Cattles plc

RISK.
MANAGED.

CR

Corporate
Responsibility

Corporate Responsibility Review 2006

GROUP FINANCIAL HIGHLIGHTS

GROUP REVENUE

£717.2m

GROUP PROFIT BEFORE TAX

£132.2m

GROUP RECEIVABLES

£2,105.4m

CATTLES plc AT A GLANCE

Cattles is a financial services group specialising in providing consumer credit to non-standard customers in the UK. The group also provides working capital finance for small and medium sized businesses and debt recovery services to external clients and our own consumer credit division.

In the consumer credit market, non-standard refers to customers who may currently not have access to mainstream facilities – typically due to shortcomings in their employment, residency or credit histories. We provide our customers with an opportunity to build or repair their credit profile.

Clearly, these are markets in which effective risk management is paramount.

OUR BUSINESSES

CONSUMER CREDIT DIVISION

Our consumer credit division, Welcome Financial Services, serves more than 400,000 customers with direct repayment loans from 184 branches across the UK. Welcome's product range includes unsecured personal loans, hire purchase for cars and second charge secured loans. Amounts advanced to customers are relatively modest: typically £1,900 for unsecured loans, £6,200 for car hire purchase, £8,700 for secured loans. We also service some 300,000 customers with short-term home collected loans from a network of 52 branches. A typical home collected credit advance is around £300.

Welcome Financial Services
Instalment personal loans and hire purchase credit

– **Welcome Finance**
Direct repayment credit

– **Welcome Car Finance**
Direct distribution car retailer

– **Welcome Mortgages**
Secured credit brokerage

– **Shopacheck Financial Services**
Weekly home collected credit

DEBT RECOVERY DIVISION

The Lewis Group is a UK leader in debt recovery and investigation services, serving both external clients and our own consumer credit division. Lewis is also a substantial purchaser of non-performing debt from third parties.

The Lewis Group
Debt purchase and commission based collection

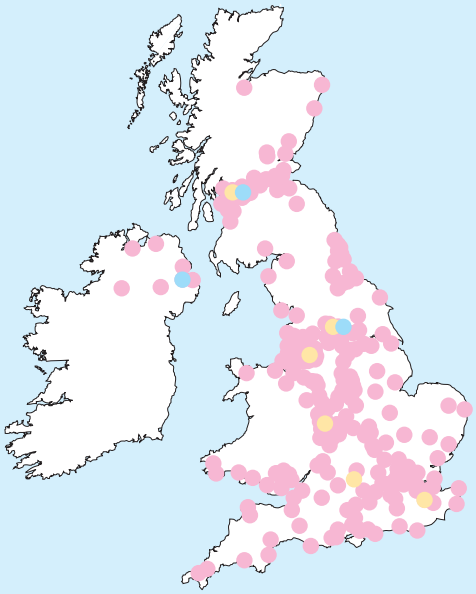
CORPORATE SERVICES DIVISION

Cattles Invoice Finance provides working capital finance to small and medium sized businesses and operates through six regional offices in England and Scotland.

Cattles Invoice Finance
Invoice finance

GEOGRAPHIC COVERAGE OF BRANCHES

- Welcome Financial Services
- The Lewis Group
- Cattles Invoice Finance



CORPORATE RESPONSIBILITY HIGHLIGHTS

NUMBER OF COLLEAGUES

4,449

INVESTMENT IN COMMUNITY ACTIVITIES AND INITIATIVES

£685,917

COLLEAGUES TRAINED IN 'LICENCE TO SELL'

1,300

SPEAK UP SURVEY COLLEAGUE PARTICIPATION

84%

INCREASE IN COLLEAGUE VOLUNTEERING HOURS

20%

REDUCTION IN FLEET CO_2 EMISSIONS

18%

SCORE IN BITC ENVIRONMENTAL INDEX

79%

Risk.Managed.

In everyday life there are many risks; lending to non-standard borrowers is one of them. We aim to minimise risk wherever and whenever possible.

Our approach to Corporate Responsibility is no different. Operating responsibly for our customers, colleagues and the environment helps us to build a successful and efficient business for the benefit of our shareholders and the local communities around us.

CONTENTS

02 Chief Executive's Statement
04 Management and approach
10 Being a responsible financial services organisation
16 Being a good people business
26 Being environmentally responsible
30 Progress against 2006 CR objectives and targets
32 Plans for 2007

SCOPE

This Review relates to all aspects of Cattles plc operations and activities for the year ended 31 December 2006.

10 Being a responsible financial services organisation
We aim to develop products and services that meet the needs of our customers, without placing undue financial burden on them, to create a trusted and sustainable business.

16 Being a good people business
We seek to foster close and strong relationships with our colleagues and the communities around us. This is at the heart of our business and our success.

26 Being environmentally responsible
We are aware of our impacts on the environment and our responsibility to minimise them by operating in an efficient way.

CHIEF EXECUTIVE'S STATEMENT

SEÁN MAHON
Chief Executive

OUR STRATEGY
- Being a responsible financial services organisation
- Being a good people business
- Being environmentally responsible

HIGHLIGHTS OF THE YEAR
- Development of our 'Licence to Sell' and 'Licence to Collect' training programmes
- Support of the Park Lane Financial Services Skills Academy
- Launch of our Accelerating Growth cultural programme
- Founding of our Management Academy for colleague skill development
- Increased colleague participation in our Speak Up survey
- Significant growth in the number of colleague volunteering hours
- Improved environmental performance

Corporate Responsibility (CR) has continued to receive considerable attention over the past 12 months. The media, politicians and others are rightly challenging companies on their performance across a wide range of issues – social, ethical and environmental – and seeking clarity as to how they translate statements of intent into action.

In response, many organisations have proclaimed their commitment to CR and sought to demonstrate that they can be trusted to behave in a responsible manner and in the best interests of wider society.

As a responsible business, the aim of this, our second annual review, is to explain what CR means to us, how it supports and aligns with our core business strategy, and what practical steps we are taking to turn our intent into action.

From the outset, I have been keen to ensure that we do not regard CR as a bolt-on accessory. At Cattles it is not the preserve of a discrete function or a small group of dedicated people. It embraces every aspect of what we do – including how we serve our customers, our approach to managing colleagues and the impact we have on the communities where we operate.

We have a clear CR strategy: to be a responsible financial services organisation, to be a good people business and to be environmentally responsible. Our CR activity is overseen by a Steering Group, chaired by the Company Secretary and comprising senior managers from across the group's businesses, to ensure it reflects what our business is all about.

I do not believe we should treat CR any differently from any other business issue. In essence, it is about managing risk and opportunity. At the heart of the way we do business is a deep understanding of our market, based on our long commitment and experience; and a thorough, methodical response that we call 'Risk.Managed.'. This requires unrelenting awareness and control of risk, in everything we do. It applies to CR as much as it does to any of our activities.

Failure to take proper account of the risks can damage our reputation, and in some instances lead to sanctions or penalties, all of which would harm our business performance. But there are opportunities too. Companies that are quick to respond to shifts in social attitudes are often better placed to take advantage of emerging markets and opportunities. A company with a positive social reputation will build customer and colleague confidence and loyalty, and advocacy on its behalf from these important groups. CR offers an opportunity to engage with, and influence the views of, individuals and groups that are critical of the company.

Our continuing growth and success depends on maintaining the trust, confidence and support of our customers, our regulators and the communities in which we operate. We will seek out opportunities to earn that support and avoid putting it at risk.

Within the business there is a great deal of support for our CR activity. As we explain later, this is evidenced with extremely encouraging scores in our employee attitude survey and in the feedback the senior management team receive at our regular meetings with colleagues.

This year we have taken further action to deliver our commitment as a responsible financial services organisation, such as the development of our 'Licence to Sell' and 'Licence to Collect' training programmes for our customer facing colleagues, which exceed regulatory expectation.

To equip potential future customers with the knowledge to manage their money effectively, we have continued to support improvements in financial education through our support of Credit Action and DebtCred. We are also supporting the Park Lane College Financial Skills Academy in

Leeds, one of the first Skills Academies to be set up as part of the National Skills Academy for Financial Services launched by the government in October 2006.

We continue to support Business in the Community's *Cares* programme and I am pleased to report that the number of hours volunteered by our colleagues has increased by 20%. Their charitable support via the Cattles 50/50 Give As You Earn scheme was also recognised in 2006 by a Payroll Giving Gold Award granted by the Charities Aid Foundation.

We have a strong training and development culture. During 2006 we provided over 5,300 training days for our colleagues and launched our Management Academy to develop the management skills of talented individuals across our business.

Although our environmental footprint is relatively small, our stakeholders can reasonably expect us to minimise our impact and use resources effectively. While performance has been variable – for example, we cut CO_2 emissions from our company cars but energy use in our buildings increased – there is now a much greater awareness of the challenges and opportunities we face.

We have continued to make significant progress over the past year, and I believe our efforts are earning Cattles an improving reputation for CR. For this, I would like to thank all those who have contributed to the programme so far.

But there is more we can do. In 2007, our main focus will be to embed our CR strategy into the operational thinking of our businesses. My aim is that every colleague will understand what CR means and play their own part in living up to our responsibilities. With their commitment and a robust approach to CR, firmly based on our 'Risk.Managed.' principles, we will continue to build a responsible company that we can all be proud to work for.

Our continuing growth and success depends on maintaining the trust, confidence and support of our customers, our regulators and the communities in which we operate.

We are an active and committed member of Business in the Community.

Understanding risk allows us to make the right decisions at the right time, to anticipate and prevent problems and to capitalise on opportunities as they appear. Our measured, risk based approach to business has lent itself to the development of a clear CR strategy that links to what our business is all about.

CR is on the agenda at the highest level of our company, and we aim to make CR part of the everyday jobs of our colleagues. This means we benefit from their experience and expertise in all areas of our business.

Management and approach

Our approach and strategy
Cattles operates in three UK markets: non-standard consumer lending, debt recovery and invoice financing. Welcome Financial Services is a leading UK based provider of instalment credit and other financial services to consumers with non-standard credit profiles. The Lewis Group is a leading debt recovery and investigation business. Cattles Invoice Finance provides working capital finance for small and medium sized businesses.

By non-standard we mean individuals or businesses who currently may not have access to mainstream facilities. Clearly, there are risks in these markets. Our 'Risk.Managed.' approach has been the key to our success over recent years.

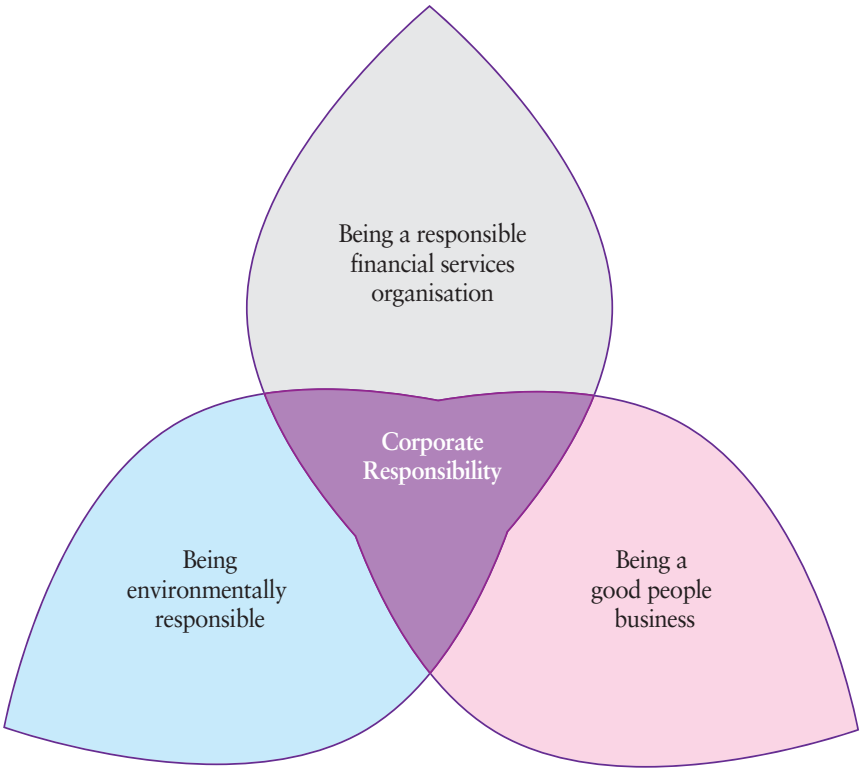
Understanding risk allows us to make the right decisions at the right time, to anticipate and prevent problems and to take opportunities as they appear. To do this, we have to understand our markets, our customers and our people.

In the case of CR, we have to think about the risks and opportunities associated with the way we operate in the market, treat our colleagues and our customers, interact with local communities, and impact on our environment.

Failure to take proper account of the risks can damage reputation, and in some instances lead to sanctions or penalties, all of which would harm our business performance. But there are opportunities too. Companies that are quick to respond to shifts in social attitudes are often better placed to take advantage of emerging markets and opportunities. A company with a positive social reputation will build customer confidence and employee loyalty, and advocacy on its behalf from these important groups. CR offers an opportunity to engage with, and influence the views of, individuals and groups that are critical of the company. And CR can also deliver cost savings in areas such as energy use.

Our measured, risk based approach to business has lent itself to the development of a clear CR strategy that links to what our business is all about. This strategy underpins all our CR activities and ensures they align with our business objectives and values. Its three cornerstones are shown in figure 1. The strategy also forms the basis for communicating our approach internally and externally.

Fig 1
THE THREE CORNERSTONES OF OUR CORPORATE RESPONSIBILITY STRATEGY



Corporate Responsibility management structure
Our Treasury & Risk Director has overall responsibility for CR. He ensures that CR issues are considered at the highest level, including Board and Cattles Executive Management team meetings.

The implementation of CR rests with the Company Secretary, who manages the link between CR, risk and governance. He is supported by a CR Manager and a CR Steering Group of senior managers from across the group. The Steering Group, which meets quarterly, identifies key CR issues, risks and opportunities, sets strategy and reviews performance.

Operationally, we make management of CR part of the everyday jobs of our colleagues, rather than having one individual or group 'doing' CR. This means we can capitalise on their experience and expertise in all areas of the business. For example, the Group Fleet Manager is responsible for managing the environmental impacts associated with the company car fleet. In this way, CR issues are integrated implicitly, and often explicitly, into colleagues' performance appraisals.

Risk management
Although the areas in which we operate are perceived as risk markets, our appetite for risk is carefully considered and aligned to our strategic and corporate objectives. We take considerable care to identify risks and manage them conservatively.

The Board has delegated responsibility for monitoring and reviewing the group's management of internal control and business risk, including non-financial risks and opportunities, to the Audit Committee. This means considering all risks, including social, economic and environmental (SEE) risks that are commonly considered part of CR. The Audit Committee also makes sure we take adequate account of emerging guidance on CR related disclosures, including guidelines established by the Association of British Insurers on SEE risks.

The Audit Committee is supported by the Risk Management Group, whose membership includes the Company Secretary, thus maintaining a link with our CR management process and the CR Steering Group.

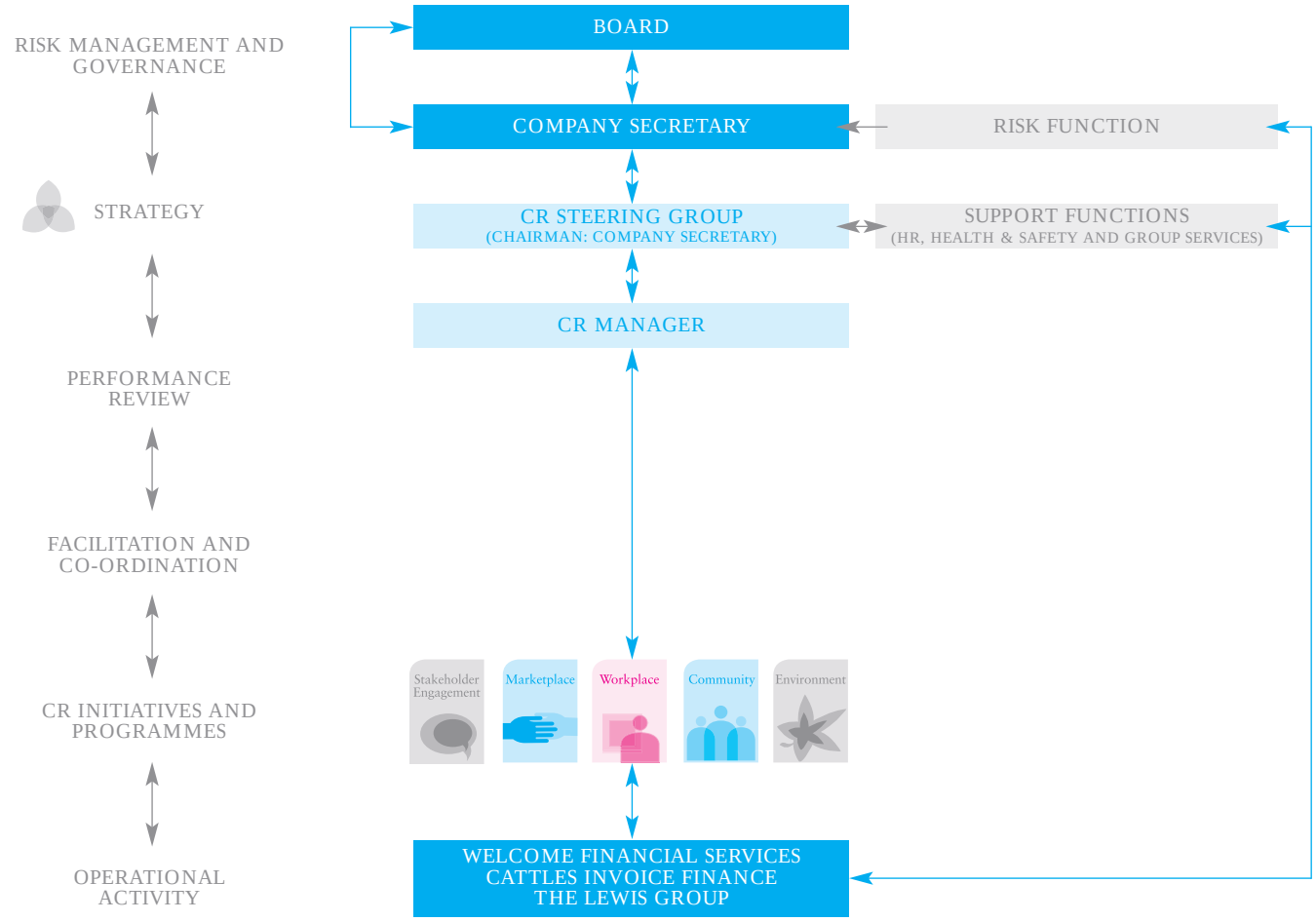
Risks and opportunities are identified using a top down/bottom up approach, engaging not only the Chief Executive and senior management team, but also colleagues at all levels throughout the business. This approach continually raises the awareness and understanding of risk management within the business.

The risk management function works very closely with our governance functions, including internal audit and compliance, to ensure that the business is managing its risks in a collaborative manner. We continually monitor regulatory compliance, reporting to senior management and introducing improvements promptly where required.

Further information on our approach to risk management and the material risks we have identified can be found on pages 24 to 29 of our Annual Report and Financial Statements 2006.

Risks and opportunities are identified using a top down/bottom up approach, engaging colleagues at all levels of our business.

CORPORATE RESPONSIBILITY MANAGEMENT AT CATTLES



Measuring our performance
CR objectives and targets are set annually and reviewed at each CR Steering Group meeting. At the beginning of 2006, we set five clear CR objectives. These were:

– To implement the Cattles CR strategy and ensure it is well managed, understood and considered at the highest level within the business.

– To operate in a fair, trustworthy and responsible way and be recognised as a responsible financial services organisation.

– To work closely with our HR department in support of its objectives; and to promote a better understanding of CR among our colleagues, encouraging them to continue to behave in a responsible way and to develop good relations with one another and our customers.

– To minimise our environmental impacts – through energy use, travel, creation of waste and use of consumables – and to comply with relevant environmental legislation and regulation.

– To provide tangible support in the communities we serve through focus on addressing the issues of social disadvantage, raising standards in financial education and improving the welfare of young people.

Based on these objectives we set 17 clear targets in 2006 – 10 of them have been achieved and five relate to ongoing work. Only two were not achieved. An assessment of progress against all these targets can be found on pages 30 and 31.

To support our objectives we are in the process of developing a CR scorecard, containing indicators that can be used by the CR Steering Group and the CR Manager to review and monitor progress.

Of our 17 CR targets for 2006, 10 of them have been achieved and five relate to ongoing work.

Stakeholder Engagement

Engaging with our stakeholders
Listening to the views and opinions of our colleagues, customers and other groups outside the business is an essential part of the risk management process.

While we have our own views about what is important or material to us, listening to these groups helps us to identify the issues that concern them. This 'horizon scanning' activity provides a key input into the management of our business and development of our CR programme. It also gives us an opportunity to explain the nature of our business, our strategy and how we implement it.

In this way we hope to engage stakeholders in constructive debate and influence their opinion of us. Based on an assessment of our main CR risks, the table right summarises our most important stakeholders and how we communicate with them.

FTSE4Good Index Series

We have been a member of FTSE4Good since its inception.

Colleagues
Each of our businesses takes responsibility for its own internal communication along lines that are shared across the group. They all have intranets and run annual business conferences, regular management briefings, question and answer sessions with senior management, and annual employee engagement surveys.

Customers
Our businesses depend on developing good relationships with our customers. Much customer communication is achieved through direct contact, whether in person, by telephone or by letter. Each business also undertakes regular customer surveys and monitors customer feedback.

Regulators and legislators
Dialogue with our regulators, particularly the Financial Services Authority, is managed at group level by our corporate and regulatory affairs team and senior managers. We also seek to develop good relationships with policy makers and legislators, and contribute to consultations affecting the financial services industry.

Brokers and introducers
Brokers and introducers are significant partners to our business. We develop good relationships with them to ensure a consistent level of service for our customers.

Investors
Investor communications are managed centrally with involvement from the business functions as required. Channels include analyst presentations, meetings with investors, our website and publications aimed specifically at investors. Cattles has been a member of FTSE4Good since its inception, and continues to engage with its shareholders and key research agencies on CR issues.

Suppliers and business partners
Relationships with our suppliers and business partners are managed by our group services department, supported by functional expertise when appropriate. We seek to develop long-term mutually beneficial relations with them. This relies on good two-way communication. Our policy, the *Cattles approach to Supplier Management* sets out the minimum standards for our suppliers in relation to environmental policy and management and health and safety and encourages them to consider CR issues.

Communities and charitable organisations
We actively engage with local and national community initiatives that meet the criteria set out in our community investment policy. Our involvement is managed by our CR team and Community Investment Officer, supported by appropriate colleagues from around the business.

Non governmental organisations (NGOs)
These are bodies with no affiliation to governments, whose work is focused on specific issues. They campaign directly with companies or indirectly via public awareness campaigns. We seek to engage with NGOs when appropriate, in a variety of ways depending on the issues being addressed.

We trust customers with our money. And we believe they trust us, to treat them fairly and with respect.

We lend responsibly. It's part of our job. And we're supportive and constructive if customers get into difficulties.

Doing anything else would be an unacceptable risk to our customers' trust, our reputation, our standing with our regulators – and our colleagues' ability to take pride in their work.

Being a responsible financial services organisation

Marketplace

FOCUS
- Understand our obligations as a responsible financial services organisation
- Support and comply with relevant legislation
- Maintain high operational standards
- Proactively engage in the development of new legislation
- Treat customers fairly
- Promote financial education

We offer a range of carefully tailored products to meet the needs of our non-standard customer base

Our local branch staff maintain close contact with our customers

Understanding the issues and our responsibilities

Welcome Financial Services specialises in providing financial services, such as unsecured and secured personal loans and hire purchase credit, to consumers who do not have access to mainstream facilities.

Consumer credit faces increasing scrutiny. The industry is frequently at the centre of widespread debate in political and media circles on issues such as financial exclusion. And we acknowledge that while access to credit gives consumers flexibility in the way they manage their finances, for a minority, credit can lead to over-indebtedness.

As a responsible financial services organisation, we seek to treat our customers fairly and believe our products and services can help to mitigate financial and social exclusion. We offer a range of carefully tailored products to meet the needs of our non-standard customer base. This includes providing a level of financial rehabilitation, by enabling customers to rebuild impaired credit histories and regain access to mainstream finance if they choose to do so.

Once customers' applications are approved by one of our three central processing units, we allocate the vast majority of them to a branch near their home for ongoing customer relationship management. Our local branch staff maintain personal contact with customers from the start. This provides a vital advantage if customers encounter difficulties with repayments at any stage and gives us a better opportunity to work closely with them and help them through their problems.

Understanding and engaging with our customers is our greatest differentiator – and the key to controlling arrears and bad debt. If we can help customers through a problem successfully, we can do business with them again.

We support appropriate and balanced regulation that recognises the needs of both consumers and the industry. We maintain an active dialogue with legislators and regulators to ensure the regulatory framework strikes the right balance between protecting the vulnerable and avoiding excessive cost requirements that do not provide a proportionate benefit for customers.

We also believe in raising standards in financial education. Enabling potential customers of the future to manage their money effectively and to understand simple financial products helps them to make better decisions. This should ultimately help to reduce the number of people with debt problems.

We continue to support the work of Consumer Credit Counselling Service (CCCS), a UK charity that assists people in financial difficulty. Through its free national telephone service and eight centres, CCCS helps people experiencing debt problems and financial difficulty by providing free, independent and realistic advice.

The Lewis Group is a UK leader in debt recovery, collecting debt on commission for external clients and purchasing debt portfolios to collect on its own account. Debt recovery, like consumer credit, has come under increasing scrutiny in recent years because of improper practices employed by some organisations in the industry. These include high-pressure collection tactics and failure to identify the correct debtor. We have earned a reputation for responsible and ethical conduct, which provides confidence to blue-chip clients concerned to manage risks to their own reputations.

Cattles Invoice Finance provides working capital finance to small and medium sized businesses throughout the UK. We have a broadly spread portfolio, specialising in young or fast growth businesses and turnarounds. We manage credit risk through rigorous underwriting processes and by maintaining exceptionally close personal contact with our clients.

By working with trade associations, we contribute to legislative debate for the benefit of customers, our business and our sector.

Working with regulators and policy makers
We operate within an increasingly complex legislative and regulatory environment. Over the past few years new regulation has been introduced through the Financial Services and Markets Act 2000, the Enterprise Act 2002, the Consumer Credit Act 2006 and the Insurance Mediation Directive. As a responsible financial services organisation, we believe the consumer benefits most from regulation that protects the vulnerable while avoiding excessive costs that drive up the price of products and services.

We believe we have an obligation to engage in debate on these issues. We feel that our understanding of the challenges facing both our customers and the industry puts us in a unique position to make a positive contribution. We prefer to be involved in the debate and able to influence the direction of policy rather than wait on the sidelines until changes in legislation are forced upon us.

We undertake lobbying – often through trade associations, but also independently when appropriate. Our efforts focus on forthcoming legislation or where we feel that existing legislation does not work to the benefit of the customer, our business or our sector.

We are members of the following trade associations:

Welcome Financial Services

– Finance and Leasing Association (FLA)

– Consumer Credit Trade Association (CCTA)

– Consumer Credit Association (CCA)

The Lewis Group

– Credit Services Association (CSA)

– Debt Buyers and Sellers Group (DBSG)

Cattles Invoice Finance

– National Association of Commercial Finance Brokers (NACFB)

– Factors & Discounters Association (FDA)

We adhere to the codes of conduct established by these associations and work closely with them to engage with policy makers and debate issues in the markets where we operate.

Welcome Financial Services is regulated by the Financial Services Authority (FSA) for advising on and arranging first charge mortgages and general insurance products. When regulating Welcome Financial Services, the FSA has to meet its objectives of maintaining market confidence, promoting public understanding of the financial system, securing the appropriate degree of consumer protection and reducing financial crime. In 2006, the FSA completed the ARROW risk assessment exercise that is standard for all regulated businesses. We welcomed this process as it helped us to gain a clearer understanding of the FSA's expectations while giving the FSA better insight into how we manage our business risks.

We co-operated fully with the industry-wide inquiry by the Competition Commission on Home Credit, which was completed in November 2006. We endorse the Commission's recommendations to promote better sharing of information and transparency in the home credit industry. We will continue to work with the industry to implement them.

Ensuring high operational standards
We have high operational standards. If we fail to uphold them, we risk failing to comply with regulation, offering inconsistent levels of customer service or damaging our reputation in the market.

Welcome Financial Services has a series of standard operating compliant procedures that define the standards required, particularly in relation to FSA compliance. A compliance team of over 50 people, as well as operational line managers, monitor and review these working practices. For example, there is a structured process that allows line managers and our compliance team to monitor calls in our call centres and observe sales in our branch network. Welcome Financial Services has also introduced its innovative 'Licence to Sell' and 'Licence to Collect' training programmes for our customer facing colleagues to further enhance our sales and collection processes for the benefit of our customers and the business.

The innovative 'Licence to Sell' and 'Licence to Collect' colleague training programmes have been introduced to further enhance our sales and collections processes

1,300
colleagues trained in 'Licence to Sell'

800
colleagues trained in 'Licence to Collect'

In 2006, we launched our Accelerating Growth cultural programme, which focuses performance on three pillars – customers, people and profit.

'Licence to Sell' has trained over 1,300 colleagues to identify customers' eligibility and suitability for the insurance products we offer. This is designed to ensure customers are treated fairly and only offered optional insurances relevant to their individual needs. The training is supported by formal accreditation through testing and observation that all colleagues must pass.

'Licence to Collect' has trained almost 800 colleagues working in collections in the skills necessary to establish customers' needs and circumstances and offer suitable solutions. A thorough understanding of a customer's issues and difficulties allows us to work more closely with them to identify options, such as possible restructuring of their repayments or payment holidays, easing their financial burden while minimising the risk of default.

In March 2006, Welcome Financial Services added to its branch network by introducing Local Management Branches (LMBs). This development improves the way that we deal with customers who are at risk of defaulting on their loans. The LMBs have dedicated teams using flexible collection tools to help these customers restore their payment performance and ultimately return their account to the branch network. This has improved the performance of our branches giving our colleagues the time to provide an improved level of customer service, reducing arrears and, perhaps most importantly, establishing good relationships with customers.

At The Lewis Group we agree service levels with each of our clients and our approach is transparent and robust. We would rather act conservatively than risk damage to our client's or our own reputation. Accreditation to the ISO 9001 quality standard means that all processes and procedures in the business are documented and regularly reviewed. Our risk analysts work closely with the operation to determine the most effective process to ensure optimum performance at lowest cost while maintaining the agreed service levels.

At Cattles Invoice Finance each new lending opportunity is reviewed using defined procedures to evaluate the level of risk associated with it. Each new client is assigned a dedicated client manager to oversee the relationship and regularly review performance. The close relationship between a client manager and their clients allows us to identify problems or potential issues, enabling us to react quickly and effectively to get the best outcome for both us and our client. Operational practices are reviewed on a regular basis by an internal audit team.

Customers

It is important that we understand the needs of our customers, treat them fairly and ensure their experience with us is as positive as it can be. We want the way we treat them to differentiate us positively from competitors and earn us good standing with those who shape our regulatory and business environment.

We believe it is possible to have a culture that is both performance oriented and customer sensitive. We seek ways to support our customers through our extensive local presence, and see this as the best way to ensure strong and sustainable growth in a range of economic conditions.

In 2006 Welcome Financial Services launched its Accelerating Growth programme to embed these values and principles more deeply across the business. This programme will be rolled-out to other parts of the group during 2007 – reinforcing the convergence of standards, culture and behaviours among all the group's businesses.

We are strong supporters of the FSA's Treating Customers Fairly (TCF) principles, which mirror our own values. TCF is about more than putting systems and controls in place: it embraces our culture, strategy, training, remuneration and colleague behaviours. We have set up a Customer Experience Group to understand what TCF means to Welcome Financial Services and continually look to improve the experience our customers have with us. We will report on this in more detail next year.

Accelerating Growth Champions have been appointed to promote the programme which will refresh and invigorate our core values of positive, pioneering and professional.

4,200
colleagues engaged in our Accelerating Growth programme

All our businesses adopt a similar approach to new product development. Firstly, we seek insights into the needs of our customers and our business through internal product team reviews, market awareness and consultation with key stakeholders. Our findings are then evaluated in terms of relevant regulation, strategic fit and reputational risk. We also assess competitor activities and the benefits to customers and the business, as well as the accessibility of the product to our customers, impacts on potential over-indebtedness and the way customers make repayments.

We market our consumer products in a variety of ways, depending on the product. We take care to adhere to the strict regulations on the visual prominence of information, such as APRs and the increased risk of a loan secured on a property, in our agreements and explanatory literature. Any direct marketing material is reviewed and signed off against these regulations by the legal compliance manager.

All customers are provided with pre-contractual information to ensure they receive the key information needed to make an informed choice. Credit agreements have also been made clearer and more transparent so that, for example, customers buying an insurance product with a loan now need to indicate their agreement with a separate signature. The introduction pack sent out to customers by Welcome Financial Services carries the Plain English Campaign's Crystal Mark.

At Welcome Financial Services, an independent market research agency measures customer satisfaction monthly. Last year over 13,000 detailed customer service interviews, covering all stages and aspects of the customer experience including the application process, branch service and colleague attitudes were completed. Each customer is asked to rate each aspect and give an overall rating out of 10. These figures have remained consistently high over the past year, with an average rating of 8 out of 10.

In addition, in independent customer satisfaction research over the past nine months, 71% of Welcome Financial Services customers said they had recommended our products and services to a friend or family member.

Customer satisfaction at Cattles Invoice Finance is measured in a twice-yearly client survey. In the most recent survey, 98% of respondents said they would recommend the company and the same proportion found their client manager good, very good or excellent.

Debt collection is a more difficult area in which to measure satisfaction. The Lewis Group appoints a senior account manager to work closely with the client and the operation to ensure that all issues are promptly addressed. A key measure of satisfaction is the level of genuine complaints received, which is negligible.

Promoting financial education

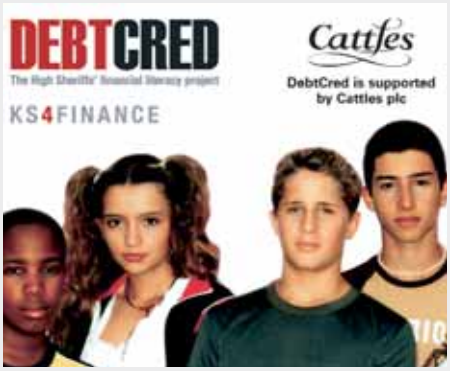
We believe in raising standards in financial education to enable potential customers of the future to make informed and knowledgeable decisions when buying financial products and managing their money.

We have continued to support two key organisations in this area – Credit Action and DebtCred – through financial assistance and collaborative projects.

Credit Action (www.creditaction.org.uk) – is a charity that is now widely regarded as one of the most important voices in the area of money education in the UK and frequently consulted by both government and opposition.

DebtCred (www.debtcred.org.uk) – is the High Sheriffs' financial literacy project. It offers traditional teaching that fits into school routines, with minimum input from teachers, to give young people basic money management skills in preparation for university or work.

This year we started work with Credit Action, together with other partners, to develop a set of simple, jargon-free postcards containing advice to the most financially vulnerable in the community. The cards will also signpost to other useful organisations, in particular CCCS, that offer free, independent debt advice. We hope to report more fully on this project in next year's Review.



DebtCred feedback on KS4Finance

We sponsored DebtCred's KS4Finance project. This CD provides money management educational material to all state secondary schools in England and Wales. It is a user-friendly resource that empowers teachers to deliver personal financial education. Since its launch in October 2005, DebtCred has distributed over 3,000 copies to schools through 90 Education Business Partnerships, Careers Wales and directly to schools requesting it independently. The response from schools has been positive.

93%

of teachers surveyed found the material either 'useful' or 'very useful'

90%

said they would use the material again

creditaction
Better thinking about money

We have continued to support Credit Action through financial assistance and collaborative projects.

Having the right people, appropriately skilled and with high levels of commitment is essential. They are at the heart of what we do and our success. If we get this wrong, we risk damaging our business.

At the same time, developing strong relationships with the communities around us can help increase awareness of the company, encourage customers to see us more positively and help to attract a wider pool of high quality recruits. Our colleagues like to feel they are contributing to their communities, so this helps with morale and retention.

Being a good people business

NG & TRAINING
RK

Workplace

FOCUS
- Attract and retain the best people who live our values
- Embed Accelerating Growth
- Engage with and listen to our colleagues
- Foster a strong culture of training and development
- Invest in our local communities where we live and work
- Promote colleague involvement in community activities

Fig 1
WORKING AT CATTLES

	2006	2005
Number of colleagues	4,449	4,389
Average age of colleagues (years)	35	35
Full time	92%	92%
Part time	8%	8%
Male	49%	51%
Female	51%	49%

Working at Cattles
We have 4,449 colleagues in the group and the composition of our workforce has remained virtually unchanged since last year as can be seen in figure 1.

As we step up the pace of development across the group, our Accelerating Growth programme is helping to develop a core culture shared by all parts of the business. We want to involve and energise all our people in the drive for growth while enhancing the quality of customer service. In Welcome Financial Services, Accelerating Growth Champions have been appointed to promote our strategies for customers, people and profit, and the positive, pioneering and professional ways in which we aim to achieve them. Some 4,200 of our colleagues are already involved. The programme draws on extensive consultation across the business: rather than imposing new values, it aims to refresh and invigorate the values we already uphold.

Our approach to colleague management tends to be common across the group, with the majority of colleague related policies being adopted by each business. Our policy, the *Cattles approach to Human Rights and Colleague Care* sets out how we aim to treat our colleagues and other people who come into contact with our business. It complements more detailed policies, such as those relating to equal opportunities and diversity, flexible working, whistleblowing, and grievance and disciplinary issues.

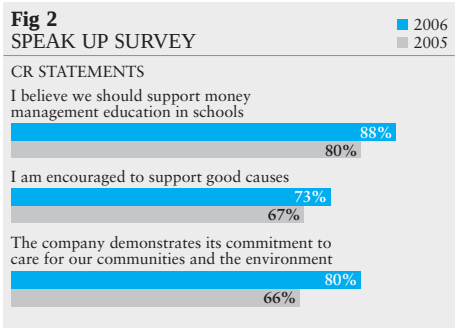
We reward our colleagues in a way that recognises good performance and reflects their contribution to the business. Individuals' performance is formally appraised twice a year. The outcome of appraisals is fully documented and provides the basis for objectives setting, personal development planning and remuneration. In Welcome Financial Services, these appraisals are supported by monthly one-on-one performance reviews between each colleague and their line manager, which are similarly documented.

We offer a suite of competitive benefits such as pension, company car and bonus, as well as optional benefits including childcare vouchers. Our Share Incentive Plan offers colleagues free shares after a pre-qualifying period, linked to group performance. We also have an employee Sharesave scheme. In 2006, Welcome Financial Services was shortlisted for Employee Rewards & Benefits magazine's 'most effective overall remuneration strategy' award.

All group businesses follow the same overarching principles when recruiting: we look to recruit the best candidate for the role, with the best skill set and fit for our organisation regardless of race, religion, disability, sexual orientation or age. We favour a balanced approach to recruitment with a healthy mix between internal promotion and external recruits – so that we retain the knowledge and skills we need, while injecting creativity, innovation and new ideas from outside.

Equally, we are keen to understand why colleagues choose to leave the business, and undertake exit interviews whenever possible to identify scope for improvements.

Our Share Incentive Plan offering colleagues free shares forms part of our Total Reward benefits package.



Shopacheck, part of our consumer credit business, achieved the Investors in People accreditation during 2006.

Welcome Financial Services has achieved the Investors in People (IiP) standard in two parts of its business: Welcome Finance in 1997 and Shopacheck in 2006. The latter achieved accreditation against the Profile Standard, the IiP's most demanding standard, reflecting consistently excellent levels of people management, development and customer services. Welcome Finance was reaccredited in 2005, and proactively requested an interim visit in 2006 to review progress against minor deficiencies. This unusual approach was commended by IiP as an example of good practice.

Communicating with our colleagues

Listening to our colleagues is vital to creating a culture where everyone feels valued and can understand and contribute to our business aims and objectives. If we fail to engage with them we risk missing opportunities to improve the way we operate.

We employ a range of methods, including briefings, team meetings and opportunities for colleagues to question senior executives. Each business holds annual conferences for its colleagues to recognise the success of the business, review performance and share good practice. CR features prominently at these events. All businesses have an intranet and Welcome Financial Services and Cattles Invoice Finance produce internal magazines for colleagues (*Connect* and *Inside Track* respectively).

This year Cattles Invoice Finance developed the Innovation Forum. This cross-functional group creates, develops and implements new ideas, as well as acting as a mechanism to develop colleagues' skills. This forum has generated several new initiatives, including potential new products and services to help differentiate the business from competitors.

Our annual Speak Up survey of colleague engagement – covering Welcome Financial Services, The Lewis Group and Cattles – includes statements on leadership and management, learning and development, the working environment, communications and CR. This year we were pleased to see the response rate increase sharply to 84%, from 32% in 2005, as awareness of the survey rose and colleagues were encouraged by their managers to participate. The survey results showed that our colleagues are engaged (94% feel they make a valuable contribution to the company's success) and satisfied with all aspects of the business (demonstrated by 87% of our colleagues saying they work for a good employer and 86% of colleagues reporting that they can talk openly with their manager).

For the second year, Speak Up included three statements relating to CR to which our colleagues were asked to express their agreement. As figure 2 shows, colleague agreement in all areas increased. In particular 80% of colleagues believe the company demonstrates its commitment to care for our communities and the environment, up from 66% in 2005.

Cattles Invoice Finance undertakes its own colleague engagement survey. The most recent results were very positive – for example, 96% of colleagues feel they work for a good employer.

We have a strong learning and development culture and invest in training at all levels

1,800
colleagues trained on new systems to improve the customer journey

£348
invested per colleague in learning and development

Training and developing our colleagues
We have a strong training and development culture and invest in training at all levels to equip our people with the skills they need to meet regulatory requirements, deliver our strategies and develop their careers.

During 2006 we provided over 5,300 training days (up from 3,000 in 2005), equating to £348 per colleague. The type of training offered depends on business needs, technical requirements and the developmental needs of each colleague. Often it relates to changes in business process or a particular initiative. For example, we trained over 1,800 colleagues in the use of new computer systems to improve the way they deal with and manage customer applications.

All colleagues joining the group participate in an induction programme. During 2006, 549 colleagues undertook induction training that combined general training about Cattles and its operations with bespoke training relating to their specific job role.

At Welcome Financial Services, colleague training and development is managed through our Aspire programme. Every colleague has an Aspire training and development file, which outlines their own specific training needs and development requirements. 'Career paths' are designed to provide clear direction on career progression, which allows training needs to be easily identified.

During 2006, the group launched its Management Academy – a structured programme designed to enhance the skills of talented individuals from all levels of the business. There are currently 101 people enrolled in the Management Academy. Within two years we want over 350 of our managers to have entered or graduated from it. There are currently four programmes within the Academy:

Management Advancement Programme – (MAP) provides the skills needed for colleagues taking their first steps into management – for example, branch management.

Success in Management – (SIM) develops basic management skills and equips individuals to become departmental or area managers.

Building on Management Success – (BMS) prepares departmental or area managers for senior management roles.

Success in Leadership – (SIL) prepares senior managers for future executive or Board positions. As part of this programme, the future leaders of the business receive training on CR, facilitated by external experts.

Academy programmes also include providing our most talented managers with mentors, selected from either external partners or Board directors.

Cattles Invoice Finance is a strong supporter of the Factors & Discounters Association (FDA) Diploma. This is a recognised academic qualification equivalent to the first year of a UK degree. It focuses on the asset based finance industry and is designed to lay the foundations for a successful career in management. We have introduced an incentive scheme to encourage all colleagues at Cattles Invoice Finance to obtain this qualification.

The Lewis Group has a dedicated team of training officers to train colleagues on the collection process and operating procedures, including legislative and regulatory issues. This is supported by all colleagues being provided with online access to the training information. We encourage all our management to take the Credit Services Association Diploma for the Debt Collection Industry and more than 75% have already achieved this diploma.

Ensuring colleague health and safety
We have a legal and moral obligation to keep people safe. This includes our colleagues, customers, visitors and members of the general public who come into contact with our business or its activities. Our policy, the *Cattles approach to Health and Safety*, outlines our commitment and can be found on our website.

Health and safety issues are managed by a Group Health and Safety, Fleet and Environment Manager, supported by a Health and Safety Policy Committee that agree the health and safety plan each year and review its implementation.

Our intranet includes health and safety modules which provide training and individual risk assessments on general health and safety, computer safety, manual handling, fire safety and pregnancy. Colleagues are required to complete modules relevant to them. Their responses are assessed and, if necessary, mitigation plans are put in place. During 2006, over 7,000 modules were completed.

The benefits of these risk assessments are significant, not only through identifying corrective actions but also through improving efficiency and reducing costs.

For example, our driver training programme, which we continue to undertake with RAC Fleet Risk Management, has reduced the number of claimable accidents from 1,025 to 885, saving around £85,000 (based on the average accident cost experienced during 2005).

In 2006, we had two RIDDOR reportable incidents – those legally reportable under the UK Reporting of Incidents, Diseases and Dangerous Occurrences Regulations 1995. This represents an improvement on 2005 and reflects our robust approach to risk and health and safety.

Our Personal Safety Manager has groupwide responsibility for the personal safety of our colleagues, both at work and while travelling to and from work (for example, after an evening shift). We provide personal safety awareness training as part of our Safe and Sound campaign developed in conjunction with the Suzy Lamplugh Trust.

We also recognise that colleagues' well-being is an important factor in their motivation and performance at work. We have introduced an Employee Assistance Programme, including a dedicated telephone advice line, which will be extended during 2007.

We provide personal safety awareness training as part of our Safe and Sound campaign, developed in conjunction with the Suzy Lamplugh Trust.

Intranet-based modules provide colleagues with training and risk assessments on a range of health and safety issues – our colleagues completed 7,000 modules in 2006.

Community

£685,917

invested in community activities and initiatives

"Cattles is consistently one of the most active and committed members of Business in the Community. The personal support of Chief Executive, Seán Mahon, through his chairmanship of our National *Cares* Leadership Team, has been central to the success of our *Cares* movement (the largest group of companies supporting employee volunteering in the UK). We look forward to working with Seán and the company for many years to come."
Julia Cleverdon, Chief Executive, Business in the Community

Community investment
We have a strong presence in the local communities where we live and work. In keeping with our customer base, we aim to provide tangible support directly in the communities we serve. Our policy, the *Cattles approach to Community Investment*, outlines three key areas of support:

– Addressing issues of social disadvantage

– Raising standards in financial education

– Improving the welfare of young people

We direct our support in three ways:

– Focusing our donations of money, time and gifts in kind on community initiatives that link with our core business and meet our community investment policy.

– Favouring community activities in which our colleagues have a particular interest or skills. We encourage volunteering by offering paid time in line with our volunteering policy, facilitate and promote payroll giving, and participate in matched fundraising. We believe community involvement should contribute to colleagues' personal development.

– Developing partnerships with a small number of key charities or community organisations whose work relates to our business activities and community investment policy. In this way we can concentrate our support to achieve the greatest effect and impact.

During 2006 we established a Charity Panel, comprising the Company Secretary, Group HR Director and CR Manager, to increase transparency and formalise the way we make financial donations of over £5,000 to community and charity partners. Requests for financial donations of under £5,000 are evaluated by the CR Manager, in line with criteria defined in the community investment policy.

204 Christmas gifts were donated to the Salvation Army by our colleagues in Nottingham.

Hands Up

20%

growth in number of hours volunteered by our colleagues

In 2006, Cattles invested over £685,000 in community activities and initiatives, representing 0.52% of the group's pre-tax profits. See Fig 3.

Fig 3
INVESTMENT IN THE COMMUNITY

	2006	2005	2004
Financial donations	£433,621	£396,101	£262,727
Gifts in kind	£50,972	–	£2,300
Volunteering	£33,726	£26,079	£7,931
Management time	£167,598	£127,929	£114,837
Total	£685,917	£550,109	£387,795
% of pre-tax profits	0.52	0.48	0.38
Volunteering hours	2,059	1,717	491

In 2006 we appointed a Community Investment Officer. This reflects the importance we attach to the community and to increasing colleague involvement in community initiatives.

Colleague volunteering
During 2006 we donated 2,059 volunteer hours to community initiatives, an increase of 20% on 2005. We regard volunteering as an excellent means of developing strong relationships with our surrounding communities, while providing benefits to our colleagues, such as skills development, team working and improved morale.

We work closely with Business in the Community's national employee volunteering programme, *Cares*. Our Chief Executive, Seán Mahon, chairs the national programme and we are members of *Cares* at our main operating locations in Leeds, Nottingham, Hull and Bradford. The *Cares* programme encourages businesses to develop partnerships with local communities and helps colleagues to volunteer their expertise and skills to community projects and initiatives. All colleague volunteering activity is facilitated through the Hands Up initiative.

The Big Clean Up (brokered by BITC *Cares* in association with ITV)
Description: Working with ITV and other local businesses, we provided volunteers for two projects in Bradford and Hull. In Bradford, volunteers worked to improve access to a community garden used by the Ravenscliffe Community Association on the Ravenscliffe estate, whose aims are to tackle social exclusion and isolation. In Hull, volunteers regenerated a courtyard at the Foredyke Primary School. The area was cleared and replanted, creating a safe and stimulating environment in which the children can work and play.

Community benefit: In Bradford, improved access to the garden allowed a more diverse range of people in the community to use this facility. This is part of a wider regeneration programme to improve the local environment and community in the area, and create something of which local residents can feel proud. In Hull, the school was delighted with the finished result and the head teacher asked the local newspaper to print a thank you.

Business benefit: Colleagues involved in both projects felt motivated by being able to 'give something back' to their communities and had pride in their achievement. Working together helped to improve cross-site communication, as well as providing the opportunity to work with other businesses in the area and to strengthen relationships between them.

"I had the opportunity to team-up with people I don't normally work with in the office. We got our clients involved too, so it was a great networking opportunity. This was my first time as team leader on a project. It was hard work but satisfying when it all came together without too many hiccups – particularly as I was working to other people's timescales. I will definitely get involved with organising future projects."
Jackie May, Client Services Manager, Cattles Invoice Finance

Whirlow Hall Farm project
Description: Whirlow Hall Farm is an inner city farm in Sheffield that provides educational visits for children from disadvantaged areas. We sponsored the farm's annual fayre, a major fundraising event in its calendar, and provided a team of volunteers to help organise the event and give the public areas a facelift.

Community benefit: The day raised over £31,000 – enough to cover the running costs of the farm for six weeks (12% of its annual budget) – so that the farm could continue to provide educational facilities for disadvantaged children in their local community.

Business benefit: This initiative provided the opportunity for colleagues from different parts of the business to work together and build cross-team relationships. The lasting impression for all participants was the feeling of pride and motivation to get involved again.

"The project has helped to improve my relationship with my team through interaction outside work, and also improved my networking with a diverse group of colleagues. I now have a better understanding of pressures on colleagues from different parts of the business. It also gave me a view from the perspective of working as part of a team rather than directing a team. I got to meet new colleagues, had a laugh away from my desk and got a personal boost from supporting a worthy cause."
David Scott, Management Development Trainer, Welcome Financial Services

We regard volunteering as an excellent means of developing strong relationships with our surrounding communities, while providing benefits to our colleagues, such as skills development, team working and improved morale.

Working with Business in the Community, colleagues volunteer to give one hour a week to read with primary school children whose reading skills need improving. The schemes we support are '*Right-to-Read*' in Leeds and 'Pooh Bear Reading' in Hull.

CashMatch supports colleagues' personal fundraising activities.

11%

increase in the membership of the Cattles 50/50 Club, such that membership now represents 15% of our workforce

£6,000

awarded to community groups

Colleagues from Cleckheaton lend a hand at the Variety Club's Harewood House Fun Day.

Internal community programmes
Cattles 50/50 Club is a Give As You Earn scheme in which colleague contributions are matched by company contributions. In 2006, the 50/50 Club enabled us to donate almost £50,000 equally between the charities chosen by colleagues. Colleague membership has increased by 11% throughout the year from 594 to 660 colleagues, and now represents 15% of the workforce. This helped win the scheme a Payroll Giving Gold Award from the Charities Aid Foundation, which recognises organisations where 10% of employees are giving.

CashMatch is an initiative that offers colleagues the opportunity to double their fundraising for charitable and community activities by obtaining an equal contribution from Cattles, provided certain criteria are met. Last year, nine community groups were able to benefit from CashMatch awards totalling over £6,000.

Other community activity
We also support other community activities that meet our community investment policy and where there are clear community and business benefits. Some of these are described below:

Park Lane College Financial Skills Academy
Description: The Park Lane Financial Services Skills Academy in Leeds is one of the first Skills Academies to be set up as part of the National Skills Academy for Financial Services launched by the government in October 2006. Cattles has supported the development of this Academy to provide a single source for recruitment, training and education for the region's growing financial services industry.

Community benefit: The Academy will work with local employers to develop the skills and knowledge of school pupils, students, unemployed people and other under-represented groups. This will give them access to job opportunities and contribute to the growth of the financial services industry in the region.

Business benefit: The Academy will provide access to an able workforce that reflects the local community and help to reduce costs of recruitment, training and education. It will also provide consistent standards of appropriately trained and educated staff, which can be tailored to reflect employers' needs in the region.

Park Lane
College Leeds

Sheffield Investment Bond
Description: This groundbreaking initiative was launched by social investment charity Citylife to tackle the debt trap of illegal and predatory doorstep lending in Sheffield. We supported Citylife to launch a social investment bond to provide emergency loans at affordable rates to individuals at risk from predatory lenders.

Community benefit: The Sheffield Investment Bond will transform the lives of families affected by doorstep debt in the city. People on low incomes will spend less of their money servicing unsustainable debt, with benefits for the local economy and their quality of life.

Business benefit: The unique structure of the Bond means our investment should be returned in full in 2011. It has allowed us to contribute to tackling a social issue that local people feel strongly about; to send a positive message of differentiation to stakeholders, customers and local and national government; and to help colleagues feel pride in our values.

citylife
Helping Society to Work

Other initiatives we have continued to support include:

The Variety Club of Great Britain – The Football Challenge held in Yorkshire, provides 300 disadvantaged children the chance to exercise, have fun and learn team building skills. Harewood House Fun Day gives 500 youngsters with special needs a terrific party.

The Leeds Project – Brokered by the charity Outward Bound, this project gives school children from Leeds' most disadvantaged wards the opportunity to participate in a five day residential programme of self-discovery and personal development.

The Duke of York's Community Initiative – This programme encourages the enhancement and regeneration of community spirit throughout Yorkshire by supporting community initiatives to help disadvantaged and marginalised groups.

As a growing business we recognise we have an impact on the environment.

We have a duty to manage this impact and minimise it where we can, as well as raising awareness of environmental issues among our colleagues. Failure to do this presents risks to our reputation and increased costs through inefficiency.

Being environmentally responsible

Environment

FOCUS
- Enhance awareness with colleagues of our environmental impact
- Improve our environmental performance and deliver tangible benefits to the business
- Focus on high priority impact areas
- Consider and evaluate environmental credentials in our supplier relationships

Fig 1
ELECTRICITY CONSUMPTION IN BUILDINGS (Million KWh)

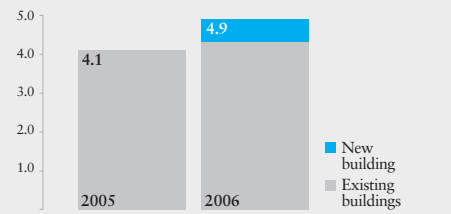


Fig 2
CO_2 EMISSIONS FROM BUILDING ENERGY USE (Tonnes)

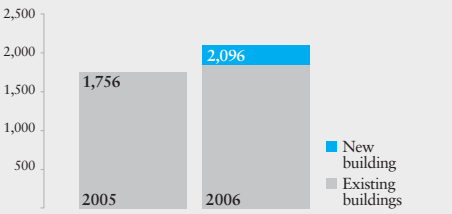
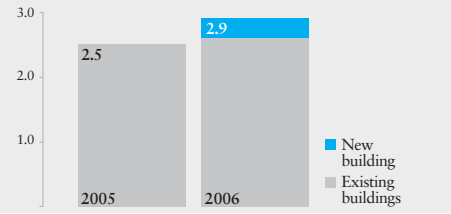


Fig 3
CO_2 EMISSIONS FROM BUILDING ENERGY USE PER UNIT OF REVENUE (kg/£1,000)



Policy and management
The *Cattles approach to Environmental Management* outlines our commitment to reducing our environmental footprint. We have identified four significant environmental impacts, reviewed annually, on which we focus our efforts:

- Energy used in our buildings
- Fuel used by our transport fleet, particularly company cars
- Use of materials and consumables, such as paper
- Waste generated through our activities

Environmental issues cannot be addressed in isolation. Our impacts stretch across many different functions and business operations. To achieve improvement requires us to work together. Every colleague has a responsibility to consider how their actions impact on the environment and how, by working differently, they can help reduce the impact. In turn, the business must enable them to 'work smarter' through the use of technology such as printers that print double-sided to reduce paper use, and the provision of recycling facilities to reduce the amount of waste we send to landfill.

Environmental activity is co-ordinated by our Environmental Officer, supported by the Environment Team. This team comprises the CR Manager and representatives from the facilities, procurement and fleet management departments and ensures that environmental activities are integrated into the group's approach to CR and other business initiatives.

Environmental objectives and targets are set annually. Progress against our 2006 targets is shown on pages 30 and 31 and discussed in the sections below.

We have continued to participate in Business in the Community's Yorkshire and Humber Index of Environmental Engagement to assess our environmental performance. This year we achieved a score of 79%, up from 55% in 2005, and were recognised for significantly improving our performance.

We have continued to hold regular environmental road shows across the business to create awareness among our colleagues.

Energy use
We use energy, predominantly electricity, to heat and light our buildings and power our computers.

We have a large number of buildings, including our main offices and our network of small offices and branches. Energy used by many of these smaller buildings, often accommodating fewer than eight people, is billed in a similar way to domestic supply, due to their relatively low usage. Unfortunately, our analysis in 2006 showed that data provided by suppliers for these locations tends to be based on estimates and is therefore unreliable for reviewing our performance in this area.

For this reason, we have decided to only monitor electricity relating to our main offices as we can measure electricity use in these buildings every half hour. This gives us accurate information on how well we are performing, which will be used as a proxy for the rest of the business. Estimates indicate that electricity for these main offices represents around 50% of our total consumption. While this position is not entirely satisfactory, we feel it is the only practicable option available to us at present. Despite not being measured as part of our targets, branches are encouraged and included in our environmental initiatives and energy efficiency programmes.

During 2006 we used 4.9 million KWh of electricity at our main office locations. This compared to 4.1 million KWh in the previous year, a 19% increase in absolute terms. However, 0.6 million KWh were due to the opening of our new Abbeyfields office in Nottingham. After allowing for this, our consumption increased by only 5% on a like-for-like basis. This can largely be attributed to increased use of air conditioning to support our new computer systems and the hot weather.

Our 2006 electricity consumption equated to 2,096 tonnes of CO_2, equating to 2.9 kilograms per £1,000 of revenue. See Figs 1-3.

In October, we held a 'switch off' campaign at our main sites. This encouraged colleagues to switch off equipment, such as photocopiers and computers, when not in use, to assess how much energy was being used unnecessarily. During the campaign, which was also designed to raise environmental awareness, these sites saved 16,775 KWh – an average reduction of 4% on the previous month, with some sites saving up to 9%. This clearly demonstrated that savings are possible, and monitoring over subsequent months has shown that the energy use has not risen. We will continue to investigate ways to implement energy savings initiatives over the coming year.

Fig 4
FUEL CONSUMPTION BY COMPANY CAR FLEET (Thousand litres)

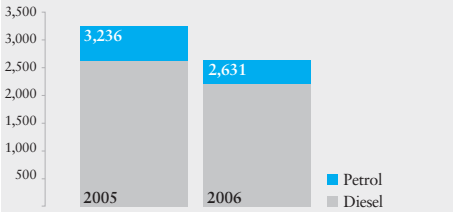


Fig 5
CO_2 EMISSIONS FROM COMPANY CAR FLEET (Tonnes)

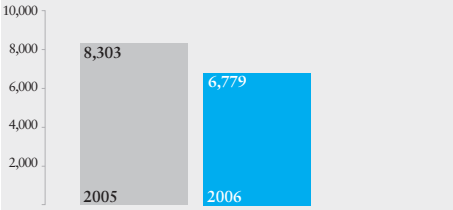
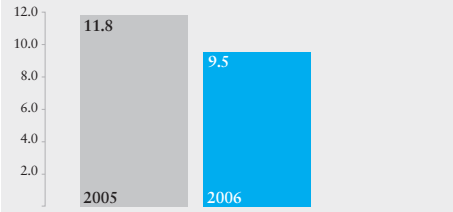


Fig 6
CO_2 EMISSIONS FROM COMPANY CAR FLEET PER UNIT OF REVENUE (kg/£1,000)



CO_2 emissions in 2005 have been recalculated based on the latest greenhouse gas emission factors provided by DEFRA (Guidelines for Company Reporting on Greenhouse Gas Emissions, July 2005)

18%
reduction in CO_2 emissions from company car fleet

15%
reduction in reams of office paper used

Travel
We have a substantial fleet of 1,354 company cars (1,548 in 2005). We also run three commercial vehicles and six vehicle transporters for Welcome Car Finance.

In 2006, our fleet used 2.6 million litres of fuel, a reduction of 19% in absolute terms on 2005 (3.2 million litres). This reflects the decrease in the size of our car fleet, the use of more efficient cars and increased driver training. The fuel used by our car fleet generated 6,779 tonnes of CO_2 emissions, compared to 8,303 tonnes in 2005. This equates to 9.5 kilograms per £1,000 of revenue, a 20% reduction on 2005. See Figs 4-6.

This year we appointed a dedicated Group Fleet Manager. His role is to improve the performance and efficiency of the fleet, in terms of both cost and the environment. Subsequently, the company car policy and the list of cars available have been revised to take environmental considerations into account.

During 2006, we offered a number of drivers the opportunity to test drive the Honda hybrid or the Toyota Prius. These vehicles emit substantially less CO_2 than traditional petrol and diesel vehicles. We are currently exploring the opportunity to introduce a hybrid vehicle into the fleet choice list.

We offer all our company car drivers free tyre pressure and tyre safety checks, which are carried out monthly at our main sites. Correct tyre pressure helps maximise the fuel economy of our vehicles and improves safety.

We are developing a green travel plan for our Nottingham sites in conjunction with Nottingham City Council and Nottinghamshire County Council. We hope to report more fully on this in next year's Review. Our Abbeyfields site has partnered with Nottingham City Council's Park and Ride scheme to utilise the free bus service operating between this site and the city centre.

Paper use
We use a considerable amount of paper in our business. In some instances this is unavoidable, particularly when we are dealing with customer applications and regulatory requirements; but in instances, such as gratuitous general office printing, it is not. Reducing this has both financial and environmental benefits for the business.

We have installed multi-functional printing machines at our main office in Nottingham. The flexibility offered by these machines meant we could remove 90 different devices, such as printers and fax machines, and replace them with just 18 multi-functional devices. This has resulted in less printing since, for example, faxes can be sent directly from a colleague's computer rather than having to be printed out before being sent. Furthermore, the reduction in the number of machines has made printing less convenient and all machines now print double-sided as standard.

In addition, technological improvements have reduced our reliance on paper. For example, The Lewis Group recently launched an online service that allows its Investigations clients to instruct work, monitor progress and receive reports without the need to print any documents. We hope to extend this service during 2007.

In 2006, Cattles used over 75,000 reams of paper, a reduction of 9% on 2005. Although the number of reams used per colleague has increased slightly from 16.9 to 17.3, the paper use per £1,000 of revenue has improved by 10% reflecting the more efficient use of paper within our business operations. See Figs 7 and 8.

Fig 7
PAPER USE NUMBER OF REAMS (000's)

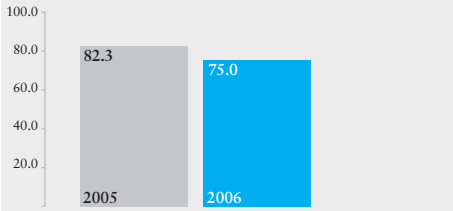


Fig 8
PAPER USE PER UNIT OF REVENUE (Reams/£1,000)

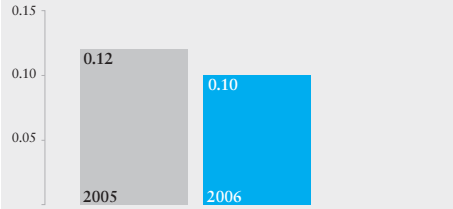
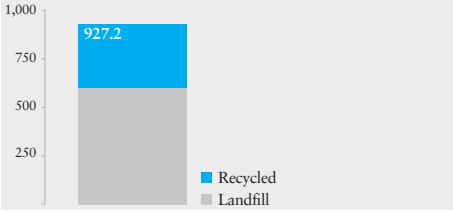


Fig 9
PROPORTION OF WASTE RECYCLED (Tonnes)



In 2006 we scored 79% in the BITC Environmental Index, up from 55% in 2005, and were recognised for significantly improving our performance.

Waste and recycling
During 2006 Cattles generated 927 tonnes of waste – mainly general waste and paper. This compares to 460 tonnes in 2005. We believe this increase reflects better data collection and more sites being covered, rather than an actual increase in waste generation. The proportion of waste being recycled reduced from 40% in 2005 to 35%, as the figures now include smaller sites that did not have access to recycling facilities throughout the year. Although recycling over a third of our waste remains a credible effort, we are looking to increase the proportion in 2007.

We are currently piloting changes to the working environment at our main office in Nottingham. As part of this, we plan to install a series of hubs on each floor, including centralised waste collection and recycling points. In addition, we will remove bins from colleagues' desks and replace them with paper recycling holders fixed to their workstations. We hope that better facilities and heightened awareness of recycling among colleagues will deliver an increase in the volume of materials recycled. See Fig 9.

PROGRESS AGAINST 2006 CR OBJECTIVES AND TARGETS

Objective	Target
1 To implement the Cattles CR strategy and ensure CR issues are well managed, understood and considered at the highest level in the business.	> Develop CR Key Performance Indicators for quarterly performance updates to CR Steering Group.
	> Prepare a CR paper for the Cattles Board, outlining the adopted strategy, progress and performance, for its September 2006 meeting.
	> Produce a standalone CR Review for publication in April 2007 (co-ordinated with the Annual Report and Financial Statements).
2 To operate in a fair, trustworthy and responsible way and be recognised as a responsible financial services organisation.	> Review the customer feedback process and identify relevant CR information.
	> Identify key stakeholders on over-indebtedness/financial education and give them a copy of the 2005 CR Review by August 2006.
	> Investigate opportunities to develop better links with key stakeholders, agencies, peers or high level working groups on the issue of responsible lending and financial education.
3 To work closely with our HR department in support of its objectives; and to promote a better understanding of CR among our colleagues, encouraging them to continue to behave in a responsible way and to develop good relations with one another and our customers.	> Better understand the link between HR and CR strategies and identify areas of commonality, collaboration and overlap.
	> Identify opportunities to incorporate CR into colleague training and development.
	> Identify opportunities and potential partners to promote volunteering activity linked to our aim of being a responsible financial services organisation.
	> Develop CR element of Speak Up survey.
4 To minimise our environmental impacts – through energy use, travel, creation of waste and use of consumables – and to comply with relevant environmental legislation and regulation.	> Reduce CO_2 emissions from energy consumption by 3% per unit of revenue by December 2006.
	> Reduce fuel emissions from our car fleet by 5% per unit of revenue by December 2006.
	> Reduce paper used per unit of revenue by 5% by December 2006.
	> Increase the percentage of waste recycled by two percentage points.
5 To provide tangible support in the communities we serve through focus on addressing the issues of social disadvantage, raising standards in financial education and improving the welfare of young people.	> Appoint a dedicated resource to manage and grow internal community activity.
	> Create a Charity Panel of senior managers to select appropriate initiatives for significant community spend (>£5,000) and partnerships.
	> Increase participation in internal community initiatives via CashMatch, 50/50 Club and Hands Up.

● Ongoing
● Achieved
○ Not achieved

Status		
●	Ongoing.	A CR Scorecard is being developed that can be used by the CR Steering Group to evaluate progress.
●	Achieved.	Subsequent updates on CR activity are also provided at each Board meeting.
●	Achieved.	Review produced and aligned with the Annual Report and Financial Statements.
●	Ongoing.	In line with the company's approach to Treating Customers Fairly.
●	Achieved.	Key stakeholders have been identified and engaged in ongoing dialogue.
●	Ongoing.	See above.
●	Achieved.	CR objectives integrated into the HR strategy resulting in regular representation of CR issues at HR management meetings and project events.
●	Ongoing.	CR has been integrated into the colleague induction process and CR training has been provided as part of the Success in Leadership management development programme.
●	Ongoing.	Our work has continued with *Cares* and a working group has been established to review how volunteering can be linked with our strategic aims.
●	Achieved.	CR statements were revised and included in the 2006 survey.
○	Not achieved.	The combined factors of a newly opened business location, increased air conditioning to support a new IT system and the hot weather largely account for this non-achievement.
●	Achieved.	Fuel emissions per thousand pounds of revenue reduced by 20%.
●	Achieved.	Paper use per thousand pounds of revenue reduced by over 10%.
○	Not achieved.	The proportion has fallen by five percentage points due to expansion of the number of sites included in the data, including some which lacked access to recycling facilities for part of the year.
●	Achieved.	Community Investment Officer was appointed in August 2006.
●	Achieved.	Charity Panel comprising the Company Secretary, Group HR Director and CR Manager established in August 2006.
●	Achieved.	Increase in membership of 50/50 Club and the number of colleague volunteering hours.

CR
Corporate Responsibility

We believe that we are improving our reputation for CR across all our target audiences and we have continued to make significant progress over the past year, particularly with the development of our CR strategy.

We are pleased with our achievements in delivering the majority of the targets we set ourselves in 2006, but with ongoing review and monitoring throughout 2007, we believe there is still much which can be gained as we look for opportunities to improve our performance still further.

Plans for 2007
In 2007, our main focus will be the integration of our CR strategy into the operational thinking of each of our businesses. We have four key aims, each of which will be underpinned by a detailed action plan outlining responsibilities and timescales:

– Embed our CR strategy into the operational processes of colleagues working in our businesses.

– Establish a defined way to measure performance and confirm that our strategic aims are being achieved, at both corporate and operational level.

– Increase two-way communication with our colleagues in order to enhance awareness of CR within the business.

– Review our approach to promoting financial education to identify opportunities to generate better value from our investment in this area.

Let us know what you think
Feedback is important to us. We want to hear what you think about this Review and our approach to CR. Your comments help with the ongoing development of our CR programme, enable us to improve our performance and ensure we are reporting the right information.

Seán Mahon

SEÁN MAHON
Chief Executive

For the latest information about CR at Cattles, visit the CR section of our website: www.cattles.co.uk.

To obtain a copy of any document referred to in this Review, or to provide feedback, please contact:

Jayne Johnson
CR Manager
Cattles plc
Kingston House
Centre 27 Business Park
Woodhead Road
Birstall
Batley
WF17 9TD

If you would prefer to email us, please do so, using the address cr@cattles.co.uk

This Report is printed on Challenger Offset paper which is recyclable. A large proportion of the raw material used is the by-product from other production processes, ie, saw mill waste and waste which results from forest thinning. The mill holds not only ISO 2002 but also the ISO 14001 accreditation for their environmental management systems, which include an active policy on sustainable forestry management.

Designed and produced by Carnegie Orr
+44 (0)20 7610 6140.
www.carnegieorr.com

Cattles plc
Kingston House
Centre 27 Business Park,
Woodhead Road, Birstall,
Batley WF17 9TD

Registered in England: Number 543610

Tel: 01924 444466
Fax: 01924 442255

www.cattles.co.uk