

CPPGroup Plc
Annual Report & Accounts 2011

**FOCUSED ON CUSTOMER
SERVICE WORLDWIDE**

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ABOUT CPP

CPPGroup Plc (CPP) is an International Assistance business operating across 16 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 everyday 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.

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For more information

Visit our new corporate website at
www.cppgroupplc.com

FINANCIAL HIGHLIGHTS & GROUP KPIs

Revenue £346.1m +6% (2010 £325.8m +12%) Group revenue has increased 6% from 2010 the result of growth in North America of 19% and Northern Europe of 6% (although has been impacted by lost sales as a result of the FSA investigation)	Underlying operating profit £47.7m (2)% (2010 £48.7m +17%) Underlying operating profit which excludes legacy scheme share based payments and costs associated with the FSA investigation has declined by 2% (1% decline on a constant currency basis)	Reported operating profit £29.7m (34)% (2010 £44.9m +44%) Reported operating profit has declined by 34% a result of the £16.9 million costs associated with the FSA investigation
Cash generated by operations £55.2m +4% (2010 £53.0m (4)%) Cash generation continues to be strong	KPI New assistance income £85.5m (3)% (2010 £88.0m +10%) New assistance income has declined by 3% a result of lower retail policy sales in the UK and Spain. On a constant currency basis the decline is 1%	KPI Annual renewal rate 75.4% (0.5)% (2010 75.9% (1.6)%) The Group annual renewal rate is lower than prior year due to mix effects the result of a higher proportion of renewals coming from countries with lower renewal rates
KPI Live policies 11.0m (2)% (2010 11.2m +12%) The decrease of 2% during the year is the result of lower retail policies in the UK and Spain partially offset by the growth in UK packaged and wholesale policies	KPI Cost/income ratio 55% +4% (2010 51% +3%) Cost/income ratio has increased to 55% of revenue predominantly reflecting the continued growth of our Packaged Account channels	KPI Operating profit margin 13.8% (1.2)% (2010 15.0% +0.8%) Underlying operating profit as a percentage of revenue has declined by 1.2% as a result of revenue lost due to the FSA investigation and UK operating costs

OUR PRODUCTS AND SERVICES

Our offer – at a glance

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

Over time we have increased the number of Life Assistance products we sell 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, Phonesafe, Packaged Accounts, Purchase Shield and Legal Protection

More recently we have introduced Airport Angel and Home 3, our joint venture with Mapfre Asistencia that provides home emergency assistance. We continue to explore new product opportunities that help consumers with their mobile and online experiences and have identified a number of ways to help consumers stay connected and feel safe

Our customer contact centre operations support 11 million policies across Northern Europe, Southern Europe and Latin America, North America and Asia Pacific

Our products

Card Protection

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, valuable document replacement, handbag and wallet replacement

Identity Safe

Provides consumers with a comprehensive range of assistance services that help customers detect, prevent and resolve identity fraud. The key assistance features include a consultation with an identity fraud specialist to identify any immediate and long-term risks, web surveillance, unlimited access to credit reports and a dedicated fraud specialist to assist when a fraud has taken place. Should a consumer need to go to court in order to clear their name, they are provided with a dossier of evidence to support their case

Phonesafe

Comprehensive insurance cover for mobile devices. Policies include cover for loss, theft, breakdown outside warranty and accidental damage

Packaged Accounts

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/checking accounts

Home 3

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

Purchase Shield

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

Legal Protection

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

Airport Angel

A travel service that provides customers with access to more than 570 airport lounges in more than 320 airports worldwide with complimentary facilities such as food and drink, business facilities and a host of support services

New Product Development

CPP is committed to product development and innovation, which has seen the Group change from being a Card Protection business to a provider of Life Assistance products and services. Our new product development activity focuses on key themes which add considerable value and assistance to consumers' lives. In addition to mobile and online assistance, we are developing new product concepts covering the areas of the family and the home

Our business model

CPP operates a business-to-business-to-consumer (B2B2C) business model. This proven model operates across 16 geographical markets, with CPP distributing and servicing products and packages with our Business Partners' customers.

Consumers benefit from the provision of Life Assistance products designed to make everyday life less stressful. Our products are typically distributed in association with Business Partners in three formats: retail, wholesale and packages.

Retail products, which are presented on a white label or co-branded basis, offer customers relevant features and benefits for an annual price, with policies renewable on an annual basis. Business Partners benefit from acquisition and renewal commission payments and profit share in some circumstances, as well as product sales, policy administration, claims management and customer service expertise.

Wholesale variants of our retail products are offered to Business Partners who wish to offer their customers inclusive and enhanced benefits to their core product or service. These are funded by the partner, with commercial terms based on volume and redemption assumptions.

With Packaged Accounts, CPP designs packages to meet Business Partner needs based on customer insight and commercial requirements. In addition to in-house products, CPP also contracts with third party product providers and manages key aspects of the Packaged Account administration.

Business Partner relationships

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, fraud management, technology developments, training support, legal and compliance, research and analytics.

Business Partner relationships, many of which are long-standing, are managed through specialist Account Management teams, ensuring comprehensive understanding of Business Partners' and end-consumers' needs.

Some of our main Business Partners

GROUP AT A GLANCE

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

CPP Northern Europe

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 nearly 90 million debit cards in the UK alone.

Underlying
operating profit
£33.6m

CPP Southern Europe and Latin America

Sovereign debt issues have impacted heavily on the Southern European region; however, economic forecasts in Latin America are more promising. All markets are forecasted to have modest population growth and increased debit and credit card usage. Southern Europe and Latin America had 505 million cards with debit functionality in 2011.

Operating profit
£10.6m

CPP North America

Access to the largest consumer market and the large number of credit and debit cards in circulation – 540 and 404 million respectively – means the United States is a significant market opportunity. Concerns about card fraud and identity theft remain a real issue in the United States.

Operating profit
£6.9m

CPP Asia Pacific

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 modest growth and increased levels of affluence point towards strong market potential.

Operating loss
£(2.2)m

Products and services

Card Protection
Identity Safe
Mobile Phone Insurance
Packaged Accounts
Airport Angel
Home 3 Joint Venture
Your Law

Key business partners

Santander
DZ WGZ Bank
HSBC
T-Mobile
Royal Bank of Scotland Group
DenizBank

Where we operate

Altnincham York
Dublin Chesterfield
Tamworth Hamburg
Istanbul

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Products and services

Card Protection
Identity Protection
Mobile Phone Insurance
Legal Protection
Gadget Insurance
Airport Angel

Key business partners

Banco Santander
Banco Sabadell
Caixa Geral de Depósitos
Diners International
Deutsche Bank
IXE Tarjetas
HSBC

Where we operate

Pans Milan
Lisbon Madrid
Mexico City
Sao Paulo

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Products and services

IdentityProtector
Sage 365
Lifestyle Perks
PurchaseShield 360
eDefence

Key business partners

Sovereign Bank
Barclaycard
Alliance Data Systems
Wells Fargo Wachovia

Where we operate

Minneapolis

Governance
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Products and services

Card Protection
Identity Protection

Key business partners

China Guangfa Bank
SBI Cards
HSBC
Maybank
Standard Chartered
ICICI
Kotak Bank

Where we operate

Shanghai
New Delhi
Hong Kong
Kuala Lumpur
Singapore

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

5 year revenue compound
annual growth rate

11.8%

5 year EBITDA compound
annual growth rate

19.1%

- **Northern Europe**
Performance has been resilient under what have been challenging circumstances
- **Southern Europe and Latin America** Economic challenges, compounded by market sentiment around the Euro, have had an impact on our business, particularly in Spain
- **North America** A successful 2011 with revenue and profit up significantly, including increased customer acquisition of products across our Business Partner portfolio
- **Asia Pacific** New focus and vigour to the leadership of this region, which should result in improved future performance

Notes

- 1 EBITDA is defined as earnings before interest, tax, depreciation, amortisation, legacy share based payments and costs associated with the FSA investigation
- 2 US 2003 revenue represents five months from acquisition
- 3 Financial information from 2007 is IFRS, prior to 2007 all data is UK GAAP

CHAIRMAN'S STATEMENT

"It has been a difficult year for the Group, but we remain committed to providing our customers with products and services that give them real value and at a price that is affordable"

Charles Gregson
Chairman

2011 has been a difficult year for the Group in large part due to the investigation by the Financial Services Authority (FSA) into some of the Group's sales activities in the UK business. The investigation commenced in March 2011 and detailed discussions remain ongoing. We are however pleased that we have been able to reach an agreement with the FSA on the remedial actions necessary to ensure not only that our sales processes improve going forward but also that we provide appropriate redress for customers who were confused or misled when buying our products in the past.

Outside the UK there have been some notable and very pleasing achievements across the Group that we must not lose sight of and which are by no means insignificant.

We have continued to expand the Group's international activities with important new Business Partner agreements signed in China, India, Turkey and Mexico as well as delivering our first policy sales in Brazil. In North America the business has performed exceptionally well driven by robust new sales and a strong renewal performance. In Europe we have expanded the range of products sold and in the UK Home 3 our home emergency joint venture service with Mapfre Asistencia has signed a contract with ScottishPower. Internationally our Airport Lounge business continues to develop its portfolio of partners. Critically and in spite of the FSA investigation and associated publicity, many of our customers have chosen to retain our products – a clear demonstration that they value the reassurance that our products and services provide. Of all our operational achievements it is this loyalty towards our products and services that gives me the most satisfaction and reinforces my belief there is a large and growing market for our products which should once again deliver robust growth for the Group.

Nevertheless the announcement to the market of the FSA investigation in March 2011 represented the first in a chain of events and announcements leading ultimately to the

suspension of trading in the Group's shares in February 2012. This is the point at which changes to the renewal process and Past Business Review (PBR) required by the FSA became known. The FSA's investigation and identification of practices below the required standard is of course a deeply regrettable chapter in the development of the Group. It has absorbed a significant amount of resource with both operational and administrative management in the UK dedicating significant time and effort to satisfying the FSA's requests for information and co-operating with the FSA on all aspects of the investigation – this has inevitably impacted adversely on the performance of the business.

Away from the business activities of the Group there have been a number of significant organisational changes. We were delighted to announce the appointment of Paul Stobart as Chief Executive Officer in September to replace Eric Woolley. Paul joins the Group with a wealth of experience having had a number of UK and international senior roles at Sage Group, a business with a similar profile to the Group albeit in software services rather than Life Assistance. Paul started in October and is already making a positive impact on the business. We also made a change to the management of our Asia Pacific business with the recruitment of Richard Brady who has many years' experience of operating in China and the Asia Pacific region. We have also strengthened our legal and compliance teams particularly in the UK to ensure not only that we are compliant with new rules and regulations in so far as they relate to sales of financial products to the consumer but also that we are able to meet the current and anticipated requirements of regulators in all of the jurisdictions in which we operate.

To comply with the changes in the UK Corporate Governance Code we have separated the functions of Audit and Risk into two separate committees with Les Owen continuing to chair the Audit Committee and Duncan McIntyre chairing the new Risk and Compliance

Committee. We have also established a Governance Committee to ensure that we are fully compliant with all the rules and regulations of those organisations who supervise our business formally and informally around the world.

With regard to the UK Corporate Governance Code we have not complied with the requirement to appoint a Senior Independent Director with some 75% of the Company's shares owned by two investors and the uncertainties created by the FSA investigation – we do not feel that it is appropriate to do so. We have noted the recommendations of the Davies Committee regarding the appointment of women to the Boards of listed companies in the UK. However we believe that diversity rather than gender should be the criterion and furthermore that relevant experience is more important than gender or diversity. I strongly believe that we have a Board that is fit for purpose but will continue to keep this under review. An independent evaluation of the Board was carried out during 2011 and its recommendations are currently being implemented. The evaluation identified no major issues with regard to the performance of the Board.

In conclusion as I said at the beginning of this statement it has been a difficult year for the Group, but we remain committed to providing our customers with products and services that give them real value and at a price that is affordable. We also intend to be at the forefront of our competitors in providing a level of customer service that is unequalled in our industry. Finally for you, our shareholders, we are determined to rebuild confidence in the Group's business model to a level at least comparable with the resolute trust that millions of satisfied customers have in our products and services across all our geographical markets.

Charles Gregson
Chairman

CHIEF EXECUTIVE OFFICER'S REVIEW

"The sense of team spirit I observe within the business, together with the determination we all share to do the right thing by the customer, are the all-important building blocks of a new and exciting future for CPP"

Paul Stobart
Chief Executive Officer

It is a great pleasure to present to shareholders my first review as Chief Executive of CPP having joined the business in October 2011. Since my arrival I have spent a significant amount of time listening to our various stakeholders and observing at close hand how our business works in practice. I have talked to many hundreds of people within CPP and have engaged with Business Partners and customers in most of the markets we serve. The feedback has been consistent, and encouraging. CPP has many strong assets that set it apart as a business – a strong team of dedicated people, a portfolio of market-leading product and service offerings, a resilient and scalable systems infrastructure, a very well established customer base, long standing relationships with an impressive mix of Business Partners, a multi-country footprint which includes many of the world's fastest growing emerging economies and a B2B2C business model that has served the business extremely well for many years.

The most significant event of the past year, an event that had a disruptive impact on the performance of the Group, occurred in March 2011 when the FSA launched an investigation into the selling practices employed in parts of our UK business. Although the investigation is not yet concluded, in February 2012 the Group and the FSA reached an agreement. Firstly to make certain amendments to our auto-renewal processes in the UK and secondly to carry out a PBR of those customers of CPP who have bought our Card Protection and/or Identity Protection products through our direct channels.

The PBR for Identity Protection relates to the possible mis-selling of policies to customers who may have been confused or misled in the sales process.

The PBR for Card Protection is different in that the product has a feature, namely post notification fraud cover, which in actual fact is not required, as post notification it is the

issuing bank that covers any fraud. This feature has been in our Card Protection product for many years, however, it was removed during 2011. The feature has been commonplace in Card Protection products in the market offered by other players.

In respect of the agreed PBR, where customers of either Identity Protection or Card Protection are found to have been misled, confused and/or mis-sold at point of sale, we will ensure they get full redress.

As at the time of writing, the planning and logistics for the PBR is in process. We have provided £15 million for the estimated one off costs to the business of the changes to the renewals process, and of the PBR (based on the estimates of likely response rates provided to us by our advisers).

We are disappointed and deeply sorry that our past sales practices have not met the standards required, and we are determined to do everything in our power to demonstrate that the quality of our sales practices going forward set new benchmarks for the industry. I know that my colleagues share my own desire to see CPP emerge from this period as a stronger, more customer-centric organisation. The sense of team spirit I observe within the business, together with the determination we all share to do the right thing by the customer, are the all-important building blocks of a new and exciting future for CPP. However, one of the financial implications of the investigation has been the announcement of a voluntary redundancy programme to help align our cost base to our revenue.

The year ahead will be challenging, not least because of the difficult economic conditions we face in some of the markets in which we trade, as well as having to deal with the outcome of the FSA investigation. Despite these short term challenges, I believe the longer-term potential for the business remains significant.

Financial results

I am pleased to report that CPP has delivered good revenue growth in 2011, notwithstanding the difficulties caused by the disruption from the FSA investigation. For the year as a whole, Group revenue is up 6%, although underlying operating profit is down 2%.

New assistance income decreased in the year by 3% from £88.0 million to £85.5 million, in large part as a result of lower sales of our retail policies in the UK and Spain. The decline in the UK was a direct result of the lower level of retail sales following the cessation of sales of the insured Identity Protection product in UK voice channels from March 2011. In Spain, the difficult economic environment has continued to affect sales of new policies. Our total live policy base has decreased 2% during the year and now totals 11.0 million.

Our blended renewal rate was 75.4% at the end of December 2011, marginally lower than in 2010 (75.9%). However, our renewal rate calculated on a constant country mix compared to December 2010 would be 76.0%. The marginal decline in renewal rate is due to the increase in the proportion of our live policy base from lower renewal markets. These markets include our newer markets where the renewal model is less established.

Our cost/income ratio, representing cost of sales (excluding commission) and other administrative expenses as a percentage of revenue, has increased 4% to 55%. This increase is largely due to the growth of our UK Packaged Accounts business, which generally has a lower revenue per policy and higher direct costs.

Finally, our operating profit margin has decreased from 15.0% in 2010 to 13.8% due to the impact of lost Identity Protection sales in the UK market and higher UK operating costs. This has been partially offset by improvements to operating margins in Germany, Turkey and Spain.

Strategy

As I have already mentioned, CPP has great strengths in its people, its products, its customer base, its systems and its business model. Yet there is more that we can do to strengthen the business.

I would point out three areas, in particular, where I believe we need to place additional focus.

Firstly, we must give more attention to product marketing. It is, after all, through our efforts in product marketing that we will create the great product and service ideas of the future. Product marketers take great care to understand the customer's perspective in intimate detail and gain insights on the pain points that customers currently experience. These insights then inform the creation of powerful, relevant and compelling products and services that provide real benefits to customers. And for every product or service they create, product marketers also ensure that the quality of the customer experience is sacrosanct.

In many ways, CPP's great successes of the past have come about as a result of outstanding product marketing. What we need to do is ensure that product marketing thrives once again within CPP so that we create the right propositions for customers. Encouragingly, I see excellent product and service innovation taking place right across the Group, much of it in the online, mobile and social media spaces, which is exactly where we need to be if we are to enhance our presence, visibility and relevance to Business Partners and customers.

Secondly, we need to be even more focused on serving the customer to the best of our ability. Here we are building on a great history of excellence in customer service; indeed our customer satisfaction statistics are some of the highest I have come across. Yet we do not want to be complacent; rather we want to move the organisation even further towards a customer-centric way of thinking and

Key priorities

- Ensure that the agreement we have reached with the FSA is effected to the satisfaction of all stakeholders
- Shift our culture and operating model to one of growth through customer-centricity, supported by strengthened management discipline and enhanced governance
- Encourage our product marketing people to use their creativity and flair to develop the product and service propositions that will drive our future success, especially in the online, mobile and social media markets
- Ensure our investments in the emerging markets of China, India, Turkey, Mexico and Brazil take full advantage of the significant growth opportunities
- Do everything we can to retain and recruit the talent we need, at all levels, to deliver our future success

working. To this end, we are investing in leadership development, training and communications as well as making improvements to business processes, systems and governance. We are united in our ambition to provide customers with the kind of experience that will set us apart from our competitors, and that will encourage our customers to renew their policies, to buy more products from us, and to recommend us to others.

I can already see that our increased focus on the customer is reaping rewards. I have, for example, seen many instances of CPP people going the extra mile for the customer, and not resting until outstanding issues have been resolved to the customer's satisfaction.

Equally, I see leadership behaviours shifting, new strategic thinking emerging, and growing investment being made in the people through whom we will deliver on our customer promise. However, there is more to be done.

Thirdly, we need to ensure that, as a leadership team, we manage our business and measure our performance with enhanced discipline. In the UK, the FSA investigation and its consequences have proved to be highly disruptive and have created an environment of uncertainty that affected the business far beyond the confines of the UK market. Going forward, however, everyone in the wider leadership community is united in being determined to drive the business forward responsibly and with great discipline.

Regulation and our relationship with the FSA

We operate in a regulated environment in many markets around the world and enjoy good relationships with the regulators in each of those markets.

In the UK, though, and with the benefit of hindsight, it is clear that we should have worked harder to ensure that we were compliant in every respect and developed a

"We are well placed to make the most of our longer-term opportunities, building on our strengths as a multi-product, multi-geography, multi-channel business with specialist product marketing expertise"

stronger working relationship with the FSA. More recently and post the FSA investigation we have adopted an entirely different approach. Firstly, we have put more investment into our legal and compliance areas. Secondly, we have effected change throughout the organisation both in people and in process, in order to make sure that compliance receives the right level of focus. Thirdly, we have engaged two leading firms of lawyers – the first specifically for the UK to advise us on how we meet or exceed customer facing business standards demanded by our obligations as a regulated firm, and the second to advise the Group as a whole on how we can improve our governance more generally. This advice is being implemented as quickly as is practicable to demonstrate we are as robust as we can be from a regulatory, compliance and governance perspective – not just in the UK, but throughout the Group. Fourthly, and since the onset of the investigation, we have been working much more closely and co-operatively with the FSA.

Our experiences in the last 12 months have served to remind us in no uncertain terms about our regulatory responsibilities and I am satisfied that the right work is being done to safeguard against finding ourselves in a similar situation again.

Business review

In Northern Europe our performance has been resilient under what have been challenging circumstances – despite this the UK business delivered some notable successes. Our Packaged Accounts business continued to grow strongly and – importantly – our contract with T-Mobile has been extended to September 2012.

In Southern Europe the economic challenges compounded by market sentiment around the Euro, have undoubtedly had an impact on our business – particularly in Spain – where we have seen revenue decline. Conversely, our main Latin American market – Mexico – reported good growth and we are excited by our recent

launch into Brazil – a market with a large and rapidly growing economy presenting us with significant growth opportunities.

In North America we had a successful 2011 with revenue and profit up significantly including increased customer acquisition of products across our Business Partner portfolio.

In Asia Pacific we have brought new focus and vigour to the leadership of this region – which is beginning to pay dividends. The prize in Asia Pacific is undoubtedly the untapped potential of India and China. We are working hard in both these markets to drive both significant revenue growth and an appropriate return on investment.

Key priorities

I am still early in my tenure at CPP, yet I have identified five key priorities. The first – and most immediate – is to ensure that the agreement with the FSA is effected to the satisfaction of all stakeholders. The second is to shift our culture and operating model to one of growth through customer-centricity – supported by strengthened management discipline and enhanced governance. Thirdly, I want to see our product marketing people be more encouraged to use their creativity and flair to develop the product and service propositions that will drive our future success – and I want to see a particular focus – going forward, in our product and service thinking on the online, mobile and social media markets. Fourthly, focus on ensuring our investments in the emerging markets of China, India, Turkey, Mexico and Brazil take full advantage of the significant growth opportunities. The fifth priority is to do everything we can – at a difficult time for the Group – to retain – and in some areas recruit – the talent we need at all levels – to deliver our future success.

Outlook

The year to December 2011 has been a difficult period for the Group. Much has been learned – and much needs to change. However, the longer-term opportunities remain considerable – and we are well placed to make the most of these – building on our strengths as a multi-product, multi-geography, multi-channel business with specialist product marketing expertise.

Finally, I would like to thank the people of CPP for their unwavering support, loyalty and commitment. It is through the efforts of the many people at CPP that – notwithstanding the disruptions to our business during the year – we were able to deliver the 2011 financial results. I am personally very grateful to each and every one of our people for their contributions this year and I look forward to working with them in the years to come.

Paul Stobart

Chief Executive Officer

KEY PERFORMANCE INDICATORS

KPIs

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

CHIEF OPERATING OFFICER'S REVIEW

"The progress we have made in 2011 is encouraging. The actions we have taken will create a more customer-centric organisation that will help the Group move forward with added confidence, clarity and certainty"

Stephen Kennedy
Chief Operating Officer

2011 has been a challenging year for CPP and for many of our employees, especially in the UK. Nevertheless, we have made progress across the Group.

Operationally, we have made great strides in improving our internal processes to demonstrate we have a true customer-centric culture that will provide a solid platform for future growth. We are very cognisant of the need to make sure that our sales processes are as robust as our proven service operations, which help thousands of anxious customers with lost payment cards, stolen identities, stressful legal disputes and lost and stolen mobile phones.

It is our absolute priority that we focus our efforts on improving the entire customer experience and the Company's fulfilment of all its promises. The continued development of our people remains a priority and will help us achieve this. In the UK, the business implemented a leadership programme called 'developing a leadership mindset' that inspired managers to get the best out of their teams and orientate all our people behind our strategic ambitions and our common purpose. It is this investment that will help CPP improve its performance, increase productivity and deliver improved bottom line results.

If we look towards our regions, our performance across Northern Europe in 2011 was robust despite the uncertain economic environment, helped by our resilient customer base and the growth of our Mobile Phone Insurance business in the UK. In addition, our UK Packaged Accounts business has performed well and seen us work closely with Santander and RBS Group. Notwithstanding these successes, Barclaycard suspended new sales to their UK-based customers through their call to confirm channel after announcement of the FSA investigation in March 2011 and, following their normal tender process, will not renew their contract when this expires on 31 March 2012. In Turkey, revenue and profit are up in this growing economy with renewal rates improving and new Business Partners signed.

Revenue has increased 7% in this region although operating profit for this region is 5% lower, impacted by lost retail income and reduced operating efficiency as a result of the FSA investigation.

Across Southern Europe and Latin America, the picture is more mixed. Revenue across the region has decreased 7%. The continued difficult economic situation in the Eurozone has affected our trading performance through higher unemployment and lower amounts of disposable income. Despite this, we have entered into new relationships with some major banks including Banca Banesto, which is the fifth largest banking group in Spain and owned by Banco Santander and Caixa Geral de Depósitos (CDG), a state-owned banking corporation and the largest bank in Portugal.

Our Mexican operation has continued to make good progress with strong revenue and profit growth as this market becomes established. As our business matures, it is encouraging to see our renewal rates improve and margins increase. Elsewhere in Latin America, we are pleased to have commenced sales of Card Protection in Brazil where we consider the opportunity for growth significant. This is based on a large bankable population that totals 134 million adults with more than 700 million financial cards in circulation. Brazil also has over 191 million mobile phone subscriptions.

Our newer markets in Latin America are a good example of how we are leveraging our existing international Business Partners such as Santander, HSBC and the RBS Group to launch in new markets. Not only does this accelerate our entry plans, but it gives us additional confidence, having succeeded in other markets with the same proven products and Business Partner relationships.

In North America, our performance has been excellent. Revenue is up 24% and profit is up 21% as we have focused on managing our renewal income and developed relationships with Business Partners whose customers typically choose to retain their products for longer. Growth has been helped by an increase in the number of customers acquiring our retail products and renewal rates that have increased. I am also pleased we have launched Packaged Accounts in this market with Citizens Financial Group Inc. The United States, with a population of 312 million and 1.8 billion financial cards in use, remains a very important market for CPP with all the ingredients for long-term success.

China and India offer significant opportunities for long term growth in our Asia Pacific region. In India, we continue to make good progress. A new Business Partner relationship has been signed with SBI Cards, a joint venture between the State Bank of India, the largest Indian banking and financial services company and GE Money, as well as expanding our presence in the debit card market with ICICI Bank and Kotak Bank. I am delighted that India has seen an increase in revenue, underlying operating profit, new sales, renewals and margins.

In China, although we are in the early stages of development, revenue is up strongly. Good progress has been made and I am confident we will continue to grow our customer volumes and Business Partner relationships in this rapidly developing economy. With over 3 billion financial cards in circulation in this country alone and over 900 million mobile phone subscriptions, the potential for growth is huge and we are working hard to maximise these opportunities as we increasingly understand how to do business in this economic superpower.

Elsewhere in this region, notably Hong Kong and Malaysia, regulatory challenges persist in affecting our performance, but we continue to work hard to overcome these issues.

In conclusion, the progress we have made in 2011 is encouraging. The actions we have taken will create a more customer-centric organisation that will help the Group move forward with added confidence, clarity and certainty. We will continue to deliver products that meet our customers' expectations and everyday needs. I am confident in our ability to deliver sustained growth and believe there are significant opportunities to grow the business across all of our geographical markets. I am also looking forward to working with my colleagues across the Group to make CPP a more rewarding place for our people to work in order to deliver substantial value for our customers and investors.

Stephen Kennedy
Chief Operating Officer

Note: All growth percentages are stated on constant currency basis.

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NORTHERN EUROPE

Regional highlights

Financial performance

	2011 £'m	2010 £'m	Growth	Organic constant currency growth
Revenue	249.5	234.9	6%	7%
Operating profit	33.6	35.6	(6)%	(5)%

Key operating highlights

- UK revenue has grown 6% through Packaged Account sales with Santander and RBS Group as well as a strong Mobile Phone Insurance performance
- Revenue diversification via the provision of Airport Angel to new Business Partners
- Strong revenue and profit performance in Turkey and continued preparations to launch Identity Protection

Our products

- Card Protection
- Identity Safe
- Mobile Phone Insurance
- Packaged Accounts
- Airport Angel
- Home 3 joint venture
- Your Law

Strategy for future growth

- Increased Card Protection volumes and focus on renewal income
- Launching non-insured Identity Safe with key Business Partners
- Building scale and Business Partner diversification in Packaged Accounts
- Volume growth for Airport Angel
- Building Card Protection volumes in Germany and Turkey and launching Identity Protection

Key economic and market indicators*

Region/country	Population (m)	Bankable population 18+ (m)	GDP (% real growth)	Financial cards in circulation (m)	Number of mobile subscriptions (m)
UK	62.3	49.2	1.1	228.3	84.6
Ireland	4.5	3.4	1.1	9.2	5.4
Germany	81.4	68.2	2.7	242.9	111.1
Turkey	73.3	51.0	7.2	142.5	71.1

* Source: Euromonitor

Mike Kneafsey

Managing Director UK and Ireland

Northern Europe consists of four geographical markets and contributes 72% of Group revenue. These geographical markets are the UK, Ireland, Germany and Turkey.

The UK is CPP's most established market having been founded in 1980. Our Irish business was established in 1993. Germany was launched in 1991 and Turkey started operations in 2007.

Northern Europe, which represents 72% of Group revenue, has seen revenue increase to £249.5 million (2010: £234.9 million) an increase of 7% on a constant currency basis. The investigation by the FSA into certain issues surrounding the sale of the Group's Card Protection and Identity Protection products in the UK and the suspension of Identity Protection sales in the UK's voice channels has adversely impacted revenue growth.

Operating profit for this region of £33.6 million (2010: £35.6 million) is 5% lower than 2010 on a constant currency basis. This has been impacted by lost retail income and reduced operating efficiency as a result of the FSA investigation.

UK

Despite a difficult trading year, the UK business reported revenue growth of 6%. This was lower than 2010 and was adversely affected by the FSA investigation into certain issues surrounding the sale of Card Protection and Identity Protection. Although an agreement has been reached with the FSA, the investigation has had a material impact on the Group's ability to sell its full range of products in the UK, including our new non-insured Identity Safe product. Operating profit in the UK is lower, largely due to lost retail income and reduced operating efficiency.

Elsewhere, our Packaged Accounts business has continued to perform well and 2011 saw us support Santander's Premium Reward and Student current account customers with a range of benefits. In addition, we have integrated a number of our products into the RBS Group Packaged Accounts, including but not exclusively Mobile Phone Insurance, Airport Angel and Card Protection.

Growth in our mobile phone business continues to be strong despite a small decline in overall customer numbers. Sales of our insurance covering iPhones are up strongly as more customers opt to protect their smartphones. This shift towards insuring higher-end handsets has increased average

Regional trends 2011

	Revenue	Underlying operating profit	New sales	Renewal rates	Margins
UK	▲	▼	▼	▼	▼
Ireland	▲	▲	▼	▼	▲
Germany	▲	▲	▲	▶	▲
Turkey	▲	▲	▼	▲	▲

▲ Increase ▶ Level ▼ Decrease

premiums and helped drive mobile revenue. Customers are also retaining their insurance for longer given the increasing contract length and choosing to protect higher value handsets.

As part of our diversification strategy, our airport lounge access business has continued to work with Diners International. We now have 339 airport lounges servicing around 24,000 Diners members each month.

2011 also saw us launch a promotional marketing business, I-Deal Promotions Limited (I-Deal), that will work with our Business Partners and other major brands to support their acquisition, retention and loyalty marketing strategies.

Ireland

Ireland has delivered promising revenue growth despite its economy being impacted by the Eurozone sovereign debt crisis.

We continue to work closely with Meteor Mobile and the Bank of Ireland. With Meteor Mobile, our Mobile Phone Insurance business continues to perform in line with expectations. I-Deal, our promotional marketing business, has developed a promotional offer for Meteor Mobile. In addition, Bank of Ireland rolled their contract forward during 2011.

Germany

Our performance in the Eurozone's largest economy has been encouraging. Revenue has increased as we have implemented our growth plans.

Our focus on building telemarketing volumes and our live policy base, via our card safe receipt channel, is progressing with a number of Business Partners. Two card re-issue programmes were managed on behalf of Barclaycard and Valovis in the first half of the year and we continue to work with DZ Bank AG, the fourth largest bank in Germany, and WGZ Bank, the umbrella institution for more than 1,100 co-operative banks and co-operative financial institutions in this country.

Turkey

Turkey has had an encouraging 2011 with revenue and profit increasing in this growing economy. Our Turkish business is developing well as our renewal book increases and renewal rates improve. Our commitment to cost management is also helping to drive operational efficiency.

In November, after four successful years, DenizBank renewed its relationship with CPP to continue sales of Card Protection. DenizBank was our first Business Partner in Turkey. As previously reported in our half year report, our contract with Akbank expired in August following their decision to in-source new Card Protection sales. We will continue to renew existing policies until 2013.

To increase the market penetration of Card Protection, we were pleased to sign two new Business Partners, Eurobank Tefken and Anadolubank, in 2011.

Home 3

Building on previous Business Partner wins including the AA, our Home 3 joint venture with Spanish insurer Mapfre Asistencia won a contract to service part of ScottishPower's HomeComfort customer base, with a number of customers transferring to Home 3 in September.

Outlook

Our Northern Europe region has had a challenging 2011 and, although an agreement with the FSA has been reached, the region will continue to be affected through lost sales and ongoing costs.

Our plans to diversify revenue through new sectors and channels will continue in line with our business plan.

SOUTHERN EUROPE AND LATIN AMERICA

Regional highlights

Financial Performance

	2011 £ m	2010 £ m	Growth	Organic constant currency growth
Revenue	44.4	46.7	(5)%	(7)%
Operating profit	10.6	10.5	2%	0%

Key operating highlights

- Revenue was broadly maintained in our Southern European markets with the exception of Spain
- Revenue in our Spanish market fell 12% on a constant currency basis adversely affected by economic uncertainty
- Revenue and profit performance in Mexico continues to reflect new Business Partner relationships and the introduction of new product and sales channels with existing partners
- Launched into the Brazilian market through a direct-to consumer sales channel

Our products

- Card Protection
- Identity Protection
- Mobile Phone Insurance
- Legal Protection/Legal Assistance
- Gadget Insurance
- Airport Angel

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 expand Airport Angel
- Expand card activation and inbound telemarketing

Key economic and market indicators*

Region/country	Population (m)	Bankable population 18+ (m)	GDP (% real growth)	Financial cards in circulation (m)	Number of mobile subscriptions (m)
Spain	46.2	37.9	0.8	82.7	54.4
Portugal	10.6	8.6	(1.9)	28.6	17.3
France	63.1	49.3	1.7	258.7	64.5
Italy	60.7	50.3	0.6	95.0	96.6
Mexico	110.2	73.8	3.8	126.9	92.9
Brazil	192.2	134.2	3.8	736.2	191.3

* Source: Euromonitor

Angel de Leon

Regional Managing Director

Southern Europe and Latin America consists of six geographical markets and contributes 13% of Group revenue. These geographical markets are Spain, Portugal, France, Italy, Mexico and Brazil.

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 launched operations in 2009. Brazil is the latest addition to Latin America having started operations in December 2011.

Southern Europe and Latin America which represents 13% of Group revenues, has seen revenue fall to £44.4 million (2010: £46.7 million) a decrease of 7% on a constant currency basis, in difficult economic conditions. Large fiscal imbalances, high indebtedness and adverse macroeconomic conditions have forced some of our key markets in the Eurozone to embark on austerity programmes to make their debts sustainable. This has affected consumer confidence and demand for our products through higher unemployment and lower amounts of disposable income.

In Latin America our operations became more established in 2011 with good progress in Mexico and the launch of our business in Brazil.

Operating profit for this region of £10.6 million (2010: £10.5 million) is flat year on year on a constant currency basis, impacted by lower renewal revenues in Italy and investment in our new Brazilian market.

Spain

In Spain our performance has been adversely affected by the continued economic difficulties that have seen deep public spending cuts, tax increases and weak economic growth. Revenue in this key European market is down 12% on a constant currency basis and has been further depressed by a restructure of the country's savings banks.

Despite these challenges, operating profit in this country increased as lower customer acquisition costs were incurred.

Key to our performance has been our commitment to prudent cost management and our improved renewal income. Aligned to our growth strategy, new Business Partner contracts have been signed with privately owned Banca March and with Banesto, the fifth largest banking group in Spain which is owned by Banco Santander.

Italy

Italy has not been immune from the crisis enveloping the Eurozone due to weak economic growth in recent years. Despite this, and with

Regional trends 2011

	Revenue	Underlying operating profit	New sales	Renewal rates	Margins
Spain	▼	▲	▼	▲	▲
Italy	▷	▼	▲	▲	▼
Portugal	▲	▲	▲	▲	▲
France	▼	▲	▼	▲	▲
Mexico	▲	▲	▼	▲	▲

▲ Increase ▷ Level ▼ Decrease

increased regulatory pressure on our Business Partners, we are pleased to have maintained revenue in this important market.

Revenue has been driven by maximising our relationships with existing Business Partners and we introduced a new card activation sales channel with Diners International. A new version of Card Protection has been implemented with key Business Partners including Barclays, Deutsche Bank and Diners Club Italia s.r.l.

Product diversification remains a pivotal growth driver and we are pleased to have launched non-insured variants of existing products. Legal Assistance, a new non-insured version of our legal advisory service, was launched with Findomestic and we have signed a contract to sell our non-insured Identity Safe product with Banca Valsabbina.

Portugal

Revenue has grown strongly in our Portuguese market, which is an encouraging performance given the well-publicised economic problems that have seen high unemployment and austerity measures implemented by a new Government.

We have entered into a new relationship with Caixa Geral de Depósitos (CDG), a state-owned banking corporation and the largest bank in the country with more than 3.8 million card holders. Telemarketing sales commenced in July targeting credit card holders. CDG joins our other Portuguese Business Partners that include Banco Santander Totta, Montepio and Crédito Agrícola.

France

In France, we are currently negotiating a contract extension with our largest Business Partner, BNP Paribas Personal Finance S.A., formerly known as Cetelem S.A.

Revenue in this country is in line with our expectations and is broadly stable.

Mexico

Mexico has seen progress in 2011 with revenue and profit up as this market becomes established.

We have introduced new products and channels as well as new Business Partner relationships.

Banco Santander is now selling Identity Protection and in July we signed a contract with Scotiabank, a large Canadian financial institution to sell Card Protection. Revenue has also been driven through existing sales channels with HSBC and IXE Targetas.

We continue to believe the expected growth and size of the bankable population and consumer credit penetration will present us with a solid platform for sustained growth in 2012 and beyond.

Brazil

In December we commenced sales of Card Protection in our second Latin American market. With a bankable population of 134 million and over 700 million financial cards in circulation, Brazil presents us with a sizeable growth opportunity.

To demonstrate consumer appetite, we introduced a direct-to-consumer outbound telemarketing campaign, designed to prove the appeal of our Card Protection product and to encourage new Business Partner relationships. Already we have started working with Par Corretora, the insurance broker of Caixa Econômica Federal, the largest Government-owned financial institution in Latin America and one of the largest banks in Brazil.

Outlook

The outlook for Southern Europe and Latin America is mixed. In Latin America, we expect continued growth in Mexico and believe the early momentum in Brazil can be accelerated as we move into 2012.

In our more established European markets, unsustainable sovereign debt loads and weak economic growth are affecting our performance, particularly in Spain. In 2012 we hope to enter into new Business Partner relationships and increase the penetration of existing and new products to drive renewed growth and ongoing cost management.

NORTH AMERICA

Regional highlights

Financial Performance				
	2011 £ m	2010 £ m	Growth	Organic constant currency growth
Revenue	45.8	38.5	19%	24%
Operating profit	6.9	5.9	17%	21%

Key operating highlights

- Debit card re-branding and reissue card activation campaign with Sovereign Bank
- Renewal income increased strongly due to longer product retention
- New products introduced including the Preferred Programme for Wells Fargo customers

Dave Pearce

Regional Managing Director

North America contributes
13% of Group revenue

Our North American business was established in 2003 through the acquisition of the enhancement services division of Metris Inc, a medium-sized card issuer now owned by HSBC. Since then, the business has grown through focused product development and working with major organisations in the financial and retail sectors.

Our products

- IdentityProtector
- Sage 365
- Lifestyle Perks
- PurchaseShield 360
- eDefence
- Preferred Program

Strategy for future growth

- Target new Business Partners in financial services and retail sectors
- Develop and expand new product variants
- Increase customer retention
- Develop Packaged Accounts and promotional marketing
- Expand in-house telemarketing capability
- Build customer volumes for Sage 365

Key economic and market indicators *

Region/country	Population (m)	Bankable population 18+ (m)	(% real growth)	GDP	Financial cards in circulation (m)	Number of mobile subscriptions (m)
USA	311.9	237.7		15	1,786.3	325.0

Source: Euromonitor

North America, which represents 13% of Group revenue, has seen revenue increase to £45.8 million (2010: £38.5 million) – an increase of 24% on a constant currency basis.

North America

Our North American business has delivered strong revenue and operating profit performance in 2011. Revenue increased 24% on a constant currency basis to £45.8 million and operating profit of £6.9 million was 21% higher than 2010.

This has been driven by sustained growth in the number of customers acquiring our retail products across our key Business Partner portfolio and price increases implemented over the past year. Our renewal income has increased as we have focused on managing customer renewals and developing relationships with major Business Partners, particularly in financial services, whose customers typically opt to retain their products for longer.

This is despite some challenges that could have had a detrimental impact on our performance including weaknesses in the labour market, subdued GDP growth and high levels of credit card and mortgage defaults. In addition, the US has seen increased regulatory activity with the creation of the Consumer Financial Protection Bureau (CFPB), which has introduced increased compliance and regulation into our Business Partner relationships.

In 2011, our relationship with Sovereign Bank, a Santander Group subsidiary, benefited from a card re-branding and reissue programme where we utilised our 'service to sales' competency in our card activation channel, to present Identity Protection, which resulted in strong policy acquisition and revenue growth.

Regional trends 2011

	Revenue	Underlying operating profit	New sales	Renewal rates	Margins
North America	▲	▲	▲	▲	▷

▲ Increase ▷ Level ▼ Decrease

Growth has also been achieved through the introduction of new product variants at Wells Fargo Wachovia, supported by increased opportunities to market our products to their customers and an improved telemarketing performance. In August we acquired Wells Fargo's Preferred Program portfolio – a comprehensive concierge service – effectively launching a new product line in North America with an established membership base and distribution plan.

Product innovation is an important component of our growth strategy. At the American Bankers Insurance Association Conference in September, we launched the concept of Sage 365 – a new product that provides customers with the essential tools to predict, detect, interrupt and stop identity fraud, which affects millions of people in North America.

Building on our expertise in delivering Lifestyle Perks and consistent with our strategy to develop Packaged Accounts in this geographical market, we launched three packaged plans for

Citizens Financial Group, Inc., a wholly owned subsidiary of the RBS Group. This is the first Packaged Accounts programme we have launched in North America and we believe these types of accounts provide relevant and value-adding benefit to the customer as well as a new revenue stream for our Business Partners.

Outlook

We expect continued growth of our North America market in 2012. Our commitment to product innovation and new Business Partner relationships will remain a priority. Focusing on providing an exceptional customer experience will help build our renewal income and see more of our customers retain their products for longer.

The development of Packaged Accounts in the North American market is exciting and we hope to expand the provision of these centrally managed services to more Business Partners in 2012.

ASIA PACIFIC

Richard Brady

Regional Managing Director

Asia Pacific consists of five geographical markets and contributes 2% of Group revenue. These geographical markets are Hong Kong, Singapore, Malaysia, India and China.

Hong Kong was the first market launched in the region in 2004. Singapore (2005) and Malaysia (2006) were the next to launch. Our India business commenced operations in 2008 and China followed in 2010.

Regional highlights

Financial Performance

	2011 £m	2010 £m	Growth	Organic, constant currency growth
Revenue	6.5	5.7	16%	21%
Operating loss	(2.2)	(2.3)	7%	3%

Key operating highlights

- Renewed wholesale contract with China Guangfa Bank (CGB) and new Business Partner relationships with the CITIC Group and the China Industrial Bank (CIB)
- New contract signed with SBI Cards in India – our tenth Business Partner since country launch in 2008
- Regulatory challenges continue to impact the outbound telemarketing channel in Hong Kong and credit card tax in Malaysia continues to negatively affect the number of credit cards in circulation

Our products

- Card Protection
- Identity Protection

Strategy for future growth

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

Key economic and market indicators*

Region/country	Population (m)	Bankable population 18+ (m)	GDP (% real growth)	Financial cards in circulation (m)	Number of mobile subscriptions (m)
Hong Kong	7.1	6.1	6.0	58.0	13.7
Singapore	5.1	4.0	5.3	378	75
Malaysia	28.6	18.5	4.4	53.5	34.0
India	1,200.8	764.1	7.6	299.1	681.4
China	1,340.9	1,074.3	9.4	3,010.0	910.7

Source: Euromonitor

Asia Pacific which represents 2% of Group revenue has seen revenue increase 21% on a constant currency basis to £6.5 million (2010: £5.7 million)

Operating loss for this region of £2.2 million decreased by £0.1 million (2010: loss of £2.3 million) impacted by continued investment costs in China and regulatory challenges in Hong Kong and Malaysia

Hong Kong

In 2011 there continued to be uncertainty in Hong Kong regarding changes to data privacy regulations specifically the transfer of personal data to third parties for marketing purposes. This resulted in a suspension of most third party marketing activities and a reluctance of our Business Partners to use our telemarketing channels. As a consequence revenue was lower.

With new product and channel propositions developed during 2011 we are confident we can reverse this trend and recommence our sales activities in 2012.

Singapore

Revenue in Singapore increased, driven by increased sales through channels managed by CPP and our Business Partners.

The Association of Banks in Singapore has announced that its members plan to issue deactivated credit and debit cards by June 2012. After this date customers will have to call their banks to activate their new or replacement cards before using them. Our card activation processes are well positioned to help prevent card fraud and should support banks with this regulatory requirement. The introduction of the Do-Not-Call registry in 2012 should also boost our inbound sales to service offering as outbound telemarketing channels become less viable.

Regional trends 2011

	Revenue	Underlying operating profit	New sales	Renewal rates	Margins
Hong Kong	▼	▼	▼	▲	▼
Singapore	▲	▲	▲	▲	▲
Malaysia	▼	▼	▶	▲	▼
India	▲	▲	▲	▲	▲
China	▲	▼	▲	N/A	▲

▲ Increase ▶ Level ▼ Decrease

Malaysia

Malaysia has seen a marginal decrease in revenue performance and is still being affected by two key market changes. Firstly the ongoing impact of the credit card tax introduced in 2010 followed by the introduction of limitations on credit cards linked to net earnings. Both measures have reduced the number of credit cards in circulation and our marketing opportunities.

The Personal Data Protection Act that regulates the processing of personal data concerning individuals involved in commercial transactions is currently under review and is likely to impact data sharing practices for the country's banks. Enforcement of the Act is scheduled for 2012 and we are reviewing all business procedures relating to capturing and utilising personal data in the business.

India

We are pleased with our performance in this rapidly developing economy which is consistent with our expectations. India is now the ninth largest economy in the world, as defined by nominal GDP.

We have continued to build our Business Partner base and have signed a contract with SBI Cards, a joint venture between the State Bank of India (SBI), the largest Indian banking and financial services company (by turnover and assets) and GE Money.

We have also expanded our presence in the growing debit card market with ICICI Bank and Kotak Bank. Consistent with our growth strategy to develop new channels to market our assistance products and services we have successfully launched the positive option sales channel with three existing Business Partners.

Plans to implement a second product, Identity Protection, are well advanced and we expect to launch this in 2012.

China

Revenue has grown strongly in China although start-up investment costs continue to impact on operating profit in this recently launched geographical market.

In 2011 we renewed our wholesale contract with China Guangfa Bank (CGB), a bank based in the Guangdong province bordering Hong Kong. With this contract we provide Card Protection on a wholesale basis to its standard and premium cardholders.

Progress has also been made in securing new Business Partner relationships with the CITIC Group and the China Industrial Bank (CIB).

Outlook

The prospects for this region remain good. In China we continue to build Card Protection volumes and develop new Business Partner relationships. Revenue in India showed good growth and we expect it to increase as we implement new distribution channels and bring new products to market in this rapidly developing economy.

In our more established markets in Asia Pacific, namely Hong Kong and Malaysia regulatory challenges concerning data protection and privacy have impacted our performance. We hope to overcome these short-term challenges in 2012 and to drive renewed growth.

FINANCIAL REVIEW

"In difficult circumstances we have delivered 6% revenue growth with only a marginal decline in underlying operating profit of 2%"

Shaun Parker
Chief Financial Officer

Summary

	2011	2010	Growth %
Revenue (£ millions)	346 1	325 8	6%
Gross profit (£ millions)	143 9	136 7	5%
Operating profit (£ millions)			
– Reported	29 7	44 9	(34)%
– Underlying ¹	47 7	48 7	(2)%
Profit before tax (£ millions)			
– Reported	28 3	39 8	(29)%
– Underlying ²	46 4	46 7	(1)%
Reported earnings per share (pence)			
– Basic	10 64	16 33	(35)%
– Diluted	10 59	16 03	(34)%
Cash generated by operations (£ millions)	55 2	53 0	4%
Dividends (pence) ³	2 42	754	(68)%

- 1 Excluding legacy scheme share based payments £1 2 million (2010 £3 8 million) and costs associated with the FSA investigation £16 9 million (2010 £nil)
- 2 Excluding legacy scheme share based payments £1 2 million (2010 £3 8 million) costs associated with the FSA investigation £16 9 million (2010 £nil) and accelerated amortisation of debt issue costs £nil (2010 £3 1 million)
- 3 Comprises of interim dividend paid in relation to 2011 and interim and final dividends paid in relation to 2010

We have grown Group revenue by 6% year on year to £346 1 million (2010 £325 8 million) led by the growth of Packaged Accounts in Northern Europe and strong growth in North America and Asia Pacific although growth in the UK has been impacted by the suspension of Identity Protection sales in the Group's UK voice channels due to the FSA investigation. On a constant currency basis, Group revenue grew by 7%.

Overall expenditure on business partner commissions reduced to 31% of revenue (2010 34%) due to changes in mix. Despite this, cost of sales grew by 7% as the proportion of business from Packaged Accounts increased and as a result gross profit grew by 5%.

Underlying operating profit has marginally declined by 2% to £47 7 million (2010 £48 7 million) as a result of the impact of lost sales due to the FSA investigation, increased overheads in the UK and continued investment in the start up losses of Home 3 (our joint venture with Mapfre Asistencia) offset by performance in North America and the growth of Packaged Accounts in the UK. This performance together with the one-off costs arising from the FSA investigation which comprise anticipated compensation payable to customers through a Past Business Review, regulatory penalties and other costs and professional fees

associated with the investigation and Past Business Review resulted in reported operating profit for 2011 of £29 7 million which was lower than prior year (2010 £44 9 million).

Net interest and finance costs of £1 4 million (2010 £5 1 million) were considerably lower in 2011 as the Group reduced its level of net debt and due to the one-off cost in 2010 of £3 1 million from the write-off of unamortised debt costs at initial public offering (IPO) not being incurred in 2011.

As a consequence of the decline in reported operating profit, reported profit before tax reduced by 29% to £28 3 million (2010 £39 8 million) and underlying profit before tax has reduced by 1% to £46 4 million (2010 £46 7 million).

Underlying profit after tax (excluding legacy scheme share based payments, accelerated amortisation of debt issue costs and one off costs associated with the FSA investigation) is broadly in line with prior year at £32 4 million (2010 £32 2 million). Taking these one-off costs into account, reported profit after tax has reduced by 34% to £18 1 million (2010 £27 2 million).

Basic earnings per share has reduced by 35% to 10 64 pence (2010 16 33 pence) and diluted earnings per share has reduced by 34% to 10 59 pence (2010 16 03 pence).

Our operations have continued to be highly cash generative, with net cash from operating activities of £55 2 million (2010 £53 0 million) contributing to a reduction in net debt from £2 2 million at 31 December 2010 to a net funds position of £11 9 million at 31 December 2011.

The Group will not be proposing a final dividend for 2011 due to its consideration of future capital requirements after the agreement reached with the FSA. An interim dividend of 2 42 pence was paid during the year (2010 total dividend of 754 pence).

Group revenue breakdown

	2011 £'m	2010 £'m	Growth %
Retail assistance policies	258 1	262 7	(2)%
Retail insurance policies	38 5	33 1	17%
Packaged and wholesale policies	42 3	26 6	59%
Non policy revenue	72	3 4	111%
Total Group revenue	346 1	325 8	6%

Whilst revenue from retail assistance policies has marginally declined compared to 2010, revenue from retail insurance policies and from packaged and wholesale policies has grown strongly. The growth in revenue from retail insurance policies principally relates to the Group's

UK Mobile Phone Insurance business where the increasing sales of higher priced smartphone insurance policies more than compensate for a decline in the overall level of policy sales. Growth in revenue from packaged and wholesale policies is due to the continued development of the Group's Packaged Account activities in the UK.

Non-policy revenue mainly arises from the Group's Airport Angel lounge access business where customers typically do not subscribe to a policy and instead pay a fee on each occasion that they visit an airport lounge.

Underlying financial performance

	2011 £m	2010 £m
Reported operating profit	29.7	44.9
Legacy scheme share based payments	1.2	3.8
Costs associated with the FSA investigation – incurred in the year	2.1	–
Costs associated with the FSA investigation – provided for in the year	14.8	–
Underlying operating profit	47.7	48.7
Reported profit before tax	28.3	39.8
Legacy scheme share based payments	1.2	3.8
Costs associated with the FSA investigation – incurred in the year	2.1	–
Costs associated with the FSA investigation – provided for in the year	14.8	–
Accelerated amortisation of debt issue costs	–	3.1
Underlying profit before tax	46.4	46.7

The Group's statutory results are adjusted to arrive at measures which better reflect underlying performance. Adjustment is made for two items which are non-cash and relate to the period prior to the Group's initial public offering. A further one-off adjustment is made to the 2011 results to exclude the additional one-off costs associated with the FSA investigation of £16.9 million (2010: £nil). These costs comprise anticipated compensation payable to customers through a Past Business Review, regulatory penalties and other costs and professional fees associated with the investigation and Past Business Review. The first non-cash adjustment relates to the accounting charge for the Group's legacy share option scheme which amounted to £1.2 million during the year (2010: £3.8 million). The second non-cash adjustment relates to the unamortised portion of the debt costs which the Group incurred when it refinanced its debt in April 2008 and which were written off at the time of the IPO when the existing debt arrangements were terminated and the Group agreed the current £80 million revolving credit facility. The value of this adjustment in 2011 was £nil (2010: £3.1 million).

After adjusting for these items, underlying operating profit was £47.7 million, which was 2% lower than 2010 (£48.7 million). On the same basis, underlying profit after tax is broadly in line with prior year at £32.4 million (2010: £32.2 million). Basic underlying earnings per share was 18.90 pence (2010: 19.34 pence) and diluted underlying earnings per share was 18.81 pence (2010: 18.99 pence).

FSA investigation

In March 2011, the FSA launched an investigation into UK sales of the Group's Card Protection and Identity Protection products. We have subsequently agreed with the FSA to undertake a Past Business Review in relation to both of these products and to implement a number of changes to the customer renewal process. Further details regarding the investigation are included in the Directors' report on page 34.

Provision of £14.8 million has been made at 31 December 2011 for estimated compensation to be paid through the Past Business Review (based on estimates of likely response rates provided to us by our advisers), regulatory penalties and other related costs together with £2.1 million of costs incurred in 2011 on professional fees. Underlying operating profit for 2011 excludes one-off costs of £16.9 million associated with the FSA investigation.

Furthermore, we have suspended sales of Identity Protection through the Group's UK voice channels since commencement of the investigation, which has adversely impacted revenue and underlying operating profit margin.

Quarterly performance

	Q1 2011 %	Q2 2011 %	Q3 2011 %	Q4 2011 %	FY 2011 %
Revenue growth ¹					
Group	13%	6%	6%	0%	6%
Northern Europe	17%	8%	5%	(3)%	6%
Southern Europe and Latin America	(6)%	(6)%	(2)%	(5)%	(5)%
North America	17%	14%	23%	21%	19%
Asia Pacific	17%	11%	20%	15%	16%
UK	15%	7%	4%	(3)%	6%
Spain	(9)%	(11)%	(10)%	(12)%	(10)%

	Q1 2011 %	Q2 2011 %	Q3 2011 %	Q4 2011 %	FY 2011 %
Underlying operating profit growth ^{1,2}					
Group	14%	(5)%	8%	(20)%	(2)%
Northern Europe	26%	(9)%	(4)%	(28)%	(6)%
Southern Europe and Latin America	(7)%	5%	34%	(15)%	2%
North America	15%	(8)%	55%	14%	17%
Asia Pacific	(73)%	44%	(6)%	21%	7%
UK	19%	(15)%	(8)%	(30)%	(10)%
Spain	6%	20%	58%	(16)%	12%

1. Growth percentages stated on a year on year basis.

2. Excluding legacy scheme share based payments £1.2 million (2010: £3.8 million) and costs associated with the FSA investigation £16.9 million (2010: £nil).

The Group's performance in 2011 has been impacted by the FSA investigation and the resulting suspension of new sales of Identity Protection in the Group's UK voice channels, which has resulted in significant variation in performance in the different quarters of 2011.

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, China and Brazil. In 2011, the total investment in start-up losses in the Group's developing markets was £4.9 million, broadly consistent with the prior year (2010: £4.2 million).

Key performance indicators

	2011	2010	Growth
New assistance income (£ millions) (see table below)	85.5	88.0	(3)%
Annual renewal rate	75.4%	75.9%	(0.5)%
Live policies (millions) (see table below)	11.0	11.2	(2)%
Cost/income ratio	55%	51%	4%
Operating profit margin ¹	13.8%	15.0%	(1.2)%

¹ Underlying operating profit as a percentage of revenue

	2011	2010	Growth
New assistance income (£ millions)	85.5	88.0	(3)%
Retail products	59.8	72.3	(17)%
Packaged and wholesale	25.6	15.7	63%
Total new assistance income	85.5	88.0	(3)%

	2011	2010	Growth
Live policies (millions)	11.0	11.2	(2)%
Retail assistance policies	6.9	7.4	(6)%
Retail insurance policies	0.5	0.6	(7)%
Packaged and wholesale policies	3.6	3.2	11%
Total live policies	11.0	11.2	(2)%

Total new assistance income for 2011 was 3% lower than 2010. New assistance income derived from the sale of retail products has declined as a result of the suspension of Identity Protection in the UK and the economic situation in Southern Europe. This has been partially offset by growth in new assistance income from the Group's Packaged Accounts and wholesale activities. On a constant currency basis, total new assistance income for the Group was 1% lower than 2010.

The Group annual renewal rate at 75.4% (2010: 75.9%) was lower than prior year. This resulted from the anticipated mix effect of lower renewal rates in some of our international markets. Calculated on the basis of a constant territory mix compared to 2010, the Group annual renewal rate would be 76.0% which was in line with 2010. The reduction in renewal rates in the UK due to lower renewal rates on Identity Protection, Card Protection and mix effects is offset by increased rates in our international markets including Spain, Turkey and North America.

Live policies have declined by 2% to 11.0 million (2010: 11.2 million). Retail assistance policies have declined by 6% to 6.9 million as our policy base has reduced in the UK due to the suspension of new Identity Protection sales in the Group's channels and lower new volumes of Card Protection through the call to confirm channel and in Southern Europe due to the economic situation.

Cost/income ratio, which is expressed as a percentage of revenue, has increased year on year to 55% (2010: 51%) reflecting the growth of our Packaged Accounts sales channels which generally have a lower revenue per policy and higher direct costs.

Underlying operating profit margin has decreased by 1.2 percentage points to 13.8% (2010: 15.0%). The impact of the suspension of Identity Protection sales in the Group's channels in the UK and increased UK operating costs, which are in part due to increased costs of regulatory compliance, have reduced Group operating profit margin. These effects have been partially offset by continuing improvements to margin in Germany, Turkey and Spain.

Regional Performance

	2011 £m	2010 £m	Growth %	Organic constant currency growth %
Northern Europe				
– Revenue	249.5	234.9	6%	7%
– Operating profit ¹	33.6	35.6	(6)%	(5)%
Southern Europe and Latin America				
– Revenue	44.4	46.7	(5)%	(7)%
– Operating profit ¹	10.6	10.5	2%	0%
North America				
– Revenue	45.8	38.5	19%	24%
– Operating profit ¹	6.9	5.9	17%	21%
Asia Pacific				
– Revenue	6.5	5.7	16%	21%
– Operating profit ¹	(2.2)	(2.3)	7%	3%

¹ Excluding legacy scheme share based payments, costs associated with the FSA investigation and share of loss of joint venture.

Our Northern Europe region (UK, Ireland, Germany and Turkey) grew revenue by 7% on a constant currency basis. The principal drivers of growth were Identity Protection renewals which benefited from new sales in previous years, UK Packaged Accounts and UK Mobile Phone Insurance which more than compensated for the lost Identity Protection new sales following the suspension of sales of the product in the Group's UK voice channels in March 2011. In total, UK revenue grew by 6% in 2011. Ireland, Germany and Turkey all delivered revenue growth in the year. Operating profit of £33.6 million (2010: £35.6 million) was 5% lower than 2010 on a constant currency basis as operating profit margins in the UK and Ireland reduced, whilst operating losses in Germany were lower and operating profit in Turkey increased. Margins in the UK were materially impacted by the suspension of Identity Protection new sales in the UK's channels from March.

Difficult economic and business conditions have persisted in Southern Europe, part of our Southern Europe and Latin America region, which comprises Spain, Italy, Portugal, France, Mexico and Brazil. This has been particularly the case in Spain, where revenue has declined by 12% on a constant currency basis, but has also impacted Italy, Portugal and Mexico have grown revenue through new Business Partners and first year renewal streams respectively and Brazil trading commenced in December. Margins have expanded in the region as the sales mix has shifted from new to renewal, with further improvement resulting from good cost control and reduced start-up losses in Mexico as revenue grows. Operating profit for the region of £10.6 million (2010: £10.5 million) is flat with prior year on a constant currency basis.

Performance has been strong in North America as revenue has grown by 24% on a constant currency basis. This was due to growth in new and renewal monthly bill volumes along with the impact of product price increases. Operating profit has increased by 21% on a constant currency basis.

Asia Pacific continues to be a market where we believe there is potential for significant growth and revenue in the year has grown by 21% on a constant currency basis. As expected, the region incurred an operating

loss of £2.2 million (2010: £2.3 million) reflecting that it is still in a developmental stage. Revenue growth in the newest markets of India and China has been driven by new and existing Business Partners. Hong Kong continues to be a difficult market with third-party marketing activities suspended due to data privacy regulation. Malaysia revenue in the year has been impacted by the credit card tax introduced in 2010 and limitations on credit cards linked to net earnings.

Investment in Home 3 joint venture

Our Home 3 joint venture with Mapfre Asistencia secured Business Partner contracts which have delivered total revenue of £1.8 million (2010: £0.2 million). The continuing development of Home 3 has required further investment in capabilities in anticipation of the acquisition of new policies and customers. The Group applies the equity method of accounting for this joint venture, of which the Group's share is 50% and as a result our share of operating losses for 2011 in this start-up phase of the business was £1.2 million (2010: £0.8 million).

Tax

The Group's effective tax rate in 2011 was 36.2% (2010: 31.7%). The increase in the rate reflects the lower proportion of Group profit generated and taxed in the UK at 26.5% as a result of the costs associated with the FSA investigation, the impact of profit 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

	2011 £m	2010 £m
Underlying operating profit ¹	477	487
Share of loss of joint venture	12	0.8
FSA associated costs ²	(2.1)	–
Depreciation, amortisation and other non-cash items	13.1	10.6
Working capital	(4.7)	(7.1)
Cash generated by operations	55.2	53.0
Legacy scheme share option exercises	(0.2)	(3.7)
Tax	(12.6)	(9.1)
Operating cash flow ³	42.4	40.2
Capital expenditure (including intangibles)	(12.6)	(16.0)
Investment in subsidiary and joint venture	(1.0)	(0.6)
Net finance costs	(1.0)	(1.4)
Dividends	(12.9)	(4.1)
IPO and share issues ⁴	0.2	31.3
Net movement in cash/borrowings ⁵	15.0	49.4
Net funds/(debt) ⁶	11.9	(2.2)

1 Excluding legacy scheme share based payments and FSA associated costs

2 Excluding provision for amounts not yet settled

3 Excluding repayment of loan notes

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

5 Excluding effect of exchange rates and amortisation of debt issue costs

6 Includes unamortised debt issue costs

Cash generated by operations amounted to £55.2 million (2010: £53.0 million) representing a cash conversion ratio (cash generated by operations as a percentage of underlying operating profit) of 116% (2010: 109%).

In total the Group had a working capital inflow in the year of £9.0 million (2010: outflow £12.7 million). Allowing for the movement associated with our legacy share scheme loan notes and provision for costs associated with the FSA investigation results in an adjusted working capital outflow of £4.7 million (2010: outflow £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 provided to their customers.

Continuing investment

We have continued to invest in our business with investment in tangible and intangible assets in the year of £11.9 million (2010: £18.2 million) which represents 3% of Group revenue. Tangible asset investment of £2.4 million was mainly computer hardware, including upgrades to our disaster recovery capability and our desktop systems. Intangible asset investment comprised computer software and systems and Business Partner intangibles. Computer software and systems expenditure was £5.1 million as we further developed our systems to enhance our packaged services and e-commerce capabilities, to support new market and product launches.

Investment in Business Partner intangibles of £4.3 million was £3.8 million lower than in the prior year as a result of two factors. Lower sales of Identity Protection following the suspension of this product in CPP channels in March 2011 led to lower ongoing investment with the single Business Partner with whom we have this arrangement. We also made no investment in one-off opportunities in 2011 which compares to £2.5 million invested with two Business Partners in 2010. The net book value of our Business Partner intangible at 31 December 2011 was £10.4 million (31 December 2010: £9.8 million).

Dividend

As a result of the FSA investigation and the agreement to carry out a Past Business Review together with the FSA imposed restriction on distributions from Card Protection Plan Limited, the Group has considered its future capital requirements carefully and will not be proposing a final dividend for 2011. In total the Group has paid dividends in the year in the form of an interim dividend of 2.42 pence per share (2010: total dividend of 7.54 pence per share). The Group's long term dividend policy to distribute approximately 40% of underlying profit after tax to its shareholders remains unchanged. The 2010 total dividend of 7.54 pence per share was in accordance with this policy.

Net funds

Net funds at 31 December 2011 were £11.9 million, an improvement of £14.0 million compared to prior year, as a result of positive operating cash flow. The Group's insurance businesses maintain cash deposits for solvency purposes which were £17.8 million at 31 December 2011. Allowing for these deposits results in an adjusted Group net debt position of £6.0 million.

The Group has in place an £80 million guaranteed revolving credit facility supported by a club of three banks which expires on 31 March 2013. The undrawn balance on this facility at 31 December 2011 was £36 million.

Shaun Parker
Chief Financial Officer

CORPORATE SOCIAL RESPONSIBILITY

"As a business that helps customers deal with stressful events, it is in our nature to extend our support to our local communities and develop our people to the best of our ability"

Paul Stobart
Chief Executive Officer

Corporate Social Responsibility

The Group recognises the importance of managing the impact of our activities on the community and the environment and in doing so we seek to conduct our business in a professional, ethical and fair manner with all our stakeholders including employees, customers, Business Partners and suppliers. As a business that helps customers deal with stressful events, it is in our nature to extend our support to our local communities and develop our people to the best of our ability. 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 develop the best people for the job, ensuring that they conduct themselves with the upmost integrity in all internal and external dealings
- We endeavour to meet our customers, Business Partners and stakeholders expectations in a responsible manner and
- 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 we operate 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 five seasons. Elsewhere, our Tamworth contact centre has supported sporting groups in the local community such as cricket, football and rowing clubs.

The Group has also supported 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 our 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. Additionally, we support a schools Stock Market Challenge that can see up to 300 students buying and selling company stock at any one event. Our employees also work with York Cares, an organisation that helps businesses support local good causes.

Sponsorship from CPP has been given to youth initiatives such as the Takeover Festival supported by the Arts Council at York's Theatre Royal. Furthermore, we have provided support to employees to give them the opportunity to fundraise and assist local charities.

Our overseas initiatives include support for Fraser Homes, a charitable organisation in North America. In Southern Europe, our employees worked in partnership with Caritas, a charity that collects food for those who are disadvantaged in Madrid, and have also taken part in Companies Solidarity Day, which sees businesses support their local communities. Our business in Spain has also achieved the DisCert Certificate® for its commitment to integrating people with disabilities into its workforce. The certificate was awarded following an independent assessment and verification of our practices and policies.

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 a result of 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 online 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, we have a policy of using recycled paper and double-sided printing in our operations.

Waste reduction and recycling

Our UK operation recycles its general paper, cardboard and non-confidential waste. In addition, 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, with printer cartridges and mobile phones sent to recycling organisations.

Carbon footprint

We endeavour to reduce our carbon footprint whilst also encouraging 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

We have placed an increasing amount of focus on ensuring that engagement and motivation 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 an annual 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, 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.

In the UK all employees have been taken through a 'learning map' exercise to understand fully the historical evolution of CPP's business, and the behavioural requirements reflecting the future needs of the business.

Leadership development

The Group has developed its leadership competencies, which will be rolled out in 2012. The framework defines the behaviours which will be critical to our next stage of growth – innovation, shaping and planning, leadership building capability and delivering results.

This year the Group has made significant investment in its leaders, commencing a leadership development programme for 160 people in the UK. This programme will be completed in 2012.

Training and development

We are committed to the continual development of our employees and offer a range of development courses that support employees throughout their career at CPP. These range from initial induction support through to a range of core skills modules and development programmes.

The Group is committed to supporting career planning for all of our employees and the annual review process provides an opportunity for every employee to discuss their personal aspirations and 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 those with disabilities, 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. 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 are well established.

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.

Customers

The fair treatment of our customers lies at the heart of what we do. We have clearly communicated promises through the Group's values, and these influence key areas of our business. Treating Customers Fairly is critical to the Group; it makes good business sense, helping to retain satisfied customers for longer and improving customer loyalty.

BOARD OF DIRECTORS

Charles Henry Gregson

Non Executive Chairman
Chairman of the Nomination Committee and Member of the Remuneration Audit and Risk and Compliance 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 Chairman of St James's Place plc.

Paul Stobart

Chief Executive Officer

As Chief Executive Officer Paul Stobart is responsible for developing and executing the Group's business strategy across Europe, North and South America and Asia Pacific. Appointed CEO in October 2011, Paul was until 31 May 2011 Executive Director and Chief Executive Officer of Sage Northern Europe, part of Sage Group plc. He qualified as a chartered accountant with Price Waterhouse and spent five years in corporate finance with Hill Samuel before joining Interbrand, an international marketing services consultancy, in 1988. He joined Sage in 1996 as Business Development Director, to then become Managing Director of UK & Ireland in June 2003 before being appointed Chief Executive Officer of Sage Northern Europe in January 2011.

Shaun Parker

Chief Financial Officer
Member of the Risk and Compliance Committee

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.

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.

Patrick De Smedt

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

Patrick De Smedt is Chairman of the Group 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.

Les Owen

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

Les Owen is Chairman of the Audit Committee and member of the Nomination and Remuneration Committees and 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.

Duncan McIntyre

Non-Executive Director,
Chairman of the Risk and
Compliance Committee and
Member of the Audit Committee

Duncan McIntyre was appointed in January 2011. Duncan has substantial experience of developing and growing businesses having previously led Morse plc as Chief Executive, taking it from a small private company to a main market listing and being a key architect in the building of Monitise plc, the global leader in Mobile Money solutions listed on AIM. A qualified accountant, he is also Chairman of Monitise plc, Profero Limited, Climate Risk Management Limited and Technetix Group Limited.

GROUP EXECUTIVE COMMITTEE

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1 Paul Stobart

Chief Executive Officer

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2 Shaun Parker

Chief Financial Officer

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integration of the acquired Seagram Vines 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 eight 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 John's University.

6 Arnold Wagner

Group Human Resources Director

Arnold Wagner has worked for over 35 years in Human Resources

(HR). He has held the Group HR position in two FTSE100 companies for a total of 16 years. Most of Arnold's career has been in international roles and he lived and worked in the US for two years. Arnold has considerable experience across the range of HR activity with a particular emphasis on organisation development, talent management, succession planning and remuneration policies, all areas on which he has focused since joining CPP in May 2011.

7 John Titchener

Group General Counsel and Company Secretary

John Titchener is responsible for the Group's Legal, Secretariat and Compliance functions. He joined the Group in April 2011 having previously been General Counsel for the Europe, Middle East and Africa region of Swiss Reinsurance Company Ltd. He is an employed barrister and has more than 20 years' experience in the financial services industry, having held senior roles in legal, business development and compliance at GE and Willis, the international insurance brokers.

GROUP OPERATIONS COMMITTEE

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* The members of the Group Executive Committee also form the Group Operations Committee

1 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.

2 Angel de Leon

Regional Managing Director
Southern Europe and Latin America

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.

3 Dave Pearce

Regional Managing Director, North America

Since joining the Group in 2005 Dave has led record development and performance across North America. His expertise in the retail and financial sectors includes serving as Director of Marketing for Wells Fargo Home Mortgage, a division of Wells Fargo Bank N.A., and as Chief Marketing Officer for Liberty Enterprises (now Harland Clarke), a leading provider of payment and security solutions for financial institutions. Dave also has deep experience in the consumer packaged goods industry (CPG) as Director of Sales & Marketing for the \$600 million international division of Green Giant, and supporter of brands

including GlaxoSmithKline, EJ Brachs and Pillsbury. Dave's qualifications include an MBA in Marketing. He is an adjunct professor at Normandale Community College in Minneapolis, Minnesota, where he teaches marketing and strategic planning.

4 Richard Brady

Regional Managing Director, Asia Pacific

Richard Brady joined CPPGroup Plc in March 2011 as Managing Director of the Asia Pacific Region. He is responsible for the development and performance of the Group across the region. Richard has a strong background and extensive experience in Banking and Financial Services over 28 years. Before joining the Group, Richard was CEO of Olive Tree, a UK firm offering investment products for financial advisers. Prior to that, he was the UK Business Development Director of Zurich Assurance, Vice President Agency Sales for AIA in Shanghai (AIG Group) and Divisional Director of a listed UK national financial advisory business.

5 Tim Haig

Director

Tim has been providing support to country management teams in Turkey, Germany and India, as well as sharing sales best practice across the Group since April 2011. Prior to this appointment, Tim was the UK Sales Director having joined CPP in April 2006. Before CPP, Tim held numerous senior positions with Experian over a 10 year period that included Director of Sales, Director of Customer Service and Director of Operations and Service. Tim's early career was spent with HFC bank.

DIRECTORS' REPORT

The Directors present their Annual Report and audited financial statements of the Group for the year ended 31 December 2011

Principal activities

The principal activities of the Group during the year were the provision of Life Assistance products with operations in 16 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. CPP is also prominent in the provision of Packaged Accounts where products and services are sourced to create a tailored package for bank account customers. 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 Group overview and Operating review sections of the Annual Report on pages 1 to 27.

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 11.

Information relating to the environment and employees is included in the Corporate Social Responsibility report on pages 26 and 27.

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

Dividends

As a result of the FSA investigation and the agreement to carry out a Past Business Review, together with the FSA imposed restriction on distributions from Card Protection Plan Limited, the Directors have considered the future capital requirements of the Group carefully and do not propose paying a final dividend for 2011. As a result the total dividend for the year was the interim dividend of 2.42 pence paid on 12 October 2011 (2010: total dividend of 7.54 pence per ordinary share). The total dividend of 2.42 pence per share is not in accordance with the Group's long term dividend policy of distributing approximately 40% of profit after tax to its shareholders.

Directors

In accordance with the Company's Articles of Association, all serving Directors retired from the Board at the Company's first Annual General Meeting on 19 May 2011. The retiring Directors, being eligible, all offered themselves for re-election and were re-appointed on 19 May 2011.

The Directors who served throughout the year except as noted were as follows:

Charles Gregson	Chairman
Eric Woolley	Chief Executive Officer (resigned 1 October 2011)
Paul Stobart	Chief Executive Officer (appointed 1 October 2011)
Shaun Parker	Chief Financial Officer
Hamish Ogston	Non-Executive Director
Les Owen	Non-Executive Director
Peter Morgan	Non Executive Director (resigned 31 March 2011)
Patrick De Smedt	Non-Executive Director
Duncan McIntyre	Non Executive Director

In accordance with the Company's Articles of Association, Paul Stobart as a Director appointed during the year will offer himself for re-election to the Board at the Company's Annual General Meeting.

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 38 to 43.

Biographical details for each Director are set out on pages 28 and 29. Details of committee memberships are set out on pages 40 to 42 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 44 to 50.

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

AGM

The Annual General Meeting of the Company is to be held on 16 May 2012. 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.

A special resolution was passed at the Company's Annual General Meeting on 19 May 2011 which allows the Directors to allot shares up to an aggregate amount equal 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 year.

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. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

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 2011, invoiced trade creditors were equivalent to 18 days' purchases (2010: 20 days) based on the average daily amount invoiced by suppliers during the year.

Charitable and political donations

During the year donations to local charities made by the Group amounted to £31,000 (2010: £30,000)

No political donations were made during the year (2010: £nil)

Substantial shareholdings

On 26 March 2012 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 26 March 2012 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%
Schroder Investment Management Ltd	31,421	18%
Mondrian Investment Partners Ltd	9,838	6%
Aberforth Partners	7,774	5%
Henderson Global Investors	6,010	4%

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 43, which is by reference part of the Directors' report.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's future development, performance and position and could cause actual results to differ materially from expected and historical results. The principal risks and uncertainties facing the Group and the actions taken by the Directors to address them are:

Geographic markets

The Group has 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 operating and developing international operations.

Given the UK's significance in the corporate structure, the Group's operating results are at risk from fluctuations in performance of the UK business. The FSA investigation into certain issues surrounding the sale of its Identity Protection and Card Protection products in the UK has created uncertainty about the products and some of the sales channels through which they are marketed. The ongoing difficult macroeconomic backdrop in Southern Europe and banking sector conditions in Spain continue to prevail in this part of the Group's business.

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.

Eurozone operations

With the Group operating in Euro denominated countries and reporting in Sterling, the current position with the potential for the Eurozone to break up presents a risk to the Group. Risks to the carrying value of the Group's Euro based subsidiaries, Euro denominated intragroup loans, translation of Euro based trading activities and other Euro based balances exist. Where appropriate, mitigation activities to further limit exposure have commenced including asset repatriation to Sterling in the UK and adjusting counterparty limits.

Current predictions (In Focus Implications of a Eurozone Break-up, Euromonitor International, 8 December 2011) indicate that a Eurozone break up could precipitate a deeper recession across the whole of Europe, impacting on employment and consumer spending, impacting demand for CPP's products in the Group's Euro countries. This may be mitigated by growth of new business streams from CPP's non Euro developing markets.

The part of the Group's net assets and profit before tax originating in the Eurozone are included in note 27 to the financial statements.

Regulation

The Group has a number of regulated subsidiaries and a regulated joint venture 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. Oversight and governance procedures coupled with a prudential risk management framework are maintained centrally and in each key territory to embed operational and financial compliance.

At the request of the Board, two leading firms of lawyers have been engaged to advise the Group. One is focused on the business standards operated by the Group's UK regulated subsidiaries with the aim of demonstrating that these meet or exceed legal and regulatory requirements. The second addresses compliance systems throughout the Group and the controls applicable to them. The Board intends to implement the recommendations from its legal advisers as soon as practicable to enhance and strengthen its framework for managing compliance risk and assuring compliance with regulatory requirements.

The Board has taken other initiatives to improve the effectiveness of its regulatory compliance including the following:

- The legal and compliance staff has been increased and the level of expertise on regulatory and compliance subjects deepened through external recruitment
- A Governance Committee has been established which directs and oversees change in the Group's systems and controls for preventing detecting and mitigating compliance risk including regulatory matters
- The Group has worked constructively with the FSA to ensure the documents describing and explaining its products and services comply with relevant legal and regulatory requirements and
- The quality and comprehensiveness of compliance reporting has been revised and improved to enable management and the Board to identify trends and address regulatory and compliance topics effectively

Developments in and the increasing burden of the regulatory environment are closely monitored to enable the Group to pro-actively respond to potential future change. Changes in regulation or new regulatory bodies (for example the new Consumer Financial Protection Bureau (CFPB) in the USA or the upcoming split of the FSA's regulatory responsibilities in the UK) not only potentially impact the Group's operations and product base but might also impact Business Partners' appetite for the Group's products and thus revenue generation. Close relationships with Business Partners assist proactive management of this risk.

Much of the Group's product base is regulated in local markets and as such is open to analysis by local regulators. Two such analytical developments in the UK are in respect to the FSA's reviews of 'Packaged Services For Current Accounts' and 'Sales of Mobile Phone Insurance' both of which are being considered by the Group. Implementation of conclusions from these reviews in the UK by the Group and its Business Partners could adversely affect the Group's sales and profitability.

Potential 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.

FSA Investigation

The Group announced on 28 March 2011 that the FSA had initiated an investigation into the Group's sales processes in the UK for sales of Identity Protection and Card Protection products. The Group announced at the same time its decision to suspend sales of Identity Protection through its UK voice channels in response to the FSA investigation. The Group continues to renew Identity Protection with existing customers when their current policy expires.

Since March 2011 the Group has worked constructively with the FSA in relation to its investigation and progress has been made on improving its products, sales processes and customer facing activities. The Group remains focused on providing a market leading service to our customers. During the FSA investigation it was identified that the Card Protection product has a feature namely post notification fraud cover, which in actual fact is not required as post notification it is the issuing bank that covers any fraud. This feature has been in our Card Protection product for many years however was removed during 2011. The feature has been commonplace in card protection products in the market offered by other companies.

During 2011, the design and content of the UK's products has been reviewed and appropriate modifications made reflecting discussions with the FSA. Changes to the Group's product development processes have also been made.

On 24 February 2012 the Group announced that it had reached agreement with the FSA on the scope of actions necessary to address certain failings in its sales processes in the UK. The Group has acknowledged that there were failings in its telephone sales practices and elements of its product design. It has agreed to make changes to its renewals process in order to highlight more clearly to customers that they have the right not to renew the products and to explain clearly the benefits and limitations of the relevant product. It has also agreed to carry out a Past Business Review under FSA supervision of direct sales of its Card Protection and Identity Protection products made since 2005 and to offer redress to customers where appropriate. This is an event after the balance sheet date and is referred to in note 34.

- **Renewals Process** The Group has agreed with the FSA to make the following changes to the renewal process of its Card Protection and Identity Protection products. The post renewal cancellation period will be extended from 14 to 60 days, during which time a customer seeking to cancel their policy will obtain a full refund. A renewal pack will be sent to customers 60 days before renewal explaining to the customer their right to cancel and the advantages and limitations of the relevant product. 30 days after the policy renewal date CPP will send the customer a reminder that their policy has renewed and that they have another 30 days in which to cancel their policy in order to obtain a full refund. All communications with the customer during the renewal process will be approved in advance by the FSA. The changes will be implemented by 1 May 2012. Based on customer surveys and feedback, the Group remains confident that its customers continue to place great value on its products and services across the offered range. However the risk exists that an adverse impact on renewal rates may occur as a direct result of the redesigned renewal process.

- **Past Business Review** The Group will undertake a Past Business Review to ascertain those customers who may have suffered detriment (and the extent of any loss) as a result of sales or renewal conducted by CPP of its Card Protection policies since 14 January 2005 and sales of Identity Protection through CPP's telephone sales channels since 14 January 2005 (but, in both cases only where the original sale did not involve one of CPP's Business Partners making an introduction or conducting the sale). The Past Business Review exercise will be conducted under the supervision of a FSA-appointed 'skilled person' and will comprise a number of customer contact events including consecutive mailings and telephone calls. The purpose of the Past Business Review will be to offer customers the opportunity for redress by way of reimbursement in the event that they have been mis-sold the Group's products.

Prior to launch and mainly for operational reasons, a pilot customer contact exercise will be undertaken using equivalent materials and procedures as will be used for the wider exercise. CPP expects that the pilot exercise should be completed during the second quarter of 2012 with a view to then commencing the wider Past Business Review and settlement of customer claims for redress.

In assessing the likely financial impact of the remedial action to be taken the Group has with its advisers considered a number of assumptions including customer response rates to the Past Business Review. Based on its experience of customer complaints to date, customer satisfaction surveys and the results of exercises conducted in similar circumstances and on the advice of our advisers the Group

has been able to reasonably predict its exposure to direct redress payments. The assumptions, however, cannot be guaranteed, and given the publicity generated by the FSA's investigation into CPP there remains the risk that customer redress rates in particular could materially exceed those assumed. Notwithstanding such uncertainty it is likely that the results of the pilot contact exercise will provide further assurance on the probable outcome of the full review.

- **Disposition of Assets** The Group has agreed with the FSA certain restrictions on the disposition of assets by its subsidiary, Card Protection Plan Limited (CPPL). These include prohibitions, without prior FSA consent, of any material movements of assets by CPPL within the CPP Group, material changes to its capital structure or remuneration policy, payments of dividends by CPPL or any other significant alteration in the composition or quality of CPPL's assets.

The anticipated impact of the above actions agreed with the FSA together with an estimate of regulatory penalties and professional fees are included in the Group's provision of £14.8 million for costs associated with the FSA investigation described in note 25. Approximately half of the amount provided relates to an estimate for the agreed Past Business Reviews. This element of the provision could vary depending upon customer response rates.

It currently remains unclear what steps the FSA may wish to take, if any, and against whom, in relation to UK sales of CPP's Card Protection and Identity Protection products that are not within the scope of the Group's Past Business Review, or in respect of any similar products available to the market from other providers. There can be no guarantee that the FSA will not seek to take action on a wider industry basis. Until such time as the FSA makes a determination on these issues, and the repercussions are understood for the industry as a whole, the Group is unable to assess the potential impact on its Business Partners, or the Group's relationship with them, including any financial consequences.

The agreement with the FSA does not mark the end of the FSA investigation which is continuing. There is a risk that the investigation may result in further action which may have an adverse impact on the Group's financial performance. During 2011, the investigation has created uncertainty around the UK's Identity Protection and Card Protection products which is continuing to have a material impact on the Group's ability to sell its full range of products in the UK. The Group may suffer reputational damage which might have further impact on the take up of its products with its customers and on its ability to contract with its Business Partners. This could lead to reduced sales levels for the Group's products.

The investigation has placed additional pressure on management and staff in the UK, the impact of which is being actively managed.

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 and profit is attributable to sales through relationships with its Business Partners.

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. Agreed contractual terms support the Group's operations with Business Partners which are subject to the normal course of re-negotiation when identified in the contract.

Future revenue and profit could be adversely impacted by deterioration of existing, or failure to develop new, Business Partner relationships. An example of this is Barclaycard, one of our Business Partners, who shortly after the Group's announcement of the FSA's investigation on 28 March 2011, suspended new sales to their UK based customers through their call to confirm channel. Furthermore, following a competitive tender in line with its normal business practice, Barclaycard informed the Group that it does not intend to renew its contract when it expires on 31 March 2012.

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. Business models in the UK retail banking sector are subject to change and adaption, which may impact the Group's revenue and profit.

As previously announced, the Group has developed a new, non-insured service product, Identity Safe, which it had hoped to introduce into the UK's call to confirm and card activation voice sales channels during 2011. Following extensive discussions with the Group's Business Partners, it is now expected that the new Identity Safe product is unlikely to be adopted by Business Partners in the UK until after the FSA investigation is concluded, although extension to a number of other product initiatives with UK Business Partners has occurred. Although Group and UK management continue to work closely and actively with Business Partners in the UK, reaction of Business Partners to actions which may arise from the FSA's investigation, including any actions on a wider industry basis, and the resultant impact on the Group's Business Partner relationships remains uncertain.

A large proportion 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 has been extended to September 2012. Following the merger between T-Mobile and Orange, Everything Everywhere Limited have initiated a tender process for insurance provision post September 2012, which covers both the existing T-Mobile and also the Orange mobile phone schemes. The Group is included in Everything Everywhere Limited's tender process, the outcome of which could be increased new Phonesafe revenue from an enlarged customer base or loss of existing new revenue streams from the T-Mobile customer base or somewhere in between. The Group is actively participating in the tender process.

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

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. As previously announced on 28 March 2011, the Group decided to suspend new sales of Identity Protection through its UK voice channels in response to discussions with the FSA which impacted revenue growth in the UK.

An example of changes to channel availability is in Hong Kong, where in 2010 heightened local public concern over the transfer of personal data to third parties, such as CPP, for marketing purposes, resulted in a suspension of all third party marketing across businesses in Hong Kong. Most third-party marketing has remained suspended through 2011, which has continued to postpone our telemarketing activities in the Hong Kong market.

The Group continues to actively explore and invest in new and alternative sales channels through which to distribute its products to end customers, a key element of which is product presence and selling on the internet.

Borrowing facilities

The Group entered into an £80 million Revolving Credit Facility (RCF) with Barclays Plc, The Royal Bank of Scotland Plc and Alliance & Leicester Plc (part of the Santander Group) on 17 February 2010. The RCF expires on 31 March 2013.

It is the intention of the Group to negotiate appropriate lending facilities well in advance of the maturity of the current RCF. A risk exists that one or more of the current lending banks will not wish to participate in the new facility or the Group will not be able to refinance its debt. The Group is currently in discussion with the banks about its ongoing debt facilities and the Board is currently considering other financing options. As at 31 December 2011, the Group had funds drawn down under the RCF of £43.5 million. However, this was offset by £54.9 million of cash. As at 31 December 2011, the Group was in a net funds position of £11.9 million.

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, data security breaches or adverse impacts to contractual service levels.

The Group has continued 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 and privacy of customers' data. An independent review has recently been commissioned by the Board to provide assurance over the Group's design of data management controls. Key performance indicators of the Group's principal 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 accredited and the majority of countries in the Group are certified to the payment card industry data security standard (PCI DSS).

Key supplier contracts

The Group has a number of suppliers who either support or provide elements of the product base or the Group's operating structure. Where a single supplier provides significant services, the risk of loss or interruption of services exists. Financial and operational stability of these suppliers is monitored and additional or dual supply is implemented in appropriate circumstances.

Fraud

The Group's product base, in particular the insurance of mobile phone handsets 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 and 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 across the Group.

Financial risks

The Group's operations expose it to financial risks including capital maintenance, foreign exchange, interest rate, liquidity, credit and insurance risks. Further details of these risks, together with mitigating actions, are provided in note 27 to the financial statements.

Homecare Insurance Limited (HIL) is currently preparing to comply with the future requirements of the Solvency II Directive in respect of capital maintenance. As part of these preparations and to reflect HIL's risk profile, a Partial Internal Model has been developed which is subject to approval by the FSA prior to being used to determine capital requirements. A risk exists that the FSA will not approve the Partial Internal Model and HIL will have to use the Standard Model which may give rise to a higher regulatory capital requirement when Solvency II is implemented in January 2014.

Auditor

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 Auditor is 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 Auditor is 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.

Deloitte LLP have expressed their willingness to continue in office as Auditor. Accordingly, a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board

John Titchener

Group General Counsel and Company Secretary

26 March 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 judgements 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 Group overview and Operating review 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

Paul Stobart
Chief Executive Officer
26 March 2012

Shaun Parker
Chief Financial Officer
26 March 2012

CORPORATE GOVERNANCE STATEMENT

Compliance with the UK Corporate Governance 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.

Throughout the financial year the Board considers that the Company has complied with the provisions set out in the UK Corporate Governance Code (the Code), as published by the Financial Reporting Council in May 2010 and available on its website www.frc.org.uk except as described in the section entitled "Compliance with the UK Corporate Governance Code" below.

The Board

Throughout the year, the following Directors served on the Board: Charles Gregson as Non-Executive Chairman, Shaun Parker as Chief Financial Officer and Hamish Ogston, Patrick De Smedt, Les Owen and Duncan McIntyre as Non-Executive Directors.

During the year and up to the date of this statement the following changes to the Board were made:

- Paul Stobart was appointed as Chief Executive Officer on 1 October 2011
- Eric Woolley resigned as Chief Executive Officer 1 October 2011 and
- Peter Morgan retired 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,
- Paul Stobart 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 25 times during the year, which included a number of meetings to address the FSA investigation and the consequences for the Group.

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 year are set out in the table under the section headed "Directors' attendance at Board and committee meetings" on page 40. Details of the various roles and responsibilities of the Board committees are set out on pages 40 to 42. 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, Paul Stobart, 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 year the Chairman has held regular informal meetings with Non-Executive Directors without the Executive Directors being present.

Board balance, independence and appointments

During the year 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 year and concluded that Duncan McIntyre, 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, Paul Stobart and Shaun Parker, the Board, during the year, 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.

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 28 to 29.

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 are 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 ongoing programme of training is in place and all members of the Board are encouraged to participate in 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 by the Company Secretary.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary or his nominee is 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

The Board, led by the Chairman, has carried out a Board effectiveness review through an independent third party. The evaluation was based on written questionnaires completed by current Directors and some face to face interviews. These were used to create a written report with recommendations. The overall results of the evaluation were presented to and discussed by the Board in December 2011. The performance of the Chairman was included in the above process and took into account the views of the Executive and Non-Executive Directors. Following this review, the Directors have agreed that the actions in respect of certain processes identified for improvement should be implemented and intend to review this implementation regularly.

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 Code recommends that all Directors of FTSE 350 companies retire and are put up for re-election at the Annual General Meeting. Although the Company is not currently a FTSE 350 company, the Company considers this to be best practice and accordingly, all the Directors (save for Paul Stobart who seeks first election as below) offer themselves for re-election at the 2012 Annual General Meeting.

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, Paul Stobart who was appointed as a Director during the year will be subject to election at the forthcoming Annual General Meeting. The Board believes that its performance continues to be effective and that the election of Directors is also consistent with the Board's evaluation of the size structure and composition of the Board.

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, is 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 Board established during the year a Governance Committee with terms of reference to formulate governance arrangements for the Group and make recommendations to 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.

Conflicts of Interest

A register of conflicts of interest is maintained by the Company Secretary. Entries in the register are discussed by the Board as required.

Directors' attendance at Board and committee meetings

The Directors' attendance record for the year at the Board and committee meetings was as follows

		Board	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Charles Gregson	Non-Executive Chairman	24 (25)	8 (8)	6 (6)	2 (2)
Paul Stobart*	Chief Executive Officer	5 (5)			
Eric Woolley**	Chief Executive Officer	17 (20)			
Shaun Parker	Chief Financial Officer	25 (25)			
Duncan McIntyre	Non-Executive Director	25 (25)	5 (5)		
Peter Morgan***	Non-Executive Director	3 (4)	3 (3)	2 (2)	
Hamish Ogston	Non-Executive Director	22 (25)			
Les Owen****	Non-Executive Director	24 (25)	8 (8)	6 (6)	2 (2)
Patrick De Smedt	Non Executive Director	20 (25)		6 (6)	2 (2)

*Appointed to Board 1 October 2011

Resigned from the Board 1 October 2011

Resigned from Board and Audit and Risk Committee 31 March 2011

Appointed to the Audit and Risk Committee 1 April 2011

The figures in brackets represent the maximum number of meetings from appointment for which the individual was a Board or committee member

Audit and Risk Committee**Membership and meetings**

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

- Les Owen (Chairman)
- Charles Gregson and
- Duncan McIntyre

Les Owen took over as Chairman of the Audit and Risk Committee on 1 April 2011 following the retirement of Peter Morgan on 31 March 2011

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 eight occasions during the year 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 Duncan McIntyre has recent and relevant financial experience, as referred to in the Smith Report

Role of the Audit and Risk Committee

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 functions and the capital adequacy requirements of the Group's relevant subsidiaries on an ongoing basis.

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

To reflect the Group's continuing development of its governance structures, the Board has agreed that with effect from January 2012 the roles of the current Audit and Risk Committee should be split with the formation of a separate Audit Committee and a separate Risk and Compliance Committee. Each committee will be chaired by a different Non-Executive Director. In addition, separate Internal Audit and Risk Management teams will be formed from the current multi-disciplined Risk & Audit team.

During the year the Audit and Risk Committee discharged its responsibilities by performing the following activities

Financial statements

During the financial year 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 judgements 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. It 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 year 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.

In the UK, Homecare Insurance Limited is subject to the European Commission's Solvency II Directive, due to be implemented by 1 January 2014. The Directive is aimed at producing a more consistent solvency standard for insurers across Europe, ensuring that capital requirements are more reflective of the risks being accepted. During the year, the Audit & Risk Committee has monitored progress of the Group's Solvency II project and enhancements made in the UK to risk management and governance systems, as required by the Directive.

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 monitored by the Audit and Risk Committee.

During the year, the Audit and Risk Committee has reviewed detailed reports covering the planning and results of external audit work, which included challenge to management's assumptions. In addition, the Audit and Risk Committee considered a review of the external Auditor's client service provision and arrangements for partner rotation. The lead external audit partner, Stephen Williams, is due to rotate after 2011 reporting is complete, assuming that the resolution to adopt Deloitte as auditors for a further year is passed by shareholders. The Audit and Risk Committee is satisfied with the performance of the external Auditor during the year and the policies and procedures in place to maintain their objectivity and independence. Having considered the quality, objectivity and independence of the audit teams and their work completed across the Group, the external Auditor's reporting and the levels of communication and service, 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 internal audit plan and methodology and monitors progress against the plan during the year. 30 audit reports across the Group (2010: 21) identifying some 150 key recommended actions (2010: 100) in respect of the Group's system of internal control were considered by the Audit and Risk Committee. Progress against actions identified in these reports and the external Auditor's management letter as well as other control related actions raised by third parties 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 has approved the use of co-sourced external consultants to supplement work, particularly in areas requiring specialist skills, e.g. Information Technology and Solvency II. 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 the 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 year 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.

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.

Auditor's independence and objectivity

The external Auditor provides some non-audit services, primarily in the provision of taxation 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:

- Formal guidance 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)
- Patrick De Smedt, and
- Les Owen

Peter Morgan was a Member of the Nomination Committee during the year up until his retirement on 31 March 2011. Charles Gregson (Chairman), Patrick De Smedt and Les Owen served as members of the Nomination Committee throughout the year.

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 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 year the Nomination Committee met two times.

The Nomination Committee engaged the services of professional advisers, particularly in relation to the appointment of the new CEO Paul Stobart.

During the year the Nomination Committee considered the following principal items:

- A review of the current structure, size and composition of the Board
- Engaging an independent third party to carry out an evaluation of Board effectiveness
- 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 the new Chief Executive Officer

Governance Committee

A full copy of the terms of reference for the Governance Committee can be obtained by request to the Company Secretary.

The Governance Committee's principal function is to review governance procedures in the Group to ensure they are fit for purpose and consistent with current best practice. The Governance Committee is not expected to become a standing committee of the Company. The Chairman of the Governance Committee reports to the Board on the outcome of its meetings and makes recommendations to the Board about governance procedures. The Governance Committee has advised the Board on engaging the services of professional advisers, particularly in relation to compliance procedures and controls, and Board reporting and management information.

During the year the Governance Committee met three times. It has considered the following matters:

- The implementation of replacing the Audit and Risk Committee with a separate Audit Committee and Risk and Compliance Committee
- The establishment of the Group Executive Committee of the Company to assist the Chief Executive Officer in the performance of his duties
- The Board composition and committee structures of the Company's UK subsidiary undertakings
- The Group's compliance procedures and controls
- The Group's policies and procedures to ensure its customers are treated fairly, and
- The form and content of Board reporting and management information

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 44 to 50.

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 year 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 year 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, key performance indicators 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. Included in the description of Regulatory risk on page 33 are the actions and initiatives taken by the Board to improve the effectiveness of its regulatory compliance, some of which are currently in train. A number of other changes to the system of internal control are identified in the description of the FSA investigation on page 34.

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 Board on specific aspects 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 including compliance and information security.

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 mis-statement 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 40, 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. Output from these assessments are subject to review and approved by the individual Boards of these companies and are reviewed by the Financial Services Authority from time to time. The assessments include 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 Solvency II Directive.

The purpose of each assessment 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.

Using a framework of key controls, 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 and safeguard the Group's assets and, in conjunction with the Company Secretary and the Group's Legal and Compliance teams, ensures 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 UK Corporate Governance Code
The Directors consider that the Company has been in full compliance with the provisions set out in the Code throughout the year except as described below.

The Board has not appointed a Senior Independent Non-Executive Director. 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 2012.

The Directors are not subject to annual re-election. The Articles of Association of the Company require a Director appointed during the year to be reappointed at the next annual general meeting of the Company. In addition, all Directors are reappointed no less frequently than every third annual general meeting. The Board, however, has agreed to be subject to annual election at this year's Annual General Meeting as referred to on page 39.

Going concern

In reaching their view on preparation of the Group's accounts on a going concern basis, the Board considered a wide range of stressed scenarios and has taken external advice. These scenarios included the known impacts and possible direct and indirect impacts arising from areas identified in the risks and uncertainties facing the Group, which include the FSA investigation and the actions taken by the Directors to address it, included on pages 34 to 35 of the Directors' report.

Having considered the outcomes of all these scenarios, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future and accordingly the Directors have continued to adopt the going concern basis in preparing the financial statements.

In this assessment, the Directors have taken into consideration the following in connection with preparation of the accounts on a going concern basis:

- The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in pages 7 to 12 of the Group overview section and pages 14 to 25 of the Operating Review section of this Annual Report.
- The financial position of the Group, its cash flows, liquidity position and existing borrowing facilities are described in the financial review on pages 22 to 25.
- In addition, note 27 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.
- The sources of finance available to the Group, which include the Group's £80 million Revolving Credit Facility which expires on 31 March 2013. It is the intention of the Group to negotiate appropriate lending facilities well in advance of the maturity of the current RCF. A risk exists that one or more of the current lending banks will not wish to participate in the new facility or the Group will not be able to refinance its debt. The Group is currently in discussion with the banks about its ongoing debt facilities and the Board is currently considering other financing options. At the 31 December 2011, the Group had positive net funds of £11.9 million. Under the scenarios that the Directors consider most likely, debt funding is not required at 31 March 2013, when current facilities expire.
- The potential impacts from the FSA investigation on the continued resources which may be required by the business including a number of assumptions around customer response rates to the Past Business Review.

Although agreement was reached with the FSA, it remains unclear what further steps the FSA may wish to take, if any, and against whom in relation to UK sales of CPP's Card Protection and Identity Protection products that are not within the scope of the Group's Past Business Review, or in respect of any similar products available to the market from other providers. There can be no guarantee that the FSA will not seek to take action on a wider industry basis. Until such time as the FSA makes a determination on these issues, and the repercussions are understood for the industry as a whole, the Group is unable to assess the potential impact on its Business Partners, or the Group's relationship with them, including any financial consequences.

Although the Directors believe that there is unlikely to be a material impact on the Group resulting from these potential events, it does remain a possibility and therefore leads to the disclosure of a contingent liability. Given the possible impact of the contingent liability, there is a material uncertainty which may cast doubt as to the Group and Company's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, having considered the above uncertainty and all the available information, the Directors are of the view that it is appropriate to 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 FSA. In accordance with the Act, 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.

Throughout the year, the Remuneration Committee has complied with the UK Corporate Governance Code 2010. 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 Group Operations 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 creates 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

Patrick De Smedt has been a member and Chairman of the Committee since 19 August 2010. Peter Morgan served as a member of the Committee until he resigned from the Board on 31 March 2011. Other members of the Committee are Charles Gregson and Les Owen. 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

New Bridge Street (NBS) has served as independent adviser to the Committee throughout the year (NBS being a brand of Aon Hewitt Limited). In addition to advising the Committee, NBS also provides advice to the Company on implementing decisions made by the Committee. Neither NBS nor any other part of the Aon Corporation Group provide any other services to the Company. The Chief Executive Officer, the Group HR Director and the Group Head of Tax assisted both the Board and the Committee as required, albeit taking no part in discussions directly relating to their own remuneration. The Company Chairman absents himself from discussions with respect to his own pay.

The Committee met six times in the year and is scheduled to meet four 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 in shares) 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.

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 and sufficient to attract, motivate and retain individuals of the quality required to deliver successful performance, and
- Align rewards with the Group's performance.

It is the intention of the Committee to ensure the remuneration policy strongly aligns the interests of the Executive Directors with those of shareholders and the Company. For example, this is demonstrated by the payment of no annual bonus for the 2011 financial year and the absence of any base salary increase for the Executive Directors for the forthcoming year.

It is the Remuneration Committee's view that the current executive remuneration policies are compatible with the Company's risk management policies and systems. In light of issues regarding systems and controls that were raised during the FSA investigation, the Committee has instigated a further risk review in order to ensure the executive remuneration policies remain fully aligned with the Company's risk appetite and with compliance requirements.

In determining executive remuneration, the Committee has regard to pay levels and structures elsewhere in the Group in ensuring that pay is coherent overall. Regular interaction between the Chairman of the Remuneration Committee and the Company's HR function ensures that this is the case.

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 Insurers' 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.

Key activities

Key activities of the Committee are to:

- Carry out an annual strategic review of the remuneration framework for Executive Directors and the Group Operations Committee to ensure that the remuneration policy supports the Company's strategic goals as explained in the Group overview section of the Annual Report & Accounts.
- 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 Group Operations 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 and
- 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. The Committee's policy is to adopt a broadly median base salary positioning vis-a-vis appropriate comparable benchmark companies.

Salaries were reviewed in January 2012. Following the January 2012 review, the Committee decided there should be no increase in Executive Directors' salary (as per the table below) or for senior management. Across the Group as a whole there was an average basic pay increase of 2%.

	Salary to 31 December 2011 £ 000	Current salary effective from 1 January 2012 £ 000	% increase
E Woolley*	412	412	0%
S Parker	268	268	0%
P Stobart*	113	450	0%

Eric Woolley resigned as CEO from the Board on 1 October 2011 and his employment ceased on 22 March 2012. Paul Stobart joined the Board as CEO on 1 October 2011.

Eric Woolley signed a compromise agreement on 16 September 2011 which provided for his employment to end on 22 March 2012.

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 was entitled to an allowance of £20,000 per annum and Shaun Parker a £15,000 allowance per annum. Paul Stobart is entitled to an allowance of £20,000 per annum. In addition, Paul Stobart is entitled to a sum after the deduction of income tax and employees' National Insurance Contributions equal to £1,500 per month to cover travel expenses. 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. For the 2011 financial year, the maximum bonus award that could be achieved was 100% of basic salary, with the on-target amount 50% of basic salary.

The Executive Bonus Scheme payment was dependent upon the overall Group performance and individual performance measures. For the 2011 financial year, 70% of an executive's bonus was based on Group performance and 30% was based on the achievement of personal objectives and KPIs set for the role.

Group performance, which determined 70% of an Executive Director's maximum bonus, was based upon the Group's underlying operating profit against stretching targets set at the start of the year. This element could also be subject to a quality of earnings adjustment as determined by the Committee.

The criteria used to determine the remaining 30% were based on personal objectives such as customer satisfaction and retention, product development and international expansion.

In light of the Group's financial performance in 2011, no Executive Director and no member of the Group Executive Committee received a bonus in relation to the 2011 financial year.

Whilst all Group Operations Committee members contribute to the overall Group performance, the performance of the relevant region is also taken into consideration in this factor for those below Board executives with regional responsibilities. Regional performance is 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.

The Company intends that the senior executives, including the Executive Directors, will participate in an Executive Bonus Scheme for the 2012 financial year. This Scheme will be structured on the same basis as the Scheme for the 2011 financial year in terms of maximum bonus opportunity and the use of financial and personal objectives. The financial targets will be set once the impact of the FSA investigation has been fully assessed. They will be appropriate and challenging in the context of the assessment.

Deferred Share Bonus Plan

The Committee supports the principle that the payment of a proportion of any annual bonuses paid in future periods 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 (DSBP) 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 awards over shares under 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.

While awards were made under the DSBP in the 2011 financial year, these were made before the commencement of the FSA investigation and were based on performance against the bonus targets for the 2010 financial year (as reported last year). No DSBP awards will be made to an Executive Director in connection with performance in the 2011 financial year as no bonus was payable for performance in that year.

Long term incentive schemes

For Executive Directors only one long term incentive plan operates which can be summarised as follows

2010 Long Term Incentive Plan (LTIP)

Under this plan Executive Directors and key individuals may each year be issued awards over ordinary shares in the Company up to a maximum of 200% of salary. However the Committee's normal policy is to grant LTIP awards not exceeding a face value of 125% of salary and 100% of salary to the Chief Executive Officer and Chief Financial Officer respectively. Lower levels of awards are made to less senior executives.

The normal policy thus far has been for awards to have a three year vesting period and be subject to performance conditions relating to adjusted Earnings Per Share (EPS) and Total Shareholder Return (TSR) as follows:

- 75% of the award has been dependent on the satisfaction of an EPS performance target. EPS is measured over the three years following grant 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 above 4% 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 has been dependent upon the Company's TSR performance over a single three year period 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 considered that this combination of performance conditions was the most appropriate way of rewarding Executive Directors because it took 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 NBS whilst the Group's EPS growth is derived from the audited financial statements.

It is the Committee's intention to make further awards under the LTIP in 2012 but only once the impact of the FSA investigation is known. This will allow the Committee to consider all relevant facts before determining the size, structure and appropriate challenging performance conditions of such awards. Full details of these awards will be disclosed in next year's report.

LTIP Award to Paul Stobart

Paul Stobart commenced employment after the grant date of the March 2011 LTIP awards and after the commencement of the FSA investigation.

The Committee's objectives when structuring Paul Stobart's 2011 LTIP award were as follows:

- To ensure Paul is appropriately incentivised to generate substantial and sustainable long-term returns to shareholders via an entirely performance-linked award.
- That Paul's award should be made under the terms of the existing LTIP rather than be made under a separate "one-off" recruitment plan.
- To ensure that, where possible, Paul's award not only provides an alignment of his interests with those of shareholders but also with the forward looking interests of other LTIP participants and
- That the award should take account of the circumstances and challenges faced by the Company now rather than the circumstances that prevailed at the time of the grant of the 2011 LTIP awards to other participants.

Consequently Paul was granted an initial LTIP award over shares worth 165% of salary (within the 200% of salary LTIP limit) based on a share price of 131 pence (i.e. the share price prevailing on the date the Committee agreed the award). It is intended that this award be subject to the same performance conditions as will be applied to the LTIP award made in 2012 to other participants, thereby providing alignment of interests across the senior management population who receive LTIP awards. However, if no LTIP awards have been made in 2012 by six weeks following the date of the Company's announcement of its 2012 interim results, Paul's 2011 award will be subject to similar EPS and TSR based performance conditions as have been applied to past LTIP awards (i.e. 75% of the award will be based on a sliding scale of three year EPS growth targets of 12%-17% p.a. albeit with the base year being 2011 from which growth is measured, with the remaining 25% subject to the relative TSR condition, measured from the date of grant).

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 (ShareSAVE Plan) in September 2010 and made an additional offer in September 2011. All employees in the UK, including Executive Directors, are eligible to participate in the SAYE scheme. Options were granted under this scheme in September 2011 at an option price of 125 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 above 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, and

- 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 7.4% and 3.2% respectively

Service contracts

The contracts of Eric Woolley and Shaun Parker, who served during the financial year, were subject to a notice period to and from the Company of six months. Eric Woolley was 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. Paul Stobart is employed under a service agreement with CPPGroup Plc dated 16 September 2011, which is subject to a notice period to and from the Company of twelve months.

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 non-executive director role elsewhere.

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.

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. The 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 for 2011 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		
Duncan McIntyre	Non-Executive Director	40		
Peter Morgan*	Non-Executive Director	40	10	
Hamish Ogston	Non-Executive Director	40		
Les Owen*	Non-Executive Director	40	10	
Patrick De Smedt	Non-Executive Director	40		10

* Peter Morgan was the Chairman of the Audit and Risk Committee until his resignation from the Board on 31 March 2011 at which point Les Owen was appointed as the Chairman of the Audit and Risk Committee.

It has been decided to split the Audit and Risk Committee into two separate committees from 1 January 2012. Duncan McIntyre will chair the new Risk and Compliance Committee, for which he will receive an additional fee of £10,000. Les Owen will chair the Audit Committee.

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 the Company. Hamish Ogston entered into a Non-Executive appointment letter with the Company which was conditional on and effective from Admission on 24 March 2010 although he was appointed as a Director of the new holding Company at the date of 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.

Paul Stobart, the Chief Executive Officer, and Eric Woolley, the outgoing Chief Executive Officer, 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 is met. Shaun Parker, the Chief Financial Officer, agreed to commit 50% of the post-tax gain from any vested shares in the form of shares held, until the qualifying holding of the equivalent of one year's salary is met. These arrangements only apply 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

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 and FTSE SmallCap Index, being the equity market indexes in which CPPGroup Plc has been a member since Admission.

AUDITED INFORMATION

The remuneration and benefits payable to each Director in respect of their services for the year ended 31 December 2011 is set out in the following table.

	2011 Basic annual salary £'000	2011 Annual Benefits £'000	2011 Annual Bonus*** £'000	2011 Annual pension contribution £'000	2011 Total £'000	2010 Total £'000
Executive						
Eric Woolley*	412	20	–	62	494	759
Shaun Parker	268	15	–	40	323	504
Paul Stobart (since 1 October 2011)	113	14	–	17	144	–
Non-Executives						
Charles Gregson	125	–	–	–	125	119
Duncan McIntyre	40	–	–	–	40	–
Peter Morgan**	22	–	–	–	22	63
Hamish Ogston	40	–	–	–	40	45
Les Owen	50	–	–	–	50	11
Patrick De Smedt	50	–	–	–	50	18
Aggregate emoluments	1,120	49	–	119	1,288	1,519

Eric Woolley resigned from the Board on 1 October 2011.

Peter Morgan resigned from the Board on 31 March 2011.

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 January 2011	Granted in year	Exercised in year	Lapsed in year	As at 31 December 2011
Eric Woolley	212,766	157,933	–	–	370,699
Shaun Parker	110,638	80,340	–	–	190,978
Paul Stobart	–	566,794	–	–	566,794

The 2011 LTIP awards for Eric Woolley and Shaun Parker were granted as nil cost options on 4 March 2011 and vest on 4 March 2014 subject to performance conditions. When awards were granted the market value of shares was £3.00. The 2011 LTIP award for Paul Stobart was granted as a nil cost option on 28 November 2011 and vests on 1 January 2015 subject to performance conditions. When awards were granted the market value of shares was £1.24. Awards vest subject to continued employment and the satisfaction of performance conditions as set out on page 46.

Following the termination of Eric Woolley's employment on 22 March 2012, all 370,699 of his LTIP options granted under the 2010 and 2011 awards lapsed and can no longer be vested.

The market price of ordinary shares of the Company as at 31 December 2011 was £1.12 and the range during the year was £1.12 to £3.29.

Deferred Share Bonus Plan

Director	As at 1 January 2011	Granted in year	Exercised in year	Lapsed in year	As at 31 December 2011
Eric Woolley	–	14,333	–	–	14,333
Shaun Parker	–	9,967	–	–	9,967

Eric Woolley's DSBP options vested on his last day of employment with the Company. These must be exercised within 12 months, i.e. before 22 March 2013 or they will lapse.

The market price of ordinary shares of the Company as at 31 December 2011 was £1.12 and the range during the year was £1.12 to £3.29.

SAYE Share Option Plan

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

Director	As at 1 January 2011	Granted in year	Exercised in year	Lapsed in year	As at 31 December 2011	Exercise Price £
Shaun Parker	4,545	–	–	–	4,545	1.98

There were no additional grants to Executive Directors under the SAYE scheme during the year.

The market price of ordinary shares of the Company as at 31 December 2011 was £1.12 and the range during the year was £1.12 to £3.29.

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.

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 2011	Granted in Year	Exercised in year	Lapsed in year	As at 31 December 2011	Expiry date
Eric Woolley	2005	£2.28	944,784	–	–	–	944,784	21/12/19
	2008	£1.79	1,648,000	–	–	–	1,648,000	19/06/18
	Loan note ¹	n/a	620,673	–	310,336	–	310,337	n/a
Shaun Parker	2005	£2.28	415,648	–	–	–	415,648	21/12/19
	2008	£1.79	352,000	–	–	–	352,000	19/06/18
	Loan note ¹	n/a	235,226	–	117,613	–	117,613	n/a

¹ Certain option holders in the 2005 Plan hold loan notes which have similar vesting conditions to the options under the 2005 Plan. The above table shows the value of these loan notes

Following the termination of Eric Woolley's employment on 22 March 2012, he retained 944,784 ESOP 2005 options which must be exercised within ten years of grant (by 20 December 2019) or they will lapse.

Of the 1,648,000 ESOP 2008 options, 1,620,488 vested on 22 March 2012. These must be exercised within six months of termination or they will lapse. Of the remaining 27,512 options which were unvested at termination, 60% i.e. 16,507 options lapsed immediately and the remaining 40% i.e. 11,005 options must be exercised within ten years of grant (by 18 June 2018) or they will lapse.

The remainder of Eric Woolley's loan note vested on 24 March 2012.

The market price of ordinary shares of the Company as at 31 December 2011 was £1.12 and the range during the year was £1.12 to £3.29.

Directors' shareholdings

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

Interest in ordinary shares of 10 pence each	31 December 2011 Beneficial	31 December 2011 Non- beneficial	Total
Executive			
Paul Stobart	–	–	–
Eric Woolley	–	–	–
Shaun Parker	9,600	–	9,600
Non-Executives			
Charles Gregson	157,873	–	157,873
Duncan McIntyre	13,340	–	13,340
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 2011 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 interests of the Directors and those of the Shareholders and the Company.

The Directors' Remuneration Report was approved by the Board on the 26 March 2012 and signed on behalf of the Board by:

Patrick De Smedt

Chairman of the Remuneration Committee

26 March 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CPPGROUP PLC

We have audited the financial statements of CPPGroup Plc for the year ended 31 December 2011 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 49. 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 parent 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 Statement, 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material mis-statements or inconsistencies we consider the implications for our report.

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 2011 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

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in notes 4 and 32 to the financial statements concerning the FSA

investigation and the Group's ability to continue as a going concern. This disclosure includes material uncertainties in relation to the impact of Past Business Reviews and possible contingent liabilities for which reliable estimates cannot be made.

The total financial impact of these matters is subject to significant uncertainty in that they are dependent upon certain factors outside of the control of the Group. These conditions indicate the existence of a material uncertainty which may cast doubt about the Group's and the Company's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Having considered these matters, the directors have concluded that it is appropriate to prepare these financial statements on a going concern basis. The financial statements do not include the adjustments that would result if the Group or the Company were unable to continue as a going concern. Our opinion is not modified in respect of these matters.

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 2010 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

26 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Revenue		346,136	325,803
Cost of sales		(202,229)	(189,077)
Gross profit		143,907	136,726
Administrative expenses			
Legacy scheme share based payments	30	(1,167)	(3,841)
FSA associated costs	25	(16,892)	–
Other administrative expenses		(94,989)	(87,147)
Total administrative expenses		(113,048)	(90,988)
Share of loss of joint venture	17	(1,181)	(843)
Operating profit			
Operating profit before legacy scheme share based payments and FSA associated costs		47,737	48,736
Operating profit after legacy scheme share based payments and FSA associated costs		29,678	44,895
Investment revenues	9	423	341
Finance costs – non-derivative instruments	10	(1,795)	(5,482)
Profit before taxation		28,306	39,754
Taxation	11	(10,255)	(12,604)
Profit for the year from continuing operations	6	18,051	27,150
Attributable to			
Equity holders of the Company		18,215	27,150
Non-controlling interests	28	(164)	–
		18,051	27,150
Basic and diluted earnings per share from continuing operations			
		Pence	Pence
Basic earnings per share	13	10.64	16.33
Diluted earnings per share	13	10.59	16.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 £ 000	2010 £ 000
Profit for the year	18,051	27,150
Other comprehensive income and expenses		
Exchange differences on translation of foreign operations	120	341
Other comprehensive income for the year net of taxation	120	341
Total comprehensive income for the year	18,171	27,491
Attributable to		
Equity holders of the Company	18,335	27,491
Non-controlling interests	28	(164)
	18,171	27,491

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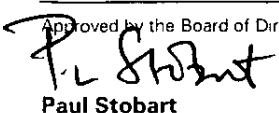
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CONSOLIDATED BALANCE SHEET

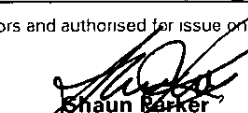
As at 31 December 2011

	Note	2011 £ 000	2010 £ 000
Non-current assets			
Goodwill	14	16,521	16 536
Other intangible assets	15	22,626	22 055
Property plant and equipment	16	14,473	15,389
Investment in joint venture	17	–	184
Deferred tax asset	26	1,987	3 809
		55,607	57 973
Current assets			
Insurance assets	18	24,552	21 493
Income tax receivable		–	96
Inventories	19	329	289
Trade and other receivables	20	30,667	30 275
Cash and cash equivalents	21	54,924	25 040
		110,472	77 193
Total assets		166,079	135 166
Current liabilities			
Insurance liabilities	22	(8,878)	(10 417)
Income tax liabilities		(2 818)	(6 266)
Trade and other payables	23	(67,884)	(69 321)
Provisions	25	(11,393)	(860)
		(90 973)	(86 864)
Net current assets/(liabilities)		19,499	(9 671)
Non-current liabilities			
Bank loans	24	(43,041)	(27 199)
Deferred tax liabilities	26	(634)	(459)
Provisions	25	(4 279)	(859)
		(47,954)	(28 517)
Total liabilities		(138,927)	(115,381)
Net assets		27,152	19 785
Equity			
Share capital	29	17,106	17 024
Share premium account		33,300	37 301
Merger reserve		(100 399)	(100 399)
Translation reserve		2,456	2 336
Equalisation reserve	22	6 423	6 196
ESOP reserve		11,606	9 599
Retained earnings		56,824	52 728
Equity attributable to equity holders of the Company		27,316	19 785
Non-controlling interest		(164)	–
Total equity		27,152	19 785

Approved by the Board of Directors and authorised for issue on 26 March 2012 and signed on its behalf by


Paul Stobart

Chief Executive Officer


Shaun Barker

Chief Financial Officer

Company registration number 07151159

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	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	Non- controlling interest £ 000	Total Equity £ 000
At 1 January 2010		15 152	–	(100 399)	1,995	4 913	5,783	29 552	(43,004)	–	(43 004)
Total comprehensive income		–	–	–	341	–	–	27,150	27,491	–	27 491
Movement on equalisation reserve	22	–	–	–	–	1 283	–	(1 283)	–	–	–
Current tax credit on equalisation reserve movement	11	–	–	–	–	–	–	358	358	–	358
Equity settled share based payment charge		–	–	–	–	–	4,216	–	4 216	–	4 216
Deferred tax on share based payment charge	11	–	–	–	–	–	–	1,078	1 078	–	1 078
Exercise of share options	29	583	7 991	–	–	–	(400)	–	8 174	–	8 174
Other ordinary share issues	29	1 289	24 310	–	–	–	–	–	25 599	–	25 599
Dividends	12	–	–	–	–	–	–	(4 127)	(4 127)	–	(4 127)
At 31 December 2010		17 024	32 301	(100 399)	2 336	6 196	9 599	52,728	19 785	–	19 785
Total comprehensive income		–	–	–	120	–	–	18,215	18,335	(164)	18 171
Movement on equalisation reserve	22	–	–	–	–	227	–	(227)	–	–	–
Current tax credit on equalisation reserve movement	11	–	–	–	–	–	–	60	60	–	60
Equity settled share based payment charge		–	–	–	–	–	2,169	–	2,169	–	2 169
Deferred tax on share based payment charge	11	–	–	–	–	–	–	(1,027)	(1,027)	–	(1,027)
Exercise of share options	29	82	999	–	–	–	(162)	–	919	–	919
Dividends	12	–	–	–	–	–	–	(12 925)	(12 925)	–	(12,925)
At 31 December 2011		17,106	33,300	(100 399)	2 456	6 423	11,606	56 824	27,316	(164)	27,152

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CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

	Note	2011 £ 000	2010 £ 000
Net cash from operating activities	31	41,547	38,362
Investing activities			
Interest received		423	341
Purchases of property, plant and equipment		(3,297)	(3,719)
Purchases of intangible assets		(9,334)	(12,241)
Acquisition of subsidiary, net of cash acquired		–	340
Investment in joint venture		(997)	(977)
Net cash used in investing activities		(13,205)	(16,256)
Financing activities			
Dividends paid		(12,925)	(4,127)
Repayment of bank loans		(1,500)	(143,383)
Proceeds from new bank loans		17,000	66,700
Interest paid		(1,452)	(1,709)
Cost of refinancing		–	(1,080)
Issue of ordinary share capital		1,081	34,173
Net cash from/(used in) financing activities		2,204	(49,426)
Net increase/(decrease) in cash and cash equivalents		30,546	(27,320)
Effect of foreign exchange rate changes		(662)	(19)
Cash and cash equivalents at 1 January		25,040	52,379
Cash and cash equivalents at 31 December	21	54,924	25,040

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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
IAS 24 (revised November 2009)	Related Party Disclosures
Amendment to IAS 32 (October 2009)	Classification of Rights Issues
Amendment to IFRIC 14 (November 2009)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IFRS 1 (January 2010)	Limited exemption from comparative IFRS 7 disclosures for first time adoption
Improvements to IFRSs 2010 (May 2010)	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 (and in some cases have not yet been adopted by the EU).

Standard/Interpretation	Subject	Period first applies (Year ended)
Amendments to IFRS 7 (October 2010)	Disclosures – Transfers of Financial Assets	31 December 2012
Amendments to IFRS 1 (December 2010)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	31 December 2012
Amendments to IAS 12 (December 2010)	Deferred Tax – Recovery of Underlying Assets	31 December 2012
IAS 27 (revised May 2011)	Separate Financial Statements	31 December 2013
IAS 28 (revised May 2011)	Investments in Associates and Joint Ventures	31 December 2013
IFRS 10	Consolidated Financial Statements	31 December 2013
IFRS 11	Joint Arrangements	31 December 2013
IFRS 12	Disclosure of Interests in Other Entities	31 December 2013
IFRS 13	Fair Value Measurement	31 December 2013
IAS 19 (revised June 2011)	Employee Benefits	31 December 2013
Amendments to IAS 1 (June 2011)	Presentation of Items of Other Comprehensive Income	31 December 2013
Amendments to IFRS 7 (December 2011)	Disclosures – Offsetting Financial Assets and Financial Liabilities	31 December 2013
Amendments to IAS 32 (December 2011)	Offsetting Financial Assets and Financial Liabilities	31 December 2014
IFRS 9	Financial Instruments	31 December 2015

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 52 to 85 present the performance of the Group for the year ended 31 December 2011. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS and therefore comply with Article 4 of the EU IAS Regulation. The consolidated financial statements have also been prepared under the historical cost basis.

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 comparative information has been reflected in the consolidated financial statements using the principles of merger accounting for group reconstructions.

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 page 43.

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.

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.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity in the consolidated balance sheet, separately from Company's equity holders.

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.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share based payments

Prior to the Company's shares being listed on 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 its listing, the Group has issued share options to certain of its employees under the Long Term Incentive Plan (LTIP), the Restricted Stock Plan (RSP), the Deferred Share Bonus Plan (DSBP) 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 and Monte Carlo simulation model.

3 Significant accounting policies continued

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.

Non-policy revenue is comprised of fees billed directly to customers or Business Partners for services provided under separate non-policy based arrangements. Such revenue is recognised, exclusive of any sales taxes, as those fees are earned.

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 claims payments 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.

3 Significant accounting policies continued**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.

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 related revenues
--------------------------------	---

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.

3 Significant accounting policies continued

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.

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 amounts.

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. For material risks the Group uses derivative financial instruments, principally interest rate swaps, to reduce its exposure to interest rate movements.

When derivatives are used they are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured 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.

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 14.

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

FSA associated costs

A provision of £14.8 million has been recorded at 31 December 2011 for costs associated with the FSA investigation into the Group's sales processes in the UK described in the Directors' Report on page 34. The provision includes anticipated compensation payable to customers through a Past Business Review in relation to sales or renewals conducted by CPP of its Card Protection policies since 14 January 2005 and sales of Identity Protection through CPP's telephone sales channels since 14 January 2005 (but in both cases only where the original sale did not involve one of CPP's Business Partners making an introduction or conducting the sale) together with other costs and professional fees associated with the investigation and Past Business Review. Approximately half of the amount provided relates to an estimate for the agreed Past Business Review; this element of the provision could vary depending upon customer response rates.

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 by estimated future renewal performance. This performance is derived from historical renewal performance.

Changes to the estimates of renewal performance would 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 and Latin America (Spain, Portugal, France, Italy, Mexico and Brazil),
- North America (USA) and
- Asia Pacific (Hong Kong, Singapore, Malaysia, India and China)

Segment revenues and performance have been as follows:

	Northern Europe 2011 £ 000	Southern Europe and Latin America 2011 £ 000	North America 2011 £ 000	Asia Pacific 2011 £ 000	Total 2011 £ 000
Year ended 31 December 2011					
Revenue – external sales	249,487	44,356	45,752	6,541	346,136
Cost of sales	(149,050)	(22,411)	(27,084)	(3,684)	(202,229)
Gross profit	100,437	21,945	18,668	2,857	143,907
Depreciation and amortisation	(7,884)	(304)	(205)	(33)	(8,426)
Other administrative expenses	(58,982)	(11,011)	(11,596)	(4,974)	(86,563)
Regional operating profit/(loss) before legacy scheme share based payments, FSA associated costs and joint ventures	33,571	10,630	6,867	(2,150)	48,918
Share of loss of joint venture					(1,181)
FSA associated costs					(16,892)
Legacy scheme share based payments					(1,167)
Operating profit after legacy scheme share based payments, FSA associated costs and joint ventures					29,678
Investment revenues					423
Finance costs – non-derivative instruments					(1,795)
Profit before taxation					28,306

5 Segmental analysis continued

	Northern Europe 2010 £ 000	Southern Europe and Latin America 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 operating loss of joint venture					(843)
Legacy scheme share based payments					(3 841)
Operating profit after legacy scheme share based payments and joint ventures					44 895
Investment revenues					341
Finance costs – non-derivative instruments					(5 482)
Profit before taxation					39 754

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 £1 222 000 (2010: £1 178 000) presented within Northern Europe in the tables above which have been charged to other regions for statutory purposes.

Segment assets

	2011 £ 000	2010 £ 000
Northern Europe	117,399	91 543
Southern Europe and Latin America	9,348	8 379
North America	18,478	12,557
Asia Pacific	2,346	2,158
Total segment assets	147,571	114,637
Unallocated assets	18 508	20 529
Consolidated total assets	166,079	135 166

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

Capital expenditure

	Intangible assets		Property, plant and equipment	
	2011 £ 000	2010 £ 000	2011 £ 000	2010 £ 000
Northern Europe	8 992	13 112	1,994	4 597
Southern Europe and Latin America	8	51	322	37
North America	396	108	99	291
Asia Pacific	21	3	20	46
Consolidated total additions	9,417	13 274	2,435	4 971

5 Segmental analysis continued

Revenues from major products

	2011 £ 000	2010 £ 000
Retail assistance policies	258,048	262,707
Retail insurance policies	38,529	33,042
Packaged and wholesale policies	42,325	26,630
Non-policy revenue	7,234	3,424
Consolidated revenue	346,136	325,803

Major product streams are disclosed on the basis monitored by the Board of Directors. For the purpose of this product analysis, retail assistance policies are those which may be insurance backed but contain a bundle of assistance and other benefits; 'retail insurance policies' are those which protect against a single insurance risk; packaged and wholesale policies are those which are provided by Business Partners to their customers in relation to an ongoing product or service which is provided for a specified period of time; 'non-policy revenues' are those which are not in connection with providing an ongoing service to policyholders for a specified period of time.

Disclosures in notes 7, 18 and 22 regarding accounting for insurance contracts provide information relating to all contracts within the scope of IFRS 4 and therefore include both retail insurance policies and the insurance components of retail assistance and packaged and wholesale policies.

Major product streams have previously been monitored as assistance products being those which are predominantly insurance backed but contain a bundle of assistance, insurance and other benefits, and insurance products which cover a single insurance risk as set out in the table below.

	2011 £ 000	2010 £ 000
Assistance products	294,844	286,796
Insurance products	51,292	39,007
Consolidated revenue	346,136	325,803

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	
	2011 £ 000	2010 £ 000	2011 £ 000	2010 £ 000
UK	233,859	221,474	38,698	39,609
USA	45,752	38,479	13,287	12,988
Spain	26,717	29,802	551	497
Other	39,808	36,048	1,084	886
	346,136	325,803	53,620	53,980

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	2011 £'000	2010 £'000
Profit for the year has been arrived at after charging/(crediting)			
Operating lease charges		2,623	2,630
Net foreign exchange gains		(205)	(34)
Depreciation of property, plant and equipment	16	3,240	3,233
Amortisation of intangible assets	15	8,850	6,929
Loss on disposal of property, plant and equipment		(13)	-
FSA associated costs	25	16,892	-
Equity settled share based payments		2,187	4,279
Cash settled share based payments		72	464
Total share based payments (see note 30)		2,259	4,743
Other staff costs		63,372	66,279
Total staff costs	8	65,631	71,022
Movement on allowance for doubtful insurance receivables	18	(125)	-
Government grant income		(325)	(675)

During the year the FSA carried out an investigation into certain UK sales of the Group's Card Protection and Identity Protection products as described in the Directors' Report on page 34. FSA associated costs comprise anticipated compensation payable to customers through a Past Business Review in relation to these sales, regulatory penalties and other costs and professional fees associated with the investigation and Past Business Review.

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:

	2011 £'000	2010 £'000
Payable to the Company's Auditor for the audit of the Company and consolidated financial statements	58	58
Fees payable to the Company's Auditor and their associates for other services to the Group		
- Audit of the Company's subsidiaries pursuant to legislation	429	411
Total audit services	487	469
Audit related assurance services	59	53
Taxation compliance services	39	34
Other taxation advisory services	9	49
Corporate finance services	-	1,105
Other services	64	-
Total non-audit services	171	1,241
	658	1,710

Corporate finance services in the prior year related to the Company's issuance of new shares on IPO during that year and were charged to the share premium account.

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 retail insurance only policies is set out in note 5.

Revenue earned from insurance activities

	2011 £'000	2010 £'000
Gross premiums written	77,044	59,790
Change in provision for unearned premiums	1,425	(183)
Earned premiums	78,469	59,607

Costs incurred from insurance activities

	2011 £'000	2010 £'000
Reinsurance premiums incurred	6,289	3,489
Claims paid		
– Gross amount	25,824	14,130
– Reinsurers share	(3,572)	(2,184)
– Increase in provision for gross claims	(180)	1,254
– Decrease in provision for reinsurance claims	(607)	(381)
	21,465	12,819
Acquisition costs		
– Costs incurred	20,707	22,399
– Movement in deferred acquisition costs	(139)	(5,252)
	20,568	17,147
Other expenses	15,773	11,281
	64,095	44,736

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)

	2011 £'000	2010 £'000
Wages and salaries	55,344	57,027
Social security costs	6,464	6,420
Share based payments (see note 30)	2,259	4,743
Pension costs	1,564	2,832
	65,631	71,022

Average number of employees

	2011	2010
Northern Europe	1,577	1,716
Southern Europe	275	306
North America	191	150
Asia Pacific	48	48
	2,091	2,220

Details of remuneration of Directors are included in the Remuneration Report on pages 44 to 50.

9 Investment revenues

	2011 £ 000	2010 £ 000
Interest on bank deposits	423	341

10 Finance costs – non-derivative instruments

	2011 £ 000	2010 £ 000
Bank loan interest	1,316	1,628
Amortisation of capitalised loan issue costs	366	3 739
Other	113	115
	1,795	5 482

Amortisation of capitalised loan issue costs includes £ nil (2010: £3 119 000) of accelerated amortisation arising on early repayment of the Group's previous bank loans

11 Taxation

	2011 £ 000	2010 £ 000
Current tax charge		
UK corporation tax	5,370	8 520
Foreign tax	4,030	3 594
Adjustments in respect of prior years	(115)	(656)
Total current tax	9,285	11 458
Deferred tax charge/(credit)		
Origination and reversal of timing differences	1,330	225
Impact of change in UK tax rates	164	67
Adjustments in respect of prior years	(524)	854
Total deferred tax	970	1 146
Total taxation charge	10,255	12 604

UK corporation tax is calculated at 26.5% (2010: 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:

	2011 £'000	2010 £ 000
Profit before tax	28,306	39 754
Effects of		
Tax at the UK corporation tax rate of 26.5% (2010: 28%)	7,501	11 131
Net income not chargeable for tax purposes	(265)	(106)
Overseas tax losses not recognised	705	640
Higher tax rates on overseas earnings	823	559
Joint venture results presented net of taxation	313	236
Adjustments in respect of prior years	(639)	198
Impact of change in future tax rates on deferred tax	164	67
Shortfall of share option charge compared to tax allowable amount	1,653	(121)
Total tax charged to income statement	10,255	12 604

11 Taxation continued

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

	2011 £ 000	2010 £ 000
Current tax credit		
Movement on equalisation reserve	(60)	(358)
Total current tax	(60)	(358)
Deferred tax charge/(credit)		
Timing differences on equity settled share based charge	1,027	(1 078)
Total deferred tax	1,027	(1 078)
Total tax charged/(credited) to reserves	967	(1 436)

12 Dividends

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

	2011 £ 000	2010 £ 000
Final dividend paid for the year ended 31 December 2010 of 5 12 pence per share (2009 nil pence per share)	8,776	-
Interim dividend paid for the year ended 31 December 2011 of 2 42 pence per share (2010 2 42 pence per share)	4,149	4 127
Amounts recognised as distributions to equity holders in the period	12,925	4 127

The Directors have not proposed a final dividend for the year ended 31 December 2011. During 2011 the Directors proposed a final dividend for the year ended 31 December 2010 of 5 12 pence per share which was not accrued as a liability as at 31 December 2010 in accordance with IAS 8.

13 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

	2011 £'000	2010 £ 000
Earnings for the purposes of basic and diluted earnings per share	18,215	27 150
Legacy scheme share based payments (net of tax)	1,167	2 766
FSA associated costs (net of tax)	12 976	-
Exceptional amortisation of capitalised loan issue costs (net of tax)	-	2 246
Earnings for the purposes of underlying basic and diluted earnings per share	32,358	32 162

Number of shares

	Number (thousands)	Number (thousands)
Weighted average number of ordinary shares for the purposes of basic earnings per share	171,210	166 278
Effect of dilutive potential ordinary shares share options	787	3 114
Weighted average number of ordinary shares for the purposes of diluted earnings per share	171 997	169 392

	2011 Pence	2010 Pence
Basic and diluted earnings per share from continuing operations		
Basic	10 64	16 33
Diluted	10 59	16 03
Basic and diluted underlying earnings per share from continuing operations		
Basic	18 90	19 34
Diluted	18 81	18 99

14 Goodwill

	2011 £ 000	2010 £ 000
Cost and carrying value		
At 1 January	16,536	16,053
Recognised on the acquisition of a subsidiary	-	156
Exchange adjustments	(15)	327
At 31 December	16,521	16,536

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

	2011 £ 000	2010 £ 000
CPP North America LLC	12,473	12,488
CPP Travel Services ¹	2,570	2,570
Homecare Holdings Limited	1,478	1,478
	16,521	16,536

¹ CPP Travel Services represents the entities currently trading as CPP Travel Services Limited and Concepts for Travel Limited.

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 three 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 2011 is 14% (2010: 12%).

15 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 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 1 January 2011	12,853	2,118	14,509	16,199	45,679
Additions	4,275	-	2,397	2,745	9,417
Disposals	-	-	-	(107)	(107)
Exchange adjustments	-	-	-	(16)	(16)
At 31 December 2011	17,128	2,118	16,906	18,821	54,973
Accumulated amortisation					
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 1 January 2011	3,069	158	9,876	10,521	23,624
Provided during the year	3,663	478	2,425	2,284	8,850
Disposals	-	-	-	(107)	(107)
Exchange adjustments	-	-	-	(20)	(20)
At 31 December 2011	6,732	636	12,301	12,678	32,347
Carrying amount					
At 31 December 2010	9,784	1,960	4,633	5,678	22,055
At 31 December 2011	10,396	1,482	4,605	6,143	22,626

16 Property, plant and equipment

	Freehold land & property £ 000	Leasehold improvements £ 000	Computer systems £ 000	Furniture & equipment £ 000	Total £ 000
Cost					
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 1 January 2011	7 278	5,434	30 766	7 288	50 766
Additions	–	235	1,771	429	2,435
Disposals	–	(1)	(1,969)	(38)	(2,008)
Exchange adjustments	–	(18)	(69)	(52)	(139)
At 31 December 2011	7,278	5,650	30,499	7,627	51,054
Accumulated Depreciation					
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 1 January 2011	1 622	3 842	23 663	6 250	35 377
Provided during the year	165	230	2,449	396	3,240
Disposals	–	–	(1,957)	(38)	(1 995)
Exchange adjustments	–	(15)	(18)	(8)	(41)
At 31 December 2011	1,787	4,057	24,137	6,600	36,581
Carrying amount					
At 31 December 2010	5 656	1 592	7 103	1,038	15 389
At 31 December 2011	5 491	1,593	6 362	1,027	14,473

Included in freehold land and property is freehold land at its cost value of £759 000 (2010: £759 000) which is not depreciated

17 Investment in joint venture

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

	2011 £ 000	2010 £ 000
Carrying amount at 1 January	184	50
Acquisition of share capital	997	977
Share of losses for the year	(1,181)	(843)
Carrying amount at 31 December	–	184

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. The Group has provided Home 3 with a subordinated loan facility of £1 200 000 during the year. This has been accounted for as an investment in Home 3 to the extent that losses have been incurred in the current year. The Group was allotted shares for cash consideration of £977 000 in 2010.

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.

17 Investment in joint venture continued

The Group has a 50% interest in the economic assets of Home 3 as follows

	2011 £ 000	2010 £ 000
Non-current assets	168	–
Current assets	1 556	916
Current liabilities	(3,718)	(548)
Net (liabilities)/assets	(1 994)	368
Group's share of net (liabilities)/assets	(997)	184

The Group has a 50% interest in the revenue and expenses of Home 3 as follows

	2011 £ 000	2010 £ 000
Revenue	1,774	210
Expenses	(4,726)	(2 352)
Loss before taxation	(2,952)	(2 142)
Taxation	596	456
Loss after taxation	(2 356)	(1 686)
Group's share of loss after taxation	(1,181)	(843)

18 Insurance assets

	2011 £ 000	2010 £ 000
Amounts due from policyholders and intermediaries	8 093	5 780
Deferred acquisition costs	15,376	15 237
Amounts recoverable from reinsurers in respect of outstanding claims	1,083	476
	24,552	21 493

Reconciliation of movement in deferred acquisition costs

	2011 £ 000	2010 £ 000
At 1 January	15,237	9 985
Incurred during the year	10,702	14 081
Amortised during the year	(10,563)	(8 829)
At 31 December	15,376	15 237

Of the above balance, £3 675 000 (2010: £4 576 000) relates to a period greater than 12 months from 31 December 2011

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 £1,329 000 (2010: £1 234 000) 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 67 days (2010: 61 days).

18 Insurance assets continued**Ageing of past due but not impaired insurance receivables**

	2011 £'000	2010 £ 000
Days outstanding since date of sales invoice		
45 – 90 days	1,260	1 200
90 –120 days	7	–
Over 120 days	62	34
	1 329	1 234

Movement in the allowance for doubtful insurance receivables

	2011 £ 000	2010 £ 000
Balance as at 1 January	125	253
Decrease in allowance recognised in income statement	(125)	–
Amounts recovered during the year	–	(128)
Balance as at 31 December	–	125

19 Inventories

	2011 £'000	2010 £ 000
Consumables and supplies	329	289

20 Trade and other receivables

	2011 £ 000	2010 £ 000
Trade receivables	13,587	13,679
Prepayments	15 614	15 825
Other debtors	1,466	771
	30,667	30 275

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 not applicable to these items.

Where credit is offered to customers, the average credit period offered is 34 days (2010: 41 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 £1,368 000 (2010: £1 402,000) 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 89 days (2010: 82 days).

Ageing of past due but not impaired receivables

	2011 £ 000	2010 £ 000
Days outstanding since date of invoice		
Up to 90 days	812	926
90 – 120 days	221	269
Over 120 days	335	207
	1,368	1 402

20 Trade and other receivables continued
Movement in the allowance for doubtful receivables

	2011 £'000	2010 £'000
Balance as at 1 January	-	19
Amounts written off during the year	-	(19)
Balance as at 31 December	-	-

21 Cash and cash equivalents

	2011 £'000	2010 £'000
Cash on demand	37,081	12,882
Short term deposits	17,843	12,158
	54,924	25,040

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

	2011 £'000	2010 £'000
AA	11,219	16,890
A	41,851	7,188
BBB	1,657	942
B	78	-
Rating information not available	119	20
	54,924	25,040

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.

22 Insurance liabilities

	2011 £'000	2010 £'000
Claims reported	2,450	2,657
Claims incurred but not reported	203	176
Total claims	2,653	2,833
Unearned premium	6,015	7,440
Amounts payable to reinsurers	210	144
Total insurance liabilities	8,878	10,417

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

	2011 £'000	2010 £'000
At 1 January	7,440	7,257
Written in the year	77,044	59,790
Earned in the year	(78,469)	(59,607)
At 31 December	6,015	7,440

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

22 Insurance liabilities continued

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	2 657	(462)	2 195
Incurred but not reported claims	176	(14)	162
As at 31 December 2010	2 833	(476)	2 357
Notified claims	2,450	(1 066)	1,384
Incurred but not reported claims	203	(17)	186
As at 31 December 2011	2,653	(1,083)	1,570

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
As 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
As at 1 January 2011	2 833	(476)	2 357
Cash (paid)/received for claims settled in the year	(25,825)	3,572	(22,253)
Increase/(reduction) in liabilities arising from current year claims	25,645	(4,179)	21,466
As at 31 December 2011	2,653	(1,083)	1,570

Equalisation reserve

	2011 £ 000	2010 £ 000
At 1 January	6,196	4 913
Transfer from retained earnings	227	1 283
At 31 December	6,423	6 196

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.

23 Trade and other payables

	2011 £ 000	2010 £ 000
Trade creditors and accruals	44,438	46 735
Other tax and social security	5,711	5 393
Other payables	5 050	4,715
Deferred income	12 685	12 478
	67 884	69 321

Trade creditors and accruals comprise amounts outstanding for trade purchases and ongoing costs. The average credit period for trade purchases is 18 days (2010: 20 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.

24 Bank loans

The carrying value of the Group's financial liabilities for short term borrowings and long term borrowings are as follows

	2011 £'000	2010 £'000
Repayments due within one year	–	–
Less: unamortised issue costs	–	–
Bank loans due within one year	–	–
Repayments due outside of one year	43,500	28,000
Less: unamortised issue costs	(459)	(801)
Bank loans due outside of one year	43,041	27,199

Analysis of repayments

	2011 £'000	2010 £'000
Within one year	–	–
In the second year	43,500	–
In the third to fifth years	–	28,000
Total repayments	43,500	28,000
Less: unamortised issue costs	(459)	(801)
Total carrying value	43,041	27,199

The Group's 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 on 31 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 were as follows

	2011 %	2010 %
Bank loans	3.3	3.0
Weighted average	3.3	3.0

At 31 December 2011 the Group had available £35.6 million (2010: £51.1 million) of undrawn committed borrowing facilities which expire in 2013 and on which all conditions precedent had been met.

25 Provisions

	Cash settled share based payments 2011 £'000	FSA associated costs 2011 £'000	Total 2011 £'000	Cash settled share based payments 2010 £'000	FSA associated costs 2010 £'000	Total 2010 £'000
At 1 January	1,719	–	1,719	3,048	–	3,048
Charged to the income statement	72	16,892	16,964	464	–	464
FSA associated costs paid in the year	–	(2,114)	(2,114)	–	–	–
Loan notes repaid in the year	(897)	–	(897)	(1,793)	–	(1,793)
At 31 December	894	14,778	15,672	1,719	–	1,719

Provisions in respect of cash settled share based payments represent loan notes issued by employees to the Group. Further details are provided in note 30.

The loan notes are payable in accordance with vesting conditions summarised in note 30.

During the year the FSA carried out an investigation into certain UK sales of the Group's Card Protection and Identity Protection products as described in the Directors' Report on page 34. Provision for FSA associated costs comprises anticipated compensation payable to customers through a Past Business Review in relation to these sales, regulatory penalties and other costs and professional fees associated with the investigation and Past Business Review.

FSA associated costs are expected to be settled within two years of the balance sheet date.

25 Provisions continued

Provisions are expected to be settled in the following periods

	Cash settled share based payments 2011 £ 000	FSA associated costs 2011 £ 000	Total 2011 £ 000	Cash settled share based payments 2010 £ 000	FSA associated costs 2010 £ 000	Total 2010 £ 000
Within one year	894	10,499	11,393	860	–	860
Outside of one year	–	4,279	4,279	859	–	859
At 31 December	894	14,778	15,672	1,719	–	1,719

26 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	Other short term timing differences £ 000	Total £ 000
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 1 January 2011	663	46	3,503	(862)	3,350
Credited/(charged) to income statement	368	(46)	(1,846)	554	(970)
Charged to equity	–	–	(1,027)	–	(1,027)
At 31 December 2011	1,031	–	630	(308)	1,353

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

	2011 £ 000	2010 £ 000
Deferred tax assets	1,987	3,809
Deferred tax liabilities	(634)	(459)
	1,353	3,350

At the balance sheet date the Group has unused tax losses of £9,245,000 (2010: £8,036,000) 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 £457,000 (2010: £688,000) that will expire in 2015, £969,000 (2010: £nil) that will expire in 2016 and £2,629,000 (2010: £2,286,000) that will expire in 2020. Other losses will be carried forward indefinitely.

The Group's share of tax losses carried forward in the Home 3 joint venture amount to £1,495,000 (2010: £1,070,000). These have not been recognised since utilisation of the losses is not yet sufficiently certain.

There is no deferred tax liability on unremitted foreign earnings.

27 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 2011 the Group maintained sufficient debt facilities to ensure its objectives were met. The Group's principal debt facility during the year was its £80 million Revolving Credit Facility which expires on 31 March 2013.

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. The Directors have considered the capital requirements of the Group, including as a result of the FSA investigation, and have not proposed a final dividend in respect of the current year.

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 FSA in the UK. Both subsidiaries have complied with their respective imposed capital requirements throughout the current and previous year.

27 Financial instruments continued**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.

The Group has agreed with the FSA in connection with its investigation to additional restrictions on the disposition of assets by Card Protection Plan Limited.

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 is 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

	2011 £'000	2010 £'000
Loans and receivables	69,977	39,586

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

	2011 £'000	2010 £'000
Financial liabilities at amortised cost	(116,295)	(91,109)

Financial liabilities at amortised cost comprise bank loans, trade creditors, accruals, taxes payable and provision for FSA associated costs.

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 2011 is 29 (2010: 32).

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.

	2011 £'000	2010 £'000
Increase/(decrease) in profit before tax	21	(416)
Increase/(decrease) in shareholders' equity	21	(416)

27 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	
	2011 £ 000	2010 £ 000	2011 £ 000	2010 £ 000
Euro	9,487	10,831	9,684	8,154
US Dollar	4,398	3,587	9,005	9,623

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 20% decrease in Euro against Sterling and 15% decrease in US Dollars against Sterling exchange rates. These represent 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 change in foreign currency rates.

	Euro currency impact		US Dollar currency impact	
	2011 £ 000	2010 £ 000	2011 £ 000	2010 £ 000
Profit before tax	(50)	(16)	(7)	(1)
Shareholders' equity	(33)	339	(601)	(558)

Eurozone sensitivity analysis

The Group operates in countries with Euro denominated currencies and the potential for the Eurozone to break up represents a risk to the Group. Eurozone operations are in Germany, Ireland, Italy, France, Portugal and Spain. The total carrying amount of the Group's net assets and profit before tax originating in the Eurozone are as follows:

	2011 £'000	2010 £ 000
Net liabilities	(4,510)	(6,556)
Profit before tax	10,758	8,586

A 20% deterioration in the Sterling/euro exchange rate throughout the year would have reduced Group operating profit by £1,793,000 (2010: reduction of £1,431,000).

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 significant concentration of risk as the Group generally sells to a broad base of customers but where concentration exists this is only with highly rated counterparties.

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 18 and other receivables in note 20.

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 24.

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.

27 Financial instruments continued**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
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
2011						
Non-interest bearing liabilities	26,625	19,389	16,487	9,875	419	72,795
Variable rate instruments	99	298	795	43,566	–	44,758
	26,724	19,687	17,282	53,441	419	117,553

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
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
2011						
Non-interest bearing assets	n/a	11,876	2,744	187	246	15,053
Variable interest rate instruments	1.0%	54,738	23	163	–	54,924
		66,614	2,767	350	246	69,977

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 are 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 is 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 22

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 homogeneous 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 £1,568,000 reduction in profit before tax and shareholders' equity (2010: £917,000). 10% representing the Directors' assessment of the reasonably possible change in the loss ratio

27 Financial instruments continued

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.

28 Incorporation of a subsidiary

On 30 March 2011 I-Deal Promotions Limited (I-Deal) was incorporated as a subsidiary of the Group with 51% of the issued share capital being held by the Group and the non-controlling interest being held by members of its management team. I-Deal has been established to provide current and new Business Partners with promotions and incentive and loyalty programmes.

Since incorporation I-Deal has contributed revenue of £0.3 million and losses after taxation of £0.3 million to the consolidated income statement.

29 Share capital

	2011 Number (Thousands)	2011 £ 000	2010 Number (Thousands)	2010 £ 000
Called-up and allotted Ordinary Shares of 10 pence each				
At 1 January	170,616	17,024	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	814	82	5,829	583
At 31 December	171,430	17,106	170,616	17,024

During the year the Company issued 813,770 shares for total consideration of £1,081,000. The Company was incorporated in 2010 and issued 500,000 ordinary shares on 11 February 2010 for consideration of £12,000. Also in 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 presented the Group as if these shares had been issued throughout the prior year.

The IPO offering represented a trigger event for vesting of the Group's legacy 2005 and 2008 ESOP arrangements. During the year, 813,770 10 pence ordinary shares have been issued to option holders for total consideration of £1,081,000. Further details relating to share options are provided in note 30.

Of the 171,429,503 ordinary shares issued at 31 December 2011, 170,929,504 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 payment charges in the income statement of £1,167,000 (2010: £3,841,000) 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. The vesting conditions of the loan notes are broadly consistent with the options they replaced. The loan notes have been accounted for as cash settled share based payments.

The IPO during 2010 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.

30 Share based payment continued

Details of share options outstanding during the year under the legacy schemes are as follows

	2011		2010	
	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	3,619	1.93	6,561	1.88
Forfeited during the year	(38)	1.22	(65)	0.82
Exercised during the year	(446)	1.24	(2,877)	1.86
Outstanding at 31 December	3,135	2.03	3,619	1.93
Exercisable at 31 December	1,016	2.08	151	2.01
2008 ESOP Scheme¹				
Outstanding at 1 January	4,504	1.79	7,388	1.66
Granted during the year	–	–	168	1.79
Forfeited during the year	(270)	1.79	(102)	1.79
Exercised during the year	(368)	1.79	(2,950)	1.46
Outstanding at 31 December	3,866	1.79	4,504	1.79
Exercisable at 31 December	2,820	1.79	212	1.79

¹ As part of the Group reconstruction in March 2010, 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 £2.84 (2010: £2.45).

The options outstanding at 31 December 2011 had a weighted average remaining contractual life of nil years (2010: one year) in the 2008 Scheme and nil years (2010: one year) in the 2005 Scheme.

No options were granted in the year. The aggregate estimated fair value of the options granted during 2010 was £171,000.

The principal assumptions underlying the valuation of share options granted during 2010 at the date of grant are as follows:

	2008 ESOP Scheme		2005 LSOP Scheme	
	2011	2010	2011	2010
Weighted average share price	n/a	£2.35	n/a	n/a
Weighted average exercise price	n/a	£1.79	n/a	n/a
Expected volatility	n/a	43.00%	n/a	n/a
Expected life	n/a	1 year	n/a	n/a
Risk free rate	n/a	2.98%	n/a	n/a
Expected dividend yield	n/a	0.00%	n/a	n/a

Expected volatility was determined by calculating the historical volatility of comparable quoted companies' share prices.

Post IPO plans

Other administrative expenses include £1,092,000 (2010: £902,000) of charges arising from the Long Term Incentive Plan, the Restricted Stock Plan, the Deferred Share Bonus Plan and the ShareSAVE Plan. Options have been granted during the year under the LTIP, RSP and DSBP to incentivise certain employees. UK based staff have been invited to participate in the ShareSAVE Plan during the year.

30 Share based payment continued

Details of share options outstanding during the period under these plans are as follows

	2011		2010	
	Number of share options (thousands)	Weighted average exercise price (£)	Number of share options (thousands)	Weighted average exercise price (£)
LTIP				
Outstanding at 1 January	1,271	-	-	-
Granted during the year	1,809	-	1,323	-
Forfeited during the year	(176)	-	(52)	-
Outstanding at 31 December	2,904	-	1,271	-
RSP				
Outstanding at 1 January	135	-	-	-
Granted during the year	106	-	146	-
Forfeited during the year	(41)	-	(11)	-
Outstanding at 31 December	200	-	135	-
DSBP				
Outstanding at 1 January	-	-	-	-
Granted during the year	61	-	-	-
Outstanding at 31 December	61	-	-	-
ShareSAVE Plan				
Outstanding at 1 January	800	1.98	-	-
Granted during the year	1,073	1.25	826	1.98
Forfeited / cancelled during the year	(638)	1.98	(26)	1.98
Outstanding at 31 December	1,235	1.35	800	1.98

Nil-cost options and conditional shares granted during the year under the LTIP normally vest after three years, lapse if not exercised within ten years of grant and may lapse if option holders cease to be employed by the Group. Vesting of LTIP options and shares are also subject to achievement of performance criteria including earnings per share growth and total shareholder return over a three year period.

Nil-cost options and conditional shares granted during the year under the RSP normally vest after three years, lapse if not exercised within ten years of grant and may lapse if option holders cease to be employed by the Group.

Nil-cost options and conditional shares granted during the year under the DSBP normally vest after three years, lapse if not exercised within ten years of grant and may lapse if option holders cease to be employed by the Group. The DSBP is a scheme to retain and further incentivise senior management by awarding a portion of their annual bonus in the form of share options.

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 normally 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 2011 had a weighted average remaining contractual life of two years (2010: two years) in the LTIP, two years (2010: two years) in the RSP, two years in the DSBP (2010: n/a) and three years (2010: four years) in the ShareSAVE Plan.

30 Share based payment continued

The principal assumptions underlying the valuation of the options granted during the year at the date of grant are as follows

	ShareSAVE		LTIP		RSP		DSBP	
	2011	2010	2011	2010	2011	2010	2011	2010
Weighted average share price	£1 33	£2 68	£2 17	£2 62	£2 79	£2 62	£3 00	n/a
Weighted average exercise price	£1 25	£1 98	£nil	£nil	£nil	£nil	£nil	n/a
Expected volatility	35 72%	33 49%	36 95%	33 67%	n/a	n/a	n/a	n/a
Expected life	3 years	4 years	3 years	3 years	3 years	3 years	3 years	n/a
Risk free rate	1 16%	1 45%	1 49%	1 94%	n/a	n/a	n/a	n/a
Dividend yield	5 68%	3 28%	n/a	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, DSBP and ShareSAVE is £4 230 000 (2010: £4 181 000)

Expected volatility was determined by calculating the historical volatility of comparable quoted companies' share prices

31 Reconciliation of operating cash flows

	2011 £ 000	2010 £ 000
Profit for the year	18,051	27 150
Adjustment for		
Depreciation and amortisation	12,090	10 162
Equity settled share based payment expense	2,169	4 279
Loss on disposal of property, plant and equipment	13	–
Share of loss of joint venture	1,181	843
Investment revenues	(423)	(341)
Finance costs – non derivative instruments	1,795	5 482
Income tax expense	10,255	12 604
Operating cash flows before movements in working capital	45,131	60,179
Increase in inventories	(40)	(130)
Increase in receivables	(770)	(7 134)
Increase in insurance assets	(3,059)	(7,441)
Increase in payables	605	5,655
(Decrease)/Increase in insurance liabilities	(1,539)	1 420
Increase in provisions	14,850	464
Cash generated by operations	55,178	53 013
Exercise of share options	(1,059)	(5,530)
Income taxes paid	(12,572)	(9 121)
Net cash from operating activities	41,547	38 362

32 Contingent liabilities

Having regard to the disclosure in note 25, it is possible that other claims or matters may arise against the Group in connection with the FSA's investigations, which could take a number of forms and therefore have a financial effect that cannot presently be estimated. The Directors have considered the probability of such claims or matters crystallising and as a result do not deem them probable enough to recognise a provision.

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

	2011 £ 000	2010 £ 000
Within one year	351	716
In the second to fifth years inclusive	4,163	2,868
After five years	6,093	2,597
	10,607	6,181

34 Events after the balance sheet date

On 24 February 2012 the Group announced that it had reached agreement with the FSA on the scope of actions necessary to address certain failings in its sales processes in the UK. The Group has agreed to make changes to its renewals process in order to highlight more clearly to customers that they have the right not to renew the products and to explain clearly the benefits and limitations of the relevant product. It has also agreed to carry out a Past Business Review under FSA supervision of direct sales of its Card Protection and Identity Protection products from 2005 and to offer appropriate redress to customers. The agreement with the FSA is detailed on page 34.

The anticipated impact of the above actions agreed with the FSA, together with an estimate of regulatory penalties and professional fees are included in the Group's provision of £14.8 million for FSA associated costs in note 25.

On 12 March 2012 the Group confirmed that it was undertaking a restructuring of its UK business with a voluntary redundancy programme. This measure has been taken to align the UK cost base to its revenue and is expected to result in one-off redundancy costs of approximately £3.4 million.

35. Related party transactions and control

Ultimate controlling party

The Group is controlled by the Company's majority shareholder, Mr 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:

	2011 £ 000	2010 £ 000
Costs rechargeable to Home 3 incurred by the Group	361	366
Balance receivable from Home 3 at 31 December	1,090	27

Amounts receivable from Home 3 include £1,200,000 (2010: £ nil) of sub-ordinated loan notes which fall due for repayment on 29 December 2012.

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:

	2011 £ 000	2010 £ 000
Short term employee benefits	3,436	3,986
Post employment benefits	231	161
Termination benefits	142	240
Share based payments	1,153	2,871
	4,962	7,258

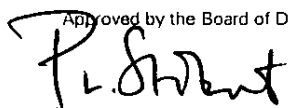
Required disclosures regarding remuneration of the Directors are included in the Remuneration Report on pages 44 to 50.

COMPANY BALANCE SHEET

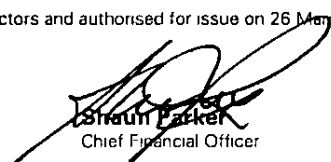
For the year ended 31 December 2011

	Note	2011 £ 000	2010 £ 000
Fixed assets			
Tangible fixed assets	39	5	5
Investment in subsidiaries	40	15,787	15,321
		15,792	15,326
Current assets			
Debtors	41	59,477	42,619
Cash and cash equivalents		9,901	10,957
		69,378	53,576
Creditors amounts falling due within one year	43	(12,128)	(10,023)
Net current assets		57,250	43,553
Total assets less current liabilities		73,042	58,879
Provisions	44	(2,176)	(1,719)
Net assets		70,866	57,160
Capital and reserves			
Called up share capital	45	17,106	17,024
Share premium account	46	33,300	32,301
Share based payment reserve	46	4,980	2,973
Profit and loss reserve	46	15,480	4,862
Equity shareholders' funds		70,866	57,160

Approved by the Board of Directors and authorised for issue on 26 March 2012 and signed on its behalf by


Paul Stobart

Chief Executive Officer


S Shaun Parker

Chief Financial Officer

Company registration number 07151159

NOTES TO THE COMPANY FINANCIAL STATEMENTS

36 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 year of £23 543 000 (2010: £8 989 000) including dividends received from subsidiary undertakings of £30 000 000 (2010: £13 500 000) during the year.

37 Significant accounting policies

Basis of preparation

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).

The Company was incorporated as Cranberry 1 Plc on 9 February 2010 and changed its name to CPPGroup Plc on 10 March 2010. The comparative information is therefore based on a 46 week period.

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.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share based payments

Prior to the Company's shares being listed on 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 its listing, the Company has issued share options to certain of the Group's employees under the LTIP, the RSP, the DSBP 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 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 are measured by use of the Black Scholes option pricing model and Monte Carlo simulation model.

Pension costs

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

37 Significant accounting policies continued**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

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows

Computer systems 4 years straight line

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

38 Dividends

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

	2011 £ 000	2010 £ 000
Final dividend paid for the period ended 31 December 2010 of 5.12 pence per share	8,776	-
Interim dividend paid for the year ending 31 December 2011 of 2.42 pence per share (2010: 2.42 pence per share)	4,149	4,127
Amounts recognised as distributions to equity holders in the year	12,925	4,127

The Directors have not proposed a final dividend for the year ended 31 December 2011. During 2011 the Directors proposed a final dividend for the year ended 31 December 2010 of 5.12 pence per share which was not accrued as a liability as at 31 December 2010 in accordance with IAS 8

39 Tangible fixed assets

	Computer systems £ 000
Cost	
At 1 January 2011	6
Additions	-
At 31 December 2011	6
Accumulated Depreciation	
At 1 January 2011	1
Provided during the year	-
At 31 December 2011	1
Carrying amount	
At 31 December 2010	5
At 31 December 2011	5

40 Investment in subsidiaries

	2011 £ 000	2010 £ 000
Cost and carrying value		
At 1 January	15 321	-
Acquisitions	466	15 321
At 31 December	15,787	15 321

Acquisitions of £466 000 during the year relate to the exercise of share options held by overseas employees which are treated as capital contributions to the employing subsidiaries and therefore recognised as investments in subsidiary companies.

In 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.

40 Investment in subsidiaries continued

Investments in Group entities at 31 December 2011 are as follows

	Coun ry 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%
CPP Travel Services Limited	England & Wales	Ordinary Shares	100%
I-Deal Promotions Limited	England & Wales	Ordinary Shares	51%
CPP Brasil Servicos de Assistencia Pessoal LTDA	Brazil	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 R 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 Aracılık Hizmetleri Anonim Sirketi	Turkey	Ordinary Shares	99.99%
CPP Yardım 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%

40 Investment in subsidiaries continued

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%
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Quasi-subsidiary Protected Cell Company

The principal activity of all of the subsidiaries is to provide services in connection with the Group's major product streams

41 Debtors

	2011 £'000	2010 £'000
Amounts due from Group entities	58,532	41,680
Prepayments	69	33
Deferred tax asset	745	894
Other debtors	131	12
	59,477	42,619

Amounts receivable from Group entities are unsecured, have no fixed date of repayment and bear interest at LIBOR plus a variable margin.

42 Deferred tax

Movements in deferred tax assets recognised by the Company are as follows

	Share based payments 2011 £'000	Share based payments 2010 £'000
At 1 January	894	-
Transferred from other Group companies	-	1,140
Charged to profit and loss	(149)	(246)
At 31 December	745	894

Deferred tax assets are stated at the UK Corporation Tax rate of 25% expected to apply on the forecast date of reversal, based on tax laws substantively enacted at 31 December 2011.

43 Creditors amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors	140	176
Amounts payable to Group entities	10,702	8,675
Accruals	1,286	1,163
Other taxation and social security	-	9
	12,128	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.

44 Provisions

	Cash settled share based 2011 £'000	FSA associated costs 2011 £ 000	Total 2011 £'000	Cash settled share based payments 2010 £ 000	FSA associated costs 2010 £ 000	Total 2010 £ 000
At 1 January	1,719	–	1,719	–	–	–
Transferred from other Group entities	–	–	–	3,169	–	3,169
Charged to the profit and loss account	72	2,109	2,181	343	–	343
FSA associated costs paid in the year	–	(827)	(827)	–	–	–
Repayment of loan notes	(897)	–	(897)	(1,793)	–	(1,793)
At 31 December	894	1,282	2,176	1,719	–	1,719

Cash settled share based payments represent loan notes issued to employees of Group entities. Further details are provided in note 46.

As a consequence of the IPO, 50% of the loan notes fell due for repayment during 2010, 25% fell due for repayment in 2011 and 25% will fall due in 2012.

During the year the FSA carried out an investigation into certain UK sales of the Group's Card Protection and Identity Protection products, as described in the Directors' Report on page 34. Provision for FSA associated costs comprises professional fees associated with the investigation.

FSA associated costs are anticipated to be settled within one year of the balance sheet date.

45 Share capital

	2011 Number (Thousands)	2011 £ 000	2010 Number (Thousands)	2010 £ 000
Issued				
At 1 January	170,616	17,024	–	–
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	814	82	5,829	583
At 31 December	171,430	17,106	170,616	17,024

The Company was incorporated in 2010 and issued 500,000 ordinary shares on 11 February 2010 for consideration of £12,000. In 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.

The IPO offering represented a trigger event for vesting of the Group's legacy 2005 and 2008 ESOP arrangements. During the year 813,770 10 pence ordinary shares have been issued to option holders for total consideration of £1,081,000. Further details relating to share options are provided in note 48.

Of the 171,429,503 ordinary shares issued at 31 December 2011, 170,929,504 are fully paid and 499,999 are partly paid.

46 Reserves

	Share premium account £ 000	Share based payment reserve £ 000	Profit and loss reserve £ 000	Total £ 000
At 1 January 2011	32,301	2,973	4,862	40,136
Profit for the year	-	-	23,543	23,543
Dividends paid	-	-	(12,925)	(12,925)
Equity settled share based payment charge	-	2,007	-	2,007
Exercise of share options	999	-	-	999
At 31 December 2011	33,300	4,980	15,480	53,760

47 Reconciliation of movement in equity shareholders' funds

	2011 £ 000	2010 £ 000
Profit for the year	23,543	8,989
Dividends paid	(12,925)	(4,127)
Equity settled share based payment charge	2,007	2,973
Exercise of share options	1,081	8,574
Initial purchase offering	-	25,587
Other shares issued	-	15,164
Movement in equity shareholders' funds	13,706	57,160
Equity shareholders' funds at 1 January	57,160	-
Equity shareholders' funds at 31 December	70,866	57,160

48 Share based payment**Legacy schemes**

Legacy schemes comprise the 2005 and the 2008 ESOP Schemes including the related loan notes (see note 44) 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:

	2011		2010	
	Number of share options (Thousands)	Weighted average exercise price £	Number of share options (Thousands)	Weighted average exercise price £
2005 ESOP Scheme				
Outstanding at 1 January	2,253	1.84	-	-
Rolled over during the year/period ¹	-	-	3,881	1.80
Forfeited in the year/period	(16)	0.82	-	-
Exercised during the year/period	(299)	1.12	(1,628)	1.74
Transferred in from other Group companies	435	2.28	-	-
Outstanding at 31 December	2,373	2.02	2,253	1.84
Exercisable at 31 December	633	2.05	18	0.82

¹ As part of the 2010 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.

48 Share based payment continued

	2011		2010	
	Number of share options (Thousands)	Weighted average exercise price £	Number of share options (Thousands)	Weighted average exercise price £
2008 ESOP Scheme				
Outstanding at 1 January	3,216	1.79	–	–
Rolled over during the year/period ¹	–	–	5,052	1.60
Forfeited in the year/period	(116)	1.79	(100)	1.79
Exercised during the year/period	(162)	1.79	(1,736)	1.22
Transferred in from other Group companies	84	1.79	–	–
Outstanding at 31 December	3,022	1.79	3,216	1.79
Exercisable at 31 December	2,356	1.79	76	1.79

¹ As part of the 2010 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 2010 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 2011 had a weighted average remaining contractual life of nil years (2010: one year) in the 2008 Scheme and nil years (2010: one year) in the 2005 Scheme.

The weighted average share price at the dates of exercise during the year was £2.81 (2010: £2.44).

Post IPO plans

Options have been granted by the Company to Group employees during the period under the LTIP, RSP and DSBP to incentivise certain employees. UK based Group employees have been invited to participate in the ShareSAVE Plan during the year.

Details of share options outstanding during the year held by the Company's employees under the plans are as follows:

	2011		2010	
	Number of share options (Thousands)	Weighted average exercise price £	Number of share options (Thousands)	Weighted average exercise price £
LTIP				
Outstanding at 1 January	848	–	–	–
Granted during the year	1,373	–	900	–
Forfeited during the year	(120)	–	(52)	–
Transferred in from other Group companies	51	–	–	–
Outstanding at 31 December	2,152	–	848	–
RSP				
Outstanding at 1 January	45	–	–	–
Granted during the year	45	–	45	–
Forfeited during the year	(18)	–	–	–
Outstanding at 31 December	72	–	45	–
DSBP				
Outstanding at 1 January	–	–	–	–
Granted during the year	46	–	–	–
Outstanding at 31 December	46	–	–	–
ShareSAVE Plan				
Outstanding at 1 January	57	1.98	–	–
Granted during the year	105	1.25	57	1.98
Forfeited / cancelled during the year	(48)	1.98	–	–
Outstanding at 31 December	114	1.31	57	1.98

48 Share based payment continued

Nil-cost options and conditional shares granted during the year under the LTIP normally vest after three years lapse if not exercised within ten years of grant and may lapse if option holders cease to be employed by the Group. Vesting of LTIP options and shares are also subject to achievement of performance criteria including earnings per share growth and total shareholder return over a three year period.

Nil-cost options and conditional shares granted during the year under the RSP normally vest after three years lapse if not exercised within ten years of grant and may lapse if option holders cease to be employed by the Group.

Nil-cost options and conditional shares granted during the year under the DSBP normally vest after three years lapse if not exercised within ten years of grant and may lapse if option holders cease to be employed by the Group. The DSBP is a scheme to retain and further incentivise senior management by awarding a portion of their annual bonus in the form of share options.

Options granted during the year 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 normally 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 2011 had a weighted average remaining contractual life of two years (2010: two years) in the LTIP two years (2010: two years) in the RSP two years in the DSBP (2010: n/a) and three years (2010: 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		DSBP	
	2011	2010	2011	2010	2011	2010	2011	2010
Weighted average share price	£1.33	£2.68	£2.08	£2.62	£2.70	£2.62	£3.00	n/a
Weighted average exercise price	£1.25	£1.98	£nil	£nil	£nil	£nil	£nil	n/a
Expected volatility	35.75%	33.49%	36.88%	33.67%	n/a	n/a	n/a	n/a
Expected life	3 years	3 years	3 years	3 years	3 years	3 years	3 years	n/a
Risk free rate	1.15%	1.45%	1.45%	1.94%	n/a	n/a	n/a	n/a
Dividend yield	5.68%	3.28%	n/a	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, DSBP and ShareSAVE is £2,837,000 (2010: £2,306,000).

Expected volatility was determined by calculating the historical volatility of comparable quoted companies' share prices.

49 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 2011 amounted to £43,500,000 (2010: £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 35 to the consolidated financial statements. Emoluments of the Company's Directors are set out in the Remuneration Report on pages 44 to 50.

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