Board of Directors

Charles Gregson

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

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

Paul Stobart

Chief Executive Officer and Member of the Nomination Committee

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

Shaun Parker

Chief Financial Officer and Member of the Risk & Compliance Committee

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

Hamish Macgregor Ogston, CBE

Founder and Non-Executive Director

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

Les Owen

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

Les Owen was appointed to the Board of CPP in September 2010. He worked for 35 years in retail financial services including 11 years as CEO of companies listed in the UK and Australia. Les is a qualified actuary and serves as Non-Executive Director on the boards of a number of national and international companies.

Duncan McIntyre

Non-Executive Director, Chairman of the Risk & Compliance and Remuneration Committees and Member of the Audit and Governance Committees

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

Corporate Governance statement

Introduction

The Board recognises the governance failings highlighted by the FCA investigation and significant investment has subsequently been made during the course of 2012 to review and improve this aspect of the business. Working with external consultants, we implemented a new Governance framework and strengthened the Compliance function in the UK. During 2013 we continue to work towards embedding these changes throughout the Group.

The Board

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

The Board comprises:

Charles Gregson as Non-Executive Chairman;

Paul Stobart as Chief Executive Officer;

Shaun Parker as Chief Financial Officer;

Hamish Ogston, Les Owen, and **Duncan McIntyre** as Non-Executive Directors.

All of the above served on the Board throughout the year.

Patrick De Smedt resigned as a Non-Executive Director on 15 November 2012.

The Board met 34 times during the year, which included a number of meetings to address the FCA investigation and the consequences for the Group, the sale of the North American business and the refinancing of the Group.

The Board operates within a formal schedule of matters reserved to it. This schedule is reviewed and updated on a regular basis. Other powers are delegated to the various Board committees and senior management. Details of Board and committee attendance during the year are set out in the table under the section headed "Directors' attendance at Board and committee meetings" on page 17. Details of the various roles and responsibilities of the Board committees are set out on pages 16 to 20. Papers for Board and committee meetings are circulated in advance of the relevant meeting and where a Director is unable to attend he continues to be provided with a full copy of the papers and has the opportunity to comment on the matters to be discussed.

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

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

Chairman and Chief Executive Officer

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

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

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

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

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

Board balance, independence and appointments

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

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

The Board has reviewed the independence of each of the Non-Executive Directors that have served on the Board throughout the year and concluded that Duncan McIntyre and Les Owen are independent. Hamish Ogston, founder and largest shareholder, is not considered independent.

Until the resignation of Patrick De Smedt (who also was considered to be independent) on 15 November 2012, the Board satisfied the Code requirement that at least half the Board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent.

Following the resignation of Patrick De Smedt the Board is actively seeking to recruit a further independent Non-Executive Director. In the meantime, the Board still meets the Code requirement for smaller companies 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.

On joining the Board, Non-Executive Directors receive a formal appointment letter, which identifies the time commitment expected of them. A potential director candidate is required to disclose all significant outside commitments prior to appointment and the Board has approved a policy requiring disclosure and approval by the Board of all additional appointments for Executive or Non-Executive Directors. The terms and conditions of appointment of Non-Executive Directors and service contracts of Executive Directors are available to shareholders for inspection at the Group's registered office during normal business hours.

Biographical details of all Directors are given on page 14.

Corporate Governance statement continued

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. An on-going programme of training is in place in the Group and members of the Board are encouraged to participate in this programme. Directors are also encouraged to devote an element of their time to self-development through available training. This is in addition to any guidance that may be given from time to time by the Company Secretary.

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

Performance evaluation

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

Re-election

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

The Code recommends that all Directors of FTSE 350 companies retire and are put up for re-election at the Annual General Meeting. Although not currently a FTSE 350 company, the Company considers this to be best practice and, accordingly, all the Directors offer themselves for re-election at the 2013 Annual General Meeting.

The Board explains the reasons why it believes each Director should be elected or re-elected in the Notice of Meeting for the next Annual General Meeting. The Board believes that its performance continues to be effective and that the election of Directors is consistent with the Board's evaluation of the size, structure and composition of the Board.

Relations with shareholders

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

The Chairman is responsible for ensuring that appropriate channels of communication are established between the Chief Executive Officer (and other Executive Directors) and shareholders and ensuring that the views of shareholders are made known to the Board. This includes feedback prepared by the Group's brokers on meetings held with institutional shareholders and, in addition, the Board is provided with an investor relations report at each Board meeting. The Company recognises the importance of ensuring effective communication with all of its shareholders. The Board seeks to present the Company's position and prospects clearly. An annual financial report is distributed to all shareholders and to other parties who may have an interest in the Group's performance. This report, together with a wide range of other information, including the half-yearly financial report, interim management statements, regulatory announcements and current details of the Company's share price, is made available on the Company's website at www.cppgroupplc.com.

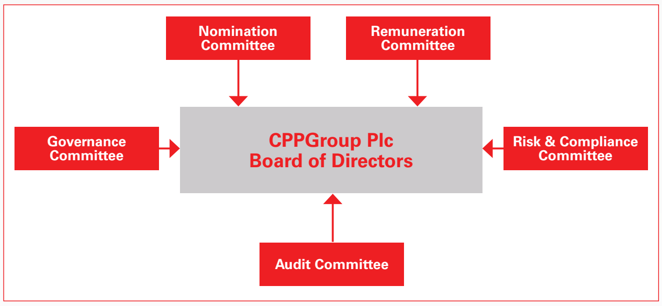
Insurance

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

Conflicts of Interest

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

Governance structure



Board committees

The Audit Committee, the Risk & Compliance Committee, the Nomination Committee, the Remuneration Committee and the Governance Committee are standing committees of the Board. The Company Secretary acts as Secretary to all of the Board Committees. The written terms of reference of the committees, including their objectives and the authority delegated to them by the Board, are available upon request from the Company Secretary or via the Group's website at www.cppgroupplc.com and are reviewed at least annually by the relevant committee and the Board. All committees have access to independent expert advice. The chairman of each committee reports to the Board.

Directors' attendance at Board and committee meetings

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

		Board	Audit Committee	Risk & Compliance Committee	Remuneration Committee	Nomination Committee	Governance Committee
Charles Gregson	Non-Executive Chairman	**34 (34)**	7 (7)	6 (7)	6 (6)	2 (2)	7 (7)
Paul Stobart	Chief Executive Officer	**34 (34)**					
Shaun Parker	Chief Financial Officer	**33 (34)**		7 (7)			
Duncan McIntyre*	Non-Executive Director	**29 (34)**	7 (7)	6 (7)	2 (2)		7 (7)
Hamish Ogston	Non-Executive Director	**34 (34)**					
Les Owen	Non-Executive Director	**30 (34)**	7 (7)	6 (7)	6 (6)	2 (2)	
Patrick De Smedt**	Non-Executive Director	**23 (30)**			4 (4)	1 (1)	

* Appointed as Chair of the Remuneration Committee 15 November 2012.

** Resigned from the Board, the Remuneration Committee and the Nomination Committee 15 November 2012.

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

Audit Committee

Chairman:
Les Owen (Independent Non-Executive Director)

Members:
Charles Gregson (Company Chairman)
Duncan McIntyre (Independent Non-Executive Director)

Key objective
Assist the Board in discharging its duties and responsibilities for financial reporting, corporate governance and internal control, to include monitoring the integrity of financial reporting systems and providing an interface between management and the external auditors.

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 risk management systems;
- 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;
- Monitor and review the effectiveness of the Company's Internal Audit function in the context of the Company's overall assurance system;
- Oversee the relationship with the external Auditor, including recommendations to the Board in relation to the appointment, re-appointment and removal of the external Auditor;
- Approve the 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; and
- Consideration of accounting policies.

Membership and meetings
It is a requirement of the Code that at least one member of the Audit Committee has recent and relevant financial experience. The Board considers that Duncan McIntyre meets this requirement.

In addition to Committee members, other individuals attend at the request of the Committee Chairman and during the year the external Auditor, senior management, Chief Executive Officer, Chief Financial Officer and Head of Internal Audit would usually attend meetings to report to the Audit Committee and provide clarification and explanations where appropriate. The Audit Committee also meets with the Head of Internal Audit and the external Auditor without executive management present on a regular basis.

Main activities of the Committee during the year:
During the year the Audit Committee discharged its responsibilities by performing the following activities:

Financial statements
During the financial year and up to the date of this report, the Audit Committee reviewed and discussed the financial disclosures made in the annual results announcement, the Annual Report and Accounts, and the half-yearly financial report, together with any related management letters, letters of representation and reports from the external Auditor. Significant financial reporting issues and judgements were considered, together with any significant accounting policies and changes proposed to them.

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

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

Corporate Governance statement continued

During the year the Audit Committee has reviewed detailed reports covering the planning and results of external audit work, which included challenge to management's assumptions. In addition, the Audit Committee considered a review of the external Auditor's client service provision and arrangements for partner rotation. In line with ethical standards, having completed the maximum term allowed under the regulations, Stephen Williams stepped down as lead audit partner following completion of the 2011 audit report, and the role was taken up by Chris Powell. The Audit Committee is satisfied with the performance of the external Auditor during the year and the policies and procedures in place to maintain their objectivity and independence. Having considered the quality, objectivity and independence of the audit teams and their work completed across the Group, the external Auditor's reporting and the levels of communication and service, the Audit Committee has recommended that Deloitte be re-appointed at the forthcoming Annual General Meeting.

Auditor's independence and objectivity

The external Auditor provides some non-audit services, primarily in the provision of taxation and in relation to corporate transactions that may arise from time to time. The level of non-audit fees as a proportion of the total fees paid to Deloitte was higher in 2012 due to an unusual level of non-recurring reporting, regulatory and corporate activity, all of which is work that would normally fall to the Company's auditors.

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

- Formal guidance on the use of the Auditor for non-audit work has been agreed by the Audit Committee. In summary, this ensures that work would usually only be awarded when, by virtue of the Auditor's knowledge, skills or experience, the Auditor is clearly to be preferred over alternative suppliers;
- The Audit Committee receives and reviews each year an analysis of all non-audit work awarded to the Auditor over the financial period; and
- The Audit 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.

Internal Audit

The Audit 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 Audit Committee at quarterly intervals.

The current Head of Internal Audit is an interim manager who has worked in internal audit in the financial services sector for 22 years and the team comprises a further two auditors. The Audit Committee has assessed the resources the department has to complete its remit and has approved the use of external consultants to supplement it, particularly in areas requiring specialist skills, including Information Technology, Remuneration Policy and Prudential Regulation.

The appointment and removal of the Head of Internal Audit is the responsibility of the Audit 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 regularly with it, without executive management present.

Following the separation of Internal Audit from Risk Management on 30 June 2012 an internal audit methodology was field tested, then revised by 31 October 2012.

Other activities

During the year other significant activities addressed by the Audit Committee were as follows:

- Review of Internal Audit terms of reference;
- Review of regular reports from the Head of Internal Audit;
- Review of the Audit Committee's own terms of reference;
- Review of the Group's Going concern status;
- Renewal of the Group's lending arrangements; and
- FCA interactions.

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

The Audit Committee is charged with ensuring that appropriate arrangements are in place for employees to be able to raise matters of possible impropriety in confidence.

A formalised whistle-blowing policy and procedure for staff to raise issues regarding possible improprieties in matters of financial reporting or other matters has been established and was reviewed during the year. An alternative reporting channel also exists whereby perceived wrongdoing may be reported via telephone to an external third party.

The Committee is also responsible for monitoring the effectiveness of the Group's whistle-blowing procedures and any notifications made.

The Audit 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.

Risk & Compliance Committee

Chairman:
Duncan McIntyre (Independent Non-Executive Director)

Members:
Charles Gregson (Company Chairman)
Les Owen (Independent Non-Executive Director)
Shaun Parker (Chief Financial Officer)

Key objective:
To assist and advise the Board in identifying the Group's overall appetite for risk, to review and monitor the Group's risk profile, risk concentrations and exposures as well as emerging and future risks and to oversee the effectiveness and timeliness of management actions.

Key responsibilities:

- Review reports and recommendations regarding the Group's overall 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;
- 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 & compliance culture;
- Review any significant new business partners; sectors or channels; and new products or material variation to existing products to ensure that appropriate assessment of the risk impact has been undertaken alongside commercial aspects and capital requirements;

- Keep under review the Group's Information Security Policy, and appropriate accreditations; and
- Keep under review the adequacy and effectiveness of the Group's Control functions and the timeliness and effectiveness of management actions.

Membership and meetings
The Risk & Compliance Committee met for the first time on 22 March 2012 and a total of six meetings were held during the year.

In addition to Committee members, other individuals attend at the request of the Committee Chairman and during the year, senior management, the Head of Risk, Head of Compliance and Head of Information Security have attended meetings to report to the Committee and provide clarification and explanations where appropriate.

Main activities of the Committee during the year:
Specific matters dealt with during the year include:

- Approval of the Committee's terms of reference;
- A review of the Group's internal control and risk management systems;
- Review and update of the Group's Risk Strategy and Risk Appetite statements to reflect the current operating environment of the Group;
- Appointment of a dedicated Head of Risk;
- Oversight of re-structuring of QA and Compliance functions; and
- Oversight of a project to review UK governance and compliance arrangements.

Nomination Committee

Chairman:
Charles Gregson (Company Chairman)

Members:
Les Owen (Independent Non-Executive Director)
Paul Stobart (Chief Executive Officer)

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

Key responsibilities:

- Carry out a formal selection process for Executive and Non-Executive Directors and propose to the Board any new appointments (including recommending Directors appointed during the year for election by shareholders at the Annual General Meeting after their appointment). Ultimate responsibility for the appointment of Directors resides with the Board;
- Oversee succession planning for Directors and senior managers below Board level;
- Regularly review the structure, size and composition (including the skills, knowledge experience and diversity) required of the Board and make recommendations to the Board with regard to any change;
- Make recommendations to the Board in respect of membership of the Audit, Risk & Compliance, Remuneration and Governance Committees in consultation with the Chairmen of those Committees; and
- Make recommendations to the Board on the reappointment of any Non-Executive Director at the conclusion of their specified term of office, with due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required.

Membership and meetings
Patrick De Smedt was a member of the Committee during the year until his resignation on 15 November 2012, Paul Stobart was appointed to the Committee with effect from 30 January 2013, and Charles Gregson and Les Owen served as members throughout the year. In addition to Committee members, other individuals and external advisers attend at the request of the Committee Chairman. During the year, the Chief Financial Officer, Chief Executive Officer (prior to his appointment to the Committee) 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:
During the year the Nomination Committee considered the following principal items:

- A review of the current structure, size and composition of the UK Regulated Companies' Boards; and
- Leadership and succession planning.

Diversity

The Board considers itself diverse in terms of the background and experience each individual member brings to the Board, although recognises the benefits that greater diversity at the most senior levels of the Company may bring. With this in mind, the Terms of Reference of the Nomination Committee require that in each appointment to the Board, the Nomination 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.

Governance Committee

Chairman:
Charles Gregson (Company Chairman)

Members:
Duncan McIntyre (Independent Non-Executive Director)
John Titchener (Group General Counsel and Company Secretary)

Key objective:
To review governance procedures in the Group to ensure they are fit for purpose and consistent with current best practice and to make recommendations to the Board about governance procedures.

Key responsibilities:

- Recommend governance arrangements to the Board that enable the Group to have sound and effective systems and controls for governance and oversight, comply with relevant legislation and regulations, and adopt proportionality in recommended best practice in corporate governance;
- Consider, determine and review governance policies with regard to corporate governance, ethics, business principles, international trading regulation issues and data preservation and protection in the UK and other territories;
- Receive regular reports on the effectiveness of, and compliance with, governance policies by the legal entities, committees, lines of business, management, employees and agents;
- Review the governance structure within lines of business, including the approval of the terms of reference of any committee or forum; and
- Manage conflicts of interest.

Corporate Governance statement continued

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

Main activities of the Committee during the year
During the year the Committee has dealt with the following matters:

- Composition of Regulated Company Boards and Conflicts of Interest management;
- The Group's compliance procedures and controls;
- The form and content of Board reporting and management information;
- Oversight of a project to review the UK compliance and governance framework;
- Review of governance of the overseas businesses; and
- FCA interactions.

Remuneration Committee

The full details of the composition and work of the Remuneration Committee are provided in the Remuneration Report set out on pages 30 to 35.

Internal control

The Board has overall responsibility for the Group's system of internal control and for monitoring its effectiveness. The Audit Committee has been in operation throughout the year and the Risk & Compliance Committee since March 2012. These Committees oversee the Group's system of internal control. Material risk or control matters, together with the appropriate remedial action, are reported to the Board by the Risk & Compliance Committee and/or the Audit Committee. The Board monitors the on-going process by which critical risks to the business are identified, evaluated and managed. This process is consistent with the Turnbull Guidance on Internal Control and the revised guidance issued by the Financial Reporting Council in October 2005, and has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. The key elements of the Group's system of internal control include regular meetings of the subsidiary company boards, together with annual budgeting, monthly financial reporting, key performance indicators and operational reporting for all businesses within the Group.

Compliance is monitored by management, the Group's Compliance and Risk Management departments, Internal Audit and, to the extent it considers necessary to support its audit report, the external Auditor. Included in the description of Regulatory risk on page 25 are the actions and initiatives taken by the Board to improve the effectiveness of its regulatory compliance, some of which are currently in train.

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

- Established procedures, including those already described, which are in place to manage perceived risks;
- Reports by management to the Board on specific aspects of the Group system of internal control and significant control issues;
- The continuous Group-wide process for formally identifying, evaluating and managing the significant risks to the achievement of the Group's objectives; and
- Reports to the Audit Committee and the Risk & Compliance Committee on the results of internal audit reviews and work undertaken by other departments including Risk Management, Compliance and Information Security.

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

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

Lines of responsibility and delegated authorities are clearly defined.

The Group's policies and procedures are regularly updated and distributed throughout the Group. The Audit Committee and the Risk & Compliance Committee receive reports on a regular basis on compliance with the Group's 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 to 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 identified failings or weaknesses. In response to some of the findings of the FCA investigation, significant investment was made during 2012 to review and improve the Governance of the business. Working with external consultants, we implemented a new Governance framework and strengthened the Compliance function in the UK. During 2013 we continue to work towards embedding these changes throughout the Group.

Homecare Insurance Limited and Card Protection Plan Limited (insurance and insurance intermediary companies of the Group respectively) are subject to regulation by the FCA and as such undertake a solvency/capital adequacy assessment process 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 from time to time. The assessments include consideration of the risks that the Group's business faces in its operating environment, the assessment of the likelihood of the risks crystallising and their potential materiality and the effectiveness of the control framework in mitigating each risk.

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

Homecare Insurance Limited is subject to the European Commission's Solvency II Directive. 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. The implementation date for the Directive is uncertain.

During the year Homecare Insurance Limited entered into a three year outsourcing contract with a reputable third party to secure operational capability independent from other Group companies. This investment significantly reduces the operational risk that Homecare Insurance Limited faced in relying entirely on other Group operations. The outsourcing contract also gives Homecare Insurance Limited independent Business Continuity Protection in case its existing operations are disrupted.

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

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

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

In June 2012 the FCA presented a Risk Mitigation Plan (RMP) to the Boards of Card Protection Plan Limited and Homecare Insurance which identified certain weaknesses in the internal control systems of those companies. Specific actions taken to address those perceived weaknesses include:

- A full review of the Group's Governance and Compliance functions, resulting in the implementation of a new governance framework and a re-structuring of the Group's Compliance and Quality Assurance teams, to ensure greater independence and objectivity;
- Implementation of new Board reporting packs with improved management information ensuring greater transparency;
- Separation of Risk and Internal Audit functions and appointment of dedicated heads of each of those teams;
- Appointment of an independent third party to provide a Business Continuing Plan for Homecare Insurance Limited (described in more detail on page 20);
- Group Risk & Compliance and Audit Committees separated and a UK-specific Risk Committee appointed;
- New Business Incident Management system implemented in the UK; and
- A detailed transition plan, including these and other actions, agreed with the FCA and progress reviewed with them on a regular basis.

Compliance with the UK Corporate Governance Code 2010

The Directors consider that the Company has been in full compliance throughout the year with the provisions set out in the UK Corporate Governance Code (the Code), as published by the Financial Reporting Council in May 2010 and available on its website www.frc.org.uk except as described below:

The Board has not appointed a Senior Independent Non-Executive Director. A decision as to who should take up the role of Senior Independent Non-Executive Director remains under consideration by the Board.

Following the resignation of Patrick De Smedt the Board does not meet the requirement that at least half of the Board members should be independent, non-executive directors, although it continues to meet the Code requirement for smaller companies that at least two members of the Board are independent non-executive directors.

The Directors are not subject to annual re-election. The Articles of Association of the Company require a Director appointed during the year to be reappointed at the next annual general meeting of the Company. In addition, all Directors are reappointed no less frequently than every third annual general meeting. The Board, however, has agreed to be subject to annual election at this year's Annual General Meeting as referred to on page 16.

Going concern

In reaching their view on the preparation of the Group's financial statements on a going concern basis, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. Having taken external advice in this regard, the Directors have considered the risks and uncertainties facing the Group, which include trading, customer redress, liquidity and the ability to finance and repay debt together with actions taken by the Directors to address them. In this assessment the Directors have inter alia taken the following into consideration:

Operational and trading matters

- The Group's business activities, together with the factors likely to affect its future development, performance and position which are set out in pages 1 to 13. The trading results, particularly in the UK, have been and will continue to be adversely affected by the agreement of the Group's subsidiaries Card Protection Plan Ltd (CPPL) and Homecare Insurance Limited (HIL) with the FCA to the VVOPs in November 2012. Amongst other requirements, the VVOPs do not permit CPPL or HIL to make new sales of regulated retail products. CPPL and HIL make up the majority of the Group's sales in the UK and in certain EEA countries specifically, Italy, Ireland and Portugal. In addition, the CPPL customer redress exercise agreed with the FCA and scheduled to be implemented later in 2013, together with the associated publicity, will have an adverse impact on the Group's ability to generate new business and renew business with existing customers.
- Actions taken by the Group to right-size operations including the closure of the Chesterfield site in the UK, redundancy programmes in the UK, some streamlining of the Group's organisational structure to remove redundant management roles and reductions in planned capital expenditure, all of which have reduced costs. The Group expects to carry out a number of further cost reduction initiatives and there is a risk that following these initiatives, operational resources may be impacted adversely in the short term, preventing the business from continuing to operate effectively.

Regulatory issues and customer redress uncertainties

- The potential impact of customer redress on the continued resources which may be required by the business, including a number of assumptions around the size of population and customer response rates within a redress exercise. There is a risk that the response rates and the size of population may reach a level which cannot be funded under the revised funding arrangements. Although it is anticipated that the Scheme will become effective in the second half of 2013, it is not certain that the Scheme will proceed.
- The Directors have identified and disclosed contingent liabilities which are detailed in note 35 of the financial statements. These contingencies relate to uncertainty in some of the Group's operations and the industry in which it operates in the UK. These include possible industry-wide action by the FCA with regard to products that the UK business sells together with an industry-wide thematic review by the FCA into MPI products which could result in other claims or matters being raised against the Group. However, at present the FCA has not expressed any final view and as a result the Directors have determined that no definitive conclusions can be formed at this stage.

Corporate Governance statement continued

Uncertainties relating to liquidity and funding

- The financial position of the Group, its cash flows, liquidity position and existing borrowing facilities which are described on pages 9 to 13. The Group's liquidity has been impacted by the maturity of the revolving credit facility, the requirement to fund redress, and the CPPL and HIL VVOPs which restrict the disposition of their assets, which has resulted in significant cash balances being held and maintained in these entities. The Group's liquidity is further restricted by the terms of the extended short term financing facility by an undertaking to maintain £12 million in a blocked account within CPPL. It is anticipated that this restriction will be removed as part of any longer term financing and the Directors have a reasonable expectation that liquidity will be sufficient, noting that if negotiations relating to the longer term financing become protracted beyond the expected timetable it will become more difficult to meet the undertaking in relation to the aforementioned £12 million.
- Following the maturity of the existing debt facility at 31 March 2013, the Group has agreed to an extension of its borrowing facilities to 30 September 2013. The extension of the funding agreement is dependent on the completion of the disposal of the North American business as a condition subsequent, this disposal is subject to shareholder approval at a General Meeting scheduled for 3 May 2013. The gross cash consideration of the disposal of $40 million (approximately £26.1 million) will be utilised in part to reduce the Group's borrowings from £43.5 million at 31 December 2012 to £25 million. The majority of costs associated with the disposal have already been incurred. Although the Group's majority shareholder, Mr Hamish Macgregor Ogston CBE, has made an irrevocable commitment to vote in favour of the disposal, there remains a residual risk that circumstances prevent the completion of the disposal, for example due to a material adverse change to the North American business. However, the Directors consider this is unlikely. The Directors believe that there is a reasonable prospect that they will be able to secure longer term funding during the extended debt facility and before the date of its expiry on 30 September 2013. The Group continues to engage in discussions with Barclays, RBS and Santander, together with its major shareholder to refinance the Group for a three year term. There is a risk that the lenders or Mr Hamish Macgregor Ogston CBE cannot agree to the conditions of the three year financing.

Given the possible impact of the operational and trading uncertainties, regulatory issues and customer redress uncertainties, and uncertainties relating to liquidity and funding as noted above, there is material uncertainty that casts significant doubt as to the Group and Company's ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. As a result of this material uncertainty the Audit report on page 36, whilst unqualified, includes an emphasis of matter in this regard.

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

Principal risks and uncertainties

The Group's risk management framework is designed to identify and assess the likelihood and consequences of risk and to manage the actions necessary to mitigate their impact.

In 2012, the Group split the responsibilities for risk management and internal audit and set up the new Group Risk & Compliance Committee (GR&C). In addition the risk management function has spent considerable time working with the business, particularly in the UK, to embed a robust risk management culture and approach. The result of this has been greater focus on root cause analysis and greater transparency of the risks reported to and considered by the GR&C.

Set out below are the known principal risks and uncertainties which could have a material impact on the Group, together with the corresponding mitigating actions that have been taken. Additional risks not currently known, or which are currently regarded as immaterial, could also affect future performance.

Going concern

Status	Risk	Nature of risk and potential impact	Mitigation
▲	Financial, Regulatory, Operational	The Group has faced, and continues to face, a number of significant financing, operational, regulatory and strategic challenges. The Group faces these challenges at the same time, increasing the risk that the Group at some point in the future, may not be able to continue to operate as a going concern. The risks described below detail the matters that the Directors are seeking to resolve. If one or a combination of these risks fully crystallises, this will challenge the going concern status of the Group. The refinancing arrangements currently in place are subject to conditions, the meeting of which would be threatened by the risks below increasing or crystallising.	Improvements already made and planned for the future in the Group's governance, operations and relationships with regulators in the UK, reduce the likelihood of the risks materialising. The possible de-listing of the Group and the potential to secure a longer term refinancing may provide solutions to the on-going issues faced by the Group.

▲ Risk profile increased year-on-year
— Risk profile no change year-on-year
▼ Risk profile decreased year-on-year

Principal risks and uncertainties continued

Financial risks

Status	Risk	Nature of risk and potential impact	Mitigation
	Liquidity/Capital	Details of the Group's arrangements to address its working capital requirements are included in the publicly available shareholder circular dated 17 April 2013. Details of the risks associated with the re-financing of the Group are incorporated in this document, which include the risk to liquidity resulting from any possible de-listing and the relatively short term nature of the Group's financing arrangements. The revised arrangement provides short term financing for the Group, although there can be no longer term certainty that the Group will remain a going concern. At the same time there can be no absolute certainty that the potential agreements tabled in the circular will be satisfactorily concluded. The Group may face additional risk from reputational damage as a result of adverse publicity which may impact on the revised business model being capable of generating sufficient revenue. The on-going uncertainty increases the likelihood that other risks highlighted in this report will crystallise during 2013 with the likelihood of reduced revenue, a less diversified business and reduced operating costs leading to the possible loss of key personnel.	Leading up to the expiry of its existing credit facility on 31 March 2013 the Group was in lengthy discussion with its lenders and potential investors. As reported elsewhere, this resulted in the sale of the North American business and the agreement of an extended facility to 30 September 2013. The Group is discussing a potential three year refinancing arrangement with its lenders and with Mr Hamish Macgregor Ogston CBE, who has also made an approach and is considering buying the shares not already owned by him and returning the firm to private ownership. The extended facility will allow the Group time to reduce its cost base and reposition the business model in order to achieve this longer term strategic financing solution.

Market risks

Status	Risk	Nature of risk and potential impact	Mitigation
	Economic and political	The Group operates in a number of countries including some in the Eurozone. This means that the Group is exposed to economic, political and business risks such as global recession, sudden regulatory change, currency controls and volatility of taxes.	The Group Executive Committee (GEC) and Group Operations Committee (GOC) monitor macro-economic trends, industry specific and internal indicators. Operating in diversified geographic markets mitigates the risk of over-exposure to any one country. As part of its business planning process the Board reviews contingency planning and scenario modelling.
	Competitive markets	The Group operates in a very competitive market place where customer decisions are typically based on quality, price and service. New entrants or consolidation of existing competitors could restrict the Group's ability to meet its strategic objectives. There is a risk going forward that the Group may place reliance on operating with new products in new, untested markets which may not prove successful.	The GEC keep a close watch on market activity. The Group's strategy is to place the customer at the heart of its consideration of any potential developments The Group constantly seeks new distribution partners and conducts research and strategy planning towards innovative product development. The UK business is developing a suite of assistance products to sell through a range of distribution channels.

Operational risks

Status	Risk	Nature of risk and potential impact	Mitigation
—	Regulatory	**FCA fine and VVOP restrictions**: As reported in updates through the year, 2012 saw the conclusion to the FCA investigation. As publicised, this has resulted in a significant fine of £10.5 million, an extensive customer redress programme, yet to commence, and the restriction on the Group's UK based regulated subsidiaries preventing the sale of their retail products in the UK and EEA European Economic Area) jurisdictions. There are still a number of outstanding matters to be addressed with the FCA before the UK can be confident that the VVOP restrictions will be lifted and there will be no further intervention from FCA in respect of regulatory breaches. The new sales restrictions on the UK business continue to have a significant negative impact on revenue. **Customer redress:** Current work on the Scheme of Arrangement to manage the redress programme for the mis-selling of Card Protection and Identity Protection products in the UK has made certain assumptions around the size of the population and the anticipated customer response rates. There is a risk that these assumptions will be materially exceeded and result in the Group not being able to meet its liabilities for customer redress with an associated impact on the Group's going concern status. **Future FCA action:** Although the Group has worked closely to address issues identified by the regulator, there can be no certainty the FCA will not seek to pursue further action against parts of the Group. There is still a risk that the FCA's thematic review of the sale of MPI could result in new action against HIL and that this action could impair HIL's regulatory capital position. **Licence to trade:** The Group has a legal obligation to have sufficient insurance arrangements in place to cover the potential risks associated with the nature of the business. There is a risk that, as a direct result of the legacy issues currently being managed in the UK, the Group will be unable to acquire the Professional Indemnity insurance required for it to continue to carry out business. **Operations outside the UK:** Given that the Group operates in a number of different regions across the world, there is the risk that an operating unit may not be in compliance with local regulations and that it may suffer an investigation from local regulators.	The Group Board and senior management are in constant communication with the FCA with a view to concluding the necessary outstanding actions. A separately managed team, led by an experienced senior executive, has been established to work closely with the administrators of the Scheme of Arrangement to ensure a properly managed conclusion to the redress programme and to manage the impacts of any variation in anticipated claims. The UK business has worked closely with the FCA on a series of agreed improvement activities and to date has delivered in excess of 90% of the agreed improvements. The Group Board is committed to providing customers with value for money products and services. As such, during 2012, a complete review of the product development and sales process has been conducted in the UK. In addition the Group has strengthened its internal governance processes, increasing the resources in Compliance, separated Risk Management and Internal Audit, employed experienced interim resources to manage the risk and audit functions and restructured reward packages across the Group to reflect the importance of risk and compliance. New processes have been introduced in the UK to support the identification and addressing of systemic weaknesses to ensure that the UK business is positioned to operate in a fully compliant manner. At the same time the Board recognises the need to further improve its oversight of activities in the territories outside the UK and has already taken steps to ensure that it has improved management information.

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Principal risks and uncertainties continued

Operational risks continued

Status	Risk	Nature of risk and potential impact	Mitigation
	Key Supplier Contracts	The business model remains as previously reported and as such the Group places considerable reliance on suppliers external to the Group for the fulfilment of services. Due to the nature of the operations there are occasions where the Group has an exposure to a single supplier and is at risk from the failure of that supplier. This risk is currently crystallising in the UK where suppliers are expressing concerns about the financial stability of the Group. There remains the risk that on-going uncertainty could result in key suppliers withdrawing services or materially altering credit terms. Such changes could also impact on the liquidity of the Group.	The Group has taken the opportunity, as part of the operational review above, to improve its controls over suppliers and where possible consider ways to mitigate the risks posed by exposure to a single supplier. This has included identifying and contracting with alternative suppliers.
	Business Partner Retention/ Attraction	The reputational damage arising from the publicity of the regulatory actions in the UK and, in addition, the sales restrictions on the Group in the UK and EEA jurisdictions may result in increased difficulty to retain commercial relationships or create new partnerships. Clearly this may have a detrimental impact on anticipated future revenue.	The Board and senior management team are working on a new strategy for the UK that includes the development of new innovative products, new market sectors and diversified channels to market.
	Data Security	The nature of the Group's business means that either the Group or its key Business Partners retain a considerable amount of sensitive data on behalf of its customers. Any breach of data security may result in a significant adverse impact on customers and damage to the reputation of the Group.	As previously reported, the Group continues to invest considerable time and resources into the protection of customer data. The Group has a dedicated information security team that support the design and implementation of solutions which meet PCI DSS standards. The Group continues to progress recommendations to further improve the security of business and customer data and to address recently identified areas for improvement.
	People & Resources	There is a risk that the repositioning and subsequent restructuring of the Group required to address its on-going running costs may result in key resources leaving the Group. The potential significant restructuring of the Group will inevitably result in a significant loss of capability and business knowledge as changes are made at all levels within the Group. Furthermore, the on-going uncertainty surrounding the future of the Group may make it difficult to attract and retain the skilled employees required to take the Group forward.	Any organisational restructure will go through a rigorous risk assessment to ensure that the Group is positioned to deliver both its short and longer term objectives. The announced loss of Business Partners, particularly in the UK, provides the Group with the opportunity to re-evaluate the resource requirements and the skills required for the business. These will be matched against new products being developed by the business.

Directors' report

The Directors present their Annual Report and audited financial statements of the Group for the year ended 31 December 2012.

Principal activities

The principal activities of the Group during the year were the provision of Life Assistance products with operations in the UK and overseas. CPP's products and services are designed to meet a range of consumer needs, in particular relating to credit and debit card ownership, personal identity, mobile telephones, travel and the home. CPP is also active in the provision of Packaged Accounts where products and services are sourced to create a tailored package for bank account customers. The activities of the Group primarily focus on providing customer assistance during stressful life events such as loss or theft of a wallet, purse, mobile telephone or keys, as well as support in the event of identity theft.

Further details of the Group's activities and a review of the business are set out in the Group overview and Operating review sections of the Annual Report on pages 1 to 13.

Details of the key performance indicators used by the Directors to assist in management of the business and to provide evidence of the achievement of its strategies are included on page 1.

A description of the principal risks and uncertainties facing the Group is included in the Principal Risks section of the Annual Report on pages 23 to 26.

Information relating to the environment and employees is included in the Chief Executive Officer's review on pages 3 and 4.

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

Dividends

The Directors recommend that no final dividend be paid in respect of 2012. The total dividend paid for the year is nil (2011: 2.42 pence per ordinary share).

Directors

In accordance with the Company's Articles of Association, Paul Stobart, who was in his first year in office, retired from the Board at the Company's Annual General Meeting on 16 May 2012. Being eligible, he offered himself for re-election and was re-appointed on 16 May 2012. All other serving Directors also retired from the Board at the Annual General Meeting on 16 May 2012 and, being eligible, all offered themselves for re-election and were re-appointed on 16 May 2012.

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

Charles Gregson	Chairman	
Paul Stobart	Chief Executive Officer	
Shaun Parker	Chief Financial Officer	
Hamish Ogston	Non-Executive Director	
Les Owen	Non-Executive Director	
Patrick De Smedt	Non-Executive Director	(resigned 15 November 2012)
Duncan McIntyre	Non-Executive Director	

Details of powers of Directors, procedures for appointment and re-election of Directors, Directors' indemnity insurance and procedures for managing Directors' conflicts of interest are included in the Corporate Governance statement on pages 15 to 22.

Biographical details for each Director are set out on page 14. Details of committee memberships are set out on pages 15 to 21 of the Corporate Governance statement.

Details of Directors' beneficial interests in and options over the Company's shares are set out in the Remuneration report on pages 30 to 35.

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

AGM

The Annual General Meeting of the Company is to be held on 17 June 2013. The notice of the Annual General Meeting and an explanation of the non-routine business are set out in the explanatory circular that accompanies this Annual Report. The notice of the Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the meeting.

Capital structure

Details of the issued share capital, together with movements in the Company's issued share capital for the period, can be found in note 32 to the financial statements. The Company has one class of capital, ordinary shares, which carry no right to fixed income. Each fully paid share carries the right to one vote at a general meeting of the Company.

Details of the Group's employee share schemes are set out in note 33.

A special resolution was passed at the Company's Annual General Meeting on 16 May 2012 which allows the Directors to allot shares up to an aggregate amount equal to one third of the Company's existing issued ordinary share capital.

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

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

Change of control provisions

Some agreements to which the Company or its subsidiaries are a party may be at risk of termination by counterparties in certain restricted circumstances in the event of a change of control of the Company. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Supplier payment policy

The Group's policy is to agree terms of payment with all suppliers, ensure that these terms are understood, and abide by the agreed terms of payment. At 31 December 2012 invoiced trade creditors were equivalent to 20 days' purchases (2011: 18 days), based on the average daily amount invoiced by suppliers during the year.

Directors' report continued

Charitable and political donations

During the year donations to local charities made by the Group amounted to £21,000 (2011: £31,000).

No political donations were made during the year (2011: £nil).

Substantial shareholdings

On 29 April 2013, the Company had been notified, in accordance with the Disclosure and Transparency Rules of the Financial Services Authority, of the notifiable interests in the ordinary share capital of the Company set out in the table below. As far as the Directors are aware, as at 29 April 2013 no person had a beneficial interest in 3% or more of the voting share capital except for the following:

Name	Ordinary shares (thousands)	%
Hamish Ogston	98,021	57%
Schroder Investment Management Ltd	26,502	15%

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

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

Going concern

The Directors have prepared the financial statements on a going concern basis consistent with their views, formed after making appropriate enquiries, as outlined in the Corporate Governance statement on pages 21 and 22, which is by reference part of the Directors' report.

Auditor

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

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

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

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

By order of the Board

John Titchener
Group General Counsel and Company Secretary

29 April 2013

Statement of Directors' responsibilities

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

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

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

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

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

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

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

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

We confirm that to the best of our knowledge:

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

By order of the Board

Paul Stobart
Chief Executive Officer

29 April 2013

Shaun Parker
Chief Financial Officer

29 April 2013