CPPGroup Plc
3 March 2011
FULL YEAR REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010

CPPGroup Plc, the international Life Assistance business, today issues its results for the year ended 31 December 2010.

Another strong year with significant opportunity for growth in 2011 and beyond

OVERVIEW

	Year ended 31 December 2010	Year ended 31 December 2009	Growth %
Revenue (£'m)	325.8	292.1	12%
Operating profit (£'m)			
− Reported	44.9	31.1	44%
− Underlying	48.7	41.5	17%
Profit before tax (£'m)			
− Reported	39.8	24.8	60%
− Underlying	46.7	35.2	33%
Profit after tax (£'m)			
− Reported	27.2	17.0	60%
− Underlying	32.2	24.5	31%
Basic earnings per share (pence)			
− Reported	16.33	11.21	46%
− Underlying	19.34	16.15	20%
Dividend per share (pence)	7.54	N/A	N/A

Underlying operating profit is adjusted for legacy scheme share based payments of £3.8 million (2009: £10.4 million)

Underlying profit before tax is adjusted for legacy scheme share based payments of £3.8 million (2009: £10.4 million) and exceptional amortisation of loan issue costs of £3.1 million (2009: £ nil). Profit after tax is further adjusted for tax of £1.9 million (2009: £2.9 million) arising on these items

Financial Highlights

• Group revenue growth of 12% to £325.8 million

• Underlying operating profit up 17% to £48.7 million with underlying operating margin rising by 0.8%

• 20% increase in underlying earnings per share to 19.34p

• Strong cash generation of £53.0 million - 109% cash conversion

• Net debt reduced to £2.2m (31 Dec 2009: £48.8 million)

• First full year dividend of 7.54p

Operational Highlights

• 12% increase in live policies to 11.2 million (2009: 10.0 million) driven mainly by expansion of UK Packaged Accounts

• Stable UK renewal rate, with Group rate of 75.9% (2009: 77.5%) due to mix effect as newer markets have lower renewal rates and the economic situation in Southern Europe

• New Business Partners include the AA, Banco Sabadell in Spain, Deutsche in Italy and India and Guangdong Development Bank in China

• Establishment of CPP Travel Services and Promotional Marketing following successful integration of Leapfrog's product portfolio

• Home emergency offer expanded, with new Business Partners for Home 3 joint venture including Homebase Retail Stores, BGL and Insure4Retirement

• Developing markets of Turkey, India, Mexico and China all progressing well and in line with management expectations. Total investment in start up losses in the Group's developing markets was £4.2 million (2009: £4.3 million).

Eric Woolley, Group Chief Executive, commented:

"I am pleased to report that, in its first year as a public company, CPP has delivered another year of excellent growth. This strong performance with revenue growth of 12% has been achieved against a challenging economic backdrop, confirming that our Life Assistance products are highly valued by our customers who are seeking to safeguard themselves against the anxieties and complexities of modern life. Our ongoing focus on operational efficiency has enabled us to both invest in future growth and deliver another increase in the underlying operating margin of 80 basis points.

“Our UK business continues to perform very well, driven by good revenue growth from our Packaged Accounts business and a stable renewal rate. Progress in our new developing markets, which offer significant longer term potential, has been encouraging and I was particularly pleased to see Turkey achieve maiden full-year profits.

“CPP is a fast growing international business with a proven track record, strong cash generation and a minimal level of net debt. Looking forward, whilst economic conditions remain challenging, we are excited by the opportunities we have around the world and the strong new business pipeline. This, together with our strong earnings visibility and proven track record, supports our expectation of further growth in 2011 and beyond.”

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Notes to editors:

CPP is a fast-growing and leading international Life Assistance business with operations in 15 countries in both developed and developing markets. CPP's products and services are designed to meet consumer needs across a range of requirements, in particular relating to credit and debit card ownership, personal identity, mobile telephones, travel and the home. The Group primarily focuses on providing customer assistance during stressful life events such as losing or having a wallet, purse, mobile telephone or keys stolen, as well as support in the event of identity theft.

Chairman's statement

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

Preparations for launching the IPO involved many, many hours of hard work by our professional advisers and by the CPP team in York. All involved in the IPO process deserve our gratitude. Although the IPO process was extremely time consuming, the management team continued to drive the growth of the business both domestically and internationally. New products were launched and new Business Partner Agreements were signed across the Group. This all contributed to Group revenue growth of 12% to £325.8 million and underlying operating profit growth of 17% to £48.7 million, continuing the Company's long term trajectory of profitable growth.

The evolution of CPP from a private company to one whose shares are listed publicly has involved many changes in the organisation. I was delighted to accept the offer to be Chairman in advance of the IPO in succession to our founder and controlling shareholder Hamish Ogston, who continues as a Non-Executive Director and to own 57% of your Company's shares. We are fortunate we will continue to have access to Hamish's experience and vision for the business. Colin Lloyd and Tim Kelly retired from the Board during the year, and Peter Morgan will retire at the end of March 2011. We owe them all a huge debt of gratitude and wish them well for the future. However, we are pleased to replace them with the appointment of three new Non-Executive Directors: Patrick De Smedt who worked for Microsoft for 23 years, Les Owen who was Chief Executive Officer of AXA Sun Life and AXA Asia Pacific for 11 years, and Duncan McIntyre who has been the Chairman of Monitise since its demerger in 2007. The new Non-Executive Directors bring to your Company a wealth of senior managerial and international experience and a detailed understanding of new technologies and how these are likely to impact your Company's business in the future.

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

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

Charles Gregson
Chairman
2 March 2011

Chief Executive Officer's review

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

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

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

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

Continuing to perform well

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

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

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

Global market growth

Northern Europe

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

Our mobile phone insurance business has performed well with growth coming from our new Packaged Account offering with RBS and higher sales with T-Mobile, particularly smartphone insurance. Renewing our contract with T-Mobile until 31 December 2011 was important, and we continue to have high level discussions with the merged T-Mobile business about potential future business opportunities.

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

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

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

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

Southern Europe

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

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

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

In Italy our priorities were to sign new Business Partners and to maximise revenue through existing products and services. We have succeeded in winning contracts to sell Card Protection with a number of new partners, including Deutsche Credit Card, Compass, Banca di Legnano, Diners Club Italia and Banca di Cividale. To maximise revenue through existing products and services, we launched a household version of Card Protection towards the end of the year.

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

North America

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

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

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

Asia Pacific

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

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

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

Management changes

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

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

Organisational culture

As a business, we continue to work on strengthening the link between performance and people management. We achieve this through our Group Engagement Survey, which we conducted twice in 2010. Data from this survey is used to measure the strength of the relationship between individuals' performance and their engagement with the company. The results are used to identify areas for improvement that will help us deliver sustainable business results. In 2010, our engagement scores recorded that 79% of employees were engaged and satisfied.

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

Technology

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

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

Future outlook

Thanks to the dedicated efforts of our employees across the Group, CPP has delivered another year of excellent growth. This strong performance with organic constant currency revenue growth of 10% has been achieved against a challenging economic backdrop, confirming that our Life Assistance products are highly valued by our customers who are seeking to safeguard themselves against the anxieties and complexities of modern life. Our ongoing focus on operational efficiency has enabled us to both invest in future growth and deliver another increase in the operating profit margin of 0.8%.

The outlook for our Northern European region remains positive. The success of our Packaged Accounts business in the UK points towards continued growth, as does the ongoing expansion of our Card Activation sales channel. After a challenging 2010, the outlook for Southern Europe is more positive and we hope to develop new Business Partner relationships. We expect our North America region to continue to deliver continued year-on-year revenue growth. Building on the successful launch of Card Protection in China and the continuing expansion of our Business Partner relationships in our other Asian markets, most notably India, the prospects for CPP in the region are very positive.

Looking forward, whilst economic conditions remain challenging, we are excited by the growth opportunities we have around the world and the medium term new business pipeline is encouraging as existing markets continue to develop and new markets open up. Together with our strong earnings visibility and proven track record, we look forward to further good progress in 2011 and beyond with confidence.

Financial review

Summary

	2010	2009	Growth
Revenue (£ millions)	**325.8**	292.1	12%
Gross profit (£ millions)	**136.7**	124.2	10%
Operating profit (£ millions)			
– Reported	**44.9**	31.1	44%
– Underlying (1)	**48.7**	41.5	17%
Profit before tax (£ millions)			
– Reported	**39.8**	24.8	60%
– Underlying (2)	**46.7**	35.2	33%
Reported earnings per share (pence)			
– Basic	**16.33**	11.21	46%
– Diluted	**16.03**	11.10	44%
Cash generated by operations (£ millions)	**53.0**	55.1	(4%)
Dividends (pence) (3)	**7.54**	N/A	N/A

(1) Excluding legacy scheme share based payments £3.8 million (2009: £10.4 million)
(2) Excluding legacy scheme share based payments £3.8 million (2009: £10.4 million), accelerated amortisation of debt issue costs £3.1 million (2009: £ nil)
(3) Comprises interim dividend paid and final dividend proposed

We have grown Group revenue by 12% year on year to £325.8 million (2009: £292.1 million), led by existing and new products and channels in Northern Europe. Underlying operating profit has also grown by 17% to £48.7 million (2009: £41.5 million) and underlying profit after tax has grown by 31% to £32.2 million (2009: £24.5 million).

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

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

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

Initial public offering

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

Group statutory results

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

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

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

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

Underlying financial performance

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

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

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

Investment in developing markets

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

Key performance indicators

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

(1) Underlying operating profit as a percentage of revenue

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

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

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

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

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

Regional performance

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

(1) Operating profits exclude legacy scheme share based payments and share of loss of joint ventures

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

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

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

Asia Pacific is an exciting market with significant potential for the Group. As expected for a developing region incurring start-up losses, the region had an operating loss of £2.3 million for the year (2009: £2.0 million). Constant currency revenue growth of 6% reflected success in India, where the addition of three new Business Partners (nine in total) drove revenue growth, but also external challenges in Malaysia, where the new credit card tax adversely impacted growth, and Hong Kong, where data privacy concerns have caused third party telemarketing to be suspended. Card Protection has now been launched in China, with a wholesale offering and retail pilot campaigns with two Business Partners. Initial performance of the campaigns is encouraging.

Investment in Home 3 joint venture

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

Tax

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

Cash flow

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

(1) Excluding legacy scheme share based payments
(2) Excluding repayment of loan notes
(3) Comprises share issue proceeds, proceeds from the exercise of share options, debt issue costs and repayment of loan notes
(4) Excluding effect of exchange rates and amortisation of debt issue costs
(5) Includes unamortised debt issue costs

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

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

Continuing investment

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

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

Dividend

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

Net debt

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

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

Principal risks and uncertainties

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

Geographic markets

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

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

Regulation

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

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

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

Business Partner relationships

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

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

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

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

Sales channel management

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

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

Data security, IT and telephony systems

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

The Group continues to invest significant capital in the maintenance, improvement and security of its IT and data management systems (applications, databases, platforms, telephony systems and networks) for its worldwide operations and for the security of customers' data. Key performance indicators of the Group's key supplier network, their equipment and services are actively and continuously monitored. The UK business, which operates the Group's international IT data and telephony networks, is ISO 27001 and the majority of countries in the group are PCI DSS (the payment card industry data security standard) certified.

Fraud

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

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

Financial risks

The Group's operations expose it to financial risks including foreign exchange, interest rate, liquidity, credit and insurance risks.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer's Review. The principal risks and uncertainties facing the Group and the actions taken by the Directors to address these are included above. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described above.

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

Shaun Parker
Chief Financial Officer

2 March 2011

Responsibility statement

The responsibility statement below has been prepared in connection with the Company's full Annual Report and Accounts for the year ended 31 December 2010. Certain parts thereof are not included within this announcement.

We confirm that to the best of our knowledge:

− The Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and

− The business review, which is incorporated into the Directors' report and the Strategy and Performance sections of the Annual Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Eric Woolley	**Shaun Parker**
Chief Executive Officer	Chief Financial Officer
2 March 2011	2 March 2011

Consolidated income statement

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

Basic and diluted earnings per share from continuing operations		**£**	£
Basic earnings per share	5	**16.33**	11.21
Diluted earnings per share	5	**16.03**	11.10

Consolidated statement of comprehensive income

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

Consolidated balance sheet

	Note	2010 £'000	2009 £'000
Non-current assets			
Goodwill		**16,536**	16,053
Other intangible assets	6	**22,055**	15,726
Property, plant and equipment	7	**15,389**	13,864
Investment in joint venture		**184**	50
Deferred tax asset		**3,809**	3,418
		57,973	49,111
Current assets			
Insurance assets		**21,493**	14,052
Income tax receivable		**96**	–
Inventories		**289**	159
Trade and other receivables		**30,275**	23,906
Cash and cash equivalents		**25,040**	52,379
		77,193	90,496
Total assets		**135,166**	139,607
Current liabilities			
Insurance liabilities		**(10,417)**	(8,997)
Income tax liabilities		**(6,266)**	(4,191)
Trade and other payables		**(69,321)**	(65,152)
Bank loans	8	**–**	(12,021)
Provisions		**(860)**	(1,524)
		(86,864)	(91,885)
Net current liabilities		**(9,671)**	(1,389)
Non-current liabilities			
Bank loans	8	**(27,199)**	(89,202)
Deferred tax liabilities		**(459)**	–
Provisions		**(859)**	(1,524)
		(28,517)	(90,726)
Total liabilities		**(115,381)**	(182,611)
Net assets/(liabilities)		**19,785**	(43,004)
Equity			
Share capital	9	**17,024**	15,152
Share premium account		**32,301**	–
Merger reserve		**(100,399)**	(100,399)
Translation reserve		**2,336**	1,995
Equalisation reserve		**6,196**	4,913
ESOP reserve		**9,599**	5,783
Retained earnings		**52,728**	29,552
Total equity attributable to equity holders of the Company		**19,785**	(43,004)

Consolidated statement of changes in equity

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

Consolidated cash flow statement

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

Notes to the condensed financial statements

1. General information

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

While the financial information included in this annual results announcement has been computed in accordance with the recognition and measurement criteria of International Financial Reporting Standards as adopted for use by the European Union ('IFRS') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company will publish full financial statements that comply with IFRS in March 2011.

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2010 or 31 December 2009, but is derived from the 2010 financial statements. Statutory financial statements for 2009 for CPP Group Plc prepared under IFRS have been delivered to the Registrar of Companies and those for 2010 for the Company will be delivered following the Company's Annual General Meeting. The auditors, Deloitte LLP, have reported on these financial statements; their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006. These 2010 financial statements were approved by the Board of Directors on 2 March 2011.

2. Accounting policies

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

The same accounting policies, presentation and methods of computation are followed in the condensed financial statements as were applied in CPP Group Plc's audited financial statements for the year ended 31 December 2009, except that the following Standards and Interpretations have become effective and have been adopted in these condensed financial statements. Their adoption has not had any material impact on the Group. No Standards or Interpretations have been adopted early in these condensed financial statements.

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

3. Segmental analysis

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

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

− Northern Europe (UK, Ireland, Germany and Turkey);

− Southern Europe (Spain, Portugal, France, Italy and Mexico);

− North America (USA); and

− Asia Pacific (Hong Kong, Singapore, Malaysia, India and China)

Segment revenues and performance have been as follows:

	Northern Europe 2010 £'000	**Southern Europe 2010 £'000**	**North America 2010 £'000**	**Asia Pacific 2010 £'000**	**Total 2010 £'000**
Year ended 31 December 2010					
Revenue – external sales	**234,945**	**46,718**	**38,479**	**5,661**	**325,803**
Cost of sales	**(137,682)**	**(25,689)**	**(22,154)**	**(3,552)**	**(189,077)**
Gross profit	**97,263**	**21,029**	**16,325**	**2,109**	**136,726**
Depreciation and amortisation	**(6,979)**	**(303)**	**(139)**	**(27)**	**(7,448)**
Other administrative expenses	**(54,722)**	**(10,266)**	**(10,319)**	**(4,392)**	**(79,699)**
Regional operating profit/(loss) before legacy scheme share based payments and joint ventures	**35,562**	**10,460**	**5,867**	**(2,310)**	**49,579**
Share of loss of joint venture					**(843)**
Legacy scheme share based payments					**(3,841)**
Operating profit after legacy scheme share based payments					**44,895**
Investment revenues					**341**
Finance costs – non-derivative instruments					**(5,482)**
Profit before taxation					**39,754**

	Northern Europe 2009 £'000	Southern Europe 2009 £'000	North America 2009 £'000	Asia Pacific 2009 £'000	Total 2009 £'000
Year ended 31 December 2009					
Revenue – external sales	204,878	47,507	34,784	4,933	292,102
Cost of sales	(120,822)	(24,114)	(19,942)	(3,004)	(167,882)
Gross profit	84,056	23,393	14,842	1,929	124,220
Depreciation and amortisation	(7,423)	(478)	(97)	(35)	(8,033)
Other administrative expenses	(48,871)	(11,666)	(9,567)	(3,876)	(73,980)
Regional operating profit/(loss) before legacy scheme share based payments and joint ventures	27,762	11,249	5,178	(1,982)	42,207
Share of operating loss of joint venture					(695)
Legacy scheme share based payments					(10,391)
Operating profit after legacy scheme share based payments					31,121
Investment revenues					706
Finance costs – derivative instruments					(1,641)
Finance costs – non-derivative instruments					(5,342)
Profit before taxation					24,844

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

4. Dividends

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

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

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

5. Earnings per share

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

Earnings

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

Number of shares

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

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

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

6. Other intangible assets

	Contractual arrangements with third Parties	Business relationships	Internally generated software	Externally acquired software	Total
	£'000	£'000	£'000	£'000	£'000
Cost:					
At 1 January 2009	–	–	10,197	11,319	21,516
Arising on acquisition of a subsidiary	–	2,118	–	265	2,383
Additions	4,744	–	1,985	1,920	8,649
Disposals	–	–	–	(30)	(30)
Exchange adjustments	–	–	(23)	(81)	(104)
At 1 January 2010	4,744	2,118	12,159	13,393	32,414
Additions	**8,109**	**–**	**2,344**	**2,821**	**13,274**
Exchange adjustments	**–**	**–**	**6**	**(15)**	**(9)**
At 31 December 2010	**12,853**	**2,118**	**14,509**	**16,199**	**45,679**
Accumulated amortisation:					
At 1 January 2009	–	–	5,292	6,996	12,288
Provided during the year	355	–	2,534	1,654	4,543
Disposals	–	–	–	(30)	(30)
Exchange adjustments	–	–	(22)	(91)	(113)
At 1 January 2010	355	–	7,804	8,529	16,688
Provided during the year	**2,714**	**158**	**2,068**	**1,989**	**6,929**
Exchange adjustments	**–**	**–**	**4**	**3**	**7**
At 31 December 2010	**3,069**	**158**	**9,876**	**10,521**	**23,624**
Carrying amount:					
At 31 December 2009	4,389	2,118	4,355	4,864	15,726
At 31 December 2010	**9,784**	**1,960**	**4,633**	**5,678**	**22,055**

7. Property, plant and equipment

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

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

8. Bank loans

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

	2010 £'000	2009 £'000
Repayments due within one year	**–**	13,372
Less: unamortised issue costs	**–**	(1,351)
Bank loans due within one year	**–**	12,021
Repayments due outside of one year	**28,000**	91,311
Less: unamortised issue costs	**(801)**	(2,109)
Bank loans due outside of one year	**27,199**	89,202

Analysis of repayments:

	2010 £'000	2009 £'000
Within one year	**–**	13,372
In the second year	**–**	13,616
In the third to fifth years	**28,000**	77,695
Total repayments	**28,000**	104,683
Less: unamortised issue costs	**(801)**	(3,460)
Total carrying value	**27,199**	101,223

On 24 March 2010 the Group repaid its existing bank loans early, using funds including proceeds from its IPO, the exercise of share options and new bank debt taken out during the period.

The new bank debt is in the form of a Revolving Credit Facility ("RCF"). The Group is entitled to roll over repayment of amounts drawn down, subject to all amounts outstanding falling due for repayment on expiry of the facility in March 2013.

The RCF bears interest at a variable rate of LIBOR plus a variable margin dependant on the net debt to EBITDA ratio of the Group. It is secured by fixed and floating charges on certain assets of the Group. The financial covenants of the RCF are based on the interest cover and leverage of the Group. The Group has been in compliance with these covenants since inception of the RCF.

At 31 December 2010 the Group had available £51.1 million (2009: £10.0 million) of undrawn committed borrowing facilities which expire in 2013 and on which all conditions precedent had been met.

9. Share capital

	2010 Number (Thousands)	**2010 £'000**	2009 Number (Thousands)	2009 £'000
Called-up and allotted: Ordinary Shares of 10 pence each				
At 1 January	**151,521**	**15,152**	151,521	15,152
Issue of shares in connection with:				
Incorporation of Company	**500**	**12**	–	–
Initial Public Offering	**12,766**	**1,277**	–	–
Exercise of share options	**5,829**	**583**	–	–
At 31 December	**170,616**	**17,024**	151,521	15,152

The Company was incorporated on 9 February 2010, and issued 500,000 ordinary shares on 11 February 2010 for consideration of £12,000.

On 24 March 2010, as part of a group reconstruction, the Company issued 151,520,832 10 pence ordinary shares to the shareholders of CPP Group Plc, the previous holding company of the Group, in exchange for 100% of the issued share capital of CPP Group Plc, without change to the identity or relative rights of the ultimate shareholders of CPP Group Plc. In accordance with the principles of merger accounting, the condensed financial statements present the Group as if these shares had been issued throughout the current and prior years.

On 24 March 2010 the Company also issued 12,765,957 10 pence ordinary shares for cash consideration of £30,000,000 via the IPO. Costs of the share issue of £4,413,000 have been charged to the share premium account.

The IPO offering represented a trigger event for vesting of the Group's legacy 2005 and 2008 ESOP arrangements. Consequently, 5,828,944 10 pence ordinary shares have been issued to option holders for total consideration of £8,570,000 during the period. Further details relating to share options are provided in note 10.

Net proceeds from issue of ordinary shares in the cash flow statement of £34,173,000 represent £25,587,000 from the IPO and £8,586,000 from the exercise of share options.

Of the 170,615,733 ordinary shares issued at 31 December 2010, 170,115,734 are fully paid and 499,999 are partly paid. The ordinary shares are entitled to the profits of the Company which it may from time to time determine to distribute in respect of any financial year or period.

All holders of ordinary shares shall have the right to attend and vote at all general meetings of the Company. On a return of assets on liquidation the assets (if any) remaining, after the debts and liabilities of the Company and the costs of winding up have been paid or allowed for, shall belong to, and be distributed amongst, the holders of all the ordinary shares in proportion to the number of such ordinary shares held by them respectively.

10. Share based payment

Legacy schemes
Legacy scheme share based payments in the income statement of £3,841,000 (2009: £10,391,000) arise from the Group's 2005 and 2008 ESOP Schemes and share based loan notes, which had been implemented in previous years to incentivise certain employees. Options in these schemes are exercisable at a price determined by the Board of Directors on the date of grant.

During 2009, the Group offered UK employees the opportunity to exercise options under the 2005 ESOP scheme in advance of the final vesting date, on condition that the post tax proceeds be rolled over as loan notes payable to employees. Early exercise of some of these options resulted in an additional charge for 2009 of £5,553,000. Costs in 2009 also include £2,699,000 arising from a modification to the terms of certain options.

The amount payable to employees on loan notes varies only if the market value of the Group falls below an agreed threshold. Other terms of the loan notes are broadly consistent with the options they replaced. The loan notes have therefore been accounted for as cash settled share based payments.

The IPO during the year represented a trigger event for the 2005 and 2008 ESOP Schemes. On the date of the IPO, 50% of the options outstanding vested, with 25% vesting in 2011 and 25% in 2012. Options lapse if not exercised within 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:

	2010		2009	
	Number of Share options (thousands)	**Weighted average exercise price (£)**	Number of share options (thousands)	Weighted average exercise price (£)
2005 ESOP Scheme (1)				
Outstanding at 1 January	**6,561**	**1.88**	7,465	0.82
Granted during the year	**–**	**–**	4,763	2.28
Forfeited during the year	**(65)**	**0.82**	(904)	0.82
Exercised during the year	**(2,877)**	**1.86**	(4,763)	0.82
Outstanding at 31 December	**3,619**	**1.93**	6,561	1.88
Exercisable at 31 December	**151**	**2.01**	–	–
2008 ESOP Scheme (1)				
Outstanding at 1 January	**7,388**	**1.66**	6,336	1.79
Granted during the year	**168**	**1.79**	1,300	1.02
Forfeited during the year	**(102)**	**1.79**	(248)	1.79
Exercised during the year	**(2,950)**	**1.46**	–	–
Outstanding at 31 December	**4,504**	**1.79**	7,388	1.66
Exercisable at 31 December	**212**	**1.79**	–	–

(1) As part of the Group reconstruction, each option over 1 share of CPP Group Plc was rolled over into an option over 16 shares in the Company, with equivalent terms to the option it replaced. Option numbers and prices in the table above have been restated to reflect the rolled over amounts.

The weighted average share price at the dates of exercise during the year was £2.45 (2009: £2.28).

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

The aggregate estimated fair value of the options granted during the year is £171,000 (2009: £3,012,000).

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

	2008 ESOP Scheme		2005 ESOP Scheme	
	2010	2009	**2010**	2009
Weighted average share price	**£2.35**	£1.79	**n/a**	£2.28
Weighted average exercise price	**£1.79**	£1.02	**n/a**	£2.28
Expected volatility	**43.00%**	40.02%	**n/a**	45.70%
Expected life	**1 year**	2 years	**n/a**	1 year
Risk free rate	**2.98%**	1.16%	**n/a**	0.27%
Expected dividend yield	**0.00%**	0.00%	**n/a**	0.00%

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

Post IPO plans

Other administrative expenses include £902,000 of charges (2009: £nil) arising from the Long Term Incentive Plan, the Restricted Stock Plan and the ShareSAVE Plan. Options have been granted during the year under the LTIP and RSP to incentivise certain employees. UK based staff have been invited to participate in the ShareSAVE Plan during the year.

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

	2010		2009	
	Number of share options (thousands)	**Weighted average exercise price (£)**	Number of share options (thousands)	Weighted average exercise price (£)
LTIP				
Outstanding at 1 January	**–**	**–**	–	–
Granted during the year	**1,323**	**–**	–	–
Forfeited during the year	**(52)**	**–**	–	–
Outstanding at 31 December	**1,271**	**–**	–	–
RSP				
Outstanding at 1 January	**–**	**–**	–	–
Granted during the year	**146**	**–**	–	–
Forfeited during the year	**(11)**	**–**	–	–
Outstanding at 31 December	**135**	**–**	–	–
ShareSAVE Plan				
Outstanding at 1 January	**–**	**–**	–	–
Granted during the year	**826**	**1.98**	–	–
Forfeited during the year	**(26)**	**1.98**	–	–
Outstanding at 31 December	**800**	**1.98**	–	–

Nil-cost options granted during the period under the LTIP 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 is also subject to achievement of performance criteria including earnings per share growth and total shareholder return over a three year period.

Nil-cost options granted during the period under the RSP become unrestricted after three years but may be withheld if holders cease to be employed by the Group before the shares become unrestricted.

Options granted during the period under the ShareSAVE Plan entitle option holders to contribute up to £250 per month to the plan. At the vesting date of either three or five years, option holders choose between return of their contributions in cash or purchase of shares at a discount to the market price on the date of grant. Options lapse and cash deposited is returned to option holders who cease to be employed by the Group during the vesting period.

The options outstanding at 31 December 2010 had a weighted average remaining contractual life of two years in the LTIP, two years in the RSP and four years in the ShareSAVE plan.

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

	ShareSAVE		LTIP		RSP	
	2010	2009	**2010**	2009	**2010**	2009
Weighted average share price	**£2.68**	n/a	**£2.62**	n/a	**£2.62**	n/a
Weighted average exercise price	**£1.98**	n/a	**£nil**	n/a	**£nil**	n/a
Expected volatility	**33.49%**	n/a	**33.67%**	n/a	**n/a**	n/a
Expected life	**4 years**	n/a	**3 years**	n/a	**3 years**	n/a
Risk free rate	**1.45%**	n/a	**1.94%**	n/a	**n/a**	n/a
Dividend yield	**3.28%**	n/a	**n/a**	n/a	**n/a**	n/a

The aggregate estimated fair value of the options and shares granted under the LTIP, RSP and ShareSAVE is £4,181,000 (2009: £nil).

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

11. Related party transactions and control

Ultimate controlling party
The Group is controlled by the Company's majority shareholder, Mr HM Ogston.

Transactions with associated undertakings
Transactions between the Group and its joint venture represent related party transactions.
The Group has undertaken the following transactions with its joint venture entity, Home 3:

	2010 £'000	2009 £'000
Costs rechargeable to Home 3 incurred by the Group	**366**	364
Balance receivable from Home 3 at 31 December	**27**	215

Remuneration of key management personnel
The remuneration of the Directors and Senior Management Team, who are the key management personnel of the Group, is set out below:

	2010 £'000	2009 £'000
Short term employee benefits	**3,986**	4,021
Post employment benefits	**161**	190
Termination benefits	**240**	178
Share based payments	**2,871**	6,764
	7,258	11,153

Cautionary statement

This announcement has been prepared solely to provide additional information to shareholders as a body to meet the relevant requirements of the UK Listing Authority. The announcement should not be relied on by any other party or for any other purpose.

The announcement contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of approval of the announcement but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Subject to the requirements of the UK Listing Authority, CPP undertakes no obligation to update these forward-looking statements and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this announcement.