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CPPGroup Plc
15 March 2018

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15 MARCH 2018
FULL YEAR REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

CPP grows revenue through international expansion

CPPGroup Plc - Full year report for the year ended 31 December 2017

CPPGroup Plc (CPP or the Group), the international product innovation business, today announces its full year results for the year ended 31 December 2017.

During the year the Group significantly increased revenues, driven by rapid international growth, returned to statutory profitability, substantially improved its financial strength and implemented a new growth strategy focused on building partner relationships and investment in innovative product-based technology.

Highlights

- Group revenue from continuing operations has increased by 24% to £91.4 million (2016: £73.6 million), representing the first year of growth since 2011.
- International revenues grew by 54% to £69.1 million (2016: £44.9 million). This includes revenue from India which has increased by 164% to £40.0 million (2016: £15.2 million).
- A return to statutory operating profit of £3.5 million (2016: £1.8 million loss). Underlying operating profit has reduced to £3.9 million (2016: £8.4 million) with the growth in our international business not yet covering the reduction in the higher margin restricted UK renewal book.
- A return to statutory profit after tax from continuing operations of £4.6 million (2016: £0.5 million loss).
- Unrestricted cash position improved significantly to £31.5 million (2016: £9.5 million) following approval from the PRA to lift the capital restrictions on Homecare Insurance Limited and the receipt of proceeds from the sale of the Head Office in York.
- The Group moved to a decentralised operating structure, giving our individual country operations greater responsibility and commercial freedom.
- Worldwide customer numbers have increased by 26% to 5.5 million (2016: 4.3 million) across 11 countries, including a 56% increase in our international customer base.
- Further expansion of product development capability with the recent acquisition of a strategic minority stake in KYND Limited, a London-based cyber security diagnostics provider.

Jason Walsh, Chief Executive Officer, commented:

"This was one of the most important years in CPP's history, one in which we not only significantly improved the financial performance of the Group but also, and more importantly, refocused it for future growth and prosperity.

Today CPP is a fundamentally stronger and more energised business than before. Our international business is continuing to grow rapidly and together with once again having an approved company as an intermediary in the UK market we will continue to develop suites of innovative technology-based protection services that will benefit all our markets. Our corporate office is much smaller and our core team are sufficiently nimble to take advantage of growth opportunities. Our strong balance sheet and cash resources give us ample opportunity to invest in new products and services or make strategic acquisitions, while our growing array of partners will enable us to bring our services to market. We are looking forward to another year of growth in 2018"

Financial highlights - continuing operations	31 December 2017	31 December 2016
Revenue (£ millions)	91.4	73.6
Operating profit/(loss) (£ millions)		
− Statutory	3.5	(1.8)
− Underlying[1]	3.9	8.4
Profit/(loss) after tax (£ millions)		
− Statutory	4.6	(0.5)
− Underlying[2]	4.8	8.9
Earnings/(loss) per share (pence)		
− Basic	0.54	(0.06)
− Diluted	0.52	(0.06)
Net assets (£ millions)	15.0	10.1
Net funds (£ millions)[3]	31.5	26.9

1. Underlying operating profit excludes exceptional items of £0.1 million (2016: £9.2 million). Further detail is provided in note 5 to the condensed financial statements. Underlying operating profit also excludes £0.3 million (2016: £1.0 million) Matching Share Plan (MSP) charges.
2. Underlying profit after tax excludes exceptional items net of tax of £nil (2016: £8.7 million credit) and MSP charges net of tax of £0.3 million (2016: £0.7 million).
3. Net funds comprise cash and cash equivalents of £31.5 million (2016: £28.2 million). The Group does not have any borrowings at 31 December 2017 (2016: £1.3 million). Unrestricted cash of £31.5 million (2016: £9.5 million) represents the Group's cash and cash equivalents less cash held for regulatory purposes. Cash and cash equivalents restricted in the prior period for either regulatory purposes or by the terms of the Voluntary Variation of Permissions (VVOP) was £18.7 million.

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About CPP

CPP is a leading, international product innovation business which works with business partners across a range of sectors in 11 markets within Asia, Europe and Latin America to provide product, marketing and distribution expertise delivering tangible commercial benefits and meaningful solutions to their customers. CPP's insurance and assistance products provide peace of mind by reducing the stresses of everyday life ranging from protection of mobile phones, payment cards and household belongings to keeping travel plans moving and the monitoring of compromised personal data.

For more information on CPP visit www.international.cppgroup.com

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CHAIRMAN'S STATEMENT

Introduction

2017 has been an encouraging year for the Group. We have seen a return to overall revenue growth for the first time in five years, product innovation and international adaptation of new products is starting to take shape and a clear role has emerged for our reorganised central team, now located in Leeds. This has been accompanied by prudent management of our capital resources where we now have sufficient funds available to meet the up-front costs associated with our growth ambitions.

How we look at our business

The changing nature of the Group and how we manage its component parts has led to a reappraisal of how we measure our businesses. Historically, the Group viewed its businesses by country and region with no differentiation reflecting the different nature of the businesses within each country. In 2018 we will refine to show three different sources of revenue and cost. These are the historic back book 'Restricted Operations' with activities in UK, Italy, Portugal, Malaysia and Hong Kong; the unconstrained operating businesses, 'Ongoing Operations', in each of these countries plus India, Turkey, Spain, Germany and Mexico; and a third category covering 'Investments' being made for new and/or expanded activities in the countries in our Ongoing Operations. This category currently includes China.

The back book businesses are run with the objective of effectively managing the customer experience and minimising the annual decline with low associated development costs. Equally, administrative costs will mirror any further declines in renewals.

The results from the operating businesses will be the key driver of value as they clearly show the true direction of travel in both revenue and margins and this assessment will be facilitated by investment costs being shown separately in the sector analysis. This treatment is necessary as we employ little fixed capital and consequently investments, which can be substantial, can have a negative impact on the income statement in the short term before any return is realised. Internally, all projects under this heading require full Board approval as if they were fixed capital investments.

Progress to date

On completion of the major strategy review referred to in last year's report, resources have been shifted away from a highly centralised style to one of providing appropriate support to all our businesses whether in the rapidly developing markets in India, China and Turkey, the more mature markets such as Germany and southern Europe, or the newly established UK business. This more decentralised model gives greater responsibility and accountability to the operational businesses.

In December 2017, Blink Innovation (UK) Limited (Blink UK) received permission from the FCA to commence trading as a regulated insurance intermediary and it is through this entity that we will seek to reinvigorate our UK presence. We continue to see the UK market as an important component of our global business.

The technical expertise of Blink Innovation Limited (Blink) is also being used to help us develop innovative product solutions such as the recent launch of Owl in Turkey. We will continue to seek product extensions to our portfolio and, as a further example, we are pleased to confirm our investment in a minority shareholding in KYND Limited (KYND), a business set up to address cyber security monitoring and diagnostics for large and SME businesses that are facing a critical need to address the risks involved within their IT infrastructures.

Culture and values

Our business distributes products through long term partnership arrangements, business to business to consumer (B2B2C). Quality of approach and high integrity are essential for sustainable success and, having made good progress in fundamentally changing the organisation, we recognise the need to ensure we have the right people in the right place in the right roles. The Board has approved significant investment in developing an open, honest and authentic culture that extends consistently throughout the business.

The Board

I was pleased to welcome two new directors to the Board during the year, Oliver Laird as Chief Financial Officer and Tim Elliott as Non-Executive Director and Audit Committee Chairman. Oliver and Tim have both already made a significant contribution to the Board and the Group.

Governance

The Board remains committed to maintaining high standards of governance, both at a corporate level and operationally throughout the business. Notwithstanding the increased autonomy of our individual businesses, the Board recognises the importance of retaining clear oversight and a 'flat' organisation structure, with Country CEOs reporting direct to the Group CEO, helps to ensure that this is the case. Other Board members also maintain regular contact with all parts of the business, with frequent visits to our overseas operations.

Performance

The Group's revenue growth in the year has been largely driven by India, where we are beginning to see the fruits of strategies and investments implemented over the last 12 to 18 months. Although the Group profit before tax shows an increase compared to 2016, underlying operating profit is lower. This is a result of the shift in revenue mix from high margin back book products in the UK and Spain, to primarily India where the strong trading performance comes from products which produce lower margins.

The planned change to our segmental reporting structure will, we believe, provide our stakeholders with a much clearer analysis of the Group's progress over time.

Looking ahead

Having already implemented a good proportion of the plans we made in 2016, the business is well placed to continue its growth in 2018 and beyond. Our simplified operating structure enables us to operate more efficiently with a lower cost base and the increase in available cash following the release of some of our regulatory restrictions and the sale of our York premises gives us the ability to seek expansion through organic product innovation, product acquisitions and new and/or expanded partnerships.

As well as continued growth in India, we see potential for substantial growth in China, and, with that in mind, have made significant investment in standalone IT and digital capability and in expanding our team there.

During the middle part of 2018, we will incorporate CPP Bangladesh, a market which we have not previously explored and where we see great potential for our products, combined with our regional approach to marketing. Initially, significant support will be provided through the extension of our successful Indian business model to this market.

Once again, on behalf of the Board I would like to thank all our colleagues for their continued commitment, hard work and support during the year and look forward to working with you all as we continue to rebuild our business.

Sir Richard Lapthorne
Chairman

14 March 2018

OUR STRATEGY

We have taken a number of key decisions during 2017 that will support the delivery of a clear strategy and will form the platform for our growth in the coming years. Our strategic framework will ensure we continue to build strong partnerships providing simple and compelling customer products and services, as well as generating stakeholder value. The principal pillars of our strategy are:

1. **Focus on partnership relationships** - we recognise that the B2B2C model provides the basis on which we can make the biggest difference. We will focus on deepening relationships with business partners to deliver compelling, innovative products and services to their customers.
2. **Cultural and organisational change** - we will operate a decentralised model that provides greater responsibility and accountability for local leaders and enables efficient delivery of services and products that meet local needs.
3. **Investments in growth markets** - we will focus investment in key markets where the greatest growth and strategic opportunities exist.
4. **International expansion** - we will expand into new markets using established successful businesses as the leaders in a hub model.
5. **Realignment of mature markets** - effective management of our historic UK renewal books to maximise customer retention within an effective cost base. We have made operational improvements in Southern Europe bringing Italy and Portugal into a hub model led by Spain.
6. **Driving innovation** - We will focus on providing simple and compelling products and services through investment in product, technology and the customer experience. This will include strategic partnerships or acquisitions where it will enhance the Group's

existing capability. Technology will focus on platform with Blink being used as a technology hub

Our clearly defined strategy has enabled the Group to focus its resources and has already started to deliver positive results in some of our markets. Progress has been made in other markets through improved business partner conversations and a number of opportunities are nearing completion. The progress in our key strategic markets has driven revenue growth and will continue to do so. The percentage margins on the products we sell in these markets are at a lower level than those earned from the historically high margins in our restricted UK renewal books.

The continued growth and strategic ambitions of the business will be accompanied by enhanced monitoring of the regulatory, competitive and operational risks identified by the Group. Whilst unrestricted cash balances have grown, management of the Group's cash balances will follow a strategy that allocates capital to mitigate these risks while allowing the Group to invest in the organic growth opportunities available in existing markets, new products and digital distribution channels in the medium term.

CHIEF EXECUTIVE OFFICER'S REVIEW

2017 has been a year of significant change for CPP, a year in which we have made a number of strategically important decisions and achieved some important milestones. It is this progress that will provide the necessary focused direction, momentum and capability to take the business forward and capitalise on the significant opportunities that exist.

Our progress

We are pleased with the progress that has been made against the strategic priorities that were identified during 2016.

We have delivered year-on-year revenue growth for the first time since 2011 and have significantly increased our global customer base. This growth has primarily been achieved through the progress made in our Indian and Turkish operations. Both markets successfully demonstrate the benefits of our strategy to strengthen business partner relationships and develop bespoke product offerings that meet local consumer needs.

Innovation has continued at pace. In March 2017, we acquired Blink, an innovative product and systems developer based in Ireland. Since acquisition, we have continued to invest and grow the Blink business which is already delivering functionality for providing innovative product solutions into local market places. In time each market will have the capability to build new products locally for use on a new platform. The first product of this type was launched in late 2017.

Additionally, in December 2017, Blink UK received permission from the FCA to commence trading as a regulated insurance intermediary. It is through this entity that we will seek to reinvigorate our UK presence. We continue to see the UK market as an important component of our global business.

Cost control remains an integral part of the strategy. It is important that our cost base remains appropriate and is targeted in the right areas to enable additional investment into our markets to promote growth. We are always mindful of the importance of cost control as an integral part of our behaviours. In 2017 we carried out a fundamental redesign of our organisational structure, which as a result, will be more responsive to country needs and more effective in delivering the Group's strategy. The new structure will also provide a lowering of overall cost.

However, there remains much work to do to realise the potential CPP has in a market place that is increasingly demanding the services and solutions that we provide. We continue to develop our presence as an international product innovation business. Our focus is on building strong trusted relationships with our network of business partners around the world and, following some of the strategically important decisions we have made in 2017, we are in a stronger position to grow the business.

Organisational change

To promote a simplified business model and operating structure, we redesigned our organisational structure during 2017. A decentralised model has been implemented which places greater operational responsibility on our country operations. This change allows our experts in country, who best understand local demands and opportunities, to lead in the key decisions that affect their business and customers. The change has also led to less reliance on a large UK-based Group function, with the focus now on an efficient International Support Centre that will provide the appropriate level of support, oversight and governance across the Group.

The reduction in the size of the Group functions and the creation of an International Support Centre will lead to cost efficiencies, the full benefit of which will be seen from 2018 onwards.

Our performance
2017 has been a good year with revenue growth of 24% over 2016. Revenue from our international operations grew by 54%, further reducing the historic dependency the business had on the restricted UK operation. Customer numbers have also increased significantly to 5.5 million which represents growth of 26%. 2017 has been an excellent year for our Indian business, where new bespoke products and strong business partner relationships have contributed to revenue increasing by 164%. Turkey has also grown in the year, again through developing strong and trusted relationships with existing business partners and enhancing channel capability. Our restricted operations and certain other markets, whilst in decline continue to contribute strong renewal rates, which are higher than the Group rate of 74.8% (2016: 74.9%).

Group revenue has increased by 24% to £91.4 million (2016: £73.6 million). The growth in Indian revenue has more than compensated for the continued natural reduction in revenue from the renewal books in our restricted markets. Profit after tax of £4.6 million (2016: £0.5 million loss) has increased as a result of the reduction in one-off costs to the business. However, underlying operating profit has declined to £3.9 million (2016: £8.4 million) which reflects the shift in revenue mix from historically higher margins in our restricted operations to growth markets where margins on the products we sell in these markets are at a lower level. During 2018 we anticipate revenue growth led by sales volumes in our international markets which, along with ongoing cost control, will contribute to improvements in underlying operating profit (on a constant GAAP basis).

Investment platform
We made good progress in freeing up capital for the Group to reinvest into our markets or to enhance our capabilities through partnerships or acquisitions.

In the UK, as recognition that the historic issues the business faced are now in the past, the FCA agreed to lift the capital and asset restrictions placed on HIL and CPPL as part of the VVOPs. In the case of HIL, this has enabled the Group to develop a strategy which will see the release of further capital in the short to medium term. With most of the back book business ring-fenced within CPPL, new business opportunities in the UK will be focused through Blink UK.

The Group has also completed the sale and leaseback of its former Head Office premises in York. The sale proceeds were £5.3 million. As part of the change to ensure that the Group functions are focused on supporting the entire Group, the Global Head Office was renamed the International Support Centre and relocated to Leeds in November 2017.

The available capital created through these milestones will be used to support growth in our rapidly expanding international markets. Enhanced investment plans have already been implemented in the key markets of India, Turkey and China. We also plan to re-enter the UK market during 2018. In addition CPP will look to acquire or partner with other innovation technology businesses to expand our product portfolio or to capitalise on distribution networks. Blink and KYND are examples of this.

International expansion
The Group's focus is one of international growth which includes increased investment into existing markets to develop infrastructure, products and marketing channels. In addition we will also expand into new markets where we believe we can harness distribution channels to develop a strong regional network. We are building regional hubs that provide an efficient operating model and will also allow us to expand into adjacent and similar markets from a position of strength. We have already developed a regional hub for Spain, Italy and Portugal led from Madrid and will use India as a hub leader for Malaysia and the planned launch into Bangladesh in the middle part of 2018.

Customer
Our business partners' customers are important to us. The work we undertake to improve our products and distribution channels is all designed with their customers as a central priority. We are focused on providing relevant and engaging services in channels that make it simple for customers to engage with our products. We will invest in the customer experience in 2018 to deliver an even better customer journey through increasingly digitally led channels.

People
Our colleagues are fundamental to the business growth strategy. A strong motivated team is crucial to providing great products and services to our partners and their customers. We are committed to colleague development and promoting good behaviours. These will continue to be an area of key focus in 2018 with a number of programmes in place to further embed this

within the organisation.

Outlook
The transformation journey we have been on in 2017 has created the right environment for further growth. We have simplified our operating structure, been decisive with organisational change and clearly defined our strategy.

The Group is focused on its strategic priorities, which support its existing revenue, new revenue generation and growth ambitions. Good progress has been made in 2017. The Group anticipates growing revenues in 2018 through our international markets leading to improvements in underlying operating performance (on a constant GAAP basis). Our simplified operating structure, lower cost base and available cash resources provides the capability to expand through organic product innovation, product acquisitions or new partnerships. We have cash available that we can use to invest in the many exciting opportunities we have already identified, including further geographic expansion as well as additional product investments and acquisitions.

We are pleased in the direction the business is heading and the progress it is making.

Jason Walsh
Chief Executive Officer

14 March 2018

OPERATING REVIEW

During 2017 the Group operated internationally as three regions: Asia Pacific; Europe and Latin America; and UK and Ireland.

Year ended	**2017 £'m**	2016 £'m	Growth	Constant currency growth
Asia Pacific				
- Revenue	**42.2**	17.3	144%	133%
- Underlying operating profit	**1.8**	1.6	10%	2%
Europe and Latin America				
- Revenue	**26.9**	27.6	(3)%	(5)%
- Underlying operating profit	**4.5**	5.2	(13)%	(14)%
UK and Ireland				
- Revenue	**22.3**	28.8	(22)%	(22)%
- Underlying operating profit[1]	**(2.4)**	1.5	(258)%	(258)%

1 Excluding exceptional items and MSP charges

Asia Pacific

Financial performance
Revenue has increased by 133% on a constant currency basis compared to the same period in 2016, to £42.2 million (2016: £17.3 million). The underlying operating profit has improved to £1.8 million (2016: £1.6 million).

Review
The main trading operations in our Asia Pacific region are in India, China, Malaysia and Hong Kong. These markets account for 46% of the Group's full year revenue and for the first time represent the greatest revenue share in the Group, reflecting the continued growth experienced in this region. This growth has again been led by India which has had a record year, growing revenues by 152% on a constant currency basis and increasing profitability. India is the largest revenue generating market in the Group. The growth in India has been realised through the expansion of sales in Asset Care and FoneSafe with a leading non-banking financial company that started in late 2016, along with development and strengthening of other business

partner relationships. We continue to invest in India to build upon the progress we have made and improve further our channel delivery, including digital. Focus and initiatives will continue on improving customer retention and profit margins.

China has continued to progress, with a number of new business partner contracts signed in 2017 that we expect to deliver in 2018. We have invested in China during 2017 with a major IT infrastructure project in progress that will improve our operating platform, digital capability and enable us to provide local solutions efficiently and independently. This project is due to complete in late Q2 2018. In addition, we have improved the capability of the local management team with the senior headcount increased to help drive the business forward in 2018 and capitalise on the significant opportunities that exist in the Chinese marketplace.

Renewal performance in Malaysia and Hong Kong has continued in line with expectations. We continue to assess our commercial viability in Hong Kong.

Europe and Latin America

Financial performance
Revenue has decreased by 5% on a constant currency basis compared to the same period in 2016 to £26.9 million (2016: £27.6 million). The underlying operating profit has decreased to £4.5 million (2016: £5.2 million).

Review
CPP's Europe and Latin America region includes Spain, Italy, Portugal, Germany, Turkey and Mexico. Europe and Latin America represents 29% of the Group's full year revenue.

Turkey has had a very strong year, growing revenues, profit and customer numbers. This growth has been achieved through building strong trusted relationships with business partners and developing profitable channel capability. Turkey has developed a sustainable model that is based on a multi-product, multi-partner and multi-channel approach. Additionally, we launched Owl in Turkey in late 2017 which has started well and we expect to continue to expand in 2018.

The core European markets delivered solid renewal performance, operational efficiencies and business partner engagement throughout 2017. These continue to be difficult markets in which to make quick progress and we continue to rely on their large, but declining renewal books. However, there has been positive progress during 2017 across these markets which we expect to generate new campaign launches and additional revenue.

We have implemented a change in operational structure in southern Europe whereby Spain, Italy and Portugal will operate as a regional hub led from Madrid. This has also enabled a reinvigoration of the sales environment in these markets as well as operational efficiencies. In Germany we have increased our growth capability through the appointment of senior business development and marketing roles

Mexico has had a difficult year and although revenue has increased marginally this has not been through the new revenue growth we anticipated. Changes are being made to reinvigorate Mexico which remains a market in which we see good potential.

UK and Ireland

Financial performance
Revenue for 2017 decreased by 22% to £22.3 million (2016: £28.8 million). Underlying operating loss is £2.4 million (2016: £1.5 million profit).

Review
The UK and Ireland region accounted for 24% of the Group's full year revenue in 2017. New retail business performance in the UK and Ireland continues to be constrained by restrictions relating to the ongoing VVOP. As a result the UK services a renewal book where renewal rates have been strong and encouraging. Good governance and excellent customer service remains a priority to our legacy book.

The acquisition of Blink in March 2017, was an important step that has improved our IT development capability. Blink is in start-up phase and we have invested in developing it as an IT hub since acquisition. Blink is already demonstrating the enhanced capability it can bring to our delivery in market.

In addition, we have received FCA permission to commence trading as a regulated insurance intermediary through Blink UK and it is through this entity that we will seek to reinvigorate our UK presence.

FINANCIAL REVIEW

Overview
Our products and services help people protect and safeguard the things that are important to them in their everyday lives. High demand for these products in our principal overseas territories has seen the Group deliver robust growth in revenue and statutory operating profit in the latest chapter of its development.

The energy with which our teams have pursued our customer-centric strategic aims has propelled a rise in revenue for the first time since 2011. The 24% increase in revenue has been underpinned by our rapidly expanding operations in India. Against a challenging macroeconomic environment, we undertook a number of key strategic changes during 2017 which will provide the resources to invest and position the business for continued success in the future.

The profile of the business has changed significantly, with reliance on our traditional European markets continuing to reduce. A number of our key strategic growth markets have expanded rapidly during 2017. The Asia Pacific region has seen record levels of revenue growth of 144% and now represents the largest share of the Group's revenue at 46% (2016: 23%). We are also encouraged by the development of some of our other markets during the year, all of which has led to 2017 being symbolic in the Group's transformation to a truly global organisation where for the first time the UK does not represent the largest share of the Group revenue.

The Group's administrative expenses (excluding exceptional items and MSP charges) have increased marginally in 2017 to £37.9 million (2016: £37.5 million) this reflects the impacts of foreign exchange, investments in markets and one-time costs associated with implementing the redesign of the organisational structure. The cost savings from the reduction in the size of the International Support Centre are expected to be realised in future periods and will be approximately £2 million annualised.

Looking ahead, the progress and decisions taken in 2017 will benefit the longer term prosperity of the Group. However following the shift in the Group's product mix and expansion in our Asian markets, gross profit margins are expected to remain lower than previous years. This is due to the lower profit margins in these products and countries compared to the high margin back books in our restricted operations. Plans are in place to improve the margin levels in these developing markets through a focus on renewal rates and the extension of new business into digitised products. However, current margins are expected to be largely representative of the business in the future, with incremental improvements in profitability relying upon cost control, higher sales volumes and other management actions.

Segmental review
As our business continues to develop and grow it is important that we manage and analyse the business in line with the strategy that we have adopted. As a result it is our intention that during 2018 we will change the way we report our financial performance, moving away from the historic regional analysis to reporting segments that reflect the way resources are now allocated by management. Our updated segmental categories will comprise; Restricted Operations, Ongoing Operations and Investments for Growth.

The Group has however continued to monitor financial performance through the year on the regional basis (see note 4 to the condensed financial statements) and analysis of the performance drivers are therefore described on that basis in this report.

Result and profitability
Group revenue from continuing operations has increased by 24% to £91.4 million (2016: £73.6 million). This increase reflects significant growth in our Indian operation where customer numbers have increased by 1.2 million partly offset by the continued reduction in the historic UK renewal book. International revenue has grown by 54% in the year. On a regional basis revenue has grown in Asia Pacific by 144% (133% on a constant currency basis). Revenue has reduced marginally in Europe and Latin America by 3% (5% on a constant currency basis) due to new business activity not yet replacing the reduction in the historic renewal books. The UK and Ireland region has declined by 22%. The growth in international revenue has increased the impact foreign exchange may have on our reported revenue with a weaker sterling continuing to benefit the Group in 2017.

Underlying operating profit from continuing operations for the year is £3.9 million (2016: £8.4 million) which is £4.5 million lower than 2016. This expected reduction in underlying operating profit reflects the shift in the revenue mix from our higher margin, renewal book focused European markets to growth markets, such as India. The percentage margins on the products we sell in our growth markets are at a lower level than those earned from the historically high margins earned from the restricted UK renewal books. In addition, cost control remains a priority for the Group. However, 2017 has seen significant reinvestment in our markets along with additional costs associated with growing our Blink-led IT development hub and the

operational restructure. This expenditure supports the Group's strategy and puts the business in a stronger position for the future.

Continuing operations	**2017**	2016
Revenue (£ millions)	**91.4**	73.6
Gross profit (£ millions)	**41.8**	45.9
Administrative expenses[1] (£ millions)	**(37.9)**	(37.5)
Underlying operating profit (£ millions)	**3.9**	8.4
Exceptional items (£ millions)	**(0.1)**	(9.2)
MSP charges (£ millions)	**(0.3)**	(1.0)
Operating profit/(loss) (£ millions)	**3.5**	(1.8)
Net finance costs (£ millions)	**(0.1)**	(0.1)
Profit/(loss) before tax (£ millions)	**3.4**	(1.9)
Basic earnings/(loss) per share (pence)	**0.54**	(0.06)
Net assets (£ millions)	**15.0**	10.1
Net funds (£ millions)	**31.5**	26.9

1 Excluding exceptional items and MSP charges

Exceptional items in the year are much reduced and total £0.1 million (2016: £9.2 million) comprising impairment of the remaining IT core platform costs of £0.9 million; a credit of £0.5 million relating to impairment reversal on the freehold land and property and a further credit of £0.3 million relating to customer redress. The reduction in exceptional charges in the year mainly relates to costs associated with aborting the SSP-led IT platform in 2016.

Share-based payment charges relating to the MSP were £0.3 million (2016: £1.0 million). Due to the one-off nature of this plan, MSP costs are presented separately from underlying operating results with the final impact being in 2018.

The exceptional items and MSP charges contribute to a reported operating profit of £3.5 million (2016: £1.8 million loss).

Net interest and finance costs of £0.1 million (2016: £0.1 million) reflect the Group's relatively low borrowing levels in the year.

As a result, the reported profit before tax from continuing operations was £3.4 million (2016: £1.9 million loss) and the reported profit after tax from continuing operations was £4.6 million (2016: £0.5 million loss).

There are no discontinued operations in the year. The 2016 profit from discontinued operations of £0.6 million related to the final benefits from the closure of the Airport Angel business.

Basic earnings per share from continuing operations are 0.54 pence compared to a loss of 0.06 pence in 2016.

There has been a further weakening in sterling during the year against our main trading currencies the euro and Indian rupee. The impact on the Group has been to improve reported revenue and profits from our international operations. Revenue in the year improved by 20% on a constant currency basis, compared to 24% at actual exchange rates. Underlying operating profit declined by 57% on a constant currency basis compared to 53% at actual exchange rates.

The expected impact of Brexit on the Group is currently being assessed. With the exception of exchange rate fluctuations, the Group does not consider current operations will be materially impacted as business activities are mainly serviced within the country of operation.

Key Performance Indicators

	2017	2016	Change
Live policies (millions) (see table below)	**5.5**	4.3	26%
Annual renewal rate (%)	**74.8**	74.9	(0.1)
Revenue by major product (£ millions) (see table below)	**91.4**	73.6	24%
Cost/income ratio (%)	**71.8**	70.8	(1.0)
Underlying operating profit margin (%)	**4.3**	11.4	(7.1)
Group cash balances (£ millions) (see table below)	**31.5**	28.2	11%

Live policies (millions)	**2017**	2016	Change
Retail assistance policies	**4.2**	2.9	41%
Retail insurance policies	**-**	--	n/a
Wholesale policies	**1.3**	1.4	(4)%
Total	**5.5**	4.3	26%

Revenue by major product (£ millions)	**2017**	2016	Change
Retail assistance revenue	**87.7**	68.0	29%
Retail insurance revenue	**0.9**	2.5	(62)%
Wholesale revenue	**2.3**	2.5	(9)%
Non-policy revenue	**0.5**	0.7	(24)%
Total	**91.4**	73.6	24%

Group cash balances (£ millions)	**2017**	2016	Change
Regulated and VVOP restricted cash	**-**	18.7	(100)%
Free cash	**31.5**	9.5	232%
Total	**31.5**	28.2	11%

Live policies
The live policy base has increased by 26% in the year due to significant customer growth in our Indian market, partly offset by the continued reduction in the restricted UK book, which includes a one-time impact from the closure of a wholesale book.

Annual renewal rate
The annual renewal rate for 2017 has decreased marginally by 0.1 percentage point since December 2016 due to the mix impact of increasing renewal bases in India and Turkey that typically renew at lower rates than our restricted European markets.

Revenue by major product
Revenue from retail assistance policies has increased by 29% year-on-year due to growth in India being partly offset by the continued decline in Card Protection and Identity Protection renewals in the restricted UK. Retail insurance revenue, which relates to an historic UK business partner contract, has continued to decline as expected.

Cost/income ratio
Our cost/income ratio has increased by 1 percentage point year-on-year due to mix factors as the UK renewal book becomes a smaller share of the Group and funding the development of Blink.

Underlying operating profit margin
Our underlying operating profit margin has decreased by 7.1 percentage points year-on-year reflecting a reducing rate in India through expansion of lower margin products and funding the development of Blink.

Group cash balances
The removal of the VVOP asset restrictions in CPPL and HIL during the year has significantly reduced the Group's restricted cash balances. Restricted cash will now represent cash required to be held for regulatory purposes only which is currently £nil. Free cash has increased due to the swap of VVOP funds from restricted cash to free cash and the proceeds from the sale of the Head Office building in York.

Tax
In 2017 there was a tax credit on continuing operations of £1.2 million (2016: £1.3 million). The credit includes £1.6 million (2016: £0.3 million charge) which arises in CPPL after a credit of £0.8 million to the prior year and release of certain tax contingencies totalling £1.0 million. Profits arising in UK entities are fully covered by group relief from losses arising in UK entities. Charges on overseas profits arising in Spain, Turkey and Italy are effectively offset by the UK credits arising in the year. Due to the various movements noted, the effective tax rate for the year is not considered to be a representative measure.

Cash flow and net funds

The Group's cash balances have increased in the year by £3.2 million (2016: £11.6 million decrease) following the sale of the Head Office in York. This positive cash impact has been partly offset by the acquisition and subsequent funding of Blink. Cash from operations amounted to £1.9 million (2016: £6.0 million used in operations) and results primarily from positive operating cash flows across the business.

The net funds position has improved in the year to £31.5 million (2016: £26.9 million) which reflects the positive cash flows in the year. The Group currently has no drawn borrowings. The net funds figure includes cash balances of £19.0 million held in the UK's regulated entities, CPPL and HIL which, following the lifting of the VVOP asset restrictions, has improved the availability of cash resources for investment in the wider Group. At 31 December 2016, £18.7 million was held in these regulated entities with any distribution requiring PRA or FCA approval. At 31 December 2017 the only remaining restriction on our cash balances could relate to HIL's regulatory capital requirements, however other assets are in excess of our regulatory requirements and therefore no cash is required to satisfy the position. As a result, our unrestricted cash position of £31.5 million is £22.0 million higher than 31 December 2016. The lifting of the capital restrictions represents significant progress in allowing the Group the flexibility to invest resources around the Group to capitalise on the opportunities that exist.

Dividend

The Directors have decided not to recommend the payment of a dividend. Furthermore, the Board continues to believe it is not appropriate to pay a dividend until cash generated by operations is more than adequate to cover the Group's future investment plans.

Balance sheet and financing

At 31 December 2017 the Group had net assets of £15.0 million which is an increase of £4.9 million from the 2016 net asset position of £10.1 million following the Group's profitable trading performance in the year. The balance sheet continues to strengthen with cash balances increasing and residual redress obligations complete. The Group has not drawn against its borrowing facility at the year end.

Subsequent to the balance sheet date the Group has extended its borrowing arrangements in the form of a committed £5.0 million revolving credit facility (RCF), for a period of three years to February 2021. The RCF has been extended on improved terms with the margin decreasing to 2.5% and certain other conditions being reduced or removed.

Events after the balance sheet date

The Group completed a minority investment in KYND on 6 March 2018. The Group has acquired 20% of the share capital of KYND for a total consideration of £1.2 million. The consideration is payable in two tranches with £0.5 million paid and a further £0.7 million payable following the satisfaction of certain conditions.

Oliver Laird
Chief Financial Officer

14 March 2018

RISKS AND UNCERTAINTIES

The Group's risk framework enables risks to be identified, measured, managed, monitored and reported consistently and objectively. The focus of our risk management framework is to ensure the Group is managed in a sustainable and controlled way, making risk-based decisions within our tolerance.

Risk library

The risk library supports the risk framework and allows risks to be discussed consistently. It allows the aggregation of risk at a country and Group level and it provides a complete view of exposures.

The library consists of a hierarchy of risk levels, with each level representing further granularity. Level 1 represents the highest level of risk reporting in the Group. The Group has five level 1 risks: financial, business, reputational, operational and conduct. Level 1 risks are further subdivided to allow allocation of ownership throughout the countries and the International Support Centre.

Risk & Control Self-assessment

Central to the risk framework is the ability to identify and measure risks and controls and put in place appropriate actions to manage them. To achieve this a quarterly process has been embedded, where each country will consider its exposure and associated controls against the risk library; this is known as a Risk & Control Self-Assessment (RCSA). The outputs are discussed at various committees including the Group Risk & Compliance Committee.

Risk environment

During the year we have continued to improve the Risk Management Framework and embed new processes which ensure risk and controls are discussed and managed throughout the organisation. As a business we recognise the importance of having an open and honest risk culture which encourages debate and discussion on the issues and risks affecting the business.

Consolidated income statement
For the year ended 31 December 2017

	Note	**2017** £'000	2016 £'000
Continuing operations			
Revenue	4	**91,435**	73,649
Cost of sales		**(49,598)**	(27,737)
Gross profit		**41,837**	45,912
Administrative expenses		**(38,290)**	(47,693)
Operating profit/(loss)		**3,547**	(1,781)
Analysed as:			
Underlying operating profit	4	**3,908**	8,365
Exceptional items	5	**(67)**	(9,172)
MSP charges	13	**(294)**	(974)
Investment revenues		**191**	231
Finance costs		**(313)**	(325)
Profit/(loss) before taxation		**3,425**	(1,875)
Taxation		**1,174**	1,342
Profit/(loss) for the year from continuing operations		**4,599**	(533)
Discontinued operations			
Profit for the year from discontinued operations		**-**	579
Profit for the year attributable to equity holders of the Company		**4,599**	46

Basic earnings/(loss) per share		**Pence**	Pence
Continuing operations	6	**0.54**	(0.06)
Discontinued operations	6	**-**	0.07
Total		**0.54**	0.01

Diluted earnings/(loss) per share		**Pence**	Pence
Continuing operations	6	**0.52**	(0.06)
Discontinued operations	6	**-**	0.07
Total		**0.52**	0.01

Consolidated statement of comprehensive income
For the year ended 31 December 2017

	2017 £'000	2016 £'000
Profit for the year	**4,599**	46
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(158)**	(62)
Other comprehensive expense for the year net of taxation	**(158)**	(62)
Total comprehensive income/(expense) for the year attributable to equity holders of the Company	**4,441**	(16)

Consolidated balance sheet
At 31 December 2017

	Note	**2017 £'000**	2016 £'000
Non-current assets			
Goodwill	14	**776**	-
Other intangible assets	7	**882**	2,136
Property, plant and equipment	8	**1,281**	5,316
Deferred tax asset		**1,554**	818
		4,493	8,270
Current assets			
Insurance assets		**30**	62
Inventories		**65**	40
Trade and other receivables		**24,116**	16,991
Cash and cash equivalents	9	**31,465**	28,250
		55,676	45,343
Total assets		**60,169**	53,613
Current liabilities			
Insurance liabilities		**(706)**	(863)
Income tax liabilities		**(854)**	(1,946)
Trade and other payables		**(22,427)**	(25,383)
Borrowings	10	**6**	(1,391)
Provisions	11	**(490)**	(1,143)
Deferred revenue		**(20,681)**	(12,716)
		(45,152)	(43,442)
Net current assets		**10,524**	1,901
Non-current liabilities			
Borrowings	10	**-**	80
Deferred tax liabilities		**-**	(103)
		-	(23)
Total liabilities		**(45,152)**	(43,465)
Net assets		**15,017**	10,148
Equity			
Share capital	12	**23,978**	23,975
Share premium account		**45,225**	45,225
Merger reserve		**(100,399)**	(100,399)
Translation reserve		**771**	929
ESOP reserve		**15,114**	14,516
Retained earnings		**30,328**	25,902
Total equity attributable to equity holders of the Company		**15,017**	10,148

Consolidated statement of changes in equity
For the year ended 31 December 2017

	Note	Share capital £'000	Share premium account £'000	Merger reserve £'000	Translation reserve £'000	Equalisation reserve £'000	ESOP reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2016		23,939	45,225	(100,399)	991	6,243	13,093	20,923	10,015
Total comprehensive expense		-	-	-	(62)	-	-	46	(16)
Movement on equalisation reserve		-	-	-	-	(6,243)	-	6,243	-
Current tax charge on equalisation reserve movement		-	-	-	-	-	-	(1,249)	(1,249)
Equity settled share-based payment charge		-	-	-	-	-	1,486	-	1,486
Deferred tax on share-based payment charge		-	-	-	-	-	-	(11)	(11)
Movement in EBT shares	12	-	-	-	-	-	(63)	-	(63)
Exercise of share options		36	-	-	-	-	-	(50)	(14)
At 31 December 2016		23,975	45,225	(100,399)	929	**-**	14,516	25,902	10,148
Total comprehensive income		**-**	**-**	**-**	**(158)**	**-**	**-**	**4,599**	**4,441**
Equity settled									

	Note								
share-based payment charge		**-**	**-**	**-**	**-**	**-**	**271**	**-**	**271**
Deferred tax on share-based payment charge		**-**	**-**	**-**	**-**	**-**	**-**	**113**	**113**
Movement in EBT shares	12	**-**	**-**	**-**	**-**	**-**	**327**	**-**	**327**
Exercise of share options	12	**3**	**-**	**-**	**-**	**-**	**-**	**(286)**	**(283)**
At 31 December 2017		**23,978**	**45,225**	**(100,399)**	**771**	**-**	**15,114**	**30,328**	**15,017**

Consolidated cash flow statement

For the year ended 31 December 2017

	Note	**2017 £'000**	2016 £'000
Net cash from/(used in) operating activities	15	**1,178**	(7,209)
Investing activities			
Interest received		**191**	243
Proceeds from sale of property		**5,325**	-
Purchases of property, plant and equipment		**(847)**	(592)
Purchases of intangible assets		**(315)**	(3,812)
Acquisition of a subsidiary	14	**(862)**	-
Net cash from/(used in) investing activities		**3,492**	(4,161)
Financing activities			
Repayment of bank loans		**-**	(1,000)
Repayment of the Second Commission Deferral Agreement	15	**(1,304)**	-
Interest paid		**(304)**	(230)
Issue/(purchase) of ordinary share capital and associated costs		**44**	(76)
Net cash used in financing activities		**(1,564)**	(1,306)
Net increase/(decrease) in cash and cash equivalents		**3,106**	(12,676)
Effect of foreign exchange rate changes		**109**	1,116
Cash and cash equivalents at 1 January		**28,250**	39,810
Cash and cash equivalents at 31 December	9	**31,465**	28,250

Notes to condensed financial statements

1. General information

While the financial information included in this annual results announcement has been computed in accordance with the recognition and measurement criteria of International Financial Reporting Standards as adopted for use by the European Union ('IFRS') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company will publish full financial statements that comply with IFRS in April 2018.

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2017 or 31 December 2016, but is derived from the 2017 financial statements. Statutory financial statements for 2016 for the Company prepared under IFRS have been delivered to the Registrar of Companies and those for 2017 for the Company will be delivered following the Company's Annual General Meeting. The Auditor, Deloitte LLP, has reported on these financial statements; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006. These 2017 financial statements were approved by the Board of Directors on 14 March 2018.

2. Accounting policies

The same accounting policies, presentation and methods of computation are followed in the condensed financial statements as were applied in the Group's audited financial statements for the year ended 31 December 2016. The following Standards and Interpretations have become effective and have been adopted in these condensed financial statements. Their adoption has not had any material impact on the Group. No Standards or Interpretations have been adopted early in these condensed financial statements.

Standard/Interpretation	**Subject**
IAS 12 (amendments)	Recognition of deferred tax assets for unrealised losses
IAS 7 (amendments)	Disclosure Initiative
Annual improvements to IFRSs	2014-2016 Cycle

The Group has estimated applying IFRS 15 revenue from contracts with customers as materially impacting the accounting for deferred revenue in the case of certain contracts. It is anticipated that there will be a material impact on revenue recognition and profit across the Group. If IFRS 15 was applied to 2017 reported revenue, under current contractual arrangements, the estimated impact would have been to increase revenue for 31 December 2017 in the range of £9 million to £11 million and due to changes in the timing of recognition of certain cost elements, a decreased profit in the range of £2 million to £3 million. Any amendments to contractual arrangements or costs of providing performance obligations may

change future recognition principles under IFRS15. The application of IFRS 15 will change the timing of the Group's profit performance. The overall lifetime profit margins associated with the Group's contracts are not impacted.

The Group will first apply IFRS 15 on 1 January 2018, using the full retrospective approach. Therefore the comparative information will be restated in the 30 June 2018 interim financial statements.

The comparative period balance sheet has been represented to separately disclose deferred revenue due to the material nature of this balance. Deferred revenue was previously presented within trade and other payables.

3. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements

Revenue recognition

The Group has made judgements over the appropriate levels of recognition of revenue on inception of policies and the appropriate level of revenue to defer over the duration of the policies. Deferred revenue is based on the ongoing cost of call handling and service costs and an appropriate profit margin. Judgement is made over the levels of future costs likely to be incurred in providing ongoing services. Levels of revenue deferral vary dependant on country specific cost factors and experience of historical costs and volumes.

Classification of exceptional items

Exceptional items are those items that are required to be separately disclosed by virtue of their size or incidence or have been separately disclosed in order to improve a reader's understanding of the financial statements. Consideration of what should be included as exceptional requires judgement to be applied. Exceptional items are considered to be ones which are material, non-recurring and outside of the normal operating practice of the Group.

Assumptions and estimation uncertainties

Contractual matters

The Group has made certain commercial and contractual decisions that are not yet agreed with all affected parties. The Group is satisfied with its position from both a legal and regulatory perspective. Appropriate financial provisions are in place in respect of these matters and are included in trade and other payables. The Group has taken advantage of the reduced disclosures available within IAS 37 as it does not consider it appropriate to disclose the detail of contractual matters as it may prejudice any future discussions.

The appropriate level of financial provision may vary and impact the consolidated income statement depending on the outcome of any future discussions with those parties affected.

Deferred tax asset

The Group has recognised a deferred tax asset of £1,554,000. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Due to the uncertainty associated with such tax items it is feasible that at a future date, on conclusion of possible taxable profit outcomes, the final utilisation may vary significantly. The value recognised as a deferred tax asset is a judgement within a range of reasonable future forecast sensitivities of up to £5,900,000 to a reduction in assets entirely. Deferred tax assets are currently recognised under the assumption of forecast profits on a short-term assessment basis.

4. Segmental analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors to allocate resources to the segments and to assess their performance.

The Group is managed on the basis of three broad geographical regions:
- UK and Ireland (UK and Ireland);
- Europe and Latin America (Spain, Italy, Germany, Turkey, Mexico and Portugal);
- Asia Pacific (India, China, Hong Kong, Malaysia and Singapore).

Segment revenues and performance have been as follows:

	UK and Ireland 2017 £'000	Europe and Latin America 2017 £'000	Asia Pacific 2017 £'000	Total 2017 £'000
Year ended 31 December 2017				
Continuing operations				
Revenue - external sales	**22,314**	**26,919**	**42,202**	**91,435**
Cost of sales	**(1,937)**	**(12,229)**	**(35,432)**	**(49,598)**
Gross profit	**20,377**	**14,690**	**6,770**	**41,837**
Depreciation and amortisation	**(1,043)**	**(118)**	**(29)**	**(1,190)**
Other administrative expenses excluding exceptional items	**(21,744)**	**(10,070)**	**(4,925)**	**(36,739)**

and MSP charges

Regional underlying operating (loss)/profit	**(2,410)**	**4,502**	**1,816**	**3,908**
Exceptional items (note 5)				**(67)**
MSP charges				**(294)**
Operating profit				**3,547**
Investment revenues				**191**
Finance costs				**(313)**
Profit before taxation				**3,425**
Taxation				**1,174**
Profit for the year from continuing operations				**4,599**
Discontinued operations				
Profit for the year from discontinued operations				**-**
Profit for the year				**4,599**

For the purposes of resource allocation and assessing performance, operating costs and revenues are allocated to the regions in which they are earned or incurred. The above does not reflect additional net charges of central costs of £3,330,000 presented within UK and Ireland in the table above which have been charged to other regions for statutory purposes.

	UK and Ireland 2016 £'000	Europe and Latin America 2016 £'000	Asia Pacific 2016 £'000	Total 2016 £'000
Year ended 31 December 2016				
Continuing operations				
Revenue - external sales	28,757	27,619	17,273	73,649
Cost of sales	(2,782)	(13,129)	(11,826)	(27,737)
Gross profit	25,975	14,490	5,447	45,912
Depreciation and amortisation	(368)	(119)	(17)	(504)
Other administrative expenses excluding exceptional items and MSP charge	(24,086)	(9,170)	(3,787)	(37,043)
Regional underlying operating profit	1,521	5,201	1,643	8,365
Exceptional items (note 5)				(9,172)
MSP charges				(974)
Operating loss				(1,781)
Investment revenues				231
Finance costs				(325)
Loss before taxation				(1,875)
Taxation				1,342
Loss for the year from continuing operations				(533)
Discontinued operations				
Profit for the year from discontinued operations				579
Profit for the year				46

For the purposes of resource allocation and assessing performance, operating costs and revenues are allocated to the regions in which they are earned or incurred. The above does not reflect additional net charges of central costs of £2,359,000 presented within UK and Ireland in the table above which have been charged to other regions for statutory purposes.

Segment assets

	2017 £'000	2016 £'000
UK and Ireland	**24,768**	30,454
Europe and Latin America	**8,592**	8,262

Asia Pacific	**24,479**	14,038
Total segment assets	**57,839**	52,754
Assets relating to discontinued operations	**-**	41
Unallocated assets	**2,330**	818
Consolidated total assets	**60,169**	53,613

Goodwill and deferred tax are not allocated to segments.

Capital expenditure

	Intangible assets		**Property, plant and equipment**	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Continuing operations				
UK and Ireland	**86**	3,780	**633**	478
Europe and Latin America	**35**	32	**194**	27
Asia Pacific	**280**	-	**20**	87
Additions from continuing operations	**401**	3,812	**847**	592

Revenues from major products

	2017 £'000	2016 £'000
Continuing operations		
Retail assistance policies	**87,748**	68,013
Retail insurance policies	**944**	2,473
Wholesale policies	**2,263**	2,503
Non-policy revenue	**480**	660
Revenue from continuing operations	**91,435**	73,649
Discontinued operations	**-**	91
Consolidated total revenue	**91,435**	73,740

Major product streams are disclosed on the basis monitored by the Board of Directors. For the purpose of this product analysis, 'retail assistance policies' are those which may be insurance backed but contain a bundle of assistance and other benefits; 'retail insurance policies' are those which protect against a single insurance risk; 'wholesale policies' are those which are provided by business partners to their customers in relation to an ongoing product or service which is provided for a specified period of time; and 'non-policy revenue' is that which is not in connection with providing an ongoing service to policyholders for a specified period of time.

Geographical information

The Group operates across a wide number of territories, of which the UK, India and Spain are considered individually material. Revenue from external customers and non-current assets (excluding deferred tax) by geographical location are detailed below:

	External revenues		**Non-current assets**	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Continuing operations				
UK	**21,977**	28,358	**2,140**	7,074
India	**40,032**	15,163	**82**	90
Spain	**11,294**	11,997	**151**	92
Other	**18,132**	18,131	**566**	196
Total continuing operations	**91,435**	73,649	**2,939**	7,452
Discontinued operations	**-**	91	**-**	-
	91,435	73,740	**2,939**	7,452

Information about major customers

Revenue from the customers of one business partner in the Group's Asia Pacific segment represented approximately £25,548,000 (2016: £5,515,000) of the Group's total revenue.

5. Exceptional items

	Note	**2017 £'000**	2016 £'000
Aborted IT platform and associated contractual settlement costs	7	**880**	9,104
Reversal of freehold property impairment	8	**(506)**	(1,534)
Customer redress and associated costs	11	**(307)**	(100)
Restructuring costs		**-**	1,170
Requisition costs		**-**	532
Exceptional charge included in operating profit or loss		**67**	9,172
Tax on exceptional items		**(110)**	(436)
Total exceptional (credit)/charge after tax		**(43)**	8,736

Aborted IT platform and associated contractual settlement costs of £880,000 (2016: £9,104,000) relates to impairment and subsequent write off of the IT platform in development.

Reversal of freehold property impairment is a credit of £506,000 (2016: £1,534,000) and reflects the write-back of the asset to its disposal value less costs to sell, refer to note 8 for further detail.

Customer redress and associated costs are a credit of £307,000 (2016: £100,000) and relate to the release of the remaining customer redress provision.

These items are considered exceptional as they are a continuation of action disclosed as exceptional in the prior year or represent a reversal of exceptional charges recognised in prior years.

6. Earnings/(loss) per share

Basic and diluted earnings/(loss) per share have been calculated in accordance with IAS 33 'Earnings per Share'. Underlying earnings per share have also been presented in order to give a better understanding of the performance of the business. In accordance with IAS 33, potential ordinary shares are only considered dilutive when their conversion would decrease the earnings per share from continuing operations attributable to equity holders. The diluted loss per share is therefore equal to the basic loss per share in the current year.

Earnings/(loss)

	Continuing operations		**Discontinued operations**		**Total**	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share	**4,599**	(533)	**-**	579	**4,599**	46
Exceptional items (net of tax)	**(43)**	8,736	**-**	-	**(43)**	8,736
MSP charges (net of tax)	**209**	698	**-**	-	**209**	698
Earnings for the purposes of underlying basic and diluted earnings per share	**4,765**	8,901	**-**	579	**4,765**	9,480

Number of shares

	Number (thousands)	Number (thousands)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share and basic underlying earnings per share	**856,502**	854,677
Effect of dilutive potential ordinary shares: share options	**27,188**	28,506
Weighted average number of ordinary shares for the purposes of diluted underlying earnings per share	**883,690**	883,183

Continuing operations	**Discontinued operations**	**Total**

	2017 Pence	2016 Pence	**2017 Pence**	2016 Pence	**2017 Pence**	2016 Pence
Basic and diluted earnings/(loss) per share						
Basic	**0.54**	(0.06)	**-**	0.07	**0.54**	0.01
Diluted	**0.52**	(0.06)	**-**	0.07	**0.52**	0.01

Basic and diluted underlying earnings per share						
Basic	**0.56**	1.04	**-**	0.07	**0.56**	1.11
Diluted	**0.54**	1.00	**-**	0.07	**0.54**	1.07

The Group has 171,650,000 deferred shares which have no rights to receive dividends and only very limited rights on a return of capital. The deferred shares have not been admitted to trading on AIM or any other Stock Exchange. Accordingly, these shares have not been considered in the calculation of earnings/(loss) per share.

7. Intangible assets

	Internally generated software £'000	Externally acquired software £'000	Total £'000
Cost:			
At 1 January 2016	20,246	22,900	43,146
Additions	362	3,450	3,812
Disposals	(420)	(6,583)	(7,003)
Exchange adjustments	-	137	137
At 1 January 2017	20,188	19,904	40,092
Additions	**82**	**319**	**401**
Disposals	**(19,478)**	**(18,010)**	**(37,488)**
Exchange adjustments	**(2)**	**8**	**6**
At 31 December 2017	**790**	**2,221**	**3,011**
Accumulated amortisation:			
At 1 January 2016	19,478	18,843	38,321
Provided during the year	-	104	104
Disposals	(420)	(6,583)	(7,003)
Impairment	420	5,984	6,404
Exchange adjustments	-	130	130
At 1 January 2017	19,478	18,478	37,956
Provided during the year	**89**	**243**	**332**
Disposals	**(19,478)**	**(18,010)**	**(37,488)**
Impairment	**259**	**1,061**	**1,320**
Exchange adjustments	**-**	**9**	**9**
At 31 December 2017	**348**	**1,781**	**2,129**
Carrying amount:			
At 31 December 2016	710	1,426	2,136
At 31 December 2017	**442**	**440**	**882**

The carrying value of the Group's core platform in development has been reduced to its recoverable amount through recognition of an impairment loss of £880,000 in its UK and Ireland segment. The impairment loss has been reflected against internally generated software (£259,000) and externally generated software (£621,000). The impairment loss has been included as an exceptional item on the consolidated income statement (refer to note 5).

Impairment of an externally generated software intangible asset in its UK and Ireland segment representing capitalisation of a website has been identified. The carrying value of this asset has been reduced to £nil through recognition of an impairment loss of £440,000 against amortisation charges within administrative expenses.

Externally acquired software additions of £319,000 in the year include £86,000 relating to the Blink website recognised on acquisition (refer to note 14).

8. Property, plant and equipment

	Freehold land and property £'000	Leasehold improvements £'000	Computer systems £'000	Furniture and equipment £'000	Total £'000
Cost:					
At 1 January 2016	7,278	5,446	28,525	6,030	47,279

Additions	-	140	390	62	592
Disposals	-	(89)	(1,165)	(120)	(1,374)
Exchange adjustments	-	125	312	101	538
At 1 January 2017	7,278	5,622	28,062	6,073	47,035
Additions	**-**	**325**	**351**	**171**	**847**
Disposals	**(7,278)**	**(4,714)**	**(25,340)**	**(5,116)**	**(42,448)**
Exchange adjustments	**-**	**18**	**48**	**(7)**	**59**
At 31 December 2017	**-**	**1,251**	**3,121**	**1,121**	**5,493**
Accumulated amortisation:					
At 1 January 2016	4,351	5,235	28,309	5,882	43,777
Provided during the year	87	74	110	129	400
Disposals	-	(69)	(1,166)	(120)	(1,355)
Impairment reversal	(1,534)	-	-	-	(1,534)
Exchange adjustments	-	114	305	12	431
At 1 January 2017	2,904	5,354	27,558	5,903	41,719
Provided during the year	**49**	**106**	**220**	**43**	**418**
Disposals	**(2,333)**	**(4,714)**	**(25,340)**	**(5,116)**	**(37,503)**
Impairment reversal	**(620)**	**114**	**-**	**-**	**(506)**
Exchange adjustments	**-**	**19**	**51**	**14**	**84**
At 31 December 2017	**-**	**879**	**2,489**	**844**	**4,212**
Carrying amount:					
At 31 December 2016	4,374	268	504	170	5,316
At 31 December 2017	**-**	**372**	**632**	**277**	**1,281**

During the current year the Group has recognised the reversal of prior year impairment in respect of the freehold land and property totalling £506,000. The reversal reflects a change in the basis of the recoverable amount to disposal value less costs to sell of £4,944,000. The impairment reversal has been recognised as an exceptional item through the consolidated income statement and relates to the UK and Ireland segment. The fair value basis is categorised within level 3 of the fair value hierarchy. On 30 June 2017, the Group disposed of the freehold land and property for total consideration of £5,325,000.

9. Cash and cash equivalents

Consolidated cash and cash equivalents of £31,465,000 (2016: £28,250,000) comprises cash held on demand by the Group and short term deposits.

Cash and cash equivalents includes no cash required to be maintained by the Group's insurance business for solvency purposes. During the year the VVOP asset restrictions previously in place in the Group's regulated entities, HIL and CPPL, have been lifted. The VVOP previously prevented cash held within HIL and CPPL being distributed to the wider Group without the appropriate regulatory approval. The comparative cash and cash equivalents therefore included £18,727,000 which was held in HIL and CPPL either for solvency purposes or due to the VVOP restrictions.

Concentration of credit risk is reduced, as far as practicable, by placing cash on deposit across a number of institutions with the best available credit ratings. Credit quality of counterparties is as follows:

	2017	2016
	£'000	£'000
AA	**4,707**	3,162
A	**22,776**	21,510
BBB	**816**	2,027
BB	**1,387**	1,414
B	**50**	-
Rating information not available	**1,729**	137
	31,465	28,250

Ratings are measured using Fitch's long term ratings, which are defined such that ratings "AAA" to "BBB" denote investment grade counterparties, offering low to moderate credit risk. "AAA" represents the highest credit quality, indicating that the counterparty's ability to meet financial commitments is highly unlikely to be adversely affected by foreseeable events.

10. Borrowings

The carrying value of the Group's financial liabilities, for short term borrowings and long term borrowings, are as follows:

	2017	2016
	£'000	£'000
Bank loans due in less than one year	**-**	-
Less: unamortised issue costs	**(6)**	-

Second Commission Deferral Agreement	**-**	1,391
Borrowings due within one year	**(6)**	1,391
Bank loans due outside of one year	**-**	-
Less: unamortised issue costs	**-**	(80)
Borrowings due outside of one year	**-**	(80)

Analysis of repayments:

	2017 £'000	2016 £'000
Within one year	**-**	1,391
In the second year	**-**	-
In the third to fifth years	**-**	-
Total repayments	**-**	1,391
Less: unamortised issue costs	**(6)**	(80)
Total carrying value	**(6)**	1,311

The Group's bank borrowing facility is in the form of a £5,000,000 revolving credit facility (RCF). The Group is entitled to roll over repayment of amounts drawn down, subject to all amounts outstanding falling due for repayment on expiry of the facility on 28 February 2018. At 31 December 2017, the Group has £5,000,000 undrawn committed borrowing facilities (2016: £5,000,000).

The RCF bears interest at a variable rate of LIBOR plus a margin of 4%. It is secured by fixed and floating charges on certain assets of the Group. The financial covenants of the RCF are based on the interest cover and minimum total cash balance of the Group. The Group has been in compliance with these covenants since inception of the RCF.

On 28 February 2018, the £5,000,000 RCF was extended for a three year term to 28 February 2021. The extended RCF bears interest at a reduced variable rate of LIBOR plus a margin of 2.5%. The facility continues to be secured by fixed and floating charges on certain assets of the Group and has the same financial covenants as the previous facility.

The Second Commission Deferral Agreement related to an agreement with certain business partners to defer the payment of commissions for a period of two years to 31 January 2017. The agreement bore interest at a rate of 3.5% and was secured by charges over assets in CPPL. The Second Commission Deferral Agreement expired and was settled during the year.

The weighted average interest rates paid during the year were as follows:

	2017 %	2016 %
Bank loans	**1.9**	2.3
Second Commission Deferral Agreement	**-**	3.5
Weighted average	**1.9**	2.5

The bank loans weighted average interest rate of 1.9% (2016: 2.3%) comprises the interest rate charged on the drawn amount and the interest rate charged for the commitment on the undrawn element.

11. Provisions

	Onerous leases and associated costs 2017 £'000	**Customer redress and associated costs 2017 £'000**	**Total 2017 £'000**	Onerous leases 2016 £'000	Customer redress and associated costs 2016 £'000	Total 2016 £'000
At 1 January	**667**	**476**	**1,143**	829	1,611	2,440
Charged/(credited) to the income statement	**490**	**(307)**	**183**	500	(100)	400
Customer redress and associated costs paid in the year	**-**	**(169)**	**(169)**	-	(1,035)	(1,035)
Utilisation of onerous lease provision in the year	**(667)**	**-**	**(667)**	(662)	-	(662)
At 31 December	**490**	**-**	**490**	667	476	1,143

The onerous lease and associated costs provision carried forward from the prior year reflected the future

lease payments and associated costs in the expected non-utilisation period at a vacated office in the UK. This provision of £667,000 has been fully utilised in the year. During the year an onerous lease and associated costs provision of £490,000 was identified on a further office in the UK.

The customer redress and associated cost provision comprises anticipated compensation payable to customers through residual customer redress exercises and associated professional fees.

The onerous lease and associated costs provision is expected to be settled within one year of the balance sheet date.

The Group has made certain commercial and contractual decisions that are not yet agreed with all affected parties. The Group is satisfied with its position from both a legal and regulatory perspective. Appropriate financial provisions are in place in respect of these matters and are included in trade and other payables.

12. Share capital

	Ordinary shares of 1 penny each (thousands)	**Deferred shares of 9 pence each (thousands)**	**Total (thousands)**	**Ordinary shares of 1 penny each £'000**	**Deferred shares of 9 pence each £'000**	**Total £'000**
Called up and allotted:						
At 1 January 2017	856,481	171,650	1,028,131	8,562	15,413	23,975
Issue of shares in connection with:						
Exercise of share options	**339**	**-**	**339**	**3**	**-**	**3**
At 31 December 2015	**856,820**	**171,650**	**1,028,470**	**8,565**	**15,413**	**23,978**

During the year, the Company issued 339,000 shares to option holders for total consideration of £3,397. Further details relating to share options are provided in note 13.

During the year 4,051,126 (2016: 711,874) ordinary shares held by the EBT were used to settle awards under the MSP and RSP. At 31 December 2017, the EBT holds no ordinary shares in the Company (2016: 4,051,126). The EBT has not purchased any shares in the current year. The value of shares held by the EBT to satisfy the MSP and RSP exercises has been recognised against the ESOP reserve. The increase in the ESOP reserve in the year is £327,000 (2016: £63,000 reduction).

Of the 856,820,499 ordinary shares issued at 31 December 2017, 856,320,500 are fully paid and 499,999 are partly paid.

The ordinary shares are entitled to the profits of the Company which it may from time to time determine to distribute in respect of any financial year or period.

All holders of ordinary shares shall have the right to attend and vote at all general meetings of the Company. On a return of assets on liquidation, the assets (if any) remaining, after the debts and liabilities of the Company and the costs of winding up have been paid or allowed for, shall belong to, and be distributed amongst, the holders of all the ordinary shares in proportion to the number of such ordinary shares held by them respectively.

Deferred shares have no voting rights, no rights to receive dividends and only very limited rights on a return of capital. The deferred shares have not been listed for trading in any market and are not freely transferable.

13. Share-based payment

Current share plans

Share-based payment charges comprise 2016 LTIP charges of £4,000 (2016: £582,000) and MSP charges of £277,000 (2016: £902,000). These costs are disclosed within administrative expenses, although the MSP share-based payment charge forms part of the MSP charges which is not included in underlying operating profit. MSP charges in the income statement are different to the share-based payment charge due to the recognition of employer's national insurance relating to future option exercises. There have been 16,197,000 options granted in the current year as part of the 2016 LTIP (2016: 26,050,000 options granted). There have been no MSP options granted in either the current or prior year.

	2017		2016	
	Number of share options (thousands)	**Weighted average exercise price (£)**	Number of share options (thousands)	Weighted average exercise price (£)
2016 LTIP				
Outstanding at 1 January	**15,081**	**-**	-	-
Granted during the year	**16,197**	**-**	26,050	-
Forfeited during the year	**(8,727)**	**-**	(10,969)	-
Outstanding at 31 December	**22,551**	**-**	15,081	-

MSP				
Outstanding at 1 January	**17,665**	**0.01**	36,135	0.01
Forfeited during the year	**(2,611)**	**0.01**	(14,111)	0.01
Exercised during the year	**(4,385)**	**0.01**	(4,359)	0.01
Outstanding at 31 December	**10,669**	**0.01**	17,665	0.01
Exercisable at 31 December	**2,431**	**0.01**	1,810	0.01

Nil-cost options and conditional shares granted under the 2016 LTIP normally vest after three years, lapse if not exercised within ten years of grant and will lapse if option holders cease to be employed by the Group. Vesting of 2016 LTIP options and shares are also subject to achievement of certain performance criteria including underlying operating profit targets and either a share price or non-financial events measure over the vesting period.

Options granted under the MSP have an exercise price of 1 penny and vest over a three year period, with 25% vesting on the first anniversary of the grant date, 25% vesting on the second anniversary and 50% vesting on the third anniversary. Options lapse if not exercised within ten years of the grant date and will lapse if option holders cease to be employed by the Group or sell any of their investment shares. There have been no options granted in the current year (2016: nil) and options exercised in the current year total 4,385,000 (2016: 4,359,000).

The options outstanding at 31 December 2017 had a weighted average remaining contractual life of two years (2016: two years) in the 2016 LTIP and no years (2016: one year) in the MSP.

The principal assumptions underlying the valuation of the options granted during the year at the date of grant are as follows:

	LTIP 2016 April 2017	**LTIP 2016 November 2017**
Weighted average share price	**£0.16**	**£0.13**
Weighted average exercise price	-	-
Expected volatility	**150%**	**150%**
Expected life	**3 years**	**3 years**
Risk-free rate	**0.67%**	**0.67%**
Dividend yield	**0%**	**0%**

There have been 16,197,000 share options granted in the current year. The aggregate estimated fair value of the options and shares granted in the current year under the 2016 LTIP was £2,513,000.

14. Acquisition of a subsidiary

On 17 March 2017, the Group acquired 100% of the issued share capital of Blink for initial cash consideration of £862,000 (€1 million). The acquisition also allows for a further earn-out based on future profits and product development which is considered to represent remuneration rather than contingent consideration.

The net assets acquired and their provisional fair values at 17 March 2017 were:

	Book value £'000	Fair value £'000
Intangible assets	-	86
Net assets acquired	-	86
Goodwill	-	776
Cash consideration paid		**862**

Cash consideration paid	862
Acquisition costs	128
Cash acquired on acquisition	-
	990

On acquisition, the carrying value of the net assets of Blink was £nil. The Group has made a fair value adjustment of £86,000 to recognise an intangible asset relating to the development of the Blink website. The acquisition remains within the measurement period and the Group continues to evaluate all identifiable assets and liabilities.

Goodwill of £776,000 reflects the discounted future cash flows of Blink's product offering (cancelled flight resolution), future development opportunities from the Blink team, as well as synergies to the Group from the acquired team's expertise.

Acquisition costs of £128,000 have been recognised as an administrative expense through the consolidated interim income statement.

Included within the Group's consolidated income statement is revenue of £nil and a loss before tax of £815,000 relating to Blink since the acquisition date and is the same as if the acquisition had occurred on 1 January 2017.

15. Reconciliation of operating cash flows

	2017 £'000	2016 £'000
Profit for the year	**4,599**	46

Adjustment for:		
Depreciation and amortisation	**750**	504
Equity settled share-based payment expense	**270**	1,486
Impairment loss on intangible assets	**1,320**	6,404
Reversal of freehold property impairment	**(506)**	(1,534)
Loss on disposal of property, plant and equipment	**-**	20
Investment revenues	**(191)**	(243)
Finance costs	**313**	325
Income tax credit	**(1,174)**	(1,342)
Operating cash flows before movements in working capital	**5,381**	5,666
(Increase)/decrease in inventories	**(25)**	2
Increase in receivables	**(7,301)**	(3,542)
Decrease in insurance assets	**32**	255
Increase/(decrease) in payables	**4,666**	(6,718)
Decrease in insurance liabilities	**(157)**	(326)
Decrease in provisions	**(653)**	(1,296)
Cash from/(used in) operations	**1,943**	(5,959)
Income taxes paid	**(765)**	(1,250)
Net cash from/(used in) operating activities	**1,178**	(7,209)

Reconciliation of net debt

	At 1 January 2017 £'000	Cash flow £'000	Foreign exchange and other non-cash movement £'000	At 31 December 2017 £'000
Net cash per cash flow statement	**28,250**	**3,106**	**109**	**31,465**
Liabilities from financing:				
Borrowings due within one year				
Repayment of Second Commission Deferral Agreement	(1,304)	1,304	6	6
Capitalised interest on Second Commission Deferral Agreement	(87)	87	-	-
Borrowings due outside of one year				
Unamortised issue costs	80	-	(80)	-
Total net debt	**26,939**	**4,497**	**35**	**31,471**

The capitalised interest of £87,000 paid in relation to the Second Commission Deferral Agreement is included within interest paid of £304,000 in the cash flow statement.

16. Related party transactions

Transactions with related parties

ORConsulting Limited (ORCL) is an organisation used by the Group for consulting services in relation to leadership coaching. Organisation Resource Limited, a company owned by Mark Hamlin who is a Non-Executive Director of the Group, retains intellectual property in ORCL for which it is paid a license fee. The fee paid to ORCL by the Group in 2017 was £28,000 (2016: £nil) and was payable under 30 days credit terms.

Remuneration of key management personnel

The remuneration of the Directors and senior management team, who are the key management personnel of the Group, is set out below:

	2017 £'000	2016 £'000
Short term employee benefits	**2,421**	2,697
Post-employment benefits	**93**	142
Termination benefits	**253**	817
Share-based payments	**252**	1,028
	3,019	4,684

17. Events after the balance sheet date

The Group completed a minority investment in KYND on 6 March 2018. The Group has acquired 20% of the share capital of KYND for a total consideration of £1.2 million. The consideration is payable in two tranches with £0.5 million paid on completion and a further £0.7 million payable following the satisfaction of certain conditions.

Cautionary statement

This announcement has been prepared solely to provide additional information to shareholders as a body to meet the relevant requirements of the UK Listing Authority. The announcement should not be relied on by any other party or for any other purpose.

The announcement contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of approval of the announcement but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Subject to the requirements of the UK Listing Authority, CPP undertakes no obligation to update these forward-looking statements and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this announcement.

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