

A faint, dotted world map in light gray serves as the background for the central text.

# The International Assistance Business of Choice

## About CPP

**CPPGroup Plc is an assistance business operating internationally within the financial services, telecommunications and travel sectors.**

### Our products

Our products are offered to our customers internationally.

**Card  
Protection**

**Travel  
Services**

**Mobile  
Phone  
Protection**

**Identity  
Protection**

**Legal  
Protection**

### Our strategy

To build a branded International Assistance business recognised for its excellence in customer service and value for money.

### Our vision

To be the International Assistance Business of Choice.

Access our corporate website at

**[cppgroupplc.com](http://cppgroupplc.com)**



## Our report

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## At a glance

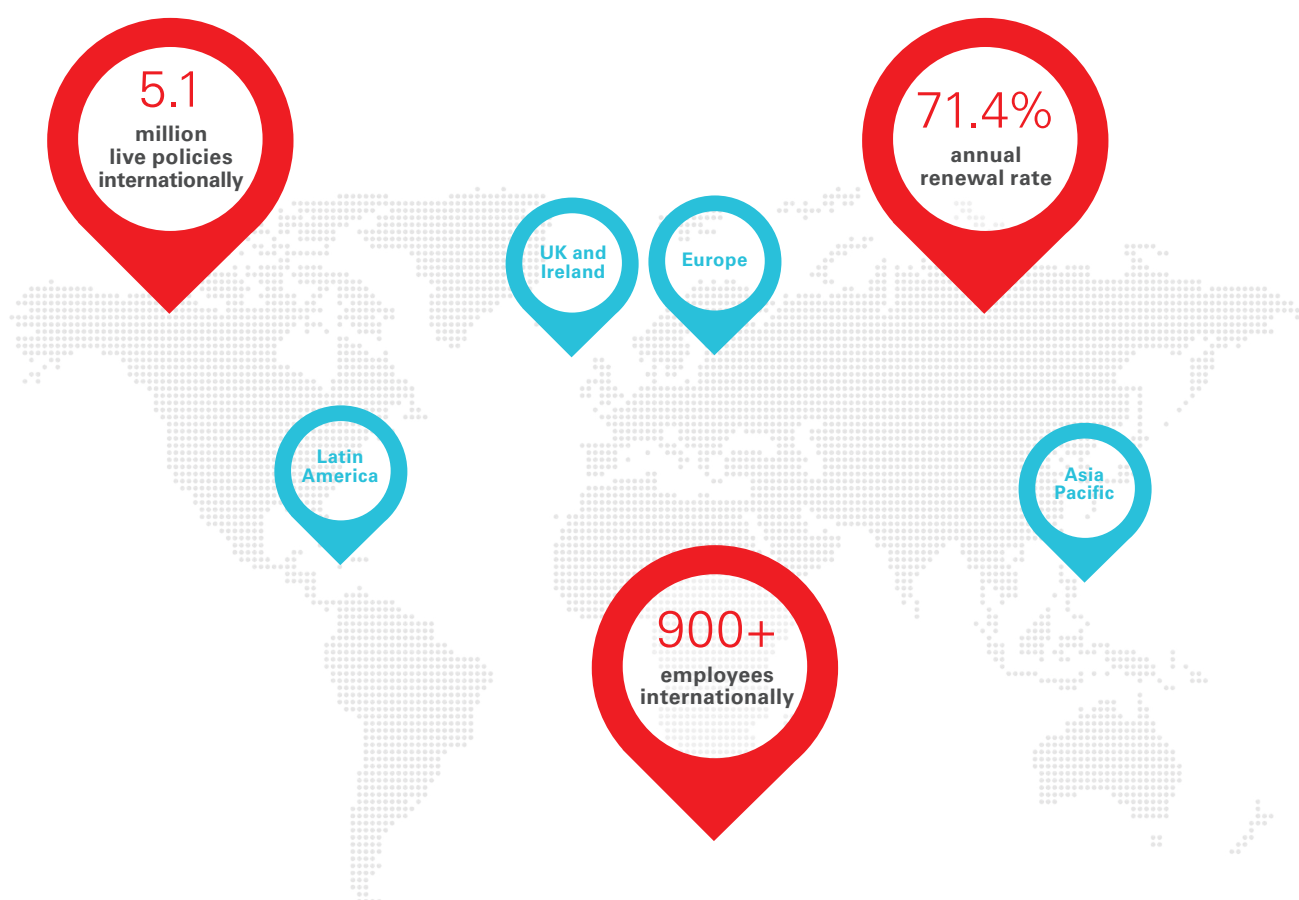
### Group overview

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### About CPP

CPP made significant progress in the last year to strengthen and add value to the Group as it continued to move forward and create sustainable long term value for stakeholders.

Our products help to provide security for our customers internationally 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.



### Financial overview 2014

#### Revenue

**£108.8m**  
(2013: £178.0m)

#### Underlying operating profit/(loss)<sup>1</sup>

**£0.5m**  
(2013: £(1.8)m)

#### Reported loss for the year

continuing and discontinued operations

**£(6.7)m**  
(2013: £(32.9)m)

1. Underlying operating profit/(loss) excludes exceptional items of £6.3 million (2013: £37.5 million).



Financial review  
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## Our business model and strategy

**These pages set out our core business model and strategy. It is clear that modern technology is rapidly changing the way businesses and consumers connect, providing much wider choice and alternative purchasing options. We have a clear focus to further enhance our business technologies in 2015 to maintain our position as the International Assistance Business of Choice.**



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### Who we are and what we do

We operate internationally as three regions, working with our Business Partners. Through our business-to-business-to-consumer (B2B2C) operating model we service 5.1 million live policies and manage claims of our core assistance products. Our business model targets revenue growth and cash generation through sustainable renewal rates and new income. This is focused on improved performance with the objective of generating and delivering longer term value for shareholders and other stakeholders. We measure our progress against our Key Performance Indicators (KPIs) (details on page 07).

### 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 Protection, Identity Protection and Legal Protection.

Our product, distribution and service channel ambitions are focused on innovation in a fast-paced, technological environment, as consumers increasingly move towards digital products and platforms. Our digital plans are evolving, which will help us to realise the market opportunities that exist and allow us to engage with consumers through multiple channels across our markets.



**Strategic report**► **Our business model and strategy**

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**Our plan**

During 2014, the Group focused on the successful delivery of its short term plan to stabilise the business and in addition, secure new investment and improve its financial position.

At the end of 2014, the Group formalised plans to secure new equity funding of £20.0 million, which combined with a restructuring of the Group's liabilities and refinancing of the Group's debts, has secured our financial position. The significant progress made has created a stronger platform from which CPP now moves forward with greater certainty. In 2015, the Group will implement its strategic business plan focused on trading from a platform for growth.

In the medium term, in order to deliver sustainable, attractive returns, the following four strategic priorities support the Group's existing revenue, new income generation and growth ambitions.

These are to:

- implement an enhanced market-led business model;
- innovate and leverage existing capacity and resource;
- optimise financial performance; and
- trade from an improved and effective operating environment, embracing new digital technology to allow customers multi-channel access to services.

Work is well advanced with the Group's transformation plan, which supports the four strategic priorities and encompasses IT, digital delivery, process enhancements, new products and evolving as an international assistance brand.

We intend to draw on the core competencies across the Group internationally, to develop new revenue streams to support future growth.

**2014 Progress**

- Evaluated management and operational capability
- Enhanced existing products and services
- Progressed new product proposition plans

- Enhancing digital product and channel offering
- Maximised value from existing customer base
- Secured contracts with new Business Partners and new campaigns launched with established Business Partners internationally

- Formalised essential plans to restructure the balance sheet and strengthen the capital position
- Substantially reduced the cost base; administrative costs reduced by circa £20 million year-on-year
- Closure of the UK Scheme claims period
- Underlying operating performance improved to a profit of £0.5 million (2013: £1.8 million loss)
- Stronger Group annual renewal rate of 71.4% (2013: 69.4%)

- Strengthened control standards and functions
- Improved Group-wide processes
- Implemented Group-wide governance model and decision making Committee structure
- Embedded Minimum Risk Standards and Business Incident Management processes across the Group
- Restructured in the UK and overseas
- Reviewed IT infrastructure requirements for a modern, cost-effective single international IT platform
- Strengthened regulatory relationships and agreement with the FCA to enable an initial change to the UK VVOP

**Implement an enhanced market-led business model****Innovate and leverage existing capacity and resource****Optimise financial performance****Trade from an improved and effective operating environment****2015 and 2016 Priorities**

- Scope global market opportunities
- Define future product and service propositions and markets
- Finalise medium term strategic business plan
- Implement an enhanced business model and brand definition

- Leverage current capability to drive local growth and efficiency
- Define individual country ambitions and requirements, focusing on customer needs and experience
- Further enhance digital product and channel offering
- Maximise value from existing customer base and associated cash flows

- Deliver internal forecasts to support investment proposition
- Embed effective operational KPIs
- Establish the Group's organisational design that supports profitable growth
- Ensure Group-wide decisions and investment deliver and optimise profitability

- Operate compliantly across all markets and drive operational effectiveness
- Implement a new IT system to support internationally compliant and efficient operations
- Simplify business processes to enable organisational agility for current and future product propositions
- Apply to remove the restrictions on the regulatory selling and other permissions under the UK VVOP
- Pro-active relationships with regulators and stakeholders



# Executive Chairman's statement



**Eric Anstee** Executive Chairman

## Progress made in 2014

- Stabilised and secured the financial position of the Group
- Substantially reduced the cost base and restructured the business
- Progressed product development and new IT system plans
- Evolving digital capabilities
- Closure of the UK Scheme of Arrangement

## Our priorities in 2015

- Continue the Group's transformation plan
- Implement an enhanced market-led business model
- Innovate and leverage existing capacity and resource
- Optimise financial performance
- Trade from an improved and effective operating environment
- Further develop and increase digital capabilities



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**I am encouraged by the considerable progress that has been made to add value to the Group and, in particular, a return to underlying operating profit. We are in a stronger position, with a stable foundation and renewed confidence that provide us with the opportunity to take the Group forward for the future.**

## Introduction

I worked with the previous Chairman and the Board in late 2014 to formalise plans to improve the financial position of the Group and joined the Board in December 2014. I was appointed Executive Chairman in February 2015 and I am pleased to have joined CPP as it embarks on the next stage of its development as an international assistance business. Significant progress has been made and positive steps achieved during 2014 to restructure, stabilise and strengthen the Group.

## Our progress

The Group has continued its journey to stabilise the business and develop its transformation programme. I am encouraged by the considerable progress that has been made to add value to the Group and ultimately support the successful equity raise and substantial improvement in the financial position of the business in February 2015. As a result, we are in a stronger position, with a stable foundation and renewed confidence that provide us with the opportunity to take the Group forward for the future.

During 2014, the actions taken and significant milestones achieved successfully repositioned the Group for the future and comprised:

- ▶ formalising essential plans to restructure the balance sheet and strengthen the capital position of the Group at the end of the year;
- ▶ substantially reducing the cost base, with administrative costs circa £20 million lower in the year;
- ▶ restructuring and consolidation resulting in the closure of two out of three offices in the UK and further closures in France, Singapore, Hong Kong and Brazil;
- ▶ the sale of our shareholding in Home3 (a joint venture with Mapfre);
- ▶ improving processes and governance;
- ▶ strengthening regulatory relationships and agreement with the FCA to enable an initial change to the UK Voluntary Variation of Permissions (VVOP), reverting to an industry standard 'cooling off' period for renewing policies;

- ▶ progressing product development plans and, as announced in March 2015, selecting a new IT system from SSP Limited to provide a new international single platform; and

- ▶ closure of the UK Scheme of Arrangement (UK Scheme) claims period.

In addition, our focus on evolving and increasing our digital capabilities across the Group during the year included:

- ▶ launching new online members' areas and acquisition sites in a number of countries, with the remaining countries to follow in 2015;
- ▶ launching Airport Angel membership sales online and upgrading the mobile app;
- ▶ launching sales through ATMs in Turkey; and
- ▶ developing opportunities in India relating to Mobile Phone Protection products.

A critical step to secure our future was achieved at the beginning of 2015, as I noted in my opening remarks. I am pleased that the Group successfully secured new equity funding of £20.0 million (£17.9 million net of expenses), significantly restructured the Group's liabilities, refinanced the Group's debts and commenced trading on the Alternative Investment Market of the London Stock Exchange (AIM). As a result, and following the closure of the UK Scheme, the future of the Group is now more certain. CPP today is providing an improved service to our 5.1 million policyholders internationally and I look forward to building on this success for our people, customers, Business Partners and shareholders. In particular, during 2015 and as previously announced, the Group will further invest in its digital interfaces and new core IT platform, across its international operations.

## Our performance

The Group's headline financial results for 2014 remained constrained, reflecting the overall challenges of our operating environment during the year, particularly in the UK. Revenue reduced to £108.8 million (2013: £178.0 million) whilst underlying operating performance, which excludes exceptional items, improved to a profit of £0.5 million (2013: £1.8 million loss). Group exceptional items in the period were £6.3 million (2013: £37.5 million), mainly

comprising residual customer redress and associated costs and restructuring costs. As a result, the Group reduced its reported operating loss to £5.8 million (2013: £39.3 million). Renewal rates for the year were stronger at 71.4% (2013: 69.4%) and live policies totalled 5.1 million (2013: 7.1 million).

The Group worked hard to ensure it had sufficient financial resources to complete the Scheme in the UK and the closure of the Scheme represented a significant milestone for the business. Its impact, nonetheless, was considerable and consequently, the Group's financial resources and liquidity were significantly reduced. The Group made positive progress regarding its financial stability towards the end of 2014 and in February 2015, successfully secured new equity funding of £20.0 million, restructured the Group's liabilities and refinanced the Group's debts. This has significantly improved our balance sheet position.

The Directors have decided not to recommend the payment of a dividend. The Board continues to believe it is not appropriate to pay a dividend until cash generated by operating activities is more than adequate to cover the Group's future investment plans.

Partnerships remain a key priority and the Group placed emphasis on engaging and improving current Business Partner relationships and developing new commercial opportunities during 2014. It is encouraging that during the year, new contracts were secured with new Business Partners and new campaigns launched with established Business Partners across the Group, internationally.

## Our Board

In August 2014, Duncan McIntyre announced his intention to step down as Non-Executive Chairman and in January 2015, I was appointed as Non-Executive Chairman. I would like to thank Duncan for his leadership, guidance and support to the Group, which has successfully enabled CPP to reposition for the future. In February 2015, Brent Escott, Chief Executive Officer stepped down from his role. The process to identify a new Chief Executive Officer is on-going and in the interim, I have assumed the role of Executive Chairman.

Following the successful conclusion of the General Meeting in January 2015, Les Owen stepped down as an Independent Non-Executive Director and a process to identify a suitable successor is well advanced.

In January 2015, Shaun Astley-Stone was appointed as Chairman of the Risk & Compliance Committee.

The Board is committed to continue maintaining and strengthening a strong governance framework throughout the business, supported by our Board Committees.

## Our people

Our people are a huge testament to how far CPP has progressed in recent years, despite the challenges and on-going structural and cultural changes that have been made. Our success depends on our people and we are therefore focused on helping them to perform at their best and achieve their full potential. We continue to support the delivery of our plans by strengthening our leadership and talent capability. A key focus in 2015 is to define and embed our values and beliefs, which will drive the changes we are making and support our future development.

## Our customers

Customer trust is essential and critical as we build positive perceptions of our business. To earn and retain that trust we endeavour to manage our operations responsibly and conduct our business in an ethical and transparent way. Our aim is to improve the customer's end-to-end experience in order for us to succeed as an effective and efficient customer-led business. Our customers place value on our products and services; they tell us so through our customer satisfaction surveys and stronger renewal rate. As we improve our current product range and develop new and compelling, customer-led digital products, we will place particular emphasis on what our customers want and understand their requirements and expectations.

## Our plan going forward

Work is well advanced with the Group's transformation plan as well as its product, digital and commercial development plans, which support the four strategic priorities and will allow CPP to regrow and evolve as an international assistance business.

The core areas of focus include: maximising value from the established product portfolio; launching assistance products and providing channel capability, particularly in the digital and mobile space which further develop and increase the Group's digital capabilities and support customers and Business Partners, resulting in lower cost service delivery and enhanced customer satisfaction; replacing the existing IT systems to deliver a modern, cost effective IT infrastructure; enhancing

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consistency of controls and governance throughout the Group; simplifying and improving business processes that support product innovation and testing pilot products through to launch; and further developing our range of international Business Partners.

This is a significant change programme that will support the Group's efforts to embed and trade from a platform for growth and importantly, as the Group works towards applying to remove the restrictions on regulatory selling and other permissions under the UK VVOP.

## Looking ahead

The Group is stronger than a year ago and with a medium term business plan supported by new investment, a much reduced cost base and the confidence of stakeholders, we can now drive the business forward.

Our core priority is focused on our strategy for growth, which will enable us to maximise the value from the existing business and realise the new commercial opportunities that exist. Much work will continue to take place as we embed our plans and complete the actions required to transform the Group, which in time will create a sustainable business proposition for the long term.

I look forward to progressing the Group's strategic plans and a successful 2015. I would like to thank everyone at CPP for their hard work and also express my thanks to new and existing shareholders for their support and in particular our Business Partners and lenders for their support and on-going commitment.

## Eric Anstee

Executive Chairman

30 March 2015

# Operating review

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

## Regional trends 2014

	Revenue (£) <sup>1</sup>	Underlying operating performance (£) <sup>1</sup>	New sales (£) <sup>1</sup>	Renewal rates (%)	Margins (%)
<b>UK and Ireland</b>					
UK	↓	↑	↓	↑	↓
Ireland	↓	↑	↓	↓	↑
<b>Europe and Latin America</b>					
Spain	↓	↓	↓	↓	→
Italy	↓	↓	↓	↓	↑
Portugal	↓	↓	↑	↑	↑
Germany	↑	↑	↓	↑	↑
Turkey	↓	↓	↓	↑	↓
Mexico	↑	↑	↑	↓	↑
<b>Asia Pacific</b>					
India	↑	↓	↑	↓	↓
China	↑	↑	↑	↓	↑
Malaysia	↓	↓	↓	↑	↑
Hong Kong	↓	↑	↓	↑	↑

↑ Increase → Level ↓ Decrease

1. On a constant currency basis.



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**Charles Crawford** Regional Director

## UK and Ireland

### Financial performance

Revenue for 2014 decreased 46% on a constant currency basis compared to the same period in 2013, to £69.7 million (2013: £129.0 million). Underlying operating loss has reduced for the full year to £4.4 million (2013: £8.1 million loss).

### Review

Operating in the UK and Ireland during 2014, the region accounts for 64% of Group full year revenue. Performance during 2014 continued to reflect the on-going restriction on retail sales, reduced Card Protection and Identity Protection renewal revenues and the impact of historical Business Partner losses. Airport Angel, our travel services business, continued to develop new Business Partner opportunities and will continue to make improvements whilst establishing profitable growth opportunities both in the UK and internationally. During the year, the region made good progress in establishing the appropriate structure and operating capabilities, resources and reducing the cost base so that it reflects the current scale of the business. In Ireland, renewal performance has been in line with expectations.



**Angel de Leon** Regional Director

## Europe and Latin America

### Financial performance

Revenue has decreased 18% on a constant currency basis compared to the same period in 2013, to £32.5 million (2013: £42.6 million). Underlying operating profit has consequently reduced for the full year to £5.2 million (2013: £7.1 million), 25% lower on a constant currency basis.

### Review

During 2014, this region operated in Spain, Italy, Portugal, France, Germany, Turkey, Mexico and Brazil; Europe and Latin America accounts for 30% of Group full year revenue. Performance during the year in Europe has been constrained, reflecting reduced renewal rates and campaign delays, although in Mexico revenue continued to improve. As previously announced, the Group completed the exit from France at the end of the year and, following an evaluation of the market opportunities, the Group will exit Brazil in 2015.



**Ian Craig** Regional Director

## Asia Pacific

### Financial performance

Revenue is 11% higher on a constant currency basis compared to the same period in 2013, at £6.7 million (2013: £6.4 million). The underlying operating loss has reduced for the full year to £0.2 million (2013: £0.8 million).

### Review

During 2014, this region operated in India, China, Malaysia, Hong Kong and Singapore; Asia Pacific represents 6% of Group full year revenue. India and China continued to increase revenue during the period. A new pilot product in India within the Mobile Phone sector was successfully tested during the year. In Malaysia, revenue continued to decline following delays to new campaign launches and the Group continues to evaluate this market for future growth opportunities. The sale of the Card Protection book in Singapore was completed as planned during the year. Plans are underway to exit from Hong Kong to right-size in accordance with the reduced scale of the business.



# Key performance indicators

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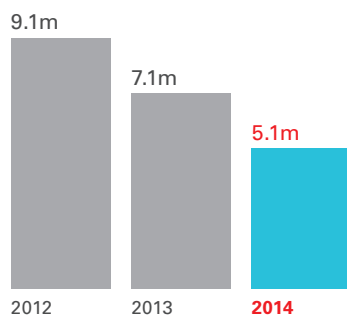
### ► Operating review

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Risk management and principal risks

## Live policies



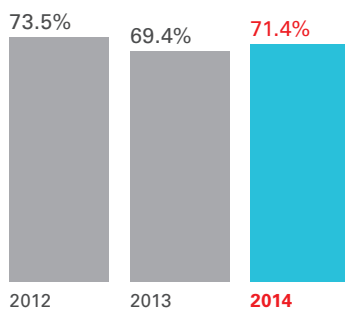
### Definition:

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 31 December 2013, due to UK factors including declining retail Card Protection and Identity Protection policies, which include the impact of policies cancelled through the Scheme and a reduction in Packaged and Wholesale policies in the UK following the loss of a historical Business Partner contract. Live policies outside of the UK have declined marginally.

## Annual renewal rate



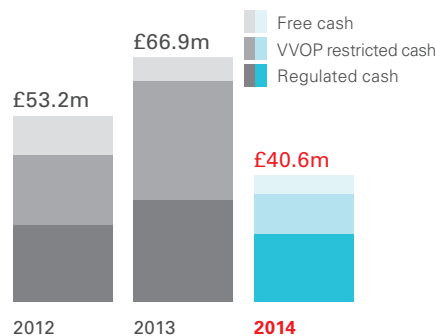
### Definition:

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 2014 has increased by 2.0 percentage points since 31 December 2013, mainly due to a high level of cancellations in the prior year resulting from adverse media attention prior to commencement of the UK Scheme; and the positive impact of an initial change to the UK VVOP in the latter part of 2014, reverting to an industry standard 'cooling off' period for UK renewing policies. The annual renewal rate does not include cancellations that have occurred during the UK Scheme, as they are not considered available to renew in the normal course of business. If UK Scheme cancellations were included the annual renewal rate would be 5.6 percentage points lower at approximately 65.8%.

## Group cash balances



### Definition:

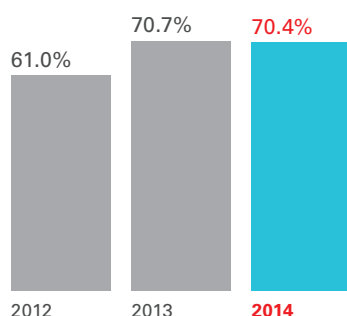
Group cash balances allocated between regulatory funds, VVOP restricted funds and free cash available to utilise throughout the Group.

### Performance:

Regulatory and VVOP restricted funds have decreased year-on-year mainly reflecting the funding of the UK Scheme in Card Protection Plan Limited (CPPL).

The free cash has declined marginally, which reflects cash used by the wider Group compared to the cash generated principally by its overseas operations and approved distributions from one of our regulated entities. The decline is mainly due to Group overhead requirement and continued investment in developing markets. This position has improved in February 2015 following completion of the equity raise.

## Cost/income ratio



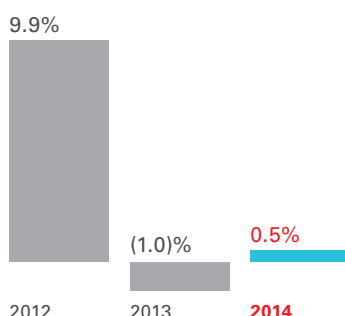
### Definition:

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

### Performance:

Our cost/income ratio has remained broadly stable year-on-year, largely due to the impact of declining Card Protection and Identity Protection renewal revenue in the UK, being offset by a significant reduction of circa £20 million year-on-year in other administrative costs following the steps taken by the Group in 2013 and 2014 to reduce its cost base.

## Underlying operating profit/(loss) margin



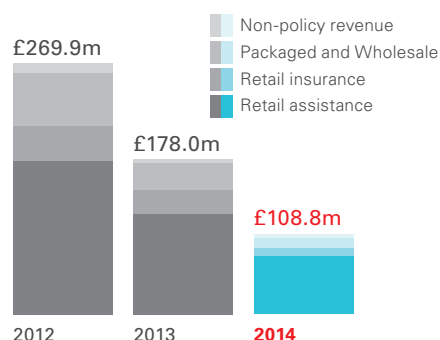
### Definition:

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

### Performance:

Our underlying operating margin has increased 1.5 percentage points, due mainly to the actions taken by the Group in 2013 and 2014 to reduce its cost base which has resulted in other administrative costs being circa £20 million lower year-on-year. This is partly offset by a reduction in Card Protection and Identity Protection renewal revenue in the UK.

## Revenue by major product



### Definition:

Revenue from the Group's major product offerings (defined in note 5 of the consolidated financial statements).

### Performance:

Revenue from retail assistance policies has declined compared to 2013 reflecting the decline in Card Protection and Identity Protection renewals in the UK. The continued new retail sales restrictions associated with the UK VVOP restrict the Group's ability to grow retail revenue. Retail insurance and Packaged and Wholesale revenue has declined in the year due to the impact of lost Business Partner contracts in the UK.

# Financial review



**Craig Parsons** Chief Financial Officer

## Summary

- The February 2015 transaction, in isolation, will have a beneficial impact on the Group's net liabilities of approximately £37.1 million. This results from the £20.0 million equity raise and debt restructure, which included:
  - part prepayment of bank loan and related costs of £8.5 million; and
  - settlement of the Commission Deferral Agreement of £20.9 million for a compromise payment of £1.3 million and further deferral of commission of up to £1.3 million.
- Closure of the UK Scheme, resulting in payments to compensate customers totalling £32.0 million
- Completed the disposal of our joint venture, Home3
- Continued restructuring activities to reduce the Group's cost base, including office closures in the UK and exit from some overseas markets



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## Overview

The equity raise and debt restructure, which completed in February 2015, is a significant milestone as the Group rebuilds. The transaction involved an equity raise of £20.0 million (£17.9 million net of expenses), part of which was used to reduce the bank debt from £13.0 million to £5.0 million and part to settle in full the existing commission deferral balance of £20.9 million for a compromise payment of £1.3 million and further deferral of commission of up to £1.3 million. The improved financial stability this transaction provides underpins the next stage of the Group's development.

In 2014, the Group experienced another difficult year in trading performance. The Scheme had a substantial direct impact on the UK business, resulting in redress payments of approximately £32.0 million and a reduction in the Group's existing policy base. It is recognised that right-sizing the UK business remains crucial and consequently in the year it was decided to close two of the three office sites in the UK. Whilst there are some exceptions, the overseas markets did not deliver growth with the southern European economic climate, in particular, continuing to have an impact. In the year, the decision was made to exit from Hong Kong and Brazil, and, as planned, operations in France have now closed and the sale of the Card Protection book in Singapore has completed. We continue to review our international presence.

## Summary

Group revenue has declined by 39% to £108.8 million as a result of revenue reducing by 46% in the UK and Ireland and 24% (18% on a constant currency basis) in Europe and Latin America. Revenue in Asia Pacific has grown marginally by 3% (11% on a constant currency basis).

	2014	2013	Change
Revenue (£ millions)	<b>108.8</b>	178.0	(69.2)
Gross profit (£ millions)	<b>48.0</b>	65.9	(17.8)
Other administrative expenses (£ millions)	<b>(47.5)</b>	(67.7)	20.2
Underlying operating profit/(loss) (£ millions)	<b>0.5</b>	(1.8)	2.3
Exceptional items (£ millions)	<b>(6.3)</b>	(37.5)	31.2
Reported operating loss (£ millions)	<b>(5.8)</b>	(39.3)	33.5
Net finance costs (£ millions)	<b>(1.9)</b>	(3.9)	2.0
Reported loss before tax (£ millions)	<b>(7.7)</b>	(43.2)	35.6
Underlying loss per share (pence)			
Basic and diluted	<b>(0.17)</b>	(4.69)	4.52
Net funds (£ millions)	<b>7.9</b>	44.3	(36.4)

The underlying operating profit in the year was £0.5 million, which is a £2.3 million improvement on 2013. This improvement is largely a result of the actions taken by the Group during 2013 and 2014 to reduce its cost base to align with the Group's operational size, which along with reduced depreciation charges following the 2013 asset impairments, has seen a reduction in administrative costs of circa £20 million in the year. The measures taken in 2014 will also continue to reduce the cost base in 2015.

Exceptional items of £6.3 million have been recorded in the year, mainly reflecting further residual customer redress activity of £3.0 million and restructuring costs resulting from the Group's cost saving measures of £2.6 million.

The exceptional items contributed to a reported operating loss of £5.8 million (2013: £39.3 million).

Net interest and finance costs of £1.9 million (2013: £3.9 million) were 52% lower than 2013, reflecting the costs incurred in the prior year relating to the six month extension of the loan facility, which preceded the agreement of a three year term.

As a result, the reported loss before tax was £7.7 million (2013: £43.2 million) and underlying loss before tax was £1.3 million (2013: £5.7 million).

Underlying loss after tax from continuing operations, excluding exceptional items, was £0.3 million (2013: £8.1 million). Exceptional items after tax during the year were £5.7 million. This resulted in a reported loss after tax from continuing operations of £6.0 million (2013: £45.3 million).

Discontinued operations, which represent the Home3 joint venture, reported a loss after tax of £0.8 million (2013: £12.5 million profit). The comparative includes trading and the profit on disposal of the North American

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business of £13.3 million. The disposal of the North American business completed in May 2013.

Underlying loss per share from continuing operations has improved from 4.69 pence in 2013 to 0.17 pence for 2014. The basic loss per share from continuing operations has also improved from 26.43 pence in 2013 to 3.48 pence in 2014.

**Total customer redress and associated costs**

The UK Scheme closed for claims on 30 August 2014 and the value of Scheme redress claims in respect of direct sales made by the Group was £32.0 million.

The Group provided an additional £3.0 million in the year reflecting the latest estimate of residual customer redress activity. The total cost provided for customer redress and associated costs from 2011 to 2014 is £72.8 million, of which £14.9 million remains not utilised, representing £6.4 million in remaining customer redress and associated costs and £8.5 million in respect of the outstanding regulatory fine levied by the FCA in November 2012 (the remaining instalments are expected to be paid in 2016).

**Cash flow<sup>1</sup> and net funds**

	2014 £'m	2013 £'m
Underlying operating profit/(loss) <sup>2</sup>	0.5	(1.8)
Exceptional items <sup>3</sup>	(5.5)	(23.6)
Operating profit from discontinued North American operation	—	3.8
Depreciation, amortisation and other non-cash items	4.4	9.8
(Decrease)/increase in provisions	(29.4)	8.4
Working capital	(3.8)	26.4
Cash (used in)/generated by operations	(33.8)	23.0
Tax	0.9	(2.8)
Operating cash flow	(32.9)	20.2
Capital expenditure (including intangibles)	(0.6)	(2.8)
Investment in joint venture	(1.0)	(0.8)
Net proceeds from disposal of discontinued operations	0.3	18.1
Net finance costs	(0.1)	(0.7)
Commission deferral compromise and associated costs	(0.2)	—
Costs of refinancing	—	(4.6)
Share issue costs	(0.5)	—
Net movement in cash/borrowings <sup>4</sup>	(35.0)	29.4
Net funds <sup>5</sup>	7.9	44.3

1. Cash flow from continuing and discontinued operations.

2. Continuing Group operating profit/(loss) excluding exceptional items.

3. Excludes exceptional impairments that are non-cash items £0.1 million (2013: £13.9 million) and commission deferral compromise and associated costs £0.7 million (2013: £nil).

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

5. Includes unamortised debt issue costs.

**Tax**

In 2014, there was a tax credit on continuing operations of £1.7 million (2013: £2.1 million charge) principally due to deferred tax credits in the UK and Spain. This is partially offset by current tax charges relating to profitable overseas jurisdictions; no further relief is available on other Group losses. Similar to 2013, the effective tax rate is not a representative measure.

**Discontinued operations**

On 24 March 2014, the Group completed the disposal of its share of the Home3 joint venture to Mapfre. This discontinued operation reported a loss after tax of £0.8 million, which includes £1.1 million loss after tax in relation to historical trading results prior to disposal, partially offset by £0.3 million profit on disposal.

**Cash flow<sup>1</sup> and net funds**

Cash used in operations amounted to £33.8 million (2013: £23.0 million cash generated by operations) and results primarily from funding the UK Scheme. Additionally,

the prior year benefited from a one-off reduction in working capital. Cash, excluding movements in borrowings, has also decreased by £35.0 million following UK Scheme funding.

As a result, as expected the Group's net funds position has decreased in the year by £36.4 million to £7.9 million. The successful completion of the equity raise and debt restructure in February 2015 has improved this position significantly. The net funds figure includes cash balances of £34.9 million in the UK's regulated entities, CPPL and Homecare Insurance Limited (HIL). These cash balances cannot be distributed to the wider Group as they are held either for regulatory purposes or are restricted by the terms of the VVOP. The restricted cash is, however, available to use in the regulated entity in which it exists.

## Financial review continued

### Dividend

The Directors have decided not to recommend the payment of a dividend. Furthermore, the Board continues to believe it is not appropriate to pay a dividend until cash generated by operating activities is more than adequate to cover the Group's future investment plans.

### Balance sheet and financing

At 31 December 2014, the Group had net liabilities of £30.9 million which is an increase of £6.6 million from the 2013

net liabilities position of £24.3 million. This position includes bank borrowings of £13.0 million (excluding unamortised debt issue costs) and borrowings under the Commission Deferral Agreement of £20.7 million (including capitalised interest).

The equity raise and debt restructure which completed in February 2015, represents a material subsequent event and has changed the shape of the Group's balance sheet significantly in 2015. In isolation, the transaction will have a beneficial impact on the Group's existing net liabilities position of approximately £37.1 million. As detailed

in the pro forma below, existing borrowings will reduce by approximately £26.6 million and the transaction has provided essential additional capital for the business of approximately £9.7 million. Further detail on the transaction is provided in note 32 of the consolidated financial statements.

The unaudited pro forma statement of consolidated assets below has been produced for illustrative purposes only and by its nature addresses a hypothetical situation and, therefore, does not represent the continuing Group's actual financial position or results.

	31 December 2014 (audited) £'m	Equity raise (net of expenses) (Notes 1, 2, 3) £'m	Business Partner debt restructure (Note 4) £'m	Second Commission Deferral (Note 5) £'m	Amended and Restated Facility (Note 6) £'m	Pro forma continuing Group (Notes 7,8) £'m
<b>Non-current assets</b>	<b>6.9</b>	—	—	—	—	6.9
<b>Current assets</b>						
Trade and other receivables	15.7	(1.0)	—	—	—	14.7
Cash and cash equivalents	40.6	18.4	(1.3)	1.3	(8.7)	50.3
Other current assets	0.7	—	—	—	—	0.7
<b>Total assets</b>	<b>63.9</b>	17.4	(1.3)	1.3	(8.7)	72.6
<b>Current liabilities</b>	<b>(51.9)</b>	1.1	0.2	—	—	(50.6)
<b>Non-current liabilities</b>						
Bank loans	(12.0)	—	—	—	7.2	(4.8)
Commission Deferral Agreement	(20.7)	—	20.7	(1.3)	—	(1.3)
Other non-current liabilities	(10.1)	—	—	—	0.5	(9.6)
<b>Total liabilities</b>	<b>(94.7)</b>	1.1	20.9	(1.3)	7.7	(66.3)
<b>Net (liabilities)/assets</b>	<b>(30.9)</b>	18.5	19.6	—	(1.0)	6.3

1. The cash movement of £18.4 million reflects the equity raise of £20.0 million net of the remaining transaction fees to be paid of £1.6 million. (Total transaction fees are expected to be £2.1 million with £0.5 million already paid at 31 December 2014).
2. £1.1 million current liabilities movement reflects transaction fees invoiced or accrued at 31 December 2014 but not paid. The payment of these is included in the £1.6 million remaining transaction fees to be paid referenced in note 1.
3. £1.0 million other receivable movement reflects costs incurred at 31 December 2014 that have been transferred to share premium now the transaction has completed.
4. £20.7 million deferred commission balance and capitalised interest (totalling £20.9 million) compromised for a cash payment of £1.3 million.
5. The transaction included further deferral of commission of up to £1.3 million.
6. The cash movement of £8.7 million comprises bank loan prepayment in part of £8.0 million, prepayment fees of £0.5 million (accrued at 31 December 2014) and refinancing fees of £0.2 million. The bank loans movement of £7.2 million reflects the £8.0 million loan prepayment net of a £0.8 million movement in unamortised issue costs.
7. The Amended and Restated Facility borrowings of £5.0 million are stated net of £0.2 million transaction costs which are capitalised and amortised over the term of the facility.
8. Other than as described above, no adjustment has been made to the unaudited pro forma financial information to reflect trading or cash flows of the Group subsequent to 31 December 2014.

### Craig Parsons

Chief Financial Officer  
30 March 2015

# Risk management and principal risks

## Strategic report

Our business model and strategy  
Executive Chairman's statement  
Operating review

Key performance indicators

► Financial review

► Risk management and principal risks

## Overview

The Group has a risk framework that enables risks to be identified, assessed, controlled and monitored consistently and objectively. We continue to progress the implementation of the framework throughout the Group and revise our risk framework as necessary to maintain its effectiveness. The key elements of our framework include leadership and culture, risk appetites, risk identification and assessment, management and control of risk exposures, Business Incident Management process and a robust policy and minimum standard framework.

CPP operates a 'three lines of defence' model across the Group. The business is responsible for the identification and management of risks, with oversight and challenge from the Group risk and control functions, with review independently provided by Internal Audit.

The focus of our risk management framework is to ensure we manage our business in a sustainable and controlled way, making risk based decisions commensurate with our appetite and resources.

## Internal control and oversight

The Board has overall responsibility for the Group's system of internal control and for monitoring its effectiveness. The Group Audit Committee and the Group Risk & Compliance Committee met throughout the year. These Committees oversee the Group's system of internal control, and the risk management framework, ensuring material risks, control matters and business reporting are evaluated and assessed appropriately.

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

## Solvency and capital assessments

Card Protection Plan Limited (CPPL) is authorised and regulated by the FCA, and Homecare Insurance Limited (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.

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 2014, 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.

## Principal risks and uncertainties

At the end of 2014, the Group formalised plans to restructure its balance sheet and raise additional capital to enable the Group to move forward. The current risk profile reflects the change in focus as the Group looks to deliver its transformation plans in line with the overall strategy.

## Status



Risk profile increased year-on-year



Risk profile no change year-on-year



Risk profile decreased year-on-year


## Strategic risk – Transformation

Status	Potential risk and impact	Mitigation
	The Group has embarked on a significant and wide-ranging transformation programme that includes new offerings/product development and replacement of the core IT policy platform. This transformation is vital for our future growth and sustainability. There are risks that the complexity and nature of these programmes impact the business adversely and fail to facilitate the necessary growth and development of our business.	<p>The Group has a robust governance and delivery framework which is applied throughout transformation.</p> <p>We have an internally and externally resourced programme to support the evolution of our business strategy.</p> <p>We regularly assess and review progress and deliverables to ensure these are being effectively controlled.</p>




## Risk management and principal risks continued


### Strategic risk – Stability of the Group

Status	Potential risk and impact	Mitigation
	<p>There is a risk that the Group could be destabilised by events that would significantly impact the delivery to time/cost of the overall strategy.</p> <p>The Group has specific exposures, for example as a result of a highly concentrated shareholder base.</p>	<p>The Board actively engages on a regular basis with our largest shareholders to mitigate this risk, discussing rationale and seeking support for the Board and its business plans.</p>


### Operational risk – People and resources

Status	Potential risk and impact	Mitigation
	<p>In recent years the Group has lost (either through redundancy or attrition) a significant number of people from the business. This not only represents a risk in terms of knowledge and experience lost, but has increased the demands on our remaining colleagues. There is a risk that any further significant attrition of key individuals could impact adversely on the business and its transformation.</p>	<p>The Group has identified key skills and role dependencies and takes steps to recruit and retain these within the business. The business also uses interim contractors and consultants where appropriate. The Group has stated its intention to establish an incentivisation scheme to target retention.</p>


### Operational risk – Business Partner retention/attraction

Status	Potential risk and impact	Mitigation
	<p>The Group continues to have a dependency on retention and development of key Business Partners. There is a significant risk that without on-going engagement, our primary route to market would be constrained.</p>	<p>The Group continues to engage with existing and previous Business Partners in order to retain or build confidence.</p>

### Regulatory risk – Operating markets

Status	Potential risk and impact	Mitigation
	<p>The Group operates in regulated markets internationally. Each business has different operating models, and as such the impact of any specific local regulatory/legislative changes may adversely impact our ability to conduct business in a particular territory. The risk may be exacerbated as we operate a central IT platform, and product propositions that are derived from the original model implemented in the UK.</p>	<p>The Board has sought to mitigate this risk through further enhancement of its risk, compliance and governance processes, including the application of minimum standards self-certification, as well as recording and tracking of business incidents/risks. Where appropriate, we work with local specialist advisers.</p>

### Financial risk – Liquidity

Status	Potential risk and impact	Mitigation
	<p>Whilst short term liquidity has improved, there is a risk that should the business not successfully generate revenue through legacy products and the development of compelling new products, in the medium term the Group's liquidity position may be adversely impacted.</p>	<p>Management actively manages the overall liquidity profile, ensuring that the business plans are effective and aligned.</p> <p>A programme is in place to develop and deploy new products and offerings.</p>

The Strategic report section on pages 02 to 12 of this Annual Report has been reviewed and approved by the Board of Directors on 30 March 2015.

**Eric Anstee**  
Executive Chairman

# Board of Directors

## Strategic report

### ► Risk management and principal risks

## Corporate governance

### ► Board of Directors

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## 1. Eric Anstee

### Executive Chairman

**Appointment** December 2014

**Committee memberships:** A RC NG R

#### Skills and experience

Eric joined the Board as a Non-Executive Director in December 2014 and was appointed as Chairman in January 2015. A qualified accountant, Eric has significant and broad experience of financial services businesses, having been on the board of Insight for over eight years and of Paypoint PLC (where he is also Audit Committee Chairman) for over six years. He sits on the appeals board of The Takeover Panel and is a former Chief Executive of the ICAEW.

**Other appointments:** Athletics Weekly Limited; Cinema 365 Limited; Insight Investment Funds Management Limited; Insight Investments Fund (Global) Limited; Insight Investment Management Limited; Paypoint PLC; Sunlife Assurance Company of Canada (UK) Limited; The Royal School of Haslemere; Wizzard Finance Limited.



## 3. Shaun Astley-Stone

### Independent Non-Executive Director

**Appointment** September 2013

**Committee memberships:** A RC NG R

#### Skills and experience

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

**Other appointments:** Chairman of Card Protection Plan Limited; Chief Executive Officer of EMC Advisory Services Limited; Director of PPI Claimline Limited; board member of the Professional Financial Claims Association.



## 2. Craig Parsons

### Chief Financial Officer

**Appointment** September 2013

**Committee memberships:** RC

#### Skills and experience

Craig is responsible for the Group's Finance, Tax, Treasury and Risk 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 the lead role in the recent equity raise and balance sheet restructuring. He qualified as a Chartered Accountant with PwC in 1995 and has almost 20 years' experience working in the financial services industry.

**Other appointments:** The Financial Advice Service Limited.



## 4. 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; Director of the Serious Fraud Office.

#### Committees

● Committee Chairman

NG Nomination & Governance Committee

RC Risk & Compliance Committee

A Audit Committee

R Remuneration Committee

# Corporate Governance report

## The Board is committed to high standards of corporate governance

### Introduction

The Group's governance framework has been developed to ensure that it remains appropriate to the business and that the risk and compliance functions continue to be strengthened throughout the Group.

Following the recent transfer to AIM, the Company is no longer obliged to comply with the UK Corporate Governance Code 2014 (the 'Code'), although it is the Board's intention that it will continue to do so, insofar as it is practical, given the size and nature of the Company.

This report sets out the extent to which the Company complied with the provisions of the Code up to the date of this report and highlights where it did not.

The Board will keep under review the extent to which it remains practical for the Company to comply with the Code.

### Compliance with the UK Corporate Governance Code 2014

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;
- ▶ in view of the number of changes and issues faced in recent years, the Board has not considered a formal Board effectiveness review to be appropriate. This will be reviewed once the Board returns to a position of greater stability and as the structure of the Board develops;
- ▶ at the date of this report, Eric Anstee is Executive Chairman and effectively the roles of Chairman and Chief Executive Officer are combined. This is an interim position only, pending the appointment of a new Chief Executive Officer; and
- ▶ as an interim measure only, Eric Anstee is Chairman of both the Board and the Audit Committee. A process is underway to appoint a further Independent Non-Executive Director to take over as Chair of the Audit Committee.

### 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 remains committed to high standards of corporate governance.

At the date of this report, the Board comprises:

#### Eric Anstee

as Executive Chairman

#### Craig Parsons

as Chief Financial Officer

#### Shaun Astley-Stone and Ruth Evans

as Independent Non-Executive Directors

With the exception of Eric Anstee, all served on the Board throughout the year under review.

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
- ▶ resigned on 13 January 2015

#### Les Owen

- ▶ resigned on 13 January 2015

#### Eric Anstee

- ▶ appointed as Non-Executive Director on 23 December 2014, as Non-Executive Chairman on 13 January 2015 and as Executive Chairman on 16 February 2015

#### Brent Escott

- ▶ resigned on 16 February 2015

Biographical notes of each of the current Directors are given on page 13.

#### 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](http://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;



Risk management and principal risks  
pages 11 and 12



Board of Directors  
page 13

**Corporate governance**

Board of Directors

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- approval of annual and half-year results and trading updates;
- 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 17 to 29 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 16. 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 is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda. In normal circumstances the Chairman would have no involvement in the day-to-day management of the Group.

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

Pending the appointment of a new Chief Executive Officer, Eric Anstee has taken the role of Executive Chairman, on an interim basis only, effectively combining the roles of Chairman and Chief Executive Officer.

**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.

Various changes have occurred during the year and the Board is mindful of the need to ensure that it continues to comprise individuals with wide ranging business skills and experience and that the structure, size and composition of the Board and its Committees are appropriate.

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 Ruth Evans and Shaun Astley-Stone are independent. On his appointment as Chairman, Eric Anstee satisfied the independence criteria as set out in the Code, although, 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, Duncan McIntyre, held regular informal meetings with Non-Executive Directors without the Executive Directors being present and Eric Anstee intends to continue this practice.

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.

# Corporate Governance report continued

## Leadership continued

### Information and professional development continued

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

As noted earlier, in view of the number of changes and issues faced by the Board during recent years, the Board has not considered formal evaluation to be appropriate. This will be reviewed once the Board returns 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 2015 AGM, Eric Anstee will seek election for the first time and Craig Parsons, Shaun Astley-Stone and Ruth Evans, having been elected at the 2014 AGM, are not required to stand for re-election at the forthcoming AGM.

Biographies for all Directors can be found on page 13.

### Directors' attendance at scheduled Board and Committee meetings in 2014

		Board	Audit Committee	Risk & Compliance Committee	Remuneration Committee	Nomination & Governance Committee
Duncan McIntyre	Non-Executive Chairman	10 (10)	6 (6)	2 (2)	2 (2)	1 (2)
Brent Escott	Chief Executive Officer	10 (10)	—	—	—	2 (2)
Craig Parsons	Chief Financial Officer	10 (10)	—	2 (2)	—	—
Les Owen	Non-Executive Director	10 (10)	6 (6)	2 (2)	2 (2)	2 (2)
Shaun Astley-Stone	Non-Executive Director	10 (10)	—	2 (2)	—	—
Ruth Evans	Non-Executive Director	9 (10)	—	—	2 (2)	2 (2)

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

Eric Anstee is not included in the above table, as he was appointed a Director on 23 December 2014 and no scheduled meetings were held after that date.

### Relations with shareholders

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

Key shareholders are given the opportunity to meet with the Chairman and/or Non-Executive Directors if they have concerns that have not, or cannot, be addressed through the Executive Directors. Irrespective of the size of their shareholding, shareholders have the opportunity to convey their views and make enquiries via email or telephone.

The Chairman is responsible for ensuring that appropriate channels of communication are established between the 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, regulatory announcements and current details of the Company's share price, is made available on the Company's website at [www.cppgroupplc.com](http://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.



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**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 17 and 19, 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 11 and 12.

**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 represented 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](http://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.

**Report of the Risk & Compliance Committee****Membership and key objectives**

The Committee's key objective is 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.

The Committee comprises Shaun Astley-Stone (Chairman), Eric Anstee and Craig Parsons.

**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; 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:

- Group minimum standards;
- Group risk appetite;
- disaster recovery; and
- information security incident management process.

## Corporate Governance report continued

### Report of the Nomination & Governance Committee

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#### Membership and key objectives

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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.

Current membership is Eric Anstee (Chairman), Shaun Astley-Stone and Ruth Evans.

#### Key responsibilities

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- ▶ 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

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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

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The following principal items were dealt with during the year:

- ▶ appointment of Eric Anstee as Non-Executive Chairman; and
- ▶ commencement of the process to recruit an Audit Committee Chairman.

An external search consultancy, Odgers Berndsten, was appointed to assist with the recruitment of Eric Anstee. The Chair recruitment process was led by Ruth Evans and the outgoing Chairman, Duncan McIntyre, was not involved in the recruitment of his replacement.

#### Diversity

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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.

# Report of the Audit Committee

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## Membership and key objectives

The Committee's main remit is 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.

During the course of the year under review, Committee members were Les Owen (Chairman) and Duncan McIntyre. As at the date of this report, the Committee comprises Eric Anstee (Chairman) and Shaun Astley-Stone. The Board considers that Eric Anstee has recent and relevant financial experience.

## 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, reappointment 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 on a regular basis with the Head of Internal Audit and the external auditor without Executive Management present.

## 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 21.

### 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 present. 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 reappointed at the forthcoming AGM.

## Report of the Audit Committee continued

### Main activities during the year continued

#### 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 Committee keeps under review the level of non-audit fees as a proportion of the total fees paid to Deloitte and is satisfied that any non-audit work that has been carried out during the year is that which 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. 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.

The Committee has implemented a formal process to assess the effectiveness of the external auditor, to be carried out annually following the completion of the audit. It takes the form of 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 are 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 five years' service with the Company and a further two 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.

#### 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 view of various financial risks, including the Group cash position, developing information on likely redress rates and other risks that the Group continues to face. As at the date of this report, the Committee considers it appropriate that the financial statements are prepared on a going concern basis.

#### Committee effectiveness

In 2013, 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 and it is proposed to repeat the exercise from time to time.

#### Advice to the Board

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.

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**Other activities**

Other activities of the Committee during the year included:

- assessment of effectiveness of external audit process; and
- approval of Internal Audit strategy and plan.

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.

**Key financial reporting and accounting issues**

The primary areas of judgement considered by the Committee in relation to the 2014 financial statements and how these were addressed by Management are shown below:

Area of judgement	Management action
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, customer redress and liquidity 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 UK Scheme as it progressed. Whilst mindful of the risks still facing the Group which include trading, residual customer redress and medium term strategy, the Committee believes that the Company remains a going concern and that it is appropriate that these financial statements are prepared on a going concern basis.
Regulatory provisions	The Group's regulatory provisions included the UK Scheme, which concluded on 30 August 2014 and other residual customer redress activity. 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, reports were obtained, for example in relation to the response rates and the completeness of the populations, in order to provide additional assurance.
Revenue recognition	The Committee reviews the Company's policy on revenue recognition on an annual basis and concluded that revenue recognition continues to be dealt with appropriately. This view is materially supported by the auditor's report.

**Eric Anstee**

Chairman of the Audit Committee  
 30 March 2015



# Remuneration report

## Annual Statement from the Remuneration Committee Chairman

### Introduction

On behalf of the Board, I am pleased to present the Directors' Remuneration report for the year ended 31 December 2014.

Our report this year looks slightly different to that of the previous year in that the Directors' remuneration policy approved at the 2014 AGM was subsequently disapplied by a further shareholder resolution at the General Meeting held on 13 January 2015 and that element is therefore excluded from this year's report.

The remainder of the report is prepared in accordance with the requirements for a premium-listed company, reflecting the fact that the Company retained its premium listing throughout the whole of the period under review.

Following the move to AIM in February 2015, our reporting in future years will reflect the disclosure requirements of an AIM-listed company.

### Review of 2014

During 2014, we made good progress in stabilising and right-sizing the UK and International businesses, completing the UK Scheme and preparing for the successful restructure and recapitalisation of the Group.

The Committee chose not to make a further LTIP award in 2014, but did recognise the need to develop and implement a bonus plan for the new Management team, directly aligned to the delivery of its short term strategic priorities. Payment levels were 'capped' by the Committee, reflecting the Company's financial circumstances.

### Our strategic priorities for 2015

Our general approach continues to be driven by our primary objective, which is to operate a remuneration framework which successfully promotes the long term success of the Company. In part, this is driven by our ability to attract, motivate and retain the right calibre of people as this is critical to our long term performance, for shareholders and customers alike. Our remuneration strategy seeks to incentivise a strong Leadership Team, capable of leading multiple operations across a number of geographies, to deliver strategic, operational and financial objectives and to encourage excellence in assuring our internal control, risk and compliance processes.

The Committee is in the process of designing a replacement remuneration policy that is better suited to the Company in its current circumstances. The details of the nature and design of the new incentive arrangements are still under discussion, but it is our intention to reward performance through a combination of ordinary shares and cash bonus, in order to support the successful delivery of the business plan and reflect the creation of value for shareholders.

### Activities of the Remuneration Committee

The Committee is responsible for recommending to the Board the remuneration of the Chairman, 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:

- ▶ incentivisation of Executive Directors and Senior Management team;
- ▶ Management retention and reward;
- ▶ strategy for year end salary reviews; and
- ▶ agree terms for senior appointments and exits.

### 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.

### Remuneration disclosure

This report is subject to an advisory shareholder vote at the forthcoming AGM.



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### Ruth Evans

Chair of the Remuneration Committee  
30 March 2015

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**Directors' remuneration policy**

The Directors' remuneration policy agreed at the AGM on 16 June 2014 was disapplied by a shareholder vote at a subsequent General Meeting on 13 January 2015 and is therefore not disclosed in this report. A new policy is being developed by the Committee with the intention that it will be better suited to the current circumstances of the Company.

**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 the UKLA Listing Rules. The report will be put to an advisory shareholder vote at the AGM on 1 June 2015.

**Implementation of remuneration policy for 2015****Base salary**

Neither of the Executive Directors received an increase in base salary in 2014. The Committee recognised that Craig Parsons' salary was below market rate; in order to remedy this position and in recognition of his material contribution to the on-going stability of the business, an increase was agreed with effect from 1 January 2015. Executive salaries will next be reviewed on 1 January 2016.

	Base salary £'000		Percentage increase
	1 January 2014	1 January 2015	
Brent Escott	325	<b>325</b>	—
Craig Parsons	180	<b>210</b>	16.66

**Pension and benefits**

Executive Directors receive an employer defined contribution of up to 15% of salary.

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. The benefits provision for 2015 is expected to be unchanged.

**Annual bonus**

A revised plan will be implemented for 2015 and beyond, taking account of the Group's current circumstances.

**Long Term Incentive Plan**

A new LTIP is being considered as part of the overall review of policy.

**Non-Executive Directors' annual fees**

Non-Executive Director fees have been unchanged since 2010 and have been reviewed in the first quarter of 2015.

Rate	Base fees £'000		Percentage increase
	1 January 2014	1 January 2015	
Chair	125	<b>130</b>	4%
Board fees	40	<b>40</b>	—
Chair of Board Committee or regulated subsidiary company	10	<b>10</b>	—

## Remuneration report continued

### Annual report on remuneration continued

#### Single total figure of remuneration (audited information)

The following table shows a total single figure of remuneration in respect of qualifying services for the 2014 financial year for each Director, together with comparative figures for 2013.

	Base salary/fees £'000		Taxable benefits £'000		Bonus £'000		LTIP £'000		Pension £'000		Total £'000	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Executive Directors</b>												
Brent Escott <sup>1</sup>	325	108	80	24	98	—	—	—	49	16	552	148
Craig Parsons <sup>2</sup>	180	60	13	4	54	—	—	—	18	6	265	70
<b>Non-Executive Directors</b>												
Eric Anstee <sup>3</sup>	—	—	—	—	—	—	—	—	—	—	—	—
Duncan McIntyre <sup>4</sup>	184	50	—	—	—	—	—	—	—	—	184	50
Les Owen	50	50	—	—	—	—	—	—	—	—	50	50
Shaun Astley-Stone <sup>5</sup>	50	16	—	—	—	—	—	—	—	—	50	16
Ruth Evans <sup>6</sup>	55	11	—	—	—	—	—	—	—	—	55	11
Charles Gregson <sup>7</sup>	21	125	—	—	—	—	—	—	—	—	21	125

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.
2. Craig Parsons was appointed as CFO on 1 September 2013.
3. Eric Anstee joined the Board on 23 December 2014; no fees were paid to him in 2014.
4. 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 was reviewed in April 2014 and judged to remain appropriate, in light of his continuing time commitment. In accordance with the terms of his contract, a further payment of £50,000 was also made to Duncan McIntyre as remuneration for his significant additional time commitment during the Group's equity raise and restructure.
5. Shaun Astley-Stone was appointed on 2 September 2013.
6. Ruth Evans was appointed on 4 October 2013. Ruth Evans is also a Director of CPPL, for which, in 2014, she received a fee of £5,000 per annum.
7. Charles Gregson resigned on 29 January 2014.

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

##### Bonus

The annual bonus plan for 2014 provided for a bonus of up to 100% of salary to be earned for achievement of Group financial performance and specified personal objectives. Payment of bonuses were dependent on achievement of key strategic milestones for 2014 as defined by the Group Executive Committee:

- ▶ completion of the UK Scheme;
- ▶ renewal packs aligned to industry standards; and
- ▶ issue of the Circular announcing the successful re-financing of the business, the capital restructure and move to AIM.

Although all of these key milestones were achieved, the Committee considered that a bonus of 30% of the maximum entitlement was appropriate, taking into account the Company's overall financial performance in the year.

##### LTIPs

None of the Directors had any awards capable of vesting for performance in 2013 or 2014.

##### 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

In February 2015, Brent Escott, received six months' pay in lieu of notice, in accordance with the terms of his contract. In accordance with the scheme rules, the share options awarded to him on 31 December 2013 will lapse 90 days after the termination of his employment, i.e. on 17 May 2015.

As disclosed in last year's Annual Report, Paul Stobart received a payment of £148,000 in 2013 as pay in lieu of notice. A further payment of £219,000, being the balance of his contractual pay in lieu of notice, was paid in January 2014.

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**Share scheme interests awarded during the financial year (audited information)**

No awards were made during 2014.

**Directors' 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 2014	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 2014
Brent Escott	1,150,000	—	—	—	1,150,000
Craig Parsons	731,915	—	—	25,000	706,915

**2010 Long Term Incentive Plan (LTIP)**

For LTIP awards made from 2012 onwards, the following two interdependent performance conditions apply:

- the award is subject to a performance condition under the terms of which the Company's Total Shareholder Return (TSR) performance is 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 is normally measured over a three-year period starting on the date of grant 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 will be capable of vesting and the award will 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.

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

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'.

The 2013 LTIP awards 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 above.

The market price of ordinary shares of the Company as at 31 December 2014 was 5.63 pence and the range during the year was 4.82 pence to 18.75 pence.

## Remuneration report continued

### Annual report on remuneration continued

#### Other share plans

##### 2010 Restricted Stock Plan (RSP)

The RSP is a non-performance based share plan aimed at incentivising the second tier 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 has been made under this scheme since 2011.

##### 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, at the Committee's discretion, annual bonuses awarded under the Executive bonus scheme may also be subject to the DSBP arrangements whereby any bonuses awarded up to 50% of maximum potential (i.e. up to target bonus) will be paid as cash and, 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.

The concept of clawback applies to DSBP awards. None of the current Directors hold shares under the DSBP.

#### Legacy plans

The Company has two legacy share plans (the 2005 Plan and the 2008 Plan) wherein options 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 under the 2005 Plan and the 2008 Plan:

Director	Legacy plan	Option price	Balance as at 1 January 2014	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 2014	Expiry date
Craig Parsons	2005	£2.28	41,864	—	—	—	<b>41,864</b>	21/12/19
	2008	£1.79	40,000	—	—	—	<b>40,000</b>	19/06/18

The market price of ordinary shares of the Company as at 31 December 2014 was 5.63 pence and the range during the year was 4.82 pence to 18.75 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.

As well as the LTIP and the RSP the Company operates a SAYE 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.

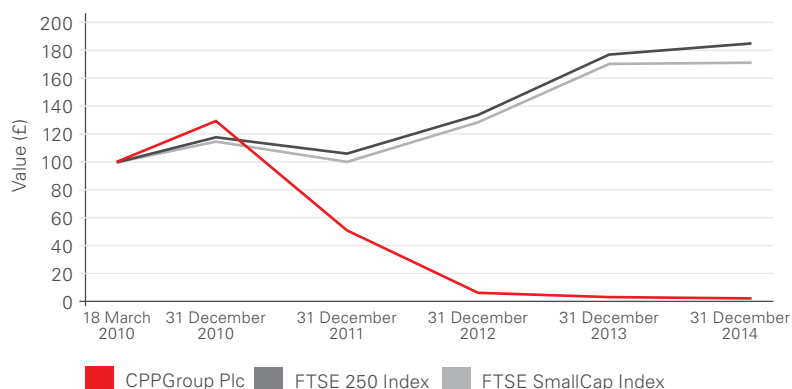


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**Performance graph and table**

The following 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.

**Directors' shareholdings (audited information)**

The Directors who served during the year under review held the following beneficial interests in the Company's ordinary shares:

	Ordinary shares held at 31 December 2014	Ordinary shares held at 31 December 2013	Interests in unvested shares under incentive plans
Eric Anstee	—	—	—
Craig Parsons	—	—	788,779
Duncan McIntyre	13,340	13,340	—
Brent Escott	—	—	1,150,000
Les Owen	22,984	22,984	—

There have been no purchases of shares by Directors since 31 December 2014 to the date of this report.

**Share ownership guidelines**

The Group operates share ownership guidelines for both Executive and Non-Executive Directors which are currently under review, as part of the overall review of policy.

**Table of historical 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 from 2010 only, being the date that the Company was admitted to the London Stock Exchange.

Director	2014 Brent Escott <sup>1</sup>	2013 Brent Escott	2013 Paul Stobart <sup>2</sup>	2012 Paul Stobart	2011 Paul Stobart	2011 Eric Woolley <sup>3</sup>	2010 Eric Woolley
Single figure of total remuneration (£'000)	552	148	630 <sup>4</sup>	576	144	494	2,874 <sup>5</sup>
Annual bonus against maximum opportunity	30%	—	—	—	—	—	72%
Long term incentive vesting rates against maximum opportunity	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1. Brent Escott was appointed on 1 September 2013 and resigned on 16 February 2015.

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

## Remuneration report continued

### 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 Chief Executive Officer is based in the UK and this is a sizeable representation of our employee base.

	Chief Executive Officer	Average per employee
Salary	0% <sup>1</sup>	2% <sup>2</sup>
Benefits	0%	0%
Bonus	See note 3 below	See note 3 below

1. Brent Escott was appointed on 1 September 2013. His salary on appointment was £325,000 which did not change during the course of the year.
2. Only those UK-based employees earning up to £60,000 per annum were awarded a 2% pay increase in 2014 in line with the Consumer Prices Index (CPI).
3. Brent Escott was awarded a bonus payment of £97,500 for 2014 performance. There was no UK-based employee bonus scheme in 2014, so it is not possible to provide a comparison.

	2014 £'000	2013 £'000	Percentage change
Total expenditure on pay <sup>1</sup>	28,628	34,734	(17.6)%
Dividends paid <sup>2</sup>	—	—	—

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 54.
2. The Directors have not considered it appropriate to recommend payment of dividends in either 2013 or 2014 due to the Company's financial circumstances.

#### Service contracts and letters of appointment

Craig Parsons has a service contract with a notice period of six months by either party.

Non-Executive Directors do not have service contracts but receive letters of appointment. Eric Anstee's appointment is subject to three months' notice during the first year of appointment and one month thereafter. Other Non-Executive appointments are subject to one month's notice.

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
Eric Anstee	23 December 2014	23 December 2014*
Craig Parsons	30 August 2013	1 September 2013
Shaun Astley-Stone	1 August 2013	2 September 2013
Ruth Evans	5 September 2013	4 October 2013

\* Effective date of Eric Anstee's appointment as a Non-Executive Director.

#### Outside appointments

Craig Parsons does not hold any outside listed company appointments. Eric Anstee is a Non-Executive Director of Paypoint PLC, a company listed on the London Stock Exchange.

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**Committee membership**

During the year under review the Committee consisted of Ruth Evans (Chair), Duncan McIntyre and Les Owen. At the date of this report, the Committee comprises Ruth Evans (Chair), Eric Anstee and Shaun Astley-Stone.

**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 review of trends in Executive compensation;
- 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 £24,965.

During the year, Eversheds LLP, the Group's legal advisers, provided advice to the Committee in connection with the shareholder resolution to disapply the Remuneration Policy voted on at the General Meeting on 13 January 2015. The total fees charged for this work were £44,000.

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**

Votes cast by proxy and at the 2013 and 2014 meetings in respect of the Directors' remuneration report were as follows:

	For		Against		Abstain		Reasons for votes against, if known	Action taken by Committee
	Number	%	Number	%	Number	%		
2012 Remuneration report	29,095,227	98.07	521,979	1.76	51,044	0.17	n/a	n/a
2013 Remuneration report (excluding Remuneration policy)	5,773,562	4.64	2,835	0.00	118,662,289	95.36	n/a	n/a
2013 Remuneration policy	5,764,472	4.63	2,835	0.00	118,671,379	95.37	n/a	n/a

# Directors' report

## The Directors present their Annual Report and audited financial statements of the Group for the year ended 31 December 2014.

### 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:

- Strategic report on pages 02 to 12;
- Corporate Governance report on pages 14 to 18;
- Report of the Audit Committee on pages 19 to 21; and
- Remuneration report on pages 22 to 29.

### Directors

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

Directors		
Eric Anstee <sup>1</sup>	Executive Chairman	(appointed 23 December 2014)
Craig Parsons	Chief Financial Officer	
Shaun Astley-Stone	Non-Executive Director	
Ruth Evans	Non-Executive Director	
Duncan McIntyre <sup>2</sup>	Non-Executive Chairman	(appointed 29 January 2014) (resigned 13 January 2015)
Brent Escott	Chief Executive Officer	(resigned 16 February 2015)
Les Owen	Non-Executive Director	(resigned 13 January 2015)

1. Eric Anstee was appointed as a Non-Executive Director on 23 December 2014, as Non-Executive Chairman on 13 January 2015 and as Executive Chairman on 16 February 2014.

2. Duncan McIntyre was appointed as a Non-Executive Director on 1 January 2011, and as Non-Executive Chairman on 29 January 2014.

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, Eric Anstee will seek election to the Board for the first time at the 2015 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 14 to 21.

Biographical details for each Director are set out on page 13. Details of Committee memberships are set out on pages 17 to 29 of the Corporate governance section.

Details of Directors' beneficial interests in and options over the Company's shares are set out in the Remuneration report on pages 25 to 27.

Pages 13 to 29 are by reference part of the Directors' report.

### Dividends

The Directors recommend that no final dividend be paid in respect of 2014. No dividends have been paid in either the current or prior year.

### Annual General Meeting

The AGM of the Company is to be held on 1 June 2015. 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.



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**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 28 to the consolidated financial statements. The Company's capital comprises ordinary shares of 1 penny each, which carry no right to fixed income. Each fully paid share carries the right to one vote at a General Meeting of the Company.

Following the recent capital restructure, the Company also has deferred shares which carry no voting rights, no rights to dividend and only very limited rights on a return of capital.

Details of the Group's employee share schemes are set out in note 29.

A special resolution was passed at the Company's AGM on 16 June 2014, 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 2014, 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 2014 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	96,332	56.12%
Schroder Investment Management Ltd	22,311	13.00%
Mr Tariq Rashid	5,500	3.20%

As a result of the capital restructure, the substantial shareholdings subsequent to the year end and up to the date of this report are as follows:

Name	Ordinary shares (thousands)	%
Funds managed by Phoenix Asset Management Partners Limited	335,327	40.00%
Milton Magna Limited (a company controlled by Mr Hamish Ogston)	264,144	31.51%
Mr Hamish Ogston	96,332	11.49%
Schroder Investment Management Limited	83,748	9.99%

Mr Hamish Ogston holds a beneficial interest in 43% of the issued shares of the Company. Under the terms of a Relationship Agreement between Mr Ogston and the Company dated 22 December 2014 and effective from the Company's admission to AIM, for so long as Mr Ogston and any person or corporate body connected to him (a 'Controlling Shareholder') holds, in aggregate, 30% or more of the ordinary shares or the voting rights attaching to the shares, Mr Ogston shall not and shall procure that each Controlling Shareholder shall not:

- vote in favour of, or propose any resolution to amend the Articles which would be contrary to the principle of the independence of the Company from the Shareholder or any of the Controlling Shareholders;
- take any action which precludes any member of the Group from carrying on its business independently of Mr Ogston or any Controlling Shareholder; or
- take any action (or omit to take any action) to prejudice the Company's status as a Company admitted to AIM or its suitability for admission to AIM or the Company's compliance with the AIM Rules, other than in the circumstances of a takeover or merger of the Company.

## Directors' report continued

### Going concern

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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.

During the year, significant progress has been made; the UK Scheme is now complete and the Group has successfully raised equity capital since the year end of £20.0 million (£17.9 million net of expenses) with the transaction completing on 11 February 2015. As part of this transaction, it was agreed that the Business Partner deferred commission debt of £20.9 million at the date of the transaction would be compromised for a payment of £1.3 million and further deferral of commission of up to £1.3 million and the lender borrowing facility would be prepaid in part reducing from £13.0 million to £5.0 million. The remaining funds from the equity capital raise will provide additional liquidity for the Group's on-going activities. Whilst there continues to be uncertainty from trading and residual redress risk, along with medium term strategic risk, the Group's forecasts, taking account of the new capital structure, show that the Group should have the necessary resources to trade and operate within the level of its agreed facilities. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

### Auditor

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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 him/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 reappoint Deloitte will be proposed at the Annual General Meeting.

By order of the Board

**Lorraine Beavis**  
Company Secretary  
30 March 2015



# Statement of Directors' responsibilities

## Corporate governance

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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/loss 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, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

### Eric Anstee

Executive Chairman  
30 March 2015

### Craig Parsons

Chief Financial Officer  
30 March 2015

# 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 2014 and of the Group's and the parent company'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.

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 47.

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).

### Going concern

We have reviewed the Directors' statement contained within the Directors' report on page 32 that the Group is a going concern. We confirm that:

- ▶ we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- ▶ we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

### 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

##### Going concern

As a result of the financial impact of the historical customer redress scheme, continuing restrictions on new regulated business sales in the United Kingdom, and the requirement to trade in line with expectations and maintain compliance with lending covenants, the going concern status of the Group has been identified as a significant risk.

As disclosed by Management in the Directors' report on page 32, and note 4 to the consolidated financial statements, subsequent to the year end the Group has refinanced and restructured, and the main elements of the customer redress scheme were concluded in the year. Whilst there continues to be uncertainty in relation to trading and residual redress risk, along with medium term strategic risk, the refinancing has resulted in an improvement in the Group's financial position such that there is no longer a material uncertainty in relation to the Group's ability to meet its liabilities as they fall due during the 12 months from the date of this report. The sustainability of the business beyond this period will depend on the mitigation of medium term strategic risk through the formulation of a viable strategy.

#### How the scope of our audit responded to the 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. We also evaluated historical forecasting accuracy, the sensitivity of the going concern status to key assumptions such as anticipated cost savings and new business contributions, current and forecast compliance with the terms of the Group's borrowing facilities (including those entered into post year end), and the impact of other uncertainties including remaining residual redress risk.

### Completeness of provisions for customer redress and associated costs

The Group holds £6.4 million of customer redress and associated costs provisions at the year end (2013: £37.4 million). The determination of the value of the provision 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 level of redress payable per customer and the eventual outturn of adviser costs.

We considered the design and implementation of Management's controls in relation to the identification and response to regulatory risks. We reviewed the key regulatory risks identified by Management, met with the Group legal department and relevant Management across the Group to evaluate any identified exposures and reviewed relevant Board minutes to assess the completeness of provisions in place.

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 and accuracy of the redressable populations through agreement of policies to source systems, independently recalculated the redress due on a sample of policies within the provision and audited on a sample basis the costs attributed against the redress provision during the year.

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**Our assessment of risks of material misstatement** continued

Risk	How the scope of our audit responded to the risk
<b>Completeness of provisions for customer redress and associated costs</b> continued  Customer redress and associated costs provisions are detailed in note 25 to the consolidated financial statements. Management's associated critical accounting judgements are included in note 4.	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 such as, expected response rates and compared these against the Group's experience to date and other comparable situations in the wider market.
<b>Revenue recognition</b>  There are significant judgements involved in applying the Group's revenue recognition policies across multiple products, in particular determining the appropriate deferral of revenue where the Group has future servicing obligations to customers and also in determining revenue refund provisions for customers who cancel during the 'cooling off' periods on buying or renewing the Group's products, calculated on the basis of historical experience.  Management's associated accounting policies are detailed in note 3 to the consolidated financial statements.	We tested the design and implementation of controls over revenue recognition, including the reconciliation of underlying policy collections to recorded revenue and the calculation of refund 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 detailed substantive testing to source documentation of adjustments made by Management at the year end in relation to revenue policy refunds by reference to historical and post balance sheet experience.

Last year our report included one other risk which is not included in our report this year: Impairment of tangible and intangible fixed assets. Due to the materiality of the remaining fixed assets and the underlying performance of the Group this was not deemed a significant risk in the current year.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 21.

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 £1.2 million (2013: £1.8 million) which is below 1.2% (2013: 1.1%) 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 £30,000 (2013: £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 five locations (the United Kingdom and Ireland, Spain, Italy, Turkey and India). Our scope extended to cover India in the current year as a result of the increase in the relative size of that location.

Three of these (the United Kingdom and Ireland, Spain, and Italy) were subject to a full audit, whilst the remaining two (Turkey and India) were subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at those locations. These locations represent the principal business units and account for 92% (2013: 92%) of the Group's total assets, 91% (2013: 92%) of the Group's revenue, 89% (2013: 94%) of the Group's losses before tax of loss making components and 80% (2013: 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 five locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from £0.2 million to £0.7 million (2013: £0.2 million to £0.7 million).

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.

# Independent Auditor's report continued

## to the members of CPPGroup Plc

### An overview of the scope of our audit continued

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 three years and the most significant of them at least once every two years. In years when we do not visit a significant component we will include the component audit partner and 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 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; and
- ▶ the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006.

### 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. We have nothing to report arising from this matter.

#### Corporate governance statement

Although not required to do so, the Directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code.

Under our engagement letter we reviewed the part of the corporate governance statement relating to the Company's compliance with ten 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 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/or those further matters we have expressly agreed to report to them on in our engagement letter 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  
30 March 2015

# Consolidated income statement

For the year ended 31 December 2014

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	Note	2014 £'000	2013 £'000
<b>Continuing operations</b>			
Revenue	5	108,806	178,031
Cost of sales		(60,774)	(112,174)
<b>Gross profit</b>		<b>48,032</b>	<b>65,857</b>
<b>Administrative expenses</b>			
Exceptional items	6	(6,323)	(37,506)
Other administrative expenses		(47,507)	(67,663)
<b>Total administrative expenses</b>		<b>(53,830)</b>	<b>(105,169)</b>
<b>Operating profit/(loss)</b>			
<b>Operating profit/(loss) before exceptional items</b>	5	<b>525</b>	<b>(1,806)</b>
<b>Operating loss after exceptional items</b>		<b>(5,798)</b>	<b>(39,312)</b>
Investment revenues	10	432	394
Finance costs: non-derivative instruments	11	(2,296)	(4,305)
<b>Loss before taxation</b>		<b>(7,662)</b>	<b>(43,223)</b>
Taxation	12	1,698	(2,112)
<b>Loss for the year from continuing operations</b>		<b>(5,964)</b>	<b>(45,335)</b>
<b>Discontinued operations</b>			
(Loss)/profit for the year from discontinued operations	15	(785)	12,468
<b>Loss for the year attributable to equity holders of the Company</b>	7	<b>(6,749)</b>	<b>(32,867)</b>
<b>Basic and diluted (loss)/earnings per share</b>		<b>Pence</b>	<b>Pence</b>
Continuing operations	14	(3.48)	(26.43)
Discontinued operations	14	(0.46)	7.27
<b>Total</b>		<b>(3.94)</b>	<b>(19.16)</b>

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## Consolidated statement of comprehensive income

For the year ended 31 December 2014

	2014 £'000	2013 £'000
Loss for the year	(6,749)	(32,867)
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange differences on translation of foreign operations	111	387
Currency translation differences reclassified on disposal	—	(1,618)
<b>Other comprehensive income/(expense) for the year net of taxation</b>	<b>111</b>	<b>(1,231)</b>
<b>Total comprehensive expense for the year attributable to equity holders of the Company</b>	<b>(6,638)</b>	<b>(34,098)</b>



# Consolidated balance sheet

As at 31 December 2014

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	Note	2014 £'000	2013 £'000
<b>Non-current assets</b>			
Other intangible assets	16	808	3,299
Property, plant and equipment	17	3,820	5,061
Investment in joint venture	15	—	—
Deferred tax asset	26	2,248	142
		<b>6,876</b>	<b>8,502</b>
<b>Current assets</b>			
Insurance assets	18	593	3,387
Inventories	19	93	149
Trade and other receivables	20	15,709	20,511
Cash and cash equivalents	21	40,599	66,900
		<b>56,994</b>	<b>90,947</b>
<b>Total assets</b>		<b>63,870</b>	<b>99,449</b>
<b>Current liabilities</b>			
Insurance liabilities	22	(2,019)	(3,989)
Income tax liabilities		(2,231)	(742)
Trade and other payables	23	(40,631)	(49,004)
Provisions	25	(7,041)	(37,398)
		<b>(51,922)</b>	<b>(91,133)</b>
<b>Net current assets/(liabilities)</b>		<b>5,072</b>	<b>(186)</b>
<b>Non-current liabilities</b>			
Borrowings	24	(32,733)	(22,597)
Deferred tax liabilities	26	(126)	(527)
Trade and other payables	23	(8,991)	(9,494)
Provisions	25	(973)	—
		<b>(42,823)</b>	<b>(32,618)</b>
<b>Total liabilities</b>		<b>(94,745)</b>	<b>(123,751)</b>
<b>Net liabilities</b>		<b>(30,875)</b>	<b>(24,302)</b>
<b>Equity</b>			
Share capital	28	17,126	17,120
Share premium account		33,291	33,292
Merger reserve		(100,399)	(100,399)
Translation reserve		720	609
Equalisation reserve	22	7,487	8,129
ESOP reserve		11,891	11,688
(Accumulated losses)/retained earnings		(991)	5,259
<b>Total equity attributable to equity holders of the Company</b>		<b>(30,875)</b>	<b>(24,302)</b>

Approved by the Board of Directors and authorised for issue on 30 March 2015 and signed on its behalf by:

**Eric Anstee**  
Executive Chairman

**Craig Parsons**  
Chief Financial Officer

Company registration number: 07151159

## Consolidated statement of changes in equity

For the year ended 31 December 2014

	Note	Share capital £'000	Share premium account £'000	Merger reserve £'000	Translation reserve £'000	Equalisation reserve £'000	ESOP reserve £'000	(Accumulated losses)/ retained earnings £'000	Total £'000
At 1 January 2013		17,111	33,297	(100,399)	1,840	7,984	11,638	38,250	9,721
Total comprehensive expense		—	—	—	(1,231)	—	—	(32,867)	(34,098)
Movement on equalisation reserve	22	—	—	—	—	145	—	(145)	—
Current tax credit on equalisation reserve movement	12	—	—	—	—	—	—	31	31
Equity settled share based payment charge	29	—	—	—	—	—	50	—	50
Deferred tax on share based payment charge	12	—	—	—	—	—	—	(1)	(1)
Exercise of share options	28	9	(5)	—	—	—	—	(9)	(5)
<b>At 31 December 2013</b>		<b>17,120</b>	<b>33,292</b>	<b>(100,399)</b>	<b>609</b>	<b>8,129</b>	<b>11,688</b>	<b>5,259</b>	<b>(24,302)</b>
Total comprehensive expense		—	—	—	111	—	—	(6,749)	(6,638)
Movement on equalisation reserve	22	—	—	—	—	(642)	—	642	—
Current tax charge on equalisation reserve movement	12	—	—	—	—	—	—	(138)	(138)
Equity settled share based payment charge	29	—	—	—	—	—	203	—	203
Deferred tax on share based payment charge	12	—	—	—	—	—	—	1	1
Exercise of share options	28	6	(1)	—	—	—	—	(6)	(1)
<b>At 31 December 2014</b>		<b>17,126</b>	<b>33,291</b>	<b>(100,399)</b>	<b>720</b>	<b>7,487</b>	<b>11,891</b>	<b>(991)</b>	<b>(30,875)</b>

# Consolidated cash flow statement

For the year ended 31 December 2014

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	Note	2014 £'000	2013 £'000
<b>Net cash (used in)/generated by operating activities</b>	30	<b>(32,906)</b>	20,158
<b>Investing activities</b>			
Interest received		432	404
Purchases of property, plant and equipment		(190)	(332)
Purchases of intangible assets		(406)	(2,460)
Cash consideration in respect of sale of discontinued operation	15	275	26,086
Credit/(costs) associated with disposal of discontinued operation	15	28	(4,215)
Cash disposed of with discontinued operation	15	—	(3,731)
Investment in joint venture	15	(1,000)	(780)
<b>Net cash (used in)/from investing activities</b>		<b>(861)</b>	14,972
<b>Financing activities</b>			
Repayment of bank loans		—	(30,500)
Proceeds from new borrowings		8,831	11,249
Interest paid		(514)	(1,089)
Costs of refinancing		—	(4,633)
Cost of compromising the Commission Deferral Agreement		(193)	—
Issue of ordinary share capital and associated costs		(499)	(5)
<b>Net cash from/(used in) financing activities</b>		<b>7,625</b>	(24,978)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(26,142)</b>	10,152
Effect of foreign exchange rate changes		(159)	(287)
Cash and cash equivalents at 1 January		66,900	57,035
<b>Cash and cash equivalents at 31 December</b>	21	<b>40,599</b>	66,900

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## 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
Amendments to IAS 32 (December 2011)	Offsetting financial assets and financial liabilities
Amendments to IAS 36	Recoverable amount disclosure for non-financial assets

### 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)
Annual improvements to IFRSs	2010-2012 cycle	31 December 2015
Annual improvements to IFRSs	2011-2013 cycle	31 December 2015
IAS 16 and IAS 38 (amendments)	Clarification of acceptable methods of depreciation and amortisation	31 December 2016
Annual improvements to IFRSs	2012-2014 cycle	31 December 2016
IFRS 15	Revenue from Contracts with Customers	31 December 2017
IFRS 9	Financial Instruments	31 December 2018

The Directors do not anticipate that the adoption of these Standards and Interpretations in future periods will have a material impact on the Group, with the exception of IFRS 15 where the Group is assessing the expected impact.

## 3. Significant accounting policies

### Basis of preparation

These consolidated financial statements on pages 37 to 74 present the performance of the Group for the year ended 31 December 2014. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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.

### 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 32.

### Basis of consolidation

The consolidated financial statements include the results, cash flows, 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.

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**3. Significant accounting policies** continued**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.

**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.

**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.

**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).

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 unprovided services. The amount deferred is sufficient to cover future claims handling costs and an appropriate profit margin, and is calculated by reference to historical experience of claims handling costs and incidence. Provisions for cancellations are made at the time revenue is recorded and are deducted from revenue.

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.

## Notes to the consolidated financial statements continued

### 3. Significant accounting policies continued

#### Assistance products continued

##### Recognition of revenue continued

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.

##### 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 contracts continued

##### 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.



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**3. Significant accounting policies** continued**Intangible assets****Externally acquired software**

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

**Internally generated software**

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

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

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

**Contractual arrangements with third parties**

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

**Intangible assets arising on business combinations**

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

Business Partner relationships: in line with projected 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. The 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.

## Notes to the consolidated financial statements continued

### 3. Significant accounting policies continued

#### 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 substantively 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.

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.

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**3. Significant accounting policies** continued**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 initially recorded at fair value and subsequently 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 has 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, residual customer redress and the medium term strategy. Further details of the assessment are provided in the Directors' report on page 32.

**Key sources of estimation uncertainty****Customer redress and associated costs**

The customer redress and associated costs provision relates to costs associated with residual redress exercises. At 31 December 2014 the remaining balance of the provision is £6.4 million. The provision includes anticipated compensation payable to customers through the residual customer redress exercises together with professional fees associated with these exercises.

The residual customer redress exercises in some instances are dependent on customer response rates; 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.

**Provision for onerous leases**

The onerous lease provision relates to the expected non-utilisation of our vacated offices in the UK. At 31 December 2014, the onerous lease provision is £1.7 million, which includes future lease payments and other associated costs.

Any changes to the estimate of the non-utilisation period of the properties or other associated costs will be reflected in 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, Italy, Germany, Turkey, Mexico, Portugal, France and Brazil); and
- ▶ Asia Pacific (India, Hong Kong, China, Malaysia and Singapore).

Segment revenues and performance have been as follows:

	UK and Ireland 2014 £'000	Europe and Latin America 2014 £'000	Asia Pacific 2014 £'000	Total 2014 £'000
<b>Year ended 31 December 2014</b>				
<b>Continuing operations</b>				
Revenue – external sales	69,690	32,463	6,653	108,806
Cost of sales	(40,798)	(16,357)	(3,619)	(60,774)
<b>Gross profit</b>	28,892	16,106	3,034	48,032
Depreciation and amortisation	(1,325)	(784)	(34)	(2,143)
Other administrative expenses	(31,971)	(10,160)	(3,233)	(45,364)
<b>Regional operating (loss)/profit before exceptional items</b>	(4,404)	5,162	(233)	525
Exceptional items (note 6)				(6,323)
<b>Operating loss after exceptional items</b>				(5,798)
Investment revenues				432
Finance costs: non-derivative instruments				(2,296)
<b>Loss before taxation</b>				(7,662)
Taxation				1,698
<b>Loss for the year from continuing operations</b>				(5,964)
<b>Discontinued operations</b>				
Loss for the year from discontinued operations (note 15)				(785)
<b>Loss for the year</b>				(6,749)

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 £1,845,000 presented within UK and Ireland in the table above which has been charged to other regions for statutory purposes.

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**5. Segmental analysis** continued

	UK and Ireland 2013 £'000	Europe and Latin America 2013 £'000	Asia Pacific 2013 £'000	Total 2013 £'000
<b>Year ended 31 December 2013</b>				
<b>Continuing operations</b>				
Revenue – external sales	128,990	42,603	6,438	178,031
Cost of sales	(87,825)	(21,317)	(3,032)	(112,174)
<b>Gross profit</b>	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)
<b>Regional operating (loss)/profit before exceptional items</b>	(8,106)	7,133	(833)	(1,806)
Exceptional items (note 6)				(37,506)
<b>Operating loss after exceptional items</b>				(39,312)
Investment revenues				394
Finance costs: non-derivative instruments				(4,305)
<b>Loss before taxation</b>				(43,223)
Taxation				(2,112)
<b>Loss for the year from continuing operations</b>				(45,335)
<b>Discontinued operations</b>				
Profit for the year from discontinued operations (note 15)				12,468
<b>Loss for the year</b>				(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 table above which has been charged to other regions for statutory purposes.

**Segment assets**

	2014 £'000	2013 £'000
UK and Ireland	51,673	85,913
Europe and Latin America	7,012	11,002
Asia Pacific	2,937	2,392
<b>Total segment assets</b>	61,622	99,307
Unallocated assets	2,248	142
<b>Consolidated total assets</b>	63,870	99,449

Deferred tax is not allocated to segments.

# Notes to the consolidated financial statements continued

## 5. Segmental analysis continued

### Capital expenditure

	Intangible assets		Property, plant and equipment	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Continuing operations</b>				
UK and Ireland	393	1,450	118	194
Europe and Latin America	13	128	61	42
Asia Pacific	—	26	11	5
<b>Additions from continuing operations</b>	<b>406</b>	<b>1,604</b>	<b>190</b>	<b>241</b>

### Revenues from major products

	2014 £'000	2013 £'000
<b>Continuing operations</b>		
Retail assistance policies	82,652	117,066
Retail insurance policies	10,229	28,153
Packaged and Wholesale policies	15,080	32,272
Non-policy revenue	845	540
<b>Revenue from continuing operations</b>	<b>108,806</b>	<b>178,031</b>
<b>Discontinued operations</b>	<b>—</b>	<b>15,634</b>
<b>Consolidated total revenue</b>	<b>108,806</b>	<b>193,665</b>

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' is that which is not in connection with providing an on-going service to policyholders for a specified period of time.

Disclosures in notes 8, 18 and 22 regarding accounting for insurance contracts provide information relating to all contracts within the scope of IFRS 4 and therefore include both retail insurance policies and the insurance components of retail assistance and Packaged and Wholesale policies.

### 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 deferred tax) by geographical location is detailed below:

	External revenues		Non-current assets	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Continuing operations</b>				
UK	68,412	125,432	4,100	7,008
Spain	15,215	19,767	176	432
Other	25,179	32,832	352	920
Total continuing operations	108,806	178,031	4,628	8,360
<b>Discontinued operations</b>	<b>—</b>	<b>15,634</b>	<b>—</b>	<b>—</b>
	<b>108,806</b>	<b>193,665</b>	<b>4,628</b>	<b>8,360</b>



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**5. Segmental analysis** continued**Information about major customers**

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

**6. Exceptional items**

	Note	2014 £'000	2013 £'000
Customer redress and associated costs	25	<b>3,000</b>	18,168
Restructuring costs	7	<b>2,579</b>	5,503
Commission deferral compromise and associated costs	7	<b>744</b>	—
Impairment of IT assets	7	—	8,058
Impairment of goodwill, intangible assets and freehold property	7	—	5,822
Other	7	—	(45)
<b>Exceptional items included in operating loss</b>		<b>6,323</b>	37,506
Tax on exceptional items		<b>(646)</b>	(222)
<b>Total exceptional items after tax</b>		<b>5,677</b>	37,284

The customer redress and associated costs of £3,000,000 (2013: £18,168,000) relate to the latest estimate with respect to residual customer redress activity.

The restructuring costs of £2,579,000 (2013: £5,503,000) principally relate to redundancy programmes and associated costs across the Group, along with onerous lease provisioning following closure of the Tamworth and Manchester sites in the UK. The majority of this cost is located in the UK.

The commission deferral compromise and associated costs of £744,000 (2013: £nil) relates to professional fees associated with the agreement to compromise the Commission Deferral Agreement which has completed in 2015.

## Notes to the consolidated financial statements continued

### 7. Loss for the year

Note	Continuing operations		Discontinued operations		Total	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Loss for the year has been arrived at after charging/(crediting):						
Operating lease charges	2,173	2,346	—	68	2,173	2,414
Net foreign exchange (gains)/losses	(22)	61	—	—	(22)	61
Depreciation of property, plant and equipment	17 1,271	2,684	—	—	1,271	2,684
Amortisation of intangible assets	16 2,884	6,868	—	—	2,884	6,868
Loss on disposal of property, plant and equipment	43	200	—	—	43	200
Customer redress and associated costs	6 3,000	18,168	—	—	3,000	18,168
Commission deferral compromise and associated costs	6 744	—	—	—	744	—
Impairment of IT assets	6 —	8,058	—	—	—	8,058
Restructuring costs	6 994	2,580	—	—	994	2,580
Impairment of goodwill, intangible assets and property, plant and equipment	6 86	5,822	—	—	86	5,822
Other exceptional items	6, 15 —	(45)	—	3,259	—	3,214
Share based payments	29 203	50	—	—	203	50
Restructuring costs	6 1,499	2,923	—	—	1,499	2,923
Other staff costs	28,425	34,684	—	2,600	28,425	37,284
<b>Total staff costs</b>	9 <b>30,127</b>	37,657	—	2,600	<b>30,127</b>	40,257
Write-down of inventories recognised as an expense	—	163	—	—	—	163
Movement on allowance for doubtful trade receivables	20 (59)	456	—	—	(59)	456

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

	2014 £'000	2013 £'000
Payable to the Company's auditor for the audit of the Company and consolidated financial statements	57	67
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	300	371
<b>Total audit services</b>	<b>357</b>	<b>438</b>
Audit related assurance services	27	30
Taxation compliance services	29	27
Other taxation advisory services	4	2
Corporate finance services	—	314
Other services	—	42
<b>Total non-audit services</b>	<b>60</b>	<b>415</b>
	<b>417</b>	<b>853</b>

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**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**

	2014 £'000	2013 £'000
Gross premiums written	13,765	45,303
Change in provision for unearned premiums	884	1,298
<b>Earned premiums</b>	<b>14,649</b>	46,601

**Costs incurred from insurance activities**

	2014 £'000	2013 £'000
Reinsurance premiums (credited)/incurred	(27)	5,085
<b>Claims paid</b>		
– Gross amount	4,502	22,415
– Reinsurer's share	(1,147)	(4,435)
– Decrease in provision for gross claims	(946)	(2,240)
– Increase in provision for reinsurance claims	723	577
	<b>3,132</b>	16,317
<b>Acquisition costs</b>		
– Costs incurred	1,991	3,675
– Movement in deferred acquisition costs	1,173	8,889
	<b>3,164</b>	12,564
Other expenses	8,536	16,659
	<b>14,805</b>	50,625

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 setup 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	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Wages and salaries	23,980	29,354	—	2,338	23,980	31,692
Social security costs	3,537	4,379	—	187	3,537	4,566
Restructuring costs	1,499	2,923	—	—	1,499	2,923
Share based payments (see note 29)	203	50	—	—	203	50
Pension costs	908	951	—	75	908	1,026
	30,127	37,657	—	2,600	30,127	40,257

### Average number of employees

	2014	2013
<b>Continuing operations</b>		
UK and Ireland	497	713
Europe and Latin America	376	408
Asia Pacific	38	46
Total continuing operations	911	1,167
<b>Discontinued operations</b>	—	41
	911	1,208

Details of remuneration of Directors are included in the Remuneration report on pages 22 to 29.

## 10. Investment revenues

	Continuing operations		Discontinued operations		Total	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Interest on bank deposits	432	394	—	10	432	404

## 11. Finance costs: non-derivative instruments

	Continuing operations		Discontinued operations		Total	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Interest on borrowings	1,656	1,190	—	—	1,656	1,190
Amortisation of capitalised loan issue costs	640	3,072	—	—	640	3,072
Other	—	43	—	—	—	43
	2,296	4,305	—	—	2,296	4,305

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**12. Taxation**

	2014 £'000	2013 £'000
<b>Continuing operations</b>		
<b>Current tax charge/(credit):</b>		
UK corporation tax	(433)	34
Foreign tax	1,253	1,761
Adjustments in respect of prior years	(12)	(2,241)
<b>Total current tax</b>	<b>808</b>	<b>(446)</b>
<b>Deferred tax (credit)/charge:</b>		
Origination and reversal of timing differences	(2,621)	(468)
Impact of change in UK tax rates	115	696
Adjustments in respect of prior years	—	2,330
<b>Total deferred tax</b>	<b>(2,506)</b>	<b>2,558</b>
<b>Total continuing operations</b>	<b>(1,698)</b>	<b>2,112</b>
<b>Discontinued operations</b>	<b>—</b>	<b>921</b>
	<b>(1,698)</b>	<b>3,033</b>

UK corporation tax is calculated at 21.50% (2013: 23.25%) 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 21% to 20% effective from 1 April 2015. As this rate was substantively enacted prior to 31 December 2014, it has been reflected in the UK deferred tax balance at 31 December 2014.

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

	2014 £'000	2013 £'000
<b>Loss before tax from continuing operations</b>	<b>(7,662)</b>	<b>(43,223)</b>
<b>Effects of:</b>		
Tax at the UK corporation tax rate of 21.50% (2013: 23.25%)	(1,647)	(10,049)
Movement in unprovided deferred tax	1,382	5,731
(Recognition)/derecognition of deferred tax asset previously (unprovided)/provided	(2,318)	2,960
Net (income)/expenses not deductible for tax purposes	(384)	1,249
Overseas tax losses not recognised	481	569
Higher tax rates on overseas earnings	648	873
Adjustments in respect of prior years	(12)	88
Impact of change in future tax rates on deferred tax	135	696
Surplus/(shortfall) of share option charge compared to tax allowable amount	17	(5)
<b>Total tax (credited)/charged to income statement</b>	<b>(1,698)</b>	<b>2,112</b>

# Notes to the consolidated financial statements continued

## 12. Taxation continued

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

	2014 £'000	2013 £'000
<b>Current tax charge/(credit)</b>		
Movement on equalisation reserve	138	(31)
<b>Total current tax charge/(credit)</b>	138	(31)
<b>Deferred tax (credit)/charge</b>		
Timing differences on equity settled share based charge	(1)	1
<b>Total deferred tax (credit)/charge</b>	(1)	1
<b>Total tax charged/(credited) to reserves</b>	137	(30)

## 13. Dividends

The Directors have not proposed a final dividend for the year ended 31 December 2014.

## 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. In accordance with IAS 33, potential ordinary shares are only considered dilutive when their conversion would increase the loss per share from continuing operations attributable to equity holders. The diluted loss per share is therefore equal to the basic loss per share for the current and prior year.

### (Loss)/earnings

	Continuing operations		Discontinued operations		Total	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share	(5,964)	(45,335)	(785)	12,468	(6,749)	(32,867)
Exceptional items (net of tax)	5,677	37,284	(311)	(10,389)	5,366	26,895
<b>(Loss)/earnings for the purposes of underlying basic and diluted (loss)/earnings per share</b>	<b>(287)</b>	<b>(8,051)</b>	<b>(1,096)</b>	<b>2,079</b>	<b>(1,383)</b>	<b>(5,972)</b>

### Number of shares

	Continuing operations		Discontinued operations		Total	
	2014 Pence	2013 Pence	2014 Pence	2013 Pence	2014 Pence	2013 Pence
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	171,622	171,546				
Basic and diluted (loss)/earnings per share	(3.48)	(26.43)	(0.46)	7.27	(3.94)	(19.16)
Basic and diluted underlying (loss)/earnings per share	(0.17)	(4.69)	(0.64)	1.21	(0.81)	(3.48)

On 13 January 2015, the Company's existing 10 pence ordinary share capital was subdivided and redesignated into one new ordinary share of 1 penny each and one new deferred share of 9 pence each. The new deferred shares have no rights to receive dividends and will only have very limited rights on a return of capital. Additionally, they will not be admitted to trading on AIM or any other Stock Exchange. Accordingly, the additional deferred shares have not been considered in the calculation of (loss)/earnings per share.

On 11 February 2015, the Company issued 666,666,667 new ordinary shares as part of a £20.0 million equity raise; further detail is available in note 32. This share issue occurred after the period end and as such the shares are not included in the current year loss per share calculation.

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**15. Discontinued operations**

On 24 March 2014, the Group completed the sale of its 49% shareholding in Home3 Assistance Limited (Home3). The gross consideration on disposal was £275,000.

In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" this operation has been presented as discontinued operations, which is consistent with the prior year. The comparative figure includes the disposal of our North American operation which completed in May 2013.

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

**(i) Consolidated income statement**

	2014			2013		
	Home3 £'000	North America £'000	Total £'000	Home3 £'000	North America £'000	Total £'000
Revenue	—	—	—	—	15,634	15,634
Cost of sales	—	—	—	—	(7,962)	(7,962)
<b>Gross profit</b>	—	—	—	—	7,672	7,672
Administrative expenses	—	—	—	—	(3,902)	(3,902)
Share of loss of joint venture	(1,096)	—	(1,096)	(780)	—	(780)
<b>Operating (loss)/profit</b>	<b>(1,096)</b>	<b>—</b>	<b>(1,096)</b>	<b>(780)</b>	<b>3,770</b>	<b>2,990</b>
Investment revenues	—	—	—	—	10	10
<b>(Loss)/profit before taxation</b>	<b>(1,096)</b>	<b>—</b>	<b>(1,096)</b>	<b>(780)</b>	<b>3,780</b>	<b>3,000</b>
Taxation	—	—	—	—	(921)	(921)
<b>(Loss)/profit after tax</b>	<b>(1,096)</b>	<b>—</b>	<b>(1,096)</b>	<b>(780)</b>	<b>2,859</b>	<b>2,079</b>
Profit/(loss) on disposal	265	46	311	(14)	10,403	10,389
<b>(Loss)/profit for the year</b>	<b>(831)</b>	<b>46</b>	<b>(785)</b>	<b>(794)</b>	<b>13,262</b>	<b>12,468</b>

On 24 March 2014, the Group completed the sale of its joint venture, Home3, to Mapfre Abraxas Software Limited.

	2014			2013		
	Home3 £'000	North America £'000	Total £'000	Home3 £'000	North America £'000	Total £'000
Proceeds	275	—	275	—	26,086	26,086
Net assets sold	—	—	—	—	(14,042)	(14,042)
(Costs)/credit associated with disposal	(10)	46	36	(14)	(3,259)	(3,273)
Currency retranslation differences reclassified on disposal	—	—	—	—	1,618	1,618
<b>Profit/(loss) on disposal</b>	<b>265</b>	<b>46</b>	<b>311</b>	<b>(14)</b>	<b>10,403</b>	<b>10,389</b>

**(ii) Summary of cash flows**

	2014 £'000	2013 £'000
Net cash flows from operating activities	—	2,216
Net cash flows from investing activities	—	(27)
Net cash flows from financing activities	—	(1,266)
Cash consideration in respect of sale of discontinued operation	275	26,086
Credit/(costs) associated with the disposal of discontinued operation	28	(4,215)
Cash disposed of with discontinued operation	—	(3,731)
Investment in joint venture	(1,000)	(780)
<b>Net cash (outflow)/inflow</b>	<b>(697)</b>	<b>18,283</b>



# Notes to the consolidated financial statements continued

## 15. Discontinued operations continued

### (iii) Assets and liabilities

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

	2014 £'000	2013 £'000
Carrying amount at 1 January	—	—
Increase in investment	1,096	780
Losses recognised for the year	(1,096)	(780)
<b>Carrying amount at 31 December</b>	<b>—</b>	<b>—</b>

The Group had a 50% economic interest in Home3, with 49% of the issued ordinary share capital being allotted to the Group. As part of the disposal transaction the Group invested a further £1,000,000 to absorb its share of unrecognised losses as well as capitalising further residual balances due from Home3 prior to disposal. These balances have been accounted for as investments in Home3 with the trading losses recognised limited to the level of investment.

## 16. Other intangible assets

	Contractual arrangements with third parties £'000	Business relationships £'000	Internally generated software £'000	Externally acquired software £'000	Total £'000
<b>Cost</b>					
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)
<b>At 1 January 2014</b>	<b>17,420</b>	<b>1,211</b>	<b>19,478</b>	<b>19,402</b>	<b>57,511</b>
Additions	—	—	194	212	406
Disposals	—	—	—	(151)	(151)
Exchange adjustments	—	—	—	(66)	(66)
<b>At 31 December 2014</b>	<b>17,420</b>	<b>1,211</b>	<b>19,672</b>	<b>19,397</b>	<b>57,700</b>
<b>Accumulated amortisation</b>					
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
<b>At 1 January 2014</b>	<b>15,153</b>	<b>1,211</b>	<b>19,181</b>	<b>18,667</b>	<b>54,212</b>
Provided during the year	2,012	—	297	575	2,884
Disposals	—	—	—	(147)	(147)
Exchange adjustments	—	—	—	(57)	(57)
<b>At 31 December 2014</b>	<b>17,165</b>	<b>1,211</b>	<b>19,478</b>	<b>19,038</b>	<b>56,892</b>
<b>Carrying amount</b>					
At 31 December 2013	2,267	—	297	735	3,299
<b>At 31 December 2014</b>	<b>255</b>	<b>—</b>	<b>194</b>	<b>359</b>	<b>808</b>

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**17. Property, plant and equipment**

	Freehold land and property £'000	Leasehold improvements £'000	Computer systems £'000	Furniture and equipment £'000	Total £'000
<b>Cost</b>					
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)
<b>At 1 January 2014</b>	<b>7,278</b>	<b>5,636</b>	<b>29,073</b>	<b>6,633</b>	<b>48,620</b>
Additions	—	—	187	3	190
Disposals	—	(30)	(261)	(76)	(367)
Exchange adjustments	—	(61)	(144)	(37)	(242)
<b>At 31 December 2014</b>	<b>7,278</b>	<b>5,545</b>	<b>28,855</b>	<b>6,523</b>	<b>48,201</b>
<b>Accumulated depreciation</b>					
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
<b>At 1 January 2014</b>	<b>4,178</b>	<b>5,184</b>	<b>28,172</b>	<b>6,025</b>	<b>43,559</b>
Provided during the year	87	130	743	311	1,271
Disposals	—	(22)	(238)	(68)	(328)
Exchange adjustments	—	(52)	(125)	(30)	(207)
Impairment	—	47	16	23	86
<b>At 31 December 2014</b>	<b>4,265</b>	<b>5,287</b>	<b>28,568</b>	<b>6,261</b>	<b>44,381</b>
<b>Carrying amount</b>					
At 31 December 2013	3,100	452	901	608	5,061
<b>At 31 December 2014</b>	<b>3,013</b>	<b>258</b>	<b>287</b>	<b>262</b>	<b>3,820</b>

Included in freehold land and property is freehold land at its cost value of £759,000 (2013: £759,000), which is not depreciated.

During the year, the Group has recognised impairment losses in respect of leasehold improvements, computer systems and furniture and equipment totalling £86,000. This reflects the value in use to the business following the decision to close two offices in the UK. The impairment loss has been recognised as an exceptional item through the consolidated income statement and relates to the UK and Ireland segment.

## Notes to the consolidated financial statements continued

### 18. Insurance assets

	2014 £'000	2013 £'000
Amounts due from policyholders and intermediaries	356	1,362
Deferred acquisition costs	229	1,402
Amounts recoverable from reinsurers in respect of outstanding claims	8	623
	<b>593</b>	<b>3,387</b>

### Reconciliation of movement in deferred acquisition costs

	2014 £'000	2013 £'000
At 1 January	1,402	10,291
Incurred during the year	424	548
Amortised during the year	(1,597)	(9,437)
<b>At 31 December</b>	<b>229</b>	<b>1,402</b>

Of the above balance, nothing related to a period greater than twelve months from 31 December 2014.

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. 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 £56,000 (2013: £216,000) which are past due at the balance sheet date, for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable.

The average age of overdue but unprovided debts is 318 days (2013: 179 days).

### Ageing of past due but not impaired insurance receivables

	2014 £'000	2013 £'000
Days outstanding since date of sales invoice:		
45–90 days	—	19
91–120 days	—	9
Over 120 days	56	188
	<b>56</b>	<b>216</b>

### 19. Inventories

	2014 £'000	2013 £'000
Consumables and supplies	93	149

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**20. Trade and other receivables**

	2014 £'000	2013 £'000
Trade receivables	6,458	8,441
Prepayments and accrued income	6,486	10,928
Other debtors	2,765	1,142
	<b>15,709</b>	<b>20,511</b>

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 the relationship it has with its counterparties and their credit ratings.

Where credit is offered to customers, the average credit period offered is 40 days (2013: 44 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 £1,179,000 (2013: £897,000) which are past due at the reporting date, for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still recoverable.

The average age of overdue but unprovided debts is 192 days (2013: 76 days).

**Ageing of past due but not impaired receivables**

	2014 £'000	2013 £'000
Days outstanding since date of invoice:		
Up to 90 days	320	589
91 – 120 days	38	176
Over 120 days	821	132
	<b>1,179</b>	<b>897</b>

**Movement in the allowance for doubtful receivables**

	2014 £'000	2013 £'000
At 1 January	456	—
Amounts written off during the year as uncollectible	(20)	—
(Decrease)/increase in allowance recognised in the income statement	(59)	456
Foreign exchange translation gain	(5)	—
<b>At 31 December</b>	<b>372</b>	<b>456</b>

## Notes to the consolidated financial statements continued

### 21. Cash and cash equivalents

Cash and cash equivalents of £40,599,000 (2013: £66,900,000) comprises cash held on demand by the Group and short term deposits.

Cash and cash equivalents includes the following:

- i) £21,542,000 (2013: £27,815,000) cash maintained by the Group's insurance businesses for solvency purposes; and
- ii) £13,380,000 (2013: £32,706,000) cash held in the UK's regulated entities CPPL and HIL which is restricted by the terms of the VVOP and 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 residual customer redress purposes.

Concentration of credit risk is reduced, as far as practicable, by placing cash on deposit across a number of institutions with the best available credit ratings. The credit quality of counterparties is as follows:

	2014 £'000	2013 £'000
AA	1,537	1,607
A	37,069	62,444
BBB	1,000	2,559
BB	978	167
Rating information not available	15	123
	<b>40,599</b>	<b>66,900</b>

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

### 22. Insurance liabilities

	2014 £'000	2013 £'000
Claims reported	233	1,144
Claims incurred but not reported	195	230
Total claims	428	1,374
Unearned premium	1,591	2,475
Amounts payable to reinsurers	—	140
<b>Total insurance liabilities</b>	<b>2,019</b>	<b>3,989</b>

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 twelve months.

#### Provision for unearned premiums

	2014 £'000	2013 £'000
At 1 January	2,475	3,773
Written in the year	13,765	45,303
Earned in the year	(14,649)	(46,601)
<b>At 31 December</b>	<b>1,591</b>	<b>2,475</b>

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

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**22. Insurance liabilities** continued**Reinsurance cover**

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

	Gross £'000	Reinsurance £'000	Net £'000
Notified claims	1,144	(639)	505
Incurred but not reported claims	230	(92)	138
<b>As at 31 December 2013</b>	<b>1,374</b>	<b>(731)</b>	<b>643</b>

Notified claims	<b>233</b>	<b>—</b>	<b>233</b>
Incurred but not reported claims	<b>195</b>	<b>(8)</b>	<b>187</b>
<b>As at 31 December 2014</b>	<b>428</b>	<b>(8)</b>	<b>420</b>

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 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
<b>As at 1 January 2014</b>	<b>1,374</b>	<b>(731)</b>	<b>643</b>
Cash (paid)/received for claims settled in the year	<b>(4,502)</b>	<b>1,147</b>	<b>(3,355)</b>
Increase/(reduction) in liabilities arising from current year claims	<b>3,556</b>	<b>(424)</b>	<b>3,132</b>
<b>As at 31 December 2014</b>	<b>428</b>	<b>(8)</b>	<b>420</b>

**Equalisation reserve**

	2014 £'000	2013 £'000
At 1 January	<b>8,129</b>	7,984
Transfer from retained earnings	<b>(642)</b>	145
<b>At 31 December</b>	<b>7,487</b>	8,129

Equalisation reserves are established in accordance with Chapter 7.5 of the Integrated Prudential Sourcebook (PRU) and are in addition to the provisions required to meet the anticipated ultimate cost of settlement at the balance sheet date. As no actual liability exists at the balance sheet date, no provision is made in relation to movements in the claims equalisation reserve. However, as a claims equalisation reserve is still a requirement of PRU, an amount equal to the claims equalisation reserve is transferred from retained earnings to other reserves in the shareholders' funds. Deferred tax is not included in this transfer.

**23. Trade and other payables**

	2014 £'000	2013 £'000
<b>Current liabilities</b>		
Trade creditors and accruals	<b>28,172</b>	32,103
Other tax and social security	<b>2,322</b>	3,207
Other payables	<b>2,147</b>	5,317
Deferred income	<b>7,990</b>	8,377
	<b>40,631</b>	49,004
<b>Non-current liabilities</b>		
Other payables	<b>8,991</b>	9,494
<b>Total trade and other payables</b>	<b>49,622</b>	58,498

Trade creditors and accruals comprise amounts outstanding for trade purchases and on-going costs. The average credit period for trade purchases is 38 days (2013: 28 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.

## Notes to the consolidated financial statements continued

### 24. Borrowings

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

	2014 £'000	2013 £'000
Bank loans due outside of one year	13,000	13,000
Less: unamortised issue costs	(969)	(1,653)
Commission Deferral Agreement	20,702	11,250
<b>Borrowings due outside of one year</b>	<b>32,733</b>	<b>22,597</b>

Analysis of repayments:

	2014 £'000	2013 £'000
Within one year	—	—
In the second year	13,000	—
In the third to fifth years	20,702	24,250
<b>Total repayments</b>	<b>33,702</b>	<b>24,250</b>
Less: unamortised issue costs	(969)	(1,653)
<b>Total carrying value</b>	<b>32,733</b>	<b>22,597</b>

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, leverage and minimum total cash balance of the Group. The Group has been in compliance with these covenants since inception of the RCF.

All amounts outstanding in the Commission Deferral Agreement fall 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.

On 11 February 2015, the Amended and Restated RCF became effective following prepayment in part of the existing RCF, extending the term to 28 February 2018. The Amended and Restated RCF is on substantially the same terms as the facility it replaced, with the exception of the available balance reducing to £5.0 million, the removal of the leverage covenant and the removal of the prepayment fee. At the same time the Group agreed to settle all the liabilities of the Commission Deferral Agreement with certain Business Partners for a compromise payment of £1.3 million and further deferral of commission of up to £1.3 million. The Second Commission Deferral Agreement has a repayment date of 31 January 2017 and is on the same terms as the Commission Deferral Agreement. Further detail is provided in note 32.

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

	2014 %	2013 %
Bank loans	4.5	3.8
Commission Deferral Agreement	3.5	3.5
<b>Weighted average</b>	<b>3.9</b>	<b>3.8</b>

At 31 December 2014, the Group did not have any undrawn committed borrowing facilities (2013: £nil).



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**25. Provisions**

	<b>Onerous leases 2014 £'000</b>	<b>Customer redress and associated costs 2014 £'000</b>	<b>Total 2014 £'000</b>	<b>Restructuring costs 2013 £'000</b>	<b>Customer redress and associated costs 2013 £'000</b>	<b>Total 2013 £'000</b>
At 1 January	—	37,398	37,398	—	28,967	28,967
Charged to the income statement	1,658	3,000	4,658	1,750	18,168	19,918
Customer redress and associated costs paid in the year	—	(34,042)	(34,042)	—	(9,737)	(9,737)
Transfer to trade and other payables	—	—	—	(1,750)	—	(1,750)
<b>At 31 December</b>	<b>1,658</b>	<b>6,356</b>	<b>8,014</b>	<b>—</b>	<b>37,398</b>	<b>37,398</b>

The customer redress and associated cost provision comprises anticipated compensation payable to customers through residual customer redress exercises and associated professional fees. The outstanding regulatory fine of £8.5 million is included in non-current payables in note 23.

The onerous lease provision reflects the future lease payments and associated costs in the expected non-utilisation period at our vacated offices in the UK.

Customer redress and associated costs are expected to be settled within one year of the balance sheet date and onerous lease provisions are expected to be settled within three years of the balance sheet date.

Provisions are expected to be settled in the following periods:

	<b>Onerous leases 2014 £'000</b>	<b>Customer redress and associated costs 2014 £'000</b>	<b>Total 2014 £'000</b>	<b>Restructuring costs 2013 £'000</b>	<b>Customer redress and associated costs 2013 £'000</b>	<b>Total 2013 £'000</b>
Within one year	685	6,356	7,041	—	37,398	37,398
Outside of one year	973	—	973	—	—	—
<b>At 31 December</b>	<b>1,658</b>	<b>6,356</b>	<b>8,014</b>	<b>—</b>	<b>37,398</b>	<b>37,398</b>

**26. Deferred tax**

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

	<b>Accelerated capital allowances £'000</b>	<b>Tax losses £'000</b>	<b>Share based payments £'000</b>	<b>Other short term timing differences £'000</b>	<b>Total £'000</b>
At 1 January 2013	2,403	—	—	(217)	2,186
(Charged)/credited to income statement	(2,424)	—	6	(140)	(2,558)
Charged to equity	—	—	(1)	—	(1)
Transfer to assets classified as held for sale	—	—	—	(12)	(12)
<b>At 1 January 2014</b>	<b>(21)</b>	<b>—</b>	<b>5</b>	<b>(369)</b>	<b>(385)</b>
Credited/(charged) to income statement	30	1,646	(3)	833	2,506
Credited to equity	—	—	1	—	1
<b>At 31 December 2014</b>	<b>9</b>	<b>1,646</b>	<b>3</b>	<b>464</b>	<b>2,122</b>

Deferred tax assets and liabilities are stated at tax rates expected to apply on the forecast date of reversal, based on tax laws substantively enacted at the balance sheet date.

Certain deferred tax assets and liabilities have been offset where the Group is entitled to and intends to settle tax liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	<b>2014 £'000</b>	<b>2013 £'000</b>
Deferred tax assets	2,248	142
Deferred tax liabilities	(126)	(527)
	<b>2,122</b>	<b>(385)</b>

# Notes to the consolidated financial statements continued

## 26. Deferred tax continued

At the balance sheet date the Group has unused tax losses of £57,000,000 (2013: £40,142,000) available for offset against future profits. A deferred tax asset of £1,646,000 has been recognised in respect of £8,129,000 losses which will be offset against taxable profits in 2015. No deferred tax asset has been recognised in respect of the remainder of the unused tax 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 £380,000 (2013: £380,000) that will expire in 2015, £551,000 (2013: £551,000) that will expire in 2016, £1,102,000 (2013: £1,102,000) that will expire in 2017, £557,000 (2013: £557,000) that will expire in 2018, £1,894,000 (2013: £701,000) that will expire in 2019, £nil (2013: £39,000) that will expire in 2020, £674,000 (2013: £674,000) that will expire in 2021 and £535,000 (2013: £555,000) that will expire in 2023. Other losses will be carried forward indefinitely.

There is no deferred tax liability on unremitted foreign earnings.

## 27. Financial instruments

### Capital risk management

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

The Group does not have a target level of gearing but seeks to maintain an appropriate balance of debt and equity while aiming to provide returns for shareholders and benefits for other stakeholders. The Group's principal debt facility during the year was a £13.0 million RCF; on 11 February 2015 this was reduced to a £5.0 million facility with a term date of 28 February 2018.

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 the availability of cash reserves and residual customer redress obligations, 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 prior 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.

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

	2014 £'000	2013 £'000
Loans and receivables	49,195	76,471

Loans and receivables comprise cash and cash equivalents, trade and other receivables and taxes receivable.

There is no significant difference between the fair value and carrying amount of any financial asset.

#### Financial liabilities

	2014 £'000	2013 £'000
Financial liabilities at amortised cost	(86,007)	(112,366)

Financial liabilities at amortised cost comprise borrowings, trade creditors, accruals, taxes payable and provisions.

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.

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**27. Financial instruments** continued**Financial risk management objectives**

The Group's activities expose it 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 Group Treasurer. 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 2014 was 5x (2013: 7x).

**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.

	2014 £'000	2013 £'000
Decrease in loss before tax	753	617
Increase in shareholders' equity	753	617

**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	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Euro	5,551	9,983	4,841	7,392

The Group disposed of its US Dollar operation on 3 May 2013 therefore the Group's exposure to US Dollar foreign currency movements has reduced significantly and is no longer considered a risk.

**Foreign currency sensitivity analysis**

The following table details the Group's sensitivity to a 20% decrease in Euro against Sterling exchange rate. This represents the Directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only foreign currency denominated financial instruments and adjusts their translation at the year end for a change in foreign currency rates.

	Euro currency impact	
	2014 £'000	2013 £'000
Loss before tax	(112)	(86)
Shareholders' equity	118	432

**Eurozone sensitivity analysis**

The Group operates in countries with Euro denominated currencies, and the potential for fluctuations in the Euro to impact the Group's results represents a risk to the Group. The Group's Eurozone operations are in Germany, Ireland, Italy, France, Portugal and Spain. A 20% deterioration in the Sterling:Euro exchange rate throughout the year would have increased Group losses relating to these Eurozone entities by £331,000 (2013: £731,000).

**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's remaining Packaged Account contracts ended during the year and as a result credit risk has reduced. The Group continues to maintain some wholesale contracts and considers that it mitigates this 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 18 and other receivables in note 20.

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

# Notes to the consolidated financial statements continued

## 27. Financial instruments continued

### 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 continually 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. Announced prior to the year end, subject to shareholder approval, and subsequently completed on 11 February 2015, the Group has raised £20.0 million (£17.9 million net of expenses) through a placement of ordinary shares, albeit a portion of these funds has been used to part-prepay the existing RCF, reducing the available balance from £13.0 million to £5.0 million. The Group has also settled the majority of its customer redress obligations in the period. As a result liquidity risk has reduced 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
<b>2013</b>						
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
<b>2014</b>						
Non-interest bearing liabilities	12,579	12,124	18,842	8,498	271	52,314
Fixed rate instruments	—	—	—	22,661	—	22,661
Variable rate instruments	44	88	395	14,348	—	14,875
	12,623	12,212	19,237	45,507	271	89,850

On 11 February 2015, the conditions were satisfied to part-prepay and extend the existing RCF to 28 February 2018 and all the obligations of the Deferred Commission Agreement (fixed rate instrument) will be settled in return for a compromise payment of £1.3 million and further commission deferral of up to £1.3 million. The table above reflects the contractual position prevailing at 31 December 2014 and does not therefore reflect the substance of this transaction.

#### 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
<b>2013</b>							
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
<b>2014</b>							
Non-interest bearing assets	n/a	5,097	2,421	84	815	179	8,596
Variable interest rate instruments	1.0%	31,304	9,294	—	1	—	40,599
		36,401	11,715	84	816	179	49,195

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**27. Financial instruments** continued**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 PRA and regulated 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's policy is to establish a specific claims reserve at any point in time on each line of business, based on claims reported up to and including the last day of each accounting period including an element to represent claims incurred but not yet reported. Details of claims reserves carried are provided in note 22.

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

**Changes in rates of claims**

Trends in claim rates and other market data are reviewed on a regular basis and premiums for 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 £192,000 increase in loss before tax and reduction in shareholders' equity (2013: £1,443,000), 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's 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.

**28. Share capital**

	2014 Number (thousands)	2014 £'000	2013 Number (thousands)	2013 £'000
<b>Called-up and allotted: ordinary shares of 10 pence each</b>				
At 1 January	<b>171,588</b>	<b>17,120</b>	171,487	17,111
Issue of shares in connection with:				
Exercise of share options	<b>62</b>	<b>6</b>	101	9
<b>At 31 December</b>	<b>171,650</b>	<b>17,126</b>	171,588	17,120

During the year, the Company issued 61,529 shares to option holders for total consideration of £6,000. Further details relating to share options are provided in note 29.

Of the 171,649,941 ordinary shares issued at 31 December 2014, 171,149,942 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.

As announced on 13 January 2015, subsequent to the year end and prior to admission to AIM, each of the Company's existing 10 pence ordinary shares was subdivided and redesignated into one new ordinary share of 1 penny each and one new deferred share of 9 pence each. Each new ordinary share of 1 penny will carry the same rights as each existing ordinary share. Each deferred share will have no voting rights, no rights to receive dividends and will only have very limited rights on a return of capital. The deferred shares will not be admitted to trading on AIM or listed on any other Stock Exchange and will not be freely transferable. Further detail is included in note 32.

## Notes to the consolidated financial statements continued

### 29. 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 (2013: £nil).

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:

	2014		2013	
	Number of share options (thousands)	Weighted average exercise price (£)	Number of share options (thousands)	Weighted average exercise price (£)
<b>2005 ESOP Scheme</b>				
Outstanding at 1 January	2,063	2.06	2,358	1.97
Forfeited during the year	(527)	2.24	(295)	1.32
<b>Outstanding at 31 December</b>	<b>1,536</b>	<b>2.00</b>	2,063	2.06
Exercisable at 31 December	1,536	2.00	2,063	2.06
<b>2008 ESOP Scheme</b>				
Outstanding at 1 January	873	1.79	1,365	1.79
Forfeited during the year	(564)	1.79	(492)	1.79
<b>Outstanding at 31 December</b>	<b>309</b>	<b>1.79</b>	873	1.79
Exercisable at 31 December	309	1.79	873	1.79

There have been no exercises in either the current or prior year.

The options outstanding for the 2005 Scheme and 2008 Scheme at 31 December 2014 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.

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**29. Share based payment** continued**Post-IPO plans**

Other administrative expenses include a charge of £203,000 (2013: £50,000) arising from the Long Term Incentive Plan (LTIP), the Restricted Stock Plan (RSP), the Deferred Share Bonus Plan (DSBP) and the ShareSAVE Plan. There have been no options granted in the current year in any of the Group's post-IPO plans. The prior year included options granted under the LTIP to incentivise certain employees.

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

	2014		2013	
	Number of share options (thousands)	Weighted average exercise price (£)	Number of share options (thousands)	Weighted average exercise price (£)
<b>LTIP</b>				
Outstanding at 1 January	7,794	—	5,911	—
Granted during the year	—	—	3,000	—
Forfeited during the year	(2,558)	—	(1,117)	—
<b>Outstanding at 31 December</b>	<b>5,236</b>	<b>—</b>	<b>7,794</b>	<b>—</b>
<b>RSP</b>				
Outstanding at 1 January	405	—	643	—
Forfeited during the year	(108)	—	(149)	—
Exercised during the year	(51)	—	(89)	—
<b>Outstanding at 31 December</b>	<b>246</b>	<b>—</b>	<b>405</b>	<b>—</b>
Exercisable at 31 December	50	—	44	—
<b>DSBP</b>				
Outstanding at 1 January	16	—	29	—
Exercised during the year	(10)	—	(13)	—
<b>Outstanding at 31 December</b>	<b>6</b>	<b>—</b>	<b>16</b>	<b>—</b>
Exercisable at 31 December	6	—	16	—
<b>ShareSAVE Plan</b>				
Outstanding at 1 January	112	1.35	334	1.34
Forfeited/cancelled during the year	(69)	1.36	(222)	1.31
<b>Outstanding at 31 December</b>	<b>43</b>	<b>1.33</b>	<b>112</b>	<b>1.35</b>

Nil-cost options and conditional shares granted under the LTIP normally vest after three years, lapse if not exercised within ten years of grant and may lapse if option holders cease to be employed by the Group. Vesting of LTIP options and shares are also subject to achievement of performance criteria including 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 under the RSP normally vest after three years, lapse if not exercised within ten years of grant, and may lapse if option holders cease to be employed by the Group. There have been no RSP options granted in either the current or prior year.

Nil-cost options and conditional shares granted during 2011 under the DSBP normally vest after three years, lapse if not exercised within ten years of grant and may lapse if option holders cease to be employed by the Group. The DSBP is a scheme to retain and further incentivise senior management by awarding a portion of their annual bonus in the form of share options. 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 2014 had a weighted average remaining contractual life of one year (2013: two years) in the LTIP, nil years (2013: one year) in the RSP, nil years in the DSBP (2013: nil years) and nil years (2013: one year) in the ShareSAVE Plan.



## Notes to the consolidated financial statements continued

### 29. 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	
	2014	2013	2014	2013	2014	2013	2014	2013
Weighted average share price	—	—	—	£0.08	—	—	—	—
Weighted average exercise price	—	—	—	—	—	—	—	—
Expected volatility	—	—	—	154.00%	—	—	—	—
Expected life	—	—	—	3 years	—	—	—	—
Risk-free rate	—	—	—	0.92%	—	—	—	—
Dividend yield	—	—	—	—	—	—	—	—

There have been no share options granted in the current year. The aggregate estimated fair value of the options and shares granted in the prior year under the LTIP was £20,000.

### 30. Reconciliation of operating cash flows

	2014 £'000	2013 £'000
Loss for the year	(6,749)	(32,867)
<b>Adjustment for:</b>		
Depreciation and amortisation	4,155	9,552
Equity settled share based payment expense	203	50
Impairment loss on goodwill, intangible assets and property, plant and equipment	86	5,822
Impairment of IT assets	—	8,058
Loss on disposal of property, plant and equipment	43	200
Profit on disposal of discontinued operations	(311)	(10,389)
Commission deferral compromise and associated costs	744	—
Share of loss of joint venture	1,096	780
Investment revenues	(432)	(404)
Finance costs: non-derivative instruments	2,296	4,305
Income tax (credit)/expense	(1,698)	3,033
<b>Operating cash flows before movements in working capital</b>	<b>(567)</b>	<b>(11,860)</b>
Decrease in inventories	56	150
Decrease in receivables	5,202	8,464
Decrease in insurance assets	2,794	23,854
Decrease in payables	(9,892)	(2,526)
Decrease in insurance liabilities	(1,970)	(3,535)
(Decrease)/increase in provisions	(29,384)	8,431
<b>Cash (used in)/generated by operations</b>	<b>(33,761)</b>	<b>22,978</b>
Income taxes repaid/(paid)	855	(2,820)
<b>Net cash (used in)/generated by operating activities</b>	<b>(32,906)</b>	<b>20,158</b>

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**31. 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.

The future minimum lease payments under non-cancellable operating leases expiring are as follows:

	2014 £'000	2013 £'000
Within one year	1,941	2,297
In the second to fifth years inclusive	2,623	4,423
After five years	370	898
	<b>4,934</b>	<b>7,618</b>

**32. Events after the balance sheet date**

On 23 December 2014, the Group announced a number of proposals, which were subject to shareholder approval in a general meeting. These proposals were formally approved by the shareholders at a general meeting on 13 January 2015 and were subsequently completed on 11 February 2015. The transaction comprised the following elements:

- an equity placing to raise in aggregate £20.0 million (approximately £17.9 million net of expenses) by way of a non-preemptive placing of 666,666,667 placing shares at a price of 3 pence per placing share (the Placing);
- the reorganisation of CPPGroup Plc share capital to subdivide and re-designate each of the existing ordinary shares of 10 pence each into one new ordinary share of 1 penny each and one deferred share of 9 pence each. Each new ordinary share of 1 penny carries the same rights as the old 10 pence ordinary share. Each deferred share of 9 pence has no voting rights, no rights to receive dividends and only has very limited rights on a return of capital. The deferred shares have not been admitted to trading on AIM or any other stock exchange and are not freely transferable. The Placing shares represented new ordinary shares of 1 penny each;
- the inter-conditional cancellation of the Group's shares from the Main Market and admission to trading on AIM;
- prepayment in part of the Group's current bank facility and related costs of £8.5 million, together with the refinancing of the remaining £5.0 million through an Amended and Restated Facility; and
- settlement of all the liabilities of the Commission Deferral Agreement with certain of its Business Partners for a compromise payment of £1.3 million and further deferral of commission of up to £1.3 million. This element of the transaction will result in the recognition of an exceptional gain of approximately £19 million in the 2015 consolidated income statement.

Included in the Placing shares of 666,666,667 were acquisitions by Phoenix Asset Management Partners Limited (335,326,643), Mr Hamish Ogston (264,144,352), through his family investment vehicle Milton Magna Limited, and Schroder Investment Management Limited (61,437,285). Mr Hamish Ogston and Schroder Investment Management Limited were both substantial shareholders in the Group prior to the Placing; therefore their participation in the Placing constituted related party transactions.

Following the Placing, the ordinary share capital of the Group is 838,316,608, with Phoenix Asset Management holding 40.00% of this capital. Mr Hamish Ogston holds 43.00% (reduced from 56.12% prior to the Placing) and Schroder Investment Management holds 9.99% (reduced from 13.00% prior to the Placing).

## Notes to the consolidated financial statements continued

### 33. Related party transactions and control

#### Ultimate controlling party

During the year the Group was controlled by the Company's majority shareholder, Mr Hamish Ogston. On 11 February 2015, Mr Hamish Ogston's holding in the Company reduced to 43.00%, resulting in the Group no longer having a controlling party; see note 32.

#### Transactions with joint ventures

During the year the Group disposed of its shareholding in its joint venture entity, Home3. Transactions between the Group and its joint venture prior to disposal represent related party transactions.

The Group undertook the following transactions with its joint venture entity, Home3, prior to the disposal:

	2014 £'000	2013 £'000
Costs rechargeable to Home3 incurred by the Group	—	138
Balance receivable from Home3 at 31 December	—	2,299

The disposal of Home3 completed on 24 March 2014. As part of the disposal agreement the balance receivable from Home3 prior to disposal of £2,350,000 was 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. The remaining balance of £96,000 has been recognised in the consolidated income statement in the year ended 31 December 2014.

#### Transactions with related parties

There have been no transactions with related parties in the year, other than the remuneration of key management personnel. Subsequent to the year end, Mr Hamish Ogston and Schroder Investment Management Limited participated in the Placing; further detail is provided in note 32.

#### 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:

	2014 £'000	2013 £'000
Short term employee benefits	2,133	3,769
Post-employment benefits	100	184
Termination benefits	—	547
Share based payments	8	(144)
	2,241	4,356

Required disclosures regarding remuneration of the Directors are included in the Remuneration report on pages 22 to 29.

# Company balance sheet

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	Note	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Tangible fixed assets	37	—	1
Investment in subsidiaries	38	15,169	15,122
		15,169	15,123
<b>Current assets</b>			
Debtors	39	56,040	52,805
Cash and cash equivalents		—	1,069
		56,040	53,874
Creditors: amounts falling due within one year	40	(19,441)	(14,540)
<b>Net current assets</b>		36,599	39,334
<b>Total assets less current liabilities</b>		51,768	54,457
Provisions	41	—	(402)
<b>Net assets</b>		51,768	54,055
<b>Capital and reserves</b>			
Called up share capital	42	17,126	17,120
Share premium account	43	33,291	33,292
Share based payment reserve	43	5,265	5,062
Profit and loss reserve – deficit	43	(3,914)	(1,419)
<b>Equity shareholders' funds</b>		51,768	54,055

Approved by the Board of Directors and authorised for issue on 30 March 2015 and signed on its behalf by:

**Eric Anstee**  
Executive Chairman

**Craig Parsons**  
Chief Financial Officer

Company registration number: 07151159

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### 34. 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 £2,489,000 (2013: £10,069,000). There have been no dividends received from subsidiary undertakings in either the current or prior year.

### 35. 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). With effect from 1 January 2015, UK GAAP is being replaced by the choice of two new standards FRS 101 (Reduced Disclosure Framework) and FRS 102 (The Financial Reporting Standard Applicable in the UK and Republic of Ireland). The Company has performed an assessment of the impact and accordingly is proposing to adopt FRS 101 to align the Company reporting with the Group's IFRS reporting.

#### 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 the 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.

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**35. Significant accounting policies** continued**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.

**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.

**36. Dividends**

The Directors have not proposed a final dividend for the year ended 31 December 2014.

**37. Tangible fixed assets**

	Computer systems £'000
<b>Cost</b>	
At 1 January 2014	6
Disposals	(6)
<b>At 31 December 2014</b>	—
<b>Accumulated depreciation</b>	
At 1 January 2014	5
Provided during the year	1
Disposals	(6)
<b>At 31 December 2014</b>	—
<b>Carrying amount</b>	
<b>At 31 December 2013</b>	1
<b>At 31 December 2014</b>	—

**38. Investment in subsidiaries**

	2014 £'000	2013 £'000
<b>Cost and carrying value</b>		
At 1 January	15,122	15,717
Acquisitions	47	39
Disposals	—	(634)
<b>At 31 December</b>	<b>15,169</b>	15,122

The acquisition of £47,000 during the year (2013: £39,000) 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 are therefore recognised as investments in subsidiary companies.

## Notes to the Company financial statements continued

### 38. Investment in subsidiaries continued

Investments in Group entities at 31 December 2014 were as follows:

	Country of incorporation/ registration	Class of shares held	Percentage of share capital held
<b>Investments in subsidiary undertakings held directly</b>			
CPP Group Plc	England & Wales	Ordinary shares	100%
CPP Worldwide Holdings Limited	England & Wales	Ordinary shares	100%
<b>Investments in subsidiary undertakings held through an intermediate subsidiary</b>			
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%
CPPGroup 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%
CPP Asia Limited	Hong Kong	Ordinary shares	100%
CPP Assistance Services Private Limited	India	Ordinary shares	100%
CPP Italia Srl	Italy	Ordinary shares	100%
CPP Malaysia Sdn. Bhd	Malaysia	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%

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



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**39. Debtors**

	2014 £'000	2013 £'000
Amounts due from Group entities	54,881	52,491
Prepayments	70	281
Other debtors	1,089	33
	<b>56,040</b>	<b>52,805</b>

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

**40. Creditors: amounts falling due within one year**

	2014 £'000	2013 £'000
Bank overdrafts	1,538	—
Trade creditors	137	147
Amounts payable to Group entities	16,207	13,228
Accruals	1,559	1,165
	<b>19,441</b>	<b>14,540</b>

Amounts payable to Group entities are unsecured, have no fixed date of repayment and incur interest at a rate of LIBOR plus a fixed margin.

**41. Provisions**

	Customer redress and associated costs 2014 £'000	Customer redress and associated costs 2013 £'000
At 1 January	402	408
(Credited)/charged to the profit and loss account	(401)	261
Customer redress and associated costs paid in the year	(1)	(267)
<b>At 31 December</b>	<b>—</b>	<b>402</b>

**42. Share capital**

	2014 Number (thousands)	2014 £'000	2013 Number (thousands)	2013 £'000
<b>Issued</b>				
At 1 January	171,588	17,120	171,487	17,111
Issue of shares:				
Exercise of share options	62	6	101	9
<b>At 31 December</b>	<b>171,650</b>	<b>17,126</b>	<b>171,588</b>	<b>17,120</b>

During the year 61,529 10 pence ordinary shares have been issued to option holders for total consideration of £6,000. Further details relating to share options are provided in note 45.

Of the 171,649,941 ordinary shares issued at 31 December 2014, 171,149,942 are fully paid and 499,999 are partly paid.

As announced on 13 January 2015, subsequent to the year end and prior to admission to AIM, each of the Company's existing 10 pence ordinary shares was subdivided and redesignated into one new ordinary share of 1 penny each and one new deferred share of 9 pence each. Each new ordinary share of 1 penny will carry the same rights as each existing ordinary share. Each deferred share will have no voting rights, no rights to receive dividends and will only have very limited rights on a return of capital. The deferred shares will not be admitted to trading on AIM or listed on any other stock exchange and will not be freely transferable. Further detail is in note 32.

# Notes to the Company financial statements continued

## 43. Reserves

	Share premium account £'000	Share based payment reserve £'000	Profit and loss reserve – deficit £'000	Total £'000
At 1 January 2014	33,292	5,062	(1,419)	36,935
Loss for the year	—	—	(2,489)	(2,489)
Equity settled share based payment charge	—	203	—	203
Exercise of share options	(1)	—	(6)	(7)
<b>At 31 December 2014</b>	<b>33,291</b>	<b>5,265</b>	<b>(3,914)</b>	<b>34,642</b>

## 44. Reconciliation of movement in equity shareholders' funds

	2014 £'000	2013 £'000
Loss for the year	(2,489)	(10,069)
Equity settled share based payment charge	203	50
Exercise of share options	(1)	(6)
<b>Movement in equity shareholders' funds</b>	<b>(2,287)</b>	<b>(10,025)</b>
<b>Equity shareholders' funds at 1 January</b>	<b>54,055</b>	<b>64,080</b>
<b>Equity shareholders' funds at 31 December</b>	<b>51,768</b>	<b>54,055</b>

## 45. 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:

	2014		2013	
	Number of share options (thousands)	Weighted average exercise price (£)	Number of share options (thousands)	Weighted average exercise price (£)
<b>2005 ESOP Scheme</b>				
Outstanding at 1 January	1,805	2.10	1,987	1.98
Forfeited in the year	(464)	2.23	(182)	0.82
<b>Outstanding at 31 December</b>	<b>1,341</b>	<b>2.06</b>	<b>1,805</b>	<b>2.10</b>
Exercisable at 31 December	1,341	2.06	1,805	2.10

	2014		2013	
	Number of share options (thousands)	Weighted average exercise price (£)	Number of share options (thousands)	Weighted average exercise price (£)
<b>2008 ESOP Scheme</b>				
Outstanding at 1 January	653	1.79	1,045	1.79
Forfeited in the year	(424)	1.79	(392)	1.79
<b>Outstanding at 31 December</b>	<b>229</b>	<b>1.79</b>	<b>653</b>	<b>1.79</b>
Exercisable at 31 December	229	1.79	653	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 ten years of original grant and may lapse if the employee leaves the Group.

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**45. Share based payment** continued**Legacy schemes continued**

The options outstanding for the 2005 Scheme and 2008 Scheme at 31 December 2014 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.

**Post-IPO plans**

There have been no options granted in the current year. Options were granted by the Company to Group employees during the prior 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:

	2014		2013	
	Number of share options (thousands)	Weighted average exercise price £	Number of share options (thousands)	Weighted average exercise price £
<b>LTIP</b>				
Outstanding at 1 January	7,094	—	4,583	—
Granted during the year	—	—	3,000	—
Forfeited during the year	(2,034)	—	(489)	—
<b>Outstanding at 31 December</b>	<b>5,060</b>	<b>—</b>	<b>7,094</b>	<b>—</b>
<b>RSP</b>				
Outstanding at 1 January	204	—	262	—
Forfeited during the year	(13)	—	(38)	—
Exercised during the year	(19)	—	(20)	—
<b>Outstanding at 31 December</b>	<b>172</b>	<b>—</b>	<b>204</b>	<b>—</b>
Exercisable at 31 December	36	—	40	—
<b>DSBP</b>				
Outstanding at 1 January	16	—	24	—
Forfeited during the year	—	—	(8)	—
Exercised during the year	(10)	—	—	—
<b>Outstanding at 31 December</b>	<b>6</b>	<b>—</b>	<b>16</b>	<b>—</b>
Exercisable at 31 December	6	—	—	—
<b>ShareSAVE Plan</b>				
Outstanding at 1 January	31	1.36	62	1.30
Forfeited/cancelled during the year	(31)	1.36	(31)	1.25
<b>Outstanding at 31 December</b>	<b>—</b>	<b>—</b>	<b>31</b>	<b>1.36</b>

Nil-cost options and conditional shares granted under the LTIP normally vest after three years, lapse if not exercised within ten years of grant and may lapse if option holders cease to be employed by the Group. Vesting of LTIP options and shares are also subject to achievement of performance criteria including 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 under the RSP normally vest after three years, lapse if not exercised within ten years of grant and may lapse if option holders cease to be employed by the Group. There have been no RSP options granted in either the current or prior year.

Nil-cost options and conditional shares granted during 2011 under the DSBP normally vest after three years, lapse if not exercised within ten years of grant and may lapse if option holders cease to be employed by the Group. The DSBP is a scheme to retain and further incentivise senior management by awarding a portion of their annual bonus in the form of share options. 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 2014 had a weighted average remaining contractual life of one year (2013: three years) in the LTIP, nil years (2013: one year) in the RSP and nil years in the DSBP (2013: nil years). There are no options outstanding in the ShareSAVE Plan.

## Notes to the Company financial statements continued

### 45. 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	
	2014	2013	2014	2013	2014	2013	2014	2013
Weighted average share price	—	—	—	£0.08	—	—	—	—
Weighted average exercise price	—	—	—	—	—	—	—	—
Expected volatility	—	—	—	154.00%	—	—	—	—
Expected life	—	—	—	3 years	—	—	—	—
Risk-free rate	—	—	—	0.92%	—	—	—	—
Dividend yield	—	—	—	—	—	—	—	—

The aggregate estimated fair value of the options and shares granted in 2014 is £nil (2013: £20,000 LTIP).

### 46. Post balance sheet events

Since 31 December 2014 the Company has subdivided and reorganised its ordinary share capital, issued 666,666,667 new ordinary shares for £20.0 million, cancelled its trading on the Main Market and been admitted to trading on AIM. Full details of the Placing and related events are included in note 32.

On 11 February 2015, the Amended and Restated bank facility became effective for the Group. The Amended and Restated facility has a three year term to 28 February 2018. The Company is an obligor to the bank facility and as such its assets are secured against the bank loan; refer to note 47. The extended facility has been reduced from £13.0 million at 31 December 2014 to £5.0 million.

### 47. 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 2014 amounted to £13,000,000 (2013: £13,000,000). 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. 'Creditors: amounts falling due within one year' includes an overdraft of £1,800,000 (2013: £1,500,000 in cash and cash equivalents) which is held in 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 33 to the consolidated financial statements. Emoluments of the Company's Directors are set out in the Remuneration report on pages 22 to 29.

# Company offices

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## Shareholder information

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Shareholder information

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## Shareholder information

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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](http://www.cppgroupplc.com).

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**Company registration number:**

07151159

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**Nominated adviser and broker:****Numis Securities Limited**

The London Stock Exchange Building  
10 Paternoster Square  
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**Auditor:****Deloitte LLP**

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**Legal advisers:****Eversheds LLP**

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**Media consultants:****Tulchan Communications LLP**

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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  
Kent  
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.

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**Investor relations**

Requests for further copies of the Annual Report & Accounts, or other investor relations enquiries, should be addressed to the Company Secretary at the registered office.



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# CPPG Group Plc Annual Report & Accounts 2014