CPPGROUP PLC
27 MARCH 2012
FULL YEAR REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

CPPGroup Plc, the International Assistance business, today issues its results for the year ended 31 December 2011.

OVERVIEW

	Year ended 31 December 2011	Year ended 31 December 2010	Growth %
Revenue (£'m)	346.1	325.8	6%
Operating profit (£'m)			
− Reported	29.7	44.9	(34)%
− Underlying	47.7	48.7	(2)%
Profit before tax (£'m)			
− Reported	28.3	39.8	(29)%
− Underlying	46.4	46.7	(1)%
Profit after tax (£'m)			
− Reported	18.1	27.2	(34)%
− Underlying	32.4	32.2	1%
Basic earnings per share (pence)			
− Reported	10.64	16.33	(35)%
− Underlying	18.90	19.34	(2)%
Cash generated by operations (£'m)	55.2	53.0	4%
Net funds/(debt) (£'m)	11.9	(2.2)	641%
Dividend per share (pence)	2.42	7.54	(68)%

Underlying operating profit is adjusted for legacy scheme share based payments of £1.2 million (2010: £3.8 million) and costs associated with the FSA investigation £16.9 million (£2.1 million incurred in 2011 together with £14.8 million provision made at year end) (2010: £ nil).

Underlying profit before tax is adjusted for legacy scheme share based payments of £1.2 million (2010: £3.8 million), costs associated with the FSA investigation £16.9 million (£2.1 million incurred in 2011 together with £14.8 million provision made at year end) (2010: £ nil) and exceptional amortisation of loan issue costs of £ nil (2010: £3.1 million). Underlying profit after tax is further adjusted for tax of £3.9 million (2010: £1.9 million) arising on these items.

Highlights

Group financial highlights

- Group constant currency revenue growth of 7% and underlying operating margin of 13.8%.
- Group annual renewal rate of 75.4%, has remained stable on a constant country mix basis.

- Operations continue to be cash generative, with cash generated by operations of £55.2 million and net funds of £11.9 million.

- Following the agreement reached with the FSA and ongoing discussions with stakeholders, the suspension of the Group's shares has been lifted with effect from 27 March 2012.

- No final dividend proposed, due to the Group's consideration of future capital requirements after the agreement reached with the FSA. The Group's long-term dividend policy remains unchanged.

UK highlights

- 6% revenue growth despite the challenges of the FSA's investigation, aided by strong performance from Packaged Accounts and Mobile Phone Insurance.

- On 24 February 2012 the Group announced that it had reached agreement with the FSA on the scope of actions necessary to address certain failings in its sales processes and in the design of the Card Protection product in the UK. It has agreed to make changes to its renewals process and to carry out a Past Business Review, under FSA supervision, of direct sales of its Card Protection and Identity Protection products from 2005, including redress to customers where appropriate. As a result a provision of £14.8 million has been made as at 31 December 2011.

- Good progress being made on improving internal processes and customer facing activities.

International operations developing positively and offering long-term potential

- Added new Business Partners including Banco Banesto in Spain, Caixa Geral de Depositos in Portugal and SBI Cards in India.

- North America has delivered revenue and operating profit growth of over 20% on a constant currency basis.

- Launched operations in Brazil, which has a bankable population of 134 million and 736 million financial cards in circulation.

- Developing markets of India, Mexico and China progressing in line with management expectations.

Key priorities

Paul Stobart, Group Chief Executive Officer, has set five key priorities for the Group:

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

Paul Stobart: Group Chief Executive Officer, commented

"In a difficult year for the Group in which we have been faced with the challenges of the FSA's investigation into our UK business, CPP has nonetheless delivered a robust financial performance in 2011 with Group revenue increasing by 6%. The Group has worked very hard to manage the business through this period of uncertainty and we continue to make important improvements to the way we engage with customers.

"Since joining the business in October I have spent a lot of time listening to our stakeholders, and it is clear to me that CPP has many great strengths. The business has a long history of success and, most importantly, of excellent customer service. We are bringing this customer focus to the fore of everything we do, shifting the business culture and operating model to be more overtly customer-centric.

"The longer-term opportunities for CPP remain considerable, and we are well placed to make the most of these. The business has a customer base of 11 million policy holders, strong and often long-standing and exclusive relationships with more than 200 Business Partners worldwide, and a well-established international presence across 16 geographical markets. In the short-term, 2012 is a very important year for us, particularly in the UK, and my first priority is to work closely and co-operatively with the FSA to resolve matters to the complete satisfaction of the regulator."

For enquiries contact:

Paul Stobart, Group Chief Executive Officer
Shaun Parker, Chief Financial Officer
Tel: +44 (0)1904 544702

Tulchan Communications
John Sunnucks
David Allchurch
Tel. +44 (0)20 7353 4200

Note to editors

CPPGroup Plc ("CPP") is a leading international Life Assistance business with operations in 16 geographical markets in both developed and developing countries. Card Protection was the first product the Group introduced 30 years ago. Since then CPP has launched Mobile Phone Insurance, Legal Assistance and Identity Theft Protection. CPP is also prominent in the provision of Packaged Accounts where we source products and services to create a tailored 'package' for bank account customers. We also provide a range of travel support services such as translation and lost-and-found luggage services as well as access to airport lounges worldwide. Our joint venture with Mapfre Asistencia provides assistance for plumbing, drainage, gas, electrical and other home-related emergencies.

Chairman’s statement

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

Outside the UK, there have been some notable and very pleasing achievements across the Group that we must not lose sight of. We have continued to expand the Company’s international activities with important new Business Partner agreements signed in China, India, Turkey and Mexico as well as delivering our first policy sales in Brazil. In North America the business has performed exceptionally well driven by robust new sales and a strong renewal performance. In Europe we have expanded the range of products sold, and in the UK Home 3, our home emergency joint venture service with Mapfre Asistencia, has signed a contract with ScottishPower. Internationally our Airport Lounge business continues to develop its portfolio of partners.

Critically, and in spite of the FSA investigation and associated publicity, many of our customers have chosen to retain our products; a clear demonstration that they value the reassurance that our products and services provide. Of all our operational achievements, it is this loyalty towards our products and services that gives me the most satisfaction and reinforces my belief there is a large and growing market for our products, which should once again deliver robust growth for the Group.

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

Charles Gregson
Chairman
26 March 2012

Chief Executive Officer's review

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

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

The PBR for Card Protection is different in that the product has a feature, namely post notification fraud cover, which in actual fact is not required, as, post notification, it is the issuing bank that covers any fraud. This feature has been in our Card Protection product for many years, however was removed during 2011. The feature has been commonplace in Card Protection products in the market offered by other players.

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

As at the time of writing, the planning and logistics for the PBR is in process. We have provided £14.8 million for the estimated one-off costs to the business of the changes to the renewals process, and of the PBR (based on the estimates of likely response rates provided to us by our advisers).

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

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

Business Review

In Northern Europe our performance has been resilient under what have been challenging circumstances, despite this, the UK business delivered some notable successes. Our

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

Growth in our mobile phone business continues to be strong despite a small decline in overall customer numbers. Sales for our insurance covering i-Phone are up strongly as more customers opt to protect their smartphones. This shift towards insuring higher-end handsets has pushed up average premiums and helped drive mobile revenue. Customers are also retaining their insurance for longer given the increasing contract length and wanting to protect higher value handsets and importantly, our contract with T-Mobile has been extended to September 2012.

In Southern Europe the economic challenges have undoubtedly had an impact on our business, particularly in Spain, where we have seen revenue decline. Despite this, new Business Partner contracts have been signed with privately-owned Banca March and with Banesto, the fifth largest banking group in Spain which is owned by Banco Santander.

Conversely, our main Latin American market, Mexico, reported good growth. Central to our future success will be the introduction of new products and channels as well as new Business Partner relationships. Banco Santander is now selling Identity Protection and in July we signed a contract with Scotiabank, a large Canadian financial institution to sell Card Protection. Revenue has primarily been driven through first year renewal streams supported by existing sales channels with HSBC and IXE Tarjetas.

We are excited by our recent launch into Brazil, a market with a large and rapidly growing economy presenting us with significant growth opportunities.

In North America, we had a successful 2011 with revenue and profit up significantly. This has been driven by sustained growth in the number of customers acquiring our retail products across our key Business Partner portfolio and price increases implemented over the past year. Our renewal income has increased as we have focused on managing and developing relationships with major Business Partners, particularly in financial services, whose customers typically opt to retain their products for longer.

In Asia Pacific we have brought new focus and vigour to the leadership of this region, which is beginning to pay dividends. The prize in Asia Pacific is undoubtedly the untapped potential of India and China. In China we continue to build Card Protection volumes and develop new Business Partner relationships. Revenue in India showed good growth and we expect them to increase as we implement new distribution channels and bring new products to market in this rapidly developing economy.

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

Strategy

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

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

Firstly, we must give more attention to product marketing. It is, after all, through our efforts in product marketing that we will create the great product and service ideas of the future. Product marketers take great care to understand the customer's perspective in

intimate detail and gain insights on the pain points that customers currently experience. These insights then inform the creation of powerful, relevant and compelling products and services that provide real benefits to customers. And for every product or service they create, product marketers also ensure that the quality of the customer experience is sacrosanct.

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

Secondly, we need to be even more focused on serving the customer to the best of our ability. Here we are building on a great history of excellence in customer service; indeed our customer satisfaction statistics are some of the highest I have come across. Yet we do not want to be complacent; rather we want to move the organisation even further towards a customer-centric way of thinking and working. To this end, we are investing in leadership development, training and communications as well as making improvements to business processes, systems and governance. We are united in our ambition to provide customers with the kind of experience that will set us apart from our competitors, and that will encourage our customers to renew their policies, to buy more products from us, and to recommend us to others.

I can already see that our increased focus on the customer is reaping rewards. I have, for example, seen many instances of CPP people going the extra mile for the customer, and not resting until outstanding issues have been resolved to the customer's satisfaction. Equally, I see leadership behaviours shifting, new strategic thinking emerging, and growing investment being made in the people through whom we will deliver on our customer promise. However, there is more to be done.

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

Regulation and our relationship with the FSA

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

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

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

Outlook

The short term outlook for CPP will continue to be determined by the ongoing activity in relation to the Group's agreement with the FSA in the UK which will ultimately allow the Group to move forward with renewed focus as a more customer centric business.

Going forward, the Group's UK business will undergo a period of significant adjustment as a result of the impact of the FSA investigation. Lower retail new assistance income in 2011 will lead to a significant reduction in profitable renewal revenue in 2012. There may be some adverse impact on renewal rates from changes to the renewals process for Card Protection and Identity Protection in the UK. The planned closure of the call to confirm channel in the UK will adversely impact new assistance income and revenue and profit growth in 2012 and beyond, unless replaced by revenue from alternative channels.

We expect our Packaged Account and Mobile Phone Insurance revenue to continue to grow well, albeit at a lower margin than retail product sales. Cost saving measures, including reductions in headcount are being implemented which will mitigate some of the profit impact of the reduction in revenue and change in mix. However, it is still expected that UK profit will be significantly lower than 2011. Our new product and channel initiatives will start to contribute positively in the UK in the first half of 2013.

Southern Europe, in particular Spain, continues to be adversely affected by the economic situation and the impact it has on our existing and potential new Business Partners. Some revenue growth is expected, however this will require expenditure on acquisition costs. This, together with further investment in start-up losses in Brazil, where the long term opportunity for the Group remains attractive, will result in somewhat reduced profit and lower margins in our Southern Europe and Latin America region in 2012.

Our North America business looks set to continue to grow revenue and profit as we expand our sales with existing business partners, although at slightly lower growth rates than we have achieved recently.

We will continue to invest in the growth of our Asia Pacific business, particularly China, although the level of start up losses incurred will reduce as India moves towards profitability.

Our Home 3 joint venture with Mapfre is expected to approach break-even during 2012.

Overall, the Group will be significantly impacted by the UK considerations set out above but still has the potential to generate revenue growth in 2012. However, underlying operating profit and underlying operating profit margin are likely to be significantly lower than 2011. This impact will be particularly pronounced in the first half of 2012 as the first quarter of 2011 benefited from strong sales of Identity Protection in the UK. The Group should also continue to demonstrate its inherent positive underlying cash generation in 2012 and beyond.

A provision of £14.8 million has been made in the 2011 results for the various initiatives agreed with the FSA, however there remain risks associated with the level of redress to be paid. Furthermore, it currently remains unclear what steps the FSA may wish to take, if any, and against whom in relation to UK sales of the CPP's Card Protection and Identity Protection products that are not within the scope of the Group's Past Business Review, or in respect of any similar products available to the market from other providers. There can be no guarantee that the FSA will not seek to take action on a wider industry basis. Until such time as the FSA makes a determination on these issues, and the repercussions are understood for the industry as a whole, the Group is unable to assess the potential impact on its Business Partners, or the Group's relationship with them, including any financial consequences.

The Board believes that once this period of significant adjustment in the UK has been completed, the Group's new strategy for the UK business (which will be communicated in more detail later in the year), together with continued development of our growing overseas business will enable the Group to start to develop positively again.

FSA Investigation

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

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

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

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

Renewals Process: The Group has agreed with the FSA to make the following changes to the renewal process of its Card Protection and Identity Protection products. The post renewal cancellation period will be extended from 14 to 60 days, during which time a customer seeking to cancel their policy will obtain a full refund. A renewal pack will be sent to customers 60 days before renewal, explaining to the customer their right to cancel and the advantages and limitations of the relevant product. 30 days after the policy renewal date, CPP will send the customer a reminder that their policy has renewed and that they have another 30 days in which to cancel their policy in order to obtain a full refund. All communications with the customer during the renewal process will be approved in advance by the FSA. The changes will be implemented by 1 May 2012.

Past Business Review: The Group will undertake a Past Business Review to ascertain those customers who may have suffered detriment (and the extent of any loss) as a result of sales or renewal conducted by CPP of its Card Protection policies since 14 January 2005 and sales of Identity Protection through CPP's telephone sales channels since 14 January 2005 (but, in both cases, only where the original sale did not involve one of CPP's business partners making an introduction or conducting the sale). The Past Business Review exercise will be conducted under the supervision of a FSA-appointed 'skilled person', and will comprise a number of customer contact events including consecutive mailings and telephone calls. The purpose of the Past Business Review will be to offer customers the opportunity for redress by way of reimbursement in the event that they have been mis-sold the Group's products.
Prior to launch, and mainly for operational reasons, a pilot customer contact exercise will be undertaken, using equivalent materials and procedures as will be used for the wider exercise. CPP expects that the pilot exercise should be completed during the second quarter of 2012, with a view to then commencing the wider Past Business Review and settlement of customer claims for redress.

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

The anticipated impact of the above actions agreed with the FSA, together with an estimate of regulatory penalties and professional fees are included in the Group's provision of £14.8 million for FSA associated costs of which approximately half relates to an estimate for the agreed PBR. This element of the provision could vary depending upon customer response rates.

It currently remains unclear what steps the FSA may wish to take, if any, and against whom in relation to UK sales of CPP's Card Protection and Identity Protection products that are not within the scope of the Group's Past Business Review, or in respect of any similar products available to the market from other providers. There can be no guarantee that the FSA will not seek to take action on a wider industry basis.

The agreement with the FSA does not mark the end of the FSA investigation which is continuing.

The risk and uncertainties associated with the ongoing FSA investigation are detailed within the risks and uncertainties section of the Financial Review.

Financial Review

Summary

	2011	2010	Growth %
Revenue (£ millions)	**346.1**	325.8	6%
Gross profit (£ millions)	**143.9**	136.7	5%
Operating profit (£ millions)			
– Reported	**29.7**	44.9	(34)%
– Underlying[1]	**47.7**	48.7	(2)%
Profit before tax (£ millions)			
– Reported	**28.3**	39.8	(29)%
– Underlying[2]	**46.4**	46.7	(1)%
Reported earnings per share (pence)			
– Basic	**10.64**	16.33	(35)%
– Diluted	**10.59**	16.03	(34)%
Cash generated by operations (£ millions)	**55.2**	53.0	4%
Dividends (pence)[3]	**2.42**	7.54	(68)%

1. Excluding legacy scheme share based payments £1.2 million (2010: £3.8 million) and costs associated with the FSA investigation £16.9 million (2010: £nil)
2. Excluding legacy scheme share based payments £1.2 million (2010: £3.8 million), costs associated with the FSA investigation £16.9 million (2010: £nil) and accelerated amortisation of debt issue costs £nil (2010: £3.1 million)
3. Comprises of interim dividend paid in relation to 2011 and interim and final dividends paid in relation to 2010

We have grown Group revenue by 6% year on year to £346.1 million (2010: £ 325.8 million), led by the growth of Packaged Accounts in Northern Europe and strong growth in North America and Asia Pacific, although growth in the UK has been impacted by the suspension of Identity Protection sales in the Group's UK voice channels due to the FSA investigation. On a constant currency basis, Group revenue grew by 7%.

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

Underlying operating profit has marginally declined by 2% to £47.7 million (2010: £48.7 million) as a result of the impact of lost sales due to the FSA investigation, increased overheads in the UK and continued investment in the start-up losses of Home 3 (our joint venture with Mapfre Asistencia) offset by performance in North America and the growth of Packaged Accounts in the UK. This performance together with the one-off costs arising from the FSA investigation which comprise anticipated compensation payable to customers through a Past Business Review, regulatory penalties and other costs and professional fees associated with the

investigation and Past Business Review, resulted in reported operating profit for 2011 of £29.7 million which was lower than prior year (2010: £44.9 million).

Total interest and finance costs of £1.4 million (2010: £5.1 million) were considerably lower in 2011 as the Group reduced its level of net debt and due to the one-off cost in 2010 of £3.1 million from the write-off of unamortised debt costs at initial public offering (IPO), not being incurred in 2011.

As a consequence of the decline in reported operating profit, reported profit before tax reduced by 29% to £28.3 million (2010: £39.8 million) and underlying profit before tax has reduced by 1% to £46.4 million (2010: £46.7 million).

Underlying profit after tax (excluding legacy scheme share based payment, accelerated amortisation of debt issue costs and one off costs associated with the FSA investigation) is broadly in line with prior year at £32.4 million (2010: £32.2 million). Taking these one-off costs into account, reported profit after tax has reduced by 34% to £18.1 million (2010: £27.2 million).

Basic earnings per share has reduced by 35% to 10.64 pence (2010: 16.33 pence) and diluted earnings per share has reduced by 34% to 10.59 pence (2010: 16.03 pence).

Our operations have continued to be highly cash generative, with net cash from operating activities of £55.2 million (2010: £53.0 million) contributing to a reduction in net debt from £2.2 million at 31 December 2010 to a net funds position of £11.9 million at 31 December 2011.

The Group will not be paying a final dividend for 2011, due to its consideration of future capital requirements after the agreement reached with the FSA. An interim dividend of 2.42 pence was paid during the year (2010: total dividend of 7.54 pence).

Group revenue breakdown

	2011 £'m	2010 £'m	Growth %
Retail assistance policies	**258.1**	262.7	(2)%
Retail insurance policies	**38.5**	33.1	17%
Packaged and wholesale policies	**42.3**	26.6	59%
Non-policy revenue	**7.2**	3.4	111%
Total Group revenue	**346.1**	325.8	6%

Whilst revenue from retail assistance policies has marginally declined compared to 2010, revenue from retail insurance policies and from packaged and wholesale policies has grown strongly. The growth in revenue from retail insurance policies principally relates to the Group's UK Mobile Phone Insurance business where the increasing sales of higher priced smart phone insurance policies more than compensates for a decline in the overall level of policy sales. Growth in revenue from packaged and wholesale policies is due to the continued development of the Group's Packaged Account activities in the UK.

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

Underlying financial performance

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

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

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

FSA investigation

In March 2011 the FSA launched an investigation into UK sales of the Group's Card Protection and Identity Protection products. We have subsequently agreed with the FSA to

undertake a Past Business Review in relation to both of these products, and to implement a number of changes to the customer renewal process.

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

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

Quarterly performance

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

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

1. Growth percentages stated on a year on year basis
2. Excluding legacy scheme share based payments £1.2 million (2010: £3.8 million) and costs associated with the FSA investigation £16.9million (2010: £nil)

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

Investment in developing markets

The Group's investment in its new markets comprises mainly start-up losses which are accounted for in the current year's income statement. For these purposes, the Group considers the following markets to be developing: Hong Kong, Singapore, Home 3, India,

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

Key performance indicators

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

1. Underlying operating profit as a percentage of revenue

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

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

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

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

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

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

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

Regional Performance

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

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

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

lower than 2010 on a constant currency basis as operating profit margins in the UK and Ireland reduced, whilst operating losses in Germany were lower and operating profit in Turkey increased. Margins in the UK were materially impacted by the suspension of Identity Protection new sales in the UK's channels from March.

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

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

Asia Pacific continues to be a market where we believe there is potential for significant growth, revenue in the year has grown by 21% on a constant currency basis. As expected the region incurred an operating loss of £2.2 million (2010: £2.3 million) reflecting that it is still in a developmental stage. Revenue growth in the newest markets of India and China has been driven by new and existing Business Partners. Hong Kong continues to be a difficult market with third party marketing activities suspended due to data privacy regulation. Malaysia revenue in the year has been impacted by the credit card tax introduced in 2010 and limitations on credit cards linked to net earnings.

Investment in Home 3 joint venture

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

Tax

The Group's effective tax rate in 2011 was 36.2% (2010: 31.7%). The increase in the rate reflects the lower proportion of Group profit generated and taxed in the UK at 26.5%, as a result of the costs associated with the FSA investigation, the impact of profit in overseas territories taxed at a higher rate and the incidence of losses in overseas start-up subsidiaries for which no tax deduction is available.

Cash flow

	2011 £'m	2010 £'m
Underlying operating profit[1]	**47.7**	48.7
Share of loss of joint venture	**1.2**	0.8
FSA associated costs[2]	**(2.1)**	0.0
Depreciation, amortisation and other non-cash items	**13.1**	10.6
Working capital	**(4.7)**	(7.1)
Cash generated by operations	**55.2**	53.0
Legacy scheme share option exercises	**(0.2)**	(3.7)
Tax	**(12.6)**	(9.1)
Operating cash flow[3]	**42.4**	40.2
Capital expenditure (including intangibles)	**(12.6)**	(16.0)
Investment in subsidiary and joint venture	**(1.0)**	(0.6)
Net finance costs	**(1.0)**	(1.4)
Dividends	**(12.9)**	(4.1)
IPO and share issues[4]	**0.2**	31.3
Net movement in cash/borrowings[5]	**15.0**	49.4
Net funds/(debt)[6]	**11.9**	(2.2)

1. Excluding legacy scheme share based payments and FSA associated costs
2. Excluding provision for amounts not yet settled
3. Excluding repayment of loan notes
4. Comprises share issue proceeds, proceeds from the exercise of share options, debt issue costs and repayment of loan notes
5. Excluding effect of exchange rates and amortisation of debt issue costs
6. Includes unamortised debt issue costs

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

In total the Group had a working capital inflow in the year of £9.0 million (2010: outflow £12.7 million). Allowing for the movement associated with our legacy share scheme loan notes and provision for costs associated with the FSA investigation results in an adjusted working capital outflow of £4.7 million (2010: outflow £7.1 million). This reflects the growth in our Mobile Phone Insurance business and our Packaged Accounts offering where our Business Partners pay us for the services provided to their customers.

Continuing investment
We have continued to invest in our business with investment in tangible and intangible assets in the year of £11.9 million (2010: £18.2 million) which represents 3% of Group revenue.

Tangible asset investment of £2.4 million was mainly computer hardware, including upgrades to our disaster recovery capability and our desktop systems. Intangible asset investment comprised computer software and systems and Business Partner intangibles. Computer software and systems expenditure was £5.1 million as we further developed our systems to enhance our packaged services and e-commerce capabilities, to support new market and product launches.

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

Dividend

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

Net funds

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

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

Principal risks and uncertainties

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

Geographic markets

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

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

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

Eurozone operations

With the Group operating in Euro denominated countries and reporting in Sterling, the current position with the potential for the Eurozone to break up presents risk to the Group. Risks to the carrying value of the Group's Euro based subsidiaries, Euro denominated intragroup

loans, translation of Euro based trading activities and other Euro based balances exist. Where appropriate, mitigation activities to further limit exposure have commenced including asset repatriation to Sterling in the UK and adjusting counterparty limits.

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

Regulation

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

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

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

- the legal and compliance staff has been increased and the level of expertise on regulatory and compliance subjects deepened through external recruitment

- a Governance Committee has been established which directs and oversees change in the Group's systems and controls for preventing, detecting and mitigating compliance risk, including regulatory matters

- the Group has worked constructively with the FSA to ensure the documents describing and explaining its products and services comply with relevant legal and regulatory requirements

- the quality and comprehensiveness of compliance reporting has been revised and improved to enable management and the Board to identify trends and address regulatory and compliance topics effectively

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

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

Potential changes in tax legislation, either direct or indirect, in any of the Group's geographic operating markets are ever present. The impact of emerging tax legislation is monitored by

management and the Board. Appropriate action would be taken to mitigate any adverse impact from crystallisation of tax legislation changes.

FSA Investigation
The FSA investigation which was announced on 28 March 2011 and subsequent agreement reached with the FSA on 24 February 2012 are detailed earlier in this statement.

Renewals Process: The detail of the agreement is referred to earlier in the statement. Based on customer surveys and feedback, the Group remains confident that its customers continue to place great value on its products and services across the offered range. However the risk exists that an adverse impact on renewal rates may occur as a direct result of the redesigned renewal process.

Past Business Review: The details of the Past Business Review is referred to earlier in this statement. In assessing the likely financial impact of the remedial action to be taken, the Group has, with its advisers, considered a number of assumptions, including customer response rates to the Past Business Review. Based on its experience of customer complaints to date, customer satisfaction surveys and the results of exercises conducted in similar circumstances, and on the advice of our advisers the Group has been able to reasonably predict its exposure to direct redress payments. The assumptions, however cannot be guaranteed, and given the publicity generated by the FSA's investigation into CPP there remains the risk that customer redress rates in particular could materially exceed those assumed. Notwithstanding such uncertainty, it is likely that the results of the pilot contact exercise will provide further assurance on the probable outcome of the full review.

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

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

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

Business Partner relationships
The Group mainly operates a 'Business to Business to Consumer' model and as such a relatively high proportion of the Group's revenue and profit is attributable to sales through relationships with its Business Partners.

Relationships with key Business Partners are actively managed on a local basis, and globally where appropriate, to ensure that the value to the Group of these relationships is optimised. Agreed contractual terms support the Group's operations with Business Partners which are subject to the normal course of re-negotiation when identified in the contract.

Future revenue and profit could be adversely impacted by deterioration of existing, or failure to develop new, Business Partner relationships. An example of this is Barclaycard, one of our Business Partners, who shortly after the Group's announcement of the FSA's investigation on 28 March 2011, suspended new sales to their UK based customers through their call to

confirm channel. Furthermore, following a competitive tender in line with its normal business practice, Barclaycard informed the Group that it does not intend to renew its contract when it expires on 31 March 2012.

In addition, if the Group's Business Partners merge with, or are acquired by, other entities that are not already Business Partners, such Business Partners may reduce or discontinue their use of the Group's services. Business models in the UK retail banking sector are subject to change and adaption, which may impact the Group's revenue and profit.

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

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

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

Sales channel management
The Group uses a selected number of sales channels to take its products to market. A risk to revenue growth arises if existing channels cease to be available or viable and the Group is not able to identify and exploit alternative channels. As previously announced on 28 March 2011, the Group decided to suspend new sales of Identity Protection through its UK voice channels in response to discussions with the FSA which impacted revenue growth in the UK.

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

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

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

It is the intention of the Group to negotiate appropriate lending facilities well in advance of the maturity of the current RCF. A risk exists that one or more of the current lending banks will not wish to participate in the new facility or the Group will not be able to refinance its debt. The

Group is currently in discussion with the banks about its ongoing debt facilities and the Board is currently considering other financing options. As at 31 December 2011 the Group had funds drawn down under the RCF of £43.5 million. However, this was offset by £54.9 million of cash. As at 31 December 2011 the Group was in a net funds position of £11.9 million.

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

The Group has continued to invest significant capital in the maintenance, improvement and security of its IT and data management systems (applications, databases, platforms, telephony systems and networks) for its worldwide operations and for the security and privacy of customers' data. An independent review has recently been commissioned by the Board to provide assurance over the Group's design of data management controls. Key performance indicators of the Group's principal supplier network, their equipment and services are actively and continuously monitored. The UK business, which operates the Group's international IT data and telephony networks, is ISO 27001 and the majority of countries in the Group are certified to the payment card industry data security standard (PCI DSS).

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

Fraud
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 across the Group.

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

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

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

Going concern

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

Having considered the outcomes of all these scenarios, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable

future and accordingly the Directors have continued to adopt the going concern basis in preparing the financial statements.

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

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

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

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

Nevertheless, having considered the above uncertainty and all the available information, the Directors are of the view that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Shaun Parker
Chief Financial Officer

26 March 2012

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 2011. 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 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	**Shaun Parker**
Chief Executive Officer	Chief Financial Officer
26 March 2012	26 March 2012

Consolidated income statement

	Note	**2011 £'000**	2010 £'000
Revenue		**346,136**	325,803
Cost of sales		**(202,229)**	(189,077)
Gross profit		**143,907**	136,726
Administrative expenses			
Legacy scheme share based payments		**(1,167)**	(3,841)
FSA associated costs	9	**(16,892)**	–
Other administrative expenses		**(94,989)**	(87,147)
Total administrative expenses		**(113,048)**	(90,988)
Share of loss of joint venture		**(1,181)**	(843)
Operating profit			
Operating profit before legacy scheme share based payments and FSA associated costs		**47,737**	48,736
Operating profit after legacy scheme share based payments and FSA associated costs		**29,678**	44,895
Investment revenues		**423**	341
Finance costs – non-derivative instruments		**(1,795)**	(5,482)
Profit before taxation		**28,306**	39,754
Taxation		**(10,255)**	(12,604)
Profit for the year from continuing operations		**18,051**	27,150

Attributable to:			
Equity holders of the Company		**18,215**	27,150
Non-controlling interests	10	**(164)**	–
		18,051	27,150

Basic and diluted earnings per share from continuing operations		**Pence**	Pence
Basic earnings per share	5	**10.64**	16.33
Diluted earnings per share	5	**10.59**	16.03

Consolidated statement of comprehensive income

	2011 £'000	2010 £'000
Profit for the year	**18,051**	27,150
Other comprehensive income and expenses		
Exchange differences on translation of foreign operations	**120**	341
Other comprehensive income for the year net of taxation	**120**	341
Total comprehensive income for the year	**18,171**	27,491

Attributable to:			
Equity holders of the Company		**18,335**	27,491
Non-controlling interests	10	**(164)**	–
		18,171	27,491

Consolidated balance sheet

	Note	2011 £'000	2010 £'000
Non-current assets			
Goodwill		**16,521**	16,536
Other intangible assets	6	**22,626**	22,055
Property, plant and equipment	7	**14,473**	15,389
Investment in joint venture		**–**	184
Deferred tax asset		**1,987**	3,809
		55,607	57,973
Current assets			
Insurance assets		**24,552**	21,493
Income tax receivable		**–**	96
Inventories		**329**	289
Trade and other receivables		**30,667**	30,275
Cash and cash equivalents		**54,924**	25,040
		110,472	77,193
Total assets		**166,079**	135,166
Current liabilities			
Insurance liabilities		**(8,878)**	(10,417)
Income tax liabilities		**(2,818)**	(6,266)
Trade and other payables		**(67,884)**	(69,321)
Provisions	9	**(11,393)**	(860)
		(90,973)	(86,864)
Net current assets/(liabilities)		**19,499**	(9,671)
Non-current liabilities			
Bank loans	8	**(43,041)**	(27,199)
Deferred tax liabilities		**(634)**	(459)
Provisions	9	**(4,279)**	(859)
		(47,954)	(28,517)
Total liabilities		**(138,927)**	(115,381)
Net assets		**27,152**	19,785
Equity			
Share capital	11	**17,106**	17,024
Share premium account		**33,300**	32,301
Merger reserve		**(100,399)**	(100,399)
Translation reserve		**2,456**	2,336
Equalisation reserve		**6,423**	6,196
ESOP reserve		**11,606**	9,599
Retained earnings		**56,824**	52,728
Equity attributable to equity holders of the Company		**27,316**	19,785
Non-controlling interest		**(164)**	–
Total equity		**27,152**	19,785

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

Consolidated cash flow statement

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

Notes to condensed financial statements

1. General information

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 April 2012.

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2011 or 31 December 2010, but is derived from the 2011 financial statements. Statutory financial statements for 2010 for the Company prepared under IFRS have been delivered to the Registrar of Companies and those for 2011 for the Company will be delivered following the Company's Annual General Meeting. The auditors, Deloitte LLP, have reported on these financial statements; their report was unqualified, and contained an emphasis of matter paragraph relating to significant uncertainty over the provisions and contingencies in relation to the ongoing FSA investigation. The report of the auditors on these financial statements did not contain statements under s498 (2) or (3) of the Companies Act 2006. These 2011 financial statements were approved by the Board of Directors on 26 March 2012.

2. Accounting policies

The same accounting policies, presentation and methods of computation are followed in the condensed financial statements as were applied in the Group's audited financial statements for the year ended 31 December 2010, 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
IAS 24 (revised November 2009)	Related Party Disclosures
Amendment to IAS 32 (October 2009)	Classification of Rights Issues
Amendment to IFRIC 14 (November 2009)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IFRS 1 (January 2010)	Limited exemption from comparative IFRS 7 disclosures for first time adoption
Improvements to IFRSs 2010 (May 2010)	Annual improvements

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 and Latin America (Spain, Portugal, France, Italy, Mexico and Brazil);
- North America (USA); and
- Asia Pacific (Hong Kong, Singapore, Malaysia, India and China)

Segment revenues and performance have been as follows:

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

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

For the purposes of resource allocation and assessing performance, operating costs and revenues are allocated to the regions in which they are earned or incurred. The above does not reflect additional net charges of central costs of £1,222,000 (2010: £1,178,000) presented

within Northern Europe in the tables above which have been charged to other regions for statutory purposes.

Segment assets

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

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

Capital expenditure

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

Revenues from major products

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

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

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

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

Geographical information

The Group operates across a wide number of territories, of which the UK, Spain and the USA are considered individually material. Revenue from external customers and non-current assets (excluding investments in joint ventures and deferred tax) by geographical location are detailed below:

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

Information about major customers

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

4. Dividends

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

	2011 £'000	2010 £'000
Final dividend paid for the year ended 31 December 2010 of 5.12 pence per share (2009: nil pence per share)	**8,776**	–
Interim dividend paid for the year ended 31 December 2011 of 2.42 pence per share (2010: 2.42 pence per share)	**4,149**	4,127
Amounts recognised as distributions to equity holders in the period	**12,925**	4,127

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

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

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

Number of shares

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

	2011 Pence	2010 Pence
Basic and diluted earnings per share from continuing operations:		
Basic	**10.64**	16.33
Diluted	**10.59**	16.03
Basic and diluted underlying earnings per share from continuing operations:		
Basic	**18.90**	19.34
Diluted	**18.81**	18.99

6. Other intangible assets

	Contractual arrangements with third parties £'000	Business relationships £'000	Internally generated software £'000	Externally acquired software £'000	Total £'000
Cost:					
At 1 January 2010	4,744	2,118	12,159	13,393	32,414
Additions	8,109	–	2,344	2,821	13,274
Exchange adjustments	–	–	6	(15)	(9)
At 1 January 2011	12,853	2,118	14,509	16,199	45,679
Additions	**4,275**	**–**	**2,397**	**2,745**	**9,417**
Disposals	**–**	**–**	**–**	**(107)**	**(107)**
Exchange adjustments	**–**	**–**	**–**	**(16)**	**(16)**
At 31 December 2011	**17,128**	**2,118**	**16,906**	**18,821**	**54,973**
Accumulated amortisation:					
At 1 January 2010	355	–	7,804	8,529	16,688
Provided during the year	2,714	158	2,068	1,989	6,929
Exchange adjustments	–	–	4	3	7
At 1 January 2011	3,069	158	9,876	10,521	23,624
Provided during the year	**3,663**	**478**	**2,425**	**2,284**	**8,850**
Disposals	**–**	**–**	**–**	**(107)**	**(107)**
Exchange adjustments	**–**	**–**	**–**	**(20)**	**(20)**
At 31 December 2011	**6,732**	**636**	**12,301**	**12,678**	**32,347**
Carrying amount:					
At 31 December 2010	9,784	1,960	4,633	5,678	22,055
At 31 December 2011	**10,396**	**1,482**	**4,605**	**6,143**	**22,626**

7. Property, plant and equipment

	Freehold land & property £'000	Leasehold improvements £'000	Computer systems £'000	Furniture & equipment £'000	Total £'000
Cost:					
At 1 January 2010	7,278	5,534	26,332	6,920	46,064
Additions	–	92	4,489	390	4,971
Disposals	–	–	(3)	–	(3)
Exchange adjustments	–	(192)	(52)	(22)	(266)
At 1 January 2011	7,278	5,434	30,766	7,288	50,766
Additions	**–**	**235**	**1,771**	**429**	**2,435**
Disposals	**–**	**(1)**	**(1,969)**	**(38)**	**(2,008)**
Exchange adjustments	**–**	**(18)**	**(69)**	**(52)**	**(139)**
At 31 December 2011	**7,278**	**5,650**	**30,499**	**7,627**	**51,054**
Accumulated Depreciation:					
At 1 January 2010	1,409	3,679	21,240	5,872	32,200
Provided during the year	213	196	2,446	378	3,233
Disposals	–	–	(3)	–	(3)
Exchange adjustments	–	(33)	(20)	–	(53)
At 1 January 2011	1,622	3,842	23,663	6,250	35,377
Provided during the year	**165**	**230**	**2,449**	**396**	**3,240**
Disposals	**–**	**–**	**(1,957)**	**(38)**	**(1,995)**
Exchange adjustments	**–**	**(15)**	**(18)**	**(8)**	**(41)**
At 31 December 2011	**1,787**	**4,057**	**24,137**	**6,600**	**36,581**
Carrying amount					
At 31 December 2010	5,656	1,592	7,103	1,038	15,389
At 31 December 2011	**5,491**	**1,593**	**6,362**	**1,027**	**14,473**

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

8. Bank loans

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

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

Analysis of repayments:

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

The Group's bank debt is in the form of a Revolving Credit Facility (RCF). The Group is entitled to roll over repayment of amounts drawn down, subject to all amounts outstanding falling due for repayment on expiry of the facility on 31 March 2013.

The RCF bears interest at a variable rate of LIBOR plus a variable margin dependant on the net debt to EBITDA ratio of the Group. It is secured by fixed and floating charges on certain

assets of the Group. The financial covenants of the RCF are based on the interest cover and leverage of the Group. The Group has been in compliance with these covenants since inception of the RCF.

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

9. Provisions

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

Provisions in respect of cash settled share based payments represent loan notes issued by employees to the Group.

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

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

Provisions are expected to be settled in the following periods:

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

10. Incorporation of a subsidiary

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

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

11. Share capital

	2011 Number (Thousands)	2011 £'000	2010 Number (Thousands)	2010 £'000
Called-up and allotted: Ordinary Shares of 10 pence each				
At 1 January	**170,616**	**17,024**	151,521	15,152
Issue of shares in connection with:				
Incorporation of company	**–**	**–**	500	12
Initial Public Offering	**–**	–	12,766	1,277
Exercise of share options	**814**	**82**	5,829	583
At 31 December	**171,430**	**17,106**	170,616	17,024

During the year the Company issued 813,770 shares for total consideration of £1,081,000. The Company was incorporated in 2010, and issued 500,000 ordinary shares on 11 February 2010 for consideration of £12,000. Also in 2010 as part of a group reconstruction, the Company issued 151,520,832 10 pence ordinary shares to the shareholders of CPP Group Plc, the previous holding company of the Group, in exchange for 100% of the issued share capital of CPP Group Plc, without change to the identity or relative rights of the ultimate shareholders of CPP Group Plc. In accordance with the principles of merger accounting, the consolidated financial statements presented the Group as if these shares had been issued throughout the prior year.

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

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

The ordinary shares are entitled to the profits of the Company which it may from time to time determine to distribute in respect of any financial year or period.

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

12. Reconciliation of operating cash flows

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

13. Contingent liabilities

Having regard to the disclosure in note 9, it is possible that other claims or matters may arise against the Group in connection with the FSA's investigations, which could take a number of forms and therefore have a financial effect that cannot presently be estimated. The Directors have considered the probability of such claims or matters crystallising, and as a result do not deem them probable enough to recognise a provision.

14. Events after the balance sheet date

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

The anticipated impact of the above actions agreed with the FSA, together with an estimate of regulatory penalties and professional fees are included in the Group's provision of £14.8 million for FSA associated costs in note 9.

On 12 March 2012 the Group confirmed that it was undertaking a restructuring of its UK business with a voluntary redundancy programme. This measure has been taken to align the UK cost base to its revenue, and is expected to result in one-off redundancy costs of approximately £3-4 million.

15. Related party transactions and control

Ultimate controlling party

The Group is controlled by the Company's majority shareholder, Mr Hamish Ogston.

Transactions with associated undertakings

Transactions between the Group and its joint venture represent related party transactions.

The Group has undertaken the following transactions with its joint venture entity, Home 3:

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

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

Remuneration of key management personnel

The remuneration of the Directors and senior management team, who are the key management personnel of the Group, is set out below:

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

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.