

# Remuneration report

## Annual Statement from the Remuneration Committee Chairman

### Introduction

On behalf of the Board, I am pleased to present the Directors' Remuneration report for the year ended 31 December 2014.

Our report this year looks slightly different to that of the previous year in that the Directors' remuneration policy approved at the 2014 AGM was subsequently disapplied by a further shareholder resolution at the General Meeting held on 13 January 2015 and that element is therefore excluded from this year's report.

The remainder of the report is prepared in accordance with the requirements for a premium-listed company, reflecting the fact that the Company retained its premium listing throughout the whole of the period under review.

Following the move to AIM in February 2015, our reporting in future years will reflect the disclosure requirements of an AIM-listed company.

### Review of 2014

During 2014, we made good progress in stabilising and right-sizing the UK and International businesses, completing the UK Scheme and preparing for the successful restructure and recapitalisation of the Group.

The Committee chose not to make a further LTIP award in 2014, but did recognise the need to develop and implement a bonus plan for the new Management team, directly aligned to the delivery of its short term strategic priorities. Payment levels were 'capped' by the Committee, reflecting the Company's financial circumstances.

### Our strategic priorities for 2015

Our general approach continues to be driven by our primary objective, which is to operate a remuneration framework which successfully promotes the long term success of the Company. In part, this is driven by our ability to attract, motivate and retain the right calibre of people as this is critical to our long term performance, for shareholders and customers alike. Our remuneration strategy seeks to incentivise a strong Leadership Team, capable of leading multiple operations across a number of geographies, to deliver strategic, operational and financial objectives and to encourage excellence in assuring our internal control, risk and compliance processes.

The Committee is in the process of designing a replacement remuneration policy that is better suited to the Company in its current circumstances. The details of the nature and design of the new incentive arrangements are still under discussion, but it is our intention to reward performance through a combination of ordinary shares and cash bonus, in order to support the successful delivery of the business plan and reflect the creation of value for shareholders.

### Activities of the Remuneration Committee

The Committee is responsible for recommending to the Board the remuneration of the Chairman, Executive Directors, Company Secretary and Executive Management. The remuneration of Non-Executive Directors is a matter for the Chairman and the Executive Members of the Board. The Committee also recommends and monitors the level and structure of remuneration for Senior Management.

The main activities of the Committee during the year under review were:

- ▶ incentivisation of Executive Directors and Senior Management team;
- ▶ Management retention and reward;
- ▶ strategy for year end salary reviews; and
- ▶ agree terms for senior appointments and exits.

### Interaction with shareholders

The Remuneration Committee actively seeks the views of shareholders and understands that such consultation forms a key part of the process of remuneration policy development.

### Remuneration disclosure

This report is subject to an advisory shareholder vote at the forthcoming AGM.

### Ruth Evans

Chair of the Remuneration Committee  
30 March 2015



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**Directors' remuneration policy**

The Directors' remuneration policy agreed at the AGM on 16 June 2014 was disapplied by a shareholder vote at a subsequent General Meeting on 13 January 2015 and is therefore not disclosed in this report. A new policy is being developed by the Committee with the intention that it will be better suited to the current circumstances of the Company.

**Annual report on remuneration**

This part of the report has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the UKLA Listing Rules. The report will be put to an advisory shareholder vote at the AGM on 1 June 2015.

**Implementation of remuneration policy for 2015****Base salary**

Neither of the Executive Directors received an increase in base salary in 2014. The Committee recognised that Craig Parsons' salary was below market rate; in order to remedy this position and in recognition of his material contribution to the on-going stability of the business, an increase was agreed with effect from 1 January 2015. Executive salaries will next be reviewed on 1 January 2016.

	Base salary £'000		Percentage increase
	1 January 2014	1 January 2015	
Brent Escott	325	325	—
Craig Parsons	180	210	16.66

**Pension and benefits**

Executive Directors receive an employer defined contribution of up to 15% of salary.

A fixed sum of up to £20,000 is allowed to spend on a range of benefits available within the Company's flexible benefits scheme. The benefits provision for 2015 is expected to be unchanged.

**Annual bonus**

A revised plan will be implemented for 2015 and beyond, taking account of the Group's current circumstances.

**Long Term Incentive Plan**

A new LTIP is being considered as part of the overall review of policy.

**Non-Executive Directors' annual fees**

Non-Executive Director fees have been unchanged since 2010 and have been reviewed in the first quarter of 2015.

Rate	Base fees £'000		Percentage increase
	1 January 2014	1 January 2015	
Chair	125	130	4%
Board fees	40	40	—
Chair of Board Committee or regulated subsidiary company	10	10	—

## Remuneration report continued

### Annual report on remuneration continued

#### Single total figure of remuneration (audited information)

The following table shows a total single figure of remuneration in respect of qualifying services for the 2014 financial year for each Director, together with comparative figures for 2013.

	Base salary/fees £'000		Taxable benefits £'000		Bonus £'000		LTIP £'000		Pension £'000		Total £'000	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
<b>Executive Directors</b>												
Brent Escott <sup>1</sup>	325	108	80	24	98	—	—	—	49	16	552	148
Craig Parsons <sup>2</sup>	180	60	13	4	54	—	—	—	18	6	265	70
<b>Non-Executive Directors</b>												
Eric Anstee <sup>3</sup>	—	—	—	—	—	—	—	—	—	—	—	—
Duncan McIntyre <sup>4</sup>	184	50	—	—	—	—	—	—	—	—	184	50
Les Owen	50	50	—	—	—	—	—	—	—	—	50	50
Shaun Astley-Stone <sup>5</sup>	50	16	—	—	—	—	—	—	—	—	50	16
Ruth Evans <sup>6</sup>	55	11	—	—	—	—	—	—	—	—	55	11
Charles Gregson <sup>7</sup>	21	125	—	—	—	—	—	—	—	—	21	125

- Brent Escott was appointed as CEO on 1 September 2013. Included in the above figures is a travel allowance equal to £2,500 per month after deduction of tax and national insurance.
- Craig Parsons was appointed as CFO on 1 September 2013.
- Eric Anstee joined the Board on 23 December 2014; no fees were paid to him in 2014.
- With effect from 29 January 2014, Duncan McIntyre received an additional £15,000 per annum, in recognition of the additional time commitment anticipated in the first few months of his appointment. This element of his fee was reviewed in April 2014 and judged to remain appropriate, in light of his continuing time commitment. In accordance with the terms of his contract, a further payment of £50,000 was also made to Duncan McIntyre as remuneration for his significant additional time commitment during the Group's equity raise and restructure.
- Shaun Astley-Stone was appointed on 2 September 2013.
- Ruth Evans was appointed on 4 October 2013. Ruth Evans is also a Director of CPPL, for which, in 2014, she received a fee of £5,000 per annum.
- Charles Gregson resigned on 29 January 2014.

#### Additional information in respect of the single total figure table (audited information)

##### Bonus

The annual bonus plan for 2014 provided for a bonus of up to 100% of salary to be earned for achievement of Group financial performance and specified personal objectives. Payment of bonuses were dependent on achievement of key strategic milestones for 2014 as defined by the Group Executive Committee:

- ▶ completion of the UK Scheme;
- ▶ renewal packs aligned to industry standards; and
- ▶ issue of the Circular announcing the successful re-financing of the business, the capital restructure and move to AIM.

Although all of these key milestones were achieved, the Committee considered that a bonus of 30% of the maximum entitlement was appropriate, taking into account the Company's overall financial performance in the year.

##### LTIPs

None of the Directors had any awards capable of vesting for performance in 2013 or 2014.

##### Pension

The pension contributions reflect the Company's contribution of 15% or 10% of base salary as a defined contribution.

##### Payments for loss of office

In February 2015, Brent Escott, received six months' pay in lieu of notice, in accordance with the terms of his contract. In accordance with the scheme rules, the share options awarded to him on 31 December 2013 will lapse 90 days after the termination of his employment, i.e. on 17 May 2015.

As disclosed in last year's Annual Report, Paul Stobart received a payment of £148,000 in 2013 as pay in lieu of notice. A further payment of £219,000, being the balance of his contractual pay in lieu of notice, was paid in January 2014.

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**Share scheme interests awarded during the financial year (audited information)**

No awards were made during 2014.

**Directors' share interests (audited information)****Long term incentive plans**

Details of awards held, granted and exercised in respect of the LTIPs are detailed below.

Director	Balance held at 1 January 2014	Number of share options granted in year	Number of share options exercised in year	Number of share options lapsed in year	Balance held at 31 December 2014
Brent Escott	1,150,000	—	—	—	1,150,000
Craig Parsons	731,915	—	—	25,000	706,915

**2010 Long Term Incentive Plan (LTIP)**

For LTIP awards made from 2012 onwards, the following two interdependent performance conditions apply:

- the award is subject to a performance condition under the terms of which the Company's Total Shareholder Return (TSR) performance is ranked against the TSR of a comparator group comprising the companies constituting the FTSE SmallCap (excluding investment trusts) on the date of grant of the award; and
- the TSR-based performance condition is normally measured over a three-year period starting on the date of grant and would be satisfied if the Company's TSR was at least at the median of a ranking of the TSR of each of the members of the comparator group over the same period.

If the TSR condition is not satisfied, then no part of the award will be capable of vesting and the award will lapse. If the TSR condition is satisfied, then the number of shares capable of vesting under the award shall be determined by reference to a performance condition based on the achievement of absolute average share price targets measured at the end of a three-year performance period commencing on the date of grant of the award.

For the 2013 awards, assuming the TSR condition is satisfied, as soon as reasonably practicable after the end of the performance period, the Committee shall determine the highest average share price and the number of shares (if any) in respect of which the award may vest in accordance with the following table:

Highest average share price	Percentage of award vesting
Below 20 pence	0%
20 pence (the 'Threshold Target')	25%
45 pence or higher (the 'Maximum Target')	100%
Between 20 pence and 45 pence	Between 25% and 100% on a straight line basis

Clawback provisions will continue to allow all or part of an LTIP award to be recovered if, for example, there is a restatement of the financial accounts or the individual is dismissed for 'cause'.

The 2013 LTIP awards were granted as nil-cost options on 31 December 2013 and will vest on 31 December 2016, subject to performance conditions. When awards were granted, the market value of shares was 8.50 pence. Awards vest subject to continued employment and the satisfaction of performance conditions as set out above.

The market price of ordinary shares of the Company as at 31 December 2014 was 5.63 pence and the range during the year was 4.82 pence to 18.75 pence.

## Remuneration report continued

### Annual report on remuneration continued

#### Other share plans

##### 2010 Restricted Stock Plan (RSP)

The RSP is a non-performance based share plan aimed at incentivising the second tier of management across the Group and Executive Directors are not eligible to participate. Employment is the only performance condition attached to this plan.

##### UK Save As You Earn scheme (SAYE)

The Company launched a Save As You Earn scheme (ShareSAVE plan) in September 2010 and made an additional offer in September 2011. All employees in the UK, including Executive Directors, are eligible to participate in the SAYE scheme. Options were granted under this scheme in September 2010 at an option price of 198 pence and in September 2011 at an option price of 125 pence, in each case representing a discount of 20% to the market value applicable at the time of grant. Consistent with HMRC rules, the scheme is not subject to any performance criteria other than employment. No offer has been made under this scheme since 2011.

##### Deferred Share Bonus Plan (DSBP)

The Committee supports the principle that the payment of a proportion of any annual bonuses paid in future periods should be deferred and paid in Company shares as it further aligns Executives with shareholders.

Accordingly, at the Committee's discretion, annual bonuses awarded under the Executive bonus scheme may also be subject to the DSBP arrangements whereby any bonuses awarded up to 50% of maximum potential (i.e. up to target bonus) will be paid as cash and, where the bonus exceeds 50% of maximum potential (i.e. is above target), half of the additional bonus above target will be paid as cash and half will be deferred into awards over shares under the DSBP. Deferred shares will vest on the third anniversary of grant subject to continued employment at the Company.

The concept of clawback applies to DSBP awards. None of the current Directors hold shares under the DSBP.

#### Legacy plans

The Company has two legacy share plans (the 2005 Plan and the 2008 Plan) wherein options were exercisable as follows: 50% on 24 March 2010, 25% on 24 March 2011 and 25% on 24 March 2012. There are no performance conditions attached to these shares other than those relating to employment.

The following options are held by Craig Parsons under the 2005 Plan and the 2008 Plan:

Director	Legacy plan	Option price	Balance as at 1 January 2014	Number of share options granted in year	Number of share options exercised in year	Number of share options lapsed in year	Balance as at 31 December 2014	Expiry date
Craig Parsons	2005	£2.28	41,864	—	—	—	<b>41,864</b>	21/12/19
	2008	£1.79	40,000	—	—	—	<b>40,000</b>	19/06/18

The market price of ordinary shares of the Company as at 31 December 2014 was 5.63 pence and the range during the year was 4.82 pence to 18.75 pence.

#### Shareholder dilution

In line with the ABI guidelines, the rules of the above incentive schemes provide that:

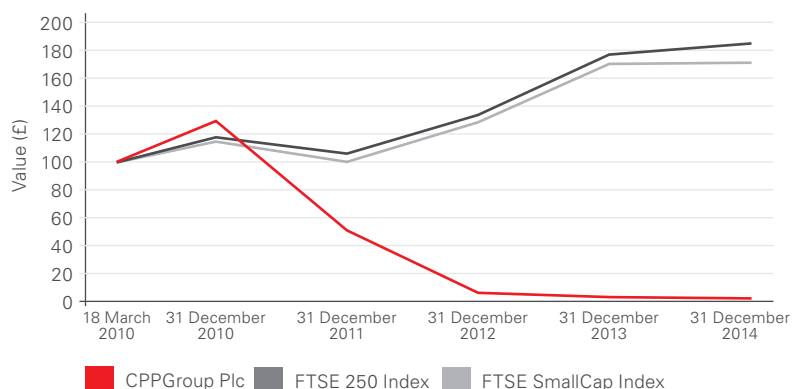
- ▶ commitments to issue new shares or re-issue treasury shares, when aggregated with awards under all of the Company's other schemes, must not exceed 10% of the issued ordinary share capital in any rolling ten-year period commencing on Admission of the Group's shares to the London Stock Exchange (Admission); and
- ▶ commitments to issue new shares or re-issue treasury shares under Executive (discretionary) schemes should not exceed 5% of the issued ordinary share capital of the Company in any rolling ten-year period commencing on Admission.

As well as the LTIP and the RSP the Company operates a SAYE share plan approved by HM Revenue & Customs for all UK employees. Newly issued shares are currently used to satisfy the exercise of all employee and Executive options.

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**Performance graph and table**

The following graph illustrates the TSR performance on a cumulative basis with dividends reinvested as at the end of the financial year compared with the FTSE 250 Index and FTSE SmallCap Index.



Source: Thomson Reuters

**Directors' shareholdings (audited information)**

The Directors who served during the year under review held the following beneficial interests in the Company's ordinary shares:

	Ordinary shares held at 31 December 2014	Ordinary shares held at 31 December 2013	Interests in unvested shares under incentive plans
Eric Anstee	—	—	—
Craig Parsons	—	—	788,779
Duncan McIntyre	13,340	13,340	—
Brent Escott	—	—	1,150,000
Les Owen	22,984	22,984	—

There have been no purchases of shares by Directors since 31 December 2014 to the date of this report.

**Share ownership guidelines**

The Group operates share ownership guidelines for both Executive and Non-Executive Directors which are currently under review, as part of the overall review of policy.

**Table of historical data**

The following table shows the total remuneration, as defined by the regulations, and the amount vesting under short term and long term incentives as a percentage of the maximum that could have been achieved, in respect of the Chief Executive Officer. Figures are given from 2010 only, being the date that the Company was admitted to the London Stock Exchange.

Director	2014 Brent Escott <sup>1</sup>	2013 Brent Escott	2013 Paul Stobart <sup>2</sup>	2012 Paul Stobart	2011 Paul Stobart	2011 Eric Woolley <sup>3</sup>	2010 Eric Woolley
Single figure of total remuneration (£'000)	552	148	630 <sup>4</sup>	576	144	494	2,874 <sup>5</sup>
Annual bonus against maximum opportunity	30%	—	—	—	—	—	72%
Long term incentive vesting rates against maximum opportunity	n/a	n/a	n/a	n/a	n/a	n/a	n/a

- Brent Escott was appointed on 1 September 2013 and resigned on 16 February 2015.
- Paul Stobart was appointed on 1 October 2011 and resigned on 31 August 2013.
- Eric Woolley resigned as a Director on 1 October 2011.
- This figure includes an amount of £148,000 pay in lieu of notice.
- Mr Woolley held 1,296,400 options under the legacy schemes which vested on 24 March 2010. These were not subject to performance conditions and so are not treated as long term incentives for the purposes of this table. The figure includes Mr Woolley's aggregate gain on vesting which was £1,747,096 plus £367,573, being a cash enhancement due to the restructuring of the business.

## Remuneration report continued

### Annual report on remuneration continued

#### Percentage change in remuneration levels

The table below shows the movement in the remuneration of the Chief Executive Officer compared to that of UK-based employees. This comparator group has been chosen as the Group Chief Executive Officer is based in the UK and this is a sizeable representation of our employee base.

	Chief Executive Officer	Average per employee
Salary	0% <sup>1</sup>	2% <sup>2</sup>
Benefits	0%	0%
Bonus	See note 3 below	See note 3 below

1. Brent Escott was appointed on 1 September 2013. His salary on appointment was £325,000 which did not change during the course of the year.
2. Only those UK-based employees earning up to £60,000 per annum were awarded a 2% pay increase in 2014 in line with the Consumer Prices Index (CPI).
3. Brent Escott was awarded a bonus payment of £97,500 for 2014 performance. There was no UK-based employee bonus scheme in 2014, so it is not possible to provide a comparison.

	2014 £'000	2013 £'000	Percentage change
Total expenditure on pay <sup>1</sup>	28,628	34,734	(17.6)%
Dividends paid <sup>2</sup>	—	—	—

1. Total expenditure on pay is based on continuing operations only and includes wages and salaries; social security costs; share-based payments and pension costs as detailed in note 9 to the consolidated financial statements on page 54.
2. The Directors have not considered it appropriate to recommend payment of dividends in either 2013 or 2014 due to the Company's financial circumstances.

#### Service contracts and letters of appointment

Craig Parsons has a service contract with a notice period of six months by either party.

Non-Executive Directors do not have service contracts but receive letters of appointment. Eric Anstee's appointment is subject to three months' notice during the first year of appointment and one month thereafter. Other Non-Executive appointments are subject to one month's notice.

Copies of Directors' service contracts and letters of appointment are available for inspection by shareholders at the Company's registered office. The dates of their service contracts and letters of appointment are shown below:

Name	Date of service contract/ letter of appointment	Effective date of appointment
Eric Anstee	23 December 2014	23 December 2014*
Craig Parsons	30 August 2013	1 September 2013
Shaun Astley-Stone	1 August 2013	2 September 2013
Ruth Evans	5 September 2013	4 October 2013

\* Effective date of Eric Anstee's appointment as a Non-Executive Director.

#### Outside appointments

Craig Parsons does not hold any outside listed company appointments. Eric Anstee is a Non-Executive Director of Paypoint PLC, a company listed on the London Stock Exchange.

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**Committee membership**

During the year under review the Committee consisted of Ruth Evans (Chair), Duncan McIntyre and Les Owen. At the date of this report, the Committee comprises Ruth Evans (Chair), Eric Anstee and Shaun Astley-Stone.

**Advisers to the Remuneration Committee**

The Committee appointed and received advice over the year from independent remuneration consultants New Bridge Street (NBS), a trading name of Aon Hewitt Limited (an Aon plc company). NBS is a signatory to the Remuneration Consultants Group Code of Conduct and any advice provided by it is governed by that Code. Other than acting as independent consultant to the Committee, NBS provided no further services to the Company during the year.

Work undertaken by NBS included:

- annual review of Remuneration Committee terms of reference;
- annual review of trends in Executive compensation;
- review of Chairman and Non-Executive Director fees; and
- review of Executive Director compensation.

The Committee reviews the objectivity and independence of the advice it receives from NBS. The Committee is satisfied that NBS is providing robust, professional and independent advice. For the year under review, NBS's total fees charged were £24,965.

During the year, Eversheds LLP, the Group's legal advisers, provided advice to the Committee in connection with the shareholder resolution to disapply the Remuneration Policy voted on at the General Meeting on 13 January 2015. The total fees charged for this work were £44,000.

In the course of its deliberations, the Committee considers the views of the Chief Executive Officer on the remuneration and performance of the Executive Committee. The Committee also asks for and receives information from the Group HR Director.

No other advisers have provided significant services to the Committee in the year.

**Statement of voting at Annual General Meeting**

Votes cast by proxy and at the 2013 and 2014 meetings in respect of the Directors' remuneration report were as follows:

	For		Against		Abstain		Reasons for votes against, if known	Action taken by Committee
	Number	%	Number	%	Number	%		
2012 Remuneration report	29,095,227	98.07	521,979	1.76	51,044	0.17	n/a	n/a
2013 Remuneration report (excluding Remuneration policy)	5,773,562	4.64	2,835	0.00	118,662,289	95.36	n/a	n/a
2013 Remuneration policy	5,764,472	4.63	2,835	0.00	118,671,379	95.37	n/a	n/a