge with, or are acquired by, other entities that are not already Business Partners, such Business Partners may reduce or discontinue their use of the Group's services.

Relationships with key Business Partners are actively managed on a local basis, and globally where appropriate, to ensure that the value to the Group of these relationships is optimised.

A large majority of the UK's Phonesafe business revenue is attributable to the Group's relationship with one Business Partner, T-Mobile. The current contract between the Group and T-Mobile runs until 31 December 2011, unless terminated early by T-Mobile giving six months notice to the Group following completion of the T-Mobile merger. Active discussions, in connection with provision of services for 2012 and beyond, are currently taking place with senior management.

Across the Group, external pressures arise from competitive activities, Business Partners' pressure on commercial margins or the ability to establish and grow operations. The Group proactively addresses these competitive pressures through seeking to develop new products, enhancing existing products, improving the customer experience and operating through a diversity of marketing and customer acquisition channels.

Directors' report continued

Sales channel management

The Group uses a selected number of sales channels to take its products to market. A risk to revenue growth arises if existing channels cease to be available or viable and the Group is not able to identify and exploit alternative channels. An example of this is in Hong Kong, where heightened public concern over the transfer of personal data to third parties for marketing purposes resulted in a temporary suspension of all third-party marketing across businesses in Hong Kong. This affected our telemarketing channels in 2010 which we expect to resume in 2011, once the regulator has clarified the data privacy guidelines.

The Group is actively exploring and investing in new and alternative sales channels through which to distribute its products to end customers.

Data security, IT and telephony systems

The nature of the Group's products, sales channels and delivery models mean that its reputation, cash flows or operations could be adversely affected by failures of the Group's own IT or telephony systems or those provided by third parties. Examples of such failures include: temporary or permanent loss of customers' data, security breaches or adverse impacts to contractual service levels.

The Group continues to invest significant capital in the maintenance, improvement and security of its IT and data management systems (applications, databases, platforms, telephony systems and networks) for its worldwide operations and for the security of customers' data.

Key performance indicators of the Group's key supplier network, their equipment and services are actively and continuously monitored. The UK business, which operates the Group's international IT data and telephony networks, is ISO 27001 and the majority of countries in the Group are PCI DSS (the payment card industry data security standard) certified.

Fraud

The Group's product base, in particular the insurance of mobile phone handsets (Phonesafe) in the UK, introduces an inherent risk of claims fraud. A specific operational team monitors external fraud and actions are taken to minimise claims settlements that might be fraudulent.

The Group's Policy on Fraud & Corruption requires managers and staff to act honestly, with integrity and to safeguard all Group resources for which they are responsible at all times. Additionally, management oversight and controls are designed to be able to identify and minimise inherent fraud risks.

Financial risks

The Group's operations expose it to financial risks including foreign exchange, interest rate, liquidity, credit and insurance risks. Further details of these risks, together with mitigating actions, are provided in note 28 to the financial statements.

Auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- The Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

The Directors have appointed Deloitte LLP as the Company's first Auditors. Deloitte LLP have expressed their willingness to continue in office as Auditors. Accordingly, a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board

Paula Watts

Company Secretary

2 March 2011

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The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and Article 4 of the IAS Regulation and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts until they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing the consolidated financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the Company financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
- The business review, which is incorporated into the Directors' report and the Strategy and Performance sections of the Annual Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Eric Woolley
Chief Executive Officer
2 March 2011

Shaun Parker
Chief Financial Officer
2 March 2011

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Compliance with the Combined Code

The Board is responsible to shareholders for strategic direction, management and control of the Company's activities and is committed to the highest standards of corporate governance in delivering in these areas.

From the date of admission of its shares to the Official List of the London Stock Exchange ("Admission") on 24 March 2010 and throughout the remainder of the accounting period ("the period") the Board considers that the Company has complied with its relevant obligations under the Combined Code on corporate governance ("the Code"), as published by the Financial Reporting Council in June 2008 and available on its website www.frc.org.uk except as described in the section entitled "*Compliance with the Combined Code*" below.

The Company was incorporated on 9 February 2010, and therefore prior to that date was under no obligation to comply with the Code. During the period between the date of its incorporation and the date of Admission the Company existed only as an off the shelf company, set up in anticipation of the Initial Public Offering. During this period the Company was in the process of establishing its corporate governance arrangements conditional upon Admission, and which are further described below.

The Board

At the point of Admission the Board comprised of Charles Gregson as Non-Executive Chairman, Eric Woolley as Chief Executive Officer, Shaun Parker as Chief Financial Officer and Hamish Ogston, Tim Kelly and Peter Morgan as Non-Executive Directors.

During the relevant period and up to the date of this statement the following appointments were made:

- Patrick De Smedt was appointed as a Non-Executive Director on 19 August 2010;
- Les Owen was appointed as a Non-Executive Director on 21 September 2010; and
- Duncan McIntyre was appointed as a Non-Executive Director on 1 January 2011.

Tim Kelly resigned as a Non-Executive Director on 31 December 2010. Peter Morgan will retire as a Non-Executive Director on 31 March 2011.

Following the changes described above the Board is now comprised of the following:

- Charles Gregson as Non-Executive Chairman;
- Eric Woolley as Chief Executive Officer;
- Shaun Parker as Chief Financial Officer; and
- Hamish Ogston, Les Owen, Patrick De Smedt and Duncan McIntyre as Non-Executive Directors.

The Board met 10 times during the relevant period.

The Board operates within a formal schedule of matters reserved to it. This schedule is reviewed and updated on a regular basis. Other powers are delegated to the various Board committees and senior management. Details of Board and committee attendance during the relevant period are set out in the table under the section headed "Directors' attendance at Board and committee meetings" set out on page 49. Details of the various roles and responsibilities of the Board committees are set out on pages 49 to 52. Papers for Board and committee meetings are circulated in advance of the relevant meeting and where a Director is unable to attend he continues to be provided with a full copy of the papers and has the opportunity to comment on the matters to be discussed.

The Board considers that its primary role is to provide leadership to the Group, to set the Group's long term strategic objectives and to develop robust corporate governance and risk management practices.

The Board comprises individuals with wide ranging business skills and experience and considers that the balance of skills and experience is appropriate to the requirements of the business. The Board considers that the balance between Executive and Non-Executive Directors allows it to exercise objectivity in decision making and proper control of the Company's business. Each member of the Board has had access to all information relating to the Group, the advice and services of the Company Secretary (who is responsible for ensuring that Board procedures are followed) and, as required, external advice at the expense of the Group.

Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are separate, clearly defined in writing and have been agreed by the Board.

The Chairman, Charles Gregson is responsible for leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda. The Chairman has no involvement in the day-to-day business of the Group.

The Chief Executive Officer, Eric Woolley is the executive responsible for the day-to-day running of the business and is accountable to the Board for its operational and financial performance.

On his appointment as Chairman, Charles Gregson did satisfy the independence criteria as set out in the Code. However following his appointment as Chairman he is assumed, in accordance with the Code, not to be independent. The Board, whilst recognising the reasoning in the Code behind this assumption, has concluded that Charles Gregson is independent, being independent in character and judgement and being free from any relationships or circumstances which are likely to affect, or could appear to affect, his judgement.

Throughout the relevant period the Chairman has held regular informal meetings with Non-Executive Directors without the Executive Directors being present.

Board balance, independence and appointments

During the relevant period the Board has reviewed the structure, size and composition of the Board (together with an evaluation of the Board's balance of skills, knowledge and experience); the membership of the various Board committees and the expected time commitment; and the policy for Board appointments for Executive and Non-Executive Directors.

The Directors' aim is to ensure that the balance between Non-Executive Directors and Executive Directors of the Board reflects the changing needs of the Group's business.

The Board has reviewed the independence of each of the Non-Executive Directors that have served on the Board throughout the relevant period and concluded that Tim Kelly, Peter Morgan, Les Owen and Patrick De Smedt are independent. Hamish Ogston, founder and largest shareholder, is not considered independent. As such, together with the two Executive Directors, Eric Woolley and Shaun Parker, the Board, during the relevant period, has satisfied the Code requirements that at least half the Board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent. The Non-Executive Directors are considered to be of sufficient calibre and experience to bring significant influence to bear on the decision making process.

Duncan McIntyre was appointed on 1 January 2011 and is considered by the Board to be independent. Appointments to the Board are the responsibility of the full Board, on the recommendation of the Nomination Committee. On joining the Board, Non-Executive Directors receive a formal appointment letter, which identifies the time commitment expected of them. A potential director candidate is required to disclose all significant outside commitments prior to appointment and the Board has approved a policy requiring disclosure and approval by the Board of all additional appointments for Executive or Non-Executive Directors. The terms and conditions of appointment of Non-Executive Directors and service contracts of Executive Directors are available to shareholders for inspection at the Group's registered office during normal business hours.

Biographical details of all Directors are given on pages 40 to 41.



Information and professional development

The Board receives detailed reports from executive management on the performance of the Group at its Board meetings and other information as necessary. Regular updates are provided on relevant legal, corporate governance and financial reporting developments and Directors are encouraged to attend external seminars on areas of relevance to their role.

Appropriate training and induction is made available to any newly appointed Director, having regard to any previous experience they may have as a Director of a public company or otherwise. An on-going programme of training is in place and all members of the Board are encouraged to partake of this programme. Directors are also encouraged to devote an element of their time to self development through available training. This is in addition to any guidance that may be given from time to time from the Company Secretary.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary is also the secretary for all the Board committees. The removal and appointment of the Company Secretary is a matter reserved for Board approval. The Board also obtains advice from professional advisers as and when required.

Performance evaluation

Due to the infancy of the Board, a formal process for performance evaluation has not yet been established. In line with the requirements of the Code, the Board intends to introduce a Board effectiveness process in compliance with the new UK Corporate Governance Code in 2011 to ensure that its performance and that of its Chairman, committees and Directors are satisfactory.

Re-election

All Directors are subject to election at the first Annual General Meeting following their appointment by the Board. The Company's Articles of Association state that at every Annual General Meeting any Director who has been a Director at each of the two preceding Annual General Meetings and who was not appointed or re-appointed by the Company in general meeting at, or since, such meeting, shall retire as Director. A retiring Director shall be eligible for re-appointment. In practice this means that every Director stands for re-election at least once every three years.

The Board explains the reasons why it believes each Director should be elected or re-elected in the Notice of Meeting for the next Annual General Meeting. As referred to above, those Directors who held office during the relevant period will be subject to election at the forthcoming Annual General Meeting. The Board believes that their performance continues to be effective and that their election is also consistent with the Board's evaluation of the size, structure and composition of the Board.

Directors' attendance at Board and committee meetings

The Directors' attendance record for the relevant period at the Board and committee meetings was as follows:

		Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Charles Gregson	Non-Executive Chairman	10 (10)	5 (5)	3 (3)	3 (3)
Tim Kelly	Non-Executive Director	4 (10)	1 (5)	1 (3)	2 (3)
Peter Morgan	Non-Executive Director	9 (10)	5 (5)	3 (3)	3 (3)
Hamish Ogston	Non-Executive Director	9 (10)			
Les Owen	Non-Executive Director	3 (5)	1 (2)	2 (2)	2 (2)
Shaun Parker	Chief Financial Officer	10 (10)			
Patrick De Smedt	Non-Executive Director	7 (7)		2 (2)	2 (2)
Eric Woolley	Chief Executive Officer	9 (10)			

The figures in brackets represent the maximum number of meetings from Admission for which the individual was a Board/committee member.

Relations with shareholders

The Board remains committed to maintaining good relationships with shareholders. There is a good dialogue with institutional shareholders, although care is exercised to ensure that any price-sensitive information is released at the same time to all shareholders, in accordance with the requirements of the UK Listing Authority. The Chief Executive Officer and the Chief Financial Officer meet with institutional shareholders on a regular basis and are available for additional meetings where requested. Institutional shareholders will in future be given the opportunity to meet with the Chairman and/or other Non-Executive Directors if they have concerns that have not, or cannot, be addressed through the Chief Executive Officer or the Chief Financial Officer.

The Chairman is responsible for ensuring that appropriate channels of communication are established between the Chief Executive Officer (and the other Executive Directors) and shareholders and ensuring that the views of the shareholders are made known to the Board; this includes feedback prepared by the Group's brokers on meetings held with institutional shareholders.

The Company recognises the importance of ensuring effective communication with all of its shareholders. An annual financial report is distributed to all shareholders and to other parties, who may have an interest in the Group's performance. This report, together with a wide range of other information, including the half-yearly financial report, interim management statements, regulatory announcements and current details of the Company's share price, are made available on the Company's website.

Insurance

The Company has arranged appropriate insurance cover in respect of any potential litigation against Directors.

Board committees

The Audit and Risk Committee, the Nomination Committee and the Remuneration Committee are standing committees of the Board.

The written terms of reference of the committees, including their objectives and the authority delegated to them by the Board, are available upon request from the Company Secretary or via the Group's website at www.cppgroupplc.com and are reviewed at least annually by the relevant committee and the Board. All committees have access to independent expert advice. The chairman of each committee reports to the Board. The constitution and terms of reference of each committee are reviewed annually to ensure that the committees are operating effectively and any changes considered necessary are recommended to the Board for approval.

Conflicts of Interest

A register of conflicts of interests is maintained by the Company Secretary and reviewed by the Board on an annual basis.

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Audit and Risk Committee

Membership and meetings

Set out below is the current membership of the Audit and Risk Committee:

- Peter Morgan (Audit and Risk Committee Chairman);
- Charles Gregson; and
- Les Owen

From the date of Admission, the members of the Audit and Risk Committee were Peter Morgan (Audit and Risk Committee Chairman), Charles Gregson and Tim Kelly, each served on the Audit and Risk Committee throughout the reporting period.

Les Owen was appointed as a member of the Audit and Risk Committee on 21 September 2010 and will take over chairing the Audit and Risk Committee when Peter Morgan retires on 31 March 2011.

Tim Kelly resigned from the Audit and Risk Committee on 31 December 2010.

The Company Secretary acts as secretary to the Audit and Risk Committee. Other individuals attend at the request of the Audit and Risk Committee Chairman and during the year the external Auditor, senior management, Chief Executive Officer, Chief Financial Officer, Head of Risk and Audit and Head of Compliance would usually attend meetings to report to the Audit and Risk Committee and provide clarification and explanations where appropriate. The Audit and Risk Committee also meets with the external Auditor without executive management present on a regular basis. The Audit and Risk Committee met on five occasions during the relevant period and details of attendance at Audit and Risk Committee meetings are set out in the table under the heading *"Directors' attendance at Board and committee meetings"*.

The Board is satisfied that Peter Morgan has recent and relevant financial experience, as referred to in the Smith Report.

Role of the Audit and Risk Committee

A full copy of the terms of reference for the Audit and Risk Committee can be obtained by request to the Company Secretary or via the Group's website at www.cppgroupplc.com.

The role of the Audit and Risk Committee is to assist the Board in discharging its duties and responsibilities for financial reporting, corporate governance and internal control. The Audit and Risk Committee is also primarily responsible for making recommendations to the Board in relation to the appointment, re-appointment and removal of the external Auditor and to approve the Auditor's remuneration and terms of engagement. The Audit and Risk Committee's duties include keeping under review the scope and results of the audit work, its cost effectiveness and the independence and objectivity of the Auditor. The Audit and Risk Committee also monitors the volume and nature of non-audit services provided by the Auditor. The Audit and Risk Committee is also responsible for monitoring and reviewing the effectiveness of the internal audit and risk function and the capital adequacy requirements of the Group's relevant subsidiaries on an ongoing basis.

During the relevant period the Audit and Risk Committee discharged its responsibilities by performing the following activities:

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During the relevant period and up to the date of this report, the Audit and Risk Committee reviewed and discussed the financial disclosures made in the annual results announcement, Annual Report and Accounts, Half-yearly financial report, interim management statements and the other trading statements made by the Group together with any related management letters, letters of representation and reports from the external auditors. Significant financial reporting issues and judgments were considered together with any significant accounting policies and changes proposed to them.

Internal control and risk management

The Audit and Risk Committee has reviewed the Group's internal control and risk management systems and has received presentations from senior management, on the major risks faced by the Group and the procedures established to identify, assess, manage, monitor and report on these risks.

During the period the Audit and Risk Committee has reviewed and updated the Group's Risk Strategy and Risk Appetite statements, to reflect the current operating environment of the Group.

External Auditor

The Audit and Risk Committee has responsibility for overseeing the relationship with the external Auditor and approves the external Auditor's engagement letter, audit fee and audit and client services plan (including the planned levels of materiality). The external Auditor attends the Audit and Risk Committee meetings as appropriate and meets at least annually with the Audit and Risk Committee without executive management. The Chairman of the Audit and Risk Committee also meets privately with the external Auditor.

During the year, the Audit and Risk Committee received regular detailed reports from the external Auditor including a formal written report dealing with the audit objectives; the Auditor's qualifications, expertise and resources; effectiveness of the audit process; procedures and policies for maintaining independence; and compliance with the ethical standards issued by the Auditing Practices Board. The external Auditor's management letter is reviewed, as is management's response to issues raised. The Audit and Risk Committee monitors the latest ethical guidance regarding rotation of audit partners. Non-audit services provided by the external auditors are regularly monitored by the Audit and Risk Committee.

The Audit and Risk Committee is satisfied with the performance of the external Auditor during the relevant period and the policies and procedures in place to maintain their objectivity and independence. In the interest of maintaining continuity through the IPO, the lead external audit partner, Stephen Williams has been in place longer than five years but less than seven. The Audit and Risk Committee has recommended that Deloitte be re-appointed at the forthcoming Annual General Meeting.

Internal Audit

The Audit and Risk Committee approves the annual audit plan and internal audit methodology for the Risk and Internal Audit department and monitors progress against the plan during the year. During the year, 21 audit reports identifying some 100 important recommended actions in respect of the Group's system of internal control were considered by the Audit and Risk Committee members. No fundamental material weaknesses were raised. Progress against actions identified in these reports and the external Auditor's management letter are monitored by the Audit and Risk Committee at quarterly intervals.

The Risk and Internal Audit team is led by a Chartered Accountant with more than 20 years' audit experience in the financial services sector. The team comprises a total of four auditors whose tenure in the Group varies up to 10 years. The Audit and Risk Committee has approved the department's terms of reference and has established procedures to monitor and review the department's effectiveness including feedback from the external Auditor and senior management. The Audit and Risk Committee has assessed the resources the department has to complete its remit and have approved the use of external consultants to supplement work, particularly in areas requiring specialist skills, e.g. Information Technology. The appointment and removal of the Head of Risk and Audit is the responsibility of the Audit and Risk Committee. The Risk and Internal Audit department continues to have unrestricted access to all Group documentation, premises, functions and employees as required to enable it to perform its functions. The Head of Risk and Audit has direct access to the Board and Audit and Risk Committee Chairman and is accountable to the Audit and Risk Committee, meeting regularly with the Audit and Risk Committee Chairman without executive management.



Other activities

During the relevant period other significant activities addressed by the Audit and Risk Committee were as follows:

- The review of regular reports from the Head of Compliance; and
- The review of the Audit and Risk Committee's own terms of reference;

Regular updates are provided to the Audit and Risk Committee on developments in financial reporting, risk management and related legal and corporate governance matters.

A formalised whistle-blowing policy and procedure for staff to raise issues regarding possible improprieties in matters of financial reporting or other matters has been established and was reviewed during the year. The Audit and Risk Committee is responsible for monitoring the effectiveness of the Group's whistle-blowing procedures and any notifications made. The Audit and Risk Committee is charged with ensuring that appropriate arrangements are in place for employees to be able to raise matters of possible impropriety in confidence and performing suitable subsequent follow-up action.

An alternative reporting channel also exists whereby perceived wrongdoing may be reported via telephone to an external third party. No whistle-blowing incidents were recorded.

The Audit and Risk Committee has access to the services of the Risk and Internal Audit and Company Secretarial departments and is authorised to obtain independent professional advice if it considers it necessary.

Auditors' independence and objectivity

The external Auditor provides some non-audit services, primarily in the provision of taxation and regulatory advice and in relation to corporate transactions that may arise from time to time. In order to ensure that Auditor objectivity and independence are safeguarded the following controls have been implemented:

- A formal policy on the use of the Auditor for non-audit work has been agreed by the Audit and Risk Committee. In summary, this ensures that work would usually only be awarded when, by virtue of the Auditor's knowledge, skills or experience, the Auditor is clearly to be preferred over alternative suppliers;
- The Audit and Risk Committee receives and reviews each year an analysis of all non-audit work awarded to the Auditor over the financial period; and
- The Audit and Risk Committee receives each year a report from the external Auditor as to any matters that the Auditor considers bear on its independence and which need to be disclosed to the Audit and Risk Committee.

Nomination Committee

Membership and meetings

Set out below is the current membership of the Nomination Committee:

- Charles Gregson (Nomination Committee Chairman);
- Peter Morgan;
- Patrick De Smedt; and
- Les Owen

Members of the Nomination Committee from the date of Admission were Charles Gregson (Chairman), Tim Kelly and Peter Morgan who served on the Nomination Committee throughout the relevant period.

Patrick De Smedt was appointed to the Nomination Committee on 19 August 2010 and Les Owen was appointed to the Nomination Committee on 21 September 2010.

Role of the Nomination Committee

A full copy of the terms of reference for the Nomination Committee can be obtained by request to the Company Secretary or via the Group's website at www.cppgroupplc.com.

The Nomination Committee's principal function is to carry out a formal selection process for Executive and Non-Executive Directors and subsequently to propose to the Board any new appointments (this includes recommending Directors appointed during the year for election by shareholders at the first Annual General Meeting after their appointment). Ultimate responsibility for the appointment of Directors resides with the Board.

The Nomination Committee oversees succession planning for Directors and senior managers below Board level.

The Chairman of the Nomination Committee reports to the Board on the outcome of meetings.

During the relevant period the Nomination Committee met three times. The Nomination Committee engaged the services of professional advisers, particularly in relation to the appointment of the three new Non-Executive Directors: Patrick De Smedt, Les Owen and Duncan McIntyre.

During the relevant period the Nomination Committee considered the following principle items:

- A review of the current structure, size and composition of the Board;
- The time commitment expected of Non-Executive Directors;
- Leadership and succession planning;
- The proposed election of Directors at the forthcoming Annual General Meeting; and
- The appointment of three new Non-Executive Directors.

Report of the Remuneration Committee

The full details of the composition and work of the Remuneration Committee are provided in the Remuneration Report set out on pages 53 to 58.

Internal control

The Board has overall responsibility for the Group's system of internal control and for monitoring its effectiveness. The Audit and Risk Committee has been in operation throughout the relevant period and oversees the Group's system of internal control. Material risk or control matters together with the appropriate remedial action are reported by the Audit and Risk Committee to the Board. The Board monitors the ongoing process by which critical risks to the business are identified, evaluated and managed. This process is consistent with the Turnbull Guidance on Internal Control and the revised guidance issued by the Financial Reporting Council in October 2005, and has been in place for the relevant period under review and up to the date of approval of the Annual Report and Accounts. The key elements of the Group's system of internal control include regular meetings of the Risk Management Group (an executive management forum) and of subsidiary company boards together with annual budgeting, monthly financial and operational reporting for all businesses within the Group. Compliance is monitored by management, the Group's compliance departments, Internal Audit and, to the extent it considers necessary to support its audit report, the external Auditor.

The Board assesses the effectiveness of the Group's system of internal control (including financial, operational and compliance controls and risk management systems) on the basis of:

- established procedures, including those already described, which are in place to manage perceived risks;
- reports by management to the Audit and Risk Committee on the adequacy and effectiveness of the Group system of internal control and significant control issues;
- under the direction of the Risk Management Group the continuous Group-wide process for formally identifying, evaluating and managing the significant risks to the achievement of the Group's objectives; and
- reports to the Audit and Risk Committee on the results of internal audit reviews and work undertaken by other departments.

Corporate Governance statement *continued*

The Group's system of internal control is designed to manage rather than eliminate risk of failure to achieve the Group's objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. In assessing what constitutes reasonable assurance, the Board considers the materiality of financial and non-financial risks and the relationship between the cost of and benefit from the system of internal control.

The Board regularly reviews the actual and forecast performance of the business compared with the annual plan, as well as other key performance indicators.

Lines of responsibility and delegated authorities are clearly defined.

The Group's policies and procedures are regularly updated and distributed throughout the Group. The Audit and Risk Committee receives reports on a regular basis on compliance with the Group's policies and procedures.

On behalf of the Board, the Audit and Risk Committee confirms that through discharging its responsibilities under its terms of reference as described on page 50, it has reviewed the effectiveness of the Group's system of internal controls and is able to confirm that necessary actions have been or are being taken to remedy any identified failings or weaknesses.

Homecare Insurance Limited and Card Protection Plan Limited (insurance and insurance intermediary companies of the Group respectively) are subject to regulation by the Financial Services Authority and as such undertake a solvency/capital adequacy assessment process on a regular basis.

This process is subject to review and approved by the individual boards of these companies and is reviewed by the Financial Services Authority from time to time. The process involves consideration of the risks that the Group's business faces in its operating environment, the assessment of the likelihood of the risks crystallising and their potential materiality and the effectiveness of the control framework in mitigating each risk. Homecare Insurance Limited is currently preparing to comply with the future requirements of the Financial Services Authority's Solvency II requirements.

The purpose of the process is to establish the level of capital resources that the business should maintain, both under current market conditions and under a range of scenarios, in order to ensure that financial resources are sufficient to successfully manage the effects of any risks that may crystallise.

The Risk and Internal Audit department reviews the extent to which the system of internal control is effective; is adequate to manage the Group's significant risks; safeguard the Group's assets; and, in conjunction with the Company Secretary and the Group's Legal and Compliance teams, ensure compliance with legal and regulatory requirements. It provides independent and objective assurance on risks and controls to the Board and senior management.

Internal Audit's work is focused on areas of greatest risk to the Group, as determined by a structured risk assessment process involving Executive Directors and senior management. The output from the process is summarised in an annual audit plan, which is approved by the Audit and Risk Committee. The Head of Risk and Audit reports regularly to the Audit and Risk Committee and Chief Financial Officer.

The role of Internal Audit and the scope of its work continue to evolve to take account of changes within the business and emerging best practice.

Compliance with the Combined Code

The Directors consider that the Company has been in full compliance with the provisions set out in the Code throughout the period from Admission to 31 December 2010 except as described below:

A.1.2 – Due to the infancy of the Board, a decision as to who should take up the role of Senior Independent Non-Executive Director has not yet been made by the Board. The Board expects to fill this role in 2011.

A.6.1 – Due to the infancy of the Board, a formal process for performance evaluation has not yet been established. The Board intends to introduce a Board effectiveness process to comply with the requirements of the new UK Corporate Governance Code in 2011.

D.1.1 – Under normal circumstances the Chief Executive Officer and the Chief Financial Officer lead the discussions with major shareholders.

However, in future the Board intends for the Chairman to lead discussions with major shareholders in addition to the Chief Executive Officer and the Chief Financial Officer.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in pages 12 to 15 of the Strategy section and pages 26 to 39 of the Performance section of this Annual report.

The principal risks and uncertainties facing the Group and the actions taken by the Directors to address these are included on pages 45 to 46 of the Directors' report.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 36 to 39. In addition note 28 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit, liquidity, interest rate and insurance risks.

Having taken account of these factors, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Remuneration report



This report has been prepared on behalf of the Board by the Remuneration Committee and is in accordance with the provisions of the Companies Act 2006 (the "Act") and schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority. In accordance with the Regulations, a resolution will be proposed at the forthcoming Annual General Meeting of the Company to approve this report.

The Act requires the independent Auditor to report to the members of the Company on certain information contained in the report and to state whether, in the Auditor's opinion, that information has been properly prepared in accordance with the Act. The report has, therefore, been divided into two sections, showing the audited and unaudited information separately.

From the date of Admission ("Admission") of its shares to the Official List of the London Stock Exchange on 24 March 2010 and throughout the remainder of the accounting period (the "period") the Remuneration Committee has complied with the Combined Code 2008. This report sets out the policy for the financial year just ended, for the forthcoming year and, subject to ongoing review, for subsequent years.

UNAUDITED INFORMATION

Role

The Remuneration Committee (the "Committee") has responsibility for, on behalf of the Board, determining the remuneration policies and practices for the Executive Directors, the Executive Committee, the Company Chairman and the Group-wide remuneration policy more broadly. In implementing these policies and practices the Company aims to support the implementation of a business strategy which continues to create value for shareholders over time.

The Committee's terms of reference are available on the Company's website or you can request a copy from the Company Secretary.

Membership

Tim Kelly was Chairman of the Committee from Admission until 19 August 2010 at which point Patrick De Smedt was appointed as a member and Chairman of the Committee. Tim Kelly remained as a member of the Committee until 31 December 2010. Other members of the Committee are Charles Gregson, Peter Morgan and Les Owen (who was appointed to the Committee on 21 September 2010). All members of the Committee are considered by the Board to be independent (Charles Gregson being independent on his appointment as Chairman of the Board).

Advisers

Hewitt New Bridge Street ("HNBS") has served as independent adviser to the Committee since Admission. They also advised on remuneration matters prior to the Company's Admission to the Official List. In addition to advising the Committee, HNBS also provides advice to the Company on implementing decisions made by the Committee. HNBS does not provide any other services to the Company.

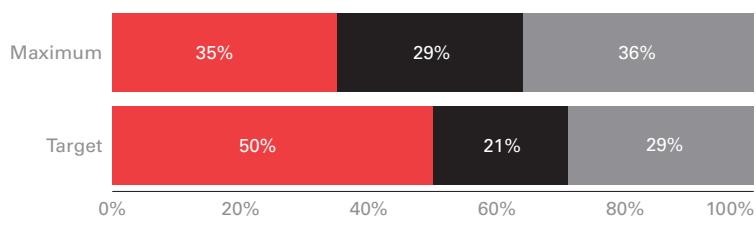
The Chief Executive Officer and the Group Head of Tax assisted both the Board and the Committee as required both pre and post the Company's Admission to the Official List, taking no part in discussions as to their own remuneration. The Company Chairman absents himself from discussions with respect to his own pay.

Since Admission, the Committee met three times in the year and is scheduled to meet three times in the forthcoming financial year. Additional meetings may be held should any matters arise that require the consideration of the Committee.

Remuneration policy

The remuneration of Executive Directors comprises both fixed and variable elements. Fixed remuneration is basic salary, pension and flexible benefits and variable performance-related remuneration is in the form of an annual cash bonus (partly paid in cash and partly deferred) and long term incentive arrangements. Significant weighting is given to the variable element of pay which will be derived from the Company's performance, which is strongly aligned to shareholder value creation. This is evident in the chart below which shows the composition of the Chief Executive's pay at target and maximum levels of performance. The breakdown for the Chief Financial Officer is very similar (except that his LTIP award is slightly lower).

Proportion fixed and variable pay



■ Fixed pay ■ Short term variable pay ■ Long term variable pay

Target performance assumes 50% bonus payout and an expected value of long term incentives of 55% of the face value of award. Maximum performance assumes full bonus payout and full long term incentive vesting.

Both the Board and the Committee recognise the importance of an effective remuneration policy in the achievement of the Group's successful financial performance. The aim of the remuneration policy is to:

- Provide overall remuneration to Executive Directors that is competitive but sufficient to attract, motivate and retain individuals of the quality required to continue to deliver successful performance.
- Align rewards with the Group's performance.

It is the intention of the Committee to ensure the remuneration policy is strongly aligned with the interests of the Directors, Shareholders and the Company. The Committee is satisfied that the overall remuneration structure neither encourages nor rewards inappropriate operational risk taking and is fully compatible with the Company's risk management policies and systems. In determining executive remuneration, the Committee has regard to pay levels and structures elsewhere in the Group in ensuring that pay is coherent overall.

The Company's approach to Non-Executive remuneration is set by the Board with account taken of the time and responsibility involved in each role, including where applicable the Chairmanship of Board Committees.

In line with the Association of British Insurer's Guidelines on Responsible Investment Disclosure, the Committee will ensure that the incentive structure for the Executive Directors and senior management will not raise environmental, social or governance ("ESG") risks by inadvertently motivating irresponsible behaviour. More generally, with regard to the overall remuneration structure, there is no restriction on the Committee which prevents it from taking account of ESG matters.

Remuneration report *continued*

Key activities

Key activities of the Committee are to:

- Carry out an annual strategic review of the remuneration framework for Executive Directors and the Executive Committee
- Determine the remuneration and benefits packages of individual Executive Directors and senior executives within the framework of the Group's agreed remuneration policy
- Determine the remuneration of the Chairman
- Review remuneration arrangements for the Group
- Set and review performance targets for Executive Directors and the Executive Committee
- Assess annually the Company's and individuals' performance against targets to determine the level of executive bonus
- Approve and grant awards under the Company's long term incentive plans
- Determine and review the contractual terms of Executive Directors
- Review the governance arrangements for global remuneration.

Remuneration for Executive Directors

The main components of the remuneration package for Executive Directors are:

Basic salary

Basic salary for each Executive Director is determined by the Committee taking into account the roles, responsibilities, performance and experience of the individual and pay levels elsewhere in the Group. A full review was undertaken by the Committee with the assistance of independent advisers prior to Admission, and as such, the Committee determined that, in line with policy, a broadly median positioning within a pan-sector group of similar-sized FTSE 250 companies was the appropriate salary benchmark for Executive Directors and members of the Executive Committee.

Salaries were reviewed on listing and are reviewed annually in January. Following the January 2011 review, the Committee decided on a 3% (as per the table below) increase in salary which is aligned to the average increase of 3% awarded to the wider Group.

	Annual salary from Admission to 31 December 2010 £'000	Current salary effective from 1 January 2011 £'000	% increase
Eric Woolley	400	412	3
Shaun Parker	260	268	3

Pension arrangements

An employer contribution of up to 15% of base salary is paid into a private pension scheme of the Executive Director's choice. Where it is not tax efficient to receive a pension payment, the Executive may request a cash payment in lieu. The Committee does not compensate for changes in the tax consequences of the payment.

Benefits

Each Executive Director is a member of the Company's flexible benefits fund. Eric Woolley is entitled to an allowance of £20,000 per annum and Shaun Parker a £15,000 allowance per annum. Each Executive Director is entitled to 30 days holiday per annum.

Executive Bonus Scheme

The Company's senior executives, including the Executive Directors, participate in the Executive Bonus Scheme. The maximum bonus award that can be achieved is 100% of basic annual salary and on-target amount is 50% of basic annual salary. The Executive Bonus Scheme payment is dependent upon the overall Group performance and individual performance measures. 70% of an executive's bonus is based on Group performance and 30% is based on the achievement of personal objectives and KPIs set for the role.

Group performance, which determines 70% of an Executive Director's maximum bonus, is based upon the Group's underlying operating profit against stretching targets set at the start of the year. This element may also be subject to a quality of earnings adjustment as determined by the Committee. The Committee has agreed to maintain the existing performance parameters for 2011.

The criteria used to determine the remaining 30% is based on personal objectives such as customer satisfaction and retention, product development and international expansion. Personal objectives are set by the Committee on an annual basis.

The annual bonuses paid to Eric Woolley and Shaun Parker are as stated in the table on page 57 and represent 72% and 73% of base salary respectively. The Committee agreed to award the Executive Directors these bonuses in recognition of achievement of their personal objectives and the Group's annual profit performance. In both cases, 49% is awarded for Group performance and the remainder is for the achievement of individual objectives.

Whilst all members contribute to the overall Group performance, the performance of the relevant region will also be taken into consideration in this factor for those executives with regional responsibilities.

Regional performance will be assessed following a review of the regional growth, delivery of regional objectives and a judgement of the financials against a quality of earnings assessment. The exact percentage award is agreed by the Committee and approved by the Board on an individual basis.

The concept of annual bonus clawback applies to bonuses which permits the Company to reclaim or reduce payments if it subsequently comes to light that the performance upon which bonuses were paid was incorrect or is required to be restated.

Deferred Share Bonus Plan

The Committee supports the principle that the payment of some of the annual bonus should be deferred and paid in Company shares as it further aligns executives with shareholders.

Accordingly, annual bonuses awarded under the Executive Bonus Scheme are also subject to the Deferred Share Bonus Plan arrangements. Any bonuses awarded up to 50% of maximum potential (i.e. up to target bonus) will be paid as cash. Where the bonus exceeds 50% of maximum potential (i.e. is above target), half of the additional bonus above target will be paid as cash and half will be deferred into a conditional award over shares under the CPPGroup Plc Deferred Share Bonus Plan 2010 (the "DSBP"). Deferred shares will vest on the third anniversary of grant subject to continued employment at the Company.

As under the Executive Bonus Plan, the concept of clawback applies to DSBP awards.

Long term incentive schemes

For Executive Directors, only one long term incentive plan operates. This was designed by HNBS in conjunction with management and the Committee and can be summarised as follows:

2010 Long Term Incentive Plan ("LTIP")

The 2010 LTIP is aimed at incentivising executives post Admission. Under this plan, Executive Directors and key individuals may be awarded each year conditional entitlements to ordinary shares in the Company up to a maximum of 200% of salary. However, in practice, awards will not be made at this level – instead normal LTIP awards not exceeding a face value of 125% of salary and 100% of salary can be made to the Chief Executive Officer and Chief Financial Officer respectively. Lower levels of awards are made to less senior executives.

Awards have a three year vesting period and the initial awards granted in March 2010 are subject to performance conditions relating to adjusted Earnings Per Share ("EPS") and Total Shareholder Return ("TSR") as follows:

- 75% of the award is dependent on the satisfaction of an EPS performance target. EPS will be measured over the three years ending 31 December 2012 and vesting will occur on the following basis:

EPS growth over the performance period	Vesting percentage of 75% of the total award
Less than 12% p.a.	0%
Equal to 12% p.a.	25%
Equal to or greater than 17% p.a.	100%
Between 12% p.a. and 17% p.a.	On a straight-line basis

- The above EPS targets, at the discretion of the Committee, may be amended if RPI over the performance period is negative or greater than 4% p.a. The Committee notes that RPI is at the upper end of this range and is keeping any potential change to targets under review. The EPS calculation is based on a fully diluted basis, adjusted for taxation and other items to reflect underlying financial performance.
- 25% of the award is dependent upon the Company's TSR performance over a single three year period (which, for the initial awards, commences on the Admission date) against the constituents of the FTSE 250 (excluding any Investment Trusts). Vesting for this portion of the award will occur on the following basis:

TSR ranking against the comparator group	Vesting percentage of 25% of the total award
Below median	0%
Median	25%
Upper quintile	100%
Between median and upper quintile	On a straight-line basis

In addition and notwithstanding the Company's TSR performance, this part of the award subject to the TSR condition will only vest to the extent that the Committee is satisfied that the underlying financial performance over the vesting period warrants the level of vesting under the TSR performance condition.

The Committee considers that this combination of performance conditions is the most appropriate way of rewarding Executive Directors because it takes into account both the long term returns to shareholders and the Group's financial growth. The TSR performance condition is monitored on the Committee's behalf by HNBS whilst the Group's EPS growth is derived from the audited financial statements.

Other share plans

2010 Restricted Stock Plan ("RSP")

The RSP is a non performance based share plan aimed to incentivise the second level of management across the Group and Executive Directors are not eligible to participate. Employment is the only performance condition attached to this plan.

UK Save As You Earn Scheme ("SAYE")

The Company launched a Save As You Earn scheme in September 2010, also known as the ShareSAVE Plan. All employees in the UK, including Executive Directors, are eligible to participate in the SAYE scheme. Options outstanding during the year were granted under this scheme in September 2010 at an option price of 198 pence, representing a discount of 20% to the market value applicable at the time of grant. Consistent with HMRC rules, the scheme is not subject to any performance criteria other than employment.

Dilution limits

In line with the ABI guidelines the rules of the post IPO incentive schemes provide that:

- Commitments to issue new shares or re-issue treasury shares, when aggregated with awards under all of the Company's other schemes, must not exceed 10% of the issued ordinary share capital in any rolling 10 year period commencing on Admission.
- Commitments to issue new shares or re-issue treasury shares under executive (discretionary) schemes should not exceed 5% of the issued ordinary share capital of the Company in any rolling 10 year period commencing on Admission.

Current headroom under these limits is 9.5% and 5% respectively. All awards under executive (discretionary) schemes were made pre Admission.

Service contracts

The policy of the Company is to appoint Executive Directors on six month rolling service contracts. The Articles of Association require a Director to stand for election by shareholders at the first Annual General Meeting following their appointment and by rotation every three years thereafter.

The contracts of all the Executive Directors who served during the reporting period are contracts which are subject to notice periods to and from the company of six months. Eric Woolley is employed under a service agreement with CPP Holdings Limited (formerly named CPP Group Plc prior to its acquisition by CPPGroup Plc) dated 9 May 2008. Shaun Parker is employed under a service agreement with CPP Group Plc dated 1 January 2010.

The Company may terminate the employment of Executive Directors by making a payment in lieu of notice equivalent to basic salary and fixed benefits only. Currently neither of the Executive Directors holds a NED role elsewhere.

Remuneration report *continued*

Non-Executive Directors

Non-Executive Directors receive a fixed fee for their services to the Group. These fees are set for each individual Non-Executive Director by the Board on an annual basis. Fee levels for the Chairman and Non-Executive Directors reflect the time commitment in preparing and attending meetings and the responsibility and duties of the positions. Our policy is to pay a market rate against other companies of a similar size and complexity. Non-Executive Directors are not entitled to any other benefits, pension arrangements or to participate in the Group's share incentive schemes. Details of annual fees are provided in the table below:

		Basic annual fee £'000	Audit & Risk Committee Chairman £'000	Remuneration Committee Chairman £'000
Charles Gregson	Non-Executive Chairman	125		
Tim Kelly*	Non-Executive Director	40		10
Peter Morgan*	Non-Executive Director	40	10	
Hamish Ogston	Non-Executive Director	40		
Les Owen	Non-Executive Director	40		
Patrick De Smedt*	Non-Executive Director	40		10

* Tim Kelly was the Chairman of the Remuneration Committee until the appointment of Patrick De Smedt on 19 August 2010 who is currently the Chairman of the Remuneration Committee. Peter Morgan is paid an additional £15,000 per annum as a Non-Executive Director of the Regulated Boards of Card Protection Plan Limited and Homecare Insurance Limited.

There are no service agreements for Non-Executive Directors. However, a formal letter of appointment is issued to all Non-Executive Directors to confirm the terms of their appointment. Non-Executive appointments terms provide for an initial period of appointment of three years (which may be extended at the liberty of the Board) normally terminable on one month's notice by either party. Non-Executive Directors are included in the requirement for all Directors to stand for election by the shareholders at the Annual General Meeting following their initial appointment and to stand for re-election on a three year rolling basis thereafter.

With regard to the current Non-Executive Directors, Charles Gregson entered into a Non-Executive appointment letter with CPP Group Plc on 14 January 2010. It had been agreed that from Admission the terms of his engagement be transferred to CPPGroup Plc. Tim Kelly, Peter Morgan and Hamish Ogston entered into Non-Executive appointment letters with the Company which were conditional on and effective from Admission on 24 March 2010 although they were appointed as Directors of the new holding Company at the date of

AUDITED INFORMATION

The remuneration and benefits payable to each Director in respect of their services from incorporation of the Company on 9 February to 31 December 2010; for the year ended 31 December 2010 and for the year ended 31 December 2009 in the former company is set out in the following tables.

For the period from 9 February to 31 December 2010:

	Basic salary £'000	Benefits £'000	Bonus £'000*	Pension £'000	Total £'000
Executive					
Eric Woolley	363	18	262	54	697
Shaun Parker	238	14	174	36	462
Non-Executives					
Charles Gregson	114	—	—	—	114
Tim Kelly	44	—	—	—	44
Peter Morgan	59	—	—	—	59
Hamish Ogston	38	3	—	—	41
Les Owen	11	—	—	—	11
Patrick De Smedt	18	—	—	—	18

* Annual bonus awards are subject to the provisions of the Deferred Share Bonus Plan.

incorporation on 9 February 2010. Patrick De Smedt was appointed on 19 August 2010, Les Owen was appointed on 21 September 2010 and Duncan McIntyre was appointed on 1 January 2011.

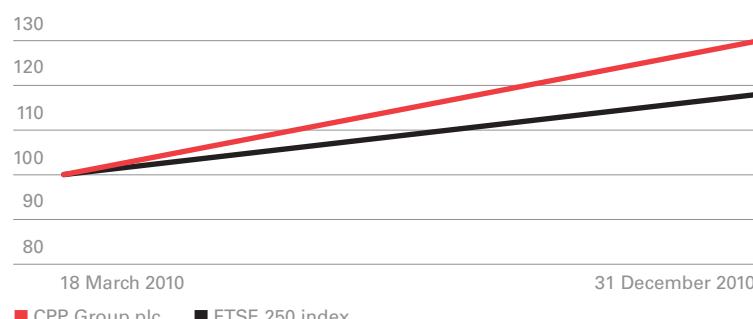
Share ownership guidelines

Pursuant to a letter agreement with Hamish Ogston dated 18 March 2010, Charles Gregson has agreed, from Admission, to apply all of the net fees he receives from his position as Chairman of the Company to making on-market purchases of shares in the Company, until he has committed, in total, at least £250,000 in purchasing shares. Eric Woolley the Chief Executive Officer and Shaun Parker the Chief Financial Officer have agreed to commit 50% of the post tax gain from any vested shares in the form of shares held by them, until the qualifying holding of the equivalent of one and a half year's salary and one year's salary respectively is met. This arrangement only applies to share awards made on or after admission and not to any awards under the legacy plans.

Each Non-Executive Director has agreed to commit to making on market purchases of shares in the Company, within a two year period from the date of their appointment, until they have committed in total to at least £50,000 in the purchasing of such shares.

Performance graph

Total Shareholder Return (TSR)



This graph shows the value, by 31 December 2010, of £100 invested in CPPGroup plc at the Offer Price as stated in the Prospectus, compared with the value of £100 invested in the FTSE 250 Index from the start of trading.

Source: Thomson Reuters

The graph illustrates the TSR performance on a cumulative basis with dividends reinvested as at the end of the financial year compared with the FTSE 250 Index over the same period. CPPGroup Plc is a member of the FTSE 250 and, as such, this index was considered to be an appropriate comparator group upon which a broad equity market index is calculated.

For services to the CPP Group of companies for the financial years from 1 January 2009 to 31 December 2009, and 1 January 2010 to 31 December 2010:

	2010 Basic annual salary £'000	2010 Annual Benefits £'000	2010 Annual Bonus** £'000	2010 Annual pension contribution £'000	2010 Total £'000	2009 Total £'000
Executive						
Eric Woolley	394	20	286	59	759	896
Shaun Parker	260	15	190	39	504	559
Non-Executives						
Charles Gregson	119	–	–	–	119	–
Tim Kelly	47	–	–	–	47	38
Peter Morgan	63	–	–	–	63	46
Hamish Ogston*	42	3	–	–	45	52
Les Owen	11	–	–	–	11	–
Patrick De Smedt	18	–	–	–	18	–

* Prior to Admission Hamish Ogston as former founder of the company received benefits in kind which ceased upon Admission on 24 March 2010.

** Annual bonus awards are subject to the provisions of the Deferred Share Bonus Plan

Share options, long term incentives and potential future awards and entitlements to shares

Long Term Incentive Plans

Details of awards held, granted and exercised in respect of the LTIPs are detailed below.

Director	As at 1 Jan 2010	Granted in Year	Exercised in Year	Lapsed in year	As at 31 Dec 2010
Eric Woolley	–	212,766	–	–	212,766
Shaun Parker	–	110,638	–	–	110,638

The LTIP awards were granted as nil cost options on 22 March 2010 immediately prior to Admission and vest on 22 March 2013 subject to performance conditions. When awards were granted the market value of shares was £2.35. Awards vest subject to continued employment and the satisfaction of performance conditions as set out on page 55.

SAYE Share Option Plan

Details of options held, granted and exercised in respect of the SAYE scheme are detailed below.

Director	As at 1 Jan 2010	Granted in Year	Exercised in Year	Lapsed in year	As at 31 Dec 2010	Exercise Price £
Shaun Parker	–	4,545	–	–	4,545	1.98

The SAYE options were granted on 28 September 2010 and are exercisable for six months from 1 November 2013. When options were granted the market value of an ordinary share was £2.48.

Legacy Plans

Prior to Admission, the Company operated the CPP Group Plc Executive Share Option Plan 2005 (the "2005 Plan") and the CPP Group Holdings Limited Exit Plan 2008 ("2008 Plan") for which options were outstanding. Conditional upon Admission, all outstanding options under the Legacy Plans (the "Old Options") were automatically surrendered in consideration for the grant of an equivalent new option over Ordinary Shares (the "New Options"). The exchange was determined on the basis that for every one share in CPP Group Plc held under the Old Options immediately prior to the Share for Share Exchange the holder of that Old Option was granted a New Option over 16 Ordinary Shares in CPPGroup Plc. The exercise price per share of the New Options was equal to the exercise price per share of the Old Options reduced by a factor of 16, so that immediately following the surrender and exchange of Old Options for New Options the aggregate exercise cost of the New Option is the same as the aggregate exercise cost of the Old Option. The rules of the Legacy Plans were applied to the New Options save that references in the rules to the "Company" and "Shares" are construed as meaning the Company and Ordinary Shares.

The options in the Legacy Plans were exercisable as follows: 50% on 24 March 2010, 25% on 24 March 2011 and 25% on 24 March 2012. There are no performance conditions attached to these shares other than those relating to employment.

An additional executive option (the "Executive Option") was granted to Eric Woolley on 21 April 2009 on substantially the same terms as the 2008 Plan. The parties to the Executive Option and the Company agreed that, in relation to all outstanding options held by Eric Woolley under the Legacy Plans and the Executive Option, on Admission any one or more of his outstanding options may be exercised up to 50% of the aggregate, up to 75% of the aggregate on the first anniversary of Admission and up to 100% of the aggregate on the second anniversary of Admission.

Remuneration report *continued*

The following options are held by Eric Woolley and Shaun Parker under the 2005 Plan, the CPP Group Holdings Limited 2008 Plan and in relation to Eric Woolley only, the individual Executive Option, together known as the "Legacy Plans":

Director	Legacy Plan	Option price	As at 1 January 2010	Granted in Year	Exercised in year	Lapsed in year	As at 31 December 2010	Expiry date
Eric Woolley	2005	£2.28	1,645,104	–	700,320	–	944,784	21/12/19
	2008 ¹	£1.79	1,648,000	–	–	–	1,648,000	19/06/18
	2008 ²	£0.11	596,080	–	596,080	–	–	n/a
	Loan note ³	n/a	1,241,346	–	620,673	–	620,673	n/a
Shaun Parker	2005	£2.28	623,472	–	207,824	–	415,648	21/12/19
	2008 ¹	£1.79	528,000	–	176,000	–	352,000	19/06/18
	Loan note ³	n/a	470,453	–	235,227	–	235,226	n/a

1 Under the 2008 Plan

2 Under the Executive Option

3 Certain option holders in the 2005 Plan hold loan notes which had similar vesting conditions to the options under the 2005 Plan. The above table shows the value of these loan notes.

Eric Woolley exercised options over 1,296,400 shares on 24 March 2010 when the market value of a share was 235 pence, realising an aggregate gain of £1,747,096. Similarly, Shaun Parker exercised options over 383,824 shares on 24 March 2010 when the market value was 235 pence, realising an aggregate gain of £220,868. On the exercise of the options under the 2005 Plan, UK participants are entitled to an additional cash enhancement from the Company of an amount equal to 52.5 pence per share reflecting the capital restructure carried out during the vesting period of the options. In March 2010 both Eric Woolley and Shaun Parker exercised options in the 2005 Plan which entitled them to cash payments of £367,573 and £109,079 respectively.

Directors' shareholdings

The Directors of the Company have beneficial interests in the Company's ordinary shares as follows:

		31 December 2010 Beneficial	31 December 2010 Non- beneficial	Total
Interest in ordinary shares of 10 pence each				
Executive				
Eric Woolley		–	–	–
Shaun Parker		9,600	–	9,600
Non-Executives				
Charles Gregson		141,873	–	141,873
Tim Kelly		59,040	–	59,040
Peter Morgan		51,696	–	51,696
Hamish Ogston		98,021,288	–	98,021,288
Les Owen		22,984	–	22,984
Patrick De Smedt		–	–	–

There have been no purchases of shares by Directors since 31 December 2010 to the date of this report.

Approval of report

The Committee considers that the various components of the Directors' remuneration set out above combined to produce an overall package that achieves an appropriate alignment between the interest of the Directors and those of the Shareholders and the Company.

The Director's Remuneration Report was approved by the Board on the 2 March 2011 and signed on behalf of the Board by

Patrick De Smedt

Chairman of the Remuneration Committee.

2 March 2011

Independent Auditor's report to the members of CPPGroup Plc

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We have audited the financial statements of CPPGroup Plc for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Company balance sheets, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 48. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- The consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Company financial statements and the part of the Remuneration report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- The Directors' statement, contained within the Corporate Governance statement, in relation to going concern;
- The part of the Corporate Governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- Certain elements of the report to shareholders by the Board on Directors' remuneration.

Stephen Williams (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom

2 March 2011

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Consolidated income statement

For the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Revenue		325,803	292,102
Cost of sales		(189,077)	(167,882)
Gross profit		136,726	124,220
Administrative expenses			
Legacy scheme share based payments	30	(3,841)	(10,391)
Other administrative expenses		(87,147)	(82,013)
Total administrative expenses		(90,988)	(92,404)
Share of loss of joint venture	18	(843)	(695)
Operating profit			
Operating profit before legacy scheme share based payments		48,736	41,512
Operating profit after legacy scheme share based payments		44,895	31,121
Investment revenues	9	341	706
Finance costs – derivative instruments	10	–	(1,641)
Finance costs – non-derivative instruments	11	(5,482)	(5,342)
Profit before taxation		39,754	24,844
Taxation	12	(12,604)	(7,851)
Profit for the year from continuing operations attributable to equity holders of the Company	6	27,150	16,993
Basic and diluted earnings per share from continuing operations		Pence	Pence
Basic earnings per share	14	16.33	11.21
Diluted earnings per share	14	16.03	11.10

Consolidated statement of comprehensive income

For the year ended 31 December 2010

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	2010 £'000	2009 £'000
Profit for the year	27,150	16,993
Other comprehensive income and expenses		
Exchange differences on translation of foreign operations	341	(2,110)
Other comprehensive income/(expenses) for the year net of taxation	341	(2,110)
Total comprehensive income for the year attributable to equity holders of the Company	27,491	14,883

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Consolidated balance sheet

As at 31 December 2010

	Note	2010 £'000	2009 £'000
Non-current assets			
Goodwill	15	16,536	16,053
Other intangible assets	16	22,055	15,726
Property, plant and equipment	17	15,389	13,864
Investment in joint venture	18	184	50
Deferred tax asset	27	3,809	3,418
		57,973	49,111
Current assets			
Insurance assets	19	21,493	14,052
Income tax receivable		96	–
Inventories	20	289	159
Trade and other receivables	21	30,275	23,906
Cash and cash equivalents	22	25,040	52,379
		77,193	90,496
Total assets		135,166	139,607
Current liabilities			
Insurance liabilities	23	(10,417)	(8,997)
Income tax liabilities		(6,266)	(4,191)
Trade and other payables	24	(69,321)	(65,152)
Bank loans	25	–	(12,021)
Provisions	26	(860)	(1,524)
		(86,864)	(91,885)
Net current liabilities		(9,671)	(1,389)
Non-current liabilities			
Bank loans	25	(27,199)	(89,202)
Deferred tax liabilities	27	(459)	–
Provisions	26	(859)	(1,524)
		(28,517)	(90,726)
Total liabilities		(115,381)	(182,611)
Net assets/(liabilities)		19,785	(43,004)
Equity			
Share capital	29	17,024	15,152
Share premium account		32,301	–
Merger reserve		(100,399)	(100,399)
Translation reserve		2,336	1,995
Equalisation reserve	23	6,196	4,913
ESOP reserve		9,599	5,783
Retained earnings		52,728	29,552
Total equity attributable to equity holders of the Company		19,785	(43,004)

Approved by the Board of Directors and authorised for issue on 2 March 2011 and signed on its behalf by:

Eric Woolley
Chief Executive Officer

Shaun Parker
Chief Financial Officer

Company registration number: 07151159

Consolidated statement of changes in equity

For the year ended 31 December 2010

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	Note	Share capital £'000	Share premium account £'000	Merger reserve £'000	Translation reserve £'000	Equalisation reserve £'000	ESOP reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2009		15,152	–	(100,399)	4,105	3,941	1,714	13,386	(62,101)
Total comprehensive income		–	–	–	(2,110)	–	–	16,993	14,883
Movement on equalisation reserve	23	–	–	–	–	972	–	(972)	–
Current tax charge on equalisation reserve movement	12	–	–	–	–	–	–	272	272
Equity settled share based payment charge		–	–	–	–	–	10,391	–	10,391
Deferred tax on share based payment charge	12	–	–	–	–	–	–	(127)	(127)
Exercise of share options		–	–	–	–	–	(6,322)	–	(6,322)
At 31 December 2009		15,152	–	(100,399)	1,995	4,913	5,783	29,552	(43,004)
Total comprehensive income		–	–	–	341	–	–	27,150	27,491
Movement on equalisation reserve	23	–	–	–	–	1,283	–	(1,283)	–
Current tax charge on equalisation reserve movement	12	–	–	–	–	–	–	358	358
Equity settled share based payment charge		–	–	–	–	–	4,216	–	4,216
Deferred tax on share based payment charge	12	–	–	–	–	–	–	1,078	1,078
Exercise of share options	29	583	7,991	–	–	–	(400)	–	8,174
Other ordinary share issues	29	1,289	24,310	–	–	–	–	–	25,599
Dividends	13	–	–	–	–	–	–	(4,127)	(4,127)
At 31 December 2010		17,024	32,301	(100,399)	2,336	6,196	9,599	52,728	19,785

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Consolidated cash flow statement

For the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Net cash from operating activities	32	38,362	45,457
Investing activities			
Interest received		341	706
Purchases of property, plant and equipment		(3,719)	(2,165)
Purchases of intangible assets		(12,241)	(8,649)
Acquisition of subsidiary, net of cash acquired		340	(3,149)
Investment in joint venture		(977)	(840)
Net cash used in investing activities		(16,256)	(14,097)
Financing activities			
Dividends paid		(4,127)	–
Repayment of bank loans		(143,383)	(11,567)
Proceeds from new bank loans		66,700	–
Interest paid		(1,709)	(3,854)
Cash outflows on derivative financial instruments		–	(5,724)
Cost of refinancing		(1,080)	–
Issue of ordinary share capital		34,173	–
Net cash used in financing activities		(49,426)	(21,145)
Net (decrease)/increase in cash and cash equivalents		(27,320)	10,215
Effect of foreign exchange rate changes		(19)	(1,077)
Cash and cash equivalents at 1 January		52,379	43,241
Cash and cash equivalents at 31 December	22	25,040	52,379

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1. General information

The CPPGroup Plc is a company incorporated in England and Wales under the Companies Act 2006 and domiciled in the United Kingdom. Its registered office is Holgate Park, York, YO26 4GA. The Group comprises CPPGroup Plc and its subsidiaries. The Group's principal activity during the year was the provision of Life Assistance products.

The consolidated financial statements are presented in Pounds Sterling, the functional currency of the Company. Foreign operations are included in accordance with the policies set out in note 3.

2. Adoption of new standards

New standards adopted

The following Standards and Interpretations have become effective and have been adopted in these financial statements. Their adoption has not had any material impact on the Group. No Standards or Interpretations have been adopted early in these financial statements.

Standard/Interpretation	Subject
IFRS 3 (revised January 2008)	Business Combinations
Amendment to IAS 27 (January 2008)	Consolidated and Separate Financial Statements
Amendment to IAS 39 (July 2008)	Eligible Hedged Items
IFRS 1 (revised November 2008)	First Time Adoption of International Financial Reporting Standards
Amendment to IFRS 1 (July 2009)	Additional Exemptions for First Time Adopters
Amendment to IFRS 2 (June 2009)	Group Cash-settled Share-based Payment Transactions
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
Improvements to IFRSs 2009 (April 2009)	Annual improvements

Standards not yet applied

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

Standard/Interpretation	Subject	Period first applies (Year ended)
IAS 24 (revised November 2009)	Related Party Disclosures	31 December 2011
Amendment to IAS 32 (October 2009)	Classification of Rights Issues	31 December 2011
Amendment to IFRIC 14 (November 2009)	Prepayments of a Minimum Funding Requirement	31 December 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	31 December 2011
Amendments to IFRS 1 (January 2010)	Limited exemption from comparative IFRS 7 disclosures for first time adoption	31 December 2011

The Directors do not anticipate that the adoption of these Standards and Interpretations in future periods will have a material impact on the Group.

3. Significant accounting policies

Basis of preparation

These consolidated financial statements on pages 60 to 91 present the performance of the Group for the year ended 31 December 2010. In accordance with the principles of merger accounting described below, comparative information is provided for the Group for the year ended 31 December 2009.

The consolidated financial statements have been prepared under the historical cost basis, except for the revaluation of certain financial instruments, in accordance with IFRS as adopted by the European Union and the Companies Act 2006 as applicable to companies reporting under IFRS.

The Company was incorporated on 9 February 2010 and acquired by way of a share for share exchange the entire issued share capital of CPP Group Plc (the previous ultimate holding company of the Group) on 24 March 2010 as part of a group reconstruction. The reconstruction did not change either the identity or relative rights of the ultimate shareholders of CPP Group Plc and, therefore, has been reflected in the consolidated financial statements using the principles of merger accounting for group reconstructions.

The adoption of merger accounting presents the Company as if it had always been the parent undertaking of the Group, and therefore no adjustments to the book values of the assets and liabilities were required at the date of the reconstruction. As the Company was not incorporated until 9 February 2010, the consolidated results and details of the financial position prior to this date reflect those presented previously as the results and financial position of CPP Group Plc, the former parent of the Group, except that they have been restated in that the share capital of CPP Group Plc has been reclassified to the merger reserve and the share capital for prior periods reflects the Company's shares issued as part of the reconstruction.

Under IFRS the group reconstruction is treated as a common control transaction, for which there is no specific accounting guidance. Consequently the Board of Directors have had regard to the guidance in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" on the selection of accounting policies and have adopted merger accounting in accordance with the provisions of Financial Reporting Standard 6 in the United Kingdom.

Notes to the consolidated financial statements *continued*

3. Significant accounting policies *continued*

Going concern

The Board of Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements. Further details of the Directors' assessment are set out in the Corporate Governance statement on pages 48 to 52.

Basis of consolidation

The consolidated financial statements include the results, cash flows and assets and liabilities of the Company and the entities under its control. Control is defined as the ability to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal. Adjustments are made, where necessary, to the financial statements of subsidiaries to bring their accounting policies into line with Group policies. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisitions of subsidiaries, excluding entities already under common control, are accounted for using the acquisition method. The costs of acquisition are measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired business. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair value at the acquisition date. For acquisitions prior to 1 January 2010 adjustments to provisional fair values of net assets and consideration identified within 12 months of the date of acquisition are accounted for as an adjustment to goodwill.

Joint ventures

Investments in joint ventures are accounted for using the equity method of accounting. The Group share of the net assets of joint ventures, including associated goodwill, is included in the consolidated balance sheet.

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the consolidated income statement. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Government grants

Grants receivable from government bodies are recognised to the extent that the Group has substantively met the conditions of the grant. Grants received in respect of which Group obligations are ongoing are deferred and recognised over the period in which the conditions are fulfilled. Government grants are presented as a reduction in applicable expenses.

Share based payments

Prior to the Company's shares being admitted to the London Stock Exchange on 24 March 2010, the Group issued share options to certain of its employees through the Executive Share Option Plan ("ESOP"). Costs in relation to the ESOP are presented within legacy scheme share based payments in the consolidated income statement.

Subsequent to or conditional on its Admission, the Group has issued share options to certain of its employees under the Long Term Incentive Plan ("LTIP"), the Restricted Stock Plan ("RSP") and the ShareSAVE Plan. Costs in relation to these plans are presented within other administrative expenses in the consolidated income statement.

Share options are treated as equity settled if the Group has the ability to determine whether to settle exercises in cash or by the issue of shares. Share options are measured at fair value at the date of grant, based on the Group's estimate of shares that will eventually vest, and adjusted for the effect of non market based vesting conditions each year. Non market vesting conditions include a change in control of the Group and are considered by the Directors at each year end. The fair value of equity settled share based payments is expensed in the consolidated income statement on a straight line basis over the vesting period, with a corresponding increase in equity, subject to adjustment for forfeited options.

Share options are treated as cash settled if the terms of the scheme require or the Directors intend to settle share options with a cash payment. Cash settled options are measured at fair value at date of grant and then subsequently revalued at each year end. For cash settled share based payments, a liability is recognised for a proportion, based on the vesting period, of the fair value as calculated at the balance sheet date. Movements in the provision are charged to the consolidated income statement.

The fair value of share options is measured by use of the Black Scholes option pricing model.

Assistance products

Recognition of revenue

Revenue attributable to the Group's assistance products is generally comprised of the prices paid by customers for the assistance products net of underwriting fees and exclusive of any sales taxes.

Revenue is generally split into two categories: introduction fees and claims management fees. Introduction fees are recognised on inception of the arrangement. Claims management fees are recognised over the period of the underlying contract and, where revenue is deferred to match the Group's future servicing obligations under assistance product contracts, the amount deferred corresponds to the relevant fair values of the unprovided services. The amount deferred is sufficient to cover future claims handling costs and an appropriate profit margin, and is calculated by reference to historical experience of claims handling costs and incidence. Provisions for cancellations are made at the time revenue is recorded and are deducted from revenue.

In the US, and certain other of the Group's assistance products, there are no introduction fees. In these arrangements, revenue is comprised of the subscriptions received from members, net of underwriting fees and exclusive of any sales taxes. These subscriptions are recognised over the life of the service provided.

Wholesale, Packaged Accounts and other revenue is generally comprised of fees billed directly to Business Partners, exclusive of any sales taxes, and is recognised as those fees are earned.

3. Significant accounting policies continued

Cost of sales

Cost of sales attributable to the Group's assistance products represents the costs of acquiring customers and includes marketing costs and commissions paid to Business Partners. Commissions are recognised in line with the revenue to which they relate. Marketing costs include all telemarketing, direct mail and fulfilment costs. These costs are expensed as incurred.

Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when the Group agrees to compensate a policyholder if a specified uncertain future event (other than a change in a financial variable) adversely affects the policyholder.

Recognition of revenue

Revenue attributable to the Group's insurance contracts comprises premiums paid by customers and is exclusive of any sales taxes and similar duties. Premiums from insurance policies are recognised as revenue on a straight line basis over the life of the policy.

Provisions for unearned premiums are made, representing the part of gross premiums written that is estimated to be earned in the following or subsequent financial periods, on a straight line basis for each policy. The provision for unearned premiums is recorded under insurance liabilities on the consolidated balance sheet.

Cost of sales

Cost of sales attributable to the Group's insurance contracts consists of the costs, both direct and indirect, of acquiring insurance policies, commissions, reinsurance premiums payable to third parties and insurance claims incurred (net of reinsurance recoveries).

Acquisition costs are amortised over the life of the average policy. Acquisition costs which are expensed in the following or subsequent accounting periods are recorded in the balance sheet as deferred acquisition costs and include a proportionate allowance for commissions and post sale set up costs incurred in respect of unearned premium not amortised at the balance sheet date.

Reinsurance premiums are accounted for in the same accounting period as the premiums for the related business.

Insurance claims provisions

Claims incurred comprise the Group's payments for claims and internal settlement expenses during the period together with the movement in the Group's provision for outstanding claims over the period, including an estimate for claims incurred but not reported. Differences between the estimated cost and subsequent settlement of claims are recognised in the consolidated income statement in the year in which they are settled.

Reinsurance recoveries are accounted for in the same accounting period as the related claims.

Equalisation reserve

An equalisation reserve has been established in accordance with the requirements of the Equalisation Reserve Rules contained within the Prudential Sourcebook for Insurers and the General Prudential Sourcebook. Movements on the reserve are shown as a movement between retained earnings and the equalisation reserve.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is not subject to amortisation but is tested for impairment annually.

On disposal of a subsidiary or joint venture operation, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Impairment

For the purpose of impairment testing, goodwill is allocated to cash generating units. If the recoverable amount of a cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Notes to the consolidated financial statements *continued*

3. Significant accounting policies continued

Intangible assets

Externally acquired software

Externally acquired software is measured at purchase cost and is amortised on a straight line basis over its estimated useful life of four years.

Internally generated software

Internally generated intangible assets arising from the Group's software development programmes are recognised from the point at which the following conditions are met:

- An asset is created that can be identified;
- It is probable that the asset created will generate future economic benefits; and
- The development cost of the asset can be measured reliably.

Internally generated software is amortised on a straight line basis over its estimated useful life of four years.

Contractual arrangements with third parties

Some of the Group's contractual arrangements give rise to intangible assets. Where a contractual payment gives access to and control of future economic benefits, in the form of future renewal income streams, this amount is recognised as an asset and then amortised in line with the forecast benefits over the shorter of the contractual arrangement and the period when benefits are expected to arise.

Intangible assets arising on business combinations

Intangible assets arising from business combinations are initially stated at their fair values and amortised over their useful economic lives as follows:

Business Partner relationships: In line with projected cash flows

Business Partner relationships represent the present value of net revenues and costs expected to arise from contractual arrangements and non-contractual relationships with existing and pipeline Business Partners at the date of acquisition.

Amortisation of contractual arrangements with third parties is charged to cost of sales, amortisation of all other intangible assets is charged to other administrative expenses.

Property, plant and equipment

Property, plant and equipment are shown at purchase cost, net of accumulated depreciation.

Depreciation is provided at rates calculated to write off the costs, less estimated residual value, of each asset over its expected useful life as follows:

Freehold property: 40 years straight line

Computer systems: 4 years straight line

Furniture and equipment: 4 years straight line

Leasehold Improvements: Over the shorter of the life of the lease and the asset

Freehold land is not depreciated.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits with a term from inception of three months or less, less bank overdrafts where there is a right to offset. Bank overdrafts are presented as current liabilities to the extent that there is no right to offset with cash balances in the same currency.

Leases

Operating lease rentals are charged to the consolidated income statement on a straight line basis over the term of the lease.

Taxation

The current tax payable is based on the taxable profit for the year. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit; and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are regarded as recoverable and therefore recognised only to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary undertakings and jointly controlled entities except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. Significant accounting policies continued

Pension costs

Pension costs represent contributions made by the Group to defined contribution pension schemes. These are expensed as incurred.

Foreign currencies

In preparing the financial information of the individual entities that comprise the Group, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences are classified as equity and transferred to the Group's translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

On disposal of foreign operations, the cumulative amount of exchange differences previously recognised directly in equity for that foreign operation are to be transferred to the consolidated income statement as part of the profit or loss on disposal. Cumulative retranslation differences have been reset to zero at 1 January 2007, the date of transition to IFRS.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial Assets

Trade receivables, loans, other receivables, cash, and cash equivalents that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less allowance for any estimated irrecoverable accounts.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at the proceeds received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

The Group's activities expose it to the financial risks of changes in interest rates. The Group uses derivative financial instruments, principally interest rate swaps, to reduce its exposure to interest rate movements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the consolidated income statement immediately unless the derivative is designated and effective as a hedging instrument.

Notes to the consolidated financial statements *continued*

4. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying accounting policies

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition, therefore, involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

A deferred tax asset in relation to US goodwill has not been recognised on the basis that a change in control of the Group may result in a loss of that asset. This is considered appropriate as the Directors are not entitled to direct or restrict trading in the Company's shares and so are not in a position to conclude on the likelihood of such a change in ownership. Recognition of this deferred tax asset would reduce the tax charge for the year.

Key sources of estimation uncertainty

Fair values of share based payments

Determining the fair value of share options granted requires estimation of share price volatility, expected option exercise dates within a range, risk free rates of return and dividend yields. Details of the assumptions made are given in note 30.

Changes to assumptions would change the share based payment charge for current and subsequent periods. Valuations for equity settled share based payments are set at grant and revised for changes in non market conditions.

Amortisation of deferred insurance acquisition costs

Determining the amortisation period for deferred acquisition costs of insurance revenues requires estimation of the lives of insurance policies and cancellation profiles based on historical information, taking account of known events impacting on forecast lives and cancellations. Details of assumptions made are given in note 7.

Changes to assumed policy lives or cancellation profiles would change the periods in which the acquisition costs are charged to the consolidated income statement.

Goodwill impairment reviews

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Details of key assumptions made are given in note 15.

Any shortfall between the carrying amount of goodwill and its fair value is recognised as an impairment charge in the consolidated income statement.

Intangible assets arising from contractual arrangements with third parties

Where contractual payments have given rise to future economic benefits, these amounts are carried in intangible assets and amortised over the contract terms. The amortisation profile is calculated based on estimated future renewal performance. This performance is derived from historical renewal performance.

Changes to the estimates of renewal performance could change the periods in which the contractual payments are charged to the consolidated income statement.

Current tax

The Group is required to estimate the corporation tax payable for the year in each of the territories in which it operates. Applicable tax regulations are complex and require that judgement be exercised in calculating the taxable profit. In many countries in which the Group operates, filed tax positions remain open to challenge by local tax authorities for several years. Corporation tax is therefore accrued based on the Directors' assessment of territory specific tax law and likelihood of settlement.

Any changes to estimates of uncertain tax positions would be reflected in the consolidated income statement.

5. Segmental analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors to allocate resources to the segments and to assess their performance.

The Group is managed on the basis of four broad geographical regions:

- Northern Europe (UK, Ireland, Germany and Turkey);
- Southern Europe (Spain, Portugal, France, Italy and Mexico);
- North America (USA); and
- Asia Pacific (Hong Kong, Singapore, Malaysia, India and China)

Segment revenues and performance have been as follows:

	Northern Europe 2010 £'000	Southern Europe 2010 £'000	North America 2010 £'000	Asia Pacific 2010 £'000	Total 2010 £'000
Year ended 31 December 2010					
Revenue – external sales	234,945	46,718	38,479	5,661	325,803
Cost of sales	(137,682)	(25,689)	(22,154)	(3,552)	(189,077)
Gross profit	97,263	21,029	16,325	2,109	136,726
Depreciation and amortisation	(6,979)	(303)	(139)	(27)	(7,448)
Other administrative expenses	(54,722)	(10,266)	(10,319)	(4,392)	(79,699)
Regional operating profit/(loss) before legacy scheme share based payments and joint ventures	35,562	10,460	5,867	(2,310)	49,579
Share of loss of joint venture					(843)
Legacy scheme share based payments					(3,841)
Operating profit after legacy scheme share based payments					44,895
Investment revenues					341
Finance costs – non-derivative instruments					(5,482)
Profit before taxation					39,754
	Northern Europe 2009 £'000	Southern Europe 2009 £'000	North America 2009 £'000	Asia Pacific 2009 £'000	Total 2009 £'000
Year ended 31 December 2009					
Revenue – external sales	204,878	47,507	34,784	4,933	292,102
Cost of sales	(120,822)	(24,114)	(19,942)	(3,004)	(167,882)
Gross profit	84,056	23,393	14,842	1,929	124,220
Depreciation and amortisation	(7,423)	(478)	(97)	(35)	(8,033)
Other administrative expenses	(48,871)	(11,666)	(9,567)	(3,876)	(73,980)
Regional operating profit/(loss) before legacy scheme share based payments and joint ventures	27,762	11,249	5,178	(1,982)	42,207
Share of operating loss of joint venture					(695)
Legacy scheme share based payments					(10,391)
Operating profit after legacy scheme share based payments					31,121
Investment revenues					706
Finance costs – derivative instruments					(1,641)
Finance costs – non-derivative instruments					(5,342)
Profit before taxation					24,844

For the purposes of resource allocation and assessing performance, operating costs and revenues are allocated to the regions in which they are earned or incurred. The above does not reflect additional net charges of central costs of £1,178,000 (2009: £1,014,000) presented within Northern Europe in the tables above which have been charged to other regions for statutory purposes.

Notes to the consolidated financial statements *continued***5. Segmental analysis continued****Segment assets**

	2010 £'000	2009 £'000
Northern Europe	91,543	97,010
Southern Europe	8,379	8,599
North America	12,557	12,925
Asia Pacific	2,158	1,552
Total segment assets	114,637	120,086
Unallocated assets	20,529	19,521
Consolidated total assets	135,166	139,607

Goodwill, deferred tax and investments in joint ventures are not allocated to segments.

Capital expenditure

	Intangible assets		Property, plant and equipment	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Northern Europe	13,112	8,538	4,597	1,728
Southern Europe	51	101	37	201
North America	108	9	291	217
Asia Pacific	3	1	46	19
Consolidated total additions	13,274	8,649	4,971	2,165

Revenues from major products

	2010 £'000	2009 £'000
Assistance products	286,796	261,932
Insurance products	39,007	30,170
Consolidated revenue	325,803	292,102

Major product streams are disclosed on the basis monitored by the Board of Directors. For the purpose of this product analysis, "assistance products" are those which are predominantly insurance backed but contain a bundle of insurance, assistance and other benefits; "insurance products" are those which cover a single insurance risk.

Disclosures in notes 7, 19 and 23 regarding accounting for insurance contracts provide information relating to all contracts within the scope of IFRS 4, and therefore include both insurance products and the insurance components of assistance products.

Geographical information

The Group operates across a wide number of territories, of which the UK, Spain and the USA are considered individually material. Revenue from external customers and non-current assets (excluding investments in joint ventures and deferred tax) by geographical location are detailed below:

	External revenues		Non-current assets	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
UK	221,474	196,148	39,609	31,738
USA	38,479	34,784	12,988	12,557
Spain	29,802	30,589	497	687
Other	36,048	30,581	886	661
	325,803	292,102	53,980	45,643

Information about major customers

There are no customers in either the current or the previous year from which the Group earns more than 10% of its revenues.

6. Profit for the year

	Note	2010 £'000	2009 £'000
Profit for the year has been arrived at after charging/(crediting):			
Operating lease charges		2,630	1,955
Net foreign exchange gains		(34)	(152)
Depreciation of property, plant and equipment	17	3,233	3,837
Amortisation of intangible assets	16	6,929	4,543
Loss on disposal of property, plant and equipment		–	21
Loss on disposal of intangible assets		–	4
Equity settled share based payments		4,279	10,391
Cash settled share based payments		464	–
Total share based payments (see note 30)		4,743	10,391
Other staff costs		66,279	60,791
Total staff costs	8	71,022	71,182
Movement on allowance for doubtful trade receivables	21	–	(5)
Movement on allowance for doubtful insurance receivables	19	–	253
Government grant income		(675)	(250)

Government grant income relates to the Chesterfield call centre opened in 2008.

Fees payable to Deloitte LLP and their associates for audit and non-audit services are as follows:

		2010 £'000	2009 £'000
Payable to the Company's Auditors for the audit of the Company and consolidated financial statements		58	42
Fees payable to the Company's Auditors and their associates for other services to the Group:			
– Audit of the Company's subsidiaries, pursuant to legislation		411	322
– Audit of the Company's Initial financial statements and half year report		40	–
Total audit services		509	364
Tax services		83	92
Corporate finance services		1,105	588
Other services		13	19
Total non-audit services		1,201	699
		1,710	1,063

Corporate finance services relate to the Company's issuance of new shares during the year and have been charged to the share premium account.

Notes to the consolidated financial statements *continued***7. Insurance revenues and costs**

Revenues and costs arising from all of the Group's insurance contracts as defined by IFRS 4 are set out below. An analysis of the Group's insurance only products is set out in note 5.

Revenue earned from insurance activities

	2010 £'000	2009 £'000
Gross premiums written	59,790	46,277
Change in provision for unearned premiums	(183)	(1,455)
Earned premiums	59,607	44,822

Costs incurred from insurance activities

	2010 £'000	2009 £'000
Reinsurance premiums incurred	3,489	1,501
Claims paid		
– Gross amount	14,130	7,843
– Reinsurers share	(2,184)	(1,405)
– Increase in provision for gross claims	1,254	85
– (Decrease)/increase in provision for reinsurance claims	(381)	28
	12,819	6,551
Acquisition costs		
– Costs incurred	22,399	15,063
– Movement in deferred acquisition costs	(5,252)	172
	17,147	15,235
Other expenses	11,281	8,756
	44,736	32,043

The following assumptions have a significant impact on insurance revenues and costs:

- Unearned premiums on prepaid insurance policies are recognised as revenue on a straight line basis over the life of the policy.
- Deferral of acquisition costs: Post sale set up costs are recognised on a straight line basis over the expected life of the policy. Commission costs are recognised on a straight line basis from the end of the initial acceptance period over the expected life of the relevant policies, taking account of the expected levels of cancellations.

Changes to the expected life of classes of policies will therefore impact the period in which these items are recognised.

There have been no significant changes in these assumptions during the current or previous years.

8. Staff costs**Staff costs during the year (including Executive Directors)**

	2010 £'000	2009 £'000
Wages and salaries	57,027	52,426
Social security costs	6,420	5,858
Share based payments (see note 30)	4,743	10,391
Pension costs	2,832	2,507
	71,022	71,182

Average number of employees

	2010	2009
Northern Europe	1,716	1,474
Southern Europe	306	273
North America	150	138
Asia Pacific	48	41
	2,220	1,926

Details of remuneration of Directors are included in the Remuneration Report on pages 53 to 58.

9. Investment revenues

	2010 £'000	2009 £'000
Interest on bank deposits	341	706

10. Finance costs – derivative instruments

	2010 £'000	2009 £'000
Payments	–	(5,725)
Changes in fair values	–	4,084
Derivatives at fair value through profit and loss	–	(1,641)

Derivative financial instruments comprised interest rate swaps and foreign currency forward contracts.

11. Finance costs – non-derivative instruments

	2010 £'000	2009 £'000
Bank loan interest	1,628	3,540
Amortisation of capitalised loan issue costs	3,739	1,488
Other	115	314
Total	5,482	5,342

Amortisation of capitalised loan issue costs includes £3,119,000 of accelerated amortisation arising on early repayment of the Group's previous bank loans.

12. Taxation

	2010 £'000	2009 £'000
Current tax charge:		
UK corporation tax	8,520	5,481
Foreign tax	3,594	3,792
Adjustments in respect of prior years	(656)	(142)
Total current tax	11,458	9,131
Deferred tax charge/(credit):		
Origination and reversal of timing differences	225	(1,329)
Impact of change in UK tax rates	67	5
Adjustments in respect of prior years	854	44
Total deferred tax	1,146	(1,280)
Total taxation charge	12,604	7,851

UK corporation tax is calculated at 28% (2009: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2010 £'000	2009 £'000
Profit before tax	39,754	24,844
Effects of:		
Tax at the UK corporation tax rate of 28% (2009: 28%)	11,131	6,956
Net expenses not deductible/(income not chargeable) for tax purposes	(106)	(59)
Overseas tax losses not recognised	640	560
Higher tax rates on overseas earnings	559	632
Joint venture results presented net of taxation	236	–
Adjustments in respect of prior years	198	(98)
Impact of change in future tax rates on deferred tax	67	5
Shortfall of share option charge compared to tax allowable amount	(121)	(145)
Total tax charged to income statement	12,604	7,851

Notes to the consolidated financial statements *continued***12. Taxation continued**

Income tax (credited)/charged to reserves during the year was as follows:

	2010 £'000	2009 £'000
Current tax credit:		
Movement on equalisation reserve	(358)	(272)
Total current tax	(358)	(272)
Deferred tax (credit)/charge:		
Timing differences on equity settled share based charge	(1,078)	127
Total deferred tax	(1,078)	127
Total tax credited to reserves	(1,436)	(145)

13. Dividends

Amounts recognised as distributions to equity holders in the year are as follows:

	2010 £'000	2009 £'000
Interim dividend paid during the year of 2.42 pence (2009: nil pence) per share	4,127	–

After 31 December 2010, the Directors have proposed a final dividend of 5.12 pence per share, which has not been accrued as a liability as at 31 December 2010 in accordance with IAS 8. Subject to approval by shareholders at the AGM, this dividend will be paid on 25 May 2011 with an ex-dividend date of 13 April 2011 and a record date of 15 April 2011.

14. Earnings per share

Basic and diluted earnings per share have been calculated in accordance with IAS 33 "Earnings per Share". Underlying earnings per share have also been presented in order to give a better understanding of the performance of the business.

Earnings

	2010 £'000	2009 £'000
Earnings for the purposes of basic and diluted earnings per share	27,150	16,993
Legacy scheme share based payments (net of tax)	2,766	7,482
Exceptional amortisation of capitalised loan issue costs (net of tax)	2,246	–
Earnings for the purposes of underlying basic and diluted earnings per share	32,162	24,475

Number of shares

	Number (thousands)	Number (thousands)
Weighted average number of ordinary shares for the purposes of basic earnings per share:	166,278	151,521
Effect of dilutive potential ordinary shares: share options	3,114	1,546
Weighted average number of ordinary shares for the purposes of diluted earnings per share:	169,392	153,067

The number of shares disclosed above follows the principles of merger accounting, whereby the number of shares is based on the Company always having been the parent company of the CPP group of companies.

	2010 Pence	2009 Pence
Basic and diluted earnings per share from continuing operations:		
Basic	16.33	11.21
Diluted	16.03	11.10
Basic and diluted underlying earnings per share from continuing operations:		
Basic	19.34	16.15
Diluted	18.99	15.99

15. Goodwill

	2010 £'000	2009 £'000
Cost and carrying value:		
At 1 January	16,053	14,811
Recognised on the acquisition of a subsidiary (see note 31)	156	2,414
Exchange adjustments	327	(1,172)
At 31 December	16,536	16,053

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGU) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	2010 £'000	2009 £'000
CPP North America LLC	12,488	12,161
Leapfrog (see note 31)	2,570	2,414
Homecare Holdings Limited	1,478	1,478
	16,536	16,053

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on detailed business plans, and do not take account of any long term growth after this plan period of up to four years. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The rate used to discount the forecast cash flows from the relevant CGUs at 31 December 2010 is 12% (2009: 10%).

16. Other intangible assets

	Contractual arrangements with third parties £'000	Business relationships £'000	Internally generated software £'000	Externally acquired software £'000	Total £'000
Cost:					
At 1 January 2009	–	–	10,197	11,319	21,516
Arising on acquisition of a subsidiary	–	2,118	–	265	2,383
Additions	4,744	–	1,985	1,920	8,649
Disposals	–	–	–	(30)	(30)
Exchange adjustments	–	–	(23)	(81)	(104)
At 1 January 2010	4,744	2,118	12,159	13,393	32,414
Additions	8,109	–	2,344	2,821	13,274
Exchange adjustments	–	–	6	(15)	(9)
At 31 December 2010	12,853	2,118	14,509	16,199	45,679

Accumulated amortisation:

At 1 January 2009	–	–	5,292	6,996	12,288
Provided during the year	355	–	2,534	1,654	4,543
Disposals	–	–	–	(30)	(30)
Exchange adjustments	–	–	(22)	(91)	(113)
At 1 January 2010	355	–	7,804	8,529	16,688
Provided during the year	2,714	158	2,068	1,989	6,929
Exchange adjustments	–	–	4	3	7
At 31 December 2010	3,069	158	9,876	10,521	23,624

Carrying amount:

At 31 December 2009	4,389	2,118	4,355	4,864	15,726
At 31 December 2010	9,784	1,960	4,633	5,678	22,055

Notes to the consolidated financial statements *continued***17. Property, plant and equipment**

	Freehold land & property £'000	Leasehold improvements £'000	Computer systems £'000	Furniture & equipment £'000	Total £'000
Cost:					
At 1 January 2009	7,278	5,328	25,054	6,855	44,515
Arising on acquisition of a subsidiary	–	11	63	8	82
Additions	–	339	1,641	185	2,165
Disposals	–	(15)	(131)	(6)	(152)
Exchange adjustments	–	(129)	(295)	(122)	(546)
At 1 January 2010	7,278	5,534	26,332	6,920	46,064
Additions	–	92	4,489	390	4,971
Disposals	–	–	(3)	–	(3)
Exchange adjustments	–	(192)	(52)	(22)	(266)
At 31 December 2010	7,278	5,434	30,766	7,288	50,766
Accumulated Depreciation:					
At 1 January 2009	1,244	3,343	18,969	5,316	28,872
Provided during the year	165	403	2,608	661	3,837
Disposals	–	–	(128)	(4)	(132)
Exchange adjustments	–	(67)	(209)	(101)	(377)
At 1 January 2010	1,409	3,679	21,240	5,872	32,200
Provided during the year	213	196	2,446	378	3,233
Disposals	–	–	(3)	–	(3)
Exchange adjustments	–	(33)	(20)	–	(53)
At 31 December 2010	1,622	3,842	23,663	6,250	35,377
Carrying amount					
At 31 December 2009	5,869	1,855	5,092	1,048	13,864
At 31 December 2010	5,656	1,592	7,103	1,038	15,389

Included in freehold land and property is freehold land at its cost value of £759,000, which is not depreciated.

18. Investment in joint venture

Movements in the Group's share in its joint venture are as follows:

	2010 £'000	2009 £'000
At 1 January	50	493
Acquisition of share capital	977	252
Share of losses for the year	(843)	(695)
At 31 December	184	50

The Group has a 50% economic interest in Home 3 Assistance Limited ("Home 3"), with 49% of the issued ordinary share capital being allotted to the Group. Allotments of shares were made in the year, with the Group paying cash consideration of £977,000 to maintain its 49% shareholding. The Group was allotted shares for cash consideration of £252,000 in 2009.

Home 3 is incorporated in England and Wales. Its principal activity is provision of services in connection with assistance and insurance. This investment is considered to be jointly controlled based on the incorporation documents, shareholder agreement and the composition of the Board of Directors of Home 3.

The Group's share in the assets and liabilities of Home 3 included in these consolidated financial statements are as follows:

	2010 £'000	2009 £'000
Current assets	458	292
Current liabilities	(274)	(242)
Net assets	184	50

18. Investment in joint venture continued

The Group's share of the revenues and expenses of Home 3 is as follows:

	2010 £'000	2009 £'000
Revenue	105	20
Expenses	(1,176)	(715)
Loss before taxation	(1,071)	(695)
Taxation	228	-
Loss after taxation	(843)	(695)

The Group has made available a committed borrowing facility of £500,000 to support the working capital requirements of Home 3.

19. Insurance assets

	2010 £'000	2009 £'000
Amounts due from policyholders and intermediaries	5,780	3,972
Deferred acquisition costs	15,237	9,985
Amounts recoverable from reinsurers in respect of outstanding claims	476	95
	21,493	14,052

Reconciliation of movement in deferred acquisition costs

	2010 £'000	2009 £'000
At 1 January	9,985	10,158
Incurred during the year	14,081	10,056
Amortised during the year	(8,829)	(10,229)
At 31 December	15,237	9,985

Amounts due from policy holders and intermediaries and amounts recoverable from reinsurers represent the total exposure to credit risk in respect of insurance activities.

Credit is not generally offered to retail customers on insurance premiums. Where offered to wholesale insurance customers, the average credit period on insurance premiums is 45 days. The average credit period on amounts recoverable from reinsurers is 90 days. No interest is charged on insurance receivables at any time.

Individually or collectively material insurance receivables are reviewed for recoverability when an adverse change in credit quality is identified or when they become overdue. Credit risk is limited as insurance receivables are dispersed amongst a number of counterparties. Credit ratings are not available for the substantial majority of insurance debtors.

Included in the Group's insurance receivable balance are debtors with a carrying amount of £1,234,000 (2009: £238,000) which are past due at the balance sheet date, for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable.

The average age of overdue but unprovided debts is 61 days (2009: 86 days).

Ageing of past due but not impaired insurance receivables

	2010 £'000	2009 £'000
Days outstanding since date of sales invoice:		
45 – 90 days	1,200	45
90 – 120 days	–	42
Over 120 days	34	151
	1,234	238

Movement in the allowance for doubtful insurance receivables

	2010 £'000	2009 £'000
At 1 January	253	–
Increase in allowance recognised in income statement	–	253
Amounts recovered during the year	(128)	–
At 31 December	125	253

20. Inventories

	2010 £'000	2009 £'000
Consumables and supplies	289	159

Notes to the consolidated financial statements *continued***21. Trade and other receivables**

	2010 £'000	2009 £'000
Trade receivables	13,679	8,617
Prepayments	15,825	14,342
Other debtors	771	947
	30,275	23,906

Trade and other receivables are predominantly non-interest bearing.

The majority of the Group's trade receivables relate to customer payments awaiting collection. Since the timing of collection is controlled by the Group and is within a few days of processing the transaction, credit risk is considered to be not applicable to these items.

Where credit is offered to customers, the average credit period offered is 41 days (2009: 39 days). No interest is charged on trade receivables at any time. Disclosures regarding credit risk below relate only to customers offered credit.

Individually or collectively material trade receivables are reviewed for recoverability when an adverse change in credit quality is identified or when they become overdue. Credit risk is limited as exposure is spread over a large number of counterparties and customers.

Included in the Group's trade receivable balance are debtors with a carrying amount of £1,402,000 (2009: £334,000) which are past due at the reporting date, for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still recoverable.

The average age of overdue but unprovided debts is 82 days (2009: 86 days).

Ageing of past due but not impaired receivables

	2010 £'000	2009 £'000
Days outstanding since date of invoice:		
Up to 90 days	926	226
90 – 120 days	269	49
Over 120 days	207	59
	1,402	334

Movement in the allowance for doubtful receivables

	2010 £'000	2009 £'000
At 1 January	19	484
Amounts written off during the year	(19)	(460)
Decrease in allowance recognised in income statement	–	(5)
At 31 December	–	19

22. Cash and cash equivalents

	2010 £'000	2009 £'000
Cash on demand	12,882	34,353
Short term deposits	12,158	18,026
	25,040	52,379

Concentration of credit risk is reduced by placing cash on deposit across a number of institutions with high credit ratings. Credit quality of counterparties are as follows:

	2010 £'000	2009 £'000
AA	16,890	28,608
A	7,188	23,570
BBB	942	132
Rating information not available	20	69
	25,040	52,379

Ratings are measured using Fitch's long term ratings, which are defined such that ratings "AAA" to "BBB-" denote investment grade counterparties, offering low to moderate credit risk. "AAA" represents the highest credit quality, indicating that the counterparty's ability to meet financial commitments is highly unlikely to be adversely affected by foreseeable events.

23. Insurance liabilities

	2010 £'000	2009 £'000
Claims reported	2,657	1,525
Claims incurred but not reported	176	54
Total claims	2,833	1,579
Unearned premium	7,440	7,257
Amounts payable to reinsurers	144	161
Total insurance liabilities	10,417	8,997

Provisions for claims reported and processed are based on estimated costs from third party suppliers. Provisions for claims incurred but not reported are an estimate of costs for the small number of claims not yet processed at the year end. Claims outstanding at the year end are expected to be settled within the following 12 months.

Amounts payable to reinsurers fall due for payment within one month.

Provision for unearned premiums

	2010 £'000	2009 £'000
At 1 January	7,257	5,802
Written in the year	59,790	46,277
Earned in the year	(59,607)	(44,822)
At 31 December	7,440	7,257

Unearned premiums are released as revenue on a straight line basis over the life of the relevant policy.

Reinsurance cover

The Group reinsures certain of its insurance contracts. Claims provisions are stated gross of reinsurance in the consolidated balance sheet. The impact of reinsurance on the year end claims provision is as follows:

	Gross £'000	Reinsurance £'000	Net £'000
Notified claims	1,525	(84)	1,441
Incurred but not reported claims	54	(11)	43
At 31 December 2009	1,579	(95)	1,484
Notified claims	2,657	(462)	2,195
Incurred but not reported claims	176	(14)	162
At 31 December 2010	2,833	(476)	2,357

Movements in the claims provision, gross and net of reinsurance, are as follows. There have been no significant differences between year end claims provisions and the amounts settled in the subsequent year.

	Gross £'000	Reinsurance £'000	Net £'000
At 1 January 2009	1,494	(123)	1,371
Cash (paid)/received for claims settled in the year	(7,843)	1,405	(6,438)
Increase/(reduction) in liabilities arising from current year claims	7,928	(1,377)	6,551
At 1 January 2010	1,579	(95)	1,484
Cash (paid)/received for claims settled in the year	(14,130)	2,184	(11,946)
Increase/(reduction) in liabilities arising from current year claims	15,384	(2,565)	12,819
At 31 December 2010	2,833	(476)	2,357

Equalisation reserve

	2010 £'000	2009 £'000
At 1 January	4,913	3,941
Transfer from retained earnings	1,283	972
At 31 December	6,196	4,913

Equalisation reserves are established in accordance with Chapter 7.5 of the Integrated Prudential Sourcebook (PRU) and are in addition to the provisions required to meet the anticipated ultimate cost of settlement at the balance sheet date. As no actual liability exists at the balance sheet date, no provision is made in relation to movements in the claims equalisation reserve. However, as a claims equalisation reserve is still a requirement of PRU, an amount equal to the claims equalisation reserve is transferred from retained earnings to other reserves in the shareholders' funds. Deferred tax is not included in this transfer.

Notes to the consolidated financial statements *continued***24. Trade and other payables**

	2010 £'000	2009 £'000
Trade creditors and accruals	46,735	40,006
Other tax and social security	5,393	8,163
Other payables	4,715	3,674
Deferred income	12,478	13,309
	69,321	65,152

Trade creditors and accruals comprise amounts outstanding for trade purchases and ongoing costs. The average credit period for trade purchases is 20 days (2009: 23 days). Interest is not suffered on trade payables. The Group has financial management policies in place to ensure that all payables are settled within the pre-agreed credit terms.

25. Bank loans

The carrying value of the Group's financial liabilities, for short term borrowings and long term borrowings, are as follows:

	2010 £'000	2009 £'000
Repayments due within one year	–	13,372
Less: unamortised issue costs	–	(1,351)
Bank loans due within one year	–	12,021
Repayments due outside of one year	28,000	91,311
Less: unamortised issue costs	(801)	(2,109)
Bank loans due outside of one year	27,199	89,202

Analysis of repayments:

	2010 £'000	2009 £'000
Within one year	–	13,372
In the second year	–	13,616
In the third to fifth years	28,000	77,695
Total repayments	28,000	104,683
Less: unamortised issue costs	(801)	(3,460)
Total carrying value	27,199	101,223

On 24 March 2010 the Group repaid its existing bank loans early, using funds including proceeds from its IPO, the exercise of share options and new bank debt taken out during the year.

The new bank debt is in the form of a Revolving Credit Facility ("RCF"). The Group is entitled to roll over repayment of amounts drawn down, subject to all amounts outstanding falling due for repayment on expiry of the facility in March 2013.

The RCF bears interest at a variable rate of LIBOR plus a variable margin dependant on the net debt to EBITDA ratio of the Group. It is secured by fixed and floating charges on certain assets of the Group. The financial covenants of the RCF are based on the interest cover and leverage of the Group. The Group has been in compliance with these covenants since inception of the RCF.

The weighted average interest rates paid during the year (without taking account of interest rate swaps) were as follows:

	2010 %	2009 %
Bank loans – weighted average	3.0	3.2

At 31 December 2010 the Group had available £51.1 million (2009: £10.0 million) of undrawn committed borrowing facilities which expire in 2013 and on which all conditions precedent had been met.

26. Provisions

	Cash settled share based payments 2010 £'000	Cash settled share based payments 2009 £'000
At 1 January	3,048	–
Charged to the income statement	464	–
Loan notes (repaid)/issued in the year	(1,793)	3,048
At 31 December	1,719	3,048

Provisions in respect of cash settled share based payments represent loan notes issued by employees to the Group, the terms of which specify that a discount payable by the Group on redemption may vary according to the Company's share price at the time of redemption. Further details are provided in note 30.

The loan notes are payable in accordance with vesting conditions summarised in note 30 and fall due for repayment as follows:

	2010 £'000	2009 £'000
Amounts falling due within one year	860	1,524
Amounts falling due outside of one year	859	1,524
At 31 December	1,719	3,048

27. Deferred tax

The following are the major deferred tax assets/(liabilities) recognised by the Group and the movements thereon during the current and prior years:

	Accelerated capital allowances £'000	Tax losses £'000	Share based payments £'000	Financial instruments £'000	Other short term timing differences £'000	Total £'000
At 1 January 2009	(119)	421	1,297	1,143	(18)	2,724
Credited/(charged) to income statement	621	(421)	2,117	(1,143)	106	1,280
Charged to equity	–	–	(127)	–	–	(127)
Arising on a business combination	–	134	–	–	(593)	(459)
At 1 January 2010	502	134	3,287	–	(505)	3,418
Credited/(charged) to income statement	161	(88)	(862)	–	(357)	(1,146)
Credited to equity	–	–	1,078	–	–	1,078
At 31 December 2010	663	46	3,503	–	(862)	3,350

Deferred tax assets and liabilities are stated at tax rates expected to apply on the forecast date of reversal, based on tax laws substantively enacted at the balance sheet date.

Certain deferred tax assets and liabilities have been offset where the Group is entitled to and intends to settle tax liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2010 £'000	2009 £'000
Deferred tax assets	3,809	3,418
Deferred tax liabilities	(459)	–
	3,350	3,418

At the balance sheet date the Group has unused tax losses of £8,036,000 (2009: £8,109,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses due to the unpredictability of future profit streams in the underlying companies and restrictions on offset of taxable profits and losses between Group companies. Included in unrecognised deferred tax assets are losses of £688,000 (2009: £1,461,000) that will expire in 2014 and £2,286,000 (2009: £1,730,000) that will expire in 2019. Other losses will be carried forward indefinitely.

The Group's share of tax losses carried forward in the Home 3 joint venture amount to £1,070,000 (2009: £790,000). These have not been recognised since sufficient future taxable profits to offset the losses are not yet sufficiently certain in this entity.

There is no deferred tax liability on unremitted foreign earnings.

Notes to the consolidated financial statements *continued***28. Financial instruments****Capital risk management**

The Group manages its capital to safeguard its ability to continue as a going concern.

The Group does not have a target level of gearing but seeks to maintain an appropriate balance of debt and equity while providing returns for shareholders and benefits for other stakeholders. During 2010 the Group maintained sufficient debt facilities to ensure its objectives were met. The Group entered into a new RCF borrowing facility during the year and, on 24 March 2010, repaid its previous bank loans early.

The Group makes adjustments to its capital structure in light of economic conditions. To maintain or adjust the capital structure the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. On 24 March 2010 the Group issued new share capital for £30.0 million of cash consideration in connection with its IPO.

Externally imposed capital requirement

Two of the Group's principal subsidiaries, Card Protection Plan Limited and Homecare Insurance Limited, have capital requirements imposed by the Financial Services Authority ("FSA") in the UK.

Card Protection Plan Limited

Card Protection Plan Limited is regulated by the FSA as an insurance intermediary, and is required to hold a minimum level of capital resources relative to regulated business revenue.

The ratio of current and future capital resources to regulated business revenue is reported monthly to Management to ensure compliance. There have been no instances of non-compliance in either the current or previous years.

Homecare Insurance Limited

Homecare Insurance Limited is regulated by the FSA as an insurance underwriter, and therefore maintains its capital resources in accordance with the FSA's risk-based solvency regime, Individual Capital Adequacy Standards ("ICAS").

The current and future capital levels are reviewed each month to ensure ongoing compliance and are reported to the FSA quarterly. There have been no instances of non-compliance in either the current or previous years.

Fair value of financial instruments

The fair value of non-derivative financial instruments are determined using pricing models based on discounted cash flow analysis using prices from observable current market transactions. Financial assets and liabilities are carried at the following amounts:

Financial assets

	2010 £'000	2009 £'000
Loans and receivables	39,586	61,943

Loans and receivables comprise cash and cash equivalents, trade receivables and other receivables and taxes receivable.

There is no significant difference between the fair value and carrying amount of any financial asset.

Financial liabilities

	2010 £'000	2009 £'000
Amortised cost	(91,109)	(160,717)

Financial liabilities at amortised cost comprise bank loans, trade creditors, accruals and taxes payable.

There is no significant difference between the fair value and carrying amount of any financial liability, since liabilities are either short term in nature or bear interest at variable rates.

Financial risk management objectives

The Group's activities expose it primarily to the risks of changes in foreign exchange rates and interest rates. The Board of Directors determines the Treasury Policy of the Group and delegates the authority for execution of the policy to the Head of Treasury. Any changes to the Treasury Policy are authorised by the Board of Directors. The limited use of financial derivatives is governed by the Treasury Policy and derivatives are not entered into for speculative purposes.

Interest rate risk

The Group is exposed to interest rate risk to the extent that short and medium term interest rates fluctuate. The Group manages this risk through the use of interest rate swaps when appropriate, in accordance with its Treasury Policy. The interest cover (being defined as the ratio of EBITDA to interest paid) at 31 December 2010 is 32 (2009:10).

Interest rate sensitivity analysis

The Group is mainly exposed to movements in LIBOR. The following table details the Group's sensitivity to a 2% increase in LIBOR rates throughout the year. 2% represents the Directors' assessment of a reasonably possible change in LIBOR rates. The sensitivity analysis includes the impact of changes in LIBOR on yearly average cash and bank loans (after the impact of interest rate swaps).

	2010 £'000	2009 £'000
(Decrease)/increase in profit before tax	(416)	185
(Decrease)/increase in shareholders' equity	(416)	185

28. Financial instruments continued

Foreign currency risk

The Group has exposure to foreign currency risk where it has investments in overseas operations which have functional currencies other than Sterling and are affected by foreign exchange movements. The carrying amounts of the Group's principal foreign currency denominated assets and liabilities are as follows:

	Liabilities		Assets	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Euro	10,831	11,743	8,154	7,655
US Dollar	3,587	900	9,623	5,571

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% decrease in Sterling against the relevant foreign currencies. 10% represents the Directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated financial instruments and adjusts their translation at the year end for a 10% change in foreign currency rates.

	Euro currency impact		US Dollar currency impact	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Profit before tax	21	–	–	–
Shareholders' equity	264	467	549	424

Credit risk

Credit risk refers to the risk that a counterparty defaults on its contractual obligations resulting in financial loss to the Group. The Group does not actively hedge its credit risk. Its trade and insurance receivables are not exposed to a concentration of risk as the Group sells to a broad base of customers and is not significantly exposed to any one customer.

Counterparty credit limits are determined in accordance with the Treasury Policy for cash and cash equivalents and the Counterparty and Credit Risk Policy for receivables. Any balance that falls into an overdue status is monitored. Further details of the monitoring of and provision for overdue debts is outlined for insurance receivables in note 19 and other receivables in note 21.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

Liquidity risk

The Group manages its liquidity risk by maintaining adequate reserves, banking facilities and reserved borrowing facilities. The Group has a policy of repatriation and pooling of funding where possible in order to maximise the return on surplus cash or minimise the level of debt required. Group Treasury continuously monitors the level of short term funding requirements and balances the need for short term funding with the long term funding needs of the Group. Additional undrawn facilities that the Group has at its disposal to further reduce the liquidity risk are included in note 25.

Compliance with financial ratios and other covenant obligations of the Group's bank loans is monitored on a monthly basis by the Board of Directors.

Liquidity and interest risk tables

Liabilities

The following table details the Group's remaining contractual maturity for its financial liabilities, based on the undiscounted cash flows of financial liabilities and the earliest date at which the Group can be required to pay. The table includes both interest and principal cash flows and assumes no changes in future LIBOR rates.

	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	Over 5 years £'000	Total £'000
2009						
Non-interest bearing liabilities	32,729	18,596	4,190	182	337	56,034
Variable rate instruments	223	8,672	6,982	95,836	–	111,713
	32,952	27,268	11,172	96,018	337	167,747
2010						
Non-interest bearing liabilities	43,579	11,270	7,671	589	–	63,109
Variable rate instruments	75	137	305	28,064	–	28,581
	43,654	11,407	7,976	28,653	–	91,690

Notes to the consolidated financial statements *continued***28. Financial instruments continued****Liquidity and interest risk tables continued****Assets**

The following table details the Group's expected maturity for its non-derivative financial assets, based on the undiscounted contractual maturities of the financial assets.

	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	Total £'000
2009						
Non-interest bearing assets	n/a	6,992	1,990	557	25	9,564
Variable interest rate instruments	1.4%	51,588	791	—	—	52,379
		58,580	2,781	557	25	61,943
2010						
Non-interest bearing assets	n/a	7,048	7,267	188	43	14,546
Variable interest rate instruments	1.0%	24,983	57	—	—	25,040
		32,031	7,324	188	43	39,586

Insurance risk

The Group applies a prudent approach to its management of potential exposure to risks arising from its insurance contracts.

The lines of policies underwritten are limited to General Insurance Classes underwritten by an entity within the Group which is authorised by the FSA. The lines of risk underwritten are restricted by the Group to those lines where the Group either has substantial experience or lines where the Group wishes to move into where it can enter such a line of business in a risk-controlled manner after appropriate Board consideration.

The Group's lines of insurance business and thus its insurance risk portfolio is primarily focused on high volume, low transaction value, short term individual lines.

The Group has in place reinsurance arrangements to transfer a level of claims risk to third parties. The level reinsured being determined by periodic, and at least annual, reviews.

The Group's policy is to establish a specific claims reserve at any point in time on each line of business, based on claims reported up to and including the last day of each accounting period including an element to represent claims incurred but not yet reported. Details of claims reserves carried are provided in note 23.

The Directors consider the following to be the principal insurance risks and actions taken reducing risk to an acceptable level:

Changes in rates of claims

Trends in claim rates and other market data are reviewed on a regular basis and premiums for new contracts adjusted accordingly. Each class of contract has a large population of homogenous policyholders and no insurance contracts are subject to concentration risk.

A 10% deterioration in the loss ratio during the year would have resulted in a £917,000 reduction in profit before tax and shareholders equity (2009: £304,000), 10% representing the Directors' assessment of the reasonably possible change in the loss ratio.

Changes in settlement cost per claim

The quantum or nature of settlement amounts is specified in policy documentation and the Group is not exposed to significant open ended commitments, since where settlement costs are not capped they vary within a small range. Where possible, contractual arrangements with suppliers and other parties seek to limit the amount per claim.

Reliance on key suppliers

The Group makes use of third party suppliers to efficiently settle some claims. The performance and financial position of key suppliers is regularly monitored and alternative lines of supply sourced as necessary.

The Group therefore considers its exposure to risk arising from its insurance contracts to be appropriately managed.

29. Share capital

	2010 Number (Thousands)	2010 £'000	2009 Number (Thousands)	2009 £'000
Called-up and allotted: Ordinary Shares of 10 pence each				
At 1 January	151,521	15,152	151,521	15,152
Issue of shares in connection with:				
Incorporation of company	500	12	—	—
Initial Public Offering	12,766	1,277	—	—
Exercise of share options	5,829	583	—	—
At 31 December	170,616	17,024	151,521	15,152

The Company was incorporated on 9 February 2010, and issued 500,000 ordinary shares on 11 February 2010 for consideration of £12,000.

On 24 March 2010, as part of a group reconstruction, the Company issued 151,520,832 10 pence ordinary shares to the shareholders of CPP Group Plc, the previous holding company of the Group, in exchange for 100% of the issued share capital of CPP Group Plc, without change to the identity or relative rights of the ultimate shareholders of CPP Group Plc. In accordance with the principles of merger accounting, the consolidated financial statements present the Group as if these shares had been issued throughout the current and prior years.

On 24 March 2010 the Company also issued 12,765,957 10 pence ordinary shares for cash consideration of £30,000,000 via the IPO. Costs of the share issue of £4,413,000 have been charged to the share premium account.

The IPO offering represented a trigger event for vesting of the Group's legacy 2005 and 2008 ESOP arrangements. Consequently, 5,828,944 10 pence ordinary shares have been issued to option holders for total consideration of £8,570,000 during the year. Further details relating to share options are provided in note 30.

Net proceeds from issue of ordinary shares in the cash flow statement of £34,173,000 represent £25,587,000 from the IPO and £8,586,000 from the exercise of share options.

Of the 170,615,733 ordinary shares issued at 31 December 2010, 170,115,734 are fully paid and 499,999 are partly paid.

The ordinary shares are entitled to the profits of the Company which it may from time to time determine to distribute in respect of any financial year or period.

All holders of ordinary shares shall have the right to attend and vote at all general meetings of the Company. On a return of assets on liquidation the assets (if any) remaining, after the debts and liabilities of the Company and the costs of winding up have been paid or allowed for, shall belong to, and be distributed amongst, the holders of all the ordinary shares in proportion to the number of such ordinary shares held by them respectively.

30. Share based payment

Legacy schemes

Legacy scheme share based payments in the income statement of £3,841,000 (2009: £10,391,000) arise from the Group's 2005 and 2008 ESOP Schemes and share based loan notes, which had been implemented in previous years to incentivise certain employees. Options in these schemes are exercisable at a price determined by the Board of Directors on the date of grant.

During 2009, the Group offered UK employees the opportunity to exercise options under the 2005 ESOP scheme in advance of the final vesting date, on condition that the post tax proceeds be rolled over as loan notes payable to employees. Early exercise of some of these options resulted in an additional charge for 2009 of £5,553,000. Costs in 2009 also include £2,699,000 arising from a modification to the terms of certain options.

The amount payable to employees on loan notes varies only if the market value of the Group falls below an agreed threshold. Other terms of the loan notes are broadly consistent with the options they replaced. The loan notes have therefore been accounted for as cash settled share based payments.

The IPO during the year represented a trigger event for the 2005 and 2008 ESOP Schemes. On the date of the IPO, 50% of the options outstanding vested, with 25% vesting in 2011 and 25% in 2012. Options lapse if not exercised within 10 years of original grant and may lapse if the employee leaves the Group.

Notes to the consolidated financial statements *continued***30. Share based payment continued**

Details of share options outstanding during the year under the legacy schemes are as follows:

	2010		2009	
	Number of share options (thousands)	Weighted average exercise price (£)	Number of share options (thousands)	Weighted average exercise price (£)
2005 ESOP Scheme¹				
Outstanding at 1 January	6,561	1.88	7,465	0.82
Granted during the year	–	–	4,763	2.28
Forfeited during the year	(65)	0.82	(904)	0.82
Exercised during the year	(2,877)	1.86	(4,763)	0.82
Outstanding at 31 December	3,619	1.93	6,561	1.88
Exercisable at 31 December	151	2.01	–	–
2008 ESOP Scheme¹				
Outstanding at 1 January	7,388	1.66	6,336	1.79
Granted during the year	168	1.79	1,300	1.02
Forfeited during the year	(102)	1.79	(248)	1.79
Exercised during the year	(2,950)	1.46	–	–
Outstanding at 31 December	4,504	1.79	7,388	1.66
Exercisable at 31 December	212	1.79	–	–

1 As part of the Group reconstruction, each option over 1 share of CPP Group Plc was rolled over into an option over 16 shares in the Company, with equivalent terms to the option it replaced. Option numbers and prices in the table above have been restated to reflect the rolled over amounts.

The weighted average share price at the dates of exercise during the year was £2.45 (2009: £2.28).

The options outstanding at 31 December 2010 had a weighted average remaining contractual life of one year in the 2008 Scheme and one year in the 2005 Scheme.

The aggregate estimated fair value of the options granted during the year is £171,000 (2009: £3,012,000).

The principal assumptions underlying the valuation of share options granted during the year at the date of grant are as follows:

	2008 ESOP Scheme		2005 ESOP Scheme	
	2010	2009	2010	2009
Weighted average share price	£2.35	£1.79	n/a	£2.28
Weighted average exercise price	£1.79	£1.02	n/a	£2.28
Expected volatility	43.00%	40.02%	n/a	45.70%
Expected life	1 year	2 years	n/a	1 year
Risk free rate	2.98%	1.16%	n/a	0.27%
Expected dividend yield	0.00%	0.00%	n/a	0.00%

Expected volatility was determined by calculating the historical volatility of comparable quoted companies' share prices.

30. Share based payment continued

Post IPO plans

Other administrative expenses include £902,000 of charges (2009: £nil) arising from the Long Term Incentive Plan, the Restricted Stock Plan and the ShareSAVE Plan. Options have been granted during the year under the LTIP and RSP to incentivise certain employees. UK based staff have been invited to participate in the ShareSAVE Plan during the year.

Details of share options outstanding during the year under these plans are as follows:

	2010		2009	
	Number of share options (thousands)	Weighted average exercise price (£)	Number of share options (thousands)	Weighted average exercise price (£)
LTIP				
Outstanding at 1 January	—	—	—	—
Granted during the year	1,323	—	—	—
Forfeited during the year	(52)	—	—	—
Outstanding at 31 December	1,271	—	—	—
RSP				
Outstanding at 1 January	—	—	—	—
Granted during the year	146	—	—	—
Forfeited during the year	(11)	—	—	—
Outstanding at 31 December	135	—	—	—
ShareSAVE Plan				
Outstanding at 1 January	—	—	—	—
Granted during the year	826	1.98	—	—
Forfeited during the year	(26)	1.98	—	—
Outstanding at 31 December	800	1.98	—	—

Nil-cost options granted during the year under the LTIP vest after three years, lapse if not exercised within 10 years of grant and may lapse if option holders cease to be employed by the Group. Vesting of LTIP options is also subject to achievement of performance criteria including earnings per share growth and total shareholder return over a three year period.

Nil-cost options granted during the year under the RSP vest after three years but may lapse if holders cease to be employed by the Group.

Options granted during the year under the ShareSAVE Plan entitle option holders to contribute up to £250 per month to the plan. At the vesting date of either three or five years, option holders choose between return of their contributions in cash or purchase of shares at a discount to the market price on the date of grant. Options lapse and cash deposited is returned to option holders who cease to be employed by the Group during the vesting period.

The options outstanding at 31 December 2010 had a weighted average remaining contractual life of two years in the LTIP, two years in the RSP and four years in the ShareSAVE plan.

The principal assumptions underlying the valuation of the options granted during the year at the date of grant are as follows:

	ShareSAVE		LTIP		RSP	
	2010	2009	2010	2009	2010	2009
Weighted average share price	£2.68	n/a	£2.62	n/a	£2.62	n/a
Weighted average exercise price	£1.98	n/a	£nil	n/a	£nil	n/a
Expected volatility	33.49%	n/a	33.67%	n/a	n/a	n/a
Expected life	4 years	n/a	3 years	n/a	3 years	n/a
Risk free rate	1.45%	n/a	1.94%	n/a	n/a	n/a
Dividend yield	3.28%	n/a	n/a	n/a	n/a	n/a

The aggregate estimated fair value of the options and shares granted under the LTIP, RSP and ShareSAVE is £4,181,000 (2009: £nil).

Expected volatility was determined by calculating the historical volatility of comparable quoted companies' share prices.

Notes to the consolidated financial statements *continued***31. Business combinations**

On 18 November 2009 the Group acquired 100% of the issued share capital of The Leapfrog Group Limited and Concepts for Travel Limited (together "Leapfrog"). Due to the proximity of the acquisition to the Group's year end, provisional fair values were presented in the 2009 financial statements for net assets acquired and purchase consideration payable. The following adjustments have been made to provisional fair values in the current year:

	£'000
Increase in fair value of purchase consideration	156
Increase in goodwill	156

32. Reconciliation of operating cash flows

	2010 £'000	2009 £'000
Profit for the year	27,150	16,993
Adjustment for:		
Depreciation and amortisation	10,162	8,380
Equity settled share based payment expense	4,279	10,391
Loss on disposal of property, plant and equipment	–	21
Share of loss of joint venture	843	695
Investment revenues	(341)	(706)
Finance costs – derivative instruments	–	1,641
Finance costs – non derivative instruments	5,482	5,342
Income tax expense	12,604	7,851
Operating cash flows before movements in working capital	60,179	50,608
(Increase)/decrease in inventories	(130)	84
(Increase)/decrease in receivables	(7,134)	777
Increase in insurance assets	(7,441)	(821)
Increase in payables	5,655	3,884
Increase in insurance liabilities	1,420	1,569
Increase in derivative financial instruments	–	(4,082)
Increase in provisions	464	3,048
Cash generated by operations	53,013	55,067
Exercise of share options	(5,530)	(3,048)
Income taxes paid	(9,121)	(6,562)
Net cash from operating activities	38,362	45,457

33. Commitments**Operating lease commitments**

The Group has entered into commercial leases on certain properties, motor vehicles and items of machinery. The leases have normal terms, escalation clauses and renewal rights.

Future minimum lease payments under non-cancellable operating leases expiring:

	2010 £'000	2009 £'000
Within one year	716	67
In the second to fifth years inclusive	2,868	6,506
After five years	2,597	2,668
	6,181	9,241

34. Related party transactions and control

Ultimate controlling party

The Group is controlled by the Company's majority shareholder, Hamish Ogston.

Transactions with associated undertakings

Transactions between the Group and its joint venture represent related party transactions.

The Group has undertaken the following transactions with its joint venture entity, Home 3:

	2010 £'000	2009 £'000
Costs rechargeable to Home 3 incurred by the Group	366	364
Balance receivable from Home 3 at 31 December	27	215

Remuneration of key management personnel

The remuneration of the Directors and Senior Management Team, who are the key management personnel of the Group, is set out below:

	2010 £'000	2009 £'000
Short term employee benefits	3,986	4,021
Post employment benefits	161	190
Termination benefits	240	178
Share based payments	2,871	6,764
	7,258	11,153

Required disclosures regarding remuneration of the Directors are included in the Remuneration Report on pages 53 to 58.

Company balance sheet

As at 31 December 2010

	Note	2010 £'000
Fixed assets		
Tangible fixed assets	38	5
Investment in subsidiaries	39	15,321
		15,326
Current assets		
Debtors	40	42,619
Cash and cash equivalents		10,957
		53,576
Creditors: amounts falling due within one year	42	(10,023)
Net current assets		43,553
Total assets less current liabilities		58,879
Provisions	43	(1,719)
Net assets		57,160
Capital and reserves		
Called up share capital	44	17,024
Share premium account	45	32,301
Share based payment reserve	45	2,973
Profit and loss reserve	45	4,862
Equity shareholders' funds		57,160

Approved by the Board of Directors and authorised for issue on 2 March 2011 and signed on its behalf by:

Eric Woolley
Chief Executive Officer

Shaun Parker
Chief Financial Officer

Company registration number: 07151159

35. Parent company profit and loss account

The Company has taken advantage of the exemption in the Companies Act 2006, Section 408, not to present its own profit and loss account. The Company reported a profit after tax for the period of £8,989,000 including dividends received from subsidiary undertakings of £13,500,000 during the period.

36. Significant accounting policies

Basis of preparation

The Company was incorporated as Cranberry 1 Plc on 9 February 2010 and changed its name to CPPGroup Plc on 10 March 2010.

These Company financial statements present the results of the Company for the 46 week period from its incorporation on 9 February 2010 to 31 December 2010. Since this is the first set of financial statements presented by the Company, there is no comparative information.

The Directors have chosen to present these Company financial statements under the historical cost basis in accordance with applicable law and accounting standards generally accepted in the United Kingdom ("UK GAAP").

Cash flow statement

Under FRS 1 (revised) "Cash Flow Statements" the Company is not required to include a cash flow statement within these Company financial statements, since a consolidated cash flow statement for the Group is publicly available.

Dividend income

Dividend income from investments is recognised when the Company's right to receive payment has been established.

Share based payments

Prior to the Company's shares being admitted to the London Stock Exchange on 24 March 2010, the Company issued share options to certain of the Group's employees through the ESOP. Subsequent to or conditional on its Admission, the Company has issued share options to certain of the Group's employees under the LTIP, the RSP and the ShareSAVE Plan.

Share options are treated as equity settled if the Company has the ability to determine whether to settle exercises in cash or by the issue of shares. Share options are measured at fair value at the date of grant, based on the Company's estimate of shares that will eventually vest, and adjusted for the effect of non market based vesting conditions each period. The fair value of equity settled share based payments is charged to the profit and loss account on a straight line basis over the vesting period, with a corresponding increase in reserves, subject to adjustment for forfeited options.

Share options are treated as cash settled, if the terms of the scheme require or the Directors intend to settle share options with a cash payment. Cash settled options are measured at fair value at date of grant and then subsequently revalued at each period end. For cash settled share based payments, a liability is recognised for a proportion, based on the vesting period, of the fair value as calculated at the balance sheet date. Movements in the provision are charged to the profit and loss account.

The fair value of the options is measured by use of the Black Scholes option pricing model.

Pension costs

Pension costs represent contributions made by the Company to defined contribution pension schemes. These are expensed as incurred.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Investment in subsidiaries

Investments in subsidiaries are stated at cost less provision for impairment. As permitted by Section 615 of the Companies Act 2006, shares issued as consideration for acquisition of a subsidiary already under common control are deemed to have been issued at their par value.

Cash at bank and in hand

Cash at bank and in hand comprises cash in hand and bank deposits with a term from inception of three months or less, less bank overdrafts where there is a right to offset. Bank overdrafts are presented as current liabilities to the extent that there is no right to offset with cash balances in the same currency.

Financial assets

Financial assets of the Company are classified according to their nature and purpose which is determined at the time of initial recognition. All of the financial assets held by the Company are classified as "loans and receivables".

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. All financial liabilities of the Company are classified as "other financial liabilities".

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Notes to the Company financial statements *continued***37. Dividends**

Amounts recognised as distributions to equity holders in the period are as follows:

	£'000
Interim dividend paid during the period of 2.42 pence per share	4,127

After 31 December 2010, the Directors have proposed a final dividend of 5.12 pence per share, which has not been accrued as a liability as at 31 December 2010. Subject to approval by shareholders at the AGM this dividend will be paid on 25 May 2011 with an ex-dividend date of 13 April 2011 and a record date of 15 April 2011.

38. Tangible fixed assets

	Computer systems £'000
Cost:	
At 9 February 2010	–
Additions	6
At 31 December 2010	6

Accumulated Depreciation:

At 9 February 2010	–
Provided during the period	1
At 31 December 2010	1

Carrying amount

At 9 February 2009	–
At 31 December 2010	5

39. Investment in subsidiaries

	£'000
Cost and carrying value	
At 9 February 2010	–
Acquisitions	15,321
At 31 December 2010	15,321

On 24 March 2010 as part of the Group reconstruction, the Company acquired 100% of the issued share capital of CPP Group plc, the previous holding company of the CPP group of companies. The Company issued 151,520,832 ordinary shares to the then shareholders of CPP Group plc in consideration.

39. Investment in subsidiaries continued

Investments in Group entities at 31 December 2010 are as follows:

	Country of incorporation/registration	Class of shares held	Percentage of share capital held
Investments in subsidiary undertakings held directly			
CPP Group Plc	England & Wales	Ordinary Shares	100%
CPP Worldwide Holdings Limited	England & Wales	Ordinary Shares	100%
Investments in subsidiary undertakings held through an intermediate subsidiary			
Airport Angel Limited	England & Wales	Ordinary Shares	100%
Card Protection Plan Limited	England & Wales	Ordinary Shares	100%
Concepts for Travel Limited	England & Wales	Ordinary Shares	100%
CPP Assistance Limited	England & Wales	Ordinary Shares	100%
CPP Assistance Services Limited	England & Wales	Ordinary Shares	100%
CPP European Holdings Limited	England & Wales	Ordinary Shares	100%
CPP Group Finance Limited	England & Wales	Ordinary Shares	100%
CPP Holdings Limited	England & Wales	Ordinary Shares	100%
CPP Insurance Administration Limited	England & Wales	Ordinary Shares	100%
CPP International Holdings Limited	England & Wales	Ordinary Shares	100%
CPP Services Limited	England & Wales	Ordinary Shares	100%
Detailregion Limited	England & Wales	Ordinary Shares	100%
Green Suite Limited	England & Wales	Ordinary Shares	100%
Homecare Assistance Limited	England & Wales	Ordinary Shares	100%
Homecare Holdings Limited	England & Wales	Ordinary Shares	100%
Homecare Insurance Limited	England & Wales	Ordinary Shares	100%
The Leapfrog Group Limited	England & Wales	Ordinary Shares	100%
CPP Commerical Consulting Services (Shanghai) Co Limited	China	Ordinary Shares	100%
CPP France SA	France	Ordinary Shares	100%
CPP Creating Profitable Partnerships GmbH	Germany	Ordinary Shares	100%
One Call GmbH	Germany	Ordinary Shares	100%
White Rock Limited	Guernsey	*	
CPP Asia Limited	Hong Kong	Ordinary Shares	100%
CPP Assistance Services Private Limited	India	Ordinary Shares	100%
Servicios de Asistencia a Tarjetahabientes CPP Mexico, S.de P.L.de C.V	Mexico	Ordinary Shares	100%
Profesionales en Proteccion Individual, S.de R.L de C.V	Mexico	Ordinary Shares	100%
CPP Mediacion Y Proteccion SL	Spain	Ordinary Shares	100%
CPP Proteccion Familiar SL	Spain	Ordinary Shares	100%
CPP Proteccion y Servicios de Asistencia SAU	Spain	Ordinary Shares	100%
CPP Responding to Life SL	Spain	Ordinary Shares	100%
Key Line Auxiliar SL	Spain	Ordinary Shares	100%
CPP Sigorta Aracilik Hizmetleri Anonim Sirketi	Turkey	Ordinary Shares	99.99%
CPP Yardim ve Destek Hizmetleri Anonim Sirketi	Turkey	Ordinary Shares	99.99%
CPP Direct LLC	United States	Ordinary Shares	100%
CPP Florida LLC	United States	Ordinary Shares	100%
CPP Insurance Agency LLC	United States	Ordinary Shares	100%
CPP NA Holdings Inc	United States	Ordinary Shares	100%
CPP North America LLC	United States	Ordinary Shares	100%
CPP Travel LLC	United States	Ordinary Shares	100%
CPP Warranties LLC	United States	Ordinary Shares	100%
Investments in joint venture undertakings held via an intermediate subsidiary			
Home 3 Assistance Limited	England & Wales	Ordinary Shares	49%

* Quasi-subsidiary Protected Cell Company

The principal activity of all of the subsidiaries is to provide services in connection with assistance and insurance.

Notes to the Company financial statements *continued***40. Debtors**

	2010 £'000
Amounts due from Group entities	41,680
Prepayments	33
Deferred tax asset	894
Other debtors	12
	42,619

Amounts receivable from Group entities are unsecured, have no fixed date of repayment and bear interest at LIBOR plus a variable margin.

41. Deferred tax

Movements in deferred tax assets recognised by the Company are as follows:

	Share based payments £'000
At 9 February 2010	–
Transferred from other Group entities	1,140
Charged to the profit and loss account	(246)
At 31 December 2010	894

Deferred tax assets are stated at the UK Corporation Tax rate of 27% expected to apply on the forecast date of reversal, based on tax laws substantively enacted at 31 December 2010.

42. Creditors: amounts falling due within one year

	2010 £'000
Trade creditors	176
Amounts payable to Group entities	8,675
Accruals	1,163
Other taxation and social security	9
	10,023

Amounts payable to Group companies are unsecured, have no fixed date of repayment and suffer interest at a rate of LIBOR plus a variable margin.

43. Provisions

	Cash settled share based payments £'000
At 9 February 2010	–
Transferred from other Group entities	3,169
Charged to the profit and loss account	343
Repayment of loan notes	(1,793)
At 31 December 2010	1,719

Cash settled share based payments represent loan notes issued by employees of Group entities, the terms of which specify that a discount payable by the Group on redemption may vary according to the Company's share price at the time of redemption. As part of the Group reconstruction, the loan notes were assigned to the Company from CPP Group plc.

As a consequence of the IPO, 50% of the loan notes fell due for repayment during the period. The remaining loan note notes fall due for repayment within two years.

44. Share capital

	Number (Thousands)	£'000
Issued:		
At 9 February 2010	—	—
Issue of shares:		
Incorporation of company	500	12
Group reorganisation	151,521	15,152
Initial Public Offering	12,766	1,277
Exercise of share options	5,829	583
At 31 December 2010	170,616	17,024

The Company was incorporated on 9 February 2010 and, on 11 February 2010, issued 500,000 10p ordinary shares for cash consideration of £12,000.

On 24 March 2010, as part of the Group reconstruction, the Company issued 151,520,832 ordinary shares to the shareholders of CPP Group Plc in exchange for 100% of the issued share capital of CPP Group Plc.

On 24 March 2010 the Company issued 12,765,957 ordinary shares for cash consideration of £30,000,000 via the IPO. Costs of the share issue of £4,413,000 have been charged to the share premium account.

The IPO represented a trigger event for vesting of the Group's 2005 and 2008 ESOP arrangements. During the period 5,828,944 10p ordinary shares have been issued to option holders for aggregate proceeds of £8,570,000. Further details relating to share options are provided in note 47.

Of the 170,615,733 ordinary shares issued at 31 December 2010, 170,115,734 are fully paid and 499,999 are partly paid.

45. Reserves

	Share premium account £'000	Share based payment reserve £'000	Profit and loss reserve £'000	Total £'000
At 9 February 2010				
Profit for the period	—	—	8,989	8,989
Dividends paid	—	—	(4,127)	(4,127)
Equity settled share based payment charge	—	2,973	—	2,973
Exercise of share options	7,991	—	—	7,991
Issue of shares on IPO	24,310	—	—	24,310
At 31 December 2010	32,301	2,973	4,862	40,136

The premium on issue of shares on IPO is stated net of applicable costs of £4,413,000.

46. Reconciliation of movement in shareholders' funds

	£'000
Profit for the period	8,989
Dividends paid	(4,127)
Equity settled share based payment charge	2,973
Exercise of share options	8,574
Initial Public Offering	25,587
Other shares issued	15,164
Movement in shareholders' funds	57,160
Shareholders' funds at 31 December 2010	57,160

Notes to the Company financial statements *continued***47. Share based payment****Legacy schemes**

Legacy schemes comprise the 2005 and the 2008 ESOP Schemes, including the related loan notes (see note 43), which had been implemented in previous years, to incentivise certain employees. Details of options outstanding held by the Company's employees under these schemes are as follows:

	2005 ESOP Scheme		2008 ESOP Scheme	
	Number of share options (Thousands)	Weighted average exercise price £	Number of share options (Thousands)	Weighted average exercise price £
Outstanding at 9 February 2010	–	–	–	–
Rolled over during the period ¹	3,881	1.80	5,052	1.60
Forfeited during the period	–	–	(100)	1.79
Exercised during the period	(1,628)	1.74	(1,736)	1.22
Outstanding at 31 December 2010	2,253	1.84	3,216	1.79
Exercisable at 31 December 2010	18	0.82	76	1.79

1 As part of the Group reconstruction, each option over 1 share of CPP Group Plc was rolled over into an option over 16 shares in the Company, with equivalent terms to the option it replaced.

The IPO during the period represented a trigger event for the 2005 and 2008 ESOP Schemes. On the date of the IPO 50% of the options outstanding vested, with 25% vesting in 2011 and 25% in 2012. Options lapse if not exercised within ten years of original grant and may lapse if the employee leaves the Group.

The options outstanding at 31 December 2010 had a weighted average remaining contractual life of one year in the 2008 Scheme and one year in the 2005 Scheme.

The weighted average share price at the dates of exercise during the period was £2.44.

Post IPO plans

Options have been granted by the Company to Group employees during the period under the LTIP and RSP to incentivise certain employees. UK based Group employees have been invited to participate in the ShareSAVE plan during the period.

Details of share options outstanding during the period held by the Company's employees under these plans are as follows:

	Number of share options (thousands)	Weighted average exercise price (£)
LTIP		
Outstanding at 9 February	–	–
Granted during the period	900	–
Forfeited during the period	(52)	–
Outstanding at 31 December	848	–
RSP		
Outstanding at 9 February	–	–
Granted during the period	45	–
Outstanding at 31 December	45	–
ShareSAVE Plan		
Outstanding at 9 February	–	–
Granted during the period	57	1.98
Outstanding at 31 December	57	1.98

Nil-cost options granted during the period under the LTIP vest after three years, lapse if not exercised within 10 years of grant and may lapse if option holders cease to be employed by the Group. Vesting of LTIP options is also subject to achievement of performance criteria including earnings per share growth and total shareholder return over a three year period.

Nil-cost options granted during the period under the RSP vest after three years but may lapse if holders cease to be employed by the Group.

Options granted during the period under the ShareSAVE Plan entitle option holders to contribute up to £250 per month. At the vesting date of either three or five years, option holders choose between return of their contributions in cash or purchase of shares at a discount to the market price on the date of grant. Options lapse and cash deposited is returned to option holders who cease to be employed by the Group during the vesting period.

The options outstanding at 31 December 2010 had a weighted average remaining contractual life of two years in the LTIP, two years in the RSP and three years in the ShareSAVE plan.

47. Share based payment continued

The principal assumptions underlying the valuation of the options granted during the period at the date of grant are as follows:

	ShareSAVE	LTIP	RSP
Weighted average share price	£2.68	£2.62	£2.62
Weighted average exercise price	£1.98	£nil	£nil
Expected volatility	33.49%	33.67%	n/a
Expected life	3 years	3 years	3 years
Risk free rate	1.45%	1.94%	n/a
Expected dividend yield	3.28%	n/a	n/a

The aggregate estimated fair value of the options and shares granted under the LTIP, RSP and ShareSAVE is £2,306,000.

Expected volatility was determined by calculating the historical volatility of comparable quoted companies' share prices.

48. Related parties and control

Certain bank loans taken out by Group entities are secured against the assets of the Company. The total amount outstanding on these loans at 31 December 2010 amounted to £28,000,000.

The Company has taken the exemption available under FRS 8 "Related Party Transactions" not to disclose transactions with subsidiaries all of whose shares are held within the Group.

The Company's ultimate controlling party is set out in note 34 to the consolidated financial statements. Emoluments of the Company's Directors are set out in the Remuneration report on pages 53 to 58.

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