CPP SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

COMPANY REGISTRATION NUMBER: 03709675

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COMPANY INFORMATION

Directors	B Escott C Parsons
Secretary	L Beavis
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor 2 Hardman Street Manchester United Kingdom M3 3HF
Registered office	Holgate Park Holgate Road York YO26 4GA
Registered number	03709675

REPORT OF THE DIRECTORS

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2013.

Principal Activities and Review of the Business

The Company's principal activity during the year was the leasing of property to Card Protection Plan Limited, another CPPGroup Company. The Company is expected to continue this activity for the foreseeable future.

This Company qualifies as small in accordance with the provisions of section 382 (3) of the Companies Act 2006 and is therefore exempt from the requirement to prepare a strategic report under section 414B. The Company's ultimate parent Company is CPPGroup Plc ("the Group") which is listed on the London Stock Exchange and registered in the UK.

Review of the business and future developments

Details of the results for the year are set out in page 6 and show a loss before taxation of £2,010,715 (2012: profit of £146,422). This loss is driven by the impairment of land and buildings in the year. No dividend has been paid during the year (2012: £nil).

During the year the Company impaired its freehold land and property to its current market value realising an impairment loss of £2,062,880. This is shown as an exceptional item in the current financial year. Refer to note 5 and 9 for further detail.

The Company has net liabilities of £1,542,887 (2012: net assets of £382,559) and has the continuing support of its ultimate parent company, CPPGroup Plc.

Going Concern

The Company, currently in a net liabilities position, is party to a Group banking facility, a cross guarantee in respect of a Group wide bank account netting arrangement and has inter-company balances due to the wider Group which may become payable. The bank facility is secured against the assets of the Company. A company in the wider Group is currently undertaking a customer redress exercise which will conclude on 30 August 2014. In respect of these factors the Directors have made suitable enquiries including consideration of the liquidity position and borrowing facilities available to the Group taking into account the current Group cash flow forecast and risks facing the Group, which include trading and customer redress uncertainties.

Whilst redress rates were within expectations at the time of approving the accounts, there remains a residual risk that redress rates may reach a level that cannot be funded by the Group. This could lead to the Group not being able to continue to trade or the conditions of the bank facility not being met.

Given the possible impact of customer redress uncertainties, there is material uncertainty that casts significant doubt as to the Group and Company's ability to continue as a going concern, and therefore the Company may be unable to realise its assets or discharge its liabilities in the normal course of business.

The Company provides services to a single customer, Card Protection Plan Limited, a company in the wider Group in which customer redress uncertainties arise. There is a risk that this source of trade could cease.

Nevertheless, having considered the above uncertainties and all the information available, the Directors have a reasonable expectation that the Company 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.

Directors

The Directors set out below have held office during the year and subsequently:

B Escott	Appointed 01 September 2013
C Parsons	Appointed 01 September 2013
S Parker	Resigned 31 August 2013

Secretary

The secretaries holding office during the year and up to the date of signing of these financial statements is as follows:

L Beavis	Appointed 29 November 2013
A Titchener	Resigned 29 November 2013

DIRECTORS' REPORT (continued)

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Auditors

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

- so far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board on 5 June 2014 and signed on its behalf by:

C Parsons
Director

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CPP SERVICES LIMITED

We have audited the financial statements of CPP Services Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards on Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures in note 1 to the financial statements concerning the Company's ability to continue as a going concern in the context of the wider Group's trading and customer redress uncertainties.

The Company is party to a Group banking facility, is subject to certain security arrangements, and has inter-company balances due to the wider Group which may become payable. Therefore, the Company's ability to remain a going concern relies upon the wider Group's compliance with the terms of the bank facility. The possible impact of trading and customer redress uncertainties on compliance with the terms of the banking facility indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and, therefore, that the Company 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 financial statements on a going concern basis. The financial statements do not include any adjustments that would result if the Company were unable to continue as a going concern. Our opinion is not modified in respect of these matters.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CPP SERVICES LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law and not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Directors' Report.

Peter Birch FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom

Dated: 5 JUNE 2014

PROFIT AND LOSS ACCOUNT

	Notes	2013 £	2012 £
Turnover	4	1,083,280	1,083,280
Cost of sales		(724,192)	(750,054)
Gross profit		359,088	333,226
Administrative expenses		(11,660)	(10,225)
Operating Profit - before exceptional items	6	347,428	323,001
Exceptional Items	5	(2,062,880)	-
Operating (loss)/profit - after exceptional items		(1,715,452)	323,001
Interest payable and similar charges	7	(295,263)	(176,579)
(Loss)/profit on ordinary activities before taxation		(2,010,715)	146,422
Tax on (loss)/profit on ordinary activities	8	85,269	(32,829)
(Loss)/profit on ordinary activities after taxation	15, 16	(1,925,446)	113,593

Statement of total recognised gains and losses

The Company has no recognised gains or losses other than as stated above, and therefore no statement of total recognised gains and losses has been shown.

BALANCE SHEET

	Notes	2013 £	2013 £	2012 £	2012 £
Fixed assets					
Tangible assets	9		3,302,394		5,561,327
Current assets					
Debtors	10	127,691		137,508	
Cash at bank and in hand	11	2,846,002		2,559,799	
		2,973,693		2,697,307	
Creditors: amounts falling due within one year	12	(7,687,947)		(7,581,105)	
Net current liabilities			(4,714,254)		(4,883,798)
Total assets less current liabilities			(1,411,860)		677,529
Provisions for liabilities	13		(131,027)		(294,970)
Net (liabilities)/assets			(1,542,887)		382,559
Capital and reserves					
Called up share capital	14		100		100
Profit and loss account	15		(1,542,987)		382,459
Equity shareholder's (deficit)/funds	16		(1,542,887)		382,559

Notes on pages 8 to 12 form an integral part of the financial statements.

Approved by the Board on 5 June 2014 and signed on its behalf by:

C Parsons
Director

Company Number: 03709675

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of Preparation

The financial statements are prepared in accordance with applicable law and United Kingdom accounting standards. The particular accounting policies adopted are described below and have been applied consistently in the current and prior year.

Going Concern

The Directors, at the time of approving the financial statements has reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the Going Concern basis of accounting in preparing the financial statement. Further details of the Directors' assessment are set out in the Directors' Report on page 2.

2 Accounting Policies

(a) Accounting Convention

The financial statements are prepared under the historical cost convention.

(b) Turnover

Turnover represents the invoiced value of property rent supplied by the Company, net of value added tax, and is derived from one class of business wholly in the UK.

(c) Tangible Fixed Assets

The cost of tangible fixed assets is their purchase cost. Freehold land is not depreciated. Depreciation is provided on all other tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Freehold property	40 years straight line
Leasehold improvements	over the life of the relevant lease
Computer equipment	4 years straight line
Fixtures and Fittings	4 years straight line

(d) Operating Leases

Rentals paid under operating leases as a lessee are charged on a straight line basis over the term of the lease. Rentals receivable under operating leases as a lessor are credited to turnover on a straight line basis.

(e) Taxation

Current taxation, including UK corporation tax, is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(f) Cash flow Statement

The Company has not prepared a cash flow statement on the basis that it is a wholly owned subsidiary of CPPGroup Plc and consolidated financial statements are prepared by that Company and are publicly available.

3 Directors and Employees

In the current and prior year no Director emoluments have been recharged to CPP Services Limited as their services to this Company are considered to be immaterial; furthermore the Company had no other employees or related costs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Operating Lease Rentals

	2013	2012
	£	£
Aggregate rentals receivable in the year in respect of operating leases	1,083,280	1,083,280

5 Exceptional Items

The freehold property in the UK was impaired following the market value assessment by Sanderson Weatherall Chartered Surveyors and Property Valuers. The property was valued at £3,100,000 resulting in an impairment loss of £2,062,880 as illustrated in Note 9.

6 Operating (Loss)/Profit

	2013	2012
This is stated after charging:	£	£
Depreciation	196,053	196,141
Operating lease rentals	508,296	533,580
Fees payable to the Company's auditor for the audit of the Company accounts	3,389	3,149

7 Interest Payable and Similar Charges

	2013	2012
	£	£
Interest on intercompany loans	295,263	176,579

8 Taxation

	2013	2012
	£	£
The tax charged on (loss)/profit on ordinary activities for the year was as follows:		
UK Corporation tax at 23.25% (2012: 24.50%)	57,702	62,947
Adjustment in respect of prior year UK corporation tax	20,972	(649)
Total Current Tax	78,674	62,298
Deferred tax		
UK deferred tax - current year	(155,772)	(29,615)
Adjustment in respect of prior year UK deferred tax	(8,171)	146
Total Recognised Tax (Credit)/Charge for the Year	(85,269)	32,829

The tax charge for the period is lower (2012 : lower) than that resulting from applying the standard rate of corporation tax in the UK : 23.25% (2012 : 24.50%). The differences are explained in the following reconciliation:

	2013	2012
	£	£
(Loss)/Profit on ordinary activities before tax	(2,010,715)	146,422
UK corporation tax @ 23.25% (24.50%)	(467,423)	35,873
Factors affecting the charge for the period:		
Accelerated capital allowances	525,125	39,351
Tax losses received for nil consideration	-	(12,277)
Adjustments to tax charge in respect of prior periods	20,972	(649)
Current tax charge for the year	78,674	62,298

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012, and the effect of this change is reflected in the figures above. Further reductions to 21% (effective 1 April 2014) and 20% (effective 1 April 2015) were substantively enacted on 2 July 2013. These will reduce the company's future current tax charge accordingly.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Tangible Fixed Assets	Freehold Land and Property £	Leasehold Improve-ments £	Computer Equipment £	Fixtures and Fittings	Total £
Cost					
At 1 January 2013 and 31 December 2013	7,277,588	1,068,507	1,195	138,176	8,485,466
Depreciation					
At 1 January 2013	1,951,737	938,824	1,195	32,383	2,924,139
Charge for the year	162,971	23,572	-	9,510	196,053
Impairment	2,062,880	-	-	-	2,062,880
At 31 December 2013	4,177,588	962,396	1,195	41,893	5,183,072
Net book value					
At 31 December 2013	3,100,000	106,111	-	96,283	3,302,394
At 31 December 2012	5,325,851	129,683	-	105,793	5,561,327

During the year the Company recognised impairment losses in respect of freehold land and property to its current market value of £3,100,000 resulting in an impairment of loss of £2,062,880. This impairment loss has been recognised as an exceptional item through the profit and loss account.

Included in freehold land and property is freehold land at its cost value of £759,000 (2012: £759,000) which is not depreciated.

10 Debtors

	2013 £	2012 £
Prepayments and other debtors	127,691	137,508

11 The Company is party to a cross-guarantee in respect of a bank account netting arrangement in which it is a participant alongside certain other Group companies. At the balance sheet date, cash and cash equivalents of £2,846,000 (2012: £2,560,000) were held in bank accounts subject to this arrangement.

12 Creditors: Amounts Falling Due within One Year

	2013 £	2012 £
Amounts owed to group undertakings	7,682,112	7,566,121
Trade creditors	2,475	11,835
Accruals and deferred income	3,360	3,149
	7,687,947	7,581,105

There are no fixed dates for repayment of the intercompany loans. Interest has been charged at market rates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Provisions for Liabilities

	Balance at 1 January 2013	Charge to profit and loss account	Balance at 31 December 2013
	£	£	£
Deferred taxation	294,970	(163,943)	131,027

	Provided		Not provided	
	2013	2012	2013	2012
	£	£	£	£
Capital allowances in excess of depreciation	131,027	294,970	-	-

14 Called up Share Capital

	2013	2012
	£	£
Authorised:		
1,000 ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid:		
100 ordinary shares of £1 each	100	100

15 Reserves

	Profit and Loss 2013
	£
As at 1 January 2013	382,459
Retained loss for the year	(1,925,446)
As at 31 December 2013	(1,542,987)

16 Reconciliation of the Movement in Equity Shareholder's Funds

	2013	2012
	£	£
(Loss)/Profit for the financial year after taxation	(1,925,446)	113,593
Movement in equity shareholder's funds	(1,925,446)	113,593
Equity shareholder's funds at 1 January	382,559	268,966
Equity shareholder's funds at 31 December	(1,542,887)	382,559

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Other Financial Commitments

At 31 December 2013 the Company had annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings 2013 £	Land & Buildings 2012 £
Operating leases which expire:		
Within two to five years	490,980	490,980

18 Related Party and Control

Certain bank loans taken out by Group entities are secured against the assets of the Company. The total amount outstanding on these loans at 31 December 2013 amounted to £13,000,000 (2012: £43,500,000)

The Company is party to a cross-guarantee in respect of a bank account netting arrangement in which it is a participant alongside certain other Group companies. At the balance sheet date, cash and cash equivalents of £2,846,000 (2012: £2,560,000) were held in bank accounts subject to this arrangement.

The Company is a wholly owned subsidiary of CPP Holdings Limited. The ultimate parent company is CPPGroup Plc which is controlled by its majority shareholder, Mr Hamish Ogston. Advantage has been taken of the related party disclosure exemptions in respect of group transactions since consolidated financial statements have been prepared by the ultimate parent company CPPGroup Plc, which is the parent of the largest and smallest groups for which consolidated accounts are prepared and of which the Company is a member. Copies of these accounts may be obtained from the Company's registered office at Holgate Park, Holgate Road, York YO26 4GA.