CPPGROUP PLC

HALF YEAR REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2012

CPPGroup Plc

Half year report for the six months ended 30 June 2012

CPPGroup Plc ("CPP"), a leading international Life Assistance business, today publishes its results for the half year ended 30 June 2012.

Highlights	Six months ended 30 June 2012	Six months ended 30 June 2011	Growth %
Revenue (£ millions)	**162.9**	172.1	(5)%
Operating profit (£ millions)			
- Reported	**7.4**	23.5	(68)%
- Underlying	**19.2**	24.8	(23)%
Profit before tax (£ millions)			
- Reported	**6.8**	23.1	(70)%
- Underlying	**18.6**	24.4	(24)%
Profit after tax (£ millions)			
- Reported	**4.4**	15.9	(72)%
- Underlying	**13.4**	16.9	(21)%
Basic earnings per share (pence)			
- Reported	**2.65**	9.34	(72)%
- Underlying	**7.86**	9.92	(21)%
Interim dividend per share (pence)	**-**	2.42	n/a
Net funds (£ millions)	**8.0**	(7.2)	n/a

Underlying operating profit excludes legacy scheme share based payments of £0.2 million (H1 2011: £0.8 million), customer redress and associated costs £7.5 million (H1 2011: £0.5 million) and restructuring costs £4.1 million (H1 2011: £nil).
Underlying profit before tax excludes legacy scheme share based payments of £0.2 million (H1 2011: £0.8 million), customer redress and associated costs £7.5 million (H1 2011: £0.5 million) and restructuring costs £4.1 million (H1 2011: £nil). The tax effect of these adjustments is £2.9 million (H1 2011: £0.4 million).

Group overview

- Operating performance in line with expectations
- Modest year on year Group revenue decline as expected to £162.9 million (H1 2011: £172.1 million)
- Underlying operating profit reduced as a result of UK performance to £19.2 million (H1 2011: £24.8 million)
- Renewal rates stable at 74.7% (H1 2011: 75.0%; FY 2011 75.4%)
- Positive net funds position of £8.0 million (H1 2011: £7.2 million net debt; 31 December 2011: £11.9 million net funds)
- Good progress being achieved on key management priorities, strategic roadmap, governance and management re-structure
- Pleased to welcome Shaun Astley-Stone as Managing Director, UK & Ireland, subject to regulatory approval
- Outlook: short term trading will remain difficult; longer term growth opportunities

UK highlights

- Lower Card Protection & Identity Protection revenue partially offset by Packaged Account & wholesale performance
- Good UK customer satisfaction scores
- Re-designed and new product propositions on track
- Additional £7.5 million has been provided to meet the latest expectations of customer redress and associated costs
- Continue to work with FSA in respect of the details and timings surrounding renewals process and customer redress and on-going changes to governance, risk management and control environment

International highlights

- Southern Europe challenging economic backdrop and Latin America continued progress
- Growth in North America led by new sales and renewal performance
- Progress continues in Asia Pacific
- New Business Partner contracts signed in Germany, Turkey, Spain and Italy

New markets highlights

- Investment and performance in new markets progressing as planned
- Home 3 continues to develop

Paul Stobart, Chief Executive Officer, commented:

"It has been an important six month period for the Group and against the backdrop of challenges in the UK we have worked hard to strengthen the business and deliver a performance which is in line with expectations. Our experiences since the announcement of the FSA investigation in March 2011 – both regulatory and the effects of economic conditions – continue to overshadow the Group. Nevertheless, I am encouraged by the progress that has been made in the period and the steps being taken to realise our potential and successfully move the business forward again.

There are clear challenges and improvements to accomplish. Despite that I remain confident that our determination, expertise and the actions we are taking to reshape our business and resolve past shortcomings will allow us to move forward successfully. We believe that refocusing our business culture and providing compliant, effective and diverse propositions to our customers will help to provide a stronger platform for growth, realise higher sustainable returns and make the most of the considerable longer term opportunities for CPP."

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NOTES TO EDITORS

CPPGroup Plc (CPP) is an International Assistance business operating across 16 geographical markets 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 helping our customers to live life and worry less.

For more information on CPP visit www.cppgroupplc.com

CHIEF EXECUTIVE OFFICER'S REPORT

Trading and operational review

The Group has reported a performance in line with expectations and the trends outlined in our announcements during the first six months of the year. Revenue has declined at a moderate rate to £162.9 million (H1 2011: £172.1 million) and underlying operating profit is lower at £19.2 million (H1 2011: £24.8 million) as a result of the issues in our UK business related to the FSA investigation. New assistance income has reduced to £35.7 million (H1 2011: £43.6 million) whilst renewal rates and our live policy base have remained stable at 74.7% (H1 2011: 75.0%) and 10.9 million (H1 2011: 10.9 million) respectively for the half year period.

Our overall first half performance, as we work to strengthen the business, has been underpinned by good performances in a number of our overseas markets and Mobile Phone Insurance and Packaged Accounts. Nonetheless, the events since the FSA investigation began have contributed to a slowdown in performance. Principally, our new and renewal retail revenue streams have been impacted and consequently declined due to the Group's restricted ability to sell its full range of products in the UK and adverse economic and market conditions in some of our operations overseas.

In the UK, notwithstanding the challenging environment, Mobile Phone Insurance and Packaged Accounts and wholesale activities delivered a good performance during the first half of 2012, partially offsetting reduced UK Card Protection and Identity Protection revenue streams. Our performance in Ireland, Germany and Turkey has developed in line with our expectations during the period.

Additionally, a further £7.5 million of exceptional costs has been provided to meet our latest expectation of customer redress and associated costs, which follows continued discussions with the FSA since the agreement that we announced in February. As the nature of the investigation remains on-going, further costs may be incurred.

Outside of Northern Europe, we are encouraged with the progress made in many of our international markets. In particular, North America and Asia Pacific have contributed good performances. On a constant currency basis North America revenue is up 21% to £26.0 million (H1 2011: £21.1 million) and profit is up 75% to £5.2 million (H1 2011: £2.9 million). This level of profit growth is not expected to continue at such a high level as investment in acquisition costs increases. Progress continues in Asia Pacific, driven by an 11% increase in revenue, on a constant currency basis, and losses reducing to £0.8 million (H1 2011: £1.2 million).

Our results across Southern Europe and Latin America have been mixed, most notably in Spain where the prevailing difficult economic situation has continued to affect our trading performance. In Mexico, we have increased revenue markedly, albeit from a low base and our newer market of Brazil continues to develop with further investment as expected. Revenue in Portugal, France and Italy has declined on a relatively small scale.

We are pleased to confirm new relationships with Business Partners, demonstrating the attractiveness of our offering. New Business Partner relationships include ING Bank and SekerBank in Turkey. We expect the likely decision by Everything Everywhere is not to renew our contract with T-Mobile, which will result in significantly lower revenue in 2012 and beyond, albeit profit and cash flows will not be impacted in the short to medium term. This is because the reduction in customer acquisition costs and anticipated improvement in claims ratio due to the aging of the book will compensate for reduced revenue. Overall, the pipeline of new opportunities will support our performance moving into 2013.

We effected cost saving measures in the period to mitigate some of the adverse profit impact from lower revenue and changes in mix. This principally involved a voluntary redundancy programme in our UK business. We are aligning our cost base with our internal plans and continue to take advantage of opportunities that will produce further operational efficiencies.

As previously announced in July, after Stephen Kennedy's departure from the Group, we took the opportunity to review the organisational structure and decided that the Chief Operating Officer role is no longer appropriate for the Group at this time. Following a process to appoint a replacement UK Managing Director we are pleased to confirm that Shaun Astley-Stone has joined the Group to assume this role on an interim basis (subject to regulatory approval). He brings with him a wealth of experience in insurance and regulatory matters gained during his tenure at a number of regulated companies.

Operations have generated cash of £3.7 million (H1 2011: £16.6 million) in the period resulting in a positive net funds position of £8.0 million (2011: £7.2 million net debt). We continue to work towards limiting the risks associated with financing and we are in discussions with our lending banks about our on-going debt facilities which mature in March 2013. We are also considering a number of alternative financing and strategic options. The Group will not be declaring an interim dividend in 2012, and is unlikely to declare any dividends during 2013, although our longer term dividend policy remains unchanged.

Regulation
We have continued to work closely and constructively with the FSA in the period. Our discussions have been purposeful and focused as we make every effort to move towards a final resolution with the regulator, as well as final details regarding the form, structure, details and timing of customer redress on which agreement was reached in February. Resolution of these matters will enable us to progress and provide a greater degree of certainty for the business and our stakeholders. Pending such resolution, the investigation has created uncertainty around the Identity Protection and Card Protection products sold in the UK which is continuing to have a material impact on the Group's ability to sell its full range of products in the UK. Achieving an agreement effected to the satisfaction of all stakeholders remains our first and foremost priority. The customer redress and associated costs provision of £17 million in our 2011 accounts has increased by £7.5 million in the first half of the year as a result of our on-going discussions with the FSA and subsequent re-assessment of the proposals and scope of actions necessary.

We also reached agreement with the FSA in February to make changes to the renewal process for Card Protection and Identity Protection. The implementation of additional changes to those already undertaken during the early part of 2012 are now expected to be put in place in the third quarter of 2012.

Part of our constructive dialogue with the FSA include changes to our governance, risk management and compliance frameworks and to our systems, controls and processes.

Execution of strategy
The key objectives shaping our evolving strategic roadmap that will drive future success for the Group are:

1. People
Strengthen our organisational culture, with the end-customer and Business Partners at the heart of what we do, responsibly, efficiently and in a disciplined manner.

2. Customers
To provide a superior experience that will set us apart from our competitors which will encourage our customers to renew their policies, to buy more products from us, and to recommend us to others.

3. Products
Develop and scale new assistance products building on our expertise and penetrating new sectors, supported by integrated sales and service channels that are easy to use, across voice and digital channels for our customers.

4. Markets
Stabilise and refocus our UK business, returning to sustainable growth supported by product and service innovation, and improved customer experience. At the same time, focus on and accelerate the growth and scale of our emerging and developing markets.

Our five key priorities
In March, when we announced our preliminary results for 2011, I outlined our five key priorities for the Group, which we have made good progress against. The determination and professionalism of our people to implement important projects that will add value, reduce risk and achieve these priorities are evident. Our latest UK customer scores in particular remain consistently high, scoring 72% for satisfaction with service; 70% for satisfaction with product and with 75% of our customers likely to renew. We are also delighted that the achievements of our insurance claims team have been recognised as a finalist in both the Insurance Fraud Awards and European Call Centre & Customer Service Awards, which take place in October.

1. FSA agreement effected to the satisfaction of all stakeholders
We have worked closely and constructively in the period with the FSA in relation to its investigation, having reached an agreement in respect of customer redress during February 2012. Much work is being done with regulator oversight to ensure that the actions necessary are undertaken.

2. Shift culture and operating model through greater customer focus aligned to strengthened management discipline and enhanced governance
Our approach to improve our internal processes, compliance, governance and customer experience consistently to establish a true customer-focused culture is well advanced. Under the leadership of a new senior management team we are implementing independent recommendations from leading law firms and consultants which are expected to be substantially complete by the year end and have launched a number of 'change' initiatives. The key objectives of these changes are to enhance and strengthen the framework for educating and managing compliance and conduct risks and assuring compliance with regulatory requirements and alignment of reward and remuneration.

3. Develop product and service propositions that will drive future success
Another key strand in our priorities is to develop product and service propositions that meet customers' needs based on powerful consumer insights that will drive our future success, especially in the online and mobile markets and have developed a number of consumer products which include card, identity and mobile propositions.

4. Ensure investments in emerging markets take full advantage of significant growth opportunities
Our financial investment in emerging markets has decreased year-on-year as India and Mexico move towards break-even. China and Brazil are continuing to develop. Our focus is to deliver new income and renewals growth while building our network of Business Partners.

5. Retain and recruit the talent we need, at all levels, to deliver our future success
Importantly, the continued development of our people remains a priority. One of our areas of focus has been to conduct an extensive review of composition and resource to clearly understand the required structure for the business as we move forward and as a result, we have made changes accordingly.

Whilst not identified specifically as a key priority for the Group in our March announcement, management focus is also being given to ensuring that we have appropriate lending facilities in place in advance of the March 2013 maturity of our current debt facilities, as well as giving consideration to a number of alternative financing and strategic options.

Outlook
The Group has clear challenges and improvements to accomplish and the short term outlook for CPP will continue to be determined by the on-going activity in relation to the Group's agreement with the FSA in the UK. Despite that the Board remains confident that the actions we are taking to reshape our business coupled with the pipeline of opportunities with both current and new Business Partners will ultimately allow the Group to perform profitably, move forward with renewed focus as a more customer centric business and make the most of the considerable longer term prospects for the business.

The Group's UK business will continue its period of significant transformation and our programme to effect the changes required will strengthen and move the UK business forward with new products, sales processes and superior customer experience. Supporting this change is our investment in greatly improving our governance and compliance standards and processes. Nonetheless, as a result of lower retail new assistance income in 2011, combined with the closure of the call to confirm channel, profitable renewal revenue and profit growth in 2012 have been adversely impacted. This adverse impact is expected to continue into 2013 until revenue is generated from alternative channels. Agreed changes to the renewals process for Card Protection and Identity Protection in the UK, which are in the process of being implemented, may also result in a reduction in renewal rates.

Should the Group's Business Partners conduct their own customer redress exercises, which the Board believes is increasingly likely, then we anticipate a material reduction in the number of Card Protection and Identity Protection customers because the Group will be unable to renew these policies in 2013.

Our Mobile Phone Insurance business will be impacted by the likely decision by Everything Everywhere not to renew our contract with T-Mobile resulting in significantly lower revenue in 2012 and beyond, albeit that profit and cash flows will not be impacted in the short to medium term as the reduction in customer acquisition costs and anticipated improvement in claims ratio due to the aging of the book will compensate for reduced revenue. Our Packaged Account and wholesale business is expected to continue to perform profitably, although we anticipate lower growth as a major partner is currently not actively marketing Packaged Accounts pending a strategic review of the channel.

In order to mitigate the full impact to profit from the reduction in revenue and change in mix we have proactively implemented cost saving measures, including reductions in headcount, although we continue to expect that 2012 UK profit will be significantly lower than 2011. Our new product and channel initiatives in the UK are expected to contribute positively during 2013, although we do not expect these to be sufficiently material to offset the negative factors and both UK revenue and profit may consequently continue to materially decline in 2013.

Southern Europe, in particular Spain, continues to be adversely affected by the economic situation and we expect lower revenue as a result in the short term. Notwithstanding this, the Group continues to invest in Brazil, where the long term opportunity remains attractive. Combined, this will result in lower profit and margins in our Southern Europe and Latin America region in 2012. Thereafter we expect the region to contribute positive revenue growth during 2013 as Mexico and Brazil start to deliver.

Our North America business is expected to continue to increase revenue and profit as we expand our sales with existing Business Partners, although growth rates and operating profit will be slightly lower than currently achieved as we increase investment in customer acquisition costs.

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

Our Home 3 joint venture with Mapfre Asistencia is now expected to approach break-even towards the end of 2013.

Overall, we continue to expect that the Group will be significantly impacted by the considerations set out above. Whilst a decline in revenue in 2012 is anticipated, underlying operating profit and underlying operating profit margin are likely to be significantly lower than 2011, the Group will remain profitable and is expected to continue to generate operating cash flow during 2012 sufficient to cover the Group's capital investment requirements.

The Board believes that we are laying the foundations for sustainable growth and once the period of significant adjustment in the UK has been completed, the new strategy for the UK business focusing on new products and sectors, together with continued development of our growing overseas business, will enable the Group to develop positively again in the medium term.

FSA update

On 24 February 2012 the Group announced that it had reached agreement with the FSA on the scope of actions necessary to address certain failings in its sales processes in the UK. We acknowledge that there were past failings and have agreed to make changes to our renewals process and to carry out a customer redress exercise under FSA supervision of direct sales of Card Protection and Identity Protection products made since 2005, offering redress to customers where appropriate.

CPP is currently working with the FSA in respect of further amendments to the renewals process and customer redress. The renewals process amendments, in addition to changes already implemented, were expected to take effect on or around 1 May 2012, however detailed discussions have taken longer than planned and the change is now expected to take place in the third quarter of 2012. The Group remains in positive and constructive discussion with the FSA in respect of the form, structure, details and timing of customer redress and settlement of customer claims. It is not possible to determine how long these discussions will continue. Furthermore, whilst it was originally envisaged that a pilot exercise would be undertaken for operational reasons, dependent on the outcome of the discussions on customer redress there is a possibility that this might not be carried out.

In assessing the likely financial impact of the remedial action to be taken, the Group has, with its advisers, considered a number of assumptions, including the form and structure of customer redress and likely customer response rates. Based on its experience of customer complaints to date, customer satisfaction surveys and the results of exercises conducted in similar circumstances, and the advice of our advisers the Group has been able to reasonably predict its exposure to direct redress payments. The assumptions, however cannot be guaranteed, and given the publicity generated by the investigation there remains the risk that customer redress rates in particular could materially exceed those assumed.

Furthermore, there is still uncertainty about what steps the FSA may wish to take, if any, and against whom in relation to UK sales of the CPP's Card Protection and Identity Protection products that is not within the scope of the customer redress exercise, or in respect of any similar products available to the market from other providers. There can be no guarantee that the FSA will not seek to take action on a wider industry basis. Until such time as the FSA makes a determination on these issues, and the repercussions are understood for the industry as a whole, the Group is unable to assess the potential impact on its Business Partners, or the Group's relationship with them, including any financial consequences. Should the Group's Business Partners conduct their own customer redress exercises, which the Board believes is increasingly likely, then we anticipate a material reduction in the number of Card Protection and Identity Protection customers because the Group will be unable to renew these policies in 2013.

In addition, the Group's UK subsidiaries are taking appropriate action to address regulatory expectations going forward. These actions include strengthening and enhancing the governance, risk management and compliance arrangements applying to insurance and insurance intermediation activities and the skills and competence of our people who are responsible for and engaged in governance, sales, operations and control functions. This work has also involved developing a revised strategy for our Card Protection Plan Ltd subsidiary, which focuses on the delivery of good customer outcomes as the foundation of the Group's business model.

In the Group's on-going discussions with the FSA concerning prudential matters, consideration is being given to the increased risks currently facing the Group's UK regulated subsidiaries. These risks are outlined in the risks and uncertainties section of this report. These discussions may result in the requirement for the UK regulated subsidiaries to increase capital in response to this increased risk profile, which would need to be funded by the Group. It is currently not possible to determine exactly how much additional capital would be required, however the Group believes that this will be clarified by quarter four, 2012.

OPERATING AND FINANCIAL REPORT

Group revenue has declined by 5% for the half year, excluding the impact of foreign exchange. Revenue increased in North America by 21% and Asia Pacific by 11%. In Northern Europe revenue declined by 9% principally due to the UK performance where reduced Card Protection and Identity Protection sales have been partially offset by the growth of Packaged Account and wholesale activities and Mobile Phone Insurance. Revenue in Southern Europe and Latin America has continued to decline, down 6%, impacted by the economic and market challenges facing consumers and banks in Southern Europe.

Operating profit declined by 68% to £7.4 million. Underlying operating profit, which excludes legacy scheme share based payments, customer redress and associated costs and restructuring costs, declined 23% to £19.2 million. This has been impacted by UK factors including lower Card Protection and Identity Protection sales and increased overheads, partially mitigated by growth in North America from increased volumes with existing Business Partners. Although UK overheads increased year on year, this has been actively addressed through a voluntary redundancy programme which has successfully seen a reduction in overhead run-rate through the period. This reduction is expected to continue in the second half of the year and lead to annualised savings of £5.7 million.

The Group's results are adjusted to arrive at measures that better reflect underlying performance. Operating profit is adjusted for customer redress and associated costs for the period which are £7.5 million; this reflects the latest estimate of the cost of customer redress and associated costs to the Group. A further adjustment for restructuring costs of £4.1 million relates to redundancy costs that have been incurred as part of the Group's overall review of its cost base. Further detail is provided in note 4.

Profit after tax declined by 72% to £4.4 million. Underlying profit after tax, which excludes legacy scheme share based payments, customer redress and associated costs and restructuring costs declined by 21% to £13.4 million. Underlying earnings per share decreased to 7.86 pence (H1 2011: 9.92 pence); basic earnings per share decreased by 72% to 2.65 pence.

As previously announced the Group will not be declaring an interim dividend for 2012, and is unlikely to declare dividends during 2013, although our longer term dividend policy remains unchanged.

Net funds at 30 June 2012 were £8.0 million, a decrease of £3.9 million from our position at 31 December 2011.

KEY PERFORMANCE INDICATORS

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
New assistance income (£ millions)	**35.7**	43.6	85.5
Annual renewal rate (moving annual total)	**74.7%**	75.0%	75.4%
Live policies (millions)	**10.9**	10.9	11.0
Cost / income ratio	**59%**	54%	55%
Operating profit margin[1]	**11.8%**	14.4%	13.8%

1. Underlying operating profit as a percentage of revenue

New assistance income (£ millions)	**Six months ended 30 June 2012**	Six months ended 30 June 2011	Year ended 31 December 2011
Retail products	**22.6**	31.8	59.8
Packaged and wholesale	**13.1**	11.8	25.6
Total new assistance income	**35.7**	43.6	85.5

Live policies (millions)	**Six months ended 30 June 2012**	Six months ended 30 June 2011	Year ended 31 December 2011
Retail assistance policies	**6.3**	7.1	6.9
Retail insurance policies	**0.6**	0.6	0.5
Packaged and wholesale policies	**4.0**	3.2	3.6
Total live policies	**10.9**	10.9	11.0

New assistance income for the half year decreased 18% to £35.7 million. The decline was a result of lower sales of retail products, principally Card Protection and Identity Protection sales in the UK partially offset by the growth of Packaged Accounts and wholesale activities in the UK and the impact of increased new volumes in North America in late 2011.

The Group annual renewal rate at 74.7%, calculated on a moving annual total basis, is 0.7% lower than 31 December 2011. This is a result of the expected decline in Card Protection and Identity Protection renewal rates in the UK and we believe contributing factors may have included changes to renewal packs already implemented during the early part of 2012, adverse publicity surrounding the Group and general economic factors in the UK.

The live policy base is 0.1 million lower than reported at 31 December 2011, with a decline in retail assistance policies of 7% principally due to a reduction in the UK Card Protection and Identity Protection policy base. Outside of the UK, the policy base has remained stable, with increases in China being offset by decreases in Spain and Turkey.

The cost / income ratio has increased from 54% to 59% for the half year reflecting increased Packaged Account and wholesale activities in the UK which have lower revenue per policy, carry higher direct costs but suffer no commission, along with the impact of reduced UK Card Protection and Identity Protection renewals and an increase in overheads, which has been actively addressed. The UK factors have been partially offset by a reducing ratio in North America as a result of increased revenue and lower customer acquisition costs.

As expected, the underlying operating profit margin of 11.8% for the half year was lower than in 2011, due to the decline in renewal income for Card Protection and Identity Protection and lost overhead economies in the UK. These effects have been partially offset by improving margins in North America and Germany.

REGIONAL PERFORMANCE

Northern Europe

- Revenue* 9% lower to £113.6 million (H1 2011: £125.1 million)
- Operating profit* reduced to £10.4 million (H1 2011: £18.0 million)
- Reduced Card Protection and Identity Protection sales
- Good UK Packaged and wholesale performance
- Re-designed and new product propositions on track
- Germany delivered reduced losses; Turkey profit has declined

* *excluding the impact of foreign exchange*

Northern Europe, which accounts for 70% of Group half year revenue, has been impacted by challenging circumstances which have led to restricted and reduced Card Protection and Identity Protection sales in the UK. Revenue has decreased 9% compared to the same period in 2011. Operating profit has consequently been adversely affected by reduced sales and mix effects, with operating profit for the half year declining to £10.4 million (H1 2011: £18.0 million).

As previously indicated revenue has declined, down 9% in the UK, and also in Ireland and Turkey, albeit on a smaller scale. However, continued revenue growth in Germany and our UK Packaged Account and wholesale activities and reduction in the cost base from the voluntary redundancy programme undertaken in the UK has partially mitigated the impact. Renewal rates have decreased, impacted by the expected decline in Card Protection and Identity Protection rates in the UK.

Our Airport Angel business has continued to grow revenue as a result of increased volume, particularly from Diners International, Barclays Premier and a new deal with RBS. Mobile Phone Insurance revenue, through RBS Packaged Accounts, continued to grow in the period due to increased volumes and an increase to contract rates. This has been tempered by a decline in Packaged Account revenue following a major Business Partner's decision in April to suspend branch and online sales of new accounts pending a strategic review of the channel.

Mobile Phone Insurance contributed good results in the period with consumer propensity to migrate to high-end, higher-value smartphone technology, which now accounts for 72% of UK market new handset acquisitions. As we place greater emphasis on opportunities in the rapidly changing digital marketplace we are pleased to have partnered with Yougetitback, a global market leader in mobile device anti theft solutions, to develop products which will provide data protection and restoration services for mobile device users as mobile and contactless payments convergence pushes increasing amounts of sensitive data through handsets. T-Mobile (Everything Everywhere), one of our Business Partners, has informed us that following a competitive tender in line with its normal business practice, it is unlikely to renew its contract when it expires on 14 September 2012. This is not expected to result in an immediate material impact to the Group operating profit for 2012 and 2013, albeit revenue will be significantly lower as a result. In order to mitigate the longer term impact the Group is currently engaged in discussions with potential new Business Partners. We expect to understand the outcome of these discussions in the coming months.

In addition, as a result of implementing new processes and governance structures and following a review of sales processes we have effected a temporary suspension of new retail Mobile Phone Insurance sales to customers in both internal and external voice channels. This short term suspension is not expected to result in a material impact to Mobile Phone Insurance performance. A detailed investigation is being carried out into the sales processes.

We believe there are long term opportunities for us to grow in the UK market. We are investing in our product development which will allow us to realise this potential, particularly in the online and mobile markets. Our re-designed and new product propositions supported by alternative channels to market and pipeline are expected to contribute positively in 2013.

In Germany new and renewal income has grown well, which combined with an increasing customer base, high renewal rates and lower direct costs has led to a reduced operating loss. Campaigns with our Business Partners, DZ Bank AG and WGZ Bank in particular, have produced encouraging results. We are pleased to have signed a new Business Partner in the period, Card Complete, Austria's largest credit card issuer, as a pilot venture in the Austrian market managed through our German operation and we have also launched a new campaign with Ikano Bank. The current focus remains on scaling our operations and to launch Business Partner sales channels alongside further market opportunities supported by stable macro economic conditions that will enable us to continue to deliver solid results and move to break-even.

We have performed in line with expectations in Ireland, which continues to be a difficult economy for our business. Revenue has decreased modestly in the period, although we continue to work closely with Meteor in the mobile arena.

In Turkey, despite a decline in revenue and profit, our operating profit margin has improved as a result of the change in revenue mix, with renewals forming a higher proportion of revenue. Our performance in Turkey is in line with expectations and reflects the impact of Akbank not renewing their contract in August 2011. This is mitigated by the growth of the renewal book. Expanding our Business Partner network is the main focus for the business and in the period we signed new agreements with ING Bank, Sekerbank, Turkiye Finansbank and CIV.

Southern Europe and Latin America

- Revenue* 6% lower at £20.0 million (H1 2011: £22.8 million)
- Operating profit* 17% lower at £4.6 million (H1 2011: £5.9 million),
- Latin America: strong growth in Mexico and market entry activities continuing in Brazil
- Southern Europe improved renewal rates despite on-going adverse Eurozone macro conditions
- New Business Partner contracts signed

* *excluding the impact of foreign exchange*

Southern Europe and Latin America, which represents 12% of Group half year revenue, has seen mixed results with revenue decreasing 6%, excluding the impact of foreign exchange. Operating profit in the region is 17% lower than in the first half of 2011, impacted by the continued difficult economic situation and banking sector conditions in the Eurozone region, which has affected both Business Partner and consumer confidence, disposable income levels, and consequently our trading performance. Nevertheless, we are encouraged by the growth in Latin America, with Mexico revenue growing well, albeit from a low base, and market entry activities continuing in Brazil.

In Southern Europe, comprising our businesses in Spain, Italy, Portugal and France, we have experienced an overall decline in revenue and operating profit as a result of lower new volumes and lower renewal income. Despite a reduced financial performance, particularly in Spain where adverse economic conditions continue, renewal rates have improved, which reinforces the value our customers place on our products. We have entered into a new Business Partner relationship with 20:20 which is a major distributor of Yoigo (4th largest telecom operator in Spain).

In Latin America, we have been encouraged by good revenue growth and reduced start up costs as we move towards break-even in Mexico. We continue to augment our performance, signing our first wholesale deal with Banco Inbursa. This provides us with a solid platform to achieve further sustainable growth in the second half of the year. Our newer market of Brazil has made progress with product propositions being discussed with a number of potential Business Partners.

North America

- Revenue* up 21% at £26.0 million (H1 2011: £21.1 million)
- Operating profit* up 75% at £5.2 million (H1 2011: £2.9 million)
- Revenue growth led by new and renewal performance
- Operating profit growth positively impacted by reduced customer acquisitions

** excluding the impact of foreign exchange*

North America, which represents 16% of Group half year revenue, has grown revenue strongly, up 21% and increased operating profit by 75% as a result of new monthly bill volumes and increasing renewal streams primarily through our existing Business Partner relationships with Alliance Data, Sovereign Bank and Wells Fargo Wachovia. The operating profit increase is greater than the rate of revenue growth as a result of lower acquisition costs due to product mix and reducing new customer acquisitions in the first half of 2012. The lower rate of customer acquisition was due to reduced sales of our Purchaseshield product to Wells Fargo customers whilst they evaluate their product strategy and will result in lower growth rates for the rest of 2012.

Retail policy holders are in line with the prior year, while our wholesale policy holders have grown strongly, primarily due to the Packaged Account programme at Citizens Bank Financial Group Inc. In addition, the Packaged Account contract with this Business Partner has been extended for a period of two years.

Product innovation continues to drive our growth strategy and we are currently focused on additional new concepts and channels to market.

Asia Pacific

- Revenue* up 11% at £3.3 million (H1 2011: £3.1 million)
- Operating loss* 34% lower at £0.8 million (H1 2011: £1.2 million)
- Operations maturing and country performance improving

** excluding the impact of foreign exchange*

Our Asia Pacific business, which represents 2% of Group half year revenue, has performed well, with an 11% increase in revenue largely as a result of renewal revenue in India and China. Start up investment costs have reduced as operations begin to mature and country performance improves. We are encouraged by the sales pipeline with existing Business Partners and new prospects.

In China, we have grown revenue from a low base, although start up losses have increased as a result of higher overheads which were expected as we continue to develop the business. Despite the loss of our wholesale contract with China Guangfa Bank in July 2012 we will seek to take advantage of new opportunities in this market.

In India, we have grown revenue and significantly reduced our operating loss through the change in revenue mix and price increases. Opportunities arising from our sales pipeline, including a new Business Partner, Bajaj Finance Limited, coupled with our focus on developing and launching new product propositions are expected to drive future performance.

In Hong Kong, as expected, local challenges concerning data protection and privacy have resulted in lower revenue. Operating loss in this market is 34% lower at £0.8 million. The new Data Privacy Bill was passed on 27 June 2012 which provides clarity and allows us to move forward, adopting a new operating model to re-commence sales in this market.

In Malaysia, our revenue has been impacted by the introduction of Bank Negara Malaysia regulations in January 2012 and operating profit performance is lower due to increased overhead costs associated with the investment in strengthening our Business Development team. To mitigate this impact we are developing new products that take advantage of debit and credit card opportunities which meet specific consumer needs.

In Singapore, revenue has declined although we have generated a small local profit for the period. New regulations on credit card activation, effective in early July 2012, provide us with future card activation opportunities as we focus on channel diversification.

NEW MARKETS

Underlying operating profit includes £1.6 million (H1 2011: £2.6 million) of start up losses as we continue to invest in new markets. For these purposes we consider the following new markets to be developing: Hong Kong, Home 3, India, Mexico, China and Brazil.

We continue to make progress with Home 3, our joint venture with Mapfre Asistencia. Home 3 has continued to develop its relationship with existing Business Partners. The Group's investment in Home 3 for the half year, representing the Group's share of its losses after tax, amounts to £0.2 million (H1 2011: £0.7 million).

TAXATION

Our effective tax rate has increased to 34.6% (H1 2011: 31.0%), reflecting the lower proportion of Group profit generated and taxed in the UK, increased profit in North America and the incidence of losses in overseas start up markets for which no tax deduction is available.

FINANCING AND CASH FLOWS

Net finance costs for the half year have increased by £0.2 million to £0.6 million, reflecting the higher average loan balances held during the period compared to 2011.

The Group has in place an £80 million guaranteed Revolving Credit Facility (RCF) supported by a club of three banks which expires on 31 March 2013. The drawn balance on this facility at 30 June 2012 is £43.5 million, which is disclosed as a current liability given the expiry date of the facility. We continue to work towards renewing appropriate lending facilities in advance of the March 2013 maturity, as well as considering a number of alternative financing and strategic options.

The Group had net funds of £8.0 million at 30 June 2012, down from £11.9 million at 31 December 2011, as a result of voluntary redundancy payments in the UK and adverse working capital movements. The Group's insurance businesses maintain cash deposits for solvency purposes which were £22.8 million (H1 2011: £14.5 million) at 30 June 2012. Working capital requirement has increased by £10.2 million (H1 2011: £15.0 million) during the period, reflecting growth and timing of receipts from Business Partners associated with our increasing UK Packaged and wholesale business and the impact of a larger Mobile Phone Insurance book. Operating cash inflow for the period of £0.5 million has been offset by continued investment in our IT capabilities and Business Partner intangibles.

We have continued on-going investment of £1.7 million (H1 2011: £2.7 million) in our IT capabilities, improving our existing platforms, adding new capabilities and supporting the development of our new products. We invested £0.3 million (H1 2011: £2.7 million) in our Business Partner intangible, which is an arrangement we have with a single Business Partner. As expected, this is lower than 2011 following the suspension in March 2011 of Identity Protection sales in CPP channels.

DIVIDENDS

The Group will not be declaring an interim dividend in 2012, and is unlikely to declare any dividends during 2013. The Group's longer term dividend policy to distribute approximately 40% of underlying profit after tax to its shareholders remains unchanged.

RELATED PARTY TRANSACTIONS

Related party transactions, comprising transactions with our Home 3 joint venture and remuneration of key management personnel, are disclosed in note 14 to the condensed financial statements. There have been no material changes to the related party transactions described in our 2011 Annual Report and Accounts.

RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's future development and performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results.

The principal risks and uncertainties of the Group were detailed in the 2011 Annual Report and Accounts, available at www.cppgroupplc.com. An Enterprise Wide Risk Management Framework is currently being implemented in the UK and the roll-out across the Group will commence during the second half of 2012.

The areas listed below summarise the principal strategic, operational and financial risks and uncertainties including any change since publication of the aforementioned document.

Regulation

The Group has a number of regulated subsidiaries, and a regulated joint venture, and as such the risks of non-compliance with current regulation, continuance of the Group's 'licence to trade' in any given territory or future changes to regulatory frameworks are ever present.

Oversight and governance procedures coupled with a prudential risk management framework are maintained centrally and in each key territory to embed operational and financial compliance. Through the first half of 2012, tangible progress has been seen in implementation of independent findings from leading law firms and consultants, the objectives of which are to enhance and strengthen the framework for managing compliance and conduct risks and assuring compliance with regulatory requirements:

- The business standards operated by the Group's UK regulated subsidiaries have been reviewed and changes are being made with the aim of demonstrating that these meet or exceed legal and regulatory requirements.
- The compliance systems throughout the Group, and the controls applicable to them, have been reviewed and are being revised. The design phase is complete and the second phase of embedding and enabling has commenced.

The recommendations for both of the above are expected to be substantially complete by the year end. Other regulatory related initiatives, documented in the 2011 Annual Report and Accounts, continue to embed effectiveness of regulatory compliance.

In addition, the Group's UK regulated subsidiaries are taking action to address the FSA's regulatory expectations going forward. These actions include strengthening and enhancing the governance, risk management and compliance arrangements applying to insurance and insurance intermediation activities and the skills and competence of our people who are responsible for and engaged in governance, sales, operations and control functions. This work is on-going and additional costs may be incurred as a result.

Developments in, and the increasing burden of, the regulatory environment are closely monitored to enable the Group to pro-actively respond to potential future change. An example is the new regulations in Malaysia in respect of personal credit, where the Group has taken mitigating action to invest in business development resources.

Changes in regulation or new regulatory bodies not only potentially impact the Group's operations and product base but might also impact Business Partners' appetite for the Group's products and thus revenue generation. Close relationships with Business Partners assist proactive management of this risk.

Much of the Group's product base is regulated in local markets and as such is open to analysis by local regulators. As a result of the UK experience, discussions with local regulators have increased and the Group continues to work with local regulators. However implementation of any agreed changes by the Group and its Business Partners could adversely affect the Group's sales and profitability.

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

FSA investigation

During the first half of the year the Group has continued to work closely and constructively with the FSA in relation to its investigation in the UK. The Group's discussions have been purposeful and focused as every effort is made to move towards a final resolution with the regulator as well as final agreement regarding the form, structure, details and timing of the customer redress exercise on which agreement was reached in February. The Group acknowledges its past failings in certain sales processes and fully supports customer redress, where appropriate. Resolution of these matters will enable the Group to progress and provide a greater degree of certainty for the business and stakeholders. Achieving an agreement effected to the satisfaction of all stakeholders remains our first and foremost priority.

Continued progress has been made on improving products and their development, sales processes and customer facing activities. The Group remains focused on providing a market leading service to our customers.

The position agreed with the FSA and the underlying residual risks are detailed below:

– *Renewals Process:* The Group has agreed with the FSA to make the following changes to the renewal process of its Card Protection and Identity Protection products. The post renewal cancellation period will be extended from 14 to 60 days, during which time a customer seeking to cancel their policy will obtain a full refund. A renewal pack will be sent to customers 60 days before renewal, explaining to the customer their right to cancel and the advantages and limitations of the relevant product. 30 days after the policy renewal date, CPP will send the customer a reminder that their policy has renewed and that they have another 30 days in which to cancel their policy in order to obtain a full refund. All communications with the customer during the renewal process will be approved in advance by FSA. The planned implementation date for these changes was 1 May 2012. However, detailed discussions with the FSA have taken longer than planned and implementation is now expected to take place in the third quarter of 2012. Based on customer surveys and feedback, the Group remains confident that its customers continue to place great value on its products and services across the offered range. However the risk exists that an adverse impact on renewal rates may occur as a direct result of the redesigned renewal process.

– *Customer Redress Exercise:* A customer redress exercise to ascertain those customers who may have suffered detriment (and the extent of any loss) as a result of sales or renewal conducted by CPP of its Card Protection policies since 14 January 2005 and sales of Identity Protection through CPP's telephone sales channels since 14 January 2005 (but, in both cases, only where the original sale did not involve one of CPP's Business Partners making an introduction or conducting the sale) remains in discussion with the FSA. The precise form, structure, details and timing of customer redress are the subject of on-going constructive discussions with the FSA and the purpose of any redress exercise will be to offer customers the opportunity for redress by way of reimbursement in the event that they have been mis-sold the Group's products. In assessing the likely financial impact of the remedial action to be taken, the Group has, with its advisers, considered a number of assumptions, including customer response rates to the exercise. The assumptions, however cannot be guaranteed, and given the publicity generated by the investigation there remains the risk that customer redress rates in particular could materially exceed those assumed.

– *Disposition of Assets:* The Group has agreed with the FSA the need for prior consent in respect of certain restrictions on the disposition of assets by its subsidiary, Card Protection Plan Limited (CPPL). These include prohibitions, without prior FSA consent, of any material movements of assets by CPPL within the CPP Group, material changes to its capital structure or remuneration policy, payments of dividends by CPPL or any other significant alteration in the composition or quality of CPPL's assets. The risk exists that the FSA will not give appropriate consent.

– *Other Providers:* It currently remains unclear what steps the FSA may wish to take, if any, and against whom, in relation to UK sales of CPP's Card Protection and Identity Protection products that are not within the scope of the Group's customer redress, or in respect of any similar products available to the market from other providers. There can be no guarantee that the FSA will not seek to take action on a wider industry basis. Until such time as the FSA makes a determination on these issues, and the repercussions are understood for the industry as a whole, the Group is unable to assess the potential impact on its Business Partners, or the Group's relationship with them, including any financial consequences. Should the Group's Business Partners conduct their own customer redress exercises, which the Board believes is increasingly likely, then we anticipate a material reduction in the number of Card Protection and Identity Protection customers because the Group will be unable to renew these policies in 2013.

– *On-going Activity:* There is a risk that the continuing investigation may result in further action which may have an adverse impact on the Group's financial performance. The investigation has created uncertainty around the UK's Identity Protection and Card Protection products which is continuing to have a material impact on the Group's ability to sell its full range of products in the UK. As noted above, enhanced governance and control arrangements are being implemented and processes reviewed. The Group may also suffer reputational damage which might have further impact on the take up of its products with its customers and on its ability to contract with its Business Partners. This could lead to reduced sales levels for the Group's products.

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

Business Partner relationships
The Group mainly operates a 'Business to Business to Consumer' model and as such a relatively high proportion of the Group's revenue and profit is attributable to sales through relationships with its Business Partners. Future revenue and profit could be adversely impacted by deterioration of existing, or failure to develop new, Business Partner relationships. An example being that following a competitive tender in line with its normal business practice, Barclaycard informed the Group that it did not intend to renew its contract when it expired on 31 March 2012.

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

Although Group and UK management continue to work closely and actively with Business Partners in the UK, reaction of Business Partners to actions which may arise from the regulatory investigation, including any actions on a wider industry basis, and the resultant impact on the Group's Business Partner relationships remains uncertain.

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

A large proportion of the UK's Phonesafe business revenue is attributable to the Group's relationship with one Business Partner, T-Mobile. The current contract between the Group and T-Mobile was extended to September 2012. Following the merger between T-Mobile and Orange, Everything Everywhere Limited initiated a tender process for insurance provision to all new customers post September 2012. It has recently indicated that it is unlikely to extend the Group's contract. The impact of this decision would not result in an immediate material impact to the Group's profit or cash flow for 2012 and 2013 as the back-book of policies will still be managed and the reduction in customer acquisition costs together with expected lower claims costs due to the ageing of the book will offset the impact of the loss of new sales revenue in the short term. In order to mitigate the longer term impact the mobile team is currently engaged in advanced discussions with new Business Partners.

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

Sales channel management
The Group uses a selected number of sales channels to take its products to market. A risk to revenue growth arises if existing channels cease to be available or viable and the Group is not able to identify and exploit alternative channels. Examples are: suspension of new sales of Identity Protection through its UK voice channels in response to regulatory discussions which impacted revenue growth in the UK; also changes to channel availability in Hong Kong.

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

Borrowing facilities
The Group entered into an £80 million Revolving Credit Facility (RCF) with Barclays Plc, The Royal Bank of Scotland Plc and Alliance & Leicester Plc (part of the Santander Group) on 17 February 2010. The RCF expires on 31 March 2013. A risk exists that one or more of the current lending banks will not wish to participate in the new facility or the Group will not be able to refinance its debt.

The Board has commenced assessing its refinancing options and intends negotiating appropriate lending facilities in advance of the maturity of the current RCF. The Group is currently in discussion with the banks about its on-going debt facilities as well as considering a number of financing and strategic options.

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

- Given the UK's significance in the corporate structure, the Group's operating results are at risk to fluctuations in performance of the UK business. On-going uncertainty prevails in respect of sales of Identity Protection and Card Protection products in the UK as well as some of the sales channels through which they are marketed.
- The on-going difficult macroeconomic backdrop in Southern Europe and banking sector conditions in Spain continue to prevail in this part of the Group's business.

The Group's Risk Policy summarises the processes used to identify, evaluate, monitor and report risks faced in each of the Group's operating geographical markets as well as the Board's appetite for risk. A series of Group Board Policies and delegated responsibilities, together with on-going management oversight and support, are in place to manage the principal risks.

As part of the Group and country strategic planning, the impacts which varying economic, social and political conditions in individual countries have on the Group's risk profile are considered and appropriate management actions implemented.

Eurozone operations
With the Group operating in Euro denominated countries and reporting in Sterling, the current position with the potential for the Eurozone to break up presents risks to the Group.
- Risks to the carrying value of the Group's Euro based subsidiaries, Euro denominated intragroup loans, translation of Euro based trading activities and other Euro based balances exist. Mitigation activities to limit

exposure have been taken including asset repatriation to Sterling in the UK, holding minimum Euro balances overseas and reducing counterparty limits.
- A Eurozone break up could precipitate a deeper recession across the whole of Europe impacting on employment and consumer spending and thus impacting demand for CPP's products in the Group's Euro countries. This may be mitigated by growth of new business streams from CPP's non Euro developing markets.

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

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

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

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

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

Financial risks
The Group's operations expose it to financial risks including capital maintenance, foreign exchange, interest rate, liquidity, credit and insurance risks. Further details of these risks, together with mitigating actions, were provided in the 2011 Annual Report and Accounts.

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

GOING CONCERN

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

Having considered the outcomes of all these scenarios, the Directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future and accordingly the Directors have continued to adopt the going concern basis in preparing the financial statements.

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

- The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive Officer's Review.

- The financial position of the Group, its cash flows, liquidity position and existing borrowing facilities are described above.

- The sources of finance available to the Group, which include the Group’s £80 million RCF which expires on 31 March 2013. It is the intention of the Group to negotiate appropriate lending facilities in advance of the maturity of the current RCF. A risk exists that one or more of the current lending banks will not wish to participate in the new facility or the Group will not be able to refinance its debt. The Group is currently in discussion with the banks about its on-going debt facilities and the Board is currently considering a number of strategic and other financing options which are considered to have a reasonable probability of meeting the funding requirement. At 30 June 2012, the Group had positive net funds of £8.0 million.

- The potential impacts from the FSA investigation and customer redress on the continued resources which may be required by the business including a number of assumptions around customer response rates to the customer redress exercise.

Although agreement was reached with the FSA in February 2012 in respect of customer redress, it remains unclear what further steps the FSA may wish to take, if any, and against whom in relation to UK sales of CPP's Card Protection and Identity Protection products that are not within the scope of the Group's customer redress, or in respect of any similar products available to the market from other providers. The FSA may seek to take action on a wider industry basis. Until such time as the FSA makes a determination on these issues, and the repercussions are understood for the industry as a whole, the Group is unable to determine with any certainty the potential impact on its Business Partners, or the Group’s relationship with them, including whether there will be an adverse impact on the Group’s financial performance.

As there is uncertainty regarding the impact of this wider possible outcome, the disclosure of a contingent liability remains. Given the possible impact of the contingent liability, the uncertainties in relation to the impact of customer redress and related provisions and the forthcoming expiry of the Group’s RCF, there remain material uncertainties which may cast doubt as to the Group’s ability to continue as a going concern, and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, having considered the above material uncertainties and all the available information including certain strategic and potential financing options available to the Group, the Directors are of the view that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board

Paul Stobart
Chief Executive Officer

Shaun Parker
Chief Financial Officer

20 August 2012

CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	**6 months ended 30 June 2012 £'000 (Unaudited)**	6 months ended 30 June 2011 £'000 (Unaudited)	Year ended 31 December 2011 £'000 (Audited)
Revenue		**162,909**	172,101	346,136
Cost of sales		**(95,222)**	(100,461)	(202,229)
Gross profit		**67,687**	71,640	143,907
Administrative expenses				
Exceptional items	4	**(11,788)**	(1,349)	(18,059)
Other administrative expenses		**(48,325)**	(46,105)	(94,989)
Total administrative expenses		**(60,113)**	(47,454)	(113,048)
Share of loss of joint venture		**(156)**	(724)	(1,181)
Operating profit				
Operating profit before exceptional items		**19,206**	24,811	47,737
Operating profit after exceptional items		**7,418**	23,462	29,678
Investment revenues		**303**	264	423
Finance costs		**(915)**	(638)	(1,795)
Profit before taxation		**6,806**	23,088	28,306
Taxation	5	**(2,358)**	(7,147)	(10,255)
Profit for the period from continuing operations		**4,448**	15,941	18,051
Attributable to:				
Equity holders of the Company		**4,535**	15,969	18,215
Non-controlling interests		**(87)**	(28)	(164)
		4,448	15,941	18,051
Basic and diluted earnings per share from continuing operations:		**Pence**	Pence	Pence
Basic earnings per share	7	**2.65**	9.34	10.64
Diluted earnings per share	7	**2.60**	9.23	10.59

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 June 2012 £'000 (Unaudited)	6 months ended 30 June 2011 £'000 (Unaudited)	Year ended 31 December 2011 £'000 (Audited)
Profit for the period	**4,448**	15,941	18,051
Other comprehensive income and expenses			
Exchange differences on translation of foreign operations	**(8)**	(784)	120
Other comprehensive (expenses) / income for the period net of taxation	**(8)**	(784)	120
Total comprehensive income for the period	**4,440**	15,157	18,171
Attributable to:			
Equity holders of the Company	**4,527**	15,185	18,335
Non-controlling interests	**(87)**	(28)	(164)
	4,440	15,157	18,171

CONSOLIDATED BALANCE SHEET

	Note	**30 June 2012 £'000 (Unaudited)**	30 June 2011 £'000 (Unaudited)	31 December 2011 £'000 (Audited)
Non-current assets				
Goodwill	8	**16,362**	16,056	16,521
Other intangible assets	8	**19,475**	22,513	22,626
Property, plant and equipment	8	**13,640**	14,589	14,473
Investment in joint venture		-	-	-
Deferred tax asset		**1,961**	2,929	1,987
		51,438	56,087	55,607
Current assets				
Insurance assets		**36,143**	24,207	24,552
Income tax receivable		**-**	57	-
Inventories		**331**	302	329
Trade and other receivables		**36,895**	40,340	30,667
Cash and cash equivalents		**51,205**	35,642	54,924
		124,574	100,548	110,472
Total assets		**176,012**	156,635	166,079
Current liabilities				
Insurance liabilities		**(8,276)**	(8,714)	(8,878)
Income tax liabilities		**(2,467)**	(8,558)	(2,818)
Trade and other payables		**(68,836)**	(67,172)	(67,884)
Bank loans	9	**(43,225)**	-	-
Provisions		**(20,339)**	(863)	(11,393)
		(143,143)	(85,307)	(90,973)
Net current (liabilities) / assets		**(18,569)**	15,241	19,499
Non-current liabilities				
Bank loans	9	**-**	(42,858)	(43,041)
Deferred tax liabilities		**(832)**	(534)	(634)
Provisions		**-**	-	(4,279)
		(832)	(43,392)	(47,954)
Total liabilities		**(143,975)**	(128,699)	(138,927)
Net assets		**32,037**	27,936	27,152
Equity				
Share capital	11	**17,109**	17,104	17,106
Share premium account		**33,299**	33,289	33,300
Merger reserve		**(100,399)**	(100,399)	(100,399)
Translation reserve		**2,448**	1,552	2,456
Equalisation reserve		**7,188**	6,935	6,423
ESOP reserve		**11,856**	11,103	11,606
Retained earnings		**60,787**	58,380	56,824
Total equity attributable to equity holders of the company		**32,288**	27,964	27,316
Non-controlling interests		**(251)**	(28)	(164)
Total equity		**32,037**	27,936	27,152

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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
6 months ended 30 June 2012 (Unaudited)										
At 1 January 2012	**17,106**	**33,300**	**(100,399)**	**2,456**	**6,423**	**11,606**	**56,824**	**27,316**	**(164)**	**27,152**
Total comprehensive income	**-**	**-**	**-**	**(8)**	**-**	**-**	**4,535**	**4,527**	**(87)**	**4,440**
Movement on equalisation reserve	**-**	**-**	**-**	**-**	**765**	**-**	**(765)**	**-**	**-**	**-**
Current tax charge on equalisation reserve movement	**-**	**-**	**-**	**-**	**-**	**-**	**193**	**193**	**-**	**193**
Equity settled share based payment charge	**-**	**-**	**-**	**-**	**-**	**253**	**-**	**253**	**-**	**253**
Exercise of share options	**3**	**(1)**	**-**	**-**	**-**	**(3)**	**-**	**(1)**	**-**	**(1)**
Dividends (note 6)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 30 June 2012	**17,109**	**33,299**	**(100,399)**	**2,448**	**7,188**	**11,856**	**60,787**	**32,288**	**(251)**	**32,037**
6 months ended 30 June 2011 (Unaudited)										
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	-	-	-	(784)	-	-	15,969	15,185	(28)	15,157
Movement on equalisation reserve	-	-	-	-	739	-	(739)	-	-	-
Current tax charge on equalisation reserve movement	-	-	-	-	-	-	196	196	-	196
Equity settled share based payment	-	-	-	-	-	1,657	-	1,657	-	1,657
Deferred tax on share based payment	-	-	-	-	-	-	(998)	(998)	-	(998)
Exercise of share options	80	988	-	-	-	(153)	-	915	-	915
Dividends (Note 6)	-	-	-	-	-	-	(8,776)	(8,776)	-	(8,776)
At 30 June 2011	17,104	33,289	(100,399)	1,552	6,935	11,103	58,380	27,964	(28)	27,936
Year ended 31 December 2011 (Audited)										
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 charge 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	82	999	-	-	-	(162)	-	919	-	919
Dividends (note 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

CONSOLIDATED CASH FLOW STATEMENT

	Note	**6 months ended 30 June 2012 £'000 (Unaudited)**	6 months ended 30 June 2011 £'000 (Unaudited)	Year ended 31 December 2011 £'000 (Audited)
Net cash from operating activities	12	**509**	10,802	41,547
Investing activities				
Interest received		**303**	264	423
Purchases of property, plant and equipment		**(1,028)**	(2,023)	(3,297)
Purchases of intangible assets		**(2,461)**	(5,548)	(9,334)
Investment in joint venture		**(156)**	-	(997)
Net cash used in investing activities		**(3,342)**	(7,307)	(13,205)
Financing activities				
Dividends paid	6	**-**	(8,776)	(12,925)
Repayment of bank loans		**-**	(1,500)	(1,500)
Proceeds from new bank loans		**-**	17,000	17,000
Interest paid		**(735)**	(468)	(1,452)
Issue of ordinary share capital		**2**	1,068	1,081
Net cash (used in) / generated by financing activities		**(733)**	7,324	2,204
Net (decrease) / increase in cash and cash equivalents		**(3,566)**	10,819	30,546
Effect of foreign exchange rate changes		**(153)**	(217)	(662)
Cash and cash equivalents at start of period		**54,924**	25,040	25,040
Cash and cash equivalents at end of period		**51,205**	35,642	54,924

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1 General information

The information for the year ended 31 December 2011 does not constitute statutory accounts as defined under Section 434 of the Companies Act 2006. A copy of the statutory financial accounts for that year has been delivered to the Registrar of Companies. The auditors report on those accounts was not qualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006, but did draw attention by way of emphasis to material uncertainties resulting from the on-going FSA investigation and the Group's ability to continue as a going concern in the light of these.

2 Accounting policies

Basis of preparation

The annual consolidated financial statements of the Group are prepared in accordance with IFRS as adopted in the European Union. The condensed financial statements included in this Half Year Report have been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the European Union.

Management performed a review of the presentation of certain items in the income statement in advance of the 2011 year end. Management concluded that customer redress and associated costs should be separately presented in the income statement as an exceptional item and not therefore included in the underlying results of the Group. Accordingly £0.5 million has been reclassified from "other administrative expenses" to "customer redress and associated costs" in relation to the 30 June 2011 comparative.

This is a presentational change only and has no net impact on reported operating profit or net assets for any of the financial periods disclosed.

The same accounting policies, presentation and methods of computation are followed in the condensed financial statements as applied to the Group's latest annual audited consolidated financial statements, except for adoption of the following Standards and Interpretations. These are mandatory from 1 January 2012 and their adoption has not had any material impact on the Group:

- Amendments to IFRS 7 (October 2010)	Disclosures - Transfer of Financial Assets
- Amendments to IFRS 1 (December 2010)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to IAS 1 (June 2011)	Presentation of Items of Other Comprehensive Income

Going concern

The Directors have considered the Group's business activities and financial resources, together with the principal risks, uncertainties and other factors likely to affect its future development, performance and position. Having taken account of these factors the Directors have, at the time of approving the condensed financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the condensed financial statements. Further details of the Directors' assessment are set out in the Operating and Financial Review.

3 Segmental analysis

Segment revenues and performance for the current and comparative periods have been as follows:

Six months ended 30 June 2012 (Unaudited)	**Northern Europe £'000**	**Southern Europe £'000**	**North America £'000**	**Asia Pacific £'000**	**Total £'000**
Revenue - external sales	**113,566**	**20,043**	**26,005**	**3,295**	**162,909**
Regional operating profit / (loss) before exceptional items and joint ventures	**10,443**	**4,573**	**5,159**	**(813)**	**19,362**
Exceptional items (note 4)					**(11,788)**
Share of loss of joint venture					**(156)**
Operating profit after exceptional items and joint ventures					**7,418**
Investment revenues					**303**
Finance costs					**(915)**
Profit before taxation					**6,806**

Six months ended 30 June 2011 (Unaudited)	Northern Europe £'000	Southern Europe £'000	North America £'000	Asia Pacific £'000	Total £'000
Revenue - external sales	125,082	22,829	21,078	3,112	172,101
Regional operating profit / (loss) before exceptional items and joint ventures	17,990	5,857	2,890	(1,202)	25,535
Exceptional items (note 4)					(1,349)
Share of loss of joint venture					(724)
Operating profit after exceptional items and joint ventures					23,462
Investment revenues					264
Finance costs					(638)
Profit before taxation					23,088

3 Segmental analysis (continued)

Year ended 31 December 2011 (Audited)	Northern Europe £'000	Southern Europe £'000	North America £'000	Asia Pacific £'000	Total £'000
Revenue - external sales	249,487	44,356	45,752	6,541	346,136
Regional operating profit / (loss) before exceptional items and joint ventures	33,571	10,630	6,867	(2,150)	48,918
Exceptional items (note 4)					(18,059)
Share of loss of joint venture					(1,181)
Operating profit after exceptional items and joint ventures					29,678
Investment revenues					423
Finance costs					(1,795)
Profit before taxation					28,306

For the purposes of resource allocation and assessing performance, operating costs and revenue are allocated to regions in which they are earned or incurred. The above does not reflect additional annual net charges of central costs of £1,222,000 presented within Northern Europe in the table above which has been charged to other regions for statutory purposes.

Segmental assets

	30 June 2012 £'000 (Unaudited)	30 June 2011 £'000 (Unaudited)	31 December 2011 £'000 (Audited)
Northern Europe	**139,945**	112,927	117,399
Southern Europe and Latin America	**7,947**	9,031	9,348
North America	**7,924**	13,578	18,478
Asia Pacific	**1,873**	2,114	2,346
Total segment assets	**157,689**	137,650	147,571
Unallocated assets	**18,323**	18,985	18,508
Consolidated total assets	**176,012**	156,635	166,079

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

3 Segmental analysis (continued)

Revenues from major products

	6 months ended 30 June 2012 £'000 (Unaudited)	6 months ended 30 June 2011 £'000 (Unaudited)	Year ended 31 December 2011 £'000 (Audited)
Retail assistance policies	**111,834**	130,225	258,048
Retail insurance policies	**20,751**	19,081	38,529
Packaged and wholesale policies	**26,654**	19,815	42,325
Non-policy revenue	**3,670**	2,980	7,234
Consolidated revenue	**162,909**	172,101	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 revenue” 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, USA 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**		
	6 months ended 30 June 2012 £'000 (Unaudited)	6 months ended 30 June 2011 £'000 (Unaudited)	Year ended 31 December 2011 £'000 (Audited)	**6 months ended 30 June 2012 £'000 (Unaudited)**	6 months ended 30 June 2011 £'000 (Unaudited)	Year ended 31 December 2011 £'000 (Audited)
UK	**106,290**	116,928	233,859	**34,999**	38,950	38,698
USA	**26,005**	21,078	45,752	**12,978**	12,681	13,287
Spain	**11,896**	14,366	26,717	**510**	434	551
Other	**18,718**	19,729	39,808	**990**	1,093	1,084
	162,909	172,101	346,136	**49,477**	53,158	53,620

4 Exceptional items

	6 months ended 30 June 2012 £'000 (Unaudited)	6 months ended 30 June 2011 £'000 (Unaudited)	Year ended 31 December 2011 £'000 (Audited)
Customer redress and associated costs	**7,495**	547	16,892
Restructuring costs	**4,097**	-	-
Legacy scheme share based payments	**196**	802	1,167
Total exceptional items	**11,788**	1,349	18,059

The £7,495,000 customer redress and associated costs in the six month period relate to the further costs required to compensate customers and other costs associated with the customer redress exercise.

The £4,097,000 restructuring costs in the six month period relate to redundancy programmes and associated costs across the Group, the majority of which is in the UK as announced in the 2011 Annual Report and Accounts.

The tax credit arising in respect of these items is £2,851,000 (H1 2011: £345,000).

5 Taxation

Tax for the six month period is charged at 34.6% (six months ended 30 June 2011: 31.0%; year ended 31 December 2011: 36.2%), representing the best estimate of the average effective tax rate expected for the full year, applied to the pre-tax income of the six month period.

6 Dividends

	6 months ended 30 June 2012 £'000 (Unaudited)	6 months ended 30 June 2011 £'000 (Unaudited)	Year ended 31 December 2011 £'000 (Audited)
Interim dividend for the year ended 31 December 2011 of 2.42 pence	-	-	4,149
Final dividend for the year ended 31 December 2011 of nil pence (2010: 5.12 pence)	-	8,776	8,776
Amounts recognised as distributions to equity holders in the period	-	8,776	12,925

The Directors have not proposed an interim dividend for 2012.

7 Earnings per share

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

	6 months ended 30 June 2012 (Unaudited)	6 months ended 30 June 2011 (Unaudited)	Year ended 31 December 2011 (Audited)
Earnings	**£'000**	£'000	£'000
Earnings for the purposes of basic and diluted earnings per share	**4,535**	15,969	18,215
Customer redress and associated costs (net of tax)	**5,659**	402	12,976
Restructuring costs (net of tax)	**3,082**	-	-
Legacy scheme share based payments (net of tax)	**196**	592	1,167
Earnings for the purposes of underlying basic and diluted earnings per share	**13,472**	16,963	32,358
Number of shares	**Number (thousands)**	Number (thousands)	Number (thousands)
Weighted average number of ordinary shares for the purposes of basic earnings per share	**171,439**	170,990	171,210
Effect of dilutive potential ordinary shares: share options	**3,112**	1,959	787
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**174,551**	172,949	171,997
Earnings per share	**Pence (Unaudited)**	Pence (Unaudited)	Pence (Audited)
Basic and diluted earnings per share from continuing operations:			
Basic shares	**2.65**	9.34	10.64
Diluted shares	**2.60**	9.23	10.59
Basic and diluted underlying earnings per share from continuing operations:			
Basic shares	**7.86**	9.92	18.90
Diluted shares	**7.72**	9.81	18.81

8 Tangible and intangible assets

	Goodwill	Other intangible assets	Property, plant and equipment	Total
	£'000	£'000	£'000	£'000
Six months ended 30 June 2012 (Unaudited)				
Carrying amount at 1 January 2012	**16,521**	**22,626**	**14,473**	**53,620**
Additions	**-**	**1,360**	**687**	**2,047**
Disposals	**-**	**(64)**	**(2)**	**(66)**
Depreciation / amortisation	**-**	**(4,458)**	**(1,543)**	**(6,001)**
Exchange adjustments	**(159)**	**11**	**25**	**(123)**
Carrying amount at 30 June 2012	**16,362**	**19,475**	**13,640**	**49,477**
Six months ended 30 June 2011 (Unaudited)				
Carrying amount at 1 January 2011	16,536	22,055	15,389	53,980
Additions	-	4,560	833	5,393
Depreciation / amortisation	-	(4,109)	(1,645)	(5,754)
Exchange adjustments	(480)	7	12	(461)
Carrying amount at 30 June 2011	16,056	22,513	14,589	53,158
Year ended 31 December 2011 (Audited)				
Carrying amount at 1 January 2011	16,536	22,055	15,389	53,980
Additions	-	9,417	2,435	11,852
Disposals	-	-	(13)	(13)
Depreciation / amortisation	-	(8,850)	(3,240)	(12,090)
Exchange adjustments	(15)	4	(98)	(109)
Carrying amount at 31 December 2011	16,521	22,626	14,473	53,620

9 Bank loans

	30 June 2012	30 June 2011	31 December 2011
	£'000 (Unaudited)	£'000 (Unaudited)	£'000 (Audited)
Repayments due within one year	**43,500**	-	-
Less: unamortised issue costs	**(275)**	-	-
Bank loans due within one year	**43,225**	-	-
Repayments due in more than one year	**-**	43,500	43,500
Less: unamortised issue costs	**-**	(642)	(459)
Bank loans due in more than one year	**-**	42,858	43,041

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

The RCF bears interest at a variable rate of LIBOR plus a variable margin dependent 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.

10 Provisions

	Cash settled share based payments	Customer redress and associated costs	Total
	£'000	£'000	£'000
Six months ended 30 June 2012 (Unaudited)			
At 1 January 2012	**894**	**14,778**	**15,672**
Charged to the income statement	**3**	**7,495**	**7,498**
Customer redress and associated costs paid in the period	**-**	**(1,934)**	**(1,934)**
Loan notes repaid in the period	**(897)**	**-**	**(897)**
At 30 June 2012	**-**	**20,339**	**20,339**
Six months ended 30 June 2011 (Unaudited)			
At 1 January 2011	1,719	-	1,719
Charged to the income statement	152	-	152
Customer redress and associated costs paid in the period	-	-	-
Loan notes repaid in the period	(897)	-	(897)
At 30 June 2011	974	-	974
Year ended 31 December 2011 (Audited)			
At 1 January 2011	1,719	-	1,719
Charged to the income statement	72	16,892	16,964
Customer redress and associated costs paid in the period	-	(2,114)	(2,114)
Loan notes repaid in the period	(897)	-	(897)
At 31 December 2011	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 were payable in accordance with certain vesting conditions and have been fully repaid by the balance sheet date.

Provision for customer redress and associated costs comprises anticipated compensation payable to customers through a customer redress exercise, regulatory penalties, and other costs 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.

11 Share capital

Share capital at 30 June 2012 amounted to £17,109,000, having increased from £17,106,000 at 31 December 2011. During the period the Company issued 26,191 ordinary shares for cash consideration of £5,000 to option holders under its share option schemes.

12 Reconciliation of operating cash flows

	6 months ended 30 June 2012	6 months ended 30 June 2011	Year ended 31 December 2011
	£'000 (Unaudited)	£'000 (Unaudited)	£'000 (Audited)
Profit for the period	**4,448**	15,941	18,051
Adjustment for:			
Depreciation and amortisation	**6,001**	5,754	12,090
Equity settled share based payment expense	**253**	1,657	2,169
Loss on disposal of property, plant and equipment	**62**	-	13
Share of loss of joint venture	**156**	724	1,181
Investment revenues	**(303)**	(264)	(423)
Finance costs	**915**	638	1,795
Income tax expense	**2,358**	7,147	10,255
Operating cash flows before movement in working capital	**13,890**	31,597	45,131
Increase in inventories	**(2)**	(13)	(40)
Increase in receivables	**(6,393)**	(9,982)	(770)
Increase in insurance assets	**(11,591)**	(2,714)	(3,059)
Increase / (decrease) in payables	**2,819**	(662)	605
Decrease in insurance liabilities	**(602)**	(1,703)	(1,539)
Increase in provisions	**5,564**	38	14,850
Cash generated by operations	**3,685**	16,561	55,178
Exercise of share options	**(897)**	(1,047)	(1,059)
Income taxes paid	**(2,279)**	(4,712)	(12,572)
Net cash from operating activities	**509**	10,802	41,547

13 Contingent liabilities

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

14 Related party transactions

Ultimate controlling party

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

Transactions with associated undertakings

The Group has undertaken the following transactions with its joint venture entity, Home 3 Assistance Limited ("Home 3"):

	6 months ended 30 June 2012 £'000 (Unaudited)	6 months ended 30 June 2011 £'000 (Unaudited)	Year ended 31 December 2011 £'000 (Audited)
Costs rechargeable to Home 3 incurred by the Group	**163**	139	361
Balance receivable from Home 3	**1,945**	450	1,090

Amounts receivable from Home 3 include £1,700,000 (H1 2011: £500,000) of sub-ordinated loan notes which fall due for repayment in December 2012.

Remuneration of key management personnel

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

	6 months ended 30 June 2012 £'000 (Unaudited)	6 months ended 30 June 2011 £'000 (Unaudited)	Year ended 31 December 2011 £'000 (Audited)
Short term employee benefits	**2,220**	1,713	3,436
Post employment benefits	**128**	103	231
Termination benefits	**323**	140	142
Share based payments	**58**	879	1,153
	2,729	2,835	4,962

DIRECTORS' RESPONSIBILITIES STATEMENT

We confirm that to the best of our knowledge:

a) The condensed financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting"

b) The Chief Executive Officer's report and operating and financial report together include a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

c) The operating and financial report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Paul Stobart Chief Executive Officer	Shaun Parker Chief Financial Officer

20 August 2012

CAUTIONARY STATEMENT

This Half Year Report has been prepared solely to provide additional information to shareholders as a body to meet the relevant requirements of the UK Listing Authority's Disclosure and Transparency Rules. The Half Year Report should not be relied on by any other party or for any other purpose.

The Half Year Report 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 Half Year Report 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's Disclosure and Transparency Rules and Listing Rules, 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 Half Year Report.

The Half Year Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to CPPGroup Plc and its subsidiary undertakings when viewed as a whole.

INDEPENDENT REVIEW REPORT TO CPPGROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Emphasis of matter

In forming our review conclusion on the condensed financial statements in the Half Year Report, we have considered the adequacy of the disclosure made in the Operating and Financial review and note 2 of the Half Year Report concerning the on-going FSA investigation, the ability of the Group to refinance on expiry of the revolving credit facility in March 2013, and the Group's ability to continue as a going concern in the light of these material uncertainties. This disclosure also includes material uncertainties in relation to the impact of Past Business Reviews and related provisions, and possible future contingent expenditures for which reliable estimates cannot be made.

The total financial impact in relation to the FSA investigation is subject to significant uncertainty in that it is dependent on certain factors outside of the control of the Group. In addition, the Group's ability to refinance on expiry of the revolving credit facility in March 2013 is open to significant uncertainty as it relies upon the successful implementation of certain strategic and financing options. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Having considered these matters, the directors have concluded that it is appropriate to prepare these condensed financial statements on a going concern basis. The condensed financial statements do not include the adjustments that would result if the Group or the Company were unable to continue as a going concern. Our review conclusion is not qualified in respect of these matters.

Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
20 August 2012

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