CPP SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

COMPANY REGISTRATION NUMBER: 03709675

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COMPANY INFORMATION

Director	J Walsh M Corcoran
Secretary	L Beavis
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor 1 City Square Leeds United Kingdom LS1 2AL
Registered office	Holgate Park Holgate Road York YO26 4GA
Registered number	03709675

DIRECTORS' REPORT

The Directors present the Annual Report together and the audited financial statements of CPP Services Limited (the Company) for the year ended 31 December 2016.

Principal activities

The principal activity of the Company during the year was the leasing of a property to Card Protection Plan Limited, another entity within the CPPGroup Plc group of companies (the Group). The Group provides assistance products and services.

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.

Review of the business and future developments

Details of the results for the year are set out on page 5 and show that the profit on ordinary activities after taxation amounted to £1,605,560 (2015: £46,056).

There have been no dividends paid during either the current or prior year. No dividends have been proposed since the year end.

The Company has net assets of £166,021 (2015: £1,439,539 net liabilities).

During the year, the Company reversed an impairment in respect of its investment property, recognising a credit of £1,534,138. Additionally, the Company recognised a £555,000 charge relating to the expiry of a property lease with a third party. The property is sublet to another Group company. This charge has been offset in the income statement by a credit recognising that the other Group company subject to the sublet accepts the obligation to refund the Company.

Going concern

The Company 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. 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 uncertainty from the Group's medium term trading and strategic risk.

Having considered 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 holding office during the year and up to the date of signing of the financial statements are as follows:

M Corcoran	
J Walsh	(Appointed 27 May 2016)
S Callaghan	(Resigned 19 May 2016)

Secretary

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

L Beavis

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) including FRS101. 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 judgements and accounting estimates that are reasonable and prudent; and
- 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 the Directors to ensure that the financial statements comply with the Companies Act 2006. The Directors 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 27 April 2017 and signed on its behalf by:

M Corcoran
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 2016 which comprise the Income Statement, the Balance Sheet, Statement of Changes in Equity and the related notes 1 to 16. 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), including FRS101 Reduced Disclosure Framework.

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 for 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 and of its profit 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, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

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
Leeds, United Kingdom

Dated: 27 April 2017

INCOME STATEMENT

	Note	2016 £	2015 £
Revenue	5	1,083,280	1,083,280
Cost of sales		(619,127)	(587,665)
Gross profit		464,153	495,615
Administrative income / (expense)		1,530,758	(3,390)
Operating profit	6	1,994,911	492,225
Analysed as:			
Underlying operating profit		460,773	492,225
Exceptional Items	6	1,534,138	-
Interest payable and similar charges	7	(344,068)	(355,801)
Profit on ordinary activities before taxation		1,650,843	136,424
Taxation	8	(45,283)	(90,368)
Profit on ordinary activities after taxation		1,605,560	46,056

All amounts relate to continuing activities.

The Company has no other income other than as stated above, and therefore no statement of comprehensive income has been shown.

BALANCE SHEET

	Notes	2016 £	2015 £
Non-current assets			
Tangible assets	9	39,934	140,313
Investment property	10	4,373,999	2,926,574
		4,413,933	3,066,887
Current assets			
Debtors	11	2,913	128,171
Cash at bank and in hand	16	4,050,881	3,464,443
		4,053,794	3,592,614
Creditors: amounts falling due within one year	12	(8,198,443)	(7,986,016)
Net current liabilities		(4,144,649)	(4,393,402)
Total assets less current liabilities		269,284	(1,326,515)
Deferred tax liabilities	13	(103,263)	(113,024)
Net assets / (liabilities)		166,021	(1,439,539)
Equity			
Called up share capital	14	100	100
Retained earnings / (accumulated losses)		165,921	(1,439,639)
Equity shareholder's surplus / (deficit)		166,021	(1,439,539)

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

Approved by the Board on 27 April 2017 and signed on its behalf by:

M Corcoran
Director

Company Number: 03709675

STATEMENT OF CHANGES IN EQUITY

	Share capital £	Retained earnings / (accumulated losses) £	Total £
At 1 January 2015	100	(1,485,695)	(1,485,595)
Total comprehensive income	-	46,056	46,056
At 31 December 2015	100	(1,439,639)	(1,439,539)
Total comprehensive income	-	1,605,560	1,605,560
At 31 December 2016	100	165,921	166,021

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The Company is incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of its operation and its principal activity is set out in the Directors' Report on page 2. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company has applied FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the Financial Reporting Council (FRC) in July 2015 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016.

2. Accounting policies

The financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the FRC.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the consolidated accounts of CPPGroup Plc. The consolidated accounts of CPPGroup Plc are available to the public and can be obtained as set out in note 16.

The following new and revised Standards and Interpretations have been adopted in the current year. The application of these specific Standards and Interpretations has not had a material effect on the company.

Standard	Subject
Annual improvements to IFRSs	2010 - 2012 cycle
IAS 1 *(amendments)*	Disclosure Initiative
Annual improvements to IFRSs	2012 - 2014 cycle
IAS 16 and IAS 38 (amendments	Clarification of Acceptable Methods of Depreciation and Amortisation

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year.

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

Accounting convention
The financial statements are prepared under the historical cost convention.

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.

Tangible fixed assets
The cost of tangible fixed assets is their purchase cost. Depreciation is provided on all 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:

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Investment property

Investment Property consists of Freehold Land and Property which is held for rental. Investment properties are held under the cost model. The cost of investment property is their purchase cost. Freehold land is not depreciated. Depreciation is provided on freehold property 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

Annually the Company reviews the carrying amounts of its investment property to determine whether there is indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense in the income statement immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset may be increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

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.

Taxation

Taxation on the profit or loss for the year comprises both current and deferred tax as well as adjustments in respect of prior years. Taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the tax is also included within equity. Current tax is the expected tax payable on the taxable income for the year using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on all taxable and deductible temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary undertakings except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. Key judgements

In the application of the Company's accounting policies, as described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

Exceptional items

Items which are exceptional, being material in terms of size and/or nature, are presented separately from underlying business performance in the income statement. The separate reporting of exceptional items helps provide an indication of the Company's underlying business performance.

4. Directors and employees

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

5. Operating lease rentals

	2016	2015
	£	£
Aggregate rentals receivable in the year in respect of operating leases	1,083,280	1,083,280

6. Operating profit

	2016	2015
	£	£
Operating profit is stated after charging/(crediting):		
Depreciation	187,092	117,753
Operating lease rentals	412,423	451,702
Fees payable to the Company's auditor for the audit of the Company accounts	3,312	3,312
Exceptional items		
Reversal of freehold property impairment (note 10)	(1,534,138)	-
Charge in relation to the expiry of a property lease	555,000	-
Credit in relation to the recharge of the property lease charge to another Group company	(555,000)	-
	(1,534,138)	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Interest payable and similar charges

	£	£
Interest on intercompany loans	344,068	355,801

8. Taxation

	2016	2015
Current tax charge:	£	£
The tax charged on profit on ordinary activities for the year was as follows:		
UK Corporation tax at 20.00% (2015: 20.25%)	55,052	44,490
Adjustment in respect of prior year UK corporation tax	(8)	57,711
Total current tax	55,044	102,201
Deferred tax credit:		
UK deferred tax - current year	(9,761)	(11,833)
Total recognised tax charge for the year	45,283	90,368

The tax charge for the period is lower than that resulting from applying the standard rate of corporation tax in the UK: 20.00% (2015: 20.25%). The differences are explained in the following reconciliation:

	2016	2015
	£	£
Profit on ordinary activities before tax	1,650,843	136,424
UK corporation tax at 20.00% (2015: 20.25%)	330,169	27,626
Factors affecting the charge for the period:		
Expenses not deductible for tax	27,616	17,598
Reversal of investment property impairment	(306,828)	-
Adjustments to tax charge in respect of prior periods	(8)	57,711
Effect of change in tax rates	(5,666)	(12,567)
Total tax charge for the year	45,283	90,368

Deferred tax is provided at 17% at 31 December 2016 (2015: 18%)

A reduction in the UK corporation tax rate from 21% to 20% (effective 1 April 2015) was substantively enacted on 2 July 2013 and the effect of this change is reflected in the figures above. The UK Finance (No 2) Act 2015 was enacted on 18 November 2015. It provides for a reduction in the main rate of UK corporation tax from 20% to 19% effective from 1 April 2017. The UK Finance Act 2016 was enacted on 15 September 2016. It provides for a further reduction to 18% from 1 April 2020. These changes will reduce the Company's future current tax charges accordingly.

9. Tangible fixed assets

	Leasehold improvements	Computer equipment	Fixtures and fittings	Total
	£	£		£
Cost				
At 1 January 2016	1,068,507	1,195	138,176	1,207,878
Disposals	-	(1,195)	-	(1,195)
At 31 December 2016	1,068,507	-	138,176	1,206,683
Depreciation				
At 1 January 2016	1,006,514	1,195	59,856	1,067,565
Charge for the year	22,059	-	78,320	100,379
Disposals	-	(1,195)	-	(1,195)
At 31 December 2016	1,028,573	-	138,176	1,166,749
Net book value				
At 31 December 2016	39,934	-	-	39,934
At 31 December 2015	61,993	-	78,320	140,313

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Investment property

	Freehold land and property £
Cost	
At 1 January 2016 and 31 December 2016	7,277,588
Depreciation	
At 1 January 2016	4,351,014
Charge for the year	86,713
Reversal of impairment	(1,534,138)
At 31 December 2016	2,903,589
Net book value	
At 31 December 2016	4,373,999
At 31 December 2015	2,926,574

Included in freehold land and property is freehold land at its cost value of £759,000 (2014: £759,000) which is not depreciated.

The NBV of freehold land and buildings held for rental purposes at the year-end was £2,926,574 (2014: £3,013,287)

During the year the Company has recognised the reversal of prior year impairment in respect of the freehold land and property totalling £1,534,138. This reversal reflects a change in the basis of the recoverable amount from value in use to fair value less costs of disposal. The value of the property has been written back to £4,373,999. The impairment reversal has been recognised as an exceptional item through the income statement.

11. Debtors

	2016 £	2015 £
Prepayments and other debtors	2,913	128,171

12. Creditors: Amounts falling due within one year

	2016 £	2015 £
Amounts owed to group undertakings	8,195,131	7,980,229
Trade creditors	-	2,475
Accruals and deferred income	3,312	3,312
	8,198,443	7,986,016

At 31 December 2016, the Company has an outstanding liability of £555,000 in relation to the cessation of the operating lease with a third party. This obligation has been accepted by another Group Company to whom the property is sublet. As a result the Company has chosen a net presentation approach of the liability and corresponding receivable within creditors.

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

13. Deferred tax liabilities

	Capital allowances £
At 1 January 2015	124,857
Charge to income statement	(11,833)
At 31 December 2015	113,024
Charge to income statement	(9,761)
At 31 December 2016	103,263

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Called up share capital

	2016 £	2015 £
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. Leases

Operating leases - lessee

The total future value of minimum lease payments is due as follows:

	2016 £	2015 £
Not later than one year	83,216	490,980
Later than one year and not later than five years	-	81,830
	83,216	572,810

Operating leases - lessor

The minimum rent receivables under non-cancellable operating leases are as follows:

	2016 £	2015 £
Not later than one year	961,510	1,415,220
Later than one year and not later than five years	1,781,420	3,498,410
Later than five years	-	73,986
	2,742,930	4,987,616

16. Related parties 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 2016 amounted to £nil (2015: £1,000,000).

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. Cash at bank and in hand of £4,050,881 (2015: £3,464,443) is held in a bank account subject to this arrangement.

The Company is a wholly owned subsidiary of CPP Holdings Limited. The ultimate parent company is CPPGroup Plc. 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.