CPPGroup Plc
Annual Report & Accounts 2013

About CPP

CPPGroup Plc is an international assistance business operating in the UK and overseas within the financial services, telecommunications and travel sectors.

Our report

This year's Annual Report includes a strategic report and increased governance content to help our stakeholders better understand our business. We hope you find it useful and informative.

Access our corporate website at
cppgroupplc.com

Group overview and strategic report

Financial overview and Key Performance Indicators

Revenue
continuing operations only

£178.0m
(2012: £269.9m)

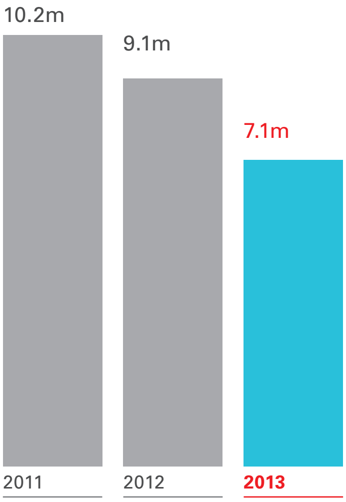
Underlying operating (loss)/profit[1]
continuing operations only

£(1.8)m
(2012: £26.7m profit restated)

Reported loss after tax
continuing and discontinued operations

£(32.9)m
(2012: £(17.2)m)

Live policies (KPI)[2]



Definition:
The total number of active policies that provide continuing cover or services to policyholders.

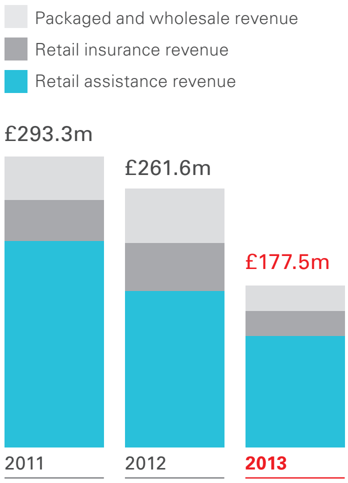
Performance:
The live policy base is 2.0 million lower than December 2012 due to UK factors including the loss of the RBS Mobile Phone Insurance (MPI) contract and declining Card Protection and Identity Protection renewals, including the impact of increased cancellations following Scheme of Arrangement (Scheme) correspondence and associated publicity. The on-going Voluntary Variation of Permissions (VVOP) restrictions in the UK are limiting the Group's ability to increase its live policy base. Live policies outside the UK have declined marginally.

Annual renewal rate (KPI)[2]

Definition:
The net amount of annual retail policies remaining on book after the scheduled renewal date, as a proportion of those available to renew.

Performance:
The annual renewal rate for 2013 has declined by 4.1 percentage points since December 2012. This reflects a reduction in the Card Protection and Identity Protection renewal rates in the UK following amendments to the renewal process implemented in late 2012 and increased cancellations resulting from Scheme correspondence and associated publicity.

Revenue by major product (KPI)



Definition:
Revenue from the Group's major product offerings (defined in note 5 of the financial statements). This excludes non-policy revenue.

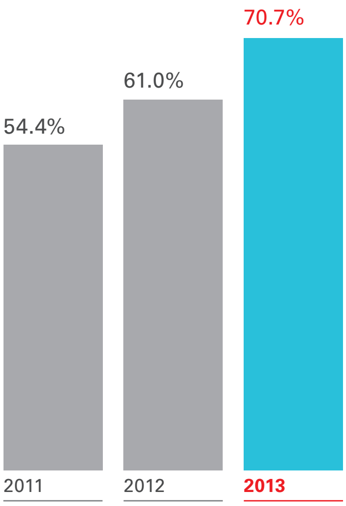
Performance:
Revenue from retail assistance policies has declined compared to 2012, reflecting the decline in Card Protection and Identity Protection renewals. The continued new retail sales restrictions associated with the VVOP, mainly in the UK, restricts the Group's ability to grow retail revenue. Revenue from retail insurance and packaged and wholesale have declined year-on-year as a result of lost Business Partner contracts in the UK. This measure excludes non-policy revenue of £0.5 million in 2013 (2012: £8.3 million).

As the Scheme progresses through 2014, the level of claims will have an impact on some of our KPIs.

- Our live policies will reduce because an accepted claim in the Scheme results in a cancellation of the relevant policy. However, the majority of claims are anticipated to be in respect of policies that were already cancelled before the Scheme began and do not therefore form part of the current live policy base. Only those cancelled policies which are part of the live base will impact this measure going forward.
- Our renewal rate will not be directly impacted by Scheme cancellations because these policies are considered not available to renew in the normal course of business and do not therefore fall within the renewal rate definition. Additionally, as it is anticipated the majority of claims are in respect of policies that cancelled before the Scheme began, these policies are already reflected in historical renewal rates.
- Scheme claims will be funded through cash retained in CPPL, which is currently restricted by the terms of the VVOP. As a result, VVOP restricted cash and the Group total cash balance will reduce significantly in 2014. At the time of approving the accounts, redress payments have been made to date totalling £16.5 million.
- Further Scheme detail is provided on page 6.

"As expected, our financial performance during 2013 is reflective of the challenges of the Group's environment, particularly in the UK, and has been compounded by the loss of key business contracts."

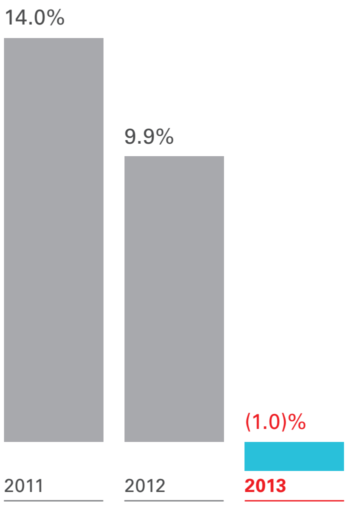
Cost/income ratio (KPI)[2]



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

Performance:
Our cost income ratio has increased by 9.7 percentage points year-on-year largely due to declining Card Protection and Identity Protection renewal revenue in the UK. This impact has been partly offset by the significant steps taken by the Group in 2013 to reduce its cost base through the commencement of a restructuring programme, the benefits of which will continue in 2014.

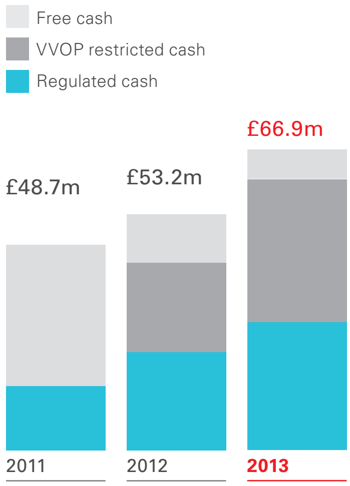
Underlying operating (loss)/profit margin (KPI)[3]



Definition:
Operating (loss)/profit before exceptional items as a percentage of revenue.

Performance:
Our underlying operating margin has decreased 10.9 percentage points due to a decline in renewal income for Card Protection and Identity Protection and reducing MPI margins in the UK through increasing direct costs relative to revenue. The impact is partly offset by the significant steps taken by the Group in 2013 to reduce its cost base through the commencement of a restructuring programme, the benefits of which will continue in 2014.

Group cash balances (KPI)[2]



Definition:
Group cash balances allocated between regulatory funds, VVOP restricted funds and free cash available to utilise throughout the Group.

Performance:
Regulatory and VVOP restricted funds have increased year-on-year reflecting the cash generated in the UK's main trading entities, Card Protection Plan Ltd (CPPL) and Homecare Insurance Ltd (HIL), which cannot be distributed to the wider Group due to solvency requirements and/or the terms of the VVOP.

The decline in free cash reflects the cash used by the wider Group compared to the cash generated principally by its overseas operations. This is mainly due to refinancing costs incurred in the year, Group overhead requirements and continued investment in developing markets.

1. Underlying operating (loss)/profit excludes exceptional items of £37.5 million (2012: £43.9 million). Exceptional items in the year include customer redress and associated costs, restructuring costs and IT asset impairments.
2. 2011 & 2012 have been restated to exclude the North American operation which is discontinued.
3. 2011 & 2012 have been restated to exclude the North American operation and Home3 joint venture which are discontinued.

At a glance

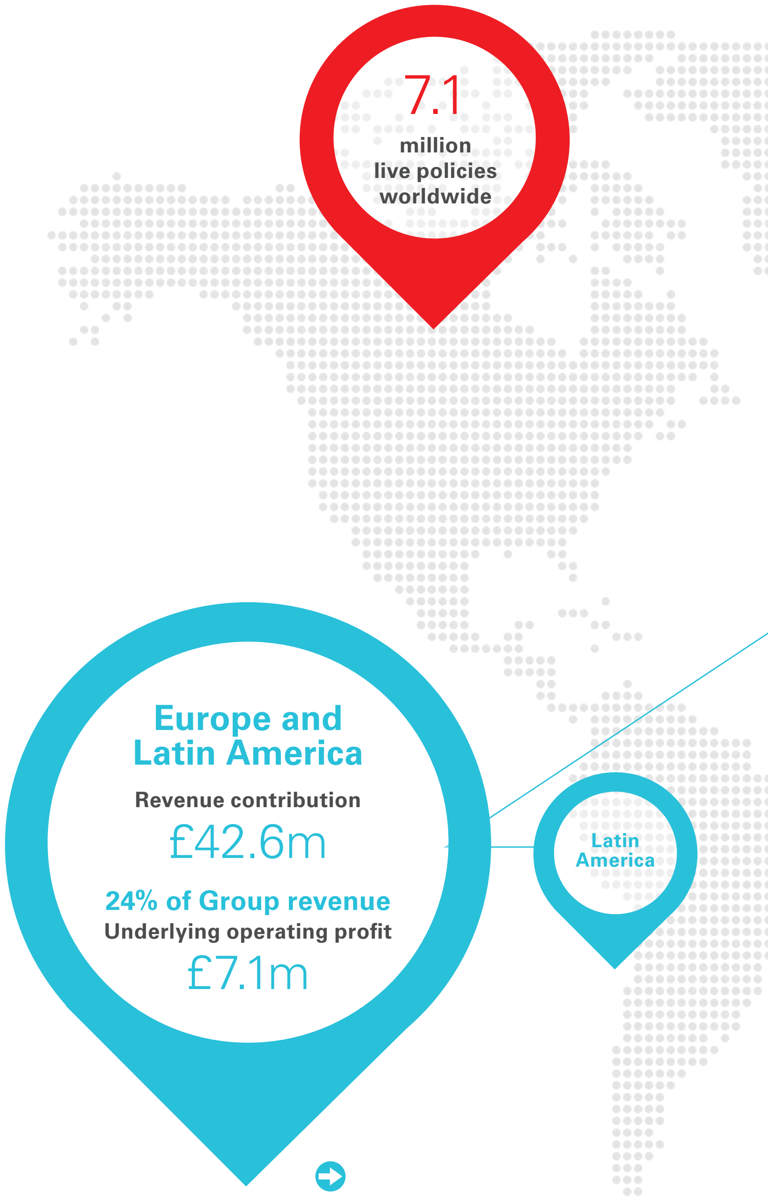
About CPP

CPP is an international assistance business operating in the UK and overseas within the financial services, telecommunications and travel sectors. Our retail, wholesale and packaged products help to provide security for our customers worldwide and are designed to make everyday life easier to manage. Our core products provide assistance, protecting items that are important to our customers. Our travel service product enhances the experience of leisure and business travel.

Our products

Our products are offered to our customers worldwide.

- Card Protection
- Travel Services
- Mobile Phone Assistance
- Mobile Phone Insurance
- Identity Protection
- Legal Protection



Find out more **on page 17**

We are evolving our business...

Our business model

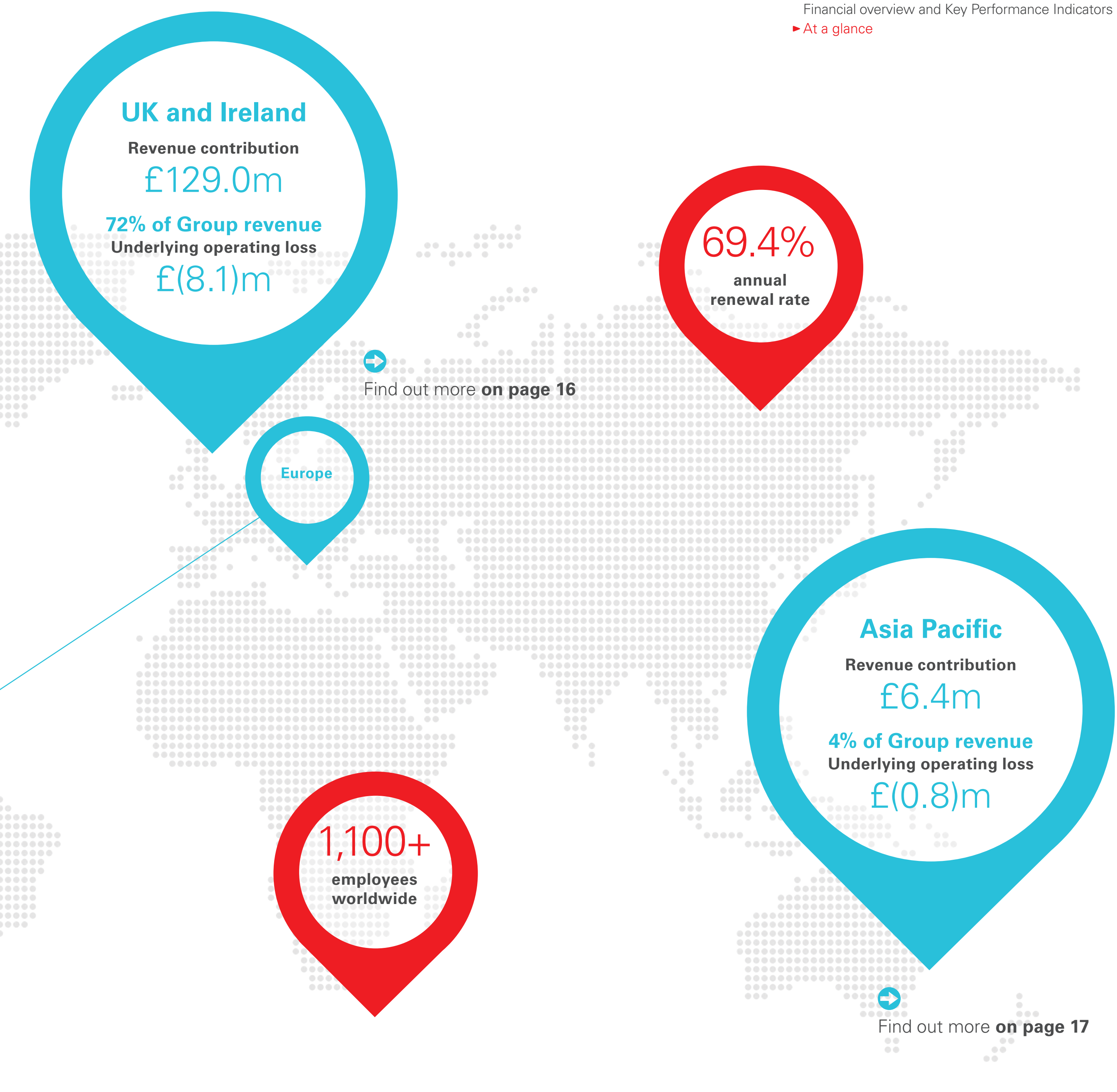
We primarily operate a business-to-business-to-consumer (B2B2C) business model. The Group provides services and retail, wholesale and packaged products to customers through Business Partners and direct to consumer.

Our business model **page 12**

Our emerging strategy

We are evolving and repositioning the business. We have developed a short term business plan and are identifying opportunities that will create sustainable growth in the future.

Our strategy **page 13**



Our vision

To be a responsible assistance business offering products with improved value, choice, service and delivery.

Corporate Responsibility **pages 14 and 15**

Our performance

As expected, our performance during 2013 reflects the on-going challenges experienced by the Group, particularly in the UK. You can find out more about our performance in this report.

Financial review **pages 18 to 22**

Group overview
Strategic report
Corporate governance
Financial statements
Shareholder information

Chairman's statement

2013 milestones

- May 2013: disposal of the North American business
- May 2013: began the process to restructure the Group and continued to reduce costs
- July 2013: successfully refinanced the Group
- August 2013: formalised the Scheme of Arrangement
- September 2013: appointed new Executive Management team

Our objectives

- Complete the Scheme of Arrangement
- Rebuild the business on solid foundations
- Improve our operational and IT capability, controls and governance
- Develop longer term business plan
- Modernise the business
- Progress towards improved performance
- Ensure we operate as a customer-led business

Risk management
pages 23 and 24

Principal risks
pages 25 and 26

Corporate governance
pages 28 to 57

Remuneration report
pages 41 to 53

Duncan McIntyre
Non-Executive Chairman

We are now in a stronger position and have the opportunity to take the Group forward

Progress, challenge and change

I joined CPP in January 2011 as a Non-Executive Director, shortly before the onset of what has been a turbulent period for the Group. We have faced three years of immense challenge and uncertainty and the impact on the business has been profound.

The Board has clearly recognised the seriousness of past failings identified by the Financial Conduct Authority (FCA) investigation that began in 2011 into sales practices in the UK business. The investigation concluded in late 2012 and the Group, as agreed with the FCA, has operated with restrictions to the regulated permissions of the regulated entities under a Voluntary Variation of Permissions (VVOP). The vehicle for providing redress – the Scheme of Arrangement (Scheme) – was formalised in August 2013, through which CPP and certain of its Business Partners can review claims and, where appropriate, pay redress. The Scheme was approved in early 2014 and will conclude on 30 August 2014. I am therefore pleased that redress is now being paid to customers who were mis-sold our products.

We acknowledge that, as a result of the period of uncertainty and challenges we have faced, concerns of our stakeholders have been heightened. Therefore, with the Scheme underway and due to conclude in August, we hope that as we begin to rebuild the business we can collectively start to look forward together. It will be a substantial task to rebuild the Group and it will take time before our performance improves and our credibility is restored. Our challenges will continue and further change is required as we move forward to a more stable position. Nonetheless, we are pleased that we are now in a stronger position and have the opportunity to take the Group forward for the next phase of its development.

Turning to 2013, encouraging progress was made in a challenging year and we achieved a number of milestones. We disposed of the North American business; began restructuring the Group; continued to reduce our costs substantially; successfully refinanced the Group through our existing lenders and certain Business Partners; formalised the Scheme; and strengthened our Executive Management team. We also continued to place particular emphasis on our operating and IT capabilities and the improvements required to our governance.

In late 2013, we began developing a new business plan to return the Group to a position of stability and strength. We also identified our key priorities, with particular focus on cost reduction, our operational and IT environment, reviewing the strategic fit of certain markets and our joint venture in Home3. We have a short term business plan which is evolving as the future of the Group becomes more certain. In addition to completing the Scheme, our objectives are to continue to improve our operational capability, controls and governance, implement a new IT infrastructure and modernise the business.

Our aim is to progress towards improved performance and ensure we operate as a customer-led business. Importantly, we need to be confident that we are rebuilding the business on solid foundations which ultimately will allow us to apply to remove the restrictions on our regulatory permissions. Once the Scheme is concluded, we can start to embed our longer term plans.

"**Encouraging progress was made in a challenging year;** nonetheless, it will take time before our performance improves and our credibility is restored."

Duncan McIntyre, Non-Executive Chairman

We are currently in consultation with our key stakeholders regarding a possible requirement for future funding.

In view of the challenges we have faced, the Board continues to believe it is not appropriate to pay a dividend.

Reporting developments

This year's Annual Report incorporates a number of new disclosure requirements to make our strategy, performance and Directors' remuneration easier to understand. An enhanced Audit Committee report and Auditor's report is also included in this year's report. The Board provides its confirmation on page 57 that the report presents a fair, balanced and understandable assessment of CPP's position and prospects.

Risk management

In 2013, we continued to develop our risk management and internal control framework, focusing on the principal risks that the Group faces. Effective risk management and robust internal control, which is summarised on pages 23 and 24, is central to the achievement of our business plans and strategic objectives as we move forward and develop the Group for the future.

Governance

We continue to make improvements which are required to strengthen the governance and control environment. During 2013, these included enhancements to our Business Incident Management system, risk register and the introduction of minimum standards across the Group. The Board is committed to implementing a strong governance framework throughout the business, supported by our Committees. Full details of our approach to governance can be found on pages 32 to 35.

Remuneration

Our objective is to ensure that our remuneration policies clearly reflect our business objectives and performance and that the interests of the management team and shareholders are aligned. During the year, the Remuneration Committee reviewed the remuneration policies to ensure that they remained appropriate.

The Board

In December 2013, Charles Gregson announced his intention to step down as Non-Executive Chairman and in January 2014, I was appointed as Non-Executive Chairman with the support of the Group's largest shareholders. On behalf of the Board I would like to thank Charles for his significant contribution during his tenure.

During the year, the Group made a number of changes to the Board. With effect from 1 September 2013, Brent Escott and Craig Parsons became Chief Executive Officer and Chief Financial Officer respectively to lead the Group forward. They succeeded Paul Stobart and Shaun Parker who stepped down from their respective roles at the end of August 2013. I would like to thank both Paul and Shaun for their hard work and commitment to the Group during a period of immense challenge.

A number of Non-Executive Director changes took place during the year. Mr Hamish Ogston, who founded CPP in 1980, stepped down from his role as Non-Executive Director in June 2013. In September and October 2013 respectively, we announced the appointments of Shaun Astley-Stone and Ruth Evans to the Non-Executive team, broadening the skillset and experience of the Board. Furthermore, Les Owen has indicated his intention to retire from the Board once a successor has been identified.

Looking ahead

As I said in my opening comments, we have made encouraging progress; however our journey is in its infancy and our performance in 2014 will continue to be constrained as we concentrate our efforts to rebuild the business.

Until the Scheme draws to a close on 30 August 2014, material uncertainty remains. It is evident that the financial impact will be significant and the Group's financial resources will be reduced.

The Board is taking what it collectively believes to be an appropriate course of action to improve our performance within a realistic timeframe. Much work will continue to take place during 2014 to complete the improvements and changes required to reposition the Group whilst we also resolve the challenges that remain and complete the Scheme. The Board is actively assessing the options for value creation going forward and building on our strengths and progress made, our key objective is to create a sustainable business proposition for the long term.

I would like to thank our people for their continued commitment and loyalty and the Board is grateful for the on-going support of our stakeholders.

Duncan McIntyre
Non-Executive Chairman
23 April 2014

Chief Executive Officer's statement

Progress made

- Refinanced the Group, commenced restructure and streamlined the cost base
- Reviewed operational and IT capabilities, existing products and distribution
- Improved internal governance and controls
- Developed a clear short term plan for the business
- Strengthened the depth and expertise of management

Our priorities

- Complete the Scheme of Arrangement
- Implement a robust and efficient operational and IT environment
- Strengthen governance and controls across the Group
- Modernise our products to enhance our customer experience
- Apply to remove the restrictions on our regulatory permissions in the UK (removal of VVOP)
- Strengthen Business Partner relationships
- Engage with stakeholders to agree the long term future of the business

Our business model
page 12

Our strategy
page 13

Our stakeholders and Corporate Responsibility
pages 14 and 15

Operating review
pages 16 and 17

Brent Escott
Chief Executive Officer

We are moving forward and building a stronger business to realise our future opportunities

Our progress

In my first review as Chief Executive Officer of CPP I am encouraged by the progress that the Group has made, despite the challenges it has faced. I joined CPP in June 2013 as Interim Deputy CEO before being appointed Group CEO in September 2013. It is clear to me that the journey for CPP has been difficult and that the milestones achieved would not have been possible without the hard work of our people. I give great credit to them for their continued dedication to both CPP and our customers.

Much work took place during 2013 and we have made considerable progress in a short time; evident in the sale of the US business, the successful refinancing, repositioning the Group and streamlining our cost base. Since my appointment in September, there has been a clear focus on reducing cost, assessing the capability of the operational and IT environment and undertaking a thorough assessment of the future potential of the existing business model – both products and distribution. At the same time, we have successfully commenced the Scheme and we are encouraged that those who voted were overwhelmingly in support of the Scheme.

We have refocused our international business development and sales efforts, minimum standards have been introduced across the Group and we are finalising plans to embed a cost-effective IT platform and a more efficient operational environment. The review of our existing activities has resulted in the planned exit from France and Singapore and we also completed the sale of our shareholding in Home3, a joint venture with Mapfre. Most importantly, we have identified and delivered further operational cost savings, expected to be £15 million year-on-year.

There is more work ahead as we modernise, reposition the business and complete the required changes to our operating and IT environment. Nevertheless, the progress made has provided CPP with a more stable platform from which to move forward and build the foundations that will support our future growth.

Our performance

As expected, our financial performance during 2013 reflects the challenges of the Group's environment, particularly in the UK, and has been compounded by the loss of key business contracts. Revenue reduced to £178.0 million (2012: £269.9 million) and underlying operating performance which excludes exceptional items reduced from a profit in 2012 to a loss of £1.8 million (2012: £26.7 million profit). The Group has recognised significant exceptional items in the period of £37.5 million (2012: £43.9 million), mainly comprising customer redress and associated costs, restructuring costs and IT asset impairments that reflect the write-down of historical capital expenditure on the balance sheet. This has resulted in a reported operating loss of £39.3 million (2012: £17.3 million). At a Group level, renewal rates for the year were 69.4% (2012: 73.5%) and live policies totalled 7.1 million (2012: 9.1 million).

In the face of these challenges and the significant risks and uncertainties the Group has endured, it has been difficult to grow the business in recent years.

Scheme letters were issued from 12 February 2014 and Scheme claims are tracking broadly within our expectations. We have further increased the provision for customer redress and associated costs by £4.0 million since 20 December 2013, resulting in the total cost

"**The progress made has provided CPP with a more stable platform** from which to move forward and build the foundations that will support our future growth."

Brent Escott, Chief Executive Officer

provided to date of £69.8 million. This increase reflects the current best estimate of customer responses and associated costs and is based on the latest information available to the Board. We have also been granted an amendment to our loan facilities with our existing lenders to increase the covenant default limit regarding customer response rates leading to a successful claim under the Scheme from 32 per cent to 40 per cent. This increase provides the Group further headroom and additional comfort as the Scheme progresses. The Group has worked hard to ensure it has sufficient financial resources to complete the Scheme and whilst there continues to be risk in this area, the Group continues to make positive progress regarding its financial stability. It is however anticipated that the Group total cash balance will reduce significantly in 2014 as a result of redress payments.

Change for the better

Since 2011, a review of our business has been undertaken in the light of legitimate concerns raised by the UK regulator, the FCA. Recognising and understanding where CPP went wrong is a pivotal step in the journey to rebuilding a responsible, modern, customer-led business. A number of positive steps have been taken and substantial changes have been made to practices and culture, yet there is more that we need to do in order to fully realise this ambition and have the full confidence of our stakeholders.

Our priorities

Following my appointment as Chief Executive Officer in September 2013, a key priority has been to clearly understand the issues that the organisation faces, how we can address those challenges and identify the expertise required to achieve our goals. In parallel, we have worked constructively with the FCA and Business Partners in relation to the Scheme, with a clear priority to achieve the best outcome for customers and complete the Scheme.

We have identified a number of core priorities and developed a realistic short term business plan from which we can move forward in the next phase of reshaping our organisation. It is essential that we implement a robust and efficient operational environment and cost-effective IT platform whilst we also continue to strengthen our governance, controls, compliance and risk management capabilities. Rebuilding the business on solid foundations will provide a stronger position from which we can apply to remove the restrictions on our regulatory permissions.

We will also place great emphasis on our people, our customers, our performance and strengthening relationships with our Business Partners. These aspects are central to achieving an optimal balance for the business and moving towards our aim of being an efficient organisation which is compliant and looks after customers well.

Our plan

The Board and I have developed a clear plan to stabilise the Group whilst we complete the Scheme, resulting from a realistic understanding of our strengths, market opportunities and the challenges that remain. The key aspects of our immediate business plan are outlined on page 13, which encompasses four elements: rebuild, improve, modernise and evolve.

As we gain greater certainty and the Scheme progresses, we will continue to engage with key stakeholders to agree the future plans for the Group. We can then begin to build the foundations that will support the longer term direction of the business. Once these uncertainties are removed we expect to move into 2015 in a stronger position.

During 2014, our aim is to complete the improvements required as we begin to modernise our products and service channels to enhance our customer experience, with a renewed focus on realising the demand for solutions in the digital environment. We will continue to work with our stakeholders as we explore the emerging opportunities for CPP in order to clearly understand the long term growth potential of the business.

Understanding and engaging with our stakeholders

We proactively seek to maintain strong relationships with our stakeholders through frequent, transparent dialogue and consultation. In view of the difficult and exceptional circumstances that the Group has faced, we believe this is critical to re-establishing positive perceptions of the Group and sustaining valued relationships.

The Group has a credible plan, a strong team and my commitment is to do everything to ensure our business operates in a responsible and accountable way, meeting the needs of all stakeholders.

Looking ahead

We are moving forward with a clear short term plan and objectives that will support the development of our longer term strategy. There is a long way to go and we need to place great focus on completing the changes and improvements required, whilst concluding the Scheme.

We are taking decisive action and are focused on working hard to deliver against our plans. Nonetheless, material uncertainties remain, particularly in relation to the Scheme, liquidity and the execution and delivery of our plans. As a result, the outlook continues to reflect the significant challenges and risks ahead and performance in 2014 will continue to be constrained. However, my team and I are concentrating our efforts on rebuilding the business and realising the future opportunities that will bring success and sustainable growth back to CPP.

Brent Escott
Chief Executive Officer
23 April 2014

Q&A with our new Chief Executive Officer

Brent Escott gives his views on the organisation and its performance, reflects on the challenges and looks ahead to the future. Brent has over 25 years' experience in the insurance industry and has been Chief Executive Officer of CPP since September 2013.

Why did you take this job and what experience do you bring with you to CPP?

Above all else, the determination of our people here at CPP is very compelling. In spite of the significant challenges over the past few years, their determination and team spirit is unsurpassed. At a macro level I was excited by the opportunity to leverage the strengths of CPP and recognise what I believe to be the growing global opportunities within our market. As importantly, I bring relevant skills and experience to support CPP through the challenges we face, towards a period of stability and growth in the future.

I have led many different organisations, both large and small and also in the various stages of growth and distress. My knowledge of insurance and regulation is extremely beneficial in addressing the immediate issues within CPP, particularly as retaining revenue from the existing backbook is fundamental to the Group's performance, but longer term I'm excited by the opportunity of rebuilding CPP.

What were your initial priorities when you became CEO of CPP?

The Group has undergone a difficult period and challenging times require focused action. Therefore, my priority was to take the time to listen and speak with our people across the Group and our stakeholders in order to move the business forward and emerge stronger.

Managing change and rebuilding a business requires a specific skillset different to managing growth in a steady environment. You have to act rapidly, identify key issues and take decisive action.

At CPP, we had to act decisively to preserve cash and review all expenditure across the Group. We also had to ensure that we really understood the true state of our operations and the robustness of our existing products and distribution model. In parallel, I wanted to strengthen the management team and expertise that supports our future development. At the same time, it was critical that we worked with the FCA to ensure that the Scheme became operational in order for us to put right the mistakes of the past. We've achieved an enormous amount in a short period of time.

Taking people on this journey is important as they need to believe in the plan and look towards a better future.

Can you explain what you believe are CPP's strengths?

CPP has many strengths and knowledge that we can build on. We see demand for our products from our customers who value the support we provide during difficult times and also with our Business Partners where we enable them to enhance their customer offering. We look after 7.1 million live policies from operational centres around the world, our renewal rates are 69.4% and we have strong telemarketing capabilities. An over-riding factor though is our people, who are our most important asset and their commitment, professionalism and willingness to embrace change is critical to our success in the future.

2013 was an important year for the Group; can you explain why?

We made good progress during the year to support the next phase of the Group's development and achieved a number of milestones which provided the business with a position of greater stability.

That said, we're on a journey to re-engineer the business and there is much work that remains. However, as a result of the actions we are taking, the milestones achieved and the investment to strengthen our management capabilities, things are changing for the better and we can now look forward.

What is the main focus for the year ahead?

We need to stabilise the operational environment, implement a new IT infrastructure and further strengthen our governance to ensure we meet the necessary regulatory standards across all the countries we operate in. This, ultimately, will allow us to apply to remove the restrictions on our regulatory permissions. At the same time, we will review all our country activities, product and distribution channels and work to strengthen our Business Partner relationships.

A key focus for 2014 is our commitment to achieving the best outcome for customers through the Scheme and completing the process to review claims and, where appropriate, pay redress to customers.

What do you believe has changed to address the legacy issues of the past?

CPP was very successful and grew rapidly. However, the governance, controls and framework required to operate a sustainable business were lacking. The way a business acts and behaves is central to its success and the delivery of sustainable financial performance. Our culture is customer focused; providing the right product at the right price matched with a high quality service that our customers deserve. The organisation has changed considerably from the practices and culture that existed in the past, which resulted in the well documented regulatory challenges that the business has faced and we should be judged on our current merits rather than past mistakes.

What do you believe is the value that CPP can bring to customers?

Our products provide assistance at times of need to our customers. We continue to monitor customer feedback and track our net promoter score (NPS) to ensure our customers place value on the products and the services we offer. The world is rapidly changing and customer needs are changing with it. This provides an exciting opportunity for us to lead the development and distribution of new products and services as we move forward.

When do you expect financial performance to return to growth?

The Group's headline financial results reflect the overall challenges of our environment and on-going risks that we face. Our plans are therefore subject to execution risk and the on-going challenges and uncertainties which remain, particularly related to the Scheme and liquidity. Nonetheless, we are investing in people, expertise and technology to improve our business processes and increase operational efficiency and, in parallel, managing our costs is key as we create a sustainable business that will generate growth in the longer term.

What does the future hold for CPP?

Our focus over the next few years is to show that CPP can return to growth in its core products and markets. At the same time, we will invest more resource into understanding emerging opportunities for CPP which will lead to another phase of development. But we have to make sure that the building blocks are in place first and I envisage a scenario where we will completely reinvent CPP. The business, as a result, will be more efficient and modern and I am excited about the longer term prospects for the Group.

Our business model and strategy

"**We have developed a realistic short term business plan** which takes account of our strengths and market opportunities whilst we manage the challenges that remain for the Group. This will provide a platform from which we can move forward in the next phase of reshaping our organisation."

Key Performance Indicators **pages 02 and 03**

Operating review **pages 16 and 17**

Financial review **pages 18 to 22**

Who we are and what we do

We operate internationally in three regions, working with our Business Partners and servicing 7.1 million live policies. Our people are central to delivering our business-to-business-to-consumer (B2B2C) operating model, designed to distribute, service and manage claims of our core assistance products. These are offered in three formats; retail, wholesale and packaged products through our Business Partners to their customers and where CPP provides direct to consumers.

Our business model targets revenue growth through sustainable renewal rates, new income and cash generation focused on improved performance with the objective of generating value and delivering longer term value for shareholders and other stakeholders. We measure our progress against the performance of our KPIs (details on pages 2 and 3).

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Our products and channels

Our core products help provide security against the unexpected by protecting items that are important to how our customers live their everyday lives, as well as enhancing the experience of leisure and business travel. These include Card Protection, Travel Services, Mobile Phone Assistance, Mobile Phone Insurance, Identity Protection and Legal Protection.

Our product, distribution and service channel ambitions are focused on innovation in a fast-paced, technological environment, where we see an increasing move towards digital products and platforms. Our aim is to progressively enhance our value proposition, modernise our products in line with customer and Business Partner needs, delivering an improved experience through our customer service channels. Looking ahead, our people are essential to our product and channel development plans. We are developing our digital plans in order to realise the market opportunities that exist, particularly as smartphone and tablet penetration increases and advances in mobile payments gain traction. This will also allow us to engage with consumers through various channels across our markets.

Our plan and emerging strategy

Our marketplace has changed in recent years as a result of regulatory developments, the economic climate and consumer behaviours. We are evolving to adapt to the challenges the business has faced whilst proactively shaping how we operate due to changes in customer trends, technology, regulation and the competitive landscape.

Our vision is to be a responsible assistance business offering products with improved value, choice, service and delivery to consumers.

In order to realise this vision, an extensive review of the business, our product propositions and multi-country footprint commenced in September 2013 led by a new management team. We identified our core priorities and began the process to establish a business plan to provide greater stability for the Group. As a result, we have developed a realistic short term business plan which takes account of our strengths and market opportunities whilst we manage the challenges that remain for the Group. This will provide a platform from which we can move forward in the next phase of reshaping our organisation and longer term strategy.

We are working with key stakeholders as we evolve our business plan for the longer term, focused on achieving sustainable growth in the future. This takes account of our markets, our products and distribution channels, our people, customers, Business Partners and wider stakeholder groups as we strengthen our organisational culture, with the end customer at the heart of what we do.

Our immediate priorities are to complete the Scheme whilst we rebuild the business, establishing a robust operational and IT environment, improving our governance and processes and modernising how we operate. This will establish a platform from which we can evolve in the longer term. Once fully realised, we will have established a strong position from which we can begin to achieve our future ambitions. The success of our emerging strategy has inherent risks and uncertainties and also depends on a number of factors that include maintaining and developing key stakeholder relationships and the expertise and retention of our people.

In addition to completing the Scheme, the key aspects of our immediate plan are to:

	Rebuild	Improve	Modernise	Evolve
Aim	Optimise resource and capabilities Deliver operational excellence through a new IT platform Increase centralisation and cross-Group collaboration to leverage benefits of scale Compliant processes and robust governance	Robust global platforms, data capability and governance Realise value from current product propositions and markets Simplify and standardise operational processes Improve and strengthen relationships	Update and innovate our product propositions Test and develop new channels to market Develop a successful, modern product portfolio	Strong stakeholder relationships Deliver an effective risk/reward profile Strong retention and renewal of policies and new income generation
Output	Leaner, efficient cost base aligned to overhead structure Skillset to support our plans and market opportunities New cost-effective operational IT system Stakeholders increased confidence in our compliance and customer experience	Efficient infrastructure in place Propositions and markets produce attractive returns Platform for sustainable performance established Enhanced service for customers and Business Partners Effective data analytics, less duplication and increased efficiency	Enhanced product set that matches customers and Business Partner needs Multi-channel platform across all markets Wider sector appeal and opportunities	Improved competitive position Attractive returns across all markets Profitable and sustainable growth platform

Our stakeholders and Corporate Responsibility

Employees by location 2013

- UK and Ireland **714**
- Europe and Latin America **407**
- Asia Pacific **46**

Employees by gender 2013

Directors	Male **5**	Female **1**
Senior Management	Male **34**	Female **17**
Other employees	Male **431**	Female **679**

Read more on **cppgroupplc.com**

A responsible approach

Our approach to Corporate Responsibility is aimed at meeting all stakeholders' expectations in a responsible, ethical and sustainable manner. We have a Company philosophy that starts with our people who are committed to our customers in order to deliver sustainable, long term performance. Our vision is to be a responsible assistance business offering products with improved value, choice, service and delivery to consumers.

Our stakeholders

We proactively seek to build positive relationships with our stakeholders in all the markets we serve. The main stakeholder groups who have an interest in, or are affected by, our activities comprise:

- **Our people**
- **Our customers**
- **Business Partners**
- **Shareholders**
- **Regulators**
- **Lenders**

Our people

Our aim is to provide a working environment that supports and develops our people. Our success depends on our people, helping them to perform at their best and achieve their full potential and meet our business objectives. Our people are a huge testament to how far we have progressed, despite our challenges and the structural and cultural changes that we have made.

Open and regular communication is fundamental to our employee engagement. Our initiatives include regular forums with the Leadership team, face to face briefings, interactive group sessions and through regular digital communications across the Group. We also want to understand what is important to our people and we gain insight through our Employee Communication Forum and global people surveys, where 72% of our people responded in 2013. Our approach allows us to develop and deliver action plans that focus on the things that really matter to our people, our customers and the business.

The Group recognises that our culture is an important part of ensuring that our progress is sustainable. During 2013, we integrated a consistent model of behaviour through our leadership framework focusing on how we do things. This encompasses five behavioural categories: Innovate in what we do; Shape our plans and methods of working; Build capability and talent for the future; Lead performance and customer focused behaviour; and Deliver on our objectives. A key focus in 2014 is to define how we operate through our values and beliefs, which will drive the things we do and the decisions we make.

During 2013, to support the delivery of our plans we placed emphasis on strengthening our leadership and talent capability. We also invested in building the skills of our people through training programmes, with particular emphasis on key compliance issues, regulatory requirements and Treating Customers Fairly.

Diversity, health, safety and the well-being of our people are an essential part of how we do business and meet the needs of our customers. We take all reasonable steps to support our people with respect and fairness and to achieve a healthy and safe working environment.

Our customers

Customer trust is essential and critical to rebuilding positive perceptions of our business. To earn and retain that trust we need to manage our operations responsibly and conduct our business in an ethical and transparent way. In 2013, we reinforced our commitment to Treating Customers Fairly by our approach to putting the customer at the heart of what we do. Our aim is to improve the customer's end-to-end experience and ensure we operate with a customer focused culture. The principles of Treating Customers Fairly have been commonplace in our business for a number of years and the six key aspects are outlined in figure 1. As an international business, we apply these principles tailored to the local environment.

Our key initiative is to listen to the voice of the customer and understand their requirements and expectations, developing compelling and relevant products and assessing the level of service and complaints handling process we provide. Based on independent customer research and feedback, we are confident that customers place value on the products and services offered. Our customers like our products and they like what we do; they tell us so through our customer satisfaction and net promoter data. Critically, and in spite of the challenges the business has faced, many of our customers have chosen to retain our products.

Business Partners

Our products are distributed through our Business Partners to customers either via their own service channels or through channels managed directly by CPP. Through regular engagement and working closely with our current Business Partners and prospective new partners, we endeavour to act responsibly to our customers and provide products and services that are tailored to their needs.

Shareholders

Understanding the views of our investors is a key part of managing our business. Our regular dialogue and engagement ensures that we effectively communicate with the investment audience to encourage a clear understanding of our performance and prospects. We actively engage with shareholders and the wider investment community through the Group's investor relations programme, led by the Chief Executive Officer, Chief Financial Officer and Head of Investor Communications. The Non-Executive Chairman meets regularly with major shareholders and is available for meetings at the request of shareholders.

Regulators

We operate in a regulated environment in many markets around the world and our experience in the UK has meant that we place great emphasis on our regulatory responsibilities and developing relationships with regulators. To support our customers and business we have evaluated our legal and compliance areas and have effected change throughout the organisation both in people and processes, in order to make sure that our regulatory responsibilities are clearly understood.

Lenders

Our lenders have an interest in our business as a result of the financial facilities which they provide to the Group. Our financing arrangements comprise our lending banks and certain Business Partner deferral of commission payments. Building and maintaining strong relationships with our lenders has a positive impact on the financial stability of the Group, as well as meeting our financial obligations. Through regular dialogue and engagement, particularly with the Chief Financial Officer, our aim is to ensure we maintain the support of our lenders.

Our communities and environment

We aim to play an active role and make a positive contribution through our involvement in local community projects in many of our markets. During 2013, we provided support and volunteering by our people at all levels of the organisation, focused on issues of social inclusion and charitable projects that support the communities in which we operate.

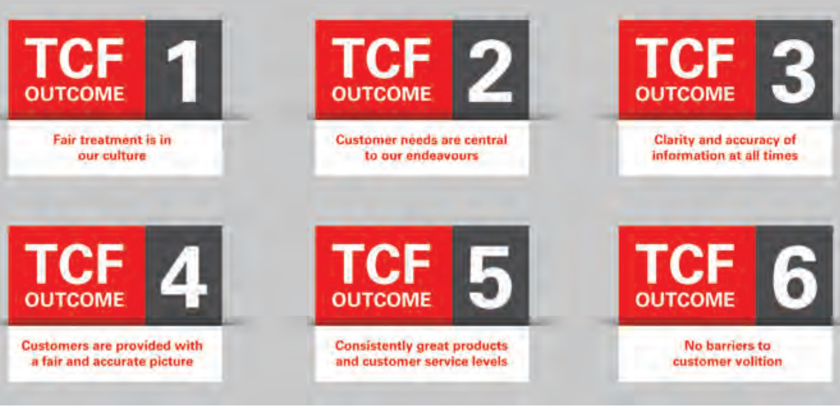
We also recognise the importance of our impact on the environment, which we consider to be low. To make sure that we protect the environment and endeavour to minimise our environmental impacts where possible, we are committed to managing our use of energy, water and paper to ensure that our impact is minimal. During the year, we established a framework to monitor our greenhouse gas emissions (GHG), details of which are reported on page 55.

Human rights

The Group respects all human rights and seeks to anticipate, prevent and mitigate any potential negative human rights impacts through its policies regarding employment, equality and diversity, Treating Customers Fairly and information security. The Group has not been made aware of any incident in which its activities have resulted in an abuse of human rights.

Figure 1

Treating Customers Fairly – putting customers at the heart of our business



Operating review

We operate internationally in three regions: the UK and Ireland; Europe and Latin America; and Asia Pacific.

Overview

Performance of the three regions reflects the on-going challenges of the operating environment, whilst the performance of Latin America reflects the early stage of its development.

Finance review
pages 18 to 22

Financial statements: segmental reporting
pages 74 to 77

Regional performance

	2013 £'m	2012 £'m	Growth	Constant currency growth
UK and Ireland				
– Revenue	**129.0**	215.3	(40)%	(40)%
– Underlying operating (loss)/profit[1]	**(8.1)**	18.9	(143)%	(143)%
Europe and Latin America				
– Revenue	**42.6**	48.0	(11)%	(14)%
– Underlying operating profit[1]	**7.1**	8.9	(20)%	(25)%
Asia Pacific				
– Revenue	**6.4**	6.5	(2)%	2%
– Underlying operating loss[1]	**(0.8)**	(1.1)	25%	30%

1 Excluding exceptional items.

During the year, the Group revised its operating segments to UK and Ireland; Europe and Latin America; and Asia Pacific. The principal change was the transfer of operational control of Germany and Turkey to the newly formed Europe and Latin America region. Comparative information has been restated to reflect this change.

UK and Ireland

Regional trends 2013

	Revenue (£)[1]	Underlying operating performance (£)[1]	New sales (£)[1]	Renewal rates (%)	Margins (%)
UK	↓	↓	↓	↓	↓
Ireland	↓	↓	↓	↑	↓

↑ Increase → Level ↓ Decrease

1. On a constant currency basis.

Financial performance

Revenue for 2013 decreased 40% on a constant currency basis compared to the same period in 2012, to £129.0 million (2012: £215.3 million). Underlying operating performance has declined for the full year to a loss of £8.1 million (2012: £18.9 million profit).

Review

Operating in the UK and Ireland, the region accounts for 72% of Group full year revenue (continuing operations). A challenging environment continued to impact performance during 2013. This is reflective of the on-going restriction on retail sales, reduced Card Protection and Identity Protection renewal revenues and Business Partner contract losses since October 2012. These include T-Mobile (Everything Everywhere), RBS Packaged Accounts, the decision by Santander to simplify its product range and cease offering packaged current bank accounts in the UK and the Airport Angel contract with Diners Club International (Diners). During the year, Airport Angel signed a five year contract with Visa Canada launching Airport Angel with their customers in January 2014 and, in addition, signed a new contract with International SOS. The new contracts are expected to mitigate the loss of the RBS contract that will cease in July 2014 and the Diners contract with Airport Angel.

As expected, revenue reduced in the Mobile Phone Insurance (MPI) business as a result of the on-going VVOP restrictions and the impact of Business Partner contract losses. Across the industry, during 2013, the FCA completed a thematic review of MPI products. To reflect the findings of this review, HIL has recently written to all customers with MPI to ensure they are on up-to-date terms and conditions.

During the year, we made good progress to ensure that the UK business was appropriately structured with the operating capabilities, resource and cost-management that reflect the current scale of the business and support our plans as we move forward. The key objectives during the year have been to reduce our cost base and stabilise our operating environment. The benefits of the initiatives taken Group-wide are expected to produce annualised operating cost savings of £15.0 million, the majority of which are UK-related.

In Ireland, we continued to renew the existing Card Protection and Identity Protection customer base. During the year, we made improvements to the customer renewal process to be consistent with the process in the UK. There has been no new revenue during 2013 reflective of the VVOP restrictions. In early 2014, the Group made the decision to exit the MPI market in Ireland due to its loss making position.

Our future priorities place emphasis on reshaping our business, reducing operating costs, creating differentiated products and service offerings and developing opportunities with Business Partners. In parallel, our commitment is to ensure that the Scheme is completed successfully, continuing to work on the initiatives and enhancements agreed with the FCA and at the appropriate time, apply to remove the restrictions on our regulatory permissions.

Europe and Latin America

Regional trends 2013

	Revenue (£)[1]	Underlying operating performance (£)[1]	New sales (£)[1]	Renewal rates (%)	Margins (%)
Spain	↓	↓	↑	↑	↓
Italy	↓	↓	↓	↓	↑
Portugal	↓	↑	↓	↑	↑
France	↓	↓	↓	↓	↓
Germany	↑	↑	↓	↓	↑
Turkey	↓	↓	↑	↓	↓
Mexico	↑	↑	↓	↑	↑
Brazil	↑	↑	↑	n/a	↑

↑ Increase → Level ↓ Decrease

1. On a constant currency basis.

Financial performance

Revenue has decreased 14% on a constant currency basis compared to the same period in 2012, to £42.6 million (2012: £48.0 million). Underlying operating profit has consequently reduced for the full year to £7.1 million (2012: £8.9 million), 25% lower on a constant currency basis.

Review

Operating during 2013 in Spain, Italy, Portugal, France, Germany, Turkey, Mexico and Brazil; Europe and Latin America accounts for 24% of Group full year revenue (continuing operations).

During the year, performance in Europe reflected the on-going challenges of the operating environment and continued weaker trading conditions in the Eurozone. Performance in Latin America during 2013 is reflective of the early stage of its development. In Mexico, we increased revenue and underlying operating profit and in Brazil, market entry activities continued.

In Spain, we renewed our contract with Citibank and signed new wholesale and servicing agreements with Samsung and AON. Our contract with Yoigo did not perform in line with expectations in the year and impacted underlying operating performance for the year as a result. In Italy we began working with a number of Business Partners again including Samsung and LG. We also confirmed new relationships with Business Partners in Turkey. Our principal Business Partner contract in France expires in 2014 and subsequently, we have taken the decision to exit this market.

In 2014, our focus will be on reviewing our cost base, developing our core product, Card Protection, and improving our distribution channels, product usability and the experience we provide to our customers. A key objective is to strengthen and build our Business Partner relationships. In Latin America, we will continue to review the market opportunities and identify where we can produce sustainable returns.

Asia Pacific

Regional trends 2013

	Revenue (£)[1]	Underlying operating performance (£)[1]	New sales (£)[1]	Renewal rates (%)	Margins (%)
India	↑	↑	↑	↓	↑
Hong Kong	↓	↑	↓	↓	↑
Singapore	↓	↑	↓	↑	↑
Malaysia	↓	↑	↓	↑	↑
China	↓	↓	↓	↓	↓

↑ Increase → Level ↓ Decrease

1. On a constant currency basis.

Financial performance

Revenue is 2% higher on a constant currency basis compared to the same period in 2012, at £6.4 million (2012: £6.5 million). The underlying operating loss has reduced for the full year to £0.8 million (2012: £1.1 million).

Review

Operating during 2013 in India, Hong Kong, Singapore, Malaysia and China; Asia Pacific represents 4% of Group full year revenue (continuing operations).

The development of this region is at a slower rate of growth reflecting challenging operating conditions resulting in a year-on-year revenue decline in Hong Kong, Singapore, Malaysia, and China. New and renewal revenue increased in India.

India continued to perform well during the year as a result of campaigns with existing Business Partners. A programme of product development was completed during the year, which included enhancements to the existing product propositions as well as a focus on opportunities in the Mobile Phone sector. We are encouraged by the performance of the business in India, which continues to provide future growth opportunities for the Group.

In Hong Kong, we implemented a restructuring and cost-management programme during 2013, resulting in the more efficient and cost-effective provision of regional services to the wider Asia Pacific region. In Singapore, revenue declined as a result of reduced new campaigns and the Group has taken the decision to exit this market through the sale of the renewal book. In Malaysia, performance declined and our priority has been focused on repositioning the business and reviewing our product portfolio to identify future opportunities. In China, we continue to balance start-up investment costs while we work to improve our revenue position.

During 2014, our focus will be on channel and product development, identifying opportunities where we can produce attractive returns from established and new Business Partner relationships.

Financial review

Summary

- Secured medium term financing totalling approximately £33.0 million
- Completed the disposal of the North American business for cash consideration of £26.1 million
- Continued restructuring activities to reduce the Group's cost base leading to expected annualised savings of £15.0 million
- Net funds position of £44.3 million, which will be significantly reduced in 2014 as a result of funding the Scheme

Revenue

£178.0m

2012: £269.9m

Underlying operating (loss)/profit

£(1.8)m

2012: £26.7m

Operating review
pages 16 and 17

Report of the Audit Committee
pages 36 to 38

Financial statements
pages 62 to 110

Craig Parsons
Chief Financial Officer

This has been a challenging year in which we have refinanced for the medium term, sold our North American operation and we continue to restructure to best position ourselves for the future

Overview

This financial review includes analysis of the underlying (loss)/profit of the Group, which excludes exceptional items. We believe that the underlying figures aid comparison and understanding of the Group's financial performance.

The Group has worked hard to ensure that it has sufficient financial resources to implement and deliver on the Scheme. Whilst there continues to be risk in this area the Group has made positive progress regarding the Group's financial stability.

The Group has faced a challenging trading year with the VVOP restrictions and on-going Scheme publicity continuing to impact the UK business, as well as affecting some stakeholder relationships globally. As a result, the Group has taken significant steps in the year to reduce its cost base through a restructuring programme. In the UK, measures have included significant redundancy programmes, closure of the Chesterfield site and a streamlining of the organisational structure. The UK measures together with cost saving initiatives in our overseas operations are expected to achieve an annual net reduction in costs of approximately £15.0 million, the benefit of which will also impact 2014.

The Group also faced the expiry of its loan facility in March 2013. After a short term extension to the facility, on 31 July 2013 the Group agreed new financing arrangements which are expected to total approximately £33.0 million. The arrangement comprises £13.0 million being provided by a three-year extension to the loan facility to 31 July 2016 and approximately £20.0 million through the deferral of twelve months commission payments to certain Business Partners, with repayment due on 31 July 2017. The reduction in UK renewal rates following publicity surrounding the Scheme has resulted in the expected final commission deferral balance being lower than initially announced. The arrangement provides medium term financing for the Group.

As part of the refinancing the Group also completed the sale of its North American business, CPPNA Holdings Inc. and its subsidiaries, to AMT Warranty Corp. (AmTrust) on 3 May 2013 for consideration of £26.1 million ($40.0 million). The net proceeds after costs associated with the disposal were £18.1 million, £16.5 million of which was used to part-prepay the existing loan facility.

The Group continues to strategically review its operations. As a result, on 24 March 2014 the Group disposed of its interest in the Home3 joint venture to Mapfre Abraxas Software Limited (Mapfre). The disposal process commenced in 2013 and at the year end the Board was committed to the disposal. In 2014, the Group has also divested its operations in Singapore and will withdraw from the French market. These strategic measures will enable the Group to focus on its core business and markets to best position itself for the future.

In accordance with accounting standards, the North American business and Home3 joint venture are presented as discontinued operations within this review and in the consolidated financial statements. Primarily, this review focuses on the performance of the continuing operations of the Group.

	2013	2012	Change
Revenue (£ millions)	**178.0**	269.9	(91.9)
Gross profit (£ millions)	**65.9**	107.6	(41.7)
Operating (loss)/profit (£ millions)			
– Reported[1]	**(39.3)**	(17.3)	(22.0)
– Underlying[2]	**(1.8)**	26.7	(28.5)
(Loss)/profit before tax (£ millions)			
– Reported[1]	**(43.2)**	(19.5)	(23.8)
– Underlying[2]	**(5.7)**	24.5	(30.2)
Reported loss per share (pence)			
Basic and diluted	**(26.43)**	(12.13)	(14.30)
Cash generated by operations (£ millions)[3]	**23.0**	17.4	5.6
Dividends (pence)	**—**	—	n/a

1. Reported figures are from continuing operations only.
2. Excluding exceptional items from continuing operations of £37.5 million (2012: £43.9 million).
3. Includes cash flows from continuing and discontinued operations.

Summary

Group revenue from continuing operations has declined by 34% to £178.0 million as a result of revenue reducing by 40% in the UK and Ireland, 11% in Europe and Latin America and 2% in Asia Pacific. On a constant currency basis Group revenue also declined by 34%; however, when removing the impact of foreign exchange movements Asia Pacific has recognised 2% growth.

Overall expenditure on Business Partner commissions has remained broadly stable with the prior year at 30% of revenue (2012: 29%). Cost of sales have increased to 63% of revenue (2012: 60%) reflecting the mix impact of the declining renewal book which typically carries lower direct costs. As a result, gross profit declined by 39% to £65.9 million and was 37% of revenue (2012: 40%).

The Group's underlying operating performance has changed from a profit in 2012 to an underlying operating loss of £1.8 million (2012: £26.7 million profit) as a result of the impact of reduced sales and lower gross profit. This impact is partially mitigated by a reduction in overheads of 16% which reflects the benefit of restructuring measures taken in 2013, particularly in the UK, to reduce the overhead base. Annualised cost savings as a result of the 2013 measures are expected to be approximately £15.0 million.

This performance, together with exceptional items of £37.5 million, (2012: £43.9 million), which mainly comprises customer redress and associated costs, restructuring costs and IT asset impairments, resulted in a reported operating loss for 2013 of £39.3 million (2012: £17.3 million). The IT impairment reflects the write-down of historical capital expenditure on the balance sheet.

Net interest and finance costs of £3.9 million (2012: £1.3 million) are 203% higher than 2012 reflecting the costs associated with the six month loan facility extension, which have been fully amortised in the year. The Group's level of gross debt has decreased in the year. There were no disposals of minor subsidiaries in the year (2012: £0.9 million loss).

As a result, the reported loss before tax was £43.2 million (2012: £19.5 million) whereas underlying performance before tax has changed from a profit in 2012 to a loss of £5.7 million (2012: £24.5 million profit).

Discontinued operations, which represents the Group's North American business and Home3 joint venture, delivered profit after tax of £12.5 million (2012: £3.7 million). The increase reflects the profit on disposal of the North American business in the year partly offset by losses attached to the Home3 joint venture.

Underlying loss after tax from continuing operations, excluding exceptional items, was £8.0 million (2012: £17.4 million profit). Exceptional items after tax during the year were £37.3 million, this results in a reported loss after tax from continuing operations of £45.3 million (2012: £20.9 million loss).

Basic loss per share has increased from 12.13 pence in 2012 to 26.43 pence for 2013.

Cash generated by operations has increased to £23.0 million (2012: £17.4 million), which is reflective of a one-off reduction in the Group's working capital requirement. The Group's net funds position also improved from £13.6 million at 31 December 2012 to £44.3 million at 31 December 2013.

The Group will not be paying a dividend for 2013 in line with the Group's performance and financial position (2012: nil).

Group revenue breakdown

	2013 £'m	2012 £'m	Growth
Retail assistance policies	**117.1**	163.8	(29)%
Retail insurance policies	**28.1**	41.2	(32)%
Packaged and wholesale policies	**32.3**	56.6	(43)%
Non-policy revenue	**0.5**	8.3	(93)%
Total Group revenue	**178.0**	269.9	(34)%

Revenue from retail assistance policies has materially declined compared to 2012, reflecting the continued restrictions on new sales associated with the VVOP, mainly in the UK, and a decline in Card Protection and Identity Protection renewals. Retail insurance revenue, packaged and wholesale revenue and non-policy revenue have all declined in the year as a result of lost Business Partner contracts in the UK. These lost contracts include T-Mobile (Everything Everywhere) (October 2012) albeit we have retained the existing book and the right to renew policies, RBS Packaged Accounts (March 2013), Santander Packaged Accounts (October 2013) and the non-policy Airport Angel contract with Diners (January 2013).

Financial review continued

Underlying financial performance

	2013 £'m	2012 £'m
Reported operating loss	**(39.3)**	(17.3)
Exceptional items:		
Customer redress and associated costs	**18.2**	26.3
IT asset impairments	**8.1**	—
Restructuring costs	**5.5**	4.9
Impairment of goodwill, intangible balances and freehold property	**5.8**	3.7
Regulatory penalties	**–**	8.5
Strategic project costs	**–**	0.4
Legacy scheme share based payments	**–**	0.2
Total exceptional items	**37.5**	43.9
Underlying operating (loss)/profit	**(1.8)**	26.7
Reported loss after tax	**(45.3)**	(20.9)
Exceptional items:		
Customer redress and associated costs	**18.2**	22.0
IT asset impairments	**8.0**	—
Restructuring costs	**5.4**	3.8
Impairment of goodwill, intangible balances and freehold property	**5.7**	3.4
Regulatory penalties	**–**	8.5
Strategic project costs	**–**	0.4
Legacy scheme share based payments	**–**	0.2
Total exceptional items after tax	**37.3**	38.3
Underlying (loss)/profit after tax	**(8.0)**	17.4

The Group's statutory results are adjusted for exceptional items to arrive at measures which better reflect underlying performance. After making the adjustments for exceptional items, underlying operating performance has changed from a profit in 2012 to a loss of £1.8 million (2012: £26.7 million profit). On the same basis, underlying performance after tax has declined to a loss of £8.0 million (2012: £17.4 million profit). Basic underlying loss per share was 4.69 pence (2012: 10.18 pence earnings) and diluted underlying loss per share was 4.69 pence (2012: 9.95 pence earnings).

Exceptional items of £37.5 million, of which £13.9 million represent non-cash items, comprise the following main areas:

- £18.2 million customer redress and associated costs (2012: £26.3 million) includes the estimated costs of compensating UK customers mis-sold the Group's Card Protection and Identity Protection products. This also includes costs associated with other redressable items.
- £8.1 million of IT asset impairments (2012: £nil) relate to a re-assessment of the carrying value of the Group's IT asset base as a result of the IT transformation programme.
- £5.5 million of restructuring costs (2012: £4.9 million) relate to redundancy costs incurred as part of the Group's overall review of its cost base, along with costs associated with the closure of the Chesterfield office in the UK.

Other exceptional items relate to goodwill, intangible assets and freehold property impairment of £5.8 million (2012: £4.3 million, also included strategic project costs and legacy scheme share based payment costs).

Total customer redress and associated costs

	2013 £'m	2012 £'m	2011 £'m	Total £'m
Customer redress	**18.2**	16.9	9.8	44.8
Regulatory fine	**–**	8.5	2.0	10.5
Adviser fees	**–**	9.4	5.1	14.5
Total	**18.2**	34.8	16.9	69.8

As announced on 14 January 2014, the Scheme was sanctioned by the High Court as the vehicle through which CPP and certain of its Business Partners will review claims and, where appropriate, pay redress to customers that have been affected by historical issues in the UK. The Scheme became effective on 31 January 2014 and will complete on 30 August 2014.

The Group has incurred expenditure on, and provided for, customer redress and associated costs and regulatory penalties in the period 2011 to 2013. On 20 December 2013, the Group announced that it had increased its customer redress and associated costs provision by £10.0 million. Since this announcement, the Group has provided a further £4.0 million in respect of its latest estimate of customer redress. As a result, the total cost is currently estimated to be £69.8 million, of which £51.7 million has been charged in the prior years. £23.9 million of the provision within the balance sheet has already been utilised (£9.7 million being utilised in 2013 and £14.2 million in prior years). The remaining provision at 31 December 2013 is £37.4 million (2012: £29.0 million). £36.2 million (2012: £22.0 million) has been estimated as the remaining cost of the customer redress element of the overall provision. The provision does not include an amount for the outstanding element of the regulatory fine of £8.5 million, which is disclosed under current and non-current payables.

The Group has agreed with the FCA to further defer the outstanding element of the fine, with the payment profile expected to be £1.6 million in December 2014, £1.6 million in March 2015 and the remainder in 2016.

Discussions are on-going with the Central Bank of Ireland (CBI) in respect of Card Protection sales made by Irish banks to customers in the Republic of Ireland. A provision for redress has been reflected in respect of direct sales made by the Group, but no provision has been made for redress where the sale was concluded by a Business Partner. Further detail is provided in note 26 to the consolidated financial statements.

Investment in developing markets

Despite continuing challenging circumstances in a number of its established markets, the Group has sought to maintain a level of investment in its new and developing markets. This investment 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, Mexico, China and Brazil (2012 also included Home3, which is now disclosed as discontinued). In 2013, the total investment in start-up losses in the Group's developing markets was £2.2 million (2012: £2.6 million).

Tax

The tax charge on continuing operations of £2.1 million is higher than the prior year (2012: £1.5 million). This is principally due to the de-recognition of a deferred tax asset in respect of capital allowances in the UK, which is required as the Group does not expect taxable profits to arise in the UK in the immediate future. The Group's overall loss has not resulted in a tax credit due to a number of factors, including the de-recognition of the brought forward deferred tax asset, no relief being obtained for tax losses incurred in the current year and taxes payable on profits in overseas jurisdictions. As in 2012, the effective tax rate is not a representative measure.

Discontinued operations

The Group has two separate businesses classified as discontinued in the current year; its North American business and its Home3 joint venture. The total profit after tax from discontinued operations of £12.5 million comprises £13.3 million profit in relation to the North American business and £0.8 million loss relating to the Home3 joint venture.

	2013 £'m	2012 £'m
Revenue	**15.6**	49.8
Operating profit	**3.0**	9.6
Profit after tax	**2.1**	6.4
Profit/(loss) on disposal	**10.4**	(2.7)
Profit for the year	**12.5**	3.7
Net assets held for sale	**—**	12.9

On 3 May 2013, the Group completed the sale of its North American business for a total cash consideration of £26.1 million ($40.0 million) to AmTrust, a Delaware corporation and wholly owned subsidiary of AmTrust Financial Services Inc. The proceeds, together with costs associated with the disposal and the carrying value of the net assets held for sale, generated a profit on disposal of £10.4 million. The North American business also generated trading profits after tax of £2.9 million up to the disposal date of 3 May 2013 (2012: £6.9 million representing a full year trading).

On 24 March 2014, the Group completed the disposal of its share of the Home3 joint venture to Mapfre. The disposal transaction included the Group investing an additional £1.0 million into Home3, the capital for which has been loaned by Mapfre to the Group. The consideration on disposal is £0.3 million. The transaction together with trading losses will result in the Group recognising further losses in 2014 of approximately £0.8 million. In 2013, the Group has recognised £0.8 million losses (2012: £0.5 million losses) which relate to the trading performance of the joint venture.

Cash flow[1]

	2013 £'m	2012 £'m
Underlying operating (loss)/profit[2]	**(1.8)**	26.7
Exceptional items[3]	**(23.6)**	(40.2)
Operating profit from discontinued North American operation	**3.8**	10.1
Depreciation, amortisation and other non-cash items	**9.8**	11.8
Increase in provisions	**8.4**	14.2
Working capital	**26.4**	(5.2)
Cash generated by operations	**23.0**	17.4
Tax	**(2.8)**	(5.4)
Operating cash flow[4]	**20.2**	12.0
Capital expenditure (including intangibles)	**(2.8)**	(6.3)
Investment in joint venture	**(0.8)**	(0.5)
Net proceeds from disposal of discontinued operations	**18.1**	(0.9)
Net finance costs	**(0.7)**	(0.9)
Costs of refinancing	**(4.6)**	—
Loan note repayments	**—**	(0.9)
Net movement in cash/borrowings[5]	**29.4**	2.5
Net funds[6]	**44.3**	13.6

1 Cash flow from continuing and discontinued operations.
2 Continuing Group operating profit excluding exceptional items.
3 Excludes exceptional impairments that are non-cash items of £13.9 million (2012: £3.7 million).
4 Excluding repayment of loan notes (2012 only).
5 Excluding effect of exchange rates and amortisation of debt issue costs.
6 Includes unamortised debt issue costs.

The Group has generated additional cash, excluding movements in borrowings, of £29.4 million in the year reflecting the net proceeds from the North American disposal and a one-off reduction in working capital. This cash benefit has been partly reduced by the costs incurred throughout the year in refinancing the Group along with tax payments and capital expenditure, although these costs are at a reduced level from the prior year. The Group's cash position will be significantly reduced in 2014 as a result of funding the Scheme.

Cash generated by operations amounted to £23.0 million (2012: £17.4 million) and results primarily from a one-off reduction in the working capital requirement of the Group. This benefit is due to a reduction in our insurance balances following the conclusion of the RBS MPI contract and balances associated with the reducing T-Mobile book, along with focused working capital management across the Group.

The disposal of the North American business in the year generated positive cash flows of £18.1 million. The level of capital expenditure (including intangibles) has decreased by £3.5 million to £2.8 million (2012: £6.3 million) which reflects the prioritised approach to cash management adopted by the Group due to the cash challenges it faces in the short and medium term.

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Financial review continued

Cash flow continued

Net funds at 31 December 2013 were £44.3 million, an improvement of £30.7 million compared to prior year, as a result of the net proceeds from the disposal of the North American business and positive operating cash flow, the benefit of which is partly reduced by the costs of refinancing. The Group's cash position will be significantly reduced in 2014 as a result of funding the Scheme. The Group maintains cash deposits for solvency purposes which were £27.8 million at 31 December 2013 (2012: £22.9 million). Allowing for these deposits results in an adjusted Group net funds position of £16.5 million. Additionally, the terms of the VVOP agreed with the FCA restrict the disposition of assets within the UK's regulated entities, CPPL and HIL. The net funds figure therefore includes cash balances held within CPPL and HIL which cannot be distributed to the wider Group, without FCA approval, of £32.7 million. This restricted cash, although unavailable to distribute to the wider Group, is available to the regulated entity in which it exists, including for operational and customer redress purposes.

Dividend

As a result of the Group making a loss after tax in 2013 and the cash challenges it currently faces, the Directors have decided not to recommend the payment of a dividend. Furthermore, due to the Group's current performance and financial situation it is unlikely that a dividend will be paid in the medium term.

Balance sheet and financing

	2013 £'m	2012 £'m
Goodwill and intangibles	**3.3**	16.9
Property, plant and equipment	**5.1**	13.3
Net assets held for sale	**—**	12.9
Other net assets	**37.3**	46.2
	45.7	89.3
Provisions	**(37.4)**	(29.0)
Current borrowings	**—**	(43.4)
Non-current borrowings	**(22.6)**	—
Non-current liabilities	**(10.0)**	(7.2)
Total net (liabilities)/assets	**(24.3)**	9.7

The Group's balance sheet has changed in the year with the refinancing arrangement resulting in current borrowings being replaced by non-current borrowings, reflecting the medium term stability the arrangement provides. In addition, the IT transformation and other exceptional items have led to a reduction in our non-current assets. Consequently, the Group's balance sheet has declined in the year to a net liabilities position of £24.3 million (2012: £9.7 million net assets).

Provisions of £37.4 million (2012: £29.0 million) are mainly for customer redress and associated costs. The commencement of the Scheme results in the provision expecting to be fully utilised in 2014. The remaining instalments of the fine levied by the FCA are reported in other net assets (£1.6 million) and non-current liabilities (£6.9 million).

Goodwill and intangibles of £3.3 million has decreased by £13.6 million from the prior year. The significant movements are associated with the impairments incurred as a result of the IT transformation project of £5.4 million, the full impairment of the Homecare goodwill balance of £1.5 million, impairment of the contractual arrangement intangible of £1.3 million and continued amortisation of the intangible balances against reduced levels of additions.

The property, plant and equipment (PPE) balance of £5.1 million has decreased in the year by £8.3 million. This reflects the impairment of the freehold property to market value of £3.0 million, impairment of computer hardware as a result of the IT transformation project of £2.6 million and continued depreciation of PPE balances.

On 31 July 2013, the Group agreed new financing arrangements which are expected to total approximately £33.0 million. The arrangement comprises £13.0 million being provided by a three-year extension of the debt facility to 31 July 2016 and approximately £20.0 million being provided through the deferral of twelve months commission payments to certain Business Partners, with repayment due on 31 July 2017. The reduction in UK renewal rates following publicity surrounding the Scheme has resulted in the expected final commission deferral balance being lower than initially announced. The agreements, of which the commission deferral is subordinate to the loan facility, are subject to certain covenants and events of default. Further to the announcement on 9 January 2014 that the response rate covenant had been increased to 32%, in order to provide additional headroom the Group has subsequently agreed with its lenders a further increase of this covenant to 40%. There remains a risk that trading and customer redress uncertainties could impact the Group's ability to comply with the terms of the borrowing agreements.

The new financing arrangements have changed the shape of the balance sheet in 2013, with current borrowings being replaced by non-current borrowings, reflecting the medium term stability the arrangement provides. The bank loan has been reduced from £43.5 million at the beginning of the year to £13.0 million, funded principally through proceeds from the sale of the North American business and transfer of restricted funds in CPPL held in favour of the lenders. The commission deferral agreement will result in the incremental build-up of a loan balance as the relevant commissions are deferred on a monthly basis over a period of twelve months. At 31 December 2013, the balance in respect of this agreement is £11.3 million.

Craig Parsons
Chief Financial Officer
23 April 2014

Risk management and principal risks

Governance, risk management and internal control

Good governance, risk management and internal control must be central to the way we manage all aspects of our business. Responsible practices form the framework for our values, underpin our behaviours and cultivate growth in a disciplined and sustainable way. We are making our business more effective and efficient and so better able to deliver value to all our stakeholders.

Chairman's statement
pages 06 and 07

Report of the Audit Committee
pages 36 to 38

Report of the Risk & Compliance Committee
page 39

Board and Committee oversight

The Board has overall responsibility for the Group's system of internal control and for monitoring its effectiveness. The Audit Committee and Group Risk & Compliance Committee operated throughout the year, each overseeing the Group's system of internal control and risk management framework. Material risk or control matters, together with the appropriate management action, are reported to the Board by the Risk & Compliance Committee and/or the Audit Committee. The Board monitors the on-going 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 & Accounts.

Internal control and compliance

The key elements of the Group's system of internal control include regular meetings of the Group's subsidiary Boards, together with annual budgeting, monthly financial reporting, Key Performance Indicators and operational reporting for all businesses within the Group. Compliance is the responsibility of Management, supported and overseen by the Group's Compliance, Risk Management and Internal Audit functions.

Included in the description of regulatory risk on page 25 are the actions and initiatives taken by the Board to improve the effectiveness of its regulatory compliance, some of which are currently in development. 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 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; the continuous Group-wide process for formally identifying, evaluating and managing significant risks to the achievement of the Group's objectives; and reports to the Audit Committee and the Risk & Compliance Committee on the results of internal audit reviews and work undertaken by other departments including Risk Management, Legal, 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 provides reasonable, 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 and the Group's policies and procedures are regularly updated and distributed throughout the Group.

In 2013, the Group continued the work commenced in 2012 to review and improve the governance of the business. CPPL is authorised and regulated by the FCA and HIL is authorised by the Prudential Regulation Authority (PRA) and regulated by the FCA and the PRA. Each undertakes a solvency/capital adequacy assessment on a regular basis. Outputs from these assessments are subject to review and approved by the individual Boards of these companies and are reviewed by the FCA and PRA 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 risks crystallising, the potential materiality and effectiveness of the control framework in mitigating each risk. The purpose of each assessment is to establish the level of capital resources that the business should maintain under current market conditions and a range of scenarios in order to ensure that financial resources are sufficient to successfully manage the impact of any risk that may crystallise.

HIL is subject to the European Commission's Solvency II Directive, which it is anticipated will come into operation from 1 January 2016. 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.

Throughout 2013, HIL had in place an outsourcing contract with a third party provider to secure operational capability independent from other Group companies. This investment significantly reduces the operational risk that HIL may have faced through a reliance on other Group operations. This outsourcing contract also provides HIL independent business continuity protection in the event its existing operations are disrupted.

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Risk management and principal risks continued

Risk Management and Internal Audit functions

The Risk Management and Internal Audit departments review the extent to which the system of internal control is a) effective and b) adequate to manage the Group's significant risks and safeguard the Group's assets. In conjunction with the Company Secretary and the Group's Legal and Compliance teams, these departments collectively ensure compliance with legal and regulatory requirements, providing independent and objective assurance on risks and controls to the Board and Senior Management. Internal Audit's key focus is on areas of greatest risk to the Group, determined by a structured risk assessment process involving Executive Directors and Senior Management. The output is summarised in an annual audit plan, which is approved by the Audit Committee. The Head of Internal Audit regularly reports to the Audit Committee and Chief Financial Officer. The role of Internal Audit and the scope of its work is based on the Internal Audit Manual that is developed in line with best practice and has been approved by the Audit Committee.

Risk management and control environment

The Group has strengthened its governance, risk management and control environment establishing a clear framework, processes, policies and systems to ensure decisions are made at the appropriate level and with accountability.

CPP's risk management approach is designed to support the successful development and delivery of the Group's strategic objectives.

See diagram A

The aim of risk management is to identify and manage the actions necessary to mitigate any impact and maintain a high-quality service to customers whilst ensuring that Senior Management is informed of the risk profile of the Group. Significant risks that would impact on the Group's delivery of its business plan are considered and reviewed by the Executive Directors and the appropriateness of actions determined by the Group Risk & Compliance Committee quarterly.

See diagram B

Three lines of defence model

CPP operates a three lines of defence model across the Group. Adopting enterprise risk management, the Group manages its activities by addressing risks identified by the Leadership Team, supported by central governance functions including Legal, Compliance and Risk.

See diagram C

Governance functions

The governance functions are responsible for providing robust frameworks which support the Group and providing insight to Senior Management which enables them to assess and challenge risks that are identified. The Group Risk and Compliance functions provide oversight of these activities and both the Head of Group Risk and Head of UK Compliance provide quarterly updates on functional activities and the performance of the business in respect of effective risk management.

During 2013, the Group continued to enhance its risk management capability. Key actions included the full roll-out of processes across the Group to enable consistent and timely reporting of operational issues that are identified (Business Incident Management) and a self-certification exercise for each region to ensure compliance with Group policies (minimum standards).

A. Effective risk management framework

B. Risk management model

C. Three lines of defence model

Business management
Operating within the Company's risk appetite, responsible for the identification, management and monitoring of risks

Group risk management, compliance and information security
Provision of frameworks, guidance, tools, support and challenge

Internal audit
Risk-based independent testing of the design and operation of the governance framework, risk management measures and controls

Principal risks & uncertainties

Many of the risks outlined are consistent with those experienced by companies that have encountered difficult trading conditions and those in the process of developing longer term business plans and strategy. Over the last two years, the Group has placed great focus on developing a constructive relationship with the regulator in the UK, improving operational efficiency and ensuring that risk management is central in the decision making process. Nonetheless, there remain significant risks to the execution and delivery of the Group's business plan and development of its longer term strategy. Following the refinancing agreements in July 2013, the Board no longer considers that retaining key supplier contracts represents a significant risk to the Group in the short to medium term. During 2013, the focus of the Board has been on ensuring the best outcome for all our policyholders including those eligible for redress under the Scheme. This has involved significant focus on the liquidity position of the Group and a significant reduction of the cost base. This has created or increased the risk profile, particularly given the redundancy programmes and reduction in investment in the infrastructure. The Group is addressing these risks as it rebuilds for the future.

Status

▲ Risk profile increased year-on-year

▬ Risk profile no change year-on-year

▼ Risk profile decreased year-on-year

New — New risk

Financial risk – Going concern/capital/liquidity

Status

▼

Potential risk & impact

The going concern status of the Group is impacted by trading and customer redress uncertainties and the effect that these could have on liquidity and compliance with the terms of the borrowing facilities.

Current redress rates are within expectations, but there remains a risk that response rates may reach a level which cannot be funded under the revised funding arrangement.

In addition, the Group's trading performance continues to be affected by the VVOP restrictions which, amongst other requirements, do not permit CPPL or HIL to make sales of regulated products.

Mitigation

Whilst redress rates are uncertain the current level of redress rates is within expectations. The Board has improved the financial stability of the business and its liquidity.

Options are being developed to secure additional capital, if required.

The Board continues to focus on operational efficiency and re-sizing the business, whilst work continues to develop the business plan which may require additional funding.

Market risk – Economic and political

Status

▬

Potential risk & impact

The Group operates in a number of countries where the economic outlook remains uncertain. Changes to the economic or political climate may have an adverse impact on operational performance.

Mitigation

The Group regularly monitors the performance of all its businesses and will consider the viability of its operations on a case-by-case basis. Operating in diversified geographic markets mitigates the risk to any one country or currency.

Market risk – Competitive markets

Status

▬

Potential risk & impact

There remains a risk that new competitors enter the market offering competing products before CPP has completed its business restructuring.

Mitigation

The Group Executives regularly monitor competitor activity. The Group's business plan involves the development of new, market tested products that have continuing appeal to consumers who require assistance products.

Operational risk – Regulatory

Status

▬

Potential risk & impact

Operating in regulated markets worldwide, there is a risk that a part of the Group may be subject to regulatory scrutiny and possible censure. The risk may be increased as a result of the Group being supported by a central IT platform and the business model and product propositions that are derived from the original model implemented in the UK.

There are current on-going discussions with the Central Bank of Ireland (CBI) on potential redress to policyholders in Ireland who bought the same products as were on offer in the UK. The Board is also aware that regulators in some overseas territories are also reviewing certain aspects of the business.

Mitigation

Throughout 2013, Senior Executives of the Group have been in regular dialogue with the UK regulator to ensure that the FCA is fully up to date of on-going actions that the business has taken, the performance of the Scheme and the future plans of the Group.

The Board has sought to mitigate this risk through further enhancement of its risk, compliance and governance approach and where appropriate, working closely with local advisers.

The risk and internal control environment rolled out in the UK has been extended to all territories. However, until all rectification actions are completed there remains a risk that additional regulatory restrictions may be placed on the Group if further irregularities are identified that could potentially cause detriment to policyholders.

Risk management and principal risks continued

Operational risk – Business Partner retention/attraction

Status

▲

Potential risk & impact

The current status and experience of the Group have increased the requirement to attract new Business Partners and maintain current relationships. In the absence of this engagement, there is a risk that a significant route to market will become constrained.

Mitigation

The Group continues to engage with existing and previous Business Partners in order to retain or build confidence.

Operational risk – Operational efficiency

Status

▲

Potential risk & impact

The Board is aware that a number of challenges remain towards achieving operational and IT efficiency, both in the UK and overseas territories. The operating environment is in a transformation period and until completed, there remains a risk that any regulatory breaches or operational weaknesses may be identified. Management is of the view that further changes and improvements are required before the Group is in the required position to apply to remove the restrictions on our regulatory permissions.

Mitigation

To deliver on its business plan or develop its longer term strategic objectives, the Group now has the opportunity to invest in the improvement of its operational and IT environment. Whilst designed to mitigate risks in the longer term these changes may result in increased operational risk whilst the improvements required are implemented.

Operational risk – Data security

Status

–

Potential risk & impact

The Group retains substantial sensitive data relating to customers. Failure to safeguard this information could result in censure, fines and reputational damage.

Mitigation

The Group takes the safeguarding of customer and business data seriously. All new transformation plans ensure that data security is central to any new infrastructure. The Group has a dedicated Information Security Manager and seeks annual certification of its information security standards through annual PCI certification.

Operational risk – People and resources

Status

▲

Potential risk & impact

In 2013 and 2014, a number of key personnel left the Group, either as a result of redundancy programmes or natural attrition. The loss of Senior Management and key functional experts may result in the risk that significant knowledge and capability is lost from the Group. The knowledge gap as a result, may increase pressure on existing employees and potential operational weaknesses.

Mitigation

The Group has identified key skills and role dependencies and is taking the necessary action to retain and recruit the knowledge required within the Group. The business also utilises interim contractors where shorter term solutions are required. The Board has identified this key risk and in view of the Scheme commencing, has authorised further investment in people, both to attract new experienced individuals and to seek to retain key individuals within the Group.

Operational risk – Governance

Status

New

Potential risk & impact

CPP, a listed Company with regulated subsidiaries, has a highly concentrated shareholder base. It is essential that the organisation works within this framework. As a result, there is a risk that support for the Board, the business plan and longer term strategy is not forthcoming.

Mitigation

The Board proactively engages on a regular basis with the largest shareholders to mitigate this risk, discussing rationale and seeking support for the Board and its business plans.

The Strategic report section on pages 06 to 26 of this Annual Report has been reviewed and approved by the Board of Directors on 23 April 2014.

Brent Escott
Chief Executive Officer

Corporate governance

Introduction from the Chairman

"We have spent a great deal of time establishing the right framework, processes, policies and systems to ensure decisions are made at the appropriate level with accountability as we work to regain the trust of our stakeholders."

Risk management approach
pages 23 and 24

Risk management framework
pages 23 and 24

Governance and Committees
pages 32 to 53

Governance framework
page 35

Remuneration report
pages 41 to 53

Duncan McIntyre
Non-Executive Chairman

Introduction to corporate governance

A responsible approach

Responsible practices form the framework for our values, underpin our behaviours and cultivate growth in a disciplined and sustainable way. We are making our business more effective and efficient and so better able to deliver value to all our stakeholders.

Our commitment to governance during 2013 continued to evolve and focused on strengthening our control environment. We have spent a great deal of time establishing the right framework, processes, policies and systems to ensure decisions are made at the appropriate level with accountability as we work to regain the trust of our stakeholders.

We will continue to develop our practices and a strong framework to ensure that we adhere to high standards of corporate governance and identify areas where improvements are required. Ultimately, the changes we are making will strengthen the business and will enable us to move forward with the systems, controls and governance in place across the Group to run a business that is focused on doing the right thing by the customer.

Board composition, effectiveness and construct

The Board is responsible for providing strong and effective leadership. At CPP, the Board comprises me as Chairman, together with two Executive Directors and three independent Non-Executive Directors, drawing on experience across various industry sectors. The Board recognises the benefits of providing the right balance, strengths and diversity in the composition of the Board. We aim to have an optimum balance of skills and sector experience to ensure the Board operates in a focused and effective manner with the objective to balance long term value creation with acceptable short term outcomes. Our policy is to appoint the best people for relevant roles and we will continue to review the composition of the Board to ensure we have the right levels of skills and expertise, whilst recognising the benefits of greater diversity.

In view of the challenges that the Group has faced, the scale of the Company is much reduced and we are now rebuilding for the future. As our ultimate structure and strategy is formed and as we finalise the Scheme, it is our intention to review the appropriateness of the skills and expertise required and overall Board structure. All Directors are committed to this review.

Biographical details of the members of the Board are set out on pages 30 and 31.

Role of the Board

The role and responsibilities of the Board and its various Committees are outlined on page 35. Our approach to corporate governance and the role of the Board ensures that there is a clear understanding of the necessary requirements and leadership that support the development of the business and address the challenges ahead.

Remuneration

Our remuneration structures ensure performance is measured against appropriate metrics that take into account how results are delivered as well as the actual delivery of those results.

"Our approach to corporate governance and the role of the Board ensures that there is a clear understanding of the necessary requirements and leadership that support the development of the business and address the challenges ahead."

Duncan McIntyre, Non-Executive Chairman

Role of the Board

1

Provide leadership to the Group

2

Set the Group's long term strategic objectives

3

Develop robust corporate governance and risk management practices

Board Committees

Audit Committee
Risk & Compliance Committee
Nomination & Governance Committee
Remuneration Committee
Executive Committee

Role and responsibilities of the Non-Executive Chairman and Chief Executive Officer

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

Chairman

The Non-Executive Chairman, Duncan McIntyre, is responsible for the leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda.

The Non-Executive Chairman has no involvement in the day-to-day business of the Group.

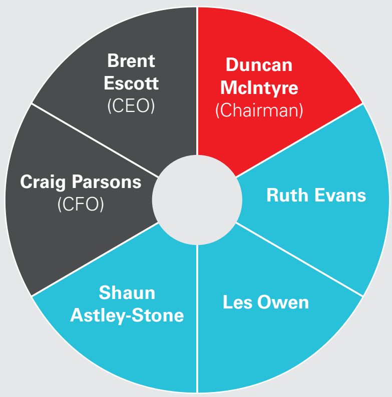
Details on the role of the Non-Executive Chairman can be found on page 33.

Chief Executive Officer

The Chief Executive Officer, Brent Escott, 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.

Details on the role of the Chief Executive Officer can be found on page 33.

Board balance



Non-Executive Chairman	1
Executive Directors	2
Independent Non-Executive Directors*	3

* Shaun Astley-Stone is not considered independent during 2013. He can be considered independent going forward. Details can be found on page 33.

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Board of Directors and Company Secretary

Committees

- A Audit Committee
- RC Risk & Compliance Committee
- NG Nomination & Governance Committee
- R Remuneration Committee
- Committee Chairman

1. Les Owen

Independent Non-Executive Director

Appointment August 2010

Committee Memberships

A RC NG R

Skills and experience
Les Owen worked for 35 years in retail financial services including eleven years as Chief Executive Officer of companies listed in the UK and Australia. Les is a qualified actuary and serves as Non-Executive Director on the boards of a number of national and international companies.

Other appointments
Appointments include Non-Executive Director of Royal Mail Holdings Plc, Jelf Group Plc, Discovery Ltd, Computershare and Just Retirement (Holdings) Limited.

2. Shaun Astley-Stone

Independent Non-Executive Director

Appointment September 2013

Committee Memberships

RC

Skills and experience
Shaun worked previously for the Group as Interim UK Managing Director from August 2012 until May 2013, during which time he was instrumental in building the customer focus of the UK business and in improving regulatory relationships. Shaun has over 25 years' experience of the retail financial services and insurance sectors.

Other appointments
Chair of Card Protection Plan Limited and Chief Executive Officer of EMC Advisory Services Limited.

3. Brent Escott

Chief Executive Officer

Appointment September 2013

Committee Memberships

NG

Skills and experience
Brent was appointed Chief Executive Officer following a brief period in the role of Interim Deputy Chief Executive Officer. He has over 25 years' experience in the insurance industry, most recently as Managing Director, General Insurance Division at Capita plc and previously as Managing Director of the UK division of Brit Insurance Holdings PLC. He was founder and Managing Director of Club Direct Insurance Services Limited.

Other appointments
Director of Allendene Limited and Clear Insurance Management Limited.

4. Duncan McIntyre
Non-Executive Chairman

Appointment January 2014

Committee Memberships
A RC NG R

Skills and experience
Duncan was appointed as Group Chairman in January 2014, following three years as a Non-Executive Director. A qualified accountant, 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, where he remained as Chairman until October 2013.

Other appointments
Chairman of Climate Risk Management Limited, Technetix Group Limited and eg solutions plc.

5. Craig Parsons
Chief Financial Officer

Appointment September 2013

Committee Memberships
RC

Skills and experience
Craig is responsible for the Group's Finance, Tax, Treasury, Risk and Audit functions. He has held a senior role in CPP's Group Finance function since 2002, most recently as Director of Tax and Treasury. He has primary responsibility for the Group's lender relationships and played a leading role in the successful refinancing of the business in July 2013. He qualified as a Chartered Accountant with PwC in 1995 and has 18 years' experience working in the financial services industry.

6. Lorraine Beavis
Company Secretary

Appointment October 2013

Skills and experience
Lorraine is a Chartered Secretary with broad experience as a company secretary in a variety of businesses. She joined the Group as Deputy Company Secretary in April 2012, assuming the role of Group Company Secretary in October 2013.

7. Ruth Evans
Independent Non-Executive Director

Appointment October 2013

Committee Memberships
NG R

Skills and experience
Ruth has an established track record representing consumer interests across a range of public and private services, including the retail financial services sector. She has extensive experience in professional and economic regulation having served as Chair and Board member of economic and professional regulatory authorities.

Other appointments
Chair of the Authority for Television on Demand and Independent Commissioner of the Independent Police Complaints Commission.

Corporate Governance report

Summary

- The Board continues to focus on improving the governance aspects of the business
- The Board is responsible to shareholders for the strategic direction of the business and is committed to high standards of corporate governance
- Various changes made during the year to ensure that the Board continues to comprise individuals with wide-ranging business skills and experience

Risk management and principal risks **pages 23 to 26**

Board of Directors **pages 30 and 31**

Committee reports **pages 36 to 53**

Directors' report **pages 54 to 56**

Statement of Directors' responsibilities **page 57**

The Board is committed to high standards of corporate governance

Introduction

During 2013, the Board continued its focus on improving the governance aspects of the business. The governance framework has been developed to ensure that it remains appropriate to the business and the risk and compliance functions continue to be strengthened throughout the Group.

Compliance with the UK Corporate Governance Code 2012

This report sets out how the Company applied the principles of the UK Corporate Governance Code as published by the Financial Reporting Council in September 2012 and available on its website www.frc.org.uk ('the Code') and the extent to which the Company complied with the provisions of the Code during the year under review.

The Code defines a smaller company as one that is below the FTSE 350 throughout the year immediately prior to the reporting year. In so far as is required of a smaller company as so defined, the Directors consider that the Company has been in full compliance throughout the year with the provisions set out in the Code, except as described below:

- the Board has not considered the appointment of a Senior Independent Director appropriate, given the Company's size and financial position. This will remain under review as the Company strategy and Board structure develops; and
- in view of the number of changes and issues faced during the year, the Board has not considered a formal Board effectiveness review to be appropriate. This will be reviewed once the Board and the Company return to a position of greater stability and as the structure of the Board develops.

Leadership

The role of the Board

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

At the date of this report, the Board comprises:

Duncan McIntyre
as Non-Executive Chairman

Brent Escott
as Chief Executive Officer

Craig Parsons
as Chief Financial Officer

Les Owen, Shaun Astley-Stone and Ruth Evans
as Independent Non-Executive Directors

Duncan McIntyre and Les Owen served on the Board throughout the year, as did Charles Gregson before he stepped down in January 2014.

The following changes were made during the year and up to the date of this report:

Duncan McIntyre
– appointed as Chairman on 29 January 2014

Brent Escott
– appointed on 1 September 2013

Craig Parsons
– appointed on 1 September 2013

Shaun Astley-Stone
– appointed on 2 September 2013

Ruth Evans
– appointed on 4 October 2013

Charles Gregson
– resigned on 29 January 2014

Paul Stobart
– resigned as Chief Executive Officer on 31 August 2013

Shaun Parker
– resigned as Chief Financial Officer on 31 August 2013

Hamish Ogston
– resigned as a Non-Executive Director on 28 June 2013

Biographical notes of each of the current Directors are given on pages 30 and 31.

How the Board operates

The Board has a formal schedule of matters reserved to it, which is available on the Company's website, www.cppgroupplc.com. This schedule was last reviewed and updated in March 2014. Key matters that the Board is specifically responsible for include:

- approval of the Group's long term ambitions, objectives and commercial strategy;
- material changes to the Group's corporate structure, including any acquisitions or disposals;
- ensuring maintenance of a sound system of internal control and risk management;
- approval of annual and half-year results, interim statements and interim management statements;
- approval of the dividend policy; and
- material capital investments.

Other powers are delegated to the various Board committees and to Senior Management. Details of the roles and responsibilities of the Board Committees are set out on pages 36 to 53 and copies of all terms of reference are available on the Company's website.

Details of attendance at scheduled Board and Committee meetings during the year are set out in the table on page 34. Additional ad hoc meetings were also arranged to deal with matters between scheduled meetings as appropriate.

Papers for Board and Committee meetings are circulated in advance of the relevant meeting and any Director who is unable to attend receives a full copy of the papers and has the opportunity to comment on the matters to be discussed.

Board members also receive a monthly performance pack which is prepared at the end of each financial period and includes an update on key performance targets, trading performance and detailed financial data.

Each member of the Board has had access to all information relating to the Group, and to the advice and services of the Company Secretary (who is responsible for ensuring that Board procedures are followed). All Board members also have access to external advice at the expense of the Group, should they need it.

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

The Chief Executive Officer, Brent Escott, 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.

Board balance, independence and appointments

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.

During the year, various changes have been made to ensure that the Board continues to comprise individuals with wide ranging business skills and experience and the Board has considered the structure, size and composition of the Board; the membership of the various Board Committees; the expected time commitment; and the policy for Board appointments for Executive and Non-Executive Directors.

The Board's aim is to ensure that the balance between Non-Executive Directors and Executive Directors reflects the changing needs of the business and allows the Board to exercise objectivity in decision making and proper control of the Company's business.

The Board has reviewed the independence of each of the Non-Executive Directors that continue to serve on the Board and concluded that Les Owen and Ruth Evans are independent. Shaun Astley-Stone provided some consultancy services to the Group's UK regulated subsidiaries after his appointment to the Board, for which he received fees over and above his Non-Executive Director fees. The contract under which those services were provided has now been terminated. The Board therefore considers that, whilst Shaun Astley-Stone was not independent during the year under review, he can be considered independent going forward. On his appointment as Chairman, Duncan McIntyre satisfied 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 meets the Code requirement for smaller companies (as defined by the Code) that at least two members of the Board should be Independent Non-Executive Directors.

The Non-Executive Directors are considered to be of sufficient calibre and experience to bring significant influence to bear on the decision making process.

Throughout the year the outgoing Chairman, Charles Gregson, held regular informal meetings with Non-Executive Directors without the Executive Directors being present and Duncan McIntyre has continued this practice since his appointment.

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 requires 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.

Information and professional development

The Board receives at its meetings detailed reports from Executive Management on the performance of the Group 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. In addition to any guidance that may be given from time to time by the Company Secretary, Directors are encouraged to devote an element of their time to self-development through available training.

All Directors have access to the advice and services of the Company Secretary. The Company Secretary or her nominee is the secretary for all 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, last carried out a formal Board effectiveness review through an independent third party in 2011. The evaluation was based on written questionnaires completed by the Directors at the time and some face to face interviews. These were used to create a written report with recommendations and improvements made in the light of these. In view of the number of changes and issues faced by the Board since that time, the Board has not considered further formal evaluation to be appropriate. This will be reviewed once the Board and the Company return to a position of greater stability and once the Board is satisfied that its composition is appropriate for the developing strategy of the Company.

Re-election

The Company's Articles of Association require that newly appointed Directors offer themselves for election at the first Annual General Meeting (AGM) following their appointment and that all Directors stand for re-election at least once every three years.

Accordingly, at the 2014 AGM, Brent Escott, Craig Parsons, Shaun Astley-Stone and Ruth Evans will seek election for the first time. Duncan McIntyre and Les Owen, having been re-elected at the 2013 AGM, are not required to stand for re-election at the forthcoming AGM.

Corporate Governance report continued

Re-election continued

Duncan McIntyre took over as Chairman in January 2014 with the support of the Group's largest shareholders. Les Owen has indicated his intention to retire from the Board once a successor has been identified.

The Board believes that its performance continues to be effective and that the election of Directors is consistent with the Board's evaluation of the size, structure and composition of the Board. However, all Directors understand that the Group is in transition and confirm that if their skills and expertise cease to be relevant, they will step down.

Biographies for all Directors can be found on pages 30 and 31.

Relations with shareholders

The Board is committed to maintaining good relationships with shareholders. There is regular dialogue with the Company's key 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 are available for meetings with major and institutional shareholders on request.

Key shareholders are 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. Irrespective of the size of their shareholding, shareholders have the opportunity to convey their views and make enquiries via e-mail or telephone contact with the Head of Investor Communications.

The Chairman is responsible for ensuring that appropriate channels of communication are established between the Chief Executive Officer (and other Executive Directors) and shareholders, ensuring that the views of shareholders are made known to the Board. The Board is provided with an investor relations report on a monthly basis. The Company recognises the importance of ensuring effective communication with all of its shareholders and seeks to present the Company's position and prospects clearly.

The Annual Report & Accounts is distributed to all shareholders and 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 at www.cppgroupplc.com.

The AGM provides the Board with an opportunity to meet informally and communicate directly with private investors. Voting at the AGM is conducted by way of a show of hands to encourage questions from and interaction with private investors. Proxy votes lodged on each AGM resolution are announced at the meeting and published on the Company's website.

Insurance

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

Internal control and compliance

The Audit Committee and the Risk & Compliance Committee receive regular reports on compliance with Group policies and procedures. On behalf of the Board, the Audit Committee and the Risk & Compliance Committee confirm that through discharging their responsibilities under their terms of reference as described on pages 36 and 39, they have reviewed the effectiveness of the Group's system of internal controls and are able to confirm that necessary actions have been or are being taken to remedy any failings or weaknesses identified.

Full details of the Group's system of internal control and its relationship to the corporate governance structure are contained in the Risk management and principal risks section of this Report on pages 23 and 24.

Conflicts of interest

A register of conflicts of interest is maintained by the Company Secretary. Directors are required to declare any specific conflicts that arise from each Board agenda and a Director would refrain from voting on any matter that caused an actual or potential conflict of interest.

Board Committees

The Audit Committee, the Risk & Compliance Committee, the Nomination & Governance Committee and the Remuneration Committee are standing Committees of the Board. The Company Secretary acts as Secretary to all of the Board Committees. 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. Terms of reference 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.

Directors' attendance at scheduled Board and Committee meetings in 2013

		Board	Audit Committee	Risk & Compliance Committee	Remuneration Committee	Nomination Committee*	Governance Committee*
Duncan McIntyre	Non-Executive Director	10 (10)	6 (7)	5 (5)	4 (4)	—	3 (3)
Brent Escott	Chief Executive Officer	3 (3)	—	—	—	1 (1)	—
Craig Parsons	Chief Financial Officer	3 (3)	—	1 (1)	—	—	—
Les Owen	Non-Executive Director	9 (10)	7 (7)	5 (5)	3 (4)	2 (2)	—
Shaun Astley-Stone	Non-Executive Director	3 (3)	—	1 (1)	—	—	—
Ruth Evans	Non-Executive Director	2 (2)	—	—	1 (1)	1 (1)	—
Charles Gregson	Non-Executive Chairman	10 (10)	7 (7)	5 (5)	4 (4)	2 (2)	3 (3)
Paul Stobart	Chief Executive Officer	7 (7)	—	—	—	1 (1)	—
Shaun Parker	Chief Financial Officer	7 (7)	—	4 (4)	—	—	—
Hamish Ogston	Non-Executive Director	5 (5)	—	—	—	—	—

The figures in brackets represent the maximum number of meetings for which the individual was a Board or Committee member.

*The Nomination Committee and Governance Committee were combined with effect from 17 September 2013.

Governance framework

The Board of CPPGroup Plc

The Chairman, two Executive Directors, and three Independent Non-Executive Directors

Key objectives
Responsible for the overall management of the Group and for setting the Group's strategy and commercial objectives

Role of the Board **page 32**

Roles and responsibilities of the Chairman and Chief Executive Officer **page 33**

Audit Committee

One Independent Non-Executive Director plus Duncan McIntyre

Chairman
Les Owen

Key objectives
To monitor the integrity of financial reporting systems and the effectiveness of internal financial controls; oversee the Internal Audit function and provide an interface with the external auditors

More detail **page 36**

Risk & Compliance Committee

Two Independent* Non-Executive Directors plus Duncan McIntyre and Craig Parsons

Chairman
Duncan McIntyre

Key objectives
To assist the Board in fulfilling its responsibilities relating to the risk appetite and risk management of the Group, the compliance framework and governance structure

More detail **page 39**

Nomination & Governance Committee

Two Independent Non-Executive Directors plus Duncan McIntyre and Brent Escott

Chairman
Duncan McIntyre

Key objectives
Keep under review the structure, size and composition required of the Board and make recommendations to the Board regarding any changes

More detail **page 40**

Remuneration Committee

Two Independent Non-Executive Directors plus Duncan McIntyre

Chairman
Ruth Evans

Key objectives
Determine and agree with the Board a framework and Board policy for Executive remuneration

More detail **page 41**

Executive Committee

Six members made up of the Executive Directors and Group function heads

Chairman Brent Escott

Key objectives
Assist the CEO in the performance of his duties, including the development and implementation of strategy; monitoring operational and financial performance; the assessment and control of risk and the prioritisation and allocation of resources

*Shaun Astley-Stone, although not independent during the period under review, is considered independent going forward.

Report of the Audit Committee

Members

- Les Owen (Chairman)
- Duncan McIntyre*

Meetings

- Seven

Summary

- Continuing review of the Company's going concern position in light of the Company's financial circumstances, including redress forecasts
- Committee effectiveness review carried out
- New Internal Audit manual approved and permanent Head of Internal Audit appointed (January 2014)
- Advised the Board on its obligation to ensure that the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy

Financial review
pages 18 to 22

Auditor's report
pages 59 to 61

Financial statements
pages 62 to 110

*Duncan McIntyre is considered by the Board to have recent and relevant financial experience, in accordance with the Code.

Les Owen
Audit Committee Chairman

Key objective

To assist the Board in discharging its duties and responsibilities for financial reporting and internal financial control to include: monitoring the integrity of the financial reporting systems; examining management's processes for ensuring the appropriateness and effectiveness of internal financial controls; overseeing the work of the Internal Audit function; and providing an interface between management and the external auditor.

Key responsibilities

- review financial statements and any financial information contained in certain other documents;
- keep under review the effectiveness of the Group's internal financial controls and approval of any relevant disclosures;
- advise the Board on its obligation to ensure that the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- review the Group's procedures for preventing and detecting fraud and bribery and the arrangements for employees to raise concerns, in confidence, about possible wrongdoing in these or other financial reporting matters;
- review findings and reports from Internal Audit, approving management action plans and monitoring progress against those plans;
- monitor and review the effectiveness of the Company's Internal Audit function in the context of the Company's overall assurance system;
- approve the external auditor's remuneration and terms of engagement, keep under review the scope and results of the audit work, its cost effectiveness and the independence and objectivity of the auditor, together with the volume and nature of non-audit services provided by the auditor;
- consider and approve accounting policies; and
- oversee the relationship with the external auditor, including recommendations to the Board in relation to its appointment, re-appointment and removal.

Committee meetings

Only Committee members have the right to attend meetings, although others may attend by invitation of the Committee Chairman. During the year the external auditor, Senior Management, Chief Executive Officer, Chief Financial Officer and Head of Internal Audit usually attended meetings or parts of meetings to report to the Committee and provide clarification and explanations where appropriate. The Audit Committee Chairman also meets with the Head of Internal Audit and the external auditor without Executive Management present on a regular basis.

Main activities during the year

The Committee fully recognises its role of protecting the interest of shareholders as regards the integrity of published financial information and the effectiveness of the audit. The main activities of the Committee during the year were as follows:

Financial statements

The Committee reviewed and discussed financial disclosures made in the annual results announcement, the Annual Report & Accounts and the half-yearly financial report, together with any related management letters, letters of representation and reports from the external auditor. Key financial reporting and accounting issues are shown in the table on page 38.

"The Committee considers that this Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy."

Les Owen, Audit Committee Chairman

External auditor

The 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 Audit Committee meetings as appropriate and meets at least annually with the Committee without Executive Management. The Chairman of the Committee also meets privately with the external auditor.

During the year, the 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. Non-audit services provided by the external auditor are monitored by the Committee.

The Committee also reviewed detailed reports covering the planning and results of external audit work, which included challenge to management's assumptions. In addition, the Committee considered a review of the external auditor's client service provision. The 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 Committee has recommended that Deloitte be re-appointed at the forthcoming AGM.

Auditor's independence, objectivity and effectiveness

Fees paid to the external auditor are shown in note 7 to the consolidated financial statements. The external auditor provides some non-audit services, primarily in relation to corporate transactions that may arise from time-to-time. The level of non-audit fees as a proportion of the total fees paid to Deloitte was relatively high in 2013 due to an unusual level of non-recurring reporting, regulatory and corporate activity, including work in relation to the sale of the US business. The Committee is satisfied that all of this is work that would normally fall to the Company's auditor.

In order to ensure that auditor objectivity and independence are safeguarded the following controls have been implemented:

- a policy on the use of the auditor for non-audit work has been agreed by the 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. This policy is appended to the Committee terms of reference which is available on the Group's website;
- the Committee receives and reviews each year an analysis of all non-audit work awarded to the auditor over the financial period; and
- the 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 Committee.

To date, the effectiveness of the external auditor has been assessed informally, through discussions with and reports from the Chief Financial Officer (who attends most Committee meetings) and the external auditor. More recently the Committee has agreed to implement a formal process to assess the effectiveness of the external auditor. This will be carried out annually following the completion of the audit and will involve a detailed questionnaire to be completed by members of the Committee and senior members of the finance team who regularly interact with the external auditor. The results of the questionnaire will be reported to and discussed by the Committee.

Internal audit

The Committee approves the annual internal audit plan and methodology, monitors progress against the plan and receives reports after each audit. 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 Committee at regular intervals.

The Internal Audit team comprises the Head of Internal Audit, who is a Chartered Accountant with almost four years' service with the Company, and a further two experienced auditors. The Committee has assessed the resources the department has to complete its remit and has approved the use of external consultants to supplement it if necessary, particularly in areas requiring specialist skills. The appointment and removal of the Head of Internal Audit is the responsibility of the Committee. The Internal Audit Department continues to have unrestricted access to all Group documentation, premises, functions and employees, as required. The Head of Internal Audit has direct access to the Board and the Audit Committee Chairman and is accountable to the Audit Committee, meeting with the Committee from time to time, without Executive Management present. The Committee approved the appointment of a new full time permanent Head of Internal Audit in January 2014.

Report of the Audit Committee continued

Main activities during the year continued

Going concern

Throughout the year, the Committee received reports from management and paid close attention to the continuing going concern position of the Company in the light of various financial risks including the Group cash position, developing information on likely redress rates, and other risks that continue to face the Company. As at the date of this report the Committee considers it appropriate that the accounts are prepared on a going concern basis.

Committee effectiveness

During the year the Committee carried out a self-assessment exercise to help it assess its own effectiveness. This comprised a questionnaire completed anonymously by various participants and analysed by the Head of Internal Audit prior to consideration by the Committee. Certain changes were implemented as a result of this exercise, including:

- extending the time allowed for Committee meetings;
- implementation of a formal process to assess the effectiveness of the external auditor;
- implementing an external independent review of internal audit effectiveness to be carried out at least once every three years and internally on an annual basis; and
- development of an enhanced induction process for new Committee members.

Advice to the Board

Following the publication of the revised Code, the Board sought the advice of the Committee as to whether the Annual Report & Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee adopted a formal process to enable it to satisfy itself that this was the case, before advising the Board.

Other activities

Other activities of the Committee during the year included:

- renewal of the Group's lending arrangements;
- monitoring the effectiveness of the Group's whistle-blowing procedures and any notifications made;
- reviewing a gap analysis against "Effective Internal Audit in the Financial Services Sector";
- implementation of a self-assessment procedure for Finance functions in overseas territories;
- approval of a new internal audit manual;
- recruitment of a permanent Head of Internal Audit in January 2014;
- reviewing and updating of the Committee's own terms of reference.

Regular updates are provided to the Committee on developments in financial reporting and related legal and corporate governance matters.

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

Priorities for 2014

The Committee has identified the following key areas of focus for 2014:

- carry out a formal annual review of the effectiveness of the internal audit activities;
- a post-audit effectiveness review to take place annually;
- continue to monitor the going concern status of the Group;
- monitor the appropriateness of regulatory provisions;
- review internal audit plan and resources required for implementation; and
- develop the formal induction programme for new Committee members.

Key financial reporting and accounting issues

The primary areas of judgement considered by the Committee in relation to the 2013 accounts, and how these were addressed by management are shown below:

Area of judgement	Management action
Regulatory provisions	The Committee considered and challenged the key judgements used in determining the overall level of the redress provisions including response rates, the size of the population of relevant customer policies, the average level of redress payable per customer and the eventual outturn of adviser costs. The Committee received detailed explanations from Executive Management in relation to the key assumptions and the supporting evidence behind them. Where appropriate, external and internal reports were obtained, for example in relation to the response rates and the completeness of the populations, in order to provide additional assurance.
Going concern	Throughout the year the Committee has received regular reports from management on the going concern status of the Company taking account of the financial challenges that the Company has faced, in particular the trading, regulatory and governance risks. Each report was supported by a detailed forecasting exercise and included explanations of key judgements within those forecasts and the evidence on which those judgements were based. The Committee reviewed and challenged each report and the underlying forecast assumptions including expected growth rates and key factors such as renewal rates by reference to historical information and the estimated impact of the on-going redress Scheme. Whilst mindful of the risks still facing the Company in this regard, the Committee believes that the Company remains a going concern and that it is appropriate that these accounts are prepared on a going concern basis.
Impairment of tangible and intangible non-current assets	The Committee received papers presenting management's intended approach which included the technical rationale for booking impairment charges and the linkage between the calculated impairment charges and forecast business performance as set out in the Group's detailed business forecasts. The Committee also received reports from the external auditors in this regard.
Revenue recognition	The Committee reviews the Company's policy on revenue recognition on an annual basis and, having considered reports provided by the auditors, concluded that revenue recognition continues to be dealt with appropriately.

Report of the Risk & Compliance Committee

Members

- Duncan McIntyre (Chairman)
- Shaun Astley-Stone
- Les Owen
- Craig Parsons

Meetings

- Five

Summary

- Risk strategy and risk appetite statements reviewed and updated to reflect the current operating environment of the Group
- Key risks and management actions monitored
- Internal control and risk management systems reviewed and updated, as appropriate
- Business Incident Management system implemented
- Minimum standards implemented across the Group

Risk framework
pages 23 and 24

Principal risks
pages 25 and 26

Duncan McIntyre
Risk & Compliance Committee Chairman

Key objective

To assist the Board in fulfilling its oversight responsibilities with regard to the risk appetite of the Group and the risk management and compliance framework and the governance structure that supports it.

Key responsibilities

- review reports and recommendations regarding the Group's overall risk strategy, appetite, policies, capacity and tolerances and make recommendations to the Board;
- review the appropriateness and effectiveness of the Group's management systems and controls and approve any related disclosures;
- review appropriateness of the governance functions' policies and procedures;
- review reports from each governance function, including those on adherence to the Group's policies and standards and the maintenance of a risk and compliance culture;
- recommend to the Board the appointment or removal of the Head of Risk Management or the Head of Compliance;
- keep under review the Group's Information Security Policy, and appropriate accreditations; and
- keep under review the adequacy and effectiveness of the Group's governance functions and the timeliness and effectiveness of management actions.

Membership and meetings

Only members of the Committee have the right to attend Committee meetings, although other individuals such as Executive Directors, Group General Counsel and the Head of Compliance may be invited to attend all or part of any meeting as appropriate. The Head of Risk Management is in attendance at all meetings.

Main activities of the Committee during the year

Specific matters dealt with during the year include:

- implementation of a Business Incident Management system;
- minimum standards implemented throughout the Group;
- review of the Group's internal control and risk management systems;
- review and update of the Group's risk strategy and risk appetite statements to reflect the current operating environment of the Group;
- oversight of restructuring of Quality Assurance and Compliance functions;
- oversight of a project to review UK governance and compliance arrangements;
- review of the Group's key risks and management actions; and
- review of the Committee's own terms of reference.

Report of the Nomination & Governance Committee

Members

- Duncan McIntyre (Chairman)
- Brent Escott
- Les Owen
- Ruth Evans

Meetings

- Five

Summary

- Nomination & Governance Committees merged
- New CEO and CFO appointed
- Two new Non-Executive Directors appointed
- New Chairman appointed in January 2014

Board of Directors
pages 30 and 31

Corporate Governance report
pages 32 to 35

Duncan McIntyre
Nomination & Governance Committee Chairman

Key objective

To assist the Board in ensuring that the Board and its Committees comprise individuals with the requisite skills, knowledge and experience to ensure they are effective in discharging their responsibilities.

Key responsibilities

- carry out a formal selection process for Executive and Non-Executive Directors and propose to the Board any new appointments;
- oversee succession planning for Directors and Senior Managers below Board level;
- regularly review the structure, size and composition of the Board (including the skills, knowledge, experience and diversity required);
- make recommendations to the Board in respect of the membership of the Audit, Risk & Compliance and Remuneration Committees in consultation with the Chairmen of those Committees; and
- make recommendations to the Board on the re-appointment of any Non-Executive Director at the conclusion of their specified term of office.

Membership and meetings

In addition to Committee members, other individuals and external advisers attend meetings at the request of the Committee Chairman. During the year, the Chief Financial Officer, the Group General Counsel and the Group HR Director have attended meetings to report to the Committee and provide clarification and explanations where appropriate.

Main activities of the Committee during the year

The following principal items were considered during the year:

- appointment of new CEO and CFO;
- appointment of Shaun Astley-Stone;
- appointment of Ruth Evans; and
- review of governance framework.

An external search consultancy, Sciteb, was appointed for the recruitment of Ruth Evans. Brent Escott was recruited through EIM. Neither EIM nor Sciteb has any connection with the Company.

During the early part of 2014, following the announcement of Charles Gregson's intention to stand down, the Committee has been involved in the recruitment of a new Chairman. Because of the particular circumstances of the Company at this time, the Committee did not feel it appropriate to appoint an external search consultancy to carry out this process, but considered two candidates identified by personal recommendation, together with Duncan McIntyre, an existing Non-Executive Director. The selection process was carried out by a sub-committee of the Nomination & Governance Committee, led by Ruth Evans. The outgoing Chairman was not involved in the process to appoint his replacement.

Diversity

The Board considers itself diverse in terms of the background and experience each individual member brings to the Board, although recognises the benefits that greater diversity at the most senior levels of the Company may bring. With this in mind, the terms of reference of the Committee require that in each appointment to the Board, the Committee must "consider candidates on merit and against objective criteria, and with due regard for the benefits of diversity on the Board, including gender" in identifying and recommending candidates.

Remuneration report

Group overview
Strategic report
Corporate governance
Financial statements
Shareholder information

Members

- Ruth Evans (Chairman from 1 January 2014)
- Duncan McIntyre (Chairman to 31 December 2013)
- Les Owen

Meetings

- Four

Summary

- New Senior Management team appointed
- Challenging environment in which to devise appropriate management incentives
- An uncertain environment has made it difficult to recruit high quality permanent Senior Managers

Board of Directors
pages 30 and 31

Directors' remuneration policy report
pages 43 to 47

Annual report on remuneration
pages 47 to 53

Ruth Evans
Remuneration Committee Chairman

Annual Statement from the Remuneration Committee Chairman

On behalf of the Board, I am pleased to present the Directors' Remuneration report for the year ended 31 December 2013.

We have made no major changes to our remuneration policy during the year, although you will see changes in the format of this year's Remuneration report, reflecting the new reporting requirements.

During the year a new management team has been brought in to take the Company through the turnaround of the business. The Committee recognises that the team needs to be appropriately incentivised to do this, although this is difficult to achieve given the current financial position of the Company and the relatively small number of shares available to offer as long term incentives. The Company is also constrained by its inability to recruit high quality permanent staff during these uncertain times and is consequently heavily reliant on expensive interim contractors.

Review of 2013

During 2013, we made good progress in improving the governance of the business, implementing the Scheme and undertaking an assessment of the CPP business proposition.

In view of the general uncertainty surrounding the business and its performance, the Committee did not set bonus plan targets in 2013 and no bonus payments were made in respect of that year.

In December 2013, following a delay necessitated by the restructuring of the management team, awards were made under the LTIP with stretching share price targets in line with the recovery agenda and the strategic priority of focusing on returns to shareholders. The awards were made at lower levels than allowed for under the remuneration policy (as a percentage of salary) given the depressed share price and limited available headroom at the date of grant.

LTIPs were granted in 2011, to which performance conditions were attached based on earnings per share (EPS) for the period ending 31 December 2013 and Total Shareholder Return (TSR) over the period ending on the normal vesting date of 4 March 2014. As none of the performance conditions were met these awards did not vest and have therefore fully lapsed.

Remuneration policy for 2014

We do not anticipate that a further LTIP award will be made during 2014.

The Committee fully recognises the need to incentivise the new management team in order to focus them on KPIs aligned with the recovery agenda. This is reflected in the proposed remuneration policy that follows, which (subject to shareholder approval) will apply for the next three years. However, given the current financial constraints of the Group, it is highly unlikely that any bonus will be paid in 2014. The Committee reserves the right to review this in the event of a significant change in the financial circumstances of the Company, but any payout is likely to be at a much reduced level.

Executive salaries were not increased for 2014 and levels of fixed pay thus remain at 2013 levels. They will next be eligible for review in January 2015.

Remuneration report continued

Our strategic priorities for 2014

Our general approach to remuneration is driven by our ability to attract, motivate and retain the right calibre of people as this is critical to our long term performance not only for shareholders but also for our customers. Our remuneration strategy seeks to deliver and appropriately incentivise a strong Leadership Team, capable of leading multiple operations across a number of geographies and of delivering strategic, operational and financial objectives and adheres to our internal control, risk and compliance processes.

The aim of our remuneration policy is to ensure that remuneration, in particular variable pay and incentives, focuses on delivery of stretching financial targets and personal objectives which are aligned with the business strategy and the long term goals of the business, promoting close alignment between management and shareholders, always within the bounds of affordability. Our overall policy represents our approach in a steady state business environment. However, we recognise this will not be the case for 2014 and have presented what we believe is a balanced and realistic view for 2014.

Activities of the Remuneration Committee

The Committee is responsible for recommending to the Board the remuneration of the Chairman, Chief Executive Officer, Executive Directors, Company Secretary and Executive Management. The remuneration of Non-Executive Directors is a matter for the Chairman and the Executive Members of the Board. The Committee also recommends and monitors the level and structure of remuneration for Senior Management.

The main activities of the Committee during the year under review were:

- agree terms for senior exits and appointments;
- incentivisation of Executive Directors and Senior Management team;
- retention and reward in the UK;
- review of performance conditions on 2010 LTIPs; and
- strategy for year end salary reviews.

I assumed the role of Chair of the Committee with effect from 1 January 2014, taking over from Duncan McIntyre who stood down at the end of 2013.

Interaction with shareholders

The Remuneration Committee actively seeks the views of shareholders and understands that such consultation forms a key part of the process of remuneration policy development. During the year, the Committee engaged in a dialogue with our largest shareholders. We also consulted with our largest shareholders with regard to the long term incentivisation of the management team, following which it was decided that awards would be made at lower levels than allowed for under the remuneration policy so as to remain within our existing dilution limits.

Remuneration disclosure

The report that follows is in two sections:

The Directors' remuneration policy report (pages 43 to 47), which contains details of the remuneration policy that we propose will apply from the 2014 AGM (16 June 2014) subject to shareholder approval. This section is subject to a binding shareholder vote.

The Directors' annual remuneration report (pages 47 to 53), which sets out details of how our remuneration policy was implemented for the year ended 31 December 2013 and how we intend the policy to apply for the year ending 31 December 2014. This section is subject to an advisory shareholder vote.

Ruth Evans
Chair of the Remuneration Committee
23 April 2014

Directors' remuneration policy

This part of the Directors' Remuneration report sets out the remuneration policy for the Company and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy has been developed taking into account the principles of the UK Corporate Governance Code 2012 and the views of our largest shareholders. The policy report will be put to a binding shareholder vote at the 2014 AGM, and will take formal effect from the date of approval and is intended to apply for three years from that date.

The Remuneration policy is designed for three years and represents a steady state business environment. The Committee recognises this will not be the case for 2014 and has included the differences within the table to provide a balanced and realistic view for 2014 Director remuneration.

The Committee will update this position in future Annual Reports and will review the remuneration policy annually to ensure it remains aligned with the needs of the business and is appropriately positioned relative to the market. However, there is no intention to revise the policy more frequently than every three years.

Future policy table

Element and how it supports our strategic objectives	Operation of the element	Maximum potential value	Performance metrics used and time period applicable
Base salary			
To recruit and retain high calibre and experienced Executive Directors.	Base salary paid in 12 equal monthly instalments during the year. Salaries are reviewed annually and changes are effective from 1 January. Any increase will take account of: ► role, experience and personal performance; ► external indicators such as inflation and market conditions; ► average change in workforce salary; ► Company performance; ► periodic account of practice in companies of a comparable size, scale and complexity.	No prescribed maximum annual increase. Salary reviews take account of Company and individual performance. The Committee is guided by the general increase for the broader employee population but on occasions may need to recognise, for example, development in role, change in responsibility, and/or a significant change in the scale of the role or value/complexity of the business. The Committee has the flexibility to set the salary of a newly appointed Executive Director at a discount to the market level initially, with a series of planned increases implemented over the following few years to bring the salary to the desired positioning, subject to individual performance.	The Committee considers the salaries of the Executive Directors each year taking account of all the factors described in how the policy operates.
Benefits			
To provide benefits that are in line with market practice.	CPP pays an amount towards the cost of providing benefits on a monthly basis or as required for one-off events delivered through a flexible benefits programme. The Committee has discretion to pay a travel allowance according to individual circumstances and based on reasonable travel expenses. Executive Directors are also eligible to participate in any all-employee share plans operated by the Company, in line with HMRC guidelines currently prevailing (where relevant), on the same basis as for other eligible employees. Other benefits including relocation expenses and expenses relating to financial planning may be offered, as appropriate.	A fixed sum of up to £20,000 is allowed to spend on a range of benefits available within the Company's flexible benefits scheme.	None.

Remuneration report continued

Directors' remuneration policy continued

Future policy table continued

Element and how it supports our strategic objectives	Operation of the element	Maximum potential value	Performance metrics used and time period applicable
Annual bonus plan			
To ensure a market competitive package and to link reward to the achievement of short to medium term Company business objectives.	Bonus payments are at the discretion of the Committee. Annual bonuses are paid after the preliminary results for the financial year have been announced. Bonus awards up to 50% of the maximum award are paid in cash. Any bonus award in excess of this is paid half in cash, with the balance converted into CPP shares and deferred for three years under the Deferred Share Bonus Plan (DSBP). Clawback provisions are in place whereby all or part of the bonus can be recovered if, for example, in determining the value of a bonus for any performance period, the Committee relied on assumptions or facts which it subsequently discovers to have been incorrect or misrepresented.	Maximum bonus potential 100% of salary. In 2014, the Committee is highly unlikely to pay bonuses, unless circumstances change significantly and then at a much reduced rate.	All bonus payments are dependent upon achievement of threshold financial performance by the Company. Financial performance: at least 70% of maximum. Personal objectives: up to 30% of maximum. Group performance is measured by reported operating profit calculated under IFRS, excluding exceptional items, and subject to a quality of earnings adjustment as determined by the Group Remuneration Committee. Performance is measured over the financial year.
Long term incentive plan (LTIP)			
To increase alignment with shareholders by providing Executive Directors with longer term interests in the Company's shares.	Annual grants of conditional share awards or nil-cost options. Vesting based on the achievement of stretching share price targets and service conditions. Clawback provisions are in place whereby all or part of the LTIP award can be recovered if, for example, there is a restatement of the financial accounts or the individual is dismissed for "cause".	Maximum permitted grant in the plan rules is 200% of salary per annum. However, the Committee's normal policy is to grant LTIP awards not exceeding a face value of 125% of salary to the Chief Executive Officer and 100% of salary to the Chief Financial Officer. In 2014, due to current headroom limits, the Company is unlikely to issue an LTIP.	Service and performance conditions must be met over a three-year period. Initial performance conditions are: ► 25% of the award will vest if the average share price reaches a specified threshold. ► 100% of the award will vest if the average share price meets or exceeds a specified target. Awards will vest on a straight line basis between threshold and maximum. The Committee reserves the right to amend the above measures to align with the Company's developing strategy.
Pension			
To attract and retain high performing Executive Directors.	Defined contribution plan with a Company contribution.	Up to 15% of salary as Company contribution paid with monthly salary.	None.

Notes to the policy table

Awards granted prior to the effective date
All historical awards that were granted but remain outstanding (detailed on pages 50 and 51 of the Annual Report on Remuneration), remain eligible to vest based on their original award terms.

Discretion retained
The Committee will operate the annual bonus plan and LTIP according to the rules of each respective plan and consistent with normal market practice and the Listing Rules, including flexibility in a number of regards. Circumstances where the Committee will retain flexibility include:

- when to make awards and payments;
- how to determine the size of an award, a payment, or when and how much of an award should vest;
- who receives an award or payment;

Notes to the policy table continued

Discretion retained continued

- how to deal with a change of control or restructuring of the Group;
- whether an Executive Director or a Senior Manager is a good/bad leaver for incentive plan purposes and whether and what proportion of awards vest at the time of leaving or at the original vesting date(s);
- how and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends); and
- what the weighting, measures and targets should be for the annual bonus plan and LTIP from year-to-year.

The Committee also retains the ability within the policy to adjust targets and/or set different measures, to alter weightings for the annual bonus plan and to adjust targets for the LTIP, if events happen that cause it to determine that the conditions are unable to fulfil their original intended purpose.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's shareholders.

The use of discretion in relation to the Company's ShareSAVE and Share Incentive Plan will be as permitted under HMRC rules and the Listing Rules.

Performance measures and targets

The Committee selects performance conditions that are consistent with the Company's overall strategy and are linked to the Key Performance Indicators used by the Executive Directors to drive the operation of the business. The performance targets are determined annually by the Committee in consultation with the Risk & Compliance Committee and are typically set so as to reward achievement measured against stretching but achievable targets. Targets are set based on a sliding scale that takes account of relevant commercial factors. Only modest rewards are available for delivering threshold performance levels with maximum rewards requiring substantial out-performance.

Longer term measures will be aligned to the key strategic objective of growing returns to shareholders and turning round performance in the value of the business linked to share price growth targets, such as Group operating profit, earnings per share (EPS) and Total Shareholder Return (TSR), together with pre-determined personal objectives. The Committee is of the opinion that the detailed performance targets for the annual bonus are commercially sensitive and that it may be detrimental to the interests of the Company to disclose them before the end of the financial year. The targets will be disclosed after the end of the relevant financial year in that year's Remuneration report.

Share ownership guidelines

There are guidelines in place relating to the ownership of shares by Directors.

Differences in remuneration policy for all employees

All CPP employees are entitled to base salary, benefits and pension and are eligible to participate in a bonus scheme relating to role. The maximum opportunity available is based on the seniority and responsibility of the role.

Conditional share awards are only available to Senior Executives and Directors. There is a Restricted Stock Plan (RSP) which is a non-performance based share plan aimed at incentivising 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.

The remuneration policy for the Executive Directors and for other Senior Executives is more heavily weighted towards variable pay than that for other employees. This aims to create a clear link between the value created for shareholders and the progress of remuneration for the Executive Directors.

Approach to recruitment remuneration

CPP operates in a specialised sector and many of its competitors for talent are also actual or potential Business Partners or customers. The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract appropriate candidates to the role. However, the Committee retains the discretion to make appropriate remuneration decisions outside the standard policy to meet the individual circumstances.

The annual bonus would operate in accordance with the terms of the approved policy, albeit with the opportunity pro-rated for the period of employment. Depending on the timing and responsibilities of the appointment it may be necessary to set different performance measures and targets initially.

In determining appropriate remuneration arrangements on hiring a new Executive Director, the Committee will take into account relevant factors which may include the calibre of the individual; local market practice; the existing remuneration arrangements for other Executives; and the business circumstances. We seek to ensure that arrangements are in the best interests of the Group and its shareholders and not to pay more than appropriate.

Where it is necessary to 'buy out' an individual's awards from a previous employer, the Committee will seek to match the expected value of awards by granting, wherever possible, awards that vest over a timeframe similar to those given up, with a commensurate reduction where the new awards will be subject to performance conditions that are not as stretching as those attaching to the awards given up.

The maximum level of variable pay which may be awarded to new Executive Directors, excluding buy out arrangements and awards in the first year of employment detailed above, would normally be in line with the maximum level of variable pay that may be awarded under the annual bonus plan and performance share plan (i.e. 100% of salary), but in any event the Committee would not make an award of annual variable pay above 300% of base salary (being the maximum bonus of 100% and the maximum 200% allowed by the LTIP rules).

For an internal Executive appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other on-going obligations existing prior to appointment would continue.

In the event that a Director is recruited from overseas, flexibility is retained to provide benefits that take account of those typically provided in their country of residence.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as appropriate.

Payments for loss of office

There are no predetermined special provisions for Executive Directors with regard to compensation in the event of loss of office; compensation is limited to base salary only over the notice period. If notice is served by either party, the Executive Director can continue to receive basic salary, benefits and pension for the duration of their notice period during which time the Company may require the individual to continue to fulfil their current duties or may assign a period of garden leave.

Remuneration report continued

Notes to the policy table continued

Payments for loss of office continued

In the event that a service agreement is terminated, and payment in lieu of notice made, payments of base salary only to the Executive Director may be staged over the notice period at the same interval as salary would have been paid. In the event that the Executive Director obtains alternative employment, payments by the Company will be reduced to reflect payments received in respect of the alternative employment.

The treatment of leavers under our LTIP and DSBP is determined by the rules of those plans. The Committee will determine when and whether awards should vest. The default treatment is that any outstanding awards lapse on cessation of employment. However, under the rules of the LTIP, in certain prescribed circumstances, such as death, redundancy, disability, retirement, or other circumstances at the discretion of the Committee (taking into account the individual's performance and the reasons for their departure), "good leaver" status can be applied. In these circumstances a participant's awards vest on a time pro-rata basis subject to the satisfaction of the relevant performance criteria with the balance of the awards lapsing. The Committee retains discretion to decide not to pro-rate if it is inappropriate to do so in certain circumstances.

There are no automatic entitlements to annual bonus. Good leavers may receive a pro-rated award at the discretion of the Committee in the light of circumstances and performance.

Service contracts

Service contracts for new Executive Directors would normally be six months but, in any event, would not exceed 12 months.

Policy on outside appointments

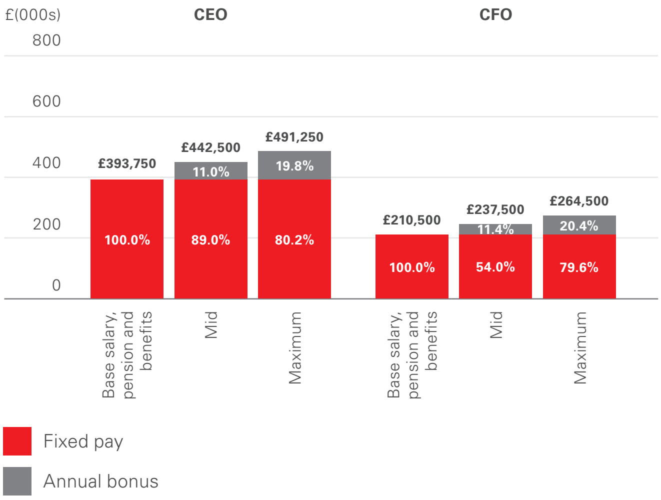
Executive Directors may accept one Board appointment in another listed Company. The Group Chairman's approval must be obtained before accepting any appointment. Fees may be retained by the Director.

Non-Executive Director letters of appointment

The appointment of Non-Executive Directors is for a fixed term of three years, during which period the appointment may be terminated by either party on one month's notice. The term may be extended at the discretion of the Board.

Total remuneration opportunity

In view of the current low level of headroom and the depressed share price the Committee do not anticipate an LTIP award in 2014. This is reflected in the table below which shows the total remuneration of each of the Executive Directors that could result from the proposed remuneration policy in 2014. The Committee reserves the right to revert to the maximum amounts contained in the remuneration policy in 2015 and beyond. The table below shows a reduced bonus amount that could be payable under the remuneration policy. However, the current financial circumstances of the Company mean that the Executive Directors are unlikely to receive any remuneration substantially over and above the fixed pay element in 2014.



Notes

1 The graph represents our realistic expectations and approach for 2014.

2 Fixed pay is base salary for 2014 plus the value of pension and benefits, excluding Brent Escott's travel allowance, which is subject to six-monthly review.

3 The LTIP award is zero for 2014.

4 The 2014 bonus is unlikely to be paid but the Committee reserves the right to make a reduced bonus should circumstances change. The maximum bonus potential is illustrated at 30% and mid-level at 15%. In 2014, payments at the lower end of the scale will not necessarily be reflective of performance due to the financial circumstances of the business.

Non-Executive Directors' fees policy

Element and how it supports our strategic objectives	Operation of the element
To attract Non-Executive Directors with a broad range of experience and skills to oversee the implementation of the Company's strategy.	The Chairman and Non-Executive Directors' remuneration takes the form solely of fees. Non-Executive Directors' fees are set by the Board as a whole. The Chairman's fees are set by the Committee. Annual fees are paid in 12 equal monthly instalments during the year. Fees are reviewed every year against those for Non-Executive Directors in companies of similar size and complexity. Fees have remained at the same level since 2010 and will be reviewed in 2014. Non-Executive Directors are not eligible for benefits and do not participate in incentive or pension plans. Additional fees, over and above the base fee for the Non-Executive Directors, are payable to Committee Chairmen.

Consideration of employment conditions elsewhere in the Company

The Company does not formally consult with employees on Executive remuneration. However, the Committee has regard to the pay structure across the wider workforce when setting the remuneration policy for Executive Directors. The Committee considers annually the proposals for salary reviews for the employee population generally and takes due account of any other changes to remuneration policy within the Company. The Committee is guided by any salary increase made to the workforce generally and normally limits any salary increase for Executive Directors to the increase available to employees generally.

The Committee considers the performance targets for Executive Directors' bonuses and, with the CEO, considers the extent to which these should be cascaded to other employees. The Committee approves the overall annual bonus cost to the Company each year and approves the grant of all LTIP and RSP awards across the Company.

The Committee takes due account of the remuneration structure for members of the Group Executive Committee (GEC) and the Group Leadership Team.

Consideration of shareholder views

When any significant changes are proposed to this policy, the Committee Chairman will inform the largest shareholders of these in advance. Details of votes cast for and against the resolution to approve last year's remuneration report are provided in the Annual report on remuneration on page 53.

Annual report on remuneration

This part of the report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and 9.8.6R of the Listing Rules. The Annual Remuneration report will be put to an advisory shareholder vote at the 2014 AGM.

Statement of implementation of remuneration policy for 2014

Base salary

Neither of the Executive Directors received an increase in base salary in 2013 whilst in role and salaries have not been increased for the 2014 financial year. The next salary review date will be 1 January 2015.

	Base salary £'000		Percentage
	1 January 2013	**1 January 2014**	increase
Brent Escott	n/a	**325**	n/a
Craig Parsons	n/a	**180**	n/a

Pension and benefits

Executive Directors receive an employer defined contribution of 10% or 15% of salary.

Benefits provision for 2014 will be unchanged.

Annual bonus

The annual bonus plan provides for a bonus of up to 100% of salary to be earned for achievement of Group financial performance and specified personal objectives. Because of the financial constraints of the Company, it is unlikely that any bonus will be paid in 2014, although the Committee retains its discretion to pay a bonus in the event that the Company's circumstances change significantly.

Assuming the financial position of the Group so allows, 70% of the total bonus in each case can be earned for achievement of financial targets and 30% of the total for achievement of the personal objectives. For a bonus to be earned on Group financial performance, a threshold performance must be attained.

The Committee retains discretion over the payment of any bonus taking into account the Company's overall financial performance in the year.

Clawback provisions will continue to allow all or part of an LTIP award to be recovered if, for example, there is a restatement of the financial accounts or the individual is dismissed for "cause".

Where a 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.

Performance measures will be aligned to the key strategic objective of growing returns to shareholders and turning round performance in the value of the business linked to share price growth targets, such as Group operating profit, earnings per share (EPS) and Total Shareholder Return (TSR), together with pre-determined personal objectives. The Committee is of the opinion that the detailed performance targets for the annual bonus are commercially sensitive and that it may be detrimental to the interests of the Company to disclose them before the end of the financial year.

Remuneration report continued

Annual report on remuneration continued

Statement of implementation of remuneration policy for 2014 continued

Non-Executive Directors' annual fees

Non-Executive Director fees have been unchanged since 2010. They will be reviewed during 2014.

Rate	Fees £'000 1 January 2013	Fees £'000 1 January 2014	Percentage increase
Chair	125	**125**	—
Board fees	40	**40**	—
Chair of Board Committee or Subsidiary Company	10	**10**	—

Notes:

Ruth Evans is also a Director of Card Protection Plan Limited, for which she receives a fee of £5,000 per annum.

With effect from 29 January 2014, Duncan McIntyre received an additional £15,000 per annum, in recognition of the additional time commitment anticipated in the first few months of his appointment. This element of his fee is subject to review in April 2014.

Single total figure of remuneration (audited information)

The following table shows a total single figure of remuneration in respect of qualifying services for the 2013 financial year for each Executive Director, together with comparative figures for 2012.

	Base salary/fees £'000		Taxable benefits £'000		Bonus £'000		LTIP £'000		Pension £'000		Total £'000	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Executive Directors												
Brent Escott[1]	**108**	—	**24**	—	**—**	—	**—**	—	**16**	—	**148**	—
Craig Parsons[2]	**60**	—	**4**	—	**—**	—	**—**	—	**6**	—	**70**	—
Paul Stobart[3]	**530**	450	**43**	58	**—**	—	**—**	—	**57**	68	**630**	576
Shaun Parker[4]	**320**	268	**15**	15	**—**	—	**—**	—	**40**	40	**376**	323
Non-Executive Directors												
Duncan McIntyre	**50**	50	**—**	—	**—**	—	**—**	—	**—**	—	**50**	50
Les Owen	**50**	50	**—**	—	**—**	—	**—**	—	**—**	—	**50**	50
Shaun Astley-Stone[5]	**16**	—	**—**	—	**—**	—	**—**	—	**—**	—	**16**	—
Ruth Evans[6]	**11**	—	**—**	—	**—**	—	**—**	—	**—**	—	**11**	—
Charles Gregson	**125**	—	**—**	—	**—**	—	**—**	—	**—**	—	**125**	125
Hamish Ogston[7]	**20**	—	**—**	—	**—**	—	**—**	—	**—**	—	**20**	40

1 Brent Escott was appointed as CEO on 1 September 2013. Included in the above figures is a travel allowance equal to £2,500 per month after deduction of tax and National Insurance. This element of his remuneration is subject to six-monthly reviews.

2 Craig Parsons was appointed as CFO on 1 September 2013.

3 Paul Stobart received a travel allowance equal to £1,500 per month after the deduction of tax and National Insurance, which is included in the above figures. He resigned as a Director on 31 August 2013. His employment contract terminated on 6 November 2013. The 2013 base salary figure includes £148,000 pay in lieu of notice.

4 Shaun Parker resigned as a Director on 31 August 2013. His employment contract terminated on 31 December 2013. The 2013 base salary figure includes £52,000 pay in lieu of notice.

5 Shaun Astley-Stone was appointed on 2 September 2013. Until 31 December 2013, he provided additional consultancy services over and above his Non-Executive Director duties. Details of fees paid for these services are given in note 34 to the financial statements on page 101.

6 Ruth Evans was appointed on 4 October 2013.

7 Hamish Ogston resigned as a Director on 28 June 2013.

Additional information in respect of the single total figure table (audited information)

Annual bonus

In view of the uncertainties surrounding the business in 2013, the Committee determined that it was not possible to set meaningful targets for a bonus plan. Accordingly, no bonus plan was issued to the Executive Directors in 2013.

Performance conditions for LTIP vesting

The entry in the LTIP column in the 2013 single total figure of remuneration table refers to the conditional award granted in 2011. Vesting was dependent on performance over the three financial years ended 31 December 2013 (performance period) and continued service until the vesting date on 4 March 2014. Performance during the relevant period did not meet the threshold level required for any shares to vest and hence a zero value is shown in the table.

Annual report on remuneration continued

Pension

The pension contributions reflect the Company's contribution of 15% or 10% of base salary as a defined contribution.

Payments for loss of office

Paul Stobart ceased to be CEO on 31 August 2013. He received his contractual pay and benefits, excluding travel allowance, for four months of the 12 month notice period and has received the remaining eight months as pay in lieu of notice in accordance with the terms of his contract. No bonus payment was made in respect of 2013. The Committee treated him as a "good leaver" for the purpose of LTIP awards but has exercised no other discretions in respect of his LTIP awards.

Shaun Parker ceased to be CFO on 31 August 2013. He received his contractual pay and benefits for four months of the six month notice period and has received the remaining two months as pay in lieu of notice in accordance with the terms of his contract. No bonus payment was made in respect of 2013. The Committee treated him as a "good leaver" for the purpose of LTIP awards but has exercised no other discretions in respect of his LTIP awards.

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 prior to 2012 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 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 75% of the total award
Below median	0%
Median	25%
Upper quintile	100%
Between median and upper quintile	On a straightline 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.

LTIP awards made in 2012 were subject to different performance conditions to the above. At its meeting on 16 May 2012, the Committee agreed that the following two interdependent performance conditions would apply to the award:

- The award would be subject to a performance condition under the terms of which the Company's TSR performance would be ranked against the TSR of a comparator group comprising the companies constituting the FTSE SmallCap (excluding investment trusts) on the date of grant of the award; and
- The TSR based performance condition would normally be measured over a three-year period starting on the date of grant of the award and would be satisfied if the Company's TSR was at least at the median of a ranking of the TSR of each of the members of the comparator group over the same period.

If the TSR condition is not satisfied then no part of the award would be capable of vesting and the award would lapse. If the TSR condition is satisfied, then the number of shares capable of vesting under the award shall be determined by reference to a performance condition based on the achievement of absolute average share price targets measured at the end of a three-year performance period commencing on the date of grant of the award.

As soon as reasonably practicable after the end of the performance period, the Committee shall determine the highest average share price and the number of shares (if any) in respect of which the award may vest in accordance with the following table:

Highest average share price	Percentage of award vesting
Below 75 pence	0%
75 pence (the "Threshold Target")	25%
150 pence or higher (the "Maximum Target")	100%
Between 75 pence and 150 pence	Between 25% and 100% on a straight line basis

The performance conditions for the 2013 awards are structured in the same way as the 2012 awards and it is anticipated that the performance conditions of any future LTIP awards will be similarly structured.

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Remuneration report continued

Annual report on remuneration continued

Long term incentive schemes continued

2010 Long term incentive plan (LTIP) continued

For the 2013 awards, assuming the TSR condition is satisfied, as soon as reasonably practicable after the end of the performance period, the Committee shall determine the highest average share price and the number of shares (if any) in respect of which the award may vest in accordance with the following table:

Highest average share price	Percentage of award vesting
Below 20 pence	0%
20 pence (the "Threshold Target")	25%
45 pence or higher (the "Maximum Target")	100%
Between 20 pence and 45 pence	Between 25% and 100% on a straight line basis

Scheme interests awarded during the financial year (audited information)

In December 2013, following a delay necessitated by the restructuring of the management team, awards were made under the LTIP with stretching share price targets in line with the recovery agenda and the strategic priority of focusing on returns to shareholders. Details of the awards are shown below.

Director	Scheme	Face value £	Percentage vesting at threshold performance	Number of share options awarded	Performance period end date
Brent Escott	LTIP	97,750	25	1,150,000	31 December 2016
Craig Parsons	LTIP	51,000	25	600,000	31 December 2016

Directors' shareholding and share interests (audited information)

Long term incentive plans

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

Director	Balance held at 1 January 2013	Number of share options granted in year	Number of share options exercised in year	Number of share options lapsed in year	**Balance held at 31 December 2013**
Brent Escott	—	1,150,000	—	—	**1,150,000**
Craig Parsons	163,192	600,000	—	31,277	**731,915**
Paul Stobart	1,368,656	—	—	—	**1,368,656**
Shaun Parker	572,736	—	—	110,638	**462,098**

The 2013 LTIP awards for Brent Escott and Craig Parsons were granted as nil-cost options on 31 December 2013 and will vest on 31 December 2016 subject to performance conditions. When awards were granted, the market value of shares was 8.50 pence. Awards vest subject to continued employment and the satisfaction of performance conditions as set out on page 49.

The market price of ordinary shares of the Company as at 31 December 2013, was 8.00 pence and the range during the year was 2.53 pence to 29.00 pence.

The 2011 LTIP awards were subject to performance conditions as outlined on page 49. As none of these conditions were met, these awards lapsed in their entirety as at the normal vesting date of 4 March 2014.

Under the 2012 LTIP Paul Stobart was awarded 801,862 shares and Shaun Parker 381,758. Under the plan rules, these lapsed 90 days after termination of their employment, that is on 4 February 2014 and 30 March 2014 respectively.

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 2010 at an option price of 198 pence and in September 2011 at an option price of 125 pence, in each case 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. No offer was made under this scheme in 2013.

Annual report on remuneration continued

Other share plans continued

Deferred Share Bonus Plan (DSBP)

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 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. Shares held during the year under the DSBP plan are as follows:

Director	Balance as at 1 January 2013	Number of share options granted in year	Number of share options exercised in year	Number of share options lapsed in year	Balance as at 31 December 2013
Shaun Parker	9,967	—	—	—	9,967

Note: in accordance with the plan rules, the above shares vested on termination of Shaun Parker's employment on 31 December 2013.

Legacy Plans

Prior to Admission, the Company operated the CPP Executive Share Option Plan 2005 (the 2005 Plan) and the CPP Group Holdings Exit Plan 2008 (the 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 CPPGroup 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.

The following options are held by Craig Parsons and Shaun Parker under the 2005 Plan and the 2008 Plan:

Director	Legacy Plan	Option price	Balance as at 1 January 2013	Number of share options granted in year	Number of share options exercised in year	Number of share options lapsed in year	**Balance as at 31 December 2013**	Expiry date
Craig Parsons	2005	£2.28	41,864	—	—	—	**41,864**	21/12/19
	2008	£1.79	40,000	—	—	—	**40,000**	19/06/18
Shaun Parker*	2005	£2.28	415,648	—	—	—	**415,648**	21/12/19
	2008	£1.79	352,000	—	—	—	**352,000**	19/06/18

*In accordance with the Plan rules, Shaun Parker has six months after termination of his employment (i.e. to 30 June 2014) in which to exercise these options, otherwise they will lapse.

The market price of ordinary shares of the Company as at 31 December 2013, was 8.00 pence and the range during the year was 2.53 pence to 29.00 pence.

Shareholder dilution

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 ten-year period commencing on Admission of the Group's shares to the London Stock Exchange (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 ten-year period commencing on Admission.

Current headroom under these limits is 6.55% and 1.62% respectively.

As well as the LTIP and the restricted stock plan the Company operates a savings-related share option plan approved by HM Revenue & Customs for all UK employees. Newly issued shares are currently used to satisfy the exercise of all employee and Executive options.

Remuneration report continued

Annual report on remuneration continued

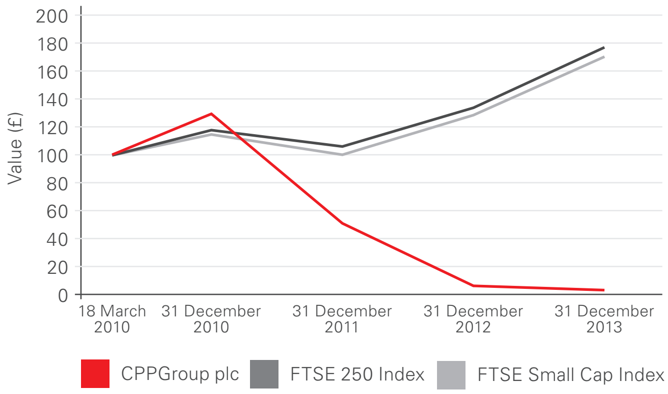
Share ownership guidelines

Brent Escott has 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 and a half year's salary is met.

Share ownership guidelines for both Executive and Non-Executive Directors are currently under review, bearing in mind the changed circumstances of the Company since they were originally drafted.

Performance graph and table

The graph illustrates the TSR performance on a cumulative basis with dividends reinvested as at the end of the financial year compared with the FTSE 250 Index and FTSE SmallCap Index.



Source: Thomson Reuters

Directors' shareholdings (audited information)

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

	Ordinary shares held at 31 December 2013	Ordinary shares held at 31 December 2012	Interests in unvested shares under incentive plans
Brent Escott	**—**	—	1,150,000
Craig Parsons	**—**	—	813,779
Duncan McIntyre	**13,340**	13,340	—
Les Owen	**22,984**	22,984	—

There have been no purchases of shares by Directors since 31 December 2013 to the date of this report.

Table of historic data

The following table shows the total remuneration, as defined by the regulations, and the amount vesting under short term and long term incentives as a percentage of the maximum that could have been achieved, in respect of the Chief Executive Officer. Figures are given to 2010 only, being the date that the Company was admitted to the London Stock Exchange.

Director	**2013 Paul Stobart[1]**	**2013 Brent Escott[2]**	2012 Paul Stobart	2011 Paul Stobart	2011 Eric Woolley[3]	2010 Eric Woolley
Single figure of total remuneration £'000	**630[4]**	**148**	576	144	494	2,874[5]
Annual bonus against maximum opportunity %	**—**	**—**	—	—	—	72%
Long term incentive vesting rates against maximum opportunity %	**—**	**n/a**	n/a	n/a	n/a	n/a

1 Paul Stobart was appointed on 1 October 2011 and resigned on 31 August 2013.

2 Brent Escott was appointed on 1 September 2013.

3 Eric Woolley resigned as a Director on 1 October 2011.

4 This figure includes an amount of £148,000 pay in lieu of notice.

5 Mr Woolley held 1,296,400 options under the legacy schemes which vested on 24 March 2010. These were not subject to performance conditions and so are not treated as long term incentives for the purposes of this table. The figure includes Mr Woolley's aggregate gain on vesting which was £1,747,096 plus £367,573, being a cash enhancement due to the restructuring of the business.

Annual report on remuneration continued

Percentage change in remuneration levels

The table below shows the movement in the remuneration of the Chief Executive Officer compared to that of UK-based employees. This comparator group has been chosen as the Group CEO is UK-based and this is a sizeable representation of our employee base.

	Chief Executive Officer	Average per employee
Salary	0%[1]	0%[2]
Benefits	See note 3 below	See note 4 below
Bonus	See note 5 below	See note 5 below

1 The Group CEO, Brent Escott, was appointed on 1 September 2013. His salary on appointment was £325,000 which has not changed and will remain unchanged for 2014. His salary on appointment was set at a lower level than his predecessor, whose base salary was £450,000 per annum.

2 UK-based employees have had their base salaries frozen since 2011 due to business challenges and uncertainties. Any exceptional or one-off changes to salaries due, for example, to promotions or role changes within the year have been excluded.

3 As Brent Escott was only CEO for four months of 2013, it is not possible to give a comparison to 2012. However, the Company has provided the same type and level of benefits to Brent Escott as to his predecessor, Paul Stobart, with the exception of his travel allowance, details of which are given on page 48.

4 The Company operates a flexible benefits scheme, whereby UK-based employees are allocated an amount of money, determined by their seniority, to spend on a range of benefits. Flexible benefits allowances have not changed. With effect from 1 November 2013, following the introduction of auto-enrolment employees received a 2% contribution into a defined contribution pension scheme.

5 No bonus payments were made either to the CEO or to UK-based employees in 2012 or 2013.

Relative importance of spend on pay

	2013 £'000	2012 £'000	Percentage change
Total expenditure on pay[1]	**34,734**	49,331	(29.6)%
Dividends paid[2]	**—**	—	—

1 Total expenditure on pay is based on continuing operations only and includes wages and salaries; social security costs; share based payments and pension costs as detailed in note 9 to the consolidated financial statements on page 80.

2 The Directors have not considered it appropriate to recommend payment of dividends in either 2012 or 2013 due to the Company's financial circumstances.

Service contracts

The current Executive Directors have service contracts with a notice period of six months by either party.

Copies of Directors' service contracts and letters of appointment are available for inspection by shareholders at the Company's registered office. The dates of their service contracts and letters of appointment are shown below:

Name	Date of service contract/ letter of appointment	Effective date of appointment
Duncan McIntyre	29 January 2014	29 January 2014
Brent Escott	30 August 2013	1 September 2014
Craig Parsons	30 August 2013	1 September 2014
Shaun Astley-Stone	1 August 2013	2 September 2014
Ruth Evans	5 September 2013	4 October 2014
Les Owen	22 June 2010	25 August 2010

Outside appointments

Neither of the Executive Directors currently hold an outside listed company appointment.

Non-Executive Director fees for 2014

Non-Executive Director fees will be reviewed during 2014.

Advisers to the Remuneration Committee

The Committee appointed and received advice over the year from independent remuneration consultants New Bridge Street (NBS) – a trading name of Aon Hewitt Limited (an Aon plc company). NBS is a signatory to the Remuneration Consultants Group Code of Conduct and any advice provided by it is governed by that Code. Other than acting as independent consultant to the Committee NBS provided no further services to the Company during the year.

Work undertaken by NBS included:

- annual review of Remuneration Committee terms of reference;
- annual trends in Executive compensation review;
- advice and preparation on 2013 LTIP;
- review of Chairman and Non-Executive Director fees; and
- review of Executive Director compensation.

The Committee reviews the objectivity and independence of the advice it receives from NBS. The Committee is satisfied that NBS is providing robust, professional and independent advice. For the year under review NBS's total fees charged were £37,713.00.

In the course of its deliberations, the Committee considers the views of the Chief Executive Officer on the remuneration and performance of the Executive Committee. The Committee also asks for and receives information from the Group HR Director.

No other advisers have provided significant services to the Committee in the year.

Statement of voting at Annual General Meeting

At the AGM held in 2013 votes cast by proxy and at the meeting in respect of the Directors' remuneration report were as follows:

	For %	Against %	Abstain %	Reasons for votes against, if known	Action taken by Committee
2012 Remuneration report	98.07	1.76	0.17	n/a	n/a

The disclosure in the 2013 remuneration report will include details of the binding shareholder vote on the 2013 Directors' remuneration policy.

Directors' report

Summary

- The Group remains a going concern despite material uncertainty
- The composition of the Board has undergone significant change in the year
- We have reported our greenhouse gas emissions for the first time

Strategic report
Pages 6 to 26

Directors' biographies
Pages 30 and 31

Corporate Governance report
Pages 32 and 35

Committee memberships
Pages 36 to 41

Remuneration report
Pages 41 to 53

The Directors present their Annual Report and audited financial statements of the Group for the year ended 31 December 2013.

Principal activities

The principal activity of the Group is the provision of assistance products. Further information on the Group's business can be found in the following sections of the Annual Report, which are incorporated by reference into this report:

- Chairman's statement on pages 6 to 7; and
- Strategic report on pages 6 to 26.

Dividends

The Directors recommend that no final dividend be paid in respect of 2013. The total dividend paid for the year is nil (2012: nil).

Directors

In accordance with best practice all serving Directors voluntarily retired from the Board at the AGM on 17 June 2013 and, being eligible, all offered themselves for re-election and were re-appointed on 17 June 2013.

The Directors who served throughout the year except as noted are shown in the table below.

The Company's Articles of Association require that newly appointed Directors offer themselves for election at the first AGM following their appointment and that all Directors stand for re-election at least once every three years.

Accordingly, Brent Escott, Craig Parsons, Shaun Astley-Stone and Ruth Evans following their appointment in 2013, will seek election to the Board for the first time at the 2014 AGM.

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 report on pages 32 to 35.

Biographical details for each Director are set out on pages 30 and 31. Details of Committee memberships are set out on pages 36 to 41 of the Corporate Governance report.

Details of Directors' beneficial interests in and options over the Company's shares are set out in the Remuneration report on pages 41 to 53.

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

Annual General Meeting

The AGM of the Company is to be held on 16 June 2014. The notice of the AGM and an explanation of the non-routine business are set out in the explanatory circular that accompanies this Annual Report. The notice of the AGM 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.

Directors

Duncan McIntyre[1]	Non-Executive Chairman	(appointed 29 January 2014)
Brent Escott	Chief Executive Officer	(appointed 1 September 2013)
Craig Parsons	Chief Financial Officer	(appointed 1 September 2013)
Les Owen	Non-Executive Director	
Shaun Astley-Stone	Non-Executive Director	(appointed 2 September 2013)
Ruth Evans	Non-Executive Director	(appointed 4 October 2013)
Charles Gregson	Non-Executive Chairman	(resigned 29 January 2014)
Paul Stobart	Chief Executive Officer	(resigned 31 August 2013)
Shaun Parker	Chief Financial Officer	(resigned 31 August 2013)
Hamish Ogston	Non-Executive Director	(resigned 28 June 2013)

1. Duncan McIntyre was a Non-Executive Director of the Company for the period prior to his appointment as Non-Executive Chairman.

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

A special resolution was passed at the Company's AGM on 17 June 2013, 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. 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.

Substantial shareholdings

On 31 December 2013, the Company had been notified, in accordance with the Disclosure and Transparency Rules of the Financial Conduct 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 31 December 2013 no person had a beneficial interest in 3% or more of the voting share capital except for the following:

Name	Ordinary shares (thousands)	%
Mr Hamish Ogston[1]	98,021	57%
Schroder Investment Management Ltd	22,311	13%

Subsequent to the year end and up to the date of this report, there have been the following significant changes:

1. The holding of Mr Hamish Ogston is 96,332,000 (56%).

Mr Hamish Ogston currently holds 56% of the issued shares of the Company. Under the terms of a Relationship Agreement between Mr Hamish Ogston and the Company dated 18 March 2010, for so long as Mr 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) Mr 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 Mr 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 Mr 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.

Greenhouse gas emissions

The Group's principal activity is the provision of assistance products and although we acknowledge our business has an impact on the environment, we consider our overall environmental impact to be low. The main environmental impacts for the Group are limited to environmental issues which are common to all businesses, such as resource use.

The information disclosed is the required mandatory reporting of greenhouse gas emissions pursuant to the Companies Act 2006 (Strategic Report & Directors' Report) Regulations 2013.

Reporting year

Our reporting year is the same as our fiscal year, being 1 January 2013 to 31 December 2013. This greenhouse gas reporting year has been established to align with our financial reporting year. As this is the first year of mandatory reporting of greenhouse gas emissions comparative information is not presented.

	Tonnes CO_2e 2013
Scope 1:	
Combustion of fuel	**208**
Scope 2:	
Directly purchased electricity	**2,400**
Total scope 1 and 2	**2,608**
Intensity ratio (per £million of revenue)	**14.7**

Reporting boundary

We have reported on all material emission sources which we deem ourselves to be responsible for. These sources align with our financial control boundary. We do not have responsibility for any emission sources that are beyond the boundary of our financial control.

We disposed of our North American business on 3 May 2013; consequently this information has not been included in our reported figures.

Methodology

The methodology used to calculate our emissions is based on the 'Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance' (June 2013) issued by the Department for Environment, Food and Rural Affairs (Defra). We have utilised Defra's 2013 conversion factors within our reporting methodology.

In some instances we have used estimation techniques where usage information is not available within some of our leased properties.

Intensity ratio

In order to express our annual emissions in relation to a quantifiable factor associated with our activities, we have used continuing Group revenue as our intensity ratio as this is considered to provide the best comparative measure over time.

Directors' report continued

Going concern

In reaching their view on the preparation of the Group's financial statements on a going concern basis, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The Directors have made appropriate enquiries and taken into account the Group's business activities, together with the factors likely to affect its future performance and position which are set out in the Strategic report on pages 6 to 26.

During the year, the Group has made good progress agreeing new financing arrangements which are expected to total approximately £33.0 million, with £13.0 million being provided by a three-year extension of the debt facility to 31 July 2016 and approximately £20.0 million being provided through the deferral of twelve months commission payments to certain Business Partners, with repayment due on 31 July 2017. The disposal of the North American business has been completed with the net disposal proceeds being used to repay part of the debt facility.

The Group has continued to look at its strategic positioning and as a result has divested its operations in Singapore and its investment in the Home3 joint venture and will withdraw from the French market. Additional measures have been taken by the Group to address its cost base including significant redundancy programmes in the UK in 2012 and 2013, closure of the Chesterfield site in the UK in May 2013 and a streamlining of the Group's organisational structure. This, together with cost saving initiatives in our overseas operations and reductions in capital expenditure, have had and will continue to have a beneficial impact on the Group's overhead base.

Nevertheless, despite this progress a level of uncertainty remains over the Group's future due to the Scheme, together with the associated publicity, which has had and will continue to have an adverse impact on the Group's ability to generate new business and renew business with existing customers. The Scheme has commenced and there is greater clarity around the level of the redress rates. At the time of approving the accounts, redress rates were within our expectations. As the Scheme will not be complete until 30 August 2014 there remains a residual risk that the response rates may reach a level which cannot be funded under the revised funding arrangements. In addition, the Group's trading performance continues to be affected by the on-going VVOP restrictions agreed with the FCA in November 2012 by the Group's subsidiaries CPPL and HIL. Amongst other requirements, the VVOP does not permit CPPL or HIL to make new sales of regulated retail products.

The bank loan facility is subject to a number of financial covenants, which include a covenant relating to a maximum level of response rates in a past business review exercise. The Business Partner commission deferral agreement, although subordinate, provides substantially the same security as that granted under the bank debt facility. There is a risk that response rates in the Scheme or continued business performance result in the Group being unable to satisfy the covenants, which could lead to the lending banks or Business Partners seeking repayment of the facility or exercising their right to security over assets.

Given the possible impact of trading and customer redress uncertainties, and the effect this could have on liquidity and compliance with the terms of the borrowing facilities, there is material uncertainty that casts significant doubt as to the Group'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. As a result of this material uncertainty the Independent Auditor's report on page 59, whilst unqualified, includes an emphasis of matter in this regard.

However, having considered the above uncertainties and all the available information, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and accordingly the Directors have continued to adopt the going concern basis in preparing the financial statements.

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/she ought to have taken as a Director in order to make himself/herself 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 has expressed its willingness to continue in office as auditor. Accordingly, a resolution to re-appoint Deloitte will be proposed at the Annual General Meeting.

By order of the Board

Lorraine Beavis
Company Secretary
23 April 2014

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report & 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 IFRS 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;
- the Strategic 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 as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report & Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Brent Escott
Chief Executive Officer
23 April 2014

Craig Parsons
Chief Financial Officer
23 April 2014

Financial statements

Independent Auditor's report

to the members of CPPGroup Plc

Opinion on financial statements of CPPGroup Plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2013 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent 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 group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company balance sheets, the Consolidated statement of changes in equity, the Consolidated cash flow statement, and the related notes 1 to 48. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and 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).

Emphasis of matter – Going concern

As required by the Listing Rules we have reviewed the Directors' statement on page 56 in respect of the Group's ability to continue as a going concern.

As detailed in note 3, the going concern status of the Group is impacted by the combined effect of restrictions on new regulated business sales as a result of the Voluntary Variation of Permissions, uncertainty over the eventual cost of the redress scheme, and the ability of the Group to trade in line with forecasts and comply with the terms of its borrowing facilities.

Whilst we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate, these conditions indicate the existence of a material uncertainty which may give rise to significant doubt over the Group's ability to continue as a going concern. We describe below how the scope of our audit has responded to this risk. Our opinion is not modified in respect of these matters.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Going concern The Group faces significant uncertainty in relation to the eventual cost of the customer redress scheme, restrictions on new regulated business sales, and the requirement to trade in line with expectations and maintain compliance with lending covenants. As explained above in the emphasis of matter – going concern, we considered going concern to be a key risk.	We evaluated the going concern assessment prepared by Management. This involved assessing the design and implementation of key controls in relation to the monitoring and evaluation of going concern, such as the production and review of forecasts used by Management. We challenged the underlying forecast and budget assumptions including expected growth rates and key factors such as renewal rates by reference to historical information and the estimated impact of the on-going redress scheme. We also evaluated historical forecasting accuracy, the sensitivity of the going concern status to assumptions inherent in the customer redress and associated costs provisions, current and forecast compliance with the terms of the Group's borrowing facilities, and the impact of other uncertainties including potential regulatory actions. We include above the conclusion of our review of the Directors' statement in respect of the Group's ability to continue as a going concern.
Completeness of provisions for customer redress and associated costs The determination of the value of the provision for customer redress and associated legal and professional adviser costs requires significant judgement in the selection of key assumptions such as future customer redress response rates, the size of the population of underlying customer policies affected by historical mis-selling, the average level of redress payable per customer and the eventual outturn of adviser costs.	We evaluated the appropriateness of Management's assumptions in deriving the provisions for customer redress and associated costs, utilising internal regulatory specialists to benchmark the key assumptions, including expected response rates under the Group's past business review, by comparing these against the Group's experience to date and other comparable situations in the wider market. We also reviewed regulatory correspondence to assess the Group's compliance with laws and regulations across the jurisdictions in which it operates, tested the completeness of the redressable population through agreement of policies to source systems, and independently recalculated the redress provision.

Independent Auditor's report continued
to the members of CPPGroup Plc

Our assessment of risks of material misstatement continued

Risk	How the scope of our audit responded to the risk
Impairment of tangible and intangible non-current assets As a result of recent degradations in performance and a material restructuring of the Group's business, the risk of impairment of the carrying value of non-current assets is heightened. The Group's consideration of the potential impairment of non-current assets is a judgemental process which involves the assessment of indicators that an asset may be impaired, such as restrictions on the Group's business model as a result of regulatory restrictions and future business performance.	Focusing on the Group's significant IT asset base, we evaluated Management's assessment of indicators of impairment by reference to future corporate plans, and cash flow forecasts and budgets. We also considered Management's identification of Cash Generating Units and the associated identification and allocation of cash flows for the purposes of impairment reviews. We evaluated Management's value in use calculations, including challenging the appropriateness of the identified cash flow forecasts, performing sensitivities and benchmarking discount rates used; and we independently validated Management's analysis of obsolete assets by reference to business plans.
Revenue recognition There are significant judgements involved in applying the Group's revenue recognition policies including multiple revenue streams and insurance revenues, and also in determining revenue refunds and claw-backs to customers who cancel during the 'cooling off' periods on buying or renewing the Group's products.	We tested the controls over revenue recognition including the reconciliation of underlying policy collections to recorded revenue, and the calculation of claw-back provisions. We also performed tests of key controls in relation to the Group's core policy administration systems supporting the revenue cycle. We evaluated the appropriateness of the revenue recognition policies applied by reference to the terms and conditions of the underlying products, Group policies, and the relevant accounting standards. We also carried out testing to source documentation of adjustments made by Management at the year end in relation to policy refunds by reference to post balance sheet experience.

The Audit Committee's consideration of these risks is set out on page 38.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £1.8 million, which is 1% of revenue. We used revenue to determine materiality because profit before tax has been unusually volatile and is not considered to be the key benchmark at the current time.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £38,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at four locations (the United Kingdom, Spain, Italy and Turkey) all of which were subject to a full audit. These four locations represent the principal business units within the Group's reportable segments and account for 92% of the Group's total assets, 92% of the Group's revenue from continuing operations, 94% of the losses before tax of loss making components, and 93% of the profits before tax of profit making components. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the four locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the Group audit team visits each of the locations where the Group audit scope was focused at least once every two years and the most significant of them at least once a year. In years when we do not visit a significant component we include the component audit team in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and 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

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and auditor

As explained more fully in the 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. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

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.

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 parent 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Christopher Powell FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
23 April 2014

Consolidated income statement

For the year ended 31 December 2013

	Note	2013 £'000	2012 restated (note 3) £'000
Continuing operations			
Revenue		**178,031**	269,869
Cost of sales		**(112,174)**	(162,295)
Gross profit		**65,857**	107,574
Administrative expenses			
Exceptional items	6	**(37,506)**	(43,942)
Other administrative expenses		**(67,663)**	(80,902)
Total administrative expenses		**(105,169)**	(124,844)
Operating loss			
Operating (loss)/profit before exceptional items		**(1,806)**	26,672
Operating loss after exceptional items		**(39,312)**	(17,270)
Investment revenues	10	**394**	580
Other gains and losses		**—**	(891)
Finance costs: non-derivative instruments	11	**(4,305)**	(1,869)
Loss before taxation		**(43,223)**	(19,450)
Taxation	12	**(2,112)**	(1,474)
Loss for the year from continuing operations		**(45,335)**	(20,924)
Discontinued operations			
Profit for the year from discontinued operations	15	**12,468**	3,694
Loss for the year	7	**(32,867)**	(17,230)
Attributable to:			
Equity holders of the Company		**(32,867)**	(17,118)
Non-controlling interests		**—**	(112)
		(32,867)	(17,230)
Basic and diluted (loss)/earnings per share		**Pence**	Pence
Continuing operations	14	**(26.43)**	(12.13)
Discontinued operations	14	**7.27**	2.15
Total		**(19.16)**	(9.98)

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	2013 £'000	2012 £'000
Loss for the year	**(32,867)**	(17,230)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**387**	(616)
Currency translation differences reclassified on disposal	**(1,618)**	—
Other comprehensive expense for the year net of taxation	**(1,231)**	(616)
Total comprehensive expense for the year	**(34,098)**	(17,846)
Attributable to:		
Equity holders of the Company	**(34,098)**	(17,734)
Non-controlling interests	**—**	(112)
	(34,098)	(17,846)

Consolidated balance sheet

As at 31 December 2013

	Note	2013 £'000	2012 £'000
Non-current assets			
Goodwill	16	—	1,478
Other intangible assets	17	**3,299**	15,458
Property, plant and equipment	18	**5,061**	13,316
Investment in joint venture	15	—	—
Deferred tax asset	27	**142**	2,902
		8,502	33,154
Current assets			
Insurance assets	19	**3,387**	27,241
Inventories	20	**149**	299
Trade and other receivables	21	**20,511**	29,034
Cash and cash equivalents	22	**66,900**	53,198
		90,947	109,772
Assets classified as held for sale	15	—	20,007
		90,947	129,779
Total assets		**99,449**	162,933
Current liabilities			
Insurance liabilities	23	**(3,989)**	(7,525)
Income tax liabilities		**(742)**	(2,379)
Trade and other payables	24	**(49,004)**	(56,587)
Borrowings	25	—	(43,408)
Provisions	26	**(37,398)**	(28,967)
		(91,133)	(138,866)
Liabilities directly associated with assets held for sale	15	—	(7,130)
		(91,133)	(145,996)
Net current liabilities		**(186)**	(16,217)
Non-current liabilities			
Borrowings	25	**(22,597)**	—
Deferred tax liabilities	27	**(527)**	(716)
Trade and other payables	24	**(9,494)**	(6,500)
		(32,618)	(7,216)
Total liabilities		**(123,751)**	(153,212)
Net (liabilities)/assets		**(24,302)**	9,721
Equity			
Share capital	29	**17,120**	17,111
Share premium account		**33,292**	33,297
Merger reserve		**(100,399)**	(100,399)
Translation reserve		**609**	1,840
Equalisation reserve	23	**8,129**	7,984
ESOP reserve		**11,688**	11,638
Retained earnings		**5,259**	38,250
Total equity attributable to equity holders of the Company		**(24,302)**	9,721

Approved by the Board of Directors and authorised for issue on 23 April 2014 and signed on its behalf by:

Brent Escott
Chief Executive Officer

Craig Parsons
Chief Financial Officer

Company registration number: 07151159

Consolidated statement of changes in equity

For the year ended 31 December 2013

	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 2012		17,106	33,300	(100,399)	2,456	6,423	11,606	56,824	27,316	(164)	27,152
Total comprehensive income		—	—	—	(616)	—	—	(17,118)	(17,734)	(112)	(17,846)
Movement on equalisation reserve	23	—	—	—	—	1,561	—	(1,561)	—	—	—
Current tax credit on equalisation reserve movement	12	—	—	—	—	—	—	382	382	—	382
Equity settled share based payment charge		—	—	—	—	—	34	—	34	—	34
Deferred tax on share based payment charge	12	—	—	—	—	—	—	(1)	(1)	—	(1)
Exercise of share options	29	5	(3)	—	—	—	(2)	—	—	—	—
Adjustment arising from change in non-controlling interest		—	—	—	—	—	—	(276)	(276)	276	—
At 31 December 2012		17,111	33,297	(100,399)	1,840	7,984	11,638	38,250	9,721	—	9,721
Total comprehensive income		**—**	**—**	**—**	**(1,231)**	**—**	**—**	**(32,867)**	**(34,098)**	**—**	**(34,098)**
Movement on equalisation reserve	23	**—**	**—**	**—**	**—**	**145**	**—**	**(145)**	**—**	**—**	**—**
Current tax credit on equalisation reserve movement	12	**—**	**—**	**—**	**—**	**—**	**—**	**31**	**31**	**—**	**31**
Equity settled share based payment charge		**—**	**—**	**—**	**—**	**—**	**50**	**—**	**50**	**—**	**50**
Deferred tax on share based payment charge	12	**—**	**—**	**—**	**—**	**—**	**—**	**(1)**	**(1)**	**—**	**(1)**
Exercise of share options	29	**9**	**(5)**	**—**	**—**	**—**	**—**	**(9)**	**(5)**	**—**	**(5)**
At 31 December 2013		**17,120**	**33,292**	**(100,399)**	**609**	**8,129**	**11,688**	**5,259**	**(24,302)**	**—**	**(24,302)**

Consolidated cash flow statement

For the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Net cash from operating activities	31	**20,158**	11,086
Investing activities			
Interest received		**404**	589
Purchases of property, plant and equipment		**(332)**	(2,485)
Purchases of intangible assets		**(2,460)**	(3,807)
Cash consideration in respect of sale of discontinued operation		**26,086**	—
Costs associated with disposal of discontinued operations		**(4,215)**	(905)
Cash disposed of with discontinued operations		**(3,731)**	—
Investment in joint venture		**(780)**	(477)
Net cash from/(used in) investing activities		**14,972**	(7,085)
Financing activities			
Repayment of bank loans		**(30,500)**	—
Proceeds from new borrowings		**11,249**	—
Interest paid		**(1,089)**	(1,520)
Costs of refinancing		**(4,633)**	—
Issue of ordinary share capital		**(5)**	2
Net cash used in financing activities		**(24,978)**	(1,518)
Net increase in cash and cash equivalents		**10,152**	2,483
Effect of foreign exchange rate changes		**(287)**	(372)
Cash and cash equivalents at 1 January		**57,035**	54,924
Cash and cash equivalents at 31 December		**66,900**	57,035
Analysed as:			
Continuing operations	22	**66,900**	53,198
Discontinued operations	15	**—**	3,837
		66,900	57,035

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 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 19 (revised 2011)	Employee benefits
IAS 27 (revised 2011)	Separate Financial Statements
IAS 28 (revised May 2011)	Investments in Associates and Joint Ventures
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interest in Other Entities
IFRS 13	Fair Value Measurement
Amendments to IAS 1 (June 2011)	Presentation of Items of Other Comprehensive Income
Amendments to IFRS 1 (March 2012)	Government Loans
Amendment to IFRS 7 (December 2011)	Disclosures – Offsetting Financial Assets and Financial Liabilities
Annual improvements to IFRSs	(2009–2011) Cycle

Standards not yet applied

At the date of authorisation of these financial statements, the following relevant 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 IAS 32 (December 2011)	Offsetting Financial Assets and Financial Liabilities	31 December 2014
Amendments to IAS 36	Recoverable Amount Disclosures for Non-financial Assets	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 62 to 110 present the performance of the Group for the year ended 31 December 2013. 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.

In preparing the consolidated financial statements the comparative amounts have been restated to reflect the Home3 joint venture as discontinued and the re-organisation of the operating segments to UK and Ireland, Europe and Latin America, and Asia Pacific.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

Going concern

The Board of Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements. Further details of the Directors' assessment are set out in the Directors' report on page 56.

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 achieved when the Company: has power over the investee; is exposed, or has rights to variable return from its involvement with the investee; and has the ability to use its power to affect its returns.

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 the Company's equity holders.

Exceptional items

Items which are exceptional, being material in terms of size and/or nature, are presented separately from underlying business performance in the consolidated income statement. The separate reporting of exceptional items helps provide an indication of the Group's underlying business performance.

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 on-going 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 legal or constructive 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.

3. Significant accounting policies continued

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 exceptional items 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.

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 un-provided 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.

For 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.

Cost of sales attributable to the assistance elements of the Group's Packaged Account and wholesale products represents the costs of providing those services including third party costs. This includes all mailing and fulfilment costs which are expensed as incurred. Third party costs relate to relationships with suppliers who provide elements of the service and 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.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

Insurance contracts continued

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.

Assets and liabilities classified as held for sale and discontinued operations

Assets and liabilities are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and the sale is highly probable. Assets and liabilities classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell. They are not depreciated or amortised from the point they are recognised as held for sale. Operations are classified as discontinued when they are either disposed or are part of a single co-ordinated plan to dispose, and represent a major line of business or geographical area of operation.

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 programs 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.

3. Significant accounting policies continued

Intangible assets continued

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.

Impairment

Annually the Group reviews the carrying amounts of its intangible assets to determine whether there is indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit may be increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years.

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 useful economic life of the asset

Freehold land is not depreciated.

Cash and cash equivalents

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

Leases

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

Taxation

The current tax payable is based on the taxable profit or loss 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 profits or losses, 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.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

Taxation continued

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.

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, with interest expense recognised on an effective yield basis.

Derivative financial instruments

The Group's activities expose it to the financial risks of changes in interest rates. For material risks the Group evaluates and considers the use of 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

The preparation of consolidated financial statements in accordance with IFRS requires the use of assumptions, estimates and judgements about future conditions. The use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported. The key estimates and assumptions used in these consolidated financial statements are set out below.

Critical judgements in applying accounting policies

Going concern

The financial statements have been prepared on a going concern basis, as the Board of Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The going concern assessment considered the risks and uncertainties facing the Group, which include trading and customer redress. Further details of the assessment are provided in the Directors' report on page 56.

Impairment of tangible and intangible non-current assets

As a result of the IT transformation programme, the IT asset base was reviewed in detail during the year which led to the recognition of impairments totalling £8,058,000. In making its judgement, Management considered the value in use of assets in respect of cash flow forecasts for identified Cash Generating Units (CGUs) over the period of the IT transformation programme. Further detail is included in notes 6 and 17.

Key sources of estimation uncertainty

Customer redress and associated costs

The customer redress and associated costs provision relates to costs associated with the FCA investigation into the Group's sales processes in the UK. At 31 December 2013 the remaining balance of the provision is £37.4 million. The provision includes anticipated compensation payable to customers through a customer redress exercise together with professional fees associated with the customer redress exercise.

The customer redress exercise is on-going and whilst response rates are as expected there is a residual risk that they may exceed the level that is currently provided. Changes to the assumptions on response rates would lead to a change in the customer redress provision which would be reflected through the consolidated income statement.

Intangible assets arising from contractual arrangements with third parties

Where contractual payments have given rise to future economic benefits, these amounts are carried in intangible assets and amortised over the contract terms. The amortisation profile is calculated in line with the forecast future benefits over the shorter of the contractual arrangement and the period when benefits are expected to arise. The future economic benefits are estimated by reference to future renewal performance, taking into account historical renewal performance and the latest assumption of response rates in a customer redress exercise.

Changes to the estimates of renewal performance or the response rates in a customer redress exercise would change the periods in which the contractual payments are charged to the consolidated income statement.

Notes to the consolidated financial statements continued

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 three broad geographical regions:

- UK and Ireland;
- Europe and Latin America (Spain, Portugal, France, Italy, Germany, Turkey, Mexico and Brazil);
- Asia Pacific (Hong Kong, Singapore, Malaysia, India and China).

Segment revenues and performance have been as follows:

	UK and Ireland 2013 £'000	Europe and Latin America 2013 £'000	Asia Pacific 2013 £'000	Total 2013 £'000
Year ended 31 December 2013				
Continuing operations				
Revenue – external sales	**128,990**	**42,603**	**6,438**	**178,031**
Cost of sales	**(87,825)**	**(21,317)**	**(3,032)**	**(112,174)**
Gross profit	**41,165**	**21,286**	**3,406**	**65,857**
Depreciation and amortisation	**(5,869)**	**(548)**	**(40)**	**(6,457)**
Other administrative expenses	**(43,402)**	**(13,605)**	**(4,199)**	**(61,206)**
Regional operating (loss)/profit before exceptional items	**(8,106)**	**7,133**	**(833)**	**(1,806)**
Exceptional items (note 6)				**(37,506)**
Operating loss after exceptional items				**(39,312)**
Investment revenues				**394**
Finance costs: non-derivative instruments				**(4,305)**
Loss before taxation				**(43,223)**
Taxation				**(2,112)**
Loss for the year from continuing operations				**(45,335)**
Discontinued operations				
Profit for the year from discontinued operations (note 15)				**12,468**
Loss for the year				**(32,867)**

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 £1,983,000 presented within UK and Ireland in the tables above which have been charged to other regions for statutory purposes.

5. Segmental analysis continued

	UK and Ireland 2012 £'000	Europe and Latin America 2012 £'000	Asia Pacific 2012 £'000	Total 2012 £'000
Year ended 31 December 2012 – restated (note 3)				
Continuing operations				
Revenue – external sales	215,343	47,982	6,544	269,869
Cost of sales	(134,981)	(24,176)	(3,138)	(162,295)
Gross profit	80,362	23,806	3,406	107,574
Depreciation and amortisation	(7,229)	(523)	(35)	(7,787)
Other administrative expenses	(54,264)	(14,373)	(4,478)	(73,115)
Regional operating profit/(loss) before exceptional items	18,869	8,910	(1,107)	26,672
Exceptional items (note 6)				(43,942)
Operating loss after exceptional items				(17,270)
Investment revenues				580
Other gains and losses				(891)
Finance costs: non-derivative instruments				(1,869)
Loss before taxation				(19,450)
Taxation				(1,474)
Loss for the year from continuing operations				(20,924)
Discontinued operations				
Profit for the year from discontinued operations (note 15)				3,694
Loss for the year				(17,230)

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 £1,933,000 presented within UK and Ireland in the tables above which have been charged to other regions for statutory purposes.

Segment assets

	2013 £'000	2012 restated (note 3) £'000
UK and Ireland	**85,913**	123,611
Europe and Latin America	**11,002**	12,365
Asia Pacific	**2,392**	2,570
Total segment assets	**99,307**	138,546
Assets relating to discontinued operations	**—**	7,783
Unallocated assets	**142**	16,604
Consolidated total assets	**99,449**	162,933

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

Notes to the consolidated financial statements continued

5. Segmental analysis continued

Capital expenditure

	Intangible assets		Property, plant and equipment	
	2013 £'000	2012 restated (note 3) £'000	**2013 £'000**	2012 restated (note 3) £'000
Continuing operations				
UK and Ireland	**1,450**	2,979	**194**	1,366
Europe and Latin America	**128**	472	**42**	523
Asia Pacific	**26**	55	**5**	42
Additions from continuing operations	**1,604**	3,506	**241**	1,931
Discontinued operations	**—**	43	**—**	246
Consolidated total additions	**1,604**	3,549	**241**	2,177

Revenues from major products

	2013 £'000	2012 £'000
Continuing operations		
Retail assistance policies	**117,066**	163,766
Retail insurance policies	**28,153**	41,174
Packaged and wholesale policies	**32,272**	56,649
Non-policy revenue	**540**	8,280
Revenue from continuing operations	**178,031**	269,869
Discontinued operations	**15,634**	49,802
Consolidated total revenue	**193,665**	319,671

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 on-going product or service which is provided for a specified period of time; "non-policy revenue" are those which are not in connection with providing an on-going service to policyholders for a specified period of time.

Disclosures in notes 8, 19 and 23 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.

Geographical information

The Group operates across a wide number of territories, of which the UK and Spain 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	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Continuing operations				
UK	**125,432**	211,186	**7,008**	28,159
Spain	**19,767**	21,620	**432**	529
Other	**32,832**	37,063	**920**	1,564
Total continuing operations	**178,031**	269,869	**8,360**	30,252
Discontinued operations	**15,634**	49,802	**—**	12,481
	193,665	319,671	**8,360**	42,733

5. Segmental analysis continued

Information about major customers

There are no customers in the current year from which the Group earns more than 10% of its revenue (2012: £28.8 million from the Group's largest customer at that time).

6. Exceptional items

	Note	**2013 £'000**	2012 £'000
Customer redress and associated costs	26	**18,168**	26,273
Impairment of IT assets	17,18	**8,058**	—
Restructuring costs	7	**5,503**	4,874
Impairment of goodwill, intangible assets and freehold property	16,17,18	**5,822**	3,711
Regulatory penalties		**—**	8,500
Legacy scheme share based payments	30	**—**	196
Strategic project costs		**(45)**	388
Exceptional items included in operating loss		**37,506**	43,942
Tax on exceptional items		**(222)**	(5,663)
Total exceptional items after tax		**37,284**	38,279

The customer redress and associated costs of £18,168,000 (2012: £26,273,000) relates to the further costs required to compensate customers and professional fees associated with the customer redress exercise.

Impairment of IT assets £8,058,000 relates to the re-assessment of the carrying value of the Group's IT asset base as a result of the IT transformation programme.

The restructuring costs of £5,503,000 (2012: £4,874,000) relate to redundancy programmes and associated costs across the Group, along with costs associated with the closure of the Chesterfield office. The majority of this cost is located in the UK.

Impairment of goodwill, intangible assets and freehold building totals £5,822,000 (2012: £3,711,000) which comprises:

- £1,478,000 write down of the Homecare (Holdings) Limited goodwill balance (2012: £3,120,000 goodwill and intangible impairment of CPP Travel Services Limited).
- £1,299,000 (2012: £591,000) impairment of the intangible asset for contractual arrangements with third parties, which reflects the impact the expected response rates in a customer redress exercise would have on the discounted forecast cash flows of the arrangement.
- £3,045,000 impairment of the freehold property in the UK to its current market value.

Regulatory penalties represents the fine imposed by the FCA in 2012 as a result of its investigation into the Group's sales processes in the UK.

Notes to the consolidated financial statements continued

7. Loss for the year

		Continuing operations		Discontinued operations		Total	
	Note	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Loss for the year has been arrived at after charging/(crediting):							
Operating lease charges		**2,346**	2,318	**68**	202	**2,414**	2,520
Net foreign exchange gains		**61**	(41)	**—**	—	**61**	(41)
Depreciation of property, plant and equipment	18	**2,684**	2,652	**—**	246	**2,684**	2,898
Amortisation of intangible assets	17	**6,868**	8,648	**—**	102	**6,868**	8,750
Loss on disposal of property, plant and equipment		**200**	135	**—**	—	**200**	135
Customer redress and associated costs	6	**18,168**	26,273	**—**	—	**18,168**	26,273
Impairment of IT assets	6	**8,058**	—	**—**	—	**8,058**	—
Other restructuring	6	**2,580**	—	**—**	—	**2,580**	—
Impairment of goodwill, intangible assets & freehold	6	**5,822**	3,711	**—**	—	**5,822**	3,711
Regulatory penalties	6	**—**	8,500	**—**	—	**—**	8,500
Strategic project costs	6	**(45)**	388	**3,259**	2,715	**3,214**	3,103
Share based payments	30	**50**	37	**—**	—	**50**	37
Restructuring costs	6	**2,923**	4,874	**—**	—	**2,923**	4,874
Other staff costs		**34,684**	49,294	**2,600**	8,920	**37,284**	58,214
Total staff costs	9	**37,657**	54,205	**2,600**	8,920	**40,257**	63,125
Write-down of inventories recognised as an expense		**163**	—	**—**	—	**163**	—
Movement on allowance for doubtful trade receivables	21	**456**	—	**—**	—	**456**	—

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

	2013 £'000	2012 £'000
Payable to the Company's auditor for the audit of the Company and consolidated financial statements	**67**	65
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	**371**	464
Total audit services	**438**	529
Audit related assurance services	**30**	242
Taxation compliance services	**27**	52
Other taxation advisory services	**2**	28
Corporate finance services	**314**	246
Other services	**42**	37
Total non-audit services	**415**	605
	853	1,019

Corporate finance services of £314,000 (2012: £246,000) relates to the preparation of a working capital report on the Group to support the issue of the circular required pursuant to the disposal of CPPNA Holdings Inc. which constituted a Class 1 transaction for the Group.

8. 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 revenue from retail insurance only policies is set out in note 5.

Revenue earned from insurance activities

	2013 £'000	2012 £'000
Gross premiums written	**45,303**	86,625
Change in provision for unearned premiums	**1,298**	2,242
Earned premiums	**46,601**	88,867

Costs incurred from insurance activities

	2013 £'000	2012 £'000
Reinsurance premiums incurred	**5,085**	7,299
Claims paid		
– Gross amount	**22,415**	38,331
– Reinsurer's share	**(4,435)**	(5,155)
– (Decrease)/increase in provision for gross claims	**(2,240)**	960
– Increase/(decrease) in provision for reinsurance claims	**577**	(225)
	16,317	33,911
Acquisition costs		
– Costs incurred	**3,675**	15,782
– Movement in deferred acquisition costs	**8,889**	5,085
	12,564	20,867
Other expenses	**16,659**	18,602
	50,625	80,679

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.

Notes to the consolidated financial statements continued

9. Staff costs

Staff costs during the year (including Executive Directors)

	Continuing operations		Discontinued operations		Total	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000
Wages and salaries	**29,354**	42,934	**2,338**	8,019	**31,692**	50,953
Social security costs	**4,379**	5,102	**187**	643	**4,566**	5,745
Restructuring costs	**2,923**	4,874	**—**	—	**2,923**	4,874
Share based payments (see note 30)	**50**	37	**—**	—	**50**	37
Pension costs	**951**	1,258	**75**	258	**1,026**	1,516
	37,657	54,205	**2,600**	8,920	**40,257**	63,125

Average number of employees

	2013	2012 restated (note 3)
Continuing operations		
UK and Ireland	**713**	1,098
Europe and Latin America	**408**	383
Asia Pacific	**46**	51
Total continuing operations	**1,167**	1,532
Discontinued operations	**41**	179
	1,208	1,711

Details of remuneration of Directors are included in the Remuneration report on pages 41 to 53.

10. Investment revenues

	Continuing operations		Discontinued operations		Total	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000
Interest on bank deposits	**394**	580	**10**	9	**404**	589

11. Finance costs: non-derivative instruments

	Continuing operations		Discontinued operations		Total	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000
Interest on borrowings	**1,190**	1,458	**—**	—	**1,190**	1,458
Amortisation of capitalised loan issue costs	**3,072**	367	**—**	—	**3,072**	367
Other	**43**	44	**—**	18	**43**	62
	4,305	1,869	**—**	18	**4,305**	1,887

12. Taxation

	2013 £'000	2012 £'000
Continuing operations		
Current tax (credit)/charge:		
UK corporation tax	**34**	610
Foreign tax	**1,761**	2,211
Adjustments in respect of prior years	**(2,241)**	(1,019)
Total current tax	**(446)**	1,802
Deferred tax charge/(credit):		
Origination and reversal of timing differences	**(468)**	(788)
Impact of change in UK tax rates	**696**	306
Adjustments in respect of prior years	**2,330**	154
Total deferred tax	**2,558**	(328)
Total continuing operations	**2,112**	1,474
Discontinued operations	**921**	3,191
	3,033	4,665

UK corporation tax is calculated at 23.25% (2012: 24.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The UK Finance Act 2013 was enacted on 2 July 2013. It provides for a reduction in the main rate of UK corporation tax from 23% to 21% effective from 1 April 2014 and a further reduction to 20% from 1 April 2015. As these rates were substantively enacted prior to 31 December 2013, they have been reflected in the UK deferred tax balance at 31 December 2013.

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

	2013 £'000	2012 restated (note 3) £'000
Loss before tax from continuing operations	**(43,223)**	(19,450)
Effects of:		
Tax at the UK corporation tax rate of 23.25% (2012: 24.5%)	**(10,049)**	(4,765)
Regulatory penalties	**—**	2,083
Movement in unprovided deferred tax	**5,731**	843
Derecognition of deferred tax asset previously provided	**2,960**	1,436
Net expenses not deductible for tax purposes	**1,249**	1,156
Overseas tax losses not recognised	**569**	463
Higher tax rates on overseas earnings	**873**	418
Adjustments in respect of prior years	**88**	(865)
Impact of change in future tax rates on deferred tax	**696**	306
Shortfall of share option charge compared to tax allowable amount	**(5)**	399
Total tax charged to income statement	**2,112**	1,474

Notes to the consolidated financial statements continued

12. Taxation continued

Income tax credited to reserves during the year was as follows:

	2013 £'000	2012 £'000
Current tax credit:		
Movement on equalisation reserve	**(31)**	(382)
Total current tax credit	**(31)**	(382)
Deferred tax charge:		
Timing differences on equity settled share based charge	**1**	4
Other short term timing differences	**—**	(3)
Total deferred tax charge	**1**	1
Total tax credited to reserves	**(30)**	(381)

13. Dividends

The Directors have not proposed a final dividend for the year ended 31 December 2013.

14. (Loss)/earnings per share

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

(Loss)/earnings

	Continuing operations		Discontinued operations		Total	
	2013 £'000	2012 restated (note 3) £'000	2013 £'000	2012 restated (note 3) £'000	2013 £'000	2012 £'000
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share	**(45,335)**	(20,812)	**12,468**	3,694	**(32,867)**	(17,118)
Exceptional items (net of tax)	**37,284**	38,279	**(10,389)**	2,608	**26,895**	40,887
(Loss)/earnings for the purposes of underlying basic and diluted (loss)/earnings per share	**(8,051)**	17,467	**2,079**	6,302	**(5,972)**	23,769

Number of shares

	Number (thousands)	Number (thousands)
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	**171,546**	171,457
Effect of dilutive potential ordinary shares on underlying earnings: share options	**—**	4,095
Weighted average number of ordinary shares for the purposes of underlying diluted (loss)/earnings per share	**171,546**	175,552

	Continuing operations		Discontinued operations		Total	
	2013 Pence	2012 restated (note 3) Pence	2013 Pence	2012 restated (note 3) Pence	2013 Pence	2012 Pence
Basic and diluted (loss)/earnings per share:						
Basic and diluted	**(26.43)**	(12.13)	**7.27**	2.15	**(19.16)**	(9.98)
Basic and diluted underlying (loss)/earnings per share:						
Basic	**(4.69)**	10.18	**1.21**	3.68	**(3.48)**	13.86
Diluted	**(4.69)**	9.95	**1.21**	3.59	**(3.48)**	13.54

15. Discontinued operations

On 3 May 2013 the Group completed the sale of CPPNA Holdings Inc. and its subsidiaries, which carried out all of the Group's North American operation. The gross consideration on disposal was fixed at £26.1 million ($40 million).

As at 31 December 2013 the Board was committed to the disposal of its share of the Home3 joint venture. The disposal subsequently completed on 24 March 2014 for cash consideration of £0.3 million, further details are provided in note 33.

In accordance with IFRS5 'Non-Current Assets Held for Sale and Discontinued Operations' these operations have been presented as discontinued operations.

The consolidated income statement, summary of cash flows and assets and liabilities of these businesses are set out below:

(i) Consolidated income statement

	2013			2012		
	North America £'000	**Home3 £'000**	**Total £'000**	North America £'000	Home3 £'000	Total £'000
Revenue	**15,634**	**—**	**15,634**	49,802	—	49,802
Cost of sales	**(7,962)**	**—**	**(7,962)**	(26,578)	—	(26,578)
Gross profit	**7,672**	**—**	**7,672**	23,224	—	23,224
Administrative expenses	**(3,902)**	**—**	**(3,902)**	(13,138)	—	(13,138)
Share of loss of joint venture	**—**	**(780)**	**(780)**	—	(477)	(477)
Operating profit/(loss)	**3,770**	**(780)**	**2,990**	10,086	(477)	9,609
Investment revenues	**10**	**—**	**10**	9	—	9
Finance costs: non-derivative instruments	**—**	**—**	**—**	(18)	—	(18)
Profit/(loss) before taxation	**3,780**	**(780)**	**3,000**	10,077	(477)	9,600
Taxation	**(921)**	**—**	**(921)**	(3,191)	—	(3,191)
Profit/(loss) after tax	**2,859**	**(780)**	**2,079**	6,886	(477)	6,409
Profit/(loss) on disposal	**10,403**	**(14)**	**10,389**	(2,715)	—	(2,715)
Profit/(loss) for the year	**13,262**	**(794)**	**12,468**	4,171	(477)	3,694

On 3 May 2013 the Group completed the sale of its North American operation to AmTrust.

	2013 £'000	2012 £'000
Proceeds	**26,086**	—
Net assets sold	**(14,042)**	—
Costs associated with disposal	**(3,259)**	(2,715)
Currency translation differences reclassified on disposal	**1,618**	—
Profit/(loss) on disposal	**10,403**	(2,715)

(ii) Summary of cash flows

	2013 £'000	2012 restated (note 3) £'000
Net cash flows from operating activities	**2,216**	4,181
Net cash flows from investing activities	**(27)**	1,225
Net cash flows from financing activities	**(1,266)**	(6,973)
Cash consideration in respect of sale of discontinued operation	**26,086**	—
Costs associated with the disposal of discontinued operation	**(4,215)**	(905)
Cash disposed of with discontinued operation	**(3,731)**	—
Investment in joint venture	**(780)**	(477)
Net cash inflow/(outflow)	**18,283**	(2,950)

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15. Discontinued operations continued

(iii) Assets and liabilities

	2013 £'000	2012 £'000
Assets		
Non-current assets		
Goodwill	—	11,934
Other intangible assets	—	204
Property, plant and equipment	—	343
Deferred tax asset	—	290
	—	12,771
Current assets		
Trade and other receivables	—	3,399
Cash and cash equivalents	—	3,837
	—	7,236
Total assets held for sale	—	20,007
Liabilities		
Current liabilities		
Trade and other payables	—	(6,530)
Income tax liabilities	—	(469)
	—	(6,999)
Non-current liabilities		
Other creditors	—	(131)
	—	(131)
Total liabilities held for sale	—	(7,130)
Net assets held for sale	—	12,877

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

	2013 £'000	2012 £'000
Carrying amount at 1 January	—	—
Increase in investment	**780**	477
Losses recognised for the year	**(780)**	(477)
Carrying amount at 31 December	—	—

The Group has a 50% economic interest in Home3, with 49% of the issued ordinary share capital being allotted to the Group. The Group has provided Home3 with a subordinated loan facility, as well as incurring further costs which are subject to recharge to Home3 but will not be repaid and will be capitalised as part of the disposal transaction. These balances have been accounted for as investments in Home3 with the trading losses recognised limited to the level of investment.

16. Goodwill

	2013 £'000	2012 £'000
Cost and carrying value:		
At 1 January	**1,478**	16,521
Exchange adjustments	—	(539)
Impairment	**(1,478)**	(2,570)
Transfer to assets classified as held for sale	—	(11,934)
At 31 December	—	1,478

16. Goodwill continued

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:

	2013 £'000	2012 £'000
Homecare (Holdings) Limited	—	1,478

The recoverable amounts of CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, renewal rates and expected 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. The pre-tax rate used to discount the forecast cash flows from the relevant CGUs at 31 December 2013 is 16% (2012: 16%).

At 31 December 2013, as a result of the discounted cash flow forecasts of the CGU the Directors decided to recognise a full impairment of the Homecare (Holdings) Limited goodwill balance. The impairment loss of £1,478,000 has been recognised as an exceptional item in the consolidated income statement.

17. 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 2012	17,128	2,118	16,906	18,821	54,973
Additions	292	—	1,571	1,686	3,549
Disposals	—	(907)	—	(112)	(1,019)
Exchange adjustments	—	—	(10)	(129)	(139)
Transfer to assets classified as held for sale	—	—	(237)	(1,027)	(1,264)
At 1 January 2013	17,420	1,211	18,230	19,239	56,100
Additions	—	—	1,248	356	1,604
Disposals	—	—	—	(144)	(144)
Exchange adjustments	—	—	—	(49)	(49)
At 31 December 2013	17,420	1,211	19,478	19,402	57,511
Accumulated amortisation:					
At 1 January 2012	6,732	636	12,301	12,678	32,347
Provided during the year	3,490	525	2,400	2,335	8,750
Disposals	—	(500)	—	—	(500)
Exchange adjustments	—	—	(11)	(25)	(36)
Impairment	591	550	—	—	1,141
Transfer to assets classified as held for sale	—	—	(233)	(827)	(1,060)
At 1 January 2013	10,813	1,211	14,457	14,161	40,642
Provided during the year	3,041	—	1,804	2,023	6,868
Disposals	—	—	—	(12)	(12)
Exchange adjustments	—	—	—	(9)	(9)
Impairment	1,299	—	2,920	2,504	6,723
At 31 December 2013	15,153	1,211	19,181	18,667	54,212
Carrying amount:					
At 31 December 2012	6,607	—	3,773	5,078	15,458
At 31 December 2013	2,267	—	297	735	3,299

Notes to the consolidated financial statements continued

17. Other intangible assets continued

At 31 December 2013 as a result of the IT transformation programme which is reviewing the Group's current IT platforms an impairment of £5,424,000 was recognised in relation to internally generated software and externally acquired software. These assets were identified as being located in CGUs that are not forecast to be cash generative over the term of the IT transformation programme and therefore have no value in use to the business. The forecast cash flows were discounted using the Group's pre-tax discount rate of 16%. As a result an impairment of these assets was considered appropriate. This methodology also applies to the £2,634,000 impairment of computer systems included in note 18.

An impairment of £1,299,000 was recognised in the year within other intangible assets in respect of contractual arrangements with third parties. Current forecasts, which include a reduction in the expected renewal performance of the arrangement as a result of claims through the Scheme, results in the recognition of an impairment loss.

These impairment losses have been recognised as exceptional items through the consolidated income statement. The total impairment loss of £6,723,000 relates to the following segments; UK and Ireland £6,491,000; Europe and Latin America £165,000; and Asia Pacific £67,000.

18. Property, plant and equipment

	Freehold land & property £'000	Leasehold improvements £'000	Computer systems £'000	Furniture & equipment £'000	Total £'000
Cost:					
At 1 January 2012	7,278	5,650	30,499	7,627	51,054
Additions	—	553	1,386	238	2,177
Disposals	—	(60)	(234)	(41)	(335)
Exchange adjustments	—	(19)	(159)	(70)	(248)
Transfer to assets classified as held for sale	—	(240)	(1,912)	(585)	(2,737)
At 1 January 2013	7,278	5,884	29,580	7,169	49,911
Additions	**—**	**15**	**157**	**69**	**241**
Disposals	**—**	**(249)**	**(649)**	**(573)**	**(1,471)**
Exchange adjustments	**—**	**(14)**	**(15)**	**(32)**	**(61)**
At 31 December 2013	**7,278**	**5,636**	**29,073**	**6,633**	**48,620**
Accumulated depreciation:					
At 1 January 2012	1,787	4,057	24,137	6,600	36,581
Provided during the year	165	326	2,057	350	2,898
Disposals	—	(52)	(223)	(32)	(307)
Exchange adjustments	—	(20)	(115)	(48)	(183)
Transfer to assets classified as held for sale	—	(174)	(1,718)	(502)	(2,394)
At 1 January 2013	1,952	4,137	24,138	6,368	36,595
Provided during the year	**163**	**265**	**2,028**	**228**	**2,684**
Disposals	**—**	**(205)**	**(635)**	**(563)**	**(1,403)**
Exchange adjustments	**—**	**5**	**7**	**(8)**	**4**
Impairment	**2,063**	**982**	**2,634**	**—**	**5,679**
At 31 December 2013	**4,178**	**5,184**	**28,172**	**6,025**	**43,559**
Carrying amount					
At 31 December 2012	5,326	1,747	5,442	801	13,316
At 31 December 2013	**3,100**	**452**	**901**	**608**	**5,061**

Included in freehold land and property is freehold land at its cost value of £759,000 (2012: £759,000), which is not depreciated.

During the year the Group has recognised impairment losses in respect of freehold land and property and leasehold improvements totalling £3,045,000. This reflects a revision of the carrying value of the freehold property to its current market value. The impairment loss has been recognised as an exceptional item through the consolidated income statement and relates to the UK and Ireland segment.

19. Insurance assets

	2013 £'000	2012 £'000
Amounts due from policyholders and intermediaries	**1,362**	15,642
Deferred acquisition costs	**1,402**	10,291
Amounts recoverable from reinsurers in respect of outstanding claims	**623**	1,308
	3,387	27,241

Reconciliation of movement in deferred acquisition costs

	2013 £'000	2012 £'000
At 1 January	**10,291**	15,376
Incurred during the year	**548**	15,623
Amortised during the year	**(9,437)**	(20,708)
At 31 December	**1,402**	10,291

Of the above balance, £nil (2012: £2,104,000) relates to a period greater than 12 months from 31 December 2013.

Amounts due from policyholders 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 credit is 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 reduced as insurance receivables are dispersed amongst a broad customer base and where concentration exists the Group's main counterparties are typically large companies with established credit records. Credit risk is mitigated through maintaining and managing the customer base.

Included in the Group's insurance receivable balance are debtors with a carrying amount of £216,000 (2012: £1,782,000) 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 un-provided debts is 179 days (2012: 65 days).

Ageing of past due but not impaired insurance receivables

	2013 £'000	2012 £'000
Days outstanding since date of sales invoice:		
45 – 90 days	**19**	1,694
91 – 120 days	**9**	6
Over 120 days	**188**	82
	216	1,782

20. Inventories

	2013 £'000	2012 £'000
Consumables and supplies	**149**	299

Notes to the consolidated financial statements continued

21. Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	**8,441**	14,842
Prepayments and accrued income	**10,928**	12,358
Other debtors	**1,142**	1,834
	20,511	29,034

Trade and other receivables are predominantly non-interest bearing.

The Group's trade receivables continue to relate to retail customer payments awaiting collection and wholesale counterparties.

Since the timing of retail customer collection is controlled by the Group and is received within a specified period of processing the transaction, credit risk is considered low for these items.

Where wholesale counterparty balances are individually or collectively material, they are reviewed for recoverability when an adverse change in credit quality is identified or when they become overdue. The Group has low historical levels of customer and counterparty credit defaults, due in part to the quality of relationship it has with its counterparties and their credit ratings.

Where credit is offered to customers, the average credit period offered is 44 days (2012: 37 days). No interest is charged on trade receivables at any time. Disclosures regarding credit risk below relate only to counterparties or customers offered credit.

Overall exposure continues to be mainly spread over a large number of customers but where concentration exists this is with highly rated counterparties.

Included in the Group's trade receivable balance are debtors with a carrying amount of £897,000 (2012: £1,045,000) 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 un-provided debts is 76 days (2012: 83 days).

Ageing of past due but not impaired receivables

	2013 £'000	2012 £'000
Days outstanding since date of invoice:		
Up to 90 days	**589**	620
91 – 120 days	**176**	236
Over 120 days	**132**	189
	897	1,045

Movement in the allowance for doubtful receivables

	2013 £'000	2012 £'000
At 1 January	**—**	—
Increase in allowance recognised in the income statement	**456**	—
At 31 December	**456**	—

22. Cash and cash equivalents

	2013 £'000	2012 £'000
Cash on demand	**39,085**	31,470
Short term deposits	**27,815**	21,728
	66,900	53,198

Short term deposits of £27,815,000 (2012: £21,728,000) represents cash deposits maintained by the Group's insurance businesses for solvency purposes.

The terms of the VVOP agreed with the FCA restrict the disposition of assets within the UK's regulated entities CPPL and HIL. Cash on demand includes cash balances of £32,706,000 (2012: £20,426,000) which cannot be distributed to the wider Group without FCA approval. This restricted cash whilst being unavailable to distribute to the wider Group, is available to the regulated entity in which it exists including for operational and customer redress purposes.

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:

	2013 £'000	2012 £'000
AA	**1,607**	6,570
A	**62,444**	42,782
BBB	**2,559**	3,480
BB	**167**	294
B	**—**	63
Rating information not available	**123**	9
	66,900	53,198

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

23. Insurance liabilities

	2013 £'000	2012 £'000
Claims reported	**1,144**	3,291
Claims incurred but not reported	**230**	323
Total claims	**1,374**	3,614
Unearned premium	**2,475**	3,773
Amounts payable to reinsurers	**140**	138
Total insurance liabilities	**3,989**	7,525

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

	2013 £'000	2012 £'000
At 1 January	**3,773**	6,015
Written in the year	**45,303**	86,625
Earned in the year	**(46,601)**	(88,867)
At 31 December	**2,475**	3,773

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

Notes to the consolidated financial statements continued

23. 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	3,291	(1,294)	1,997
Incurred but not reported claims	323	(14)	309
As at 31 December 2012	3,614	(1,308)	2,306
Notified claims	**1,144**	**(639)**	**505**
Incurred but not reported claims	**230**	**(92)**	**138**
As at 31 December 2013	**1,374**	**(731)**	**643**

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 2012	2,653	(1,083)	1,570
Cash (paid)/received for claims settled in the year	(38,330)	5,155	(33,175)
Increase/(reduction) in liabilities arising from current year claims	39,291	(5,380)	33,911
As at 1 January 2013	3,614	(1,308)	2,306
Cash (paid)/received for claims settled in the year	**(22,415)**	**4,435**	**(17,980)**
Increase/(reduction) in liabilities arising from current year claims	**20,175**	**(3,858)**	**16,317**
As at 31 December 2013	**1,374**	**(731)**	**643**

Equalisation reserve

	2013 £'000	2012 £'000
At 1 January	**7,984**	6,423
Transfer from retained earnings	**145**	1,561
At 31 December	**8,129**	7,984

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.

24. Trade and other payables

	2013 £'000	2012 £'000
Current liabilities		
Trade creditors and accruals	**32,103**	35,533
Other tax and social security	**3,207**	6,305
Other payables	**5,317**	7,016
Deferred income	**8,377**	7,733
	49,004	56,587
Non-current liabilities		
Other payables	**9,494**	6,500
Total trade and other payables	**58,498**	63,087

Trade creditors and accruals comprise amounts outstanding for trade purchases and on-going costs. The average credit period for trade purchases is 28 days (2012: 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.

25. Borrowings

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

	2013 £'000	2012 £'000
Bank loans due within one year	—	43,500
Less: unamortised issue costs	—	(92)
Borrowings due within one year	—	43,408
Bank loans due outside of one year	13,000	—
Less: unamortised issue costs	(1,653)	—
Commission deferral agreement	11,250	—
Borrowings due outside of one year	22,597	—

Analysis of repayments:

	2013 £'000	2012 £'000
Within one year	—	43,500
In the second year	—	—
In the third to fifth years	24,250	—
Total repayments	24,250	43,500
Less: unamortised issue costs	(1,653)	(92)
Total carrying value	22,597	43,408

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 July 2016.

The RCF bears interest at a variable rate of LIBOR plus a margin of 4%. It is secured by fixed and floating charges on certain assets of the Group. The RCF includes a prepayment fee which increases over the term of the loan to a maximum level of 8% of the outstanding principal balance. 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.

During the year the Group reached agreement with certain of its Business Partners to defer payment of commission that would otherwise become due over the twelve months up to 30 June 2014 (Commission Deferral Agreement), subject to all amounts outstanding falling due for repayment on expiry of the agreement on 31 July 2017. The Commission Deferral Agreement bears interest at a fixed rate of 3.5% and is secured by charges over the assets of CPPL in substantially similar form and terms to the security granted under the RCF.

The weighted average interest rates paid during the year were as follows:

	2013 %	2012 %
Bank loans	3.8	3.4
Commission deferral agreement	3.5	—
Weighted average	3.8	3.4

At 31 December 2013 the Group does not have any undrawn committed borrowing facilities (2012: £35.6 million).

Notes to the consolidated financial statements continued

26. Provisions

	Restructuring costs 2013 £'000	Customer redress and associated costs 2013 £'000	Total 2013 £'000	Cash settled share based payments 2012 £'000	Customer redress and associated costs 2012 £'000	Total 2012 £'000
At 1 January	—	**28,967**	**28,967**	894	14,778	15,672
Charged to the income statement	**1,750**	**18,168**	**19,918**	3	26,273	26,276
Customer redress and associated costs paid in the year	—	**(9,737)**	**(9,737)**	—	(12,084)	(12,084)
Loan notes repaid in the year	—	—	—	(897)	—	(897)
Transfer to trade and other payables	**(1,750)**	—	**(1,750)**	—	—	—
At 31 December	—	**37,398**	**37,398**	—	28,967	28,967

The customer redress and associated cost provision comprises anticipated compensation payable to customers through a customer redress exercise and associated professional fees.

Following discussions with the FCA and Central Bank of Ireland (CBI) an amount is included in the customer redress and associated costs provision for redress to Irish Card Protection customers where the sale was concluded directly by a Group company. No provision for redress has been made where the sale was concluded by a Business Partner.

Customer redress and associated costs are expected to be settled within one year of the balance sheet date.

27. Deferred tax

The following are the major deferred tax assets/(liabilities) recognised by the Group and the movements thereon during the current and prior years:

	Accelerated capital allowances £'000	Share based payments £'000	Other short term timing differences £'000	Total £'000
At 1 January 2012	1,031	630	(308)	1,353
Credited/(charged) to income statement	1,507	(626)	243	1,124
(Charged)/credited to equity	—	(4)	3	(1)
Transfer to assets classified as held for sale	(135)	—	(155)	(290)
At 1 January 2013	2,403	—	(217)	2,186
(Charged)/credited to income statement	**(2,424)**	**6**	**(140)**	**(2,558)**
Credited to equity	—	**(1)**	—	**(1)**
Exchange differences	—	—	**(12)**	**(12)**
At 31 December 2013	**(21)**	**5**	**(369)**	**(385)**

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.

27. Deferred tax continued

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:

	2013 £'000	2012 £'000
Deferred tax assets	**142**	2,902
Deferred tax liabilities	**(527)**	(716)
	(385)	2,186

At the balance sheet date the Group has unused tax losses of £38,100,000 (2012: £11,349,000) 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 £nil (2012: £463,000) that will expire in 2013, £nil (2012: £129,000) that will expire in 2014, £380,000 (2012: £417,000) that will expire in 2015, £551,000 (2012: £937,000) that will expire in 2016, £1,102,000 (2012: £1,102,000) that will expire in 2017, £557,000 (2012: £557,000) that will expire in 2018, £701,000 (2012: £701,000) that will expire in 2019, £39,000 (2012: £39,000) that will expire in 2020, £674,000 (2012: £674,000) that will expire in 2021 and £555,000 (2012: £nil) that will expire in 2023. Other losses will be carried forward indefinitely.

There is no deferred tax liability on unremitted foreign earnings.

28. Financial instruments

Capital risk management

The Group manages its capital to safeguard its ability to continue as a going concern.

The Group does not have a target level of gearing but seeks to maintain an appropriate balance of debt and equity while providing returns for shareholders and benefits for other stakeholders. The Group's principal debt facility is a £13.0 million RCF, this replaced the £80.0 million RCF which was in place during the prior year and which expired on 31 March 2013 and was extended until 31 July 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 customer redress obligations and the availability of cash reserves, 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 FCA in the UK. Both subsidiaries have complied with their respective imposed capital requirements throughout the current and previous year.

Card Protection Plan Limited

Card Protection Plan Limited is regulated by the FCA 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 FCA, as part of the VVOP, to additional restrictions on the disposition of assets by Card Protection Plan Limited.

Homecare Insurance Limited

Homecare Insurance Limited is authorised by the PRA and regulated by the FCA as an insurance underwriter, and therefore maintains its capital resources in accordance with the FCA's risk-based solvency regime, Individual Capital Assessment Standards (ICAS).

The current and future capital levels are reviewed each month and reported to the FCA to ensure on-going compliance and to support the quarterly FCA returns. There have been no instances of non-compliance in either the current or previous years.

The Group has agreed with the FCA, as part of the VVOP, to additional restrictions on the disposition of assets by Homecare Insurance Limited.

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, hence all are classified as Level 2 in the fair value hierarchy. Financial assets and liabilities are carried at the following amounts:

Financial assets

	2013 £'000	2012 £'000
Loans and receivables	**76,471**	69,874

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.

Notes to the consolidated financial statements continued

28. Financial instruments continued

Fair value of financial instruments continued

Financial liabilities

	2013 £'000	2012 £'000
Financial liabilities at amortised cost	**(112,366)**	(130,200)

Financial liabilities at amortised cost comprise bank loans, trade creditors, accruals, taxes payable and provision for customer redress and 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 underlying EBITDA to interest paid) at 31 December 2013 is 7x (2012: 25x).

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.

	2013 £'000	2012 £'000
Decrease in loss before tax	**617**	236
Increase in shareholders' equity	**617**	236

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	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Euro	**9,983**	8,673	**7,392**	8,647
US Dollar	**—**	3,719	**63**	6,454

The Group disposed of its US Dollar operation on 3 May 2013 therefore the Group's exposure to US Dollar foreign currency movements has significantly reduced.

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	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Loss before tax	**(86)**	(139)	**(8)**	(51)
Shareholders' equity	**432**	4	**(8)**	(357)

28. Financial instruments continued

Foreign currency risk continued

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:

	2013 £'000	2012 £'000
Net liabilities	**(6,528)**	(4,764)
Profit before tax	**4,389**	8,006

A 20% deterioration in the Sterling: Euro exchange rate throughout the year would have increased Group operating loss by £731,000 (2012: £1,334,000).

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.

The Group's retail trade and insurance receivables are mainly with a broad base of individual customers and are therefore not generally exposed to any one customer, resulting in low credit risk.

The Group's Packaged Account and Wholesale activities can result in material balances existing with a small number of counterparties and therefore increased credit risk exists. The Group considers that it mitigates this increased credit risk through good quality relationships with counterparties and only partnering with counterparties with established credit ratings.

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 are outlined for insurance receivables in note 19 and other receivables in note 21.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

Liquidity risk

The Group has a policy of repatriation and pooling of funding where possible in order to maximise the return on surplus cash. 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. The terms of the three year RCF to 31 July 2016, have led to the amount committed being reduced to £13.0 million which is fully drawn, liquidity risk has therefore increased in the period.

Compliance with financial ratios and other covenant obligations of the Group's bank loans is monitored on a monthly basis by the Board of Directors.

Liquidity and interest risk tables

Liabilities

The following table details the Group's remaining contractual maturity for its financial liabilities, based on the undiscounted cash flows of financial liabilities and the earliest date at which the Group can be required to pay. The table includes both interest and principal cash flows and assumes no changes in future LIBOR rates.

	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	Over 5 years £'000	Total £'000
2012						
Non-interest bearing liabilities	23,698	14,990	37,452	10,289	271	86,700
Variable rate instruments	83	43,666	—	—	—	43,749
	23,781	58,656	37,452	10,289	271	130,449
2013						
Non-interest bearing liabilities	**12,366**	**10,844**	**49,701**	**14,960**	**246**	**88,117**
Fixed rate instruments	**—**	**—**	**—**	**12,857**	**—**	**12,857**
Variable rate instruments	**49**	**97**	**438**	**14,964**	**—**	**15,548**
	12,415	**10,941**	**50,139**	**42,781**	**246**	**116,522**

Notes to the consolidated financial statements continued

28. Financial instruments continued

Liquidity and interest risk tables continued

Assets

The following table details the Group's expected maturity for its non-derivative financial assets, based on the undiscounted contractual maturities of the financial assets.

	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	Over 5 years £'000	Total £'000
2012							
Non-interest bearing assets	n/a	11,546	2,294	2,006	830	—	16,676
Variable interest rate instruments	1.0%	36,345	16,713	140	—	—	53,198
		47,891	19,007	2,146	830	—	69,874
2013							
Non-interest bearing assets	**n/a**	**3,980**	**4,548**	**641**	**384**	**18**	**9,571**
Variable interest rate instruments	**1.0%**	**43,412**	**23,169**	**319**	**—**	**—**	**66,900**
		47,392	**27,717**	**960**	**384**	**18**	**76,471**

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 FCA. 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 23.

The Directors consider the following to be the principal insurance risks and actions taken reducing risk to an acceptable level:

Changes in rates of claims

Trends in claim rates and other market data are reviewed on a regular basis and premiums for new contracts adjusted accordingly. Each class of contract has a large population of 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 £1,443,000 increase in loss before tax and reduction in shareholders' equity (2012: £2,809,000), 10% representing the Directors' assessment of the reasonably possible change in the loss ratio.

Changes in settlement cost per claim

The quantum or nature of settlement amounts is specified in policy documentation and the Group is not exposed to significant open ended commitments. Although settlement costs are not capped they generally vary within a small range, limiting the Group exposure.

Reliance on key suppliers

The Group makes use of third party suppliers to fulfil the majority of claims. The performance and financial position of key suppliers is regularly monitored and alternative lines of supply sourced as necessary.

The Group therefore considers its exposure to risk arising from its insurance contracts to be appropriately managed.

29. Share capital

	2013 Number (thousands)	2013 £'000	2012 Number (thousands)	2012 £'000
Called-up and allotted: Ordinary Shares of 10 pence each				
At 1 January	**171,487**	**17,111**	171,430	17,106
Issue of shares in connection with:				
Exercise of share options	**101**	**9**	57	5
At 31 December	**171,588**	**17,120**	171,487	17,111

During the year, the Company issued 101,522 shares to option holders for total consideration of £4,000. Further details relating to share options are provided in note 30.

Of the 171,588,412 ordinary shares issued at 31 December 2013, 171,088,413 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

The Group's 2005 and 2008 ESOP Schemes were 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. There is no legacy scheme share based payment charge included in the income statement in the current year (2012: £196,000).

The IPO during 2010 represented a trigger event for the 2005 and 2008 ESOP Schemes. All outstanding legacy scheme options have now vested. Options lapse if not exercised within ten years of original grant and may lapse if the employee leaves the Group.

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

	2013		2012	
	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	**2,358**	**1.97**	3,135	2.03
Forfeited during the year	**(295)**	**1.32**	(773)	2.22
Exercised during the year	**—**	**—**	(4)	0.82
Outstanding at 31 December	**2,063**	**2.06**	2,358	1.97
Exercisable at 31 December	**2,063**	**2.06**	2,358	1.97
2008 ESOP Scheme				
Outstanding at 1 January	**1,365**	**1.79**	3,866	1.79
Forfeited during the year	**(492)**	**1.79**	(2,501)	1.79
Outstanding at 31 December	**873**	**1.79**	1,365	1.79
Exercisable at 31 December	**873**	**1.79**	1,365	1.79

There have been no exercises in the current year, the weighted average share price at the date of exercise in the prior year was £1.12.

The options outstanding for the 2005 Scheme and 2008 Scheme at 31 December 2013 had no remaining contractual life in either the current year or the prior year.

No 2005 Scheme or 2008 Scheme options have been granted in either the current or prior year.

Notes to the consolidated financial statements continued

30. Share based payment continued

Post-IPO plans

Other administrative expenses include a charge of £50,000 (2012: £159,000 credit) arising from the Long Term Incentive Plan (LTIP), the Restricted Stock Plan (RSP), the Deferred Share Bonus Plan (DSBP) and the ShareSAVE Plan. Options have been granted during the year under the LTIP to incentivise certain employees.

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

	2013		2012	
	Number of share options (thousands)	**Weighted average exercise price (£)**	Number of share options (thousands)	Weighted average exercise price (£)
LTIP				
Outstanding at 1 January	**5,911**	**—**	2,904	—
Granted during the year	**3,000**	**—**	4,542	—
Forfeited during the year	**(1,117)**	**—**	(1,535)	—
Outstanding at 31 December	**7,794**	**—**	5,911	—
RSP				
Outstanding at 1 January	**643**	**—**	200	—
Granted during the year	**—**	**—**	588	—
Forfeited during the year	**(149)**	**—**	(106)	—
Exercised during the year	**(89)**	**—**	(39)	—
Outstanding at 31 December	**405**	**—**	643	—
Exercisable at 31 December	**44**	**—**	57	—
DSBP				
Outstanding at 1 January	**29**	**—**	61	—
Forfeited during the year	**—**	**—**	(18)	—
Exercised during the year	**(13)**	**—**	(14)	—
Outstanding at 31 December	**16**	**—**	29	—
Exercisable at 31 December	**16**	**—**	9	—
ShareSAVE Plan				
Outstanding at 1 January	**334**	**1.34**	1,235	1.35
Forfeited / cancelled during the year	**(222)**	**1.31**	(901)	1.35
Outstanding at 31 December	**112**	**1.35**	334	1.34

Nil-cost options and conditional shares granted during the year under the LTIP normally vest after three years, lapse if not exercised within 10 years of grant and may lapse if option holders cease to be employed by the Group. Vesting of LTIP options and shares are also subject to achievement of performance criteria including total shareholder return and an absolute share price measure over a three year period. There have been no LTIP options exercised in either the current or prior year.

Nil-cost options and conditional shares granted during the year under the RSP normally vest after three years, lapse if not exercised within 10 years of grant, and may lapse if option holders cease to be employed by the Group.

Nil-cost options and conditional shares granted during 2011 under the DSBP normally vest after three years, lapse if not exercised within 10 years of grant and may lapse if option holders cease to be employed by the Group. 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. There have been no DSBP options granted in either the current or prior year.

Options granted during 2011 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. There have been no ShareSAVE plan options granted or exercised in either the current or prior year.

The options outstanding at 31 December 2013 had a weighted average remaining contractual life of two years (2012: two years) in the LTIP, one year (2012: two years) in the RSP, nil years in the DSBP (2012: one year) and one year (2011: two years) in the ShareSAVE Plan.

30. Share based payment continued

Post-IPO plans 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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
Weighted average share price	**—**	—	**£0.08**	£0.48	**—**	£0.45	**—**	—
Weighted average exercise price	**—**	—	**—**	—	**—**	—	**—**	—
Expected volatility	**—**	—	**154.00%**	75.19%	**—**	—	**—**	—
Expected life	**—**	—	**3 years**	3 years	**—**	3 years	**—**	—
Risk free rate	**—**	—	**0.92%**	0.47%	**—**	—	**—**	—
Dividend yield	**—**	—	**—**	—	**—**	—	**—**	—

The aggregate estimated fair value of the options and shares granted in the year under the LTIP is £20,000 (2012: £329,000 LTIP and RSP).

31. Reconciliation of operating cash flows

	2013 £'000	2012 £'000
Loss for the year	**(32,867)**	(17,230)
Adjustment for:		
Depreciation and amortisation	**9,552**	11,648
Equity settled share based payment expense	**50**	34
Impairment loss on goodwill, intangible assets and freehold property	**5,822**	3,711
Impairment of IT assets	**8,058**	—
Loss on disposal of property, plant and equipment	**200**	135
(Profit)/loss on disposal of discontinued operations	**(10,389)**	2,715
Share of loss of joint venture	**780**	477
Investment revenues	**(404)**	(589)
Other gains and losses	**—**	891
Finance costs: non-derivative instruments	**4,305**	1,887
Income tax expense	**3,033**	4,665
Operating cash flows before movements in working capital	**(11,860)**	8,344
Decrease in inventories	**150**	30
Decrease/(increase) in receivables	**8,464**	(2,063)
Decrease/(increase) in insurance assets	**23,854**	(2,689)
(Decrease)/increase in payables	**(2,526)**	916
Decrease in insurance liabilities	**(3,535)**	(1,353)
Increase in provisions	**8,431**	14,192
Cash generated by operations	**22,978**	17,377
Exercise of share options	**—**	(899)
Income taxes paid	**(2,820)**	(5,392)
Net cash from operating activities	**20,158**	11,086

Notes to the consolidated financial statements continued

32. Commitments

Operating lease commitments

The Group has entered into commercial leases on certain properties and motor vehicles. The leases have normal terms, escalation clauses and renewal rights.

Future minimum lease payments under non-cancellable operating leases expiring:

	2013 £'000	2012 £'000
Within one year	**2,297**	2,803
In the second to fifth years inclusive	**4,423**	6,672
After five years	**898**	1,093
	7,618	10,568

33. Events after the balance sheet date

On 24 March 2014, the Group announced that it had completed the sale of its 49% shareholding in Home3 Assistance Limited (Home3) to Mapfre Abraxas Software Limited (Mapfre). Home3 was previously a joint venture company between the Group and Mapfre. As part of its exit of the joint venture the Group agreed to invest a further £1,000,000 to absorb its share of unrecognised losses in Home3. The £1,000,000 capital will be loaned by Mapfre to the Group with repayments occurring over a two-year period. Balances currently owed by Home3 to the Group will also be capitalised as part of the transaction (see note 34). The consideration for the Group's entire holding of share capital in Home3 is £275,000 and will be offset against the loan balance.

On 7 April 2014, the Group entered into an agreement to transfer the majority of the Group's business in Singapore to ACE Insurance Limited (ACE) for consideration of approximately £163,000. The transaction is expected to complete in May 2014.

As announced on 14 January 2014, the High Court sanctioned the Scheme, which is a vehicle to review claims and, where appropriate, pay redress to customers. The Scheme became effective on 31 January 2014 and will complete on 30 August 2014. The claims process is on-going and the Group has made provision for the expected level of redress, which is detailed in note 26. As the Scheme is not yet complete a risk remains that the response rates may exceed the level currently provided.

34. Related party transactions and control

Ultimate controlling party

The Group is controlled by the Company's majority shareholder, Mr Hamish Ogston.

Transactions with joint ventures

Transactions between the Group and its joint venture represent related party transactions.

The Group has undertaken the following transactions with its joint venture entity, Home3:

	2013 £'000	2012 £'000
Costs rechargeable to Home3 incurred by the Group	**138**	743
Balance receivable from Home3 at 31 December	**2,299**	2,565

The disposal of Home3 completed on 24 March 2014. As part of the disposal agreement the amounts receivable from Home3 of £2,299,000 have been capitalised as an investment in the joint venture. £2,254,000 of this balance has already been provided through the consolidated income statement between 2011 and 2013. Further detail of the transaction is included in note 33.

Transactions with related parties

On 23 March 2013, the Group entered into an agreement with Mr Hamish Ogston to reimburse on demand any legal fees, costs and expenses which Mr Hamish Ogston had incurred or were incurred on his behalf in relation to the refinancing activities of the Group. The aggregate amount of costs reimbursed by the Group was £133,000.

As part of the disposal of CPPNA Holdings Inc., agreements were entered into with David Pearce and Gregory Mazza who were directors of a subsidiary of CPPNA Holdings Inc. for the payment of a "sale" retention bonus. The aggregate amount paid was $466,000 in the case of David Pearce and $311,000 in the case of Gregory Mazza.

On 4 September 2013, Shaun Astley-Stone was appointed a Non-Executive Director of the Group. Subsequent to his appointment Shaun Astley-Stone continued to provide consultancy services to certain companies within the Group, the fees in respect of these services totalled £32,000.

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:

	2013 £'000	2012 £'000
Short term employee benefits	**3,769**	3,782
Post-employment benefits	**184**	229
Termination benefits	**547**	684
Share based payments	**(144)**	(91)
	4,356	4,603

Required disclosures regarding remuneration of the Directors are included in the Remuneration report on pages 41 to 53.

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Company balance sheet

For the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Tangible fixed assets	38	**1**	5
Investment in subsidiaries	39	**15,122**	15,717
		15,123	15,722
Current assets			
Debtors	40	**52,805**	49,322
Cash and cash equivalents		**1,069**	14,454
		53,874	63,776
Creditors: amounts falling due within one year	42	**(14,540)**	(15,010)
Net current assets		**39,334**	48,766
Total assets less current liabilities		**54,457**	64,488
Provisions	43	**(402)**	(408)
Net assets		**54,055**	64,080
Capital and reserves			
Called up share capital	44	**17,120**	17,111
Share premium account	45	**33,292**	33,297
Share based payment reserve	45	**5,062**	5,012
Profit and loss reserve	45	**(1,419)**	8,660
Equity shareholders' funds		**54,055**	64,080

Approved by the Board of Directors and authorised for issue on 23 April 2014 and signed on its behalf by:

Brent Escott
Chief Executive Officer

Craig Parsons
Chief Financial Officer

Company registration number: 07151159

Notes to the Company financial statements

35. Parent company profit and loss account

The Company has taken advantage of the exemption in the Companies Act 2006, Section 408, not to present its own profit and loss account. The Company reported a loss after tax for the year of £10,069,000 (2012: £6,820,000 loss). There have been no dividends received from subsidiary undertakings in either the current or prior year.

36. 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).

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 legal or constructive 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.

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.

Notes to the Company financial statements continued

36. Significant accounting policies continued

Cash and cash equivalents

Cash and cash equivalents 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.

37. Dividends

The Directors have not proposed a final dividend for the year ended 31 December 2013.

38. Tangible fixed assets

	Computer systems £'000
Cost:	
At 1 January 2013	8
Additions	—
Disposals	**(2)**
At 31 December 2013	**6**
Accumulated Depreciation:	
At 1 January 2013	3
Provided during the year	**2**
Disposals	—
At 31 December 2013	**5**
Carrying amount:	
At 31 December 2012	5
At 31 December 2013	**1**

39. Investment in subsidiaries

	2013 £'000	2012 £'000
Cost and carrying value:		
At 1 January	**15,717**	15,787
Acquisitions	**39**	—
Disposals	**(634)**	(70)
At 31 December	**15,122**	15,717

The disposal of £634,000 (2012: £70,000) relates to options previously exercised in relation to North America employees which were recognised as an investment at that time, and therefore formed part of the North American operation disposal transaction on 3 May 2013.

The acquisition of £39,000 during the year (2012: £nil) relates to the share based payment charges in relation to share options held by overseas employees which are treated as capital contributions to the employing subsidiaries and therefore recognised as investments in subsidiary companies.

39. Investment in subsidiaries continued

Investments in Group entities at 31 December 2013 are as follows:

	Country of incorporation/ registration	Class of shares held	Percentage of share capital held
Investments in subsidiary undertakings held directly			
CPP Group Plc	England & Wales	Ordinary Shares	100%
CPP Worldwide Holdings Limited	England & Wales	Ordinary Shares	100%
Investments in subsidiary undertakings held through an intermediate subsidiary			
Airport Angel Limited	England & Wales	Ordinary Shares	100%
Card Protection Plan Limited	England & Wales	Ordinary Shares	100%
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%
CPP Brasil Servicos de Assistencia Pessoal LTDA	Brazil	Ordinary Shares	100%
CPP Commercial 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%
CPP Italia Srl	Italy	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 Y Servicios de Asistencia SAU	Spain	Ordinary Shares	100%
Key Line Auxiliar SL	Spain	Ordinary Shares	100%
CPP Real Life Services Support SL	Spain	Ordinary Shares	100%
CPP Sigorta Aracilik Hizmetleri Anonim Sirketi	Turkey	Ordinary Shares	99.99%
CPP Yardim ve Destek Hizmetleri Anonim Sirketi	Turkey	Ordinary Shares	99.99%

* A Protected Cell Company treated as a quasi-subsidiary.

Notes to the Company financial statements continued

39. Investment in subsidiaries continued

	Country of incorporation/ registration	Class of shares held	Percentage of share capital held
Investments in joint venture undertakings held via an intermediate subsidiary			
Home 3 Assistance Limited**	England & Wales	Ordinary Shares	49%

** Home 3 Assistance Limited was disposed by the Group on 24 March 2014.

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

40. Debtors

	2013 £'000	2012 £'000
Amounts due from Group entities	**52,491**	49,142
Prepayments	**281**	119
Other debtors	**33**	61
	52,805	49,322

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

41. Deferred tax

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

	Share based payments 2013 £'000	Share based payments 2012 £'000
At 1 January	**—**	745
Charged to profit and loss account	**—**	(745)
At 31 December	**—**	—

42. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	**147**	542
Amounts payable to Group entities	**13,228**	12,757
Accruals	**1,165**	1,711
	14,540	15,010

Amounts payable to Group companies are unsecured, have no fixed date of repayment and incur interest at a rate of LIBOR plus a variable margin.

43. Provisions

	Cash settled share based payments 2013 £'000	Customer redress and associated costs 2013 £'000	Total 2013 £'000	Cash settled share based payments 2012 £'000	Customer redress and associated costs 2012 £'000	Total 2012 £'000
At 1 January	—	408	408	894	1,282	2,176
Charged to the profit and loss account	—	261	261	3	973	976
Customer redress and associated costs paid in the year	—	(267)	(267)	—	(1,847)	(1,847)
Repayment of loan notes	—	—	—	(897)	—	(897)
At 31 December	—	402	402	—	408	408

The customer redress and associated costs provision comprises other costs and professional fees associated with the customer redress exercise.

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

44. Share capital

	2013 Number (thousands)	2013 £'000	2012 Number (thousands)	2012 £'000
Issued:				
At 1 January	171,487	17,111	171,430	17,106
Issue of shares:				
Exercise of share options	101	9	57	5
At 31 December	171,588	17,120	171,487	17,111

During the year 101,522 10 pence ordinary shares have been issued to option holders for total consideration of £4,000. Further details relating to share options are provided in note 47.

Of the 171,588,412 ordinary shares issued at 31 December 2013, 171,088,413 are fully paid and 499,999 are partly paid.

45. Reserves

	Share premium account £'000	Share based payment reserve £'000	Profit and loss reserve £'000	Total £'000
At 1 January 2013	33,297	5,012	8,660	46,969
Loss for the year	—	—	(10,069)	(10,069)
Equity settled share based payment charge	—	50	—	50
Exercise of share options	(5)	—	(10)	(15)
At 31 December 2013	33,292	5,062	(1,419)	36,935

46. Reconciliation of movement in equity shareholders' funds

	2013 £'000	2012 £'000
Loss for the year	(10,069)	(6,820)
Equity settled share based payment charge	50	32
Exercise of share options	(6)	2
Movement in equity shareholders' funds	(10,025)	(6,786)
Equity shareholders' funds at 1 January	64,080	70,866
Equity shareholders' funds at 31 December	54,055	64,080

Notes to the Company financial statements continued

47. Share based payment

Legacy schemes

Legacy schemes comprise the 2005 and the 2008 ESOP Schemes which were implemented in previous years, to incentivise certain employees. Details of options outstanding held by the Company's employees under these schemes are as follows:

	2013		2012	
	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	**1,987**	**1.98**	2,373	2.02
Forfeited in the year	**(182)**	**0.82**	(406)	2.28
Transferred in from other Group companies	**—**	**—**	20	2.28
Outstanding at 31 December	**1,805**	**2.10**	1,987	1.98
Exercisable at 31 December	**1,805**	**2.10**	1,987	1.98

	2013		2012	
	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	**1,045**	**1.79**	3,022	1.79
Forfeited in the year	**(392)**	**1.79**	(2,103)	1.79
Transferred in from other Group companies	**—**	**—**	126	1.79
Outstanding at 31 December	**653**	**1.79**	1,045	1.79
Exercisable at 31 December	**653**	**1.79**	1,045	1.79

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 10 years of original grant and may lapse if the employee leaves the Group.

The options outstanding for the 2005 Scheme and 2008 Scheme at 31 December 2013 had no remaining contractual life in either the current year or the prior year.

There have been no 2005 Scheme or 2008 Scheme exercises in the current year or prior year.

47. Share based payment continued

Post-IPO plans

Options have been granted by the Company to Group employees during the year under the LTIP to incentivise certain employees.

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

	2013		2012	
	Number of share options (thousands)	Weighted average exercise price £	Number of share options (thousands)	Weighted average exercise price £
LTIP				
Outstanding at 1 January	**4,583**	**—**	2,152	—
Granted during the year	**3,000**	**—**	3,414	—
Forfeited during the year	**(489)**	**—**	(1,063)	—
Transferred in from other Group companies	**—**	**—**	80	—
Outstanding at 31 December	**7,094**	**—**	4,583	—
RSP				
Outstanding at 1 January	**262**	**—**	72	—
Granted during the year	**—**	**—**	228	—
Forfeited during the year	**(38)**	**—**	(32)	—
Exercised during the year	**(20)**	**—**	(18)	—
Transferred in from other Group companies	**—**	**—**	12	—
Outstanding at 31 December	**204**	**—**	262	—
Exercisable at 31 December	**40**	**—**	7	—
DSBP				
Outstanding at 1 January	**24**	**—**	46	—
Forfeited during the year	**(8)**	**—**	(13)	—
Exercised during the year	**—**	**—**	(14)	—
Transferred in from other Group companies	**—**	**—**	5	—
Outstanding at 31 December	**16**	**—**	24	—
Exercisable at 31 December	**—**	**—**	9	—
ShareSAVE Plan				
Outstanding at 1 January	**62**	**1.30**	114	1.31
Forfeited / cancelled during the year	**(31)**	**1.25**	(52)	1.31
Outstanding at 31 December	**31**	**1.36**	62	1.30

Nil-cost options and conditional shares granted during the year under the LTIP normally vest after three years, lapse if not exercised within 10 years of grant and may lapse if option holders cease to be employed by the Group. Vesting of LTIP options and shares are also subject to achievement of performance criteria including total shareholder return and an absolute share price measure over a three year period. There have been no LTIP options exercised in either the current or prior year.

Nil-cost options and conditional shares granted during the year under the RSP normally vest after three years, lapse if not exercised within 10 years of grant and may lapse if option holders cease to be employed by the Group.

Nil-cost options and conditional shares granted during 2011 under the DSBP normally vest after three years, lapse if not exercised within 10 years of grant and may lapse if option holders cease to be employed by the Group. 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. There have been no DSBP options granted in either the current or prior year.

Options granted in 2011 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. There have been no ShareSAVE Plan options granted or exercised in either the current or prior year.

The options outstanding at 31 December 2013 had a weighted average remaining contractual life of three years (2012: two years) in the LTIP, one year (2012: two years) in the RSP, nil years in the DSBP (2012: one year) and one year (2012: two years) in the ShareSAVE Plan.

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Notes to the Company financial statements continued

47. Share based payment continued

Post-IPO plans 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	
	2013	2012	2013	2012	2013	2012	2013	2012
Weighted average share price	—	—	£0.08	£0.48	—	£0.45	—	—
Weighted average exercise price	—	—	—	—	—	—	—	—
Expected volatility	—	—	154.00%	75.19%	—	—	—	—
Expected life	—	—	3 years	3 years	—	3 years	—	—
Risk free rate	—	—	0.92%	0.47%	—	—	—	—
Dividend yield	—	—	—	—	—	—	—	—

The aggregate estimated fair value of the options and shares granted in 2013 under the LTIP is £20,000 (2012: £152,000 LTIP and RSP).

48. Related parties and control

Certain bank loans taken out by Group entities are secured against the assets of the Company. The total amount outstanding on these loans at 31 December 2013 amounted to £13,000,000 (2012: £43,500,000). The Company is party to a cross-guarantee in respect of a bank account netting arrangement in which it is a participant alongside certain other Group companies. Cash and cash equivalents includes an overdraft of £1,500,000 (2012: £8,400,000 cash balance) which is held a bank account subject to this arrangement.

The Company has taken the exemption available under FRS 8 "Related Party Transactions" not to disclose transactions with subsidiaries all of whose shares are held within the Group.

The Company's ultimate controlling party is set out in note 34 to the consolidated financial statements. Emoluments of the Company's Directors are set out in the Remuneration report on pages 41 to 53.

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The Company's shares are listed on the London Stock Exchange under share code 'CPP.L'. Company information and share price details are available on the corporate website at www.cppgroupplc.com.

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07151159

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Auditor:
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Legal advisers:
Herbert Smith Freehills LLP
Exchange House
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Shareholders who have a query regarding their shareholding should contact the Company's share registrars at:

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
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BR3 4TU

By telephone +44(0)20 8639 3399

When contacting the registrar please have the investor code and information relating to the name and address in which the shares are held.

Investor relations
Requests for further copies of the Annual Report & Accounts, or other investor relations enquiries, should be addressed to the registered office.

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