CPPGROUP PLC

30 APRIL 2013

FULL YEAR REPORT

FOR THE YEAR ENDED 31 DECEMBER 2012

CPPGroup Plc

Full year report for the year ended 31 December 2012

CPPGroup Plc (CPP) today publishes its results for the year ended 31 December 2012.

Year ended 31 December 2012

	Continuing operations	Discontinued operations	Total
Revenue (£'m)	269.9	49.8	319.7
Operating (loss)/profit (£'m)			
– Reported[1]	(17.7)	7.4	(10.4)
– Underlying[2]	26.2	10.1	36.3
(Loss)/profit before tax (£'m)			
– Reported[1]	(19.9)	7.4	(12.6)
– Underlying[2]	24.0	10.1	34.1
(Loss)/profit after tax (£'m)			
– Reported	(21.4)	4.2	(17.2)
– Underlying[2]	16.9	6.8	23.7
Basic (loss)/earnings per share (pence)			
– Reported	(12.42)	2.43	(9.98)
– Underlying	9.91	3.95	13.86
Cash generated by operations (£'m)	10.4	7.0	17.4
Net funds (£'m)	9.8	3.8	13.6
Dividend per share (pence)	–	–	–

1. Reported figures which agree to the income statement are for continuing operations only. Discontinued operations are not reported in operating (loss)/profit or (loss)/profit before tax in the income statement. Further detail to the discontinued operations is provided in note 8 to the condensed financial statements. Discontinued operations are included in this analysis to provide an indicative view of how the Group has performed in the year.

2. Excluding exceptional items from continuing operations of £43.9 million and discontinued operations of £2.7 million.

Year ended 31 December 2011

	Continuing operations	Discontinued operations	Total
Revenue (£'m)	300.4	45.8	346.1
Operating profit (£'m)			
– Reported[1]	22.9	6.8	29.7
– Underlying[2]	40.9	6.8	47.7
Profit before tax (£'m)			
– Reported[1]	21.6	6.8	28.3
– Underlying[2]	39.6	6.8	46.4
Profit after tax (£'m)			
– Reported	11.9	6.2	18.1
– Underlying[2]	26.0	6.2	32.2
Basic earnings per share (pence)			
– Reported	7.06	3.58	10.64
– Underlying	15.28	3.62	18.90
Cash generated by operations (£'m)	50.3	4.9	55.2
Net funds (£'m)	5.6	6.2	11.9
Dividend per share (pence)[3]	2.42	–	2.42

1. Reported figures which agree to the restated income statement are for continuing operations only. Discontinued operations are not reported in operating profit or profit before tax in the restated income statement. Further detail to the discontinued operations is provided in note 8 to the condensed financial statements. Discontinued operations are included in this analysis to provide an indicative view of how the Group performed in the prior year.
2. Excluding exceptional items from continuing operations of £18.0 million and discontinued operations of £0.1 million.
3. Dividends announced and paid relating to the 2011 financial year.

Group overview

- A challenging year which, combined with a difficult operating environment, resulted in a modest operating performance
- Strategic review resulting in conditional sale of North American business alongside a short term extension to the Group's revolving credit facility
- Group revenue, from continuing and discontinued operations, declined as expected to £319.7 million (2011: £346.1 million)
- Underlying operating profit, from continuing and discontinued operations, reduced as a result of UK performance to £36.3 million (2011: £47.7 million)
- Renewal rates at 73.3% (2011: 75.4%)
- Net funds position of £13.6 million (2011: £11.9 million)
- Outlook: the Group is likely to continue to face significant financial challenges in the short to medium term

UK highlights

- FCA investigation concluded; redress programme to commence
- Reduced Card Protection and Identity Protection revenue
- UK product innovation advanced

International highlights

- Southern Europe: customer base stable; renewal rates improved
- Latin America: continued growth
- Asia Pacific: renewal rates stable; India moved into operating profit
- North America: Business disposal, subject to shareholder approval for gross cash consideration of $40 million (approximately £26.1 million)

Paul Stobart, Chief Executive Officer, commented:

"The Group faced another challenging year which, combined with a difficult operating environment, resulted in a modest operating performance. As expected, revenue declined in the UK, impacting on the profitability of the Group. In the year, the FCA investigation was concluded and there is a substantial fine to pay. Within the business, we have effected a great deal of change to enhance customer experience, product propositions and our governance framework. In addition, a strategic review resulted in the proposed disposal of the North American business alongside a short term extension to the revolving credit facility in April 2013."

"Looking ahead, we will continue to face significant financial challenges in the short to medium term. We need to secure our longer term financing, manage the redress programme, reposition the business and reshape our business model to reflect our changed circumstances. We do not underestimate the scale of the challenges ahead. In the longer term, I believe that the actions we are taking to rebuild our business and reputation, combined with the enhancements to governance and risk management we have put in place, will provide us with a stronger, more stable platform from which to move the business forward."

A conference call for investors and analysts will be held on 30 April 2013 at 8:30 a.m. (BST). For dial in details please contact Rebecca Hougham at Tulchan Communications: rhougham@tulchangroup.com.

Note: Financial Conduct Authority (FCA) (or, as the context may require, the Financial Services Authority as predecessor entity thereto prior to 1 April 2013)

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NOTES TO EDITORS

CPPGroup Plc (CPP) is an International Assistance business operating in the UK and overseas with more than 200 Business Partners worldwide. Via its Business Partners, CPP provides Life Assistance products to consumers, which includes annually renewed and packaged products that provide assistance and insurance across a wide range of market sectors designed to make everyday life easier to manage.

For more information on CPP visit www.cppgroupplc.com
Registered number: 07151159

CHAIRMAN'S STATEMENT

Our performance

The Group faced another challenging year due to the uncertainties since the onset of the Financial Conduct Authority (FCA) investigation. During the year, the Company overcame a number of the challenges posed. The closure of the FCA's investigation on 15 November 2012 and the important steps made towards securing a financing solution for the Group, combined with the improvements to customer experience, governance, compliance and risk management capabilities and significant management changes, including strengthening the senior team of our UK business, provide the Group with a more stable position. Nonetheless, there remain many hurdles to overcome as we work towards creating a new future for the business.

These challenges, combined with a difficult operating environment, have resulted in a decline in our financial performance on a continuing and discontinued operations basis. Revenue reduced to £319.7 million (2011: £346.1 million) and underlying operating profit excluding exceptional items reduced to £36.3 million (2011: £47.7 million). The Group reported an operating loss on a continuing operations basis for 2012 of £17.7 million (2011: profit £22.9 million). Our people have been impacted as a result of cost-reduction initiatives implemented during the year. I would like to thank them for their unrelenting commitment and loyalty despite the many changes we have made, which have inevitably resulted in a headcount reduction, particularly in the UK.

The Board clearly recognises the past failings identified by the FCA in its investigation of historical practices in the UK business, and deeply regrets any customer detriment that may have occurred during that period. Although the investigation is now closed and we have effected much change, the Group has a substantial fine to pay and we need to complete the change initiatives and enhancements to governance and risk management systems and controls so that we can apply to the FCA for the restrictions agreed with the FCA in the form of Voluntary Variations of Permissions (VVOP) to be lifted. The business, therefore, continues to face further challenges; securing the financial future of the Group, providing redress to customers where appropriate, the required repositioning of the Group's business model and reducing our costs substantially. Each provides further uncertainty for the business as we move forward. I am in no doubt that we will work hard to secure the future viability of the Group through longer term financing. However, there remains uncertainty as to the amount of redress to be paid and therefore, the longer term financing requirement. Consequently, the Group faces significant financial challenges in the short to medium term.

In order to stabilise the business, the Board announced on 17 April 2013 the conditional agreement to sell the North American business (CPPNA Holdings Inc. and its subsidiaries) for a total cash consideration of $40 million (approximately £26.1 million) and a further extension of its existing bank facility until 30 September 2013. The disposal and facility extension will allow the Group to engage in further discussions with its existing lenders and the Company's major shareholder, Mr Hamish Macgregor Ogston CBE, with a view to securing the future viability of the Group.

In view of the challenges we have faced, the Company has not paid any dividends to shareholders since October 2011.

Governance

During the year we strengthened the governance and control environment, which will continue throughout 2013. What encourages me most is that I can see the improvements we are making are working. Throughout the year, the Group complied with the relevant provisions of the Financial Reporting Council's UK Corporate Governance Code 2010, except those as described in the Corporate Governance statement of the 2012 Annual Report and Accounts.

The Board

In October 2012 we announced that Patrick De Smedt, one of our Non-Executive Directors, would leave the organisation on 15 November 2012. Patrick has been an important member of our Board since August 2010 and I thank him for his valued contribution during his tenure.

We have a strong and experienced management team who are creating a new future for CPP, refocusing the business to better meet customers' needs. I am pleased with the progress being made to fulfil our objectives in a responsible and appropriate way.

Looking ahead

Last year was a challenging one, reflected for our people in the organisational changes effected and for shareholders in the uncertainty that has surrounded our business. However, the significant changes we are making to reshape and reposition our business have the potential to deliver growth in the future, although many challenges remain.

Looking ahead, our focus on people, customers, products and markets will remain key priorities. Nonetheless, there remains much to be done against the background of our current operating environment in order for us to provide a much stronger, more stable position for the business. We need to place great focus on securing longer term financing for the Group beyond the expiry on 30 September 2013 of the recently agreed extension to the existing bank facility, repositioning our business model in the interests of all stakeholders alongside a substantial reduction in our cost base and implementing the customer redress exercise. The combination of these factors is expected to have an adverse cash flow impact on the Group and lead to further uncertainty. Furthermore, we need to maintain and strengthen current Business Partner relationships, secure new partnerships and generate revenue from alternative channels.

Therefore, as we announced at the end of 2012, the outlook for 2013 reflects the significant challenges and uncertainties ahead and as a result, our performance in 2013 and beyond will continue to be substantially impacted as we concentrate our efforts to rebuild the business.

The Board is grateful for the continued support of our stakeholders.

Charles Gregson

Chairman

29 April 2013

CHIEF EXECUTIVE OFFICER'S REVIEW

Working together through challenging times

In my first review a year ago I outlined the journey ahead for CPP and how we planned to change things for the better. Since my appointment in October 2011 it has been a key priority to effect the significant changes required to provide long term stability and to realise the opportunities that will move the business forward.

In the last two years we have experienced a period of intense challenge and significant change. The FCA's investigation into historical issues identified in the period from January 2005 to March 2011 has had far-reaching consequences for a business of our size. The closure of the investigation in November 2012 was an important milestone, removing an element of the uncertainty facing the Group. Nonetheless, the fall-out from the investigation has been considerable; our reputation with Business Partners has been damaged, we have lost a number of important contracts in the UK, and our growth prospects have been impacted. Crucially, the uncertain and unknown ultimate cost of the redress programme planned for later this year to remediate those customers who may have suffered detriment as a result of past failings, has limited our ability to secure the longer term financing position for the Group.

We will continue to face significant financial challenges in the short to medium term, and certainly until the redress programme is behind us. We need to refinance the Group for the longer term and we need to continue the work of repositioning the business as a customer-led organisation whilst reshaping the business model to meet our new circumstances.

When I look back at 2012 and forward into 2013, I know that I can count on the expertise and professionalism of our people. Our success moving forward very much depends on the talent and enthusiasm of our people together with the enhanced experience they are providing to our customers. During a period of great stress and anxiety, our people have behaved impeccably, and great credit is due to them for their hard work, unfailing commitment and considerable achievements to date, particularly with regard to our transition to a customer-led organisation, a programme of work that is now well advanced.

Financial performance

As expected, new and renewal retail revenue declined in the UK, impacting on the profitability of the Group, with revenue and underlying operating profit performance for the Group on a continuing and discontinued operations basis in the period reduced to £319.7 million (2011: £346.1 million) and £36.3 million (2011: £47.7 million) respectively. The Group reported an operating loss for 2012 on a continuing operations basis of £17.7 million (2011: profit £22.9 million).

Trading conditions and results have been mixed across the Group. Renewal rates have decreased by 2.1% to 73.3%, in large part because of changes effected to the renewals process, and live policies are 10% lower than reported at 31 December 2011 at 9.9 million, impacted by our performance in the UK. The restrictions on our ability to sell our full range of products in the UK impacted revenue and profitability, resulting in Northern Europe underlying operating profit declining to £19.7 million. Southern Europe continued to experience challenging trading conditions in large part because of the external economic environment, resulting in lower revenue for the region, which includes Latin America, and underlying operating profit reducing to £8.1 million. Asia Pacific reduced its underlying operating loss to £1.1 million, although challenging trading conditions mean this market is taking longer than expected to develop. In North America, revenue increased and underlying operating profit rose to £10.1 million.

Cost reduction has been, and remains, a key priority, and in view of the difficult trading conditions prevailing in the UK and in some of the Group's overseas operations, we implemented programmes to reshape the cost base with a view to mitigating some of the adverse profit impact caused by lower revenue and changes to the product mix.

During the year we were pleased to confirm new relationships with Business Partners in Turkey, Spain and Portugal. We also confirmed a contract extension in France and new agreements in Mexico, Brazil and India. In the UK, we were disappointed to lose the Everything Everywhere and RBS Mobile Phone Insurance (MPI) contracts, and by the likely decision by Santander (UK) not to renew the Group's contract for the provision of benefits and services relating to Packaged Accounts in the UK from October 2013, in line with a shift in their own product strategy.

Refinancing

A key priority has been the management focus given to strengthening the Group's balance sheet and stabilising the business. The Board assessed and actively considered a range of financing options and, as announced on 17 April 2013, the Group has agreed to the conditional sale of the North American business (CPPNA Holdings Inc. and its subsidiaries) to AMT Warranty Corp. for a total cash consideration of $40 million (approximately £26.1 million). The conditional sale of the North American business has allowed us to amend and extend our existing bank facility until 30 September 2013, while a longer term refinancing is negotiated. This involves discussions with the existing lenders and the Company's major shareholder, and founder, Mr Hamish Macgregor Ogston CBE.

Our strategy and key priorities

In last year's review, I set out an evolution of our strategy and the five key priorities to reshape our business. Our strategic objectives and the actions that we are taking to move the business forward involve four key elements – people, customers, products, and markets, which I expand on in more detail in this review.

We have made progress against our five priorities during 2012. The FCA investigation is now closed and we are well advanced in embedding a new culture based on greater customer focus, strengthened discipline and enhanced governance. We have advanced our product marketing to develop and launch new consumer products, and our investment in emerging markets to take advantage of growth opportunities continued during the year. Although we made appropriate changes in composition and resource to reflect our required structure, our effort to retain and recruit the talent we need to deliver our future success remains.

A journey to rebuild our business

In 2012 we set about changing the way we do things at CPP. We recognise that historical practices prior to March 2011 were below the required standard, and these various failings have been reflected in the fine of £10.5 million imposed on us by the FCA. Whichever way you look at it, this fine is very substantial, particularly for a business of our size, representing as it does 40% of the continuing Group's underlying operating profit for the year.

Recognising the failings of the past, and following an extensive review of the business, we have established a new customer-led strategy, launched an extensive business Transformation Programme, and established a more robust governance framework.

Changes on this scale do not happen overnight, and the work required to rebuild the Group is far from complete. It has been even more challenging to make progress on the Transformation Programme, launched in August 2012, so vital for the future of the business, when we have, in parallel, had to resolve the FCA investigation, prepare for the redress programme, and manage the impact of the restrictions on the Group's regulated UK entities in the form of the VVOPs agreed with the FCA.

Under the VVOP, restrictions on new retail sales of our regulated Card Protection and Identity Protection products continue, and were extended to encompass new retail sales of MPI and sales in other EEA jurisdictions where the Group trades through UK permissions. In addition, the restriction on asset dispositions has been extended to our regulated UK entities who will also not participate in future Group borrowing arrangements or offer their assets as security for Group borrowing. Once we have completed the initiatives and enhancements required by the FCA, the Group will apply to the FCA for the restrictions on sales and asset movements and borrowing arrangements to be lifted.

The redress programme to remediate customers that may have suffered detriment as a result of our past failings is currently expected to be effected through a Solvent Scheme of Arrangement (the Scheme). The Scheme is designed to provide a vehicle through which CPP and its Business Partners can review claims in relation to past failings and, where appropriate, pay redress. At present, the Group anticipates that the Scheme will become effective in the second half of 2013, although it is not certain that the Scheme will proceed.

Given the unique nature and complexity of the proposed redress programme, the total amount payable under the Scheme will not be finally determined until the fourth quarter of 2014 at the earliest. In association with our advisers, we have assessed the likely financial impact of the redress programme. This assessment, when added to the costs of the investigation, the Scheme, the FCA fine, and the ancillary redress exercises we have carried out to address other past failings identified as part of the business process review instituted by the new management team, has resulted in total costs and provisions made in the Group's financial statements of £51.7 million.

In addition, shareholders should be aware that the Group's book of renewal business may experience a material decline as a result of the cancellation or non-renewal of live policies, which would have a significant adverse impact on the Group's revenue and profit going forward.

Positioning the Group for the future

The transformation to our new customer-led strategy is well advanced, and I am pleased to see many examples of progress in this regard right across the Group. We are confident that customers place value on the products and services we offer. In the UK for example, we are regularly seeing high levels of customer satisfaction and positive net promoter scores (which measure how likely CPP customers are to recommend us to others), demonstrating excellent quality in terms of customer engagement and experience. The core of our strategy depends on a simple, yet powerful philosophy: inspired people will delight customers, resulting in superior long term performance.

A critical first step is our people agenda; it is only through our people that we will move our culture to one that is centred on the customer. In 2012, and despite our various challenges, we chose to make some moderate investment in leadership development, customer experience training and education programmes, and a series of highly acclaimed beliefs workshops designed to re-set the bar on CPP's own values and beliefs.

Delivering an improved customer experience

We have nearly 10 million customers worldwide and will continue to focus on doing the right thing by them. Putting the customer at the heart of what we do is fundamental to our commitment to customer-centricity. Our aim is to improve the customer's end to end experience and to embed a customer focused culture.

Our efforts to improve the customer experience can only be successful if we have products that are relevant, compelling and affordable to customers. We know from our own customer research that our products are well liked and well adapted to the needs of consumers. Looking forward, though, we need to refresh and revitalise our product offerings, and to this end we have launched two new assistance products in the UK; one at the end of 2012 and one in the first quarter of 2013. In the medium term we will continue to introduce new digital and mobile assistance offerings, all designed to give customers enhanced quality of life. Product innovation backed by an unparalleled approach to customer service, operating in the UK and overseas, with particular focus on emerging and developing markets where we see future potential, remains central to our growth prospects.

Looking ahead

2013 is a year of transition, further challenge and significant change, designed to deliver a more stable platform for the Group. We are focused on working hard to deliver a differentiated product and service offering, and experience, to our customers. By delivering against this plan, we will seek to realise the future potential of our business.

In the year ahead we need to secure our longer term financing, manage our way through the Scheme, reposition the business and reshape our business model to reflect our changed circumstances. We do not underestimate the scale of the challenges ahead. In the longer term, I believe that the actions we are taking to rebuild our business and reputation, combined with the enhancements to governance and risk management we have put in place, will provide us with a stronger, more stable platform from which to move the business forward.

Paul Stobart
Chief Executive Officer
29 April 2013

FINANCIAL AND OPERATING REVIEW

Summary

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

As the Group approached the maturity of its existing debt facilities on 31 March 2013, it was necessary to raise new funding. Following a strategic review of a range of possible funding sources, the Group decided to pursue the disposal of its North American business, CPPNA Holdings Inc. and its subsidiaries. This disposal process commenced in the third quarter of 2012 and at the year end the Board was committed to the disposal, consequently the North American business is presented as discontinued in the consolidated financial statements and this review. At the time of publication the proposed disposal of the North American business to AMT Warranty Corp. (AmTrust) for $40 million (approximately £26.1 million) will proceed subject to shareholder approval at a General Meeting scheduled for 3 May 2013. The majority shareholder in the Group, Mr Hamish Macgregor Ogston CBE, who owns approximately 57% of the ordinary share capital, has made an irrevocable commitment to vote his shares in favour of the disposal. As a result of these events, this review focuses on the performance of the continuing operations of the Group.

2012	**Continuing operations**	**Discontinued operations**	**Total**
Revenue (£ millions)	**269.9**	**49.8**	**319.7**
Gross profit (£ millions)	**107.6**	**23.2**	**130.8**
Operating (loss)/profit (£ millions)			
– Reported[1]	**(17.7)**	**7.4**	**(10.4)**
– Underlying[2]	**26.2**	**10.1**	**36.3**
(Loss)/profit before tax (£ millions)			
– Reported[1]	**(19.9)**	**7.4**	**(12.6)**
– Underlying[2]	**24.0**	**10.1**	**34.1**
Reported (loss)/earnings per share (pence)			
– Basic	**(12.42)**	**2.43**	**(9.98)**
– Diluted	**(12.13)**	**2.38**	**(9.75)**
Cash generated by operations (£ millions)	**10.4**	**7.0**	**17.4**
Dividends (pence)	**–**	**–**	**–**

1 Reported figures which agree to the income statement are for continuing operations only. Discontinued operations are not reported in operating (loss)/profit or (loss)/profit before tax in the income statement. Further detail to the discontinued operations is provided in note 8 to the condensed financial statements. Discontinued operations are included in this analysis to provide an indicative view of how the Group has performed in the year.

2 Excluding exceptional items from continuing operations of £43.9 million and discontinued operations of £2.7 million.

2011	Continuing operations	Discontinued operations	Total
Revenue (£ millions)	300.4	45.8	346.1
Gross profit (£ millions)	125.2	18.7	143.9
Operating profit (£ millions)			
– Reported[1]	22.9	6.8	29.7
– Underlying[2]	40.9	6.8	47.7
Profit before tax (£ millions)			
– Reported[1]	21.6	6.8	28.3
– Underlying[2]	39.6	6.8	46.4
Reported earnings per share (pence)			
– Basic	7.06	3.58	10.64
– Diluted	7.03	3.56	10.59
Cash generated by operations (£ millions)	50.3	4.9	55.2
Dividends (pence)[3]	2.42	–	2.42

1 Reported figures which agree to the income statement are for continuing operations only. Discontinued operations are not reported in operating profit or profit before tax in the income statement. Further detail to the discontinued operations is provided in note 8 to the condensed financial statements. Discontinued operations are included in this analysis to provide an indicative view of how the Group has performed in the prior year.

2 Excluding exceptional items from continuing operations of £18.0 million and discontinued operations of £0.1 million.

3 Dividends announced and paid relating to the 2011 financial year.

Group revenue from continuing operations has declined by 10% to £269.9 million as a result of revenue reducing by 10% in Northern Europe and 15% in Southern Europe and Latin America, whilst revenue in Asia Pacific was flat. On a constant currency basis Group revenue declined by 9%, with notably 5% growth recognised in Asia Pacific.

Overall expenditure on Business Partner commissions reduced to 29% of revenue (2011: 32%) due to changes in mix. Despite this, cost of sales were 60% of revenue (2011: 58%) as the proportion of business from Packaged Accounts increased. As a result, gross profit declined by 14% to £107.6 million and was 40% of revenue (2011: 42%).

Underlying operating profit declined by 36% to £26.2 million (2011: £40.9 million) as a result of the impact of reduced sales and lower gross profit. Overheads, whilst lower than 2011, have not reduced in line with the reduction in gross profit. This reduction in overhead of 3% results from lower economies of scale together with the requirement to invest in UK overheads in order to improve processes and governance, only partially offset by reduced staff costs as we restructured our UK based operations, primarily through the voluntary redundancy programme.

This performance together with exceptional items of £43.9 million, (2011: £18.0 million) which mainly comprises customer redress and associated costs, regulatory penalties and restructuring costs, resulted in a reported operating loss for 2012 of £17.7 million (2011: operating profit of £22.9 million).

Net interest and finance costs of £1.3 million (2011: £1.3 million) were in line with 2011 as the Group broadly maintained its level of gross debt and net funds. Other losses of £0.9 million (2011: £nil) arose on the disposal of minor subsidiaries that did not have a strategic fit with the continuing Group.

Reported loss before tax was £19.9 million (2011: reported profit before tax £21.6 million) whereas underlying profit before tax has reduced by 39% to £24.0 million (2011: £39.6 million).

Discontinued operations, which represents the Group's North American business, delivered profit after tax of £4.2 million (2011: £6.2 million). This is despite growth of profit before tax of 9% to £7.4 million (2011: £6.8 million) and results from increased tax due to costs associated with the disposal which are not tax deductible.

Underlying profit after tax from continuing operations excluding exceptional items was £16.9 million (2011: £26.0 million). Taking these one-off costs into account, reported results after tax from continuing operations reduced by £33.3 million to a loss of £21.4 million (2011: reported profit after tax £11.9 million).

Basic earnings per share has reduced from 7.06 pence in 2011 to a basic loss per share of 12.42 pence for 2012.

Whilst our operations continued to generate cash, net cash from operating activities (including continuing and discontinued operations) of £17.4 million (2011: £55.2 million) was substantially lower than the prior year, which is reflective of the Group's operating performance. Nevertheless, the Group's net funds position improved from £11.9 million at 31 December 2011 to £13.6 million at 31 December 2012.

The Group will not be paying a dividend for 2012 in line with the Group's performance and financial position (2011: 2.42 pence).

Group revenue breakdown

	2012 £'m	2011 £'m	Growth
Continuing operations			
Retail assistance policies	**163.8**	213.0	(23)%
Retail insurance policies	**41.2**	38.5	7%
Packaged and wholesale policies	**56.6**	41.9	35%
Non-policy revenue	**8.3**	7.1	17%
	269.9	300.4	(10)%
Discontinued Operations	**49.8**	45.8	9%
Total Group revenue	**319.7**	346.1	(8)%

Revenue from retail assistance policies has materially declined compared to 2011. Revenue from retail insurance policies has increased and revenue from packaged and wholesale policies has grown significantly. The growth in revenue from retail insurance policies principally relates to the Group's UK MPI business during the first nine months of the year where the increasing sales of higher priced smart phone insurance policies more than compensated for a decline in the overall level of policy sales. This trend reduced in the last three months of the year following the cessation of the Group's contract with T-Mobile (Everything Everywhere) which resulted in no new sales and the remaining customer book starting to run-off. Growth in revenue from packaged and wholesale policies is due to growth in the Group's Packaged Account activities in the UK. This trend will not continue following the loss of the Group's main Packaged Account customer, RBS, in March 2013.

Non-policy revenue, principally from the Group's Airport Angel lounge access business, has grown as a result of increasing sales to our Business Partners and their customers resulting in more lounge visits.

Underlying financial performance

Continuing operations	**2012 £'m**	2011 £'m
Reported operating (loss)/profit	**(17.7)**	22.9
Exceptional items:		
Customer redress and associated costs	**26.3**	14.9
Regulatory penalties	**8.5**	2.0
Restructuring costs	**4.9**	–
Strategic project costs	**0.4**	–
Impairment of goodwill and intangible assets	**3.7**	–
Legacy scheme share based payments	**0.2**	1.1
Underlying operating profit	**26.2**	40.9
Reported (loss)/profit after tax	**(21.4)**	11.9
Exceptional items:		
Customer redress and associated costs	**22.0**	11.0
Regulatory penalties	**8.5**	2.0
Restructuring costs	**3.8**	–
Strategic project costs	**0.4**	–
Impairment of goodwill and intangible assets	**3.4**	–
Legacy scheme share based payments	**0.2**	1.1
Underlying profit after tax	**16.9**	26.0

The Group's statutory results are adjusted to arrive at measures which better reflect underlying performance. Adjustment has been made for exceptional items of £43.9 million (2011: £18.0 million). After making these adjustments, underlying operating profit was £26.2 million (2011: £40.9 million), which was 36% lower than 2011. On the same basis, underlying profit after tax was 35% lower than prior year at £16.9 million (2011: £26.0 million). Basic underlying earnings per share was 9.91 pence (2011: 15.28 pence) and diluted underlying earnings per share was 9.68 pence (2011: 15.21 pence).

Quarterly performance

Continuing operations	Q1 2012	Q2 2012	Q3 2012	Q4 2012	**FY 2012**
Revenue growth[1]					
Group	(8)%	(11)%	(9)%	(13)%	**(10)%**
Northern Europe	(8)%	(10)%	(7)%	(13)%	**(10)%**
UK	(8)%	(10)%	(7)%	(14)%	**(10)%**
Southern Europe and Latin America	(10)%	(15)%	(19)%	(19)%	**(15)%**
Spain	(15)%	(19)%	(23)%	(19)%	**(19)%**
Asia Pacific	10%	2%	(8)%	(2)%	**0%**

Continuing operations	Q1 2012	Q2 2012	Q3 2012	Q4 2012	**FY 2012**
Underlying operating profit growth[1 2]					
Group	(43)%	(29)%	(23)%	(51)%	**(36)%**
Northern Europe	(49)%	(34)%	(26)%	(61)%	**(41)%**
UK	(53)%	(36)%	(21)%	(63)%	**(43)%**
Southern Europe and Latin America	(18)%	(25)%	(27)%	(25)%	**(24)%**
Spain	(18)%	(30)%	(26)%	(24)%	**(25)%**
Asia Pacific	33%	20%	49%	100%	**48%**

1 Growth percentages stated on a year-on-year basis.

2 Excluding exceptional items £43.9 million (2011: £18.0 million).

The continuing Group's performance in 2012 was impacted by reduced new and renewal retail revenue streams in the UK and Southern Europe. Quarter four has shown additional decline year-on-year as it is further impacted by lower new retail insurance revenue resulting from the loss of the T-Mobile (Everything Everywhere) contract, lower new retail revenue as a result of the VVOPs in the UK and increasing MPI direct costs.

KEY PERFORMANCE INDICATORS

Continuing and discontinued operations	**2012**	2011	Growth
New assistance income (£ millions) (see table below)	**67.8**	85.5	(20)%
Annual renewal rate	**73.3%**	75.4%	(2.1)%
Live policies (millions) (see table below)	**9.9**	11.0	(10)%
Cost/income ratio	**59%**	55%	4%
Operating profit margin[1]	**11.4%**	13.8%	(2.4)%

1 Underlying operating profit as a percentage of revenue.

New assistance income (£ millions)	**2012**	2011	Growth
Retail products	**38.1**	59.8	(36)%
Packaged and wholesale	**29.7**	25.6	16%
Total	**67.8**	85.5	(20)%

Live policies (millions)	**2012**	2011	Growth
Retail assistance policies	**5.7**	6.9	(17)%
Retail insurance policies	**0.5**	0.5	(13)%
Packaged and wholesale policies	**3.8**	3.6	4%
Total	**9.9**	11.0	(10)%

Total new assistance income for 2012 was 20% lower than 2011. New assistance income derived from the sale of retail products has declined as a result of lower retail acquisitions in the UK, Spain and Italy, partially offset by favourable wholesale in the UK. On a constant currency basis, total new assistance income for the Group was 19% lower than 2011. Excluding discontinued operations new assistance income was £43.9 million (2011: £60.3 million), representing a decline of 27%.

The Group annual renewal rate at 73.3% (2011: 75.4%) has declined by 2.1% since December 2011. This reflects a reduction in the Card Protection and Identity Protection renewal rates in the UK resulting from a combination of agreed amendments to the renewal process, adverse publicity surrounding the Group and general economic factors. The UK impact is partially offset by an increasing renewal rate in Spain. Excluding discontinued operations our annual renewal rate would be 73.5% (2011: 76.0%), a decline of 2.5%.

Live policies have declined by 10% to 9.9 million (2011: 11.0 million) due to lower retail acquisitions and declining renewals in the UK. Live policies in the rest of the Group have remained stable in 2012. Excluding discontinued operations our live policies would be 9.1 million.

Cost/income ratio, which is expressed as a percentage of revenue, has increased 4% year on year to 59% (2011: 55%), largely due to the UK as a result of declining Card Protection and

Identity Protection renewal revenue and increasing direct costs attached to our wholesale MPI, partly offset by a reducing overhead base following the voluntary redundancy programme in the year. Excluding discontinued operations our cost income/ratio would be 61% (2011: 54%), an increase of 7%.

Underlying operating profit margin has decreased by 2.4% to 11.4% (2011: 13.8%) due to a decline in renewal income for Card Protection and Identity Protection and reducing wholesale margins in the UK through increasing direct costs. The UK impact is partially offset by an improving margin in North America. Excluding discontinued operations our operating profit margin would be 9.7% (2011: 13.6%), a reduction of 3.9%.

REGIONAL PERFORMANCE

	2012 £'m	2011 £'m	Growth	Organic, constant currency growth
Northern Europe[1]				
– Revenue	**225.8**	249.5	(10)%	(9)%
– Underlying operating profit[2]	**19.7**	33.6	(41)%	(41)%
Southern Europe and Latin America[1]				
– Revenue	**37.5**	44.4	(15)%	(9)%
– Underlying operating profit[2]	**8.1**	10.6	(24)%	(19)%
Asia Pacific[1]				
– Revenue	**6.5**	6.5	0%	5%
– Underlying operating loss[2]	**(1.1)**	(2.2)	48%	50%
North America[3]				
– Revenue	**49.8**	45.8	9%	8%
– Underlying operating profit[2]	**10.1**	6.8	47%	45%

1 Included in continuing operations.

2 Excluding exceptional items and share of loss of joint venture.

3 Disposal agreed, subject to shareholder approval. Presented as discontinued operation

Northern Europe

- Revenue 10% lower at £225.8 million (2011: £249.5 million)
- Underlying operating profit reduced to £19.7 million (2011: £33.6 million)
- FCA investigation concluded; redress programme to commence
- Reduced Card Protection and Identity Protection revenue
- UK product innovation advanced

Operating in the UK, Ireland, Germany and Turkey; Northern Europe, which accounts for 71% of Group full year revenue (on a continuing and discontinued operations basis), has been impacted by a challenging operating environment primarily as a result of restricted sales and reduced Card Protection and Identity Protection renewal revenues in the UK.

Financial performance

Revenue has decreased 9% on a constant currency basis compared to the same period in 2011 to £225.8 million (2011: £249.5 million). Underlying operating profit has reduced for the full year to £19.7 million (2011: £33.6 million) 41% lower on a constant currency basis.

UK

As expected, 2012 was a difficult year due to a challenging operating environment in the UK. Revenue decreased and the gross profit margin was lower as a result of reduced renewal revenue, impacted by changes in the renewal process and adverse external media attention combined with lower-margin MPI and Packaged Account activities.

A great deal of positive change took place in our UK business in 2012 and the closure of the FCA's investigation in November 2012 now provides clarity about what we can do. Our customer-focused Transformation Programme, supported by a strengthened management team, new operational structure, improvements made to enhance the skillset of our people and new product initiatives provides a stronger platform to move forward.

Much work has gone into improving the relationship between the UK business and the FCA. Nonetheless, the restricted retail sales of Card Protection, Identity Protection and MPI, as a consequence of the agreed VVOPs for the regulated UK entities has impacted performance. Until we gain agreement for the restrictions to be lifted and as a result of the redress programme expected to commence during 2013, performance will be further impacted.

MPI, Packaged Account and wholesale business performance together with cost-saving measures implemented throughout 2012 partially offset the impact of reduced Card Protection and Identity Protection revenue streams. Nonetheless, our MPI business has been impacted by a higher number of settled claims and higher average settlement costs, suspension of new retail sales and the decisions by Business Partners not to renew contracts resulting in reduced revenue for 2012 as a whole and beyond. In addition, while our Packaged Account and wholesale business performed profitably in the first half of the year, revenue growth reduced in the second half of the year as a result of a major partner not actively marketing Packaged Accounts.

Our Airport Angel business increased revenue as a result of improved volumes, although made an underlying operating loss.

Following a strategic review at the end of 2012, we concluded that I-Deal Promotions Limited (I-Deal) and Concepts for Travel Limited (Concepts) had limited strategic fit and were subsequently disposed.

Ireland

Ireland continued to be a difficult economy to operate in and, as a result, revenue decreased modestly and underlying operating profit is lower than 2011.

Germany

Revenue increased and operating loss reduced in 2012. Customer numbers and renewal rates increased during the year.

This performance is reflective of increased new revenues with established Business Partners, combined with channel and product development.

We lost one Business Partner as an indirect result of the regulatory issues experienced by the Group in the UK.

Turkey

Revenue and operating profit in Turkey declined in 2012 impacted by the loss of Akbank as a Business Partner in August 2011. New policy volumes and the renewal rate decreased in the year.

The loss of Akbank, resulting in lower renewals, has been partially offset by sales generated from a new call centre and new agreements with ING Bank, Anadolubank, Sekerbank and Turkey Finance Participation Bank. We were pleased to renew our contract for a further three years with Bank Asya.

Commercial Card Protection was launched in the year with Denizbank and Bank Asya and ID Safe was launched with Denizbank.

Home 3

The investment in our joint venture with Mapfre Asistencia continues to develop, however, its progress is now likely to result in break-even being achieved towards the end of 2014.

Looking ahead

We believe opportunities remain for us to develop further in the Northern European market, supported by product development initiatives, improvements to existing products and new Business Partnerships. Nonetheless, the challenging UK operating environment and regulatory restrictions, until lifted, will continue to have an adverse impact on the overall performance of the region in 2013. Performance will be further impacted by the UK redress exercise and will be challenging until new customer initiatives and future renewal revenue start to take effect.

Southern Europe and Latin America

- Revenue 15% lower at £37.5 million (2011: £44.4 million)
- Underlying operating profit reduced to £8.1 million (2011: £10.6 million)
- Customer base stable; renewal rates improved
- Continued growth in Mexico, revenue increased
- Major new Business Partners signed across the region

Operating in Spain, Italy, Portugal, France, Brazil and Mexico; Southern Europe & Latin America, which accounts for 12% of Group full year revenue (on a continuing and discontinued operations basis), has seen mixed results impacted by a challenging operating environment, primarily as a result of the continued difficult economic situation and banking sector conditions in the Eurozone region. Our performance in Latin America has been encouraging with revenue growth in Mexico and market entry activities continuing in Brazil.

Financial performance

Revenue has decreased 9% on a constant currency basis compared to the same period in 2011 to £37.5 million (2011: £44.4 million). Underlying operating profit has consequently reduced for the full year to £8.1 million (2011: £10.6 million), 19% lower on a constant currency basis. The region's customer base remained stable and the renewal rate improved year-on-year.

Southern Europe

The adverse economic situation in Southern Europe continued in 2012, resulting in lower revenue and operating profit in Spain, Italy and France due to lower new volumes and lower renewal income. In Portugal, revenue declined at a lesser rate and moved from an operating loss to profit during the year. Retail policies fell during the year while wholesale policy numbers increased, most notably in Spain and Italy. We effected cost saving initiatives in Spain, France and Italy during the year. As a result of the VVOP restrictions agreed by certain of the Group's UK subsidiaries with the FCA new retail sales were impacted towards the end of the year in Italy, Portugal and Spain.

We were pleased to confirm new relationships with Business Partners, including Vodafone in Spain, which in addition to 20:20, a major distributor of Yoigo, provides us with a strong mobile platform. In Portugal we recommenced sales campaigns with Caixa Geral de

Depositos. In France we secured a contract extension with our principal Business Partner until April 2014.

Latin America

We have been encouraged by good revenue growth and improved financial performance in Latin America. In Mexico, revenue growth continued, albeit from a low base, and we expect to achieve break-even in 2013. We enhanced our Identity Protection product and launched a version of Card Protection aimed at consumers who have recently accessed the growing financial services market. In addition, we signed a new retail contract with Banco Invex and a wholesale contract with Banco Inbursa in Mexico during 2012.

Our newer market of Brazil continued to make progress with product propositions being discussed with a number of potential Business Partners and the continued development of new Card Protection services for retailers. We partnered with retailer Acontece Soluçoe which provides a platform to support further growth during 2013.

Looking ahead

The economic situation in Southern Europe is expected to continue in 2013 and adversely affect revenue as a result. We expect new Business Partner agreements and diversification into the telecoms market will support future opportunities in this region. In Latin America, the increasing access to financial services and penetration of Smartphone use provides further growth opportunities. We expect the region to contribute positive revenue growth during 2013.

Asia Pacific

- Revenue flat at £6.5 million (2011: £6.5 million)
- Underlying operating loss 48% lower at £1.1 million (2011: £2.2 million)
- Renewal rates stable
- India moved into operating profit; revenue increased
- Business development resources strengthened

Operating in Hong Kong, Singapore, Malaysia, India and China; Asia Pacific, which represents 2% of Group full year revenue (on a continuing and discontinued operations basis), reduced its operating losses on a constant currency basis by 50%, although challenging trading conditions has meant that the development of this region is at a slower rate of growth year-on-year.

Financial performance

Revenue is 5% higher on a constant currency basis compared to the same period in 2011 at £6.5 million (2011: £6.5 million). The operating loss has reduced for the full year to £1.1 million (2011: £2.2 million), an improvement of 50% on a constant currency basis.

Renewal rates have remained stable, partially offsetting the impact of lower new revenue growth. To support the region in the year, the business development teams in China and Malaysia have been strengthened and an enhanced business support structure implemented.

Hong Kong

Renewal rates improved during the year however new business development has been restricted as a result of Business Partners remaining cautious towards sales activities resulting in lower revenue year-on-year. Operating loss in the market is reduced.

Singapore

During the year, revenue declined as a result of reduced new campaigns, although a small local profit was generated and our cost-base reduced. We increased our business development resource with a view to support future growth.

Although Business Partners remained cautious towards new sales, during the year we partnered with HSBC to provide our Airport Angel product to their customers.

Malaysia

In Malaysia, revenue was lower and operating profit performance reduced.

Business Partners continued to remain cautious towards sales activities although, encouragingly, our contract with Maybank was extended for three years until 2015.

India

During the year revenue increased and India moved into profitability as a result of increased new and renewal income.

Despite the decisions by two of our Business Partners not to continue new business activities, we secured new Business Partners in the year that include Bajaj Finance Limited and Capital First Ltd, and in addition, renewed existing contracts with Kotak.

At the end of 2012 we launched a new product tailored for Indian consumers, OneCall SOS. In 2013 we expect to launch Personal Identity Protection.

Despite the rate of economic growth in India slowing, we anticipate continued growth and improved renewal performance in 2013.

China

Revenue in China was marginally lower whilst the operating loss reduced year-on-year due to mix effects. We worked with Business Partners to pilot a range of new channels to increase customer numbers and build product awareness and developed relationships with China Industrial Bank, China Ping An Bank and China CITIC Bank to increase our sales activities. Our wholesale contract with China Guangfa Bank was not renewed in July 2012.

Looking ahead

Collectively, the region is expected to develop at a slower rate of growth in 2013 due to on-going, challenging trading conditions. The key markets of India and China are expected to provide future opportunities for the region.

North America

- Revenue up 9% at £49.8 million (2011: £45.8 million)
- Underlying operating profit up 47% at £10.1 million (2011: £6.8 million)
- Conditional agreement to sell North American business for total cash consideration of $40 million (approximately £26.1 million), subject to shareholder approval
- Good renewals performance

The Group's North American business accounted for 16% of Group full year revenue (on a continuing and discontinued operations basis) in 2012. During the year it performed well as a result of renewal growth with existing Business Partners, although new volume growth was lower.

Financial performance

Revenue increased 8% on a constant currency basis compared to the same period in 2011 to £49.8 million (2011: £45.8 million). Underlying operating profit increased for the full year to £10.1 million (2011: £6.8 million), 45% higher on a constant currency basis.

Revenue and profit increased in the year as we expanded our sales primarily through our existing key Business Partner relationships, although growth was lower than achieved in the prior year. New revenue fell in the year as a result of reduced sales with a key Business Partner coupled with regulatory changes to improve customer service, partially offset by an increase in renewals.

Retail policy holder numbers were lower than the prior year, impacted by a lower rate of customer acquisition. Wholesale policy growth was positive and supported by a new Packaged Account programme as a result of a two year contract extension commencing June 2012.

During the year, the business focused on product innovation alongside managing and developing a number of our Business Partner relationships, which included extending a joint marketing agreement for a further three years alongside a three year credit card activation agreement with a key Business Partner.

Sale of North American business

As a result of the maturity of the Group's bank facility and costs in relation to implementing customer redress in the UK, the Directors determined that strengthening the Group's capital structure was essential. Subsequently, the Board initiated a strategic review of the Group to analyse which of its operational units were easily separable from the Group and likely to be attractive to potential purchasers as a standalone business.

The Board concluded that the North American business, having its own range and mix of products and certain of its Business Partners having no relationship with the Group outside of the United States, was likely to be attractive to potential purchasers and achieve a valuation in a range that would assist the Group in repaying in part, its bank facility.

On 17 April 2013 the Group announced that it had agreed to the sale of its North American business for a total cash consideration of $40 million (approximately £26.1 million) to AMT Warranty Corp., a Delaware corporation and wholly owned subsidiary of AmTrust Financial Services, Inc.

The disposal is part of a series of related measures being pursued by the Board with a view to securing the future viability of the Group in the interests of all stakeholders.

At the time of writing, the disposal is conditional upon approval of shareholders which, if achieved, is expected to result in completion of the disposal in the second quarter of 2013. Following completion of the disposal, the Group will no longer receive the revenue and profit generated by the North American business and the Group's total consolidated revenue and operating profit are expected to decline.

Principal terms and retention arrangements of the disposal can be found in notes 18 and 19 to the condensed financial statements.

INVESTMENT IN DEVELOPING MARKETS AND HOME 3 JOINT VENTURE

Despite continuing challenging circumstances in a number of its established markets, the Group has sought to maintain a level of investment in its new and developing markets. This investment comprises mainly start-up losses which are accounted for in the current year's income statement. For these purposes, the Group considers the following markets to be developing: Hong Kong, Home 3, Mexico, China and Brazil (2011 also included Singapore and India). In 2012, the total investment in start-up losses in the Group's developing markets was £3.1 million (2011: £4.9 million), the reduction is due to improved performance in India and Mexico and reduced year on year overheads in Hong Kong.

Our Home 3 joint venture with Mapfre Asistencia grew revenue with existing Business Partners and the Group's share of operating losses for 2012 reduced to £0.5 million (2011: £1.2 million).

EXCEPTIONAL ITEMS

Continuing operations	**2012 £'m**	2011 £'m
Customer redress and associated costs	**26.3**	14.9
Regulatory penalties	**8.5**	2.0
Restructuring costs	**4.9**	–
Strategic project costs	**0.4**	–
Impairment of goodwill and intangible assets	**3.7**	–
Legacy scheme share based payments	**0.2**	1.1
Total	**43.9**	18.0

Exceptional items of £43.9 million comprise the following main areas:

- £26.3 million customer redress and associated costs (2011: £14.9 million) includes the estimated costs of compensating UK customers who were mis-sold the Group's Card Protection and Identity Protection products or where the products were in some way defective. This also includes the costs of contacting the customers and delivering this compensation, including the Group's share of the costs of implementation and operation of the anticipated solvent scheme of arrangement jointly with its Business Partners. Professional fees incurred during and as a consequence of the FCA investigation are also included.
- £8.5 million relates to the net fine of £10.5 million which the FCA imposed on the Card Protection Plan Limited in November 2012. In anticipation of a fine, £2.0 million was provided in the Group's accounts in the prior period. The fine is payable in instalments, with £2.0 million paid in 2012 and further instalments due in 2013 and 2014.
- £4.9 million of restructuring costs (2011: £nil) relate to redundancy programmes and associated costs, mainly in the UK.

Other exceptional items include strategic project costs, goodwill and intangible asset impairment and legacy scheme share based payment costs which total £4.3 million (2011: £1.1 million).

TOTAL CUSTOMER REDRESS AND ASSOCIATED COSTS

Continuing operations	**2012 £'m**	2011 £'m	Total £'m
Redress of CPP direct sales	**8.4**	7.7	16.1
Other redress	**5.8**	2.1	7.9
Complaints redress	**2.7**	–	2.7
Regulatory penalties	**8.5**	2.0	10.5
Advisor fees	**9.4**	5.1	14.5
Total	**34.8**	16.9	51.7

The Group has incurred expenditure on, and provided for, customer redress and associated costs and regulatory penalties in 2011 and 2012. The total cost is currently estimated to be £51.7 million, of which £16.9 million was incurred in the prior year, £14.2 million of the provision within the balance sheet has already been utilised. The provision does not include an amount for the outstanding element of the regulatory penalties which is disclosed under current and non-current payables. The remaining provision at 31 December 2012 is therefore £29.0 million. £22.0 million has been estimated as the remaining cost of the customer redress element of the overall provision.

TAXATION

The tax charge of £1.5 million was substantially lower than prior year (2011: £9.6 million) reflecting the operating performance of the Group. The Group's overall loss before tax did not result in a tax credit due to a number of factors: including regulatory penalties not being deductible against UK tax, movements in deferred tax, movements in overseas tax and losses in start-up entities not recognised. In the current circumstances, the effective tax rate for the Group is not a representative measure. In 2011, the effective tax rate was 44.7%, reducing to 36.2% when including discontinued operations.

DISCONTINUED OPERATIONS

The Group has agreed to sell its North American business to AmTrust subject to shareholder approval. The North American business has therefore been classified as a discontinued operation and consequently its results are disclosed separately to those of the continuing operations.

	2012 £'m	2011 £'m
Revenue	**49.8**	45.8
Underlying operating profit[1]	**10.1**	6.8
Exceptional items	**2.7**	0.1
Profit after tax	**4.2**	6.2
Net assets held for sale	**12.9**	–

1 Excluding exceptional items of £2.7 million (2011: £0.1 million).

Revenue and underlying operating profit grew in 2012 as a result of continuing growth in sales to the customers of our Business Partners. Exceptional items are costs associated with the disposal of the business during the period to 31 December 2012.

The consideration agreed with the buyer is $40 million and has been hedged to Sterling by way of a foreign currency option at a rate of £1:$1.5334, which will result in minimum converted proceeds of £26.1 million. The majority of costs associated with the disposal have already been incurred.

CASH FLOW

Continuing and discontinued operations	**2012 £'m**	2011 £'m
Underlying operating profit[1]	**36.3**	47.7
Share of loss of joint venture	**0.5**	1.2
Exceptional items	**(46.7)**	(18.1)
Depreciation, amortisation and other non-cash items	**18.3**	14.2
Increase in provisions	**14.2**	14.9
Working capital	**(5.2)**	(4.7)
Cash generated by operations	**17.4**	55.2
Legacy scheme share option exercises	**–**	(0.2)
Tax	**(5.4)**	(12.6)
Operating cash flow[2]	**12.0**	42.4
Capital expenditure (including intangibles)	**(6.3)**	(12.6)
Investment in subsidiary and joint venture	**(0.5)**	(1.0)
Costs associated with disposal of discontinued operations	**(0.9)**	–

Net finance costs	**(0.9)**	(1.0)
Dividends	**–**	(12.9)
Loan note repayments and share issues[3]	**(0.9)**	0.2
Net movement in cash/borrowings[4]	**2.5**	15.0
Net funds[5]	**13.6**	11.9

1 Excluding exceptional items.

2 Excluding repayment of loan notes.

3 Comprises repayment of loan notes and proceeds from the exercise of share options.

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

5 Includes unamortised debt issue costs.

Cash generated by operations amounted to £17.4 million (2011: £55.2 million) representing a cash conversion ratio (cash generated by operations as a percentage of underlying operating profit) of 48% (2011: 116%).

The working capital requirement (excluding the movement in provisions) has increased by £5.2 million reflecting an increase in insurance balances from increased activity with Business Partners and the extended period customer payments are withheld by our UK merchant acquirer.

CAPITAL EXPENDITURE

Continuing and discontinued operations	**2012 £'m**	2011 £'m
Property, plant and equipment	**2.5**	3.3
Software	**3.5**	5.0
Acquisition of business partner intangibles	**0.3**	4.3
Intangible assets	**3.8**	9.3
Total capital expenditure[1]	**6.3**	12.6
% of revenue[2]	**2%**	4%

1 Capital expenditure in continuing and discontinued operations (cash basis).

2 Revenue from continuing and discontinued operations.

We have continued to invest in our business although at reduced levels pursuant to the cash constraints facing the Group. Investment in tangible and intangible assets in the year is £6.3 million (2011: £12.6 million) which represents 2% of revenue. Tangible asset investment of £2.5 million (2011: £3.3 million) was mainly computer hardware and leasehold improvements. Computer hardware included continuing upgrades to our disaster recovery and core infrastructure. Intangible asset investment comprised mainly computer software and systems. Computer software and systems expenditure was £3.5 million as we further developed our online services and e-commerce capabilities, expanded our developing markets and launched new products in the UK and overseas.

Investment in Business Partner intangibles was significantly lower in 2012 at £0.3 million (2011: £4.3 million). This results from the cessation of all retail sales of our Card Protection and Identity Protection products with the single Business Partner with whom we have this arrangement. The net book value of our Business Partner intangible at 31 December 2012 was £6.6 million (31 December 2011: £10.4 million) and is stated after an impairment of £0.6m in the year.

DIVIDEND

The Group's dividend policy is to distribute approximately 40% of underlying profit after tax to its shareholders. As a result of the Group making a loss after tax in 2012, the Directors have decided not to recommend that a dividend is paid, which is in line with this policy. Furthermore, in light of the Group's current performance, financial situation and prospects, it is unlikely that a dividend will be paid in the medium term.

BALANCE SHEET AND FINANCING

	2012 £'m	2011 £'m
Goodwill and intangibles	**16.9**	39.1
Property, plant and equipment	**13.3**	14.5
Net assets held for sale	**12.9**	–
Other net assets	**46.2**	32.9
	89.3	86.5
Provisions	**(29.0)**	(15.7)
Bank loans	**(43.4)**	(43.0)
Non-current liabilities	**(7.2)**	(0.6)
Total net assets	**9.7**	27.2

Provisions of £29.0 million (2011: £15.7 million) are mainly for customer redress and associated costs. It is anticipated this provision will be fully utilised in 2013. The remaining instalments of the fine levied by the FCA are reported in other net assets (£2.0 million due in 2013) and non-current liabilities (£6.5 million due in 2014).

Goodwill and intangibles of £16.9 million has decreased by £22.2 million from the prior year. The significant movements are associated with the transfer of goodwill associated with the North American business to net assets held for sale of £11.9 million, the full impairment of goodwill and intangibles associated with CPP Travel Services Limited of £3.1 million and the continued amortisation of the intangible balances against reduced levels of additions.

Net funds at 31 December 2012 were £13.6 million, an improvement of £1.7 million compared to prior year, as a result of positive operating cash flow. The Group maintains cash deposits for solvency purposes which were £22.9 million at 31 December 2012. Allowing for these deposits results in an adjusted Group net debt position of £9.3 million.

The Group had in place an £80 million guaranteed revolving credit facility provided by Barclays, RBS and Santander which expired on 31 March 2013. The drawn balance on this facility at 31 December 2012 was £43.5 million (excluding unamortised debt issues costs) reported in current liabilities (2011: £43.5 million, reported in non-current liabilities). Following a two week extension, which was subsequently extended for a further week, the Group agreed on 16 April 2013 an extension to the facility to 30 September 2013. The agreement results in a reduction in the level of facility to £25.0 million, once £16.5 million from the disposal proceeds of CPPNA Holdings Inc. has been used to prepay part of the current loan balance. The extended facility includes certain additional covenants including covenants in respect of cancellation rates and a requirement for the Group to maintain a minimum balance of £12 million in a blocked account that is secured in favour of the lenders. At the time of publication, the Group continues to engage in discussions with Barclays, RBS and Santander, and its majority shareholder to refinance the Group for a three year term.

CONTINGENT LIABILITIES

There remains material uncertainty in some of the Group's operations and the industry in which it operates in the UK. The uncertainties include possible industry-wide action by the FCA with regard to products that the UK business sells together with an industry-wide thematic review by the FCA into MPI products which could result in claims or other matters being raised against the Group.

The Directors have considered the above matters and have decided no definitive conclusions can be formed at this stage, leading to the disclosure of the contingent liabilities. Further detail is provided in note 17 to the condensed financial statements.

RISKS AND UNCERTAINTIES

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

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

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

Going concern

Risk: Financial, Regulatory and Operational.

Status: Increased on prior year.

Nature of risk and potential impact:

The Group has faced, and continues to face, a number of significant financing, operational, regulatory and strategic challenges. The Group faces these challenges at the same time increasing the risk that the Group at some point in the future, may not be able to continue to operate as a going concern. The risks described below detail the matters that the Directors are seeking to resolve. If one or a combination of these risks fully crystallises, this will challenge the going concern status of the Group. The refinancing arrangements currently in place are subject to conditions, the meeting of which would be threatened by the risks below increasing or crystallising.

Mitigation:

Improvements already made and planned for the future in the Group's governance, operations and relationships with regulators in the UK, reduce the likelihood of the risks materialising. The possible de-listing of the Group and the potential to secure a longer term refinancing may provide solutions to the on-going issues faced by the Group.

Financial risks

Risk: Liquidity/Capital.

Status: Increased on prior year.

Nature of risk and potential impact:

Details of the Group's arrangements to address its working capital requirements are included in the publicly available shareholder circular dated 17 April 2013. Details of the risks associated with the re-financing of the Group are incorporated in this document, which include the risk to liquidity resulting from any possible de-listing and the relatively short term nature of the Group's financing arrangements. The revised arrangement provides short term financing for the Group, although there can be no longer term certainty that the Group will remain a going concern. At the same time there can be no absolute certainty that the potential agreements tabled in the circular will be satisfactorily concluded. The Group may face additional risk from reputational damage as a result of adverse publicity which may impact on the revised business model being capable of generating sufficient revenue. The on-going uncertainty increases the likelihood that other risks highlighted in this report will crystallise during 2013 with the likelihood of reduced revenue, a less diversified business and reduced operating costs leading to the possible loss of key personnel.

Mitigation:

Leading up to the expiry of its existing credit facility on 31 March 2013 the Group was in lengthy discussion with its lenders and potential investors. As reported elsewhere, this resulted in the sale of the North American business and the agreement of an extended facility to 30 September 2013. The Group is discussing a potential three year refinancing arrangement with its lenders and with Mr Hamish Macgregor Ogston CBE, who has also made an approach and is considering buying the shares not already owned by him and returning the firm to private ownership. The extended facility will allow the Group time to reduce its cost base and reposition the business model in order to achieve this longer term strategic financing solution.

Market risks

Risk: Economic and political.

Status: No change on prior year.

Nature of risk and potential impact:

The Group operates in a number of countries including some in the Eurozone. This means that the Group is exposed to economic, political and business risks such as global recession, sudden regulatory change, currency controls and volatility of taxes.

Mitigation:

The Group Executive Committee (GEC) and Group Operations Committee (GOC) monitor macro-economic trends, industry specific and internal indicators.

Operating in diversified geographic markets mitigates the risk of over-exposure to any one country.

As part of its business planning process the Board reviews contingency planning and scenario modelling.

Risk: Competitive markets.

Status: No change on prior year.

Nature of risk and potential impact:

The Group operates in a very competitive market place where customer decisions are typically based on quality, price and service. New entrants or consolidation of existing competitors could restrict the Group's ability to meet its strategic objectives. There is a risk going forward that the Group may place reliance on operating with new products in new, untested markets which may not prove successful.

Mitigation:

The GEC keep a close watch on market activity.

The Group's strategy is to place the customer at the heart of its consideration of any potential developments

The Group constantly seeks new distribution partners and conducts research and strategy planning towards innovative product development.

The UK business is developing a suite of assistance products to sell through a range of distribution channels.

Operational risks

Risk: Regulatory.

Status: No change on prior year.

Nature of risk and potential impact:

FCA fine and VVOP restrictions: As reported in updates through the year, 2012 saw the conclusion to the FCA investigation. As publicised, this has resulted in a significant fine of £10.5 million, an extensive customer redress programme, yet to commence, and the restriction on the Group's UK based regulated subsidiaries preventing the sale of their retail products in the UK and EEA European Economic Area) jurisdictions. There are still a number of outstanding matters to be addressed with the FCA before the UK can be confident that the

VVOP restrictions will be lifted and there will be no further intervention from FCA in respect of regulatory breaches. The new sales restrictions on the UK business continue to have a significant negative impact on revenue.

Customer redress: Current work on the Scheme of Arrangement to manage the redress programme for the mis-selling of Card Protection and Identity Protection products in the UK has made certain assumptions around the size of the population and the anticipated customer response rates. There is a risk that these assumptions will be materially exceeded and result in the Group not being able to meet its liabilities for customer redress with an associated impact on the Group's going concern status.

Future FCA action: Although the Group has worked closely to address issues identified by the regulator, there can be no certainty the FCA will not seek to pursue further action against parts of the Group. There is still a risk that the FCA's thematic review of the sale of MPI could result in new action against HIL and that this action could impair HIL's regulatory capital position.

Licence to trade: The Group has a legal obligation to have sufficient insurance arrangements in place to cover the potential risks associated with the nature of the business. There is a risk that, as a direct result of the legacy issues currently being managed in the UK, the Group will be unable to acquire the Professional Indemnity insurance required for it to continue to carry out business.

Operations outside the UK: Given that the Group operates in a number of different regions across the world, there is the risk that an operating unit may not be in compliance with local regulations and that it may suffer an investigation from local regulators.

Mitigation:

The Group Board and senior management are in constant communication with the FCA with a view to concluding the necessary outstanding actions.

A separately managed team, led by an experienced senior executive, has been established to work closely with the administrators of the Scheme of Arrangement to ensure a properly managed conclusion to the redress programme and to manage the impacts of any variation in anticipated claims.

The UK business has worked closely with the FCA on a series of agreed improvement activities and to date has delivered in excess of 90% of the agreed improvements.

The Group Board is committed to providing customers with value for money products and services. As such, during 2012, a complete review of the product development and sales process has been conducted in the UK. In addition the Group has strengthened its internal governance processes, increasing the resources in Compliance, separated Risk Management and Internal Audit, employed experienced interim resources to manage the risk and audit functions and restructured reward packages across the Group to reflect the importance of risk and compliance.

New processes have been introduced in the UK to support the identification and addressing of systemic weaknesses to ensure that the UK business is positioned to operate in a fully compliant manner.

At the same time the Board recognises the need to further improve its oversight of activities in the territories outside the UK and has already taken steps to ensure that it has improved management information.

Risk: Key Supplier Contracts.

Status: No change on prior year.

Nature of risk and potential impact:

The business model remains as previously reported and as such the Group places considerable reliance on suppliers external to the Group for the fulfilment of services. Due to the nature of the operations there are occasions where the Group has an exposure to a single supplier and is at risk from the failure of that supplier. This risk is currently crystallising in the UK where suppliers are expressing concerns about the financial stability of the Group. There

remains the risk that on-going uncertainty could result in key suppliers withdrawing services or materially altering credit terms. Such changes could also impact on the liquidity of the Group.

Mitigation:

The Group has taken the opportunity, as part of the operational review above, to improve its controls over suppliers and where possible consider ways to mitigate the risks posed by exposure to a single supplier. This has included identifying and contracting with alternative suppliers.

Risk: Business Partner Retention/Attraction.

Status: Increased on prior year.

Nature of risk and potential impact:

The reputational damage arising from the publicity of the regulatory actions in the UK and in addition, the sales restrictions on the Group in the UK and EEA jurisdictions may result in increased difficulty to retain commercial relationships or create new partnerships. Clearly this may have a detrimental impact on anticipated future revenue.

Mitigation:

The Board and senior management team are working on a new strategy for the UK that includes the development of new innovative products, new market sectors and diversified channels to market.

Risk: Data Security.

Status: No change on prior year.

Nature of risk and potential impact:

The nature of the Group's business means that either the Group or its key Business Partners retain a considerable amount of sensitive data on behalf of its customers. Any breach of data security may result in a significant adverse impact on customers and damage to the reputation of the Group.

Mitigation:

As previously reported, the Group continues to invest considerable time and resources into the protection of customer data. The Group has a dedicated information security team that support the design and implementation of solutions which meet PCI DSS standards.

The Group continues to progress recommendations to further improve the security of business and customer data and to address recently identified areas for improvement.

Risk: People & Resources.

Status: Increased on prior year.

Nature of risk and potential impact:

There is a risk that the repositioning and subsequent restructuring of the Group required to address its on-going running costs may result in key resources leaving the Group. The potential significant restructuring of the Group will inevitably result in a significant loss of capability and business knowledge as changes are made at all levels within the Group. Furthermore, the on-going uncertainty surrounding the future of the Group may make it difficult to attract and retain the skilled employees required to take the Group forward.

Mitigation:

Any organisational restructure will go through a rigorous risk assessment to ensure that the Group is positioned to deliver both its short and longer term objectives. The announced loss of Business Partners, particularly in the UK, provides the Group with the opportunity to re-evaluate the resource requirements and the skills required for the business. These will be matched against new products being developed by the business.

Going concern

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

Operational and trading matters

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

Regulatory issues and customer redress uncertainties

- The potential impact of customer redress on the continued resources which may be required by the business, including a number of assumptions around the size of population and customer response rates within a redress exercise. There is a risk that the response rates and the size of population may reach a level which cannot be funded under the revised funding arrangements. Although it is anticipated that the Scheme will become effective in the second half of 2013, it is not certain that the Scheme will proceed.
- The Directors have identified and disclosed contingent liabilities which are detailed in note 17 of the condensed financial statements. These contingencies relate to uncertainty in some of the Groups operations and the industry in which it operates in the UK. These include possible industry-wide action by the FCA with regard to products that the UK business sells together with an industry-wide thematic review by the FCA into MPI products which could result in other claims or matters being raised against the Group. However, at present the FCA has not expressed any final view and as a result the Directors have determined that no definitive conclusions can be formed at this stage.

Uncertainties relating to liquidity and funding

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

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

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

Shaun Parker

Chief Financial Officer

29 April 2013

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 2012. 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
29 April 2013	29 April 2013

Consolidated income statement

	Note	**2012 £'000**	2011 restated (note 2) £'000
Continuing operations			
Revenue		**269,869**	300,384
Cost of sales		**(162,295)**	(175,146)
Gross profit		**107,574**	125,238
Administrative expenses			
Exceptional items	5	**(43,942)**	(17,990)
Other administrative expenses		**(80,902)**	(83,151)
Total administrative expenses		**(124,844)**	(101,141)
Share of loss of joint venture		**(477)**	(1,181)
Operating (loss)/profit			
Operating profit before exceptional items		**26,195**	40,906
Operating (loss)/profit after exceptional items		**(17,747)**	22,916
Investment revenues		**580**	407
Other gains and losses	14	**(891)**	–
Finance costs – non-derivative instruments		**(1,869)**	(1,749)
(Loss)/profit before taxation		**(19,927)**	21,574
Taxation		**(1,474)**	(9,647)
(Loss)/profit for the year from continuing operations		**(21,401)**	11,927
Discontinued operations			
Profit for the year from discontinued operations	8	**4,171**	6,124
(Loss)/profit for the year		**(17,230)**	18,051

Attributable to:			
Equity holders of the Company		**(17,118)**	18,215
Non-controlling interests		**(112)**	(164)
		(17,230)	18,051

Basic (loss)/earnings per share		**Pence**	Pence
Continuing operations	7	**(12.42)**	7.06
Discontinued operations	7	**2.43**	3.58
Total		**(9.98)**	10.64

Diluted (loss)/earnings per share		**Pence**	Pence
Continuing operations	7	**(12.13)**	7.03
Discontinued operations	7	**2.38**	3.56
Total		**(9.75)**	10.59

Consolidated statement of comprehensive income

	2012 £'000	2011 £'000
(Loss)/profit for the year	**(17,230)**	18,051
Other comprehensive income and expenses		
Exchange differences on translation of foreign operations	**(616)**	120
Other comprehensive (expense)/income for the year net of taxation	**(616)**	120
Total comprehensive income for the year	**(17,846)**	18,171
Attributable to:		
Equity holders of the Company	**(17,734)**	18,335
Non-controlling interests	**(112)**	(164)
	(17,846)	18,171

Consolidated balance sheet

	Note	**2012 £'000**	2011 £'000
Non-current assets			
Goodwill	9	**1,478**	16,521
Other intangible assets	10	**15,458**	22,626
Property, plant and equipment	11	**13,316**	14,473
Investment in joint venture		**–**	–
Deferred tax asset		**2,902**	1,987
		33,154	55,607
Current assets			
Insurance assets		**27,241**	24,552
Inventories		**299**	329
Trade and other receivables		**29,034**	30,667
Cash and cash equivalents		**53,198**	54,924
		109,772	110,472
Assets classified as held for sale	8	**20,007**	–
		129,779	110,472
Total assets		**162,933**	166,079
Current liabilities			
Insurance liabilities		**(7,525)**	(8,878)
Income tax liabilities		**(2,379)**	(2,818)
Trade and other payables		**(56,587)**	(67,884)
Bank loans	12	**(43,408)**	–
Provisions	13	**(28,967)**	(11,393)
		(138,866)	(90,973)
Liabilities directly associated with assets held for sale	8	**(7,130)**	–
		(145,996)	(90,973)
Net current (liabilities)/assets		**(16,217)**	19,499
Non-current liabilities			
Bank loans	12	**–**	(43,041)
Deferred tax liabilities		**(716)**	(634)
Trade and other payables		**(6,500)**	–
Provisions	13	**–**	(4,279)
		(7,216)	(47,954)
Total liabilities		**(153,212)**	(138,927)
Net assets		**9,721**	27,152
Equity			
Share capital	15	**17,111**	17,106
Share premium account		**33,297**	33,300
Merger reserve		**(100,399)**	(100,399)
Translation reserve		**1,840**	2,456
Equalisation reserve		**7,984**	6,423
ESOP reserve		**11,638**	11,606
Retained earnings		**38,250**	56,824
Equity attributable to equity holders of the Company		**9,721**	27,316
Non-controlling interest		**–**	(164)
Total equity		**9,721**	27,152

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 2011		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	15	82	999	–	–	–	(162)	–	919	–	919
Dividends	6	–	–	–	–	–	–	(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
Total comprehensive income		**–**	**–**	**–**	**(616)**	**–**	**–**	**(17,118)**	**(17,734)**	**(112)**	**(17,846)**
Movement on equalisation reserve		**–**	**–**	**–**	**–**	**1,561**	**–**	**(1,561)**	**–**	**–**	**–**
Current tax credit on equalisation reserve movement		**–**	**–**	**–**	**–**	**–**	**–**	**382**	**382**	**–**	**382**
Equity settled share based payment charge		**–**	**–**	**–**	**–**	**–**	**34**	**–**	**34**	**–**	**34**
Deferred tax on share based payment charge		**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**(1)**	**–**	**(1)**
Exercise of share options	15	**5**	**(3)**	**–**	**–**	**–**	**(2)**	**–**	**–**	**–**	**–**
Adjustment arising from change in non-controlling interest		**–**	**–**	**–**	**–**	**–**	**–**	**(276)**	**(276)**	**276**	**–**
At 31 December 2012		**17,111**	**33,297**	**(100,399)**	**1,840**	**7,984**	**11,638**	**38,250**	**9,721**	**–**	**9,721**

Consolidated cash flow statement

	Note	**2012 £'000**	2011 £'000
Net cash from operating activities	16	**11,086**	41,547
Investing activities			
Interest received		**589**	423
Purchases of property, plant and equipment		**(2,485)**	(3,297)
Purchases of intangible assets		**(3,807)**	(9,334)
Costs associated with disposal of discontinued operations		**(905)**	–
Investment in joint venture		**(477)**	(997)
Net cash used in investing activities		**(7,085)**	(13,205)
Financing activities			
Dividends paid		**–**	(12,925)
Repayment of bank loans		**–**	(1,500)
Proceeds from new bank loans		**–**	17,000
Interest paid		**(1,520)**	(1,452)
Issue of ordinary share capital		**2**	1,081
Net cash (used in)/from financing activities		**(1,518)**	2,204
Net increase in cash and cash equivalents		**2,483**	30,546
Effect of foreign exchange rate changes		**(372)**	(662)
Cash and cash equivalents at 1 January		**54,924**	25,040
Cash and cash equivalents at 31 December		**57,035**	54,924

Analysed as:			
Continuing operations		**53,198**	48,682
Discontinued operations	8	**3,837**	6,242
		57,035	54,924

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 2013.

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2012 or 31 December 2011, but is derived from the 2012 financial statements. Statutory financial statements for 2011 for the Company prepared under IFRS have been delivered to the Registrar of Companies and those for 2012 for the Company will be delivered following the Company's Annual General Meeting. The Auditor, Deloitte LLP, has reported on these financial statements; their report was unqualified, but contained an emphasis of matter paragraph referring to material uncertainties relating to the Group's ability to continue as a going concern in the light of operational and trading uncertainties; regulatory issues and customer redress uncertainties; and uncertainties relating to liquidity and funding; as well as material uncertainties in relation to the quantification of the provision in relation to customer redress and possible future contingent expenditures. The report of the auditors on these financial statements did not contain statements under s498 (2) or (3) of the Companies Act 2006. These 2012 financial statements were approved by the Board of Directors on 29 April 2013.

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 2011, except for comparative amounts that have been restated to reflect the North American operations as discontinued and 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
Amendments to IFRS 7 (October 2010)	Disclosures – Transfers of Financial Assets
Amendments to IFRS 1 (December 2010)	Severe Hyper-inflation and Removal of Fixed Dates for First-time Adopters
Amendments to IAS 12 (December 2010)	Deferred Tax: Recovery of Underlying Assets

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying accounting policies

Going concern

The financial statements have been prepared on a going concern basis, as the Board of Directors has a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The going concern assessment considered the risks and uncertainties facing the Group, which include trading, customer redress and liquidity and the ability to finance and repay debt. Further details of the assessment are provided in the Financial and operating review in this statement.

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Recognition, therefore, involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

Key sources of estimation uncertainty

Amortisation of deferred insurance acquisition costs

Determining the amortisation period for deferred acquisition costs of insurance revenues requires estimation of the lives of insurance policies and cancellation profiles based on historical information, taking account of known events impacting on forecast lives and cancellations.

Changes to assumed policy lives or cancellation profiles would change the periods in which the acquisition costs are charged to the consolidated income statement.

Goodwill impairment reviews

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Details of key assumptions made are given in note 9.

Any shortfall between the carrying amount of goodwill and its fair value is recognised as an impairment charge in the consolidated income statement.

Customer redress and associated costs

A customer redress and associated costs provision was established in 2011 for costs associated with the FCA investigation into the Group's sales processes in the UK. At 31 December 2012 the remaining balance of the provision is £29.0 million. The provision includes anticipated compensation payable to customers through a customer redress exercise together with professional fees associated with the customer redress exercise.

Approximately 75% of the remaining provision relates to an estimate for the agreed redress, this element of the provision could vary depending upon assumptions regarding customer response rates or size of populations.

Contingent liabilities

The Group has recognised contingent liabilities in respect of uncertainty in some of the Group's operations and the industry in which it operates in the UK. These include possible industry wide action by the FCA with regard to products that the UK business sells together with an industry wide thematic review by the FCA into MPI products which could result in claims or other matters being raised against the Group, as detailed in note 17. Should the FCA seek to require redress for customers in relation to these matters the cost would be charged to the consolidated income statement.

Intangible assets arising from contractual arrangements with third parties

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

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

Current tax

The Group is required to estimate the corporation tax payable for the year in each of the territories in which it operates. Applicable tax regulations are complex and require that judgement be exercised in calculating the taxable profit. In many countries in which the Group operates, filed tax positions remain open to challenge by local tax authorities for several years. Corporation tax is therefore accrued based on the Directors' assessment of territory specific tax law and likelihood of settlement.

Any changes to estimates of uncertain tax positions would be reflected in the consolidated income statement.

4. Segmental analysis

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

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

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

Segment revenues and performance have been as follows:

	Northern Europe 2012 £'000	Southern Europe and Latin America 2012 £'000	Asia Pacific 2012 £'000	Total 2012 £'000
Year ended 31 December 2012				
Continuing operations				
Revenue – external sales	**225,775**	**37,550**	**6,544**	**269,869**
Cost of sales	**(140,503)**	**(18,654)**	**(3,138)**	**(162,295)**
Gross profit	**85,272**	**18,896**	**3,406**	**107,574**
Depreciation and amortisation	**(7,436)**	**(316)**	**(35)**	**(7,787)**
Other administrative expenses	**(58,167)**	**(10,470)**	**(4,478)**	**(73,115)**
Regional operating profit/(loss) before exceptional items and joint ventures	**19,669**	**8,110**	**(1,107)**	**26,672**
Share of loss of joint venture				**(477)**
Exceptional items (note 5)				**(43,942)**
Operating loss after exceptional items and joint ventures				**(17,747)**
Investment revenues				**580**
Other gains and losses				**(891)**
Finance costs – non-derivative instruments				**(1,869)**
Loss before taxation				**(19,927)**
Taxation				**(1,474)**
Loss for the year from continuing operations				**(21,401)**
Discontinued operations				
Profit for the year from discontinued operations (note 8)				**4,171**
Loss for the year				**(17,230)**

	Northern Europe 2011 £'000	Southern Europe and Latin America 2011 £'000	Asia Pacific 2011 £'000	Total 2011 £'000
Year ended 31 December 2011 – restated (note 2)				
Continuing operations				
Revenue – external sales	249,487	44,356	6,541	300,384
Cost of sales	(149,051)	(22,411)	(3,684)	(175,146)
Gross profit	100,436	21,945	2,857	125,238
Depreciation and amortisation	(7,884)	(304)	(33)	(8,221)
Other administrative expenses	(58,945)	(11,011)	(4,974)	(74,930)
Regional operating profit/(loss) before exceptional items and joint ventures	33,607	10,630	(2,150)	42,087
Share of loss of joint venture				(1,181)
Exceptional items (note 5)				(17,990)
Operating profit after exceptional items and joint ventures				22,916
Investment revenues				407
Finance costs – non-derivative instruments				(1,749)
Profit before taxation				21,574
Taxation				(9,647)
Profit for the year from continuing operations				11,927
Discontinued operations				
Profit for the year from discontinued operations (note 8)				6,124
Profit for the year				18,051

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 £1,542,000 (2011: £1,185,000) presented within Northern Europe in the tables above which have been charged to other regions for statutory purposes.

Segment assets

	2012 £'000	2011 restated (note 2) £'000
Northern Europe	**127,732**	124,740
Southern Europe and Latin America	**8,244**	9,348
Asia Pacific	**2,570**	2,346
Total segment assets	**138,546**	136,434
Assets relating to discontinued operations	**7,783**	11,137
Unallocated assets	**16,604**	18,508
Consolidated total assets	**162,933**	166,079

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

Capital expenditure

	Intangible assets		**Property, plant and equipment**	
	2012 £'000	2011 restated (note 2) £'000	**2012 £'000**	2011 restated (note 2) £'000
Continuing operations				
Northern Europe	**3,309**	8,992	**1,767**	1,994
Southern Europe and Latin America	**142**	8	**122**	322
Asia Pacific	**55**	21	**42**	20
Additions from continuing operations	**3,506**	9,021	**1,931**	2,336
Discontinued operations				
Additions for discontinued operations	**43**	396	**246**	99
Consolidated total additions	**3,549**	9,417	**2,177**	2,435

Revenues from major products

	2012 £'000	2011 restated (note 2) £'000
Continuing operations		
Retail assistance policies	**163,766**	212,982
Retail insurance policies	**41,174**	38,454
Packaged and wholesale policies	**56,649**	41,867
Non-policy revenue	**8,280**	7,081
Revenue from continuing operations	**269,869**	300,384
Discontinued operations	**49,802**	45,752
	319,671	346,136

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

Geographical information

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

	External revenues		Non-current assets	
	2012 £'000	2011 restated (note 2) £'000	2012 £'000	2011 restated (note 2) £'000
Continuing operations				
UK	**211,186**	233,859	**28,159**	38,698
Spain	**21,620**	26,717	**529**	551
Other	**37,063**	39,808	**1,564**	1,084
Total continuing operations	**269,869**	300,384	**30,252**	40,333
Discontinued operations	**49,802**	45,752	**12,481**	13,287
	319,671	346,136	**42,733**	53,620

Information about major customers

Included in revenue arising from Northern Europe is revenue of approximately £28.8 million (2011: £13.3 million) which arose from sales to the Group's largest customer.

5. Exceptional items

	Note	**2012 £'000**	2011 £'000
Customer redress and associated costs	13	**26,273**	14,892
Regulatory penalties		**8,500**	2,000
Restructuring costs		**4,874**	–
Strategic project costs		**388**	–
Impairment of goodwill and intangible assets	9,10	**3,711**	–
Legacy scheme share based payments		**196**	1,098
Exceptional items included in operating (loss)/profit		**43,942**	17,990
Tax on exceptional items		**(5,663)**	(3,916)
Total exceptional items after tax		**38,279**	14,074

The customer redress and associated costs of £26,273,000 (2011: £14,892,000) relates to the further costs required to compensate customers and professional fees associated with the customer redress exercise.

Regulatory penalties of £8,500,000 (2011: £2,000,000) represents the fine imposed by the FCA as a result of its investigation into the Group's sales processes in the UK.

The restructuring costs of £4,874,000 (2011: £nil) relate to redundancy programmes and associated costs across the Group, the majority of which were located in the UK.

Strategic project costs of £388,000 (2011: £nil) relate to professional costs incurred in relation to the evaluation of options available as the Group considered its refinancing.

Impairment of goodwill and intangible assets of £3,711,000 (2011: £nil) relates to the write down of the CPP Travel Services Limited goodwill and business relationship intangible asset balances of £3,120,000 in total, a decision taken by the Directors as a result of the historical trading performance of the company. £591,000 impairment relates to the contractual arrangement intangible, which reflects the impact the expected response rates in a customer redress exercise would have on the discounted forecast cash flows of the arrangement.

6. Dividends

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

	2012 £'000	2011 £'000
Final dividend paid for the year ended 31 December 2011 of nil pence per share (2010: 5.12 pence per share)	**–**	8,776
Interim dividend paid for the year ended 31 December 2012 of nil pence per share (2011: 2.42 pence per share)	**–**	4,149
Amounts recognised as distributions to equity holders in the period	**–**	12,925

The Directors have not proposed a final dividend for the year ended 31 December 2012.

7. (Loss)/earnings per share

Basic and diluted (loss)/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.

(Loss)/earnings

	Continuing operations		Discontinued operations		Total	
	2012 £'000	2011 restated (note 2) £'000	**2012 £'000**	2011 restated (note 2) £'000	**2012 £'000**	2011 £'000
(Loss)/earnings for the purposes of basic and diluted earnings per share	**(21,289)**	12,091	**4,171**	6,124	**(17,118)**	18,215
Exceptional items (net of tax)	**38,279**	14,074	**2,608**	69	**40,887**	14,143
Earnings for the purposes of underlying basic and diluted earnings per share	**16,990**	26,165	**6,779**	6,193	**23,769**	32,358

Number of shares

	Number (thousands)	Number (thousands)
Weighted average number of ordinary shares for the purposes of basic (loss)/earnings per share	**171,457**	171,210
Effect of dilutive potential ordinary shares: share options	**4,095**	787
Weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share	**175,552**	171,997

	Continuing operations		Discontinued operations		Total	
	2012 Pence	2011 restated (note 2) Pence	**2012 Pence**	2011 restated (note 2) Pence	**2012 Pence**	2011 Pence
Basic and diluted (loss)/earnings per share:						
Basic	**(12.42)**	7.06	**2.43**	3.58	**(9.98)**	10.64
Diluted	**(12.13)**	7.03	**2.38**	3.56	**(9.75)**	10.59
Basic and diluted underlying earnings per share:						
Basic	**9.91**	15.28	**3.95**	3.62	**13.86**	18.90
Diluted	**9.68**	15.21	**3.86**	3.60	**13.54**	18.81

8. Discontinued operations

As at 31 December 2012 the Board was committed to the disposal of CPPNA Holdings Inc. and its subsidiaries, which carried out all of the Group's North American operations, and had initiated a sale process with reasonable expectation of shareholder approval. Subsequent to the year end the Group announced that it had reached agreement to sell CPPNA Holdings Inc. and its subsidiaries, subject to shareholder approval. The disposal is expected to complete in the second quarter of 2013 for gross consideration of $40 million (approximately £26.1 million), further details are provided in notes 18 and 19.

In accordance with IFRS5 'Non-Current Assets Held for Sale and Discontinued Operations' the business has been classified in the consolidated balance sheet within assets and associated liabilities classified as held for sale, and presented as discontinued operations.

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

(i) Consolidated income statement

	2012 £'000	2011 £'000
Revenue	**49,802**	45,752
Cost of sales	**(26,578)**	(27,084)
Gross profit	**23,224**	18,668
Administrative expenses		
Exceptional items	**(2,715)**	(69)
Other administrative expenses	**(13,138)**	(11,837)
Total administrative expenses	**(15,853)**	(11,906)
Operating profit		
Operating profit before exceptional items	**10,086**	6,831
Operating profit after exceptional items	**7,371**	6,762
Investment revenues	**9**	16
Finance costs – non-derivative instruments	**(18)**	(46)
Profit before taxation	**7,362**	6,732
Taxation	**(3,191)**	(608)
Profit for the year	**4,171**	6,124

(ii) Exceptional items

	2012 £'000	2011 £'000
Costs associated with disposal	**(2,715)**	–
Legacy scheme share based payments	**–**	(69)
Exceptional items included in operating profit	**(2,715)**	(69)
Tax on exceptional items	**107**	–
Total exceptional items after tax	**(2,608)**	(69)

(iii) Summary of cash flows

	2012 £'000	2011 £'000
Net cash flows from operating activities	**3,703**	4,468
Net cash flows from investing activities	**320**	(647)
Net cash flows from financing activities	**(6,973)**	(3,003)
Net cash (outflow)/inflow	**(2,950)**	819

(iv) Assets and liabilities

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

9. Goodwill

	2012 £'000	2011 £'000
Cost and carrying value:		
At 1 January	**16,521**	16,536
Exchange adjustments	**(539)**	(15)
Impairment	**(2,570)**	–
Transfer to assets classified as held for sale	**(11,934)**	–
At 31 December	**1,478**	16,521

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	2012 £'000	2011 £'000
Homecare (Holdings) Limited	**1,478**	1,478
CPP North America LLC	**–**	12,473
CPP Travel Services Limited	**–**	2,570
	1,478	16,521

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on detailed business plans, and do not take account of any long term growth after this plan period of up to three years. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The pre-tax rate used to discount the forecast cash flows from the relevant CGUs at 31 December 2012 is 16% (2011: 14%).

At 31 December 2012, the Directors decided to recognise a full impairment of the CPP Travel Services Limited goodwill balance and associated intangible asset as shown in note 10. This reflected the historical trading performance of the company. The resulting impairment loss of £3,120,000 in total has been recognised as an exceptional item in the consolidated income statement.

10. 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 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 1 January 2012	17,128	2,118	16,906	18,821	54,973
Additions	**292**	**–**	**1,571**	**1,686**	**3,549**
Disposals	**–**	**(907)**	**–**	**(112)**	**(1,019)**
Exchange adjustments	**–**	**–**	**(10)**	**(129)**	**(139)**
Transfer to assets classified as held for sale	**–**	**–**	**(237)**	**(1,027)**	**(1,264)**
At 31 December 2012	**17,420**	**1,211**	**18,230**	**19,239**	**56,100**
Accumulated amortisation:					
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 1 January 2012	6,732	636	12,301	12,678	32,347
Provided during the year	**3,490**	**525**	**2,400**	**2,335**	**8,750**
Disposals	**–**	**(500)**	**–**	**–**	**(500)**
Exchange adjustments	**–**	**–**	**(11)**	**(25)**	**(36)**
Impairment	**591**	**550**	**–**	**–**	**1,141**
Transfer to assets classified as held for sale	**–**	**–**	**(233)**	**(827)**	**(1,060)**
At 31 December 2012	**10,813**	**1,211**	**14,457**	**14,161**	**40,642**
Carrying amount:					
At 31 December 2011	10,396	1,482	4,605	6,143	22,626
At 31 December 2012	**6,607**	**–**	**3,773**	**5,078**	**15,458**

11. Property, plant and equipment

	Freehold land & property £'000	Leasehold improvements £'000	Computer systems £'000	Furniture & equipment £'000	Total £'000
Cost:					
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 1 January 2012	7,278	5,650	30,499	7,627	51,054
Additions	**–**	**553**	**1,386**	**238**	**2,177**
Disposals	**–**	**(60)**	**(234)**	**(41)**	**(335)**
Exchange adjustments	**–**	**(19)**	**(159)**	**(70)**	**(248)**
Transfer to assets classified as held for sale	**–**	**(240)**	**(1,912)**	**(585)**	**(2,737)**
At 31 December 2012	**7,278**	**5,884**	**29,580**	**7,169**	**49,911**
Accumulated depreciation:					
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 1 January 2012	1,787	4,057	24,137	6,600	36,581
Provided during the year	**165**	**326**	**2,057**	**350**	**2,898**
Disposals	**–**	**(52)**	**(223)**	**(32)**	**(307)**
Exchange adjustments	**–**	**(20)**	**(115)**	**(48)**	**(183)**
Transfer to assets classified as held for sale	**–**	**(174)**	**(1,718)**	**(502)**	**(2,394)**
At 31 December 2012	**1,952**	**4,137**	**24,138**	**6,368**	**36,595**
Carrying amount					
At 31 December 2011	5,491	1,593	6,362	1,027	14,473
At 31 December 2012	**5,326**	**1,747**	**5,442**	**801**	**13,316**

Included in freehold land and property is freehold land at its cost value of £759,000 (2011: £759,000), which is not depreciated.

12. Bank loans

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

	2012 £'000	2011 £'000
Repayments due within one year	**43,500**	–
Less: unamortised issue costs	**(92)**	–
Bank loans due within one year	**43,408**	–
Repayments due outside of one year	**–**	43,500
Less: unamortised issue costs	**–**	(459)
Bank loans due outside of one year	**–**	43,041

Analysis of repayments:

	2012 £'000	2011 £'000
Within one year	**43,500**	–
In the second year	**–**	43,500
In the third to fifth years	**–**	–
Total repayments	**43,500**	43,500
Less: unamortised issue costs	**(92)**	(459)
Total carrying value	**43,408**	43,041

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 Group has extended the term of the existing bank facility to 30 September 2013, further details are provided in note 18.

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.

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

	2012 %	2011 %
Bank loans	**3.4**	3.3
Weighted average	**3.4**	3.3

At 31 December 2012 the Group had available £35.6 million (2011: £35.6 million) of undrawn committed borrowing facilities which expire on 31 March 2013 and on which all conditions precedent had been met.

13. Provisions

	Cash settled share based payments 2012 £'000	**Customer redress and associated costs 2012 £'000**	**Total 2012 £'000**	Cash settled share based payments 2011 £'000	Customer redress and associated costs 2011 £'000	Total 2011 £'000
At 1 January	**894**	**14,778**	**15,672**	1,719	–	1,719
Charged to the income statement	**3**	**26,273**	**26,276**	72	16,892	16,964
Customer redress and associated costs paid in the year	**–**	**(12,084)**	**(12,084)**	–	(2,114)	(2,114)
Loan notes repaid in the year	**(897)**	**–**	**(897)**	(897)	–	(897)
At 31 December	**–**	**28,967**	**28,967**	894	14,778	15,672

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

The loan notes became fully vested in March 2012 and were redeemed in full at that time.

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

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

Provisions are expected to be settled in the following periods:

	Cash settled share based payments 2012 £'000	**Customer redress and associated costs 2012 £'000**	**Total 2012 £'000**	Cash settled share based payments 2011 £'000	Customer redress and associated costs 2011 £'000	Total 2011 £'000
Within one year	**–**	**28,967**	**28,967**	894	10,499	11,393
Outside of one year	**–**	**–**	**–**	–	4,279	4,279
At 31 December	**–**	**28,967**	**28,967**	894	14,778	15,672

14. Disposal of a subsidiary

On 31 December 2012 the Group disposed of I-Deal Promotions Limited and Concepts for Travel Limited for consideration of £1 each. The disposals resulted in a loss to the Group of £891,000 in total.

There were no disposals of subsidiaries made in 2011.

15. Share capital

	2012 Number (thousands)	**2012 £'000**	2011 Number (thousands)	2011 £'000
Called-up and allotted: Ordinary Shares of 10 pence each				
At 1 January	**171,430**	**17,106**	170,616	17,024
Issue of shares in connection with:				
Exercise of share options	**57**	**5**	814	82
At 31 December	**171,487**	**17,111**	171,430	17,106

During the year the Company issued 57,387 shares to option holders for total consideration of £2,000.

Of the 171,486,890 ordinary shares issued at 31 December 2012, 170,986,891 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.

16. Reconciliation of operating cash flows

	2012 £'000	2011 £'000
(Loss)/profit for the year	**(17,230)**	18,051
Adjustment for:		
Depreciation and amortisation	**11,648**	12,090
Equity settled share based payment expense	**34**	2,169
Impairment loss on goodwill and intangible assets	**3,711**	–
Loss on disposal of property, plant and equipment	**135**	13
Costs associated with disposal of discontinued operation	**2,715**	–
Share of loss of joint venture	**477**	1,181
Investment revenues	**(589)**	(423)
Other gains and losses	**891**	–
Finance costs – non-derivative instruments	**1,887**	1,795
Income tax expense	**4,665**	10,255
Operating cash flows before movements in working capital	**8,344**	45,131
Decrease/(increase) in inventories	**30**	(40)
Increase in receivables	**(2,063)**	(770)
Increase in insurance assets	**(2,689)**	(3,059)
Increase in payables	**916**	605
Decrease in insurance liabilities	**(1,353)**	(1,539)
Increase in provisions	**14,192**	14,850
Cash generated by operations	**17,377**	55,178
Exercise of share options	**(899)**	(1,059)
Income taxes paid	**(5,392)**	(12,572)
Net cash from operating activities	**11,086**	41,547

17. Contingent liabilities

Having regard to the disclosure in note 13, although agreement has been reached with the FCA it remains unclear what further steps the FCA may wish to take, if any, and against whom in relation to UK sales of the Group'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 FCA will not seek to take action on a wider industry basis. Until such time as the FCA makes a determination on these issues, and the repercussions are understood for the industry as a whole, it is possible that other claims or matters may arise against the Group which could take a number of forms and therefore have a financial effect that cannot presently be estimated.

The FCA is currently conducting a thematic review in relation to the sale of MPI products and the Group has been co-operating with the FCA as part of this project in relation to sales of MPI products by one of its companies. The thematic review is being conducted on an industry wide basis and is looking at whether MPI is designed with consumers' interests in mind, and evaluating the sales, administration and claims handling processes across a population of firms who have a significant market share. The FCA has not at present expressed any final view in relation to matters arising from the Group's involvement in the thematic review and has not indicated that it will seek to take regulatory action against the Group. Given that the thematic review is being conducted, the Directors cannot be certain that the FCA may not seek to take steps against the Group in the future relating to sales of MPI products and seek to require redress for customers who purchased MPI products. However, at this time it is unclear whether any present obligation exists, and as such no provision has been recognised.

In addition the Group commissioned an independent report on the process used by one of its companies to sell MPI policies through voice channels. This report identified some potential compliance failings in the sales process and further work is being conducted to determine if there has been any customer detriment which may require redress. The Group is in discussions with the FCA on this matter but no conclusion can yet be formed and at this time it is unclear that any present obligation exists. As such no provision has been recognised.

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.

18. Events after the balance sheet date

On 17 April 2013 the Group announced that it had entered into an agreement to dispose of the entire issued and outstanding share capital of CPPNA Holdings Inc. and its subsidiaries, which carried out all of the Group's North American operations. The gross cash consideration for the disposal is $40 million (approximately £26.1 million). Completion of the disposal remains conditional on the passing of a resolution by the shareholders at a General Meeting. Details of the retention arrangements entered into with key employees in contemplation of the disposal are included in note 19.

On 17 April 2013 the Group announced that it had agreed to extend the term of its existing bank facility to 30 September 2013. The amended facility contains certain undertakings and covenants that are customary for a facility of this nature. In particular this includes covenants relating to CPPNA Holdings Inc. and its subsidiaries which required the Group to enter into a disposal agreement on or before 16 April 2013 and to ensure that disposal is completed on or before 31 May 2013 (or such later date as agreed with the lenders). It was also agreed that £16.5 million of the disposal proceeds will be used to repay the current borrowings, reducing the total commitment under the amended facility to £25 million. The amended facility contains certain additional financial covenants which include covenants in respect of cancellation rates and a requirement for the Group to maintain a minimum balance of £12 million in a blocked account that is secured in favour of the lenders.

Following the announcement in February 2013 that RBS would be ending its MPI contract with the Group, it was decided that the lease on the Chesterfield office would not be renewed upon expiry in May 2013 leading to the controlled closure of the office in 2013. Under the terms of the lease the Group is liable for dilapidation works to the building. Employees at the Chesterfield office have been given the opportunity to transfer to the new RBS provider, where employees have not accepted this transfer redundancy costs will be incurred. The cost for dilapidations and redundancy are currently estimated at £0.4 million in total. In addition, certain grant funding received may be subject to re-negotiation.

19. Related party transactions and control

Ultimate controlling party

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

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:

	2012 £'000	2011 £'000
Costs rechargeable to Home 3 incurred by the Group	**743**	361
Balance receivable from Home 3 at 31 December	**2,565**	1,090

Amounts receivable from Home 3 include £1,700,000 (2011: £1,200,000) of subordinated loan notes, £1,200,000 of which fall due for repayment on 30 December 2013 and £500,000 falls due for repayment on 31 May 2014.

Transactions with related parties

On 31 December 2012, the Group disposed of its 51% interest in I-Deal Promotions Limited (I-Deal) and its 100% interest in Concepts for Travel Limited (Concepts) to Mark Koch. Mr Koch was, and continues to be, a director and shareholder of I-Deal. The consideration under the sale and purchase agreement was nominal, being £1 for the 51 shares held by the Group in I-Deal and £1 for the 30,000 shares held by Group in Concepts.

As part of the transaction, the Group has also extended a loan of £350,000 to I-Deal to meet the working capital requirements of I-Deal, secured by a debenture granted in favour of the Group. The loan will be written off by the Group provided I-Deal meets pre-existing contractual commitments to its customers (which are also Business Partners of the Group). This loan has been provided in full by the Group and forms part of the loss on disposal recognised by the Group, included in note 14.

On 23 March 2013 the Group entered into an agreement with Mr Hamish Macgregor Ogston CBE to reimburse on demand any legal fees, costs and expenses which Mr Hamish Macgregor Ogston CBE has incurred or may be incurred on his behalf in relation to the refinancing activities of the Group. The aggregate amount of costs to be reimbursed by the Group is limited to £470,000, although it is acknowledged in the agreement that should costs exceed the limit, revised arrangements will be required.

In contemplation of the disposal of CPPNA Holdings Inc., and in order to incentivise and retain certain key employees of the North American companies, agreements were entered into with certain key employees in October 2012 (the Arrangements). The key employees who entered into the Arrangements included David Pearce and Gregory Mazza who are directors of CPP North America LLC, a subsidiary of CPPNA Holdings Inc.

The Arrangements provide (amongst other things) for the payment of a "sale" retention bonus of approximately 1.5 times annual salary in the event the disposal is consummated prior to 1 July 2013. The Arrangements also provide for a success bonus payable in the event the total purchase price for the disposal exceeds certain parameters. This success bonus is capped at an upper limit and has not become payable.

Under the terms of the Arrangements, the aggregate amount payable is $465,000 in the case of David Pearce and $312,000 in the case of Gregory Mazza.

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:

	2012 £'000	2011 £'000
Short term employee benefits	**3,782**	3,436
Post employment benefits	**229**	231
Termination benefits	**684**	142
Share based payments	**(91)**	1,153
	4,603	4,962

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.