CPPGROUP PLC

24 AUGUST 2017

HALF YEAR REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2017

CPPGroup Plc - Half year report for the six months ended 30 June 2017

International revenue growth exceeds decline in the UK renewal book

CPPGroup Plc (CPP or the Group), the innovative product marketing business, today announces its results for the six months ended 30 June 2017.

Highlights

- Group revenue increased by 18% to £41.8 million (H1 2016: £35.4 million), representing the first period of growth in over five years
- International revenues grew 52% to £30.3 million (H1 2016: grew 19% to £20.0 million) more than compensating for the further reduction in the UK renewal book, which is in managed decline, where revenues declined 26% to £11.4 million (H1 2016: declined 30% to £15.3 million)
- Reported operating profit increased 2% to £2.7 million (H1 2016: £2.6 million). However, underlying operating profit reduced 42% to £2.1 million (H1 2016: £3.6 million) with the growth from an increasing international customer base not yet covering the decline in the higher margin UK renewal book. In the international business we expect to see continued significant growth in revenues, led by India where we also expect the percentage margin to materially increase as higher margin products enter the mix
- Profit after tax increased 15% to £2.6 million (H1 2016: £2.3 million)
- Unrestricted cash position improved significantly to £29.6 million (H1 2016: £7.8 million) following approval from the PRA to lift the capital and asset restrictions on Homecare Insurance Limited and the receipt of the proceeds from the sale of the York Head Office premises
- Product development has been re-focused using bespoke development capabilities, which is more removed from the historic UK based in-house strategy. As a first step we have acquired Blink Innovation Limited (Blink), an innovative product and systems developer based in Cork. Blink is already performing as intended working closely in partnership with our business leaders around the world
- Implemented a change in organisational structure to support growth plans and create cost efficiencies

Jason Walsh, Chief Executive Officer, commented:

"I am pleased with the performance of the business during the first half of this year, which has seen a return to revenue growth for the first time in five years. This was the result of growth in a number of our key international markets, but particularly India, where our consumer-led products and Business Partner relationships have gone from strength to strength.

"During the half, we simplified our operating structure by devolving greater responsibility to our country leaders and acquired Blink, which is performing as intended and is helping to ensure we have the right platform for product innovation. These factors, along with our improved free capital position, will enable us to maximise the significant opportunities for sustainable growth that are available across the Group.

"We are continuing to deliver on our strategic plan and as we enter the second half of the year, we expect to continue this revenue growth momentum and remain confident with the outlook for the full year."

Highlights	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Revenue (£ millions)	**41.8**	35.4
Operating profit (£ millions)		
− Reported	**2.7**	2.6
− Underlying[1]	**2.1**	3.6
Profit after tax (£ millions)	**2.6**	2.3
Basic earnings per share (pence)	**0.31**	0.27
Net assets (£ millions)	**13.1**	12.9
Net funds (£ millions)[2]	**29.7**	29.5

1. Underlying operating profit excludes an exceptional credit of £0.8 million (H1 2016: £0.5 million charge) and Matching Share Plan (MSP) charges of £0.2 million (H1 2016: £0.5 million). Further detail of exceptional items is provided in note 4 to the condensed consolidated interim financial statements.
2. Net funds comprise cash and cash equivalents of £32.2 million (H1 2016: £33.2 million) partially offset by borrowings of £2.5 million (H1 2016: £3.7 million). Cash and cash equivalents includes cash held for regulatory purposes of £2.6 million. Unrestricted cash of £29.6 million (H1 2016: £7.8 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 £25.4 million.

Enquiries

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About CPP

CPP is a leading, innovative product marketing 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.cppgroupplc.com

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CHIEF EXECUTIVE'S STATEMENT

CPP has continued to make good progress during the first half of 2017 as the significant opportunities that are available to the Group continue to materialise and we further develop our strategy to capitalise on them. There have been a number of key milestones and successes achieved that have provided and will provide the necessary momentum and capability to drive the business forward and shape the picture for our future.

Key milestones

We have made major progress during the first half of the year in freeing up the necessary capital to take the Group into the next stage of its strategy.

In May 2017, the Group received approval from the Prudential Regulation Authority (PRA) to lift the non-trading related restrictions for Homecare Insurance Limited (HIL). The lifting of these restrictions allows the Group to develop a structured run-off plan for HIL with the regulator, which will release further capital in the short to medium term for investment in our targeted international growth opportunities within the wider Group.

Additionally, on 30 June 2017, the Group completed the sale and partial leaseback of its Head Office premises in York. The sale proceeds of £5.3 million further increased the cash funds available to the Group to reinvest into the business.

This funding will be used to focus on our rapidly expanding international operations, particularly India, China and Turkey, as well as in other more recent investments, such as Blink, the digital travel product and innovation business, which CPP acquired in March 2017.

Improved operational purpose

As part of our strategy we have taken the important step to redesign our organisational structure as it is critical that we have a simplified business model and operating structure that is aligned to our strategic priorities. To promote this we have implemented a decentralised operating model, which has placed far greater operational responsibility with each of our country markets. Our country heads now have more autonomy across a broader aspect of their business including marketing, product selection and financial performance. This change allows our experts in country, who are best placed to understand local demands and opportunities, to make key decisions that affect their business and customers. This is an important development as not only does it create true accountability for the country heads but it also has enabled less reliance on a large, UK based Group function, with the focus now on an efficient Corporate Centre that will provide the appropriate level of support, oversight and governance across the entire Group. The efficiencies obtained from the reduction in size of the Corporate Centre are expected to be approximately £2 million annualised and will be reinvested in revenue generating activities within our markets.

At the same time, to enable the Corporate Centre to be completely focused on supporting the Group, it will be relocating to a new Global Head Office. Premises located in Leeds have been agreed and current plans are for the Corporate Centre to transfer to these premises during Q4 2017.

Having the right team in place is also critical and we are pleased that Oliver Laird joined the business as Chief Financial Officer in June 2017. Oliver has more than 10 years' experience in senior finance roles in regulated financial services businesses, most recently as CFO of First Direct Bank. Oliver, along with the rest of the senior team, will have a vital role to play in executing the Group's strategic plans.

Operational review

Revenue performance returns to growth

The Group has continued to perform well financially. One of our strategic priorities for 2017 was to grow revenue and customer volume and the actions we have taken over the last 12 months are seeing this come to fruition.

Revenue has increased by 18% compared to the same period last year, which represents the first reported period of revenue growth in over five years. This growth is driven by our international markets where revenue is 52% higher and includes our Indian business that has almost trebled its revenue period on period.

Our live policy base has once again grown to 4.5 million from 4.3 million in the first half of 2017, reflecting significant new volumes in our priority markets of India, China and Turkey. The impact of this strong new policy volume has been partly offset by continued managed decline in the UK, which includes a one-off impact of over 0.4 million customers from a low revenue wholesale book that closed in May.

The Group operates in three regions: Asia Pacific which accounts for 40% of Group revenue; Europe and Latin America which accounts for 32% of Group revenue; and UK and Ireland which accounts for 28% of Group revenue. The shift in the revenue profile from our established markets to developing markets has continued in H1 2017, with Asia Pacific, led by India, now representing the largest share of the Group's revenue. This change was expected and follows the Group's strategic plan which will see this trend continuing over the short to medium term.

In India, we have continued to grow our revenues and increase profitability through significant customer volume growth. Multiple Business Partner relationships distributing through multiple marketing channels has seen a rapid growth in our three main product lines of Extended Warranty, Card Protection and Mobile Phone Insurance.

Our other key international markets are also making good progress. China is growing revenue as current Business Partner relationships begin to scale and we have recently signed a new Business Partner contract with a top tier bank. These factors, along with IT infrastructure investment, will help to grow the business in H2 2017. Turkey is continuing to increase its revenue, profitability and customer numbers as Business Partner relationships develop and we expand our product and channel propositions. Mexico has also made progress as the renewal book grows and we have recently launched a new campaign for OwlDetect through a leading bank. In Spain, although revenue has fallen, renewal performance continues to be good and underlying operating profit has improved as the business continues to make operational efficiencies.

In the UK, as a recognition that the issues which faced the business in the past have now been remedied, the FCA agreed to lift the capital and asset restrictions placed on HIL and Card Protection Plan Limited (CPPL) as part of the VVOP's. At the same time, the Group decided to place the CPPL back book into managed decline and new business opportunities in the UK will now be focused through Blink. This marks a significant step in the UK business and allows the Group to focus resources on revenue generating opportunities.

The Group's annual renewal rate at 75.7% has continued to strengthen and reflects actions taken in Turkey to improve the retention of customers. Renewal rates in our established markets continue to be strong.

Integration of Blink and new product development

As part of our restructuring, product development is now driven using bespoke development capabilities more removed from the historic UK based in-house strategy. As a first step on 17 March 2017, the Group acquired Blink, an innovative product and systems developer based in Cork. The acquisition represents an exciting development in enhancing the Group's product set and innovation capability. Since acquisition, we have continued to invest and grow the Blink business, whose launch product was part of the FCA's Project Innovate 'sandbox' scheme. Through Blink, CPP will extend its regulatory presence in the UK and an application for full trading permissions is in the process of being submitted to the FCA. The Group will use Blink as a platform to develop innovative assistance and insurance products both for the UK market and internationally. In the UK this will also involve a relaunch of the UK's distribution network.

The acquisition of Blink has provided the Group with the platform to drive this strategy forward and allow meaningful local development to be delivered at pace. To further enhance new product development opportunities, each market will have the capability to build new products locally for use on the Blink platform. The first product of this type will be delivered on the Blink platform in Q4 2017.

Additionally, CPP will look to acquire or partner with other assistance and technology businesses, where appropriate, in order to expand our product portfolio and to capitalise on our distribution networks in our country markets.

Expansion into new and existing jurisdictions

The next phase in the Group's strategy is to focus on its rapidly-expanding international operations, particularly in India, China and Turkey, as well as other more recent investments, and we are preparing to enter new markets in the first half of 2018, where the Group believes it can harness existing regional distribution and operating synergies to develop a strong regional network.

In China, we are investing further in developing the IT infrastructure capabilities of the business, which will allow it to develop targeted new business partnerships in the financial services and insurance sectors, as well as providing the capability for it to operate more efficiently and independently within the Chinese marketplace.

Over the last 12 months, the Indian business has grown and now contributes a significant portion of Group revenue. As the Indian market continues to develop, the intention is to invest further in developing new products and marketing channels to ensure that the Group is well placed to capture new Business Partners and secure existing Business Partners for the longer term.

Financial review

Summary

Group revenue has increased by 18% for the half year to £41.8 million (H1 2016: £35.4 million). Returning to revenue growth is an important step in the development of the Group and reflects our continued progress in the Indian and Turkish markets, partly offset by the continued natural decline in the historic UK renewal book. New business opportunities in the UK will be focused through Blink where an application for trading permissions is in progress.

Reported operating profit in the first half of year has increased to £2.7 million (H1 2016: £2.6 million). As expected, underlying operating profit, which excludes an exceptional credit of £0.8 million and MSP charges of £0.2 million, has declined period on period to £2.1 million (H1 2016: £3.6 million). This reflects the shift in the revenue mix from higher margin, back book focused European markets to lower margin growth markets such as India and China, as well as the significant reinvestment we are making in our markets and costs associated with the operational restructure. Plans are in place to improve the margin levels in these developing markets through focus on renewal rates and the extension of the business into products with greater functionality and consequently higher margins.

The exceptional credit of £0.8 million (H1 2016: £0.5 million charge) in the period comprises £0.6 million reversal of impairment on the freehold land and property prior to disposal of the York Head Office and £0.2 million customer redress credit.

Net finance costs and taxation total £0.1 million (H1 2016: £0.3 million). Profit after tax has increased to £2.6 million (H1 2016: £2.3 million) due to exceptional items which are a credit in H1 2017 compared to a charge in H1 2016.

Balance sheet, financing and cash flow

The Group's net asset position has increased to £13.1 million (31 December 2016: £10.1 million). The current borrowing arrangements are a £5.0 million revolving credit facility (RCF) which is available until February 2018. At 30 June 2017, the balance on the RCF was £2.5 million, although this has been repaid subsequent to the balance sheet date. Discussions with our lender regarding a renewal of the facility have been positive and are at an advanced stage.

The Group's net funds position has increased to £29.7 million at 30 June 2017 (31 December 2016: £26.9 million). This improvement reflects the proceeds from the sale of the York Head Office partly offset by the acquisition of Blink. The net funds position includes cash balances of £32.2 million which following the lifting of the VVOP asset restrictions on HIL and CPPL has improved the availability of our cash resources for investment within the Group. At 31 December 2016, £18.7 million was held in the Group's regulated entities with any distribution requiring either PRA or FCA approval; at 30 June 2017, the only remaining restriction on our cash balances relate to HIL's regulatory capital requirements, with the current minimum level of cash required to be held in the business being £2.6 million. Our unrestricted cash has, therefore, increased to £29.6 million, a position which is approximately £20 million higher than at 31 December 2016. This represents a major step to have the flexibility to invest resources around the Group to capitalise on the opportunities that exist.

Summary and outlook

The Group's financial and operational performance is progressing as planned and our expectations for the full year remain unchanged. CPP is at a very exciting stage in its journey. We have implemented a new organisational design and have the resources freely available to invest in the many exciting opportunities we see to secure sustainable growth for the Group**.**

Jason Walsh
Chief Executive Officer

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Note	**6 months ended 30 June 2017 £'000 (Unaudited)**	6 month ended 30 June 2016 £'000 (Unaudited)	Year ended 31 December 2016 £'000 (Audited)
Continuing operations				
Revenue		**41,822**	35,441	73,649
Cost of sales		**(20,759)**	(12,230)	(27,737)
Gross profit		**21,063**	23,211	45,912
Administrative expenses		**(18,382)**	(20,586)	(47,693)
Operating profit/(loss)		**2,681**	2,625	(1,781)
Analysed as:				
Underlying operating profit	3	**2,113**	3,650	8,365
Exceptional items	4	**766**	(549)	(9,172)
MSP charges	13	**(198)**	(476)	(974)
Investment revenues		**84**	120	231
Finance costs		**(160)**	(224)	(325)
Profit/(loss) before taxation		**2,605**	2,521	(1,875)
Taxation	5	**18**	(230)	1,342
Profit/(loss) for the period from continuing operations		**2,623**	2,291	(533)
Discontinued operations				
Profit for the period from discontinued operations		**-**	-	579
Profit for the period attributable to equity holders of the Company		**2,623**	2,291	46
Basic earnings/(loss) per share:				
Continuing operations	7	**0.31**	0.27	(0.06)
Discontinued operations	7	**-**	-	0.07
		0.31	0.27	0.01
Diluted earnings/(loss) per share:				
Continuing operations	7	**0.30**	0.26	(0.06)
Discontinued operations	7	**-**	-	0.07
		0.30	0.26	0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months ended 30 June 2017 £'000 (Unaudited)	6 months ended 30 June 2016 £'000 (Unaudited)	Year ended 31 December 2016 £'000 (Audited)
Profit for the period	**2,623**	2,291	46
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(116)**	(10)	(62)
Other comprehensive expense for the period net of taxation	**(116)**	(10)	(62)
Total comprehensive income/(expense) for the period attributable to equity holders of the Company	**2,507**	2,281	(16)

CONSOLIDATED BALANCE SHEET

	Note	**30 June 2017 £'000 (Unaudited)**	30 June 2016 £'000 (Unaudited)	31 December 2016 £'000 (Audited)
Non-current assets				
Goodwill	8	**776**	-	-
Other intangible assets	8	**2,158**	7,893	2,136
Property, plant and equipment	8	**879**	3,545	5,316
Deferred tax asset		**394**	274	818
		4,207	11,712	8,270
Current assets				
Insurance assets		**48**	209	62
Inventories		**29**	37	40
Trade and other receivables		**23,325**	12,281	16,991
Cash and cash equivalents	9	**32,199**	33,222	28,250
		55,601	45,749	45,343
Total assets		**59,808**	57,461	53,613
Current liabilities				
Insurance liabilities		**(735)**	(970)	(863)
Income tax liabilities		**(1,245)**	(2,317)	(1,946)
Trade and other payables	2	**(24,903)**	(28,195)	(25,383)
Borrowings	10	**(2,457)**	(1,367)	(1,391)
Provisions	11	**(201)**	(1,771)	(1,143)
Deferred revenue	2	**(17,185)**	(7,370)	(12,716)
		(46,726)	(41,990)	(43,442)
Net current assets		**8,875**	3,759	1,901
Non-current liabilities				
Borrowings	10	**-**	(2,384)	80
Deferred tax liabilities		**-**	(141)	(103)
		-	(2,525)	(23)
Total liabilities		**(46,726)**	(44,515)	(43,465)
Net assets		**13,082**	12,946	10,148
Equity				
Share capital	12	**23,975**	23,975	23,975
Share premium account		**45,225**	45,225	45,225
Merger reserve		**(100,399)**	(100,399)	(100,399)
Translation reserve		**813**	981	929
ESOP reserve		**15,126**	13,889	14,516
Retained earnings		**28,342**	29,275	25,902
Total equity attributable to equity holders of the Company		**13,082**	12,946	10,148

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Translation reserve £'000	Equalisation reserve £'000	ESOP reserve £'000	Retained earnings £'000	Total £'000
6 months ended 30 June 2017 (Unaudited)								
At 1 January 2017	**23,975**	**45,225**	**(100,399)**	**929**	**-**	**14,516**	**25,902**	**10,148**
Total comprehensive income	**-**	**-**	**-**	**(116)**	**-**	**-**	**2,623**	**2,507**
Equity settled share-based payment charge	**-**	**-**	**-**	**-**	**-**	**401**	**-**	**401**
Movement in EBT shares	**-**	**-**	**-**	**-**	**-**	**209**	**-**	**209**
Exercise of share options	**-**	**-**	**-**	**-**	**-**	**-**	**(183)**	**(183)**
At 30 June 2017	**23,975**	**45,225**	**(100,399)**	**813**	**-**	**15,126**	**28,342**	**13,082**
6 months ended 30 June 2016 (Unaudited)								
At 1 January 2016	23,939	45,225	(100,399)	991	6,243	13,093	20,923	10,015
Total comprehensive income	-	-	-	(10)	-	-	2,291	2,281
Movement on equalisation reserve (note 2)	-	-	-	-	(6,243)	-	6,243	-
Current tax charge on equalisation reserve movement	-	-	-	-	-	-	(182)	(182)
Equity settled share-based payment charge	-	-	-	-	-	796	-	796
Exercise of share options	36	-	-	-	-	-	-	36
At 30 June 2016	23,975	45,225	(100,399)	981	-	13,889	29,275	12,946
Year ended 31 December 2016 (Audited)								
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	-	-	-	-	-	(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

CONSOLIDATED CASH FLOW STATEMENT

	Note	**6 months ended 30 June 2017 £'000 (Unaudited)**	6 months ended 30 June 2016 £'000 (Unaudited)	Year ended 31 December 2016 £'000 (Audited)
Net cash used in operating activities	15	**(1,409)**	(6,098)	(7,209)
Investing activities				
Interest received		**84**	120	243
Proceeds from sale of freehold property	8	**5,325**	-	-
Purchases of property, plant and equipment		**(236)**	(186)	(592)
Purchases of intangible assets		**(52)**	(2,513)	(3,812)
Acquisition of a subsidiary	14	**(862)**	-	-
Net cash from/(used in) investing activities		**4,259**	(2,579)	(4,161)
Financing activities				
Proceeds from/(repayment of) bank loans		**2,500**	1,500	(1,000)
Repayment of the Second Commission Deferral Agreement		**(1,304)**	-	-
Interest paid		**(210)**	(189)	(230)
Issue/(purchase) of ordinary share capital and associated costs		**26**	36	(76)
Net cash from/(used in) financing activities		**1,012**	1,347	(1,306)
Net increase/(decrease) in cash and cash equivalents		**3,862**	(7,330)	(12,676)
Effect of foreign exchange rate changes		**87**	742	1,116
Cash and cash equivalents at start of period		**28,250**	39,810	39,810
Cash and cash equivalents at end of period		**32,199**	33,222	28,250

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 General information

The condensed consolidated interim financial statements for the six months ended 30 June 2017 do not constitute statutory accounts as defined under Section 434 of the Companies Act 2006. The Financial Statements for the year ended 31 December 2016 were approved by the Board on 23 March 2017 and have been delivered to the Registrar of Companies. The Auditor, Deloitte LLP, reported on these financial statements; their report was unqualified, did not contain an emphasis of matter paragraph and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

2 Accounting policies

Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The condensed consolidated interim financial statements should be read in conjunction with the Annual Report and Financial Statements ("the Financial Statements") for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The prior period balance sheets have been re-presented to separately disclose deferred revenue due to the material nature of this balance. Deferred revenue was previously presented within trade and other payables. Following the implementation of Solvency II in 2016 the comparative period balance sheet equity position has been re-presented to show the equalisation reserve as transferred to retained earnings.

The condensed consolidated interim financial statements were approved for release on 23 August 2017.

New and amended standards and interpretations need to be adopted in the interim financial statements issued after their effective date (or date of early adoption). There are no new IFRSs or IFRICs that are effective for the first time for the six months ended 30 June 2017 which have a material impact on the Group.

Goodwill accounting policy

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Goodwill is not subject to amortisation but is tested for impairment annually.

Going concern

The Group has continued to trade profitably in the first half of 2017 and taking account of reasonably possible changes in trading performance, the forecasts show that the Group has the necessary resources to trade and operate within the level of its borrowing facilities.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

3 Segmental analysis

Segment revenue and performance for the current and comparative periods have been as follows:

Six months ended 30 June 2017 (Unaudited)	UK and Ireland £'000	Europe and Latin America £'000	Asia Pacific £'000	Total £'000
Continuing operations				
Revenue - external sales	**11,540**	**13,522**	**16,760**	**41,822**
Regional underlying operating (loss)/profit	**(1,835)**	**2,758**	**1,190**	**2,113**
Exceptional items (note 4)				**766**
MSP charges (note 13)				**(198)**
Operating profit				**2,681**
Investment revenues				**84**
Finance costs				**(160)**
Profit before taxation				**2,605**
Taxation				**18**
Profit for the period from continuing operations				**2,623**
Discontinued operations				
Profit for the period from discontinued operations				**-**
Profit for the period				**2,623**

Six months ended 30 June 2016 (Unaudited)	UK and Ireland £'000	Europe and Latin America £'000	Asia Pacific £'000	Total £'000
Continuing operations				
Revenue - external sales	15,482	13,441	6,518	35,441
Regional underlying operating profit	656	2,302	692	3,650
Exceptional items (note 4)				(549)
MSP charges (note 13)				(476)
Operating profit				2,625
Investment revenues				120
Finance costs				(224)
Profit before taxation				2,521
Taxation				(230)
Profit for the period from continuing operations				2,291
Discontinued operations				
Profit for the period from discontinued operations				-
Profit for the period				2,291

3 Segmental analysis (continued)

Year ended 31 December 2016 (Audited)	UK and Ireland £'000	Europe and Latin America £'000	Asia Pacific £'000	Total £'000
Continuing operations				
Revenue - external sales	28,757	27,619	17,273	73,649
Regional underlying operating profit	1,521	5,201	1,643	8,365
Exceptional items (note 4)				(9,172)
MSP charges (note 13)				(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 annual net charges of central costs of £2,359,000 presented within UK and Ireland in the table above which has been charged to other regions for statutory purposes.

Segmental assets

	30 June 2017 £'000 (Unaudited)	30 June 2016 £'000 (Unaudited)	31 December 2016 £'000 (Audited)
UK and Ireland	**29,977**	42,344	30,454
Europe and Latin America	**8,870**	8,773	8,262
Asia Pacific	**19,791**	6,070	14,038
Total segment assets	**58,638**	57,187	52,754
Assets relating to discontinued operations	**-**	-	41
Unallocated assets	**1,170**	274	818
Consolidated total assets	**59,808**	57,461	53,613

Goodwill and deferred tax are not allocated to segments.

3 Segmental analysis (continued)

Capital expenditure

	Intangible assets			Property, plant and equipment		
	6 months ended 30 June 2017	6 months ended 30 June 2016	Year ended 31 December 2016	**6 months ended 30 June 2017**	6 months ended 30 June 2016	Year ended 31 December 2016
	£'000	£'000	£'000	**£'000**	£'000	£'000
	(Unaudited)	(Unaudited)	(Audited)	**(Unaudited)**	(Unaudited)	(Audited)
Continuing operations						
UK and Ireland	**86**	3,082	3,780	**98**	165	478
Europe and Latin America	**17**	27	32	**126**	12	27
Asia Pacific	**35**	-	-	**12**	9	87
Total continuing operations	**138**	3,109	3,812	**236**	186	592

Revenue from major products

	6 months ended 30 June 2017	6 months ended 30 June 2016	Year ended 31 December 2016
	£'000	£'000	£'000
	(Unaudited)	(Unaudited)	(Audited)
Continuing operations			
Retail assistance policies	**39,910**	**32,401**	68,013
Retail insurance policies	**563**	**1,507**	2,473
Wholesale policies	**1,097**	**1,188**	2,503
Non-policy revenue	**252**	**345**	660
Revenue from continuing operations	**41,822**	**35,441**	73,649

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; “non-policy revenue” is that which is not in connection with providing an ongoing service to policyholders for a specified period of time.

3 Segmental analysis (continued)

Geographical information

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

	External revenues			**Non-current assets**		
	6 months ended 30 June 2017	6 months ended 30 June 2016	Year ended 31 December 2016	**30 June 2017**	30 June 2016	31 December 2016
	£'000	£'000	£'000	**£'000**	£'000	£'000
	(Unaudited)	(Unaudited)	(Audited)	**(Unaudited)**	(Unaudited)	(Audited)
Continuing operations						
India	**15,731**	5,575	15,163	**88**	15	90
UK	**11,363**	15,264	28,358	**2,532**	11,180	7,074
Spain	**5,830**	6,067	11,997	**146**	111	92
Other	**8,898**	8,535	18,131	**271**	132	196
Total continuing operations	**41,822**	35,441	73,649	**3,037**	11,438	7,452

4 Exceptional items

	6 months ended 30 June 2017	6 months ended 30 June 2016	Year ended 31 December 2016
	£'000	£'000	£'000
	(Unaudited)	(Unaudited)	(Audited)
Reversal of freehold property impairment	**(601)**	-	(1,534)
Customer redress and associated costs	**(165)**	-	(100)
Aborted IT platform and associated contractual settlement costs	**-**	-	9,104
Restructuring costs	**-**	-	1,170
Requisition costs	**-**	549	532
Exceptional (credit)/charge included in operating profit	**(766)**	549	9,172
Tax on exceptional items	**-**	-	(436)
Total exceptional (credit)/charge after tax	**(766)**	549	8,736

Reversal of freehold property impairment is a credit of £601,000 (H1 2016: £nil; year ended 31 December 2016: £1,534,000) and reflects the write-back of the asset to its disposal value less costs to sell.

Customer redress and associated costs are a credit of £165,000 (H1 2016: £nil; year ended 31 December 2016: £100,000) and relate to a release of provision in line with the latest estimate of residual customer redress activity.

5 Taxation

The effective tax rate at the half year is negative 0.7% (H1 2016: positive 9.1%; year ended 31 December 2016: positive 71.6%). The effective rate is lower than the standard rate of corporation tax in the UK due to the release of tax liabilities that are now considered remote partly offset by higher rates of tax on overseas profits. The 2017 full year rate may vary from this as the release of the tax liabilities has a one-off impact and the territory mix of future 2017 profits may vary.

6 Dividends

The Directors have not proposed an interim dividend for 2017.

7 Earnings per share

Basic and diluted earnings 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.

Six months ended 30 June 2017 (Unaudited)	**Continuing operations**	**Discontinued operations**	**Total**
Earnings	**£'000**	**£'000**	**£'000**
Profit for the purposes of basic and diluted earnings per share	**2,623**	**-**	**2,623**
Exceptional items (net of tax)	**(766)**	**-**	**(766)**
MSP charges (net of tax)	**198**	**-**	**198**
Earnings for the purposes of underlying basic and diluted earnings per share	**2,055**	**-**	**2,055**

Number of shares	**Number (thousands)**
Weighted average number of ordinary shares for the purposes of basic earnings per share	**856,481**
Effect of dilutive potential ordinary shares: share options	**18,709**
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**875,190**

Earnings per share	**Continuing operations Pence**	**Discontinued operations Pence**	**Total Pence**
Basic and diluted earnings per share			
Basic	**0.31**	**-**	**0.31**
Diluted	**0.30**	**-**	**0.30**
Basic and diluted underlying earnings per share			
Basic	**0.24**	**-**	**0.24**
Diluted	**0.23**	**-**	**0.23**

Six months ended 30 June 2016 (Unaudited)	Continuing operations	Discontinued operations	Total
Earnings	£'000	£'000	£'000
Earnings for the purposes of basic and diluted earnings per share	2,291	-	2,291
Exceptional items (net of tax)	549	-	549
MSP charges (net of tax)	476	-	476
Earnings for the purposes of underlying basic and diluted earnings per share	3,316	-	3,316

7 **Earnings per share** (continued)

Number of shares	Number (thousands)
Weighted average number of ordinary shares for the purposes of basic earnings per share	852,854
Effect of dilutive potential ordinary shares: share options	27,902
Weighted average number of ordinary shares for the purposes of diluted earnings per share	880,756

Earnings per share	Continuing operations Pence	Discontinued operations Pence	Total Pence
Basic and diluted earnings per share			
Basic	0.27	-	0.27
Diluted	0.26	-	0.26
Basic and diluted underlying earnings per shares			
Basic	0.39	-	0.39
Diluted	0.38	-	0.38

Year ended 31 December 2016 (Audited)	Continuing operations	Discontinued operations	Total
(Loss)/earnings	£'000	£'000	£'000
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share	(533)	579	46
Exceptional items (net of tax)	8,736	-	8,736
MSP charges (net of tax)	698	-	698
Earnings for the purposes of underlying basic and diluted earnings per share	8,901	579	9,480

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

(Loss)/earnings per share	Continuing operations Pence	Discontinued operations Pence	Total Pence
Basic and diluted (loss)/earnings per share			
Basic	(0.06)	0.07	0.01
Diluted	(0.06)	0.07	0.01
Basic and diluted underlying earnings per shares			
Basic	1.04	0.07	1.11
Diluted	1.00	0.07	1.07

8 Tangible and intangible assets

	Goodwill	Other intangible assets	Property, plant and equipment	Total
	£'000	£'000	£'000	£'000
Six months ended 30 June 2017 (Unaudited)				
Carrying amount at 1 January 2017	**-**	**2,136**	**5,316**	**7,452**
Additions	**776**	**138**	**236**	**1,150**
Disposals	**-**	**-**	**(5,040)**	**(5,040)**
Amortisation/depreciation	**-**	**(116)**	**(232)**	**(348)**
Exchange adjustments	**-**	**-**	**(2)**	**(2)**
Impairment reversal	**-**	**-**	**601**	**601**
Carrying amount at 30 June 2017	**776**	**2,158**	**879**	**3,813**
Six months ended 30 June 2016 (Unaudited)				
Carrying amount at 1 January 2016	-	4,825	3,502	8,327
Additions	-	3,109	186	3,295
Disposals	-	-	(15)	(15)
Amortisation/depreciation	-	(49)	(149)	(198)
Exchange adjustments	-	8	21	29
Carrying amount at 30 June 2016	-	7,893	3,545	11,438
Year ended 31 December 2016 (Audited)				
Carrying amount at 1 January 2016	-	4,825	3,502	8,327
Additions	-	3,812	592	4,404
Disposals	-	-	(19)	(19)
Amortisation/depreciation	-	(104)	(400)	(504)
Exchange adjustments	-	7	107	114
(Impairment)/impairment reversal	-	(6,404)	1,534	(4,870)
Carrying amount at 30 June 2016	-	2,136	5,316	7,452

Goodwill of £776,000 was generated on the acquisition of Blink. Further detail of the acquisition is included in note 14.

During the year, the Group has recognised a £601,000 reversal of prior year impairment of freehold land and property to reflect its disposal value less costs to sell. The impairment reversal has been recognised as an exceptional credit through the consolidated income statement. 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

Cash and cash equivalents of £32,199,000 (H1 2016: £33,222,000; 31 December 2016: £28,250,000) comprises cash held on demand by the Group and short term deposits.

Cash and cash equivalents includes £2,571,000 cash maintained by the Group's insurance business for solvency purposes. During the period the VVOP asset restrictions previously in place with the Group's regulated entities, HIL and CPPL, have been lifted. The VVOP prevented cash held within HIL and CPPL being distributed to the wider Group without FCA approval. The comparative cash and cash equivalents therefore included H1 2016: £25,402,000; and 31 December 2016: £18,727,000 which was held in HIL and CPPL either for solvency purposes or due to the VVOP restrictions.

10 Borrowings

	30 June 2017 £'000 (Unaudited)	30 June 2016 £'000 (Unaudited)	31 December 2016 £'000 (Audited)
Bank loans due within one year	**2,500**	-	-
Less: unamortised issue costs	**(43)**	-	-
Second Commission Deferral Agreement	**-**	1,367	1,391
Borrowings due within one year	**2,457**	1,367	1,391
Bank loans due outside of one year	**-**	2,500	-
Less: unamortised issue costs	**-**	(116)	(80)
Borrowings due outside of one year	**-**	2,384	(80)

The Group's bank debt is in the form of a £5,000,000 revolving credit facility (RCF). At 30 June 2017, the Group has an undrawn committed borrowing facility of £2,500,000 (H1 2016: £2,500,000; 31 December 2016: £5,000,000).

The RCF is secured by fixed and floating charges on certain assets of the Group.

11 Provisions

	Customer redress and associated costs £'000	Onerous leases £'000	Total £'000
Six months ended 30 June 2017 (Unaudited)			
At 1 January 2017	**476**	**667**	**1,143**
Credited to the income statement	**(165)**	**-**	**(165)**
Customer redress and associated costs paid in the period	**(110)**	**-**	**(110)**
Utilisation of onerous lease provision in the period	**-**	**(667)**	**(667)**
At 30 June 2017	**201**	**-**	**201**
Six months ended 30 June 2016 (Unaudited)			
At 1 January 2016	1,611	829	2,440
Customer redress and associated costs paid in the period	(346)	-	(346)
Utilisation of onerous lease provision in the period	-	(323)	(323)
At 30 June 2016	1,265	506	1,771
Year ended 31 December 2016 (Audited)			
At 1 January 2016	1,611	829	2,440
(Credited)/charged to the income statement	(100)	500	400
Customer redress and associated costs paid in the year	(1,035)	-	(1,035)
Utilisation of onerous lease provision in the year	-	(662)	(662)
At 31 December 2016	476	667	1,143

The customer redress 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

Share capital at 30 June 2017 amounted to £23,975,000 (H1 2016: £23,975,000; 31 December 2016: £23,975,000). Share option exercises in the six month period to 30 June 2017 total 2,595,483 and have been satisfied through ordinary shares held by the Employee Benefit Trust (EBT). The number of ordinary shares held by the EBT at 30 June 2017 is 1,455,643.

13 Share-based payment

Share-based payment charges for the six month period to 30 June 2017 comprise MSP charges of £188,000 (H1 2016: £500,000; 31 December 2016: £902,000) and Long Term Incentive Plan 2016 (2016 LTIP) charges of £213,000 (H1 2016: £296,000; 31 December 2016: £582,000). These costs are disclosed within administrative expenses, although the MSP share-based payment charge forms part of MSP charges 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.

	Number of share options (thousands)	Weighted average exercise price (£)
Six months ended 30 June 2017 (Unaudited)		
MSP		
Outstanding at 1 January 2017	**17,665**	**0.01**
Forfeited during the period	**(2,611)**	**0.01**
Exercised during the period	**(2,590)**	**0.01**
Outstanding at 30 June 2017	**12,464**	**0.01**
Exercisable at 30 June 2017	**2,340**	**0.01**
2016 LTIP		
Outstanding at 1 January 2017	**15,081**	**-**
Granted during the period	**14,924**	**-**
Forfeited during the period	**(5,485)**	**-**
Outstanding at 30 June 2017	**24,520**	**-**
Six months ended 30 June 2016 (Unaudited)		
MSP		
Outstanding at 1 January 2016	36,135	0.01
Forfeited during the period	(10,500)	0.01
Exercised during the period	(3,647)	0.01
Outstanding at 30 June 2016	21,988	0.01
Exercisable at 30 June 2016	47	0.01
2016 LTIP		
Outstanding at 1 January 2016	-	-
Granted during the period	26,050	-
Forfeited during the period	(8,000)	-
Outstanding at 30 June 2016	18,050	-
Year ended 31 December 2016 (Audited)		
MSP		
Outstanding at 1 January 2016	36,135	0.01
Forfeited during the year	(14,111)	0.01
Exercised during the year	(4,359)	0.01
Outstanding at 31 December 2016	17,665	0.01
Exercisable at 31 December 2016	1,810	0.01
2016 LTIP		
Outstanding at 1 January 2016	-	-
Granted during the period	26,050	-
Forfeited during the period	(10,969)	-
Outstanding at 31 December 2016	15,081	-

13 Share-based payment (continued)

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 performance criteria including underlying operating profit targets and either a share price or a non-financial events measure over the vesting period.

The options outstanding at 30 June 2017 had a weighted average remaining contractual life of one year (30 June 2016: two years; 31 December 2016: one year) in the MSP and two years (30 June 2016: three years; 31 December 2016: two years) in the 2016 LTIP.

The principal assumptions underlying the valuation of the 2016 LTIP options granted during the period at the date of grant are as follows:

Weighted average share price	£0.1575
Weighted average exercise price	-
Expected volatility	n/a
Expected life	3 years
Risk-free rate	n/a
Dividend yield	0%

There have been 14,924,000 share options granted in the current period. The aggregate estimated fair value of the options granted in the current period under the 2016 LTIP was £2,351,000.

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 €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	Fair value
	£'000	£'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		**-**
Total cash outflow		**990**

On acquisition, the carrying value of the net assets of Blink was £nil. The Group have 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 condensed consolidated interim income statement.

Included within the Group's condensed consolidated interim income statement is revenue of £nil and a loss before tax of £126,000 relating to Blink since the acquisition date and is the same had the acquisition occurred on 1 January 2017.

15 Reconciliation of operating cash flows

	6 months ended 30 June 2017 £'000 (Unaudited)	6 months ended 30 June 2016 £'000 (Unaudited)	Year ended 31 December 2016 £'000 (Audited)
Profit for the period	**2,623**	2,291	46
Adjustment for:			
Depreciation and amortisation	**348**	198	504
Equity settled share-based payment expense	**401**	796	1,486
Impairment loss on intangible assets	**-**	-	6,404
Reversal of freehold property impairment	**(601)**	-	(1,534)
Loss on disposal of property, plant and equipment	**2**	15	20
Investment revenues	**(84)**	(120)	(243)
Finance costs	**160**	224	325
Income tax (credit)/expense	**(18)**	230	(1,342)
Operating cash flows before movement in working capital	**2,831**	3,634	5,666
Decrease in inventories	**11**	5	2
(Increase)/decrease in receivables	**(6,223)**	590	(3,542)
Decrease in insurance assets	**14**	108	255
Increase/(decrease) in payables	**3,455**	(9,093)	(6,718)
Decrease in insurance liabilities	**(128)**	(219)	(326)
Decrease in provisions	**(943)**	(669)	(1,296)
Cash used in operations	**(983)**	(5,644)	(5,959)
Income taxes paid	**(426)**	(454)	(1,250)
Net cash used in operating activities	**(1,409)**	(6,098)	(7,209)

16 Related party transactions

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:

	6 months ended 30 June 2017 £'000 (Unaudited)	6 months ended 30 June 2016 £'000 (Unaudited)	Year ended 31 December 2016 £'000 (Audited)
Short term employee benefits	**1,261**	1,284	2,697
Post-employment benefits	**52**	72	142
Termination benefits	**253**	-	817
Share-based payments	**330**	568	1,028
	1,896	1,924	4,684