# CPPGROUP PLC
# 24 March 2016
# FULL YEAR REPORT
# FOR THE YEAR ENDED 31 DECEMBER 2015

**CPPGroup Plc – Full year report for the year ended 31 December 2015**

CPPGroup Plc (CPP or the Group), the international assistance business, today announces its full year results for the year ended 31 December 2015.

**Financial highlights**

Substantial improvement in profitability

- Improved underlying operating profit performance from continuing operations at £6.9 million (2014: £2.8 million) and from continuing and discontinued operations combined at £8.9 million (2014: £0.6 million loss)
- Profit for the year from continuing and discontinued operations at £20.8 million compared to a prior year loss of £6.7 million

Improved financial stability

- Return to net assets at £10.0 million (2014: £30.9 million net liabilities) following the equity raise and debt restructure in February 2015
- Significant increase in net funds position at £37.6 million (2014: £7.9 million)

Business operations

- Group revenue from continuing and discontinued operations has declined to £89.9 million (2014: £108.8 million), which reflects the continued decline in the UK renewal book whilst new regulated sales remain restricted
- Annual renewal rates are stronger at 72.9% (2014: 71.4%) which reflects the value customers continue to place on our products
- Live policy base lower at 3.8 million, from prior year position of 4.7 million (excluding Airport Angel policies)

Enhancement of shareholder value

- Share price increased to 12.50 pence at 31 December 2015 from 5.63 pence at 31 December 2014
- Basic earnings per share from continuing and discontinued operations has improved to 2.72 pence (2014: 3.94 pence loss)
- Market capitalisation has increased from the prior year and subsequent to the £20.0 million equity raise in 31 December 2015 (2014: £9.7 million)

**Operational highlights**

- Clear strategic initiatives implemented to enhance the customer experience and value propositions - creating a business platform from which to drive sustainable growth

- New executive team in place – Stephen Callaghan as CEO and Michael Corcoran as CFO
- Structural reorganisation complete to create a more dynamic business with greater accountability, supported by the appointment of many high impact colleagues
- Ceased provision of non-core and historically unprofitable airport lounge access services (Airport Angel)
- Implementing a new, transformational IT system in the UK which will drive significant improvements in 2016
- Focus on bringing to market new, innovative product propositions with global appeal; the first due to launch in Q2 2016
- Winner of the Institute for Turnaround 'Listed Company Turnaround of the Year' award in November 2015

**Outlook**

The Group is focused on its strategic priorities, which support its existing revenue, new income generation and growth ambitions. Following discussions with the FCA, the Company must demonstrate that management practices and shareholder influence of the past no longer exist, before reinstatement of regulatory permissions in the UK will be considered. Reinstatement of regulatory permissions remains a key part of the Group's plans. Challenges and risks remain in the execution and delivery of the Group's strategic plans. However the Group remains absolutely confident in the direction the business is heading and the progress it is making.

Driven by the new leadership team, the Group has made significant financial and operational progress in 2015. The Requisition (detailed in the Chairman's Statement) filed by Schroder Investment Management Limited on 21 March 2016, if successful, will likely have a detrimental impact on the future strategy and performance of the business.

**Stephen Callaghan, Chief Executive Officer, commented:**
"We have made significant progress in 2015, highlighted by our strong overall performance, including a substantial uplift in our profitability over the prior year.

These results reflect a new beginning for CPP. We now have the right leadership team in place, supported by over 700 great colleagues and a similar number of dedicated customer service agents. I would like to thank them for embracing the challenges with such enthusiasm and personal commitment. It is the quality and dedication of our people that gives me such confidence in our future."

**Financial Highlights**

| **Year ended 31 December 2015** | Continuing operations | Discontinued operations | Total |
|---|---|---|---|
| Revenue (£ millions) | 76.8 | 13.1 | 89.9 |
| Operating profit (£ millions) | | | |
| − Reported[1] | 23.0 | 2.1 | 25.1 |
| − Underlying[2] | 6.9 | 2.1 | 8.9 |
| Profit for the year (£ millions) | 18.5 | 2.3 | 20.8 |
| Reported earnings per share (pence) | | | |
| − Basic | 2.42 | 0.30 | 2.72 |
| − Diluted | 2.41 | 0.30 | 2.71 |
| Net assets (£ millions) | | | 10.0 |
| Net funds (£ millions) [3] | | | 37.6 |
| Share price (pence) | | | 12.50 |

1. Reported figures which agree to the income statement are for continuing operations only. Discontinued operations are not reported in operating profit in the income statement. Further detail to the discontinued operations is provided in note 7 to the condensed financial statements. Discontinued operations are included in this analysis to provide an indicative view of how the Group has performed.
2. Excluding exceptional credit from continuing operations of £17.8 million and discontinued operations of £0.1 million. Further detail is provided in note 5 to the condensed financial statements. Continuing operations also excludes £1.7 million Matching Share Plan (MSP) charges.
3. Net funds comprise cash and cash equivalents of £39.8 million partially offset by borrowings of £2.2 million. Cash and cash equivalents includes cash held for regulatory purposes of £12.1 million and cash restricted by the terms of the VVOP within the UK's regulated entities of £21.8 million. Whilst not available to the wider Group, the restricted cash is available to the regulated entity in which it exists including for operational and residual customer redress purposes.

**Financial Highlights**

| **Year ended 31 December 2014** | Continuing operations | Discontinued operations | Total |
|---|---|---|---|
| Revenue (£ millions) | 96.5 | 12.3 | 108.8 |
| Operating (loss)/profit (£ millions) | | | |
| − Reported[1] | (3.2) | (3.7) | (6.9) |
| − Underlying[2] | 2.8 | (3.4) | (0.6) |
| Loss for the year (£ millions) | (3.3) | (3.5) | (6.7) |
| Reported loss per share (pence) | | | |
| − Basic and diluted | (1.90) | (2.04) | (3.94) |
| Net liabilities (£ millions) | | | (30.9) |
| Net funds (£ millions) [3] | | | 7.9 |
| Share price (pence) | | | 5.63 |

1. Reported figures which agree to the restated income statement are for continuing operations only. Discontinued operations are not reported in operating profit in the restated income statement. Further detail to the discontinued operations is provided in note 7 to the condensed financial statements. Discontinued operations are included in this analysis to provide an indicative view of how the Group performed in the prior year.
2. Excluding exceptional charge from continuing operations of £6.0 million and discontinued operations of £0.3 million. Further detail is provided in note 5 to the condensed financial statements.
3. Net funds comprise cash and cash equivalents of £40.6 million partially offset by borrowings of £32.7 million. Cash and cash equivalents includes cash held for regulatory purposes of £21.5 million and cash restricted by the terms of the VVOP within the UK's regulated entities of £13.4 million.

**Enquiries**

CPPGroup Plc
Stephen Callaghan, Chief Executive Officer
Michael Corcoran, Chief Financial Officer
Tel: +44 (0)1904 544500

Nominated Adviser and Broker
Numis Securities Limited: Stuart Skinner (Nominated Adviser); Charles Farquhar (Broker)
Tel: +44 (0)20 7260 1000

Media
Powerscourt Group: Justin Griffiths, Peter Ogden
Tel: +44 (0)20 7250 1446
Email: cpp@powerscourt-group.com

About CPP

CPP provides a range of assistance based services to customers in the UK and Ireland and in a number of international markets across Asia, Europe and Latin America. The Company's core propositions provide peace of mind for customers covering a range of areas including lost and stolen credit cards, identity theft, insurance of mobile devices and passport assistance.

For more information on CPP visit www.cppgroupplc.com

**REGISTERED OFFICE**

CPPGroup Plc
Holgate Park
York
YO26 4GA

Registered number: 07151159

## CHAIRMAN'S STATEMENT

### Introduction

I joined the Board of CPP in May 2015 and in my first year I have spent time with the leadership team developing an in-depth knowledge of the Group. CPP has come through a very challenging few years since the FSA investigation in 2011.

The newly formed Executive Team, under the leadership of Chief Executive Officer Stephen Callaghan, is now complete and they are operating at pace, demonstrating the required focus to take us forward and realise our potential to be a global business with a sustainable and profitable outlook.

The equity funding at the beginning of the year, whilst concurrently restructuring the Group's liabilities and refinancing its debts, was a critical activity to establish a solid foundation. The successful completion provided the Group with a stronger and more stable financial footing and signalled the start of a new era for CPP. Results at the half-year demonstrated that the new Executive Team was also getting to grips with some of the more gritty aspects of a turnaround situation; discontinuing businesses that were not performing and had little prospect of being profitable, focusing on cost control and revenue generation in parts of the Group where there was opportunity to do so, whilst undertaking business transformation activities and IT system changes. The team has made real progress during 2015 reflected in a set of results that show what can be achieved with focused execution.

At the heart of CPP are our colleagues. They have real passion, want to go the extra mile for our customers and they are committed to the business. Ensuring that we continue to provide opportunities for our people by both developing existing colleagues and attracting new talent to the business remains a key priority. By so doing, the Group will be better placed to capitalise on the opportunities that lie ahead. As Chairman, I participated in an extended leadership team development programme in October during which the team were given methods and techniques to make them more impactful as individuals and as business leaders. It was an inspirational activity and I continue to provide my full support to the Executive Team in this regard as they deepen and broaden their colleague engagement and development programme during 2016. It is only by having the right people and doing the right thing by customers that we create real impact and deliver sustainable value to our shareholders and other stakeholders.

CPP has also added to the new executive team. Having secured the services of Stephen Callaghan as Chief Executive Officer (CEO) during the first half of the year, in the second half we appointed our new Chief Financial Officer (CFO), Michael Corcoran. Michael has extensive international and regulated business experience and expertise in managing strong financial, operational, governance and compliance frameworks. Additional executive hires before year end included a new Chief Marketing Officer and Chief Technology Officer.

### Board changes

There have been a number of Board changes during the year, not least my own appointment in May before taking over as Chairman in July. We welcome Abhai Rajguru as Chairman of our Audit Committee and as a member of the Risk and Compliance Committee. Abhai brings years of experience at a senior level in the financial services sector and additionally possesses a wealth of digital and technology knowledge to complement our insight and proposition development activities. Ruth Evans resigned after the year end to allow her more time to focus on her other portfolio roles. Shaun Astley-Stone has extended his duties in support of the Board and now Chairs the Remuneration Committee as well as holding the office of Senior Independent Director. We will continue to evaluate opportunities to strengthen the Board with individuals that have relevant experience and will add value.

The Board's focus is now very much one of supporting the management team as they introduce a new digital range of products, and enter into dialogue with the FCA regarding its existing and new product offerings to customers in the UK.

## AGM and general meeting

The Company's AGM is scheduled for 2.00pm on 18 May 2016 and will be held at the offices of Eversheds LLP, 1 Wood Street, London EC2V 7WS.

As announced on 21 March 2016, Schroder Investment Management Limited (Schroders) has filed a notice requisitioning a general meeting of the Company's shareholders (the Requisition). The Requisition proposes resolutions to remove the CEO and current Non-Executive Directors from the Board and to replace them with individuals proposed by Schroders. It is believed that Schroders are working with Mr Hamish Ogston, one of the Group's major shareholders and founder of the Company.

The Board is surprised by the Requisition given the significant improvement in the Group's performance and the strong rise in the share price since the new management team have been in place. The Board does not believe that the actions proposed would be in the best interests of CPP's customers, employees or other shareholders.

The Board currently intends to call the general meeting within 21 days of receipt of the Requisition and to provide for such meeting to be held not more than 28 days after the date of notice.

## Looking ahead

Notwithstanding the Requisition, a priority for me and the leadership team will be to ensure that an appropriate culture continues to exist in the Group underpinned by the necessary governance structure to support the business.

2015 was a year during which remedial actions, team building and clinical execution have resulted in underlying transformational business and cultural changes to CPP in addition to a set of improved financial results. Leadership is to be congratulated on bringing colleagues on a journey which has delivered confidence, commitment and high energy levels across the Group. Looking forward, I am convinced that the strategic direction already set will deliver on the promise of creating a global assistance business whose mission is to help customers look after the things that are important to them.

**Roger Canham**
Chairman
23 March 2016

## CHIEF EXECUTIVE OFFICER'S REVIEW

### Introduction

I was appointed Chief Executive on 30 July 2015 and I continue to be firmly focused on establishing a new strategic and operational plan for the business, creating the right culture, building the right team to execute that strategy and providing the required level of high impact leadership to propel us forward.

CPP has operations in established markets such as the UK, Spain, Germany, Italy and Portugal, as well as the emerging markets of India, Mexico, Malaysia, Turkey and China. I have spent a considerable amount of time with colleagues across the business and I have visited country operations to understand how they are run, to see where we can make investments to improve performance, identify where additional opportunities may lie, and determine where we may be able to create operational leverage and savings across the Group.

### Understanding immediate challenges

My initial focus was to carry out a fundamental business review to determine what could be done to reduce cash burn, to create a more profitable cash generative business in the short term and to put that cash to good use with the objective of creating a sustainable growth platform for the future. During 2015 we ceased our non-core and historically unprofitable travel services business, Airport Angel, reworked the basis of our commercial relationships with banks in the UK and improved our revenue performance where we were able – whilst reducing costs wherever it made sense. We worked hard to improve our customer experience and we were able to track improvements in renewal rates.

In addition to the financial measures, we also focused on bringing about changes to our UK business processes and technology platform; our business transformation plan hits an important milestone in summer 2016 when the new systems go live.

### Addressing the past

CPP has endured a number of challenging years, particularly in the UK. In 2015 we have seen the UK business undergo many organisational, people and operational changes to fix issues that have been so damaging to our reputation. A new UK leadership team has been established operating to a change agenda at pace to ensure the business conduct and practices of the past are not repeated.

Already in 2016 we have had initial engagement with the FCA to agree a phased plan which will see UK customers receive better value via a reduction in renewal premiums and enhanced benefits for regulated products. This has been facilitated by changes in our commercial relationships with Business Partners. Customer research shows a strong desire for product simplification which we plan to implement in summer 2016 and with new systems live, we hope to sell the enhanced products to new customers in the UK through digital channels. During the FCA engagement we will actively demonstrate that the UK business has rehabilitated itself and now places the customer at the heart of our operations with the appropriate culture, controls and oversight befitting a regulated financial services business.

### Putting the customer at the heart of what we do

We have carried out extensive research into customer needs on an international scale, not restricted to only countries where CPP has a presence. The findings provide insight into customer fears about losing track of things, their anxiety of personal details being compromised online, and the preferred methods of interaction with the business. Responding to this, we have developed new products that will be available globally and have evolved our communications channels to include self-service websites and mobile applications to complement our telephony services.

In 2016, we will launch CPP's first ever 100% digital product with global reach and we aim to have customers live in five CPP geographies by the end of the year - both direct to consumer and in conjunction with Business Partners. Our new and highly innovative product, Owl, signifies a step-change for CPP. It provides peace of mind for our customers by monitoring key personal data on the dark web, providing customers with alerts via email or SMS in the event of a compromise, and offering guided support to get them back on track in a way that is appropriate and meaningful.

### Towards an efficient and effective organisation

To provide more direct accountability, the business structure was reorganised early in 2015. The regional management layer was removed to create a structure more appropriate for a business of our size. This brings the Group executive closer to operations across our geographies and allows me to work directly with small teams to get things done. This helps us gain pace with our initiatives and accelerate progress.

Our strategic approach is described on three axes; innovative proposition development, channel partner development, and performance marketing. The associated technology and proposition developments are being led by our new Chief Technology Officer, in close partnership with a newly created Group Product and Proposition team. New channel partner opportunities are being explored in automotive, consumer finance, utility, telecommunications, healthcare and travel sectors led by our Chief Commercial Officer and his directly reporting Country Managers.

Whilst financial Business Partners continue to be part of our strategy, research shows that broader market opportunity exists for a wider partnership approach. The appointment of a Chief Marketing Officer at the end of 2015 allows us to establish a central performance marketing capability, creating reusable marketing tools and knowledge base to support countries in the launch of new propositions, and to establish playbooks for direct-to-consumer marketing.

### Leadership and culture fit for the future

Much of the progress seen at CPP in the past 12 months has been achieved with the existing capacity and resources already in the business. However, leadership at every level is striving to effect change, increase momentum and create impact. We must continue to strive to be a committed, trusted organisation that provides a valuable service to its customers. As a part of our culture shift we have embedded our colleague derived core values of Commit, Collaborate and Perform across the organisation. This is supported by regular communications celebrating great behaviours and achievements. We also continue to focus on governance, leadership, controls and to ensure that our product offerings are designed to meet customer need.

### Group performance – a stronger, more profitable platform

The financial results for 2015 are much improved. They demonstrate a return of confidence and signal significant progress at CPP. We are now trading from an improved and effective platform and we have plans to further embrace digital technologies to allow customers multi-channel access to services. However, challenges remain and there continues to be work to do for the Group to realise its strategy. Consequently, there is some uncertainty whilst this work is ongoing and new propositions are launched globally. The Group remains confident in the direction it is heading and understands the importance of maintaining momentum in the delivery of our plans.

Our global operations are making progress. During 2015 we recorded new business success in Spain by developing a new Business Partner relationship in the Automotive sector. In India, we have entered the Non-Banking Financial Services sector providing new assistance and repair services to mobile phone users and in Turkey we have continued to develop our ATM channel to market for customer acquisition for our card protection product. Having appointed new management in Mexico, we are rebuilding confidence and have been successful in winning back Business Partners and customers.

As expected, Group revenue from both continuing and discontinued operations has reduced in the year to £89.9 million (2014: £108.8 million) reflecting the natural decline in the UK renewal book whilst new regulated sales remain restricted. The underlying operating profit from continuing and discontinued operation has however, increased to £8.9 million (2014: £0.6 million loss). This underlying operating profit performance is a result of several initiatives including ongoing and new cost control scrutiny, adopting a new basis for commission payments for Business Partners, and some benefits driven by management action during the closure of Airport Angel. Underlying operating profit from continuing operations only is £6.9 million (2014: £2.8 million). Following the equity raise and debt restructure at the beginning of 2015 the Group's net funds position has improved significantly to £37.6 million (2014: £7.9 million).

During 2016, the business intends to further invest in the necessary capability to support accelerated growth and introduce reduced renewal premiums in the UK. The full benefit of this investment is expected in a period beyond the next financial year.

The Group's annual renewal rate has increased to 72.9% (2014: 71.4%) reflecting the value customers continue to place on our products. The live policy base has reduced to 3.8 million (2014: 5.1 million) mainly due to a decline in UK wholesale policies, which includes the closure of Airport Angel.

**Final word**

We have made significant progress in 2015 that I believe will shape and positively impact the long term future development of the Group. We have the cash and time resources for us to develop and implement our strategy which in turn will build our future. These results reflect a new beginning for CPP and I would like to thank colleagues worldwide for embracing the changes with such enthusiasm and personal commitment.

**Stephen Callaghan**

Chief Executive Officer

23 March 2016

## OPERATING REVIEW

The Group operates internationally as three regions: the UK and Ireland; Europe and Latin America; and Asia Pacific.

| Year ended | 2015 £'m | 2014 £'m | Growth | Constant currency growth |
|---|---|---|---|---|
| UK and Ireland[1] | | | | |
| – Revenue | **43.0** | 57.4 | (25)% | (25)% |
| – Underlying operating profit/(loss)[2] | **2.0** | (2.1) | 194% | 194% |
| Europe and Latin America | | | | |
| – Revenue | **25.5** | 32.5 | (22)% | (13)% |
| – Underlying operating profit[3] | **4.6** | 5.2 | (11)% | (3)% |
| Asia Pacific | | | | |
| – Revenue | **8.3** | 6.7 | 25% | 23% |
| – Underlying operating profit/(loss)[3] | **0.3** | (0.2) | 220% | 221% |

1 2014 figures have been restated to exclude the Airport Angel business which is discontinued

2 Excluding exceptional items and MSP charges

3 Excluding exceptional items

### UK and Ireland

*Financial performance*
Revenue for 2015 decreased by 25% compared to the same period in 2014 to £43.0 million (2014: £57.4 million, excluding Airport Angel). Underlying operating performance has improved to a profit of £2.0 million (2014: £2.1 million loss, excluding Airport Angel).

*Review*
The UK and Ireland region accounted for 56% of Group full year revenue in 2015. New retail business performance in the UK and Ireland continues to be constrained by the ongoing Voluntary Variation of Permissions (VVOP), which amongst other things, restricts our ability to sell new regulated products in the UK. Despite these constraints however, our renewal performance was strong and encouraging. While the underlying trading performance confirms that our customers value our existing products, we launched a fast-paced programme of product revitalisation in 2015 that will develop our core propositions further. Improving the operational and commercial readiness of our UK and Ireland business has been a key focus throughout 2015 to ensure that we have a positive take-to-market strategy in place once the restrictions have been lifted. We have taken active steps to address loss-making and non-core interests like our Airport Angel business, have analysed and improved core customer processes and have invested in key personnel positions that will enable customer experience gains and lift both our revenue and profit. Specific examples of such people investment are; Commercial Director, Operations Director and Category/Product Management. We view the UK and Ireland region as having high growth potential and the UK is a priority market for new customer propositions. These will be performance-marketed via direct-to-consumer and business-to-business models to ensure that we are reaching customers in the most meaningful and appropriate way for them.

### Europe and Latin America

*Financial performance*
Revenue has decreased by 13% on a constant currency basis compared to the same period in 2014 to £25.5 million (2014: £32.5 million). The underlying operating profit has reduced to £4.6 million (2014: £5.2 million).

*Review*
The Europe and Latin America region includes; Spain, Italy, Portugal, Germany, Turkey and Mexico. Europe and Latin America accounts for 33% of Group full year revenue. Having taken the strategic decision in 2014 to exit Brazil, this process was completed in 2015.

The core European markets each delivered solid renewal performance, operational efficiencies and Business Partner engagement throughout 2015. There was also encouraging new revenue growth in Turkey although renewal performance was below expectations, in part due to market conditions. Country Managers have focused on market development actions that seek to win new business partnerships in new sectors and channels, with the automotive industry in Spain and the ATM channel in Turkey being two successful initiatives.

In addition, in 2015 we reviewed the in-country skill-sets and local structures to ensure that we are well-placed to capitalise on Group-led proposition, brand and marketing initiatives as well as capitalising on local product offers. Driving profitable new revenue from both new and existing propositions remains a priority. We are actively building strength and depth in all countries; appointments have been made of a new Country Manager in Mexico and a Sales Director in Turkey.

### Asia Pacific

*Financial performance*
Revenue has increased by 23% on a constant currency basis compared to the same period in 2014, to £8.3 million (2014: £6.7 million). The underlying operating performance has improved to a profit of £0.3 million (2014: £0.2 million loss).

*Review*
Our Asia Pacific region's main trading operations are in India, China, Malaysia and Hong Kong and accounts for 11% of the Group's full year revenue. Both India and China performed well, growing revenue and improving operating performance during 2015. This growth is underpinned by new Business Partner wins and new product and channel development activity. Progress in India, which is a very competitive market, is particularly strong and encouraging. Our Indian team has secured new Business Partner contracts and have successfully launched a mobile phone assistance product in the market during 2015. Progress in China continues to be stilted in what is a difficult market to break. However the opportunities are immense and we remain focused on accessing the potential of this market.

Malaysia's renewal performance continues to perform as expected and in January 2016 we signed a new Business Partner contract to deliver a new proposition which will re-start new revenue activities in the market.

Having taken the strategic decision in 2014 to move towards a more cost effective and higher-performing structure, we repositioned the Hong Kong, Malaysia and China operations in 2015. This involved the termination of Hong Kong services provided to China and Malaysia. Significant cost savings have subsequently been realised and the operating capabilities of China and Malaysia have improved as a result. The renewal metrics of the Hong Kong customer base continues to perform well.

## FINANCIAL REVIEW

### Overview

The Group completed the equity raise and debt restructure in February 2015, which represented an essential and significant milestone in restoring the Group's financial stability and provided a platform from which it can accelerate progress in its development.

In 2015, the Group's underlying operating performance has improved, which reflects the financial benefits of difficult but necessary decisions that have been taken in 2015 and earlier.

During 2015, the Group made the positive decision to cease paying commissions in the UK to Business Partners where they have no ongoing involvement in the renewal process and do not provide any service to the customer. Discussions with certain Business Partners regarding this change remain ongoing. It is the Group's intention to re-invest this commission saving in improving the customer value experience. The Group is committed to: providing products that meet the specific needs of consumers; improving the value proposition of existing products; and improving the overall customer experience.

The Group's customer redress activities are now substantially complete and reflect the end of a very difficult chapter. The various redress programmes have had a substantial impact on the business. The Group's processes have been significantly improved as we now embark on the next stage of the Group's development.

The Group's overseas operations have contributed to the improved operating performance during 2015. There have been strong new retail policy sales in India and Turkey and whilst trading conditions remain challenging in some of our established European countries, cost control initiatives have helped to improve operating profit margins.

As a reflection of the renewed energy and optimism in the business, certain key management has taken the opportunity to invest more than £400,000 to purchase newly issued shares through the Matching Share Plan (MSP). The plan is designed to provide management with a vested interest in driving growth and directly align their aspirations with those of shareholders.

The closure of Airport Angel is now complete and, accordingly, the results of Airport Angel are being disclosed as discontinued operations within this review and the consolidated financial statements. Airport Angel has historically been a loss-making business; however, due to management focus on resolving prior operational issues and certain benefits driven by closure activities it has reported a £2.3 million profit for this financial year.

| | 2015 | | | 2014 |
|---|---|---|---|---|
| | **Total** | **Discontinued operations** | **Continuing operations** | Continuing operations |
| Revenue (£ millions) | **89.9** | **13.1** | **76.8** | 96.5 |
| Gross profit (£ millions) | **48.7** | **4.3** | **44.4** | 46.6 |
| Administrative expenses[1] (£ millions) | **(39.8)** | **(2.2)** | **(37.6)** | (43.8) |
| Underlying operating profit (£ millions) | **8.9** | **2.1** | **6.9** | 2.8 |
| Exceptional items (£ millions) | **17.9** | **0.1** | **17.8** | (6.0) |
| MSP charges (£ millions) | **(1.7)** | **—** | **(1.7)** | — |
| Reported operating profit/(loss) (£ millions) | **25.1** | **2.1** | **23.0** | (3.2) |
| Net finance costs (£ millions) | **(1.3)** | **(0.2)** | **(1.1)** | (1.7) |
| Reported profit/(loss) before tax (£ millions) | **23.8** | **1.9** | **21.9** | (4.9) |
| Earnings/(loss) per share (pence) | | | | |
| Basic | **2.72** | **0.30** | **2.42** | (1.90) |
| Diluted | **2.71** | **0.30** | **2.41** | (1.90) |
| Net assets/(liabilities) (£ millions) | **10.0** | **n/a** | **10.0** | (30.9) |
| Net funds (£ millions) | **37.6** | **n/a** | **37.6** | 7.9 |

1 Excluding exceptional items and MSP charges

**Summary**

Group revenue from continuing operations has declined by 20% to £76.8 million mainly reflecting the natural decline in Card Protection and Identity Protection renewals in the UK whilst new regulated sales remain restricted. On a regional basis revenue has reduced by 25% in the UK and Ireland and 22% (13% on a constant currency basis) in Europe and Latin America. Revenue in Asia Pacific has grown by 25% (23% on a constant currency basis).

The underlying operating profit in the year from continuing operations is £6.9 million, which is a £4.1 million improvement on 2014. This improvement is largely a result of the actions taken to reduce the cost base (including the impact of reviewing commission arrangements in the UK) and improved contribution from Asia Pacific driven largely by growth in India, both of which offset the impact of declining revenue.

Exceptional items in the year are a net credit which totals £17.8 million comprising: a gain from the compromise of the Commission Deferral Agreement, net of associated costs of £19.4 million; further residual customer redress costs of £0.9 million; and restructuring costs of £0.7 million. The £19.4 million gain from the commission deferral compromise reflects the settlement of £20.9 million Commission Deferral Agreement for a compromise payment of £1.3 million and £0.2 million costs associated with the arrangement. Costs relating to the compromise agreement incurred in 2014 were £0.7 million.

Share option charges relating to the Group's new share plan in the year, MSP, were £1.7 million. The charge in the year reflects both the charge related to investing individuals who purchased ordinary shares at a discount to market value, and ongoing accounting charges relating to the matching options. The size of the charge has been impacted by the increasing share price through 2015.

The exceptional items and MSP charges, contribute to a reported operating profit of £23.0 million (2014: £3.2 million loss).

Net interest and finance costs of £1.1 million (2014: £1.7 million) are 37% lower than 2014 reflecting the reduction in the Group's level of borrowings in the year. A significant proportion of this year's charge relates to the write-off of unamortised issue costs on the previous debt facility, which was refinanced midway through a three year term.

As a result, the reported profit before tax from continuing operations was £21.9 million (2014: £4.9 million loss) and the reported profit after tax from continuing operations was £18.5 million (2014: £3.3 million loss).

Discontinued operations, which represent the Airport Angel business in 2015, have reported a profit after tax of £2.3 million (2014: £3.5 million loss).

Basic earnings per share from continuing operations have improved from a loss of 1.90 pence in 2014 to earnings of 2.42 pence for 2015.

**Key Performance Indicators**[1]

| | **2015** | 2014 | Change |
|---|---|---|---|
| Live policies (millions)<br>(see table below) | **3.8** | 4.7 | (19)% |
| Annual renewal rate (%) | **72.9** | 71.4 | 1.5 |
| Revenue by major product<br>(£ millions) (see table below) | **76.8** | 96.5 | (20)% |
| Cost/income ratio (%) | **66.3** | 64.2 | 2.1 |
| Underlying operating profit margin (%) | **8.9** | 2.9 | 6.0 |
| Group cash balances (£ millions)<br>(see table below) | **39.8** | 40.6 | (2)% |

| Live policies (millions) | **2015** | 2014 | Change |
|---|---|---|---|
| Retail assistance policies | **2.5** | 2.7 | (9)% |
| Retail insurance policies | **—** | 0.1 | (51)% |
| Wholesale policies | **1.3** | 1.9 | (32)% |
| Total | **3.8** | 4.7 | (19)% |

| Revenue by major product (£ millions) | **2015** | 2014 | Change |
|---|---|---|---|
| Retail assistance revenue | **68.1** | 82.7 | (18)% |
| Retail insurance revenue | **5.4** | 10.2 | (47)% |
| Wholesale revenue | **2.3** | 2.8 | (16)% |
| Non-policy revenue | **0.9** | 0.8 | 7% |
| Total | **76.8** | 96.5 | (20)% |

| Group cash balances (£ millions) | **2015** | 2014 | Change |
|---|---|---|---|
| Regulated cash | **12.1** | 21.5 | (44)% |
| VVOP restricted cash | **21.8** | 13.4 | 63% |
| Free cash | **5.9** | 5.7 | 4% |
| Total | **39.8** | 40.6 | (2)% |

1 2014 figures have been restated to exclude the Airport Angel business which is discontinued

*Live policies*
The live policy base is 0.9 million lower than December 2014 due to UK factors, including an expected decline in wholesale policies and declining retail Card Protection policies as the VVOP restrictions on the sale of regulated products remain in place at present. Live policies outside of the UK have decreased marginally.

*Annual renewal rate*
The annual renewal rate for 2015 has increased by 1.5 percentage points since 31 December 2014 mainly due to improving rates in the Group's largest renewal markets, the UK and Spain. The annual renewal rate does not include cancellations that have occurred during the Scheme of Arrangement (Scheme). If Scheme cancellations were included, the annual renewal rate would be 5.5 percentage points lower at 67.4%.

*Revenue by major product*
Revenue from retail assistance policies has declined compared to 2014 reflecting the decline in Card Protection and Identity Protection renewals in the UK. The continued new retail sales restrictions associated with the UK VVOP limit the Group's ability to grow retail revenue. Retail insurance revenue, which relates to a historic UK Business Partner contract, has continued to decline as expected.

*Cost/income ratio*
Cost of sales and administrative expenses (excluding commissions, exceptional items and MSP charges) as a percentage of revenue. Our cost/income ratio has remained broadly stable year-on-year largely due to the impact of declining Card Protection and Identity Protection renewal revenue in the UK being offset by a reduction in operating costs following the actions taken by the Group to reduce its cost base. The review of commission arrangements in the UK does not impact this measure.

*Underlying operating profit margin*
Our underlying operating margin has increased 6.0 percentage points due mainly to the actions taken by the Group to reduce its cost base and the impact of reviewing commission arrangements in the UK, partly offset by a reduction in Card Protection and Identity Protection renewal revenue in the UK.

*Group cash balances*
Cash held in the Group's UK regulated entities has decreased year-on-year due to continued funding of residual redress and the core platform IT system development, partly offset by the impact of reviewing commission arrangements in the UK. Free cash is broadly stable year-on-year. The cash benefit of the equity raise and increased cash overseas has been offset through a combination of repayment of the bank loan and associated fees and Group overhead requirement.

**Customer redress**

Our customer redress programmes are now substantially complete, with current expectations that the remaining customer redress provision of £1.6 million will be paid during 2016. We are therefore nearing the conclusion of a particularly difficult chapter for the Group, which has had a significant impact on the business. The business has reflected on its historic practices and has taken significant action to improve them, with the core principle being to ensure that our actions ultimately benefit our customers.

The Group has provided an additional £0.9 million in the year reflecting the latest estimate of residual customer redress activity. This additional provision arises following the decision to cease paying commissions to UK Business Partners. The remaining customer redress and associated costs provision of £1.6 million is in addition to the outstanding element of the regulatory fine of £8.5 million, which is due to be paid in 2016.

**Tax**

In 2015 there was a tax charge on continuing operations of £3.4 million (2014: £1.7 million credit). The charge mainly arises from the gain following the compromise of the Commission Deferral Agreement in the UK, a switch in the utilisation of tax losses between continuing and discontinued operations, and smaller overseas charges on the profits made in Spain and Italy. No relief is available for other Group losses. Similar to 2014, the effective tax rate is not a representative measure

**Discontinued operations**

On 31 December 2015, the Group completed the operational closure of its Airport Angel business. This business has historically been loss-making; however, due to management focus on resolving prior operational issues and certain benefits from closure activities, it has reported a profit after tax of £2.3 million (2014: £2.7 million loss). Prior to 2015, the business had recorded cumulative losses of £8.3 million. The 2014 discontinued loss was £3.5 million in total, representing £2.7 million for Airport Angel and a £0.8 million loss relating to the disposal of Home3, which completed in March 2014.

**Cash flow and net funds**

The Group has generated additional cash, excluding movements in borrowings, of £11.2 million in the year, including the impact of the equity raise partly reduced by expenditure on the new core platform IT system. Cash used in operations amounted to £0.2 million (2014: £33.8 million) and includes £4.8 million paid in residual redress exercises. Cash used in operations has improved by £33.6 million year-on-year, which reflects the impact of significant redress payments through the UK Scheme in 2014.

As expected, the Group's net funds position has improved significantly in the year by £29.7 million to £37.6 million as a result of the equity raise and commission deferral compromise. Capital expenditure in the year is £4.6 million (2014: £0.6 million) as the Group continues to develop its new core platform IT system, with planned implementation expected to be in Q3

2016 in the UK. The net funds figure includes cash balances of £33.9 million held in the UK's regulated entities, Card Protection Plan Limited (CPPL) and Homecare Insurance Limited (HIL). These cash balances cannot be distributed to the wider Group without the regulator's approval, as they are either held for regulatory capital purposes or are restricted by the terms of the VVOP. This restricted cash is, however, available to use in the regulated entity in which it exists. This much improved financial position provides the platform from which the Group can now invest to accelerate future growth

**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**

The equity raise and debt restructure has had a fundamental impact on the Group's balance sheet position, returning it to net assets of £10.0 million at 31 December 2015 from net liabilities of £30.9 million in 2014.

The Group's borrowing arrangements comprise a committed £5.0 million revolving credit facility (RCF), which is available until February 2018, and a commission deferral balance of £1.3 million which is due for repayment in January 2017. The arrangements are much reduced, following the debt restructure in February 2015, from the previous £13.0 million debt facility and £20.9 million commission deferral balance. The RCF has £1.0 million drawn at the year end.

**Michael Corcoran**

Chief Financial Officer

23 March 2016

**RISKS AND UNCERTAINTIES**

The Group’s risk management framework is designed to identify and assess the likelihood and consequences of risk and to manage the actions necessary to mitigate their impact.

The Group has a risk framework that enables risks to be identified, assessed, controlled and monitored, consistently and objectively. We continue to progress the implementation of the framework throughout the Group and revise our risk framework as necessary to maintain its effectiveness. The key elements of our framework include: leadership and culture; risk appetites; risk identification and assessment; management and control of risk exposures; business incident management process; and a robust policy and minimum standard framework.

Set out below are the known principal risks and uncertainties which could have a material impact on the Group, together with the corresponding mitigating actions that have been taken.

*Risk:* Liquidity

*Status:* No change on prior year

*Nature of risk and potential impact:*

Liquidity risk is the risk that the Group or any of its subsidiaries cannot meet its contractual or payment obligations in a timely manner. Should the business not successfully generate revenue through legacy products and the development of compelling new products, then in the medium term the Group's liquidity position may be adversely impacted.

*Mitigation:*

Management actively manages the overall liquidity profile, ensuring that the business plans are effective and aligned. A number of dynamic programmes are in place to develop and deploy new products and offerings, and to enhance/refresh existing legacy products.

*Risk:* Reputational

*Status:* No change on prior year

*Nature of risk and potential impact:*

Reputational risk impacts the CPP brand, reliability and relationship with customers and shareholders. This may arise from poor conduct or judgements, regulatory non-compliance, or from negative financial or operational events as a result of weaknesses in systems and controls. Reputational risk may also arise from the selection of Business Partners and product offerings which may have adverse implications for the Group.

*Mitigation:*

High standards of conduct and a principled approach to regulatory compliance are integral to our culture and values. We consider key reputational risks when initiating changes in strategy, products or operating model. In addition, we have frameworks to address other risks that could affect our reputation including conduct risk and product development.

*Risk:* Shareholder

*Status:* Increased on prior year

*Nature of risk and potential impact:*

There is a risk that the Group could be destabilised by events that would significantly impact the delivery and time/cost of the overall strategy. The Group has specific vulnerabilities, for example, as a result of a highly concentrated shareholder base.

*Mitigation:*

The Board actively engages on a regular basis with our largest shareholders to mitigate this risk, discussing business rationale/strategy and seeking support of the Board and its business plans.

*Risk:* People and resources.

*Status:* Decreased on prior year

*Nature of risk and potential impact:*

In recent years the Group has lost (either through redundancy or attrition) a significant number of people from the business. This not only represents a risk in terms of knowledge and experience lost, but has increased the demands on our remaining colleagues. There is a risk that any significant unplanned attrition of key individuals could adversely impact the business and its transformation.

*Mitigation:*

The Group has identified key skills and role dependencies and takes steps to recruit and retain these within the business. The Group also supports key roles with interim contractors and consultants where necessary. The Group continues to be successful in recruiting and attracting fresh talent and new skill sets to ensure we continue to be able to deliver our plans.

*Risk:* Technology and information security

*Status:* No change on prior year

*Nature of risk and potential impact:*

The Group has embarked on a significant and wide ranging transformation programme that includes replacement of the core platform IT system. The extent of this transformation is enabling for our future sustainability and growth. There are risks that the nature and complexity of the programme impacts the business adversely through operational issues, cost over-runs or a failure to deliver to quality.

*Mitigation:*

The Group has a robust governance and delivery framework which is applied throughout transformation. We regularly assess and review progress and deliverables to ensure these are being effectively managed and controlled.

*Risk:* International business

*Status:* No change on prior year

*Nature of risk and potential impact:*

Our business is broadly diversified by region and operates in multiple regulated markets worldwide. Whilst this mitigates our aggregate risk profile it introduces additional risks in terms of operating cross-border and in multiple environments as a result of complexity, local laws, regulations, business customs and practices. The risk may be exacerbated as we operate a central IT platform, business model and product propositions derived from the UK offerings.

*Mitigation:*

The Board has sought to mitigate this risk through further enhancement of its risk compliance and governance approach. Our international operations are regularly reviewed by Internal Audit. We aim to employ people with local expertise who ensure the business and operations conform to local requirements as well as Group standards. In addition, we seek the advice of local advisers where appropriate.

*Risk:* Conduct and regulatory

*Status:* No change on prior year

*Nature of risk and potential impact:*

The risk of customer detriment arising from inappropriate conduct, practice or behaviour and failing to meet customer needs, interests or expected outcomes. The risk of fines, penalties, censure or other sanctions arising from failure to identify or meet regulatory requirements. The risk that new regulation or changes to existing interpretation has a material effect on the Group's operations or cost base.

*Mitigation:*

We promote a strong compliance culture, strive to put the interests of the customer first, and value good relationships with our regulators. Our compliance function supports management in identifying and meeting our regulatory obligations with relevant training and procedures. Compliance with relevant regulatory requirements is monitored in accordance with a risk-based programme. Our approach to encouraging appropriate conduct is set out in our conduct risk framework, and is built on culture and values, supported by appropriate governance and reporting. This includes a culture in which colleagues are encouraged to focus on good customer outcomes; a focus on products that meet customer needs; robust controls, governance, training and risk management processes. Regulatory and legal change is monitored by the compliance, legal and risk teams.

*Risk:* Third party Business Partner

*Status:* Increased on prior year

*Nature of risk and potential impact:*

We have a number of key supplier relationships as part of our business model, particularly in respect of insurance underwriting, product distribution and information technology. Third party Business Partner risk relates to the risk that partners may seek to end or change existing relationships or may not be able to meet their agreed service level terms. There is a significant risk that without ongoing engagement with Business Partners our primary route to market could be constrained.

*Mitigation:*

The Group continues to engage with Business Partners to ensure the smooth continuation of services while at the same time developing and monitoring plans for alternative arrangements and new distribution opportunities.

*Risk:* Emerging

*Status:* Increased on prior year

*Nature of risk and potential impact:*

Emerging risks are those with uncertain impact, probability and time frame that could impact the Group. These are the hardest to define. We analyse each risk and, if needed, develop and apply mitigation and management plans.

*Mitigation:*

The external emerging risks that are currently our focus of attention include the potential UK exit from the European Union, increasing cyber-crime, and geo-political events impacting key markets including those in Turkey.

## GOING CONCERN

In reaching their view on the preparation of the Group's financial statements on a going concern basis, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The Group is in a much improved financial position following the successful equity raise, restructure of liabilities and refinancing in February 2015, which returned the consolidated balance sheet to net assets and significantly increased the Group's net funds. The Group's operating performance has improved following difficult but necessary decisions taken in the current and prior year. Residual redress obligations are now substantially complete. Whilst there continues to be some uncertainty from medium term trading and strategic risk, the Group's 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 Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

**Consolidated income statement**
For the year ended 31 December 2015

| | Note | **2015** £'000 | 2014 restated (note 2) £'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | **76,771** | 96,528 |
| Cost of sales | | **(32,346)** | (49,895) |
| **Gross profit** | | **44,425** | 46,633 |
| Administrative expenses | | **(21,443)** | (49,848) |
| **Operating profit/(loss)** | | **22,982** | (3,215) |
| Analysed as: | | | |
| Underlying operating profit | 4 | **6,863** | 2,807 |
| Exceptional items | 5 | **17,777** | (6,022) |
| MSP charges | 13 | **(1,658)** | — |
| Investment revenues | | **282** | 432 |
| Finance costs | | **(1,362)** | (2,147) |
| **Profit/(loss) before taxation** | | **21,902** | (4,930) |
| Taxation | | **(3,374)** | 1,674 |
| **Profit/(loss) for the year from continuing operations** | | **18,528** | (3,256) |
| **Discontinued operations** | | | |
| Profit/(loss) for the year from discontinued operations | 7 | **2,309** | (3,493) |
| **Profit/(loss) for the year attributable to equity holders of the Company** | | **20,837** | (6,749) |

| **Basic earnings/(loss) per share** | | **Pence** | Pence |
|---|---|---|---|
| Continuing operations | 6 | **2.42** | (1.90) |
| Discontinued operations | 6 | **0.30** | (2.04) |
| Total | | **2.72** | (3.94) |

| **Diluted earnings/(loss) per share** | | **Pence** | Pence |
|---|---|---|---|
| Continuing operations | 6 | **2.41** | (1.90) |
| Discontinued operations | 6 | **0.30** | (2.04) |
| Total | | **2.71** | (3.94) |

**Consolidated statement of comprehensive income**
For the year ended 31 December 2015

| | **2015** | 2014 |
|---|---|---|
| | **£'000** | £'000 |
| Profit/(loss) for the year | **20,837** | (6,749) |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Exchange differences on translation of foreign operations | **271** | 111 |
| **Other comprehensive income for the year net of taxation** | **271** | 111 |
| **Total comprehensive income/(expense) for the year attributable to equity holders of the Company** | **21,108** | (6,638) |

**Consolidated balance sheet**
As at 31 December 2015

| | Note | **2015 £'000** | 2014 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Other intangible assets | 8 | **4,825** | 808 |
| Property, plant and equipment | | **3,502** | 3,820 |
| Deferred tax asset | | **652** | 2,248 |
| | | **8,979** | 6,876 |
| **Current assets** | | | |
| Insurance assets | | **317** | 593 |
| Inventories | | **43** | 93 |
| Trade and other receivables | | **12,106** | 15,709 |
| Cash and cash equivalents | 9 | **39,810** | 40,599 |
| | | **52,276** | 56,994 |
| **Total assets** | | **61,255** | 63,870 |
| **Current liabilities** | | | |
| Insurance liabilities | | **(1,189)** | (2,019) |
| Income tax liabilities | | **(2,483)** | (2,231) |
| Trade and other payables | | **(42,629)** | (40,631) |
| Provisions | 11 | **(2,254)** | (7,041) |
| | | **(48,555)** | (51,922) |
| **Net current assets** | | **3,721** | 5,072 |
| **Non-current liabilities** | | | |
| Borrowings | 10 | **(2,191)** | (32,733) |
| Deferred tax liabilities | | **(308)** | (126) |
| Trade and other payables | | **—** | (8,991) |
| Provisions | 11 | **(186)** | (973) |
| | | **(2,685)** | (42,823) |
| **Total liabilities** | | **(51,240)** | (94,745) |
| **Net assets/(liabilities)** | | **10,015** | (30,875) |

| | | | |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 12 | **23,939** | 17,126 |
| Share premium account | | **45,225** | 33,291 |
| Merger reserve | | **(100,399)** | (100,399) |
| Translation reserve | | **991** | 720 |
| Equalisation reserve | | **6,243** | 7,487 |
| ESOP reserve | | **13,093** | 11,891 |
| Retained earnings/(accumulated losses) | | **20,923** | (991) |
| **Total equity/(deficit) attributable to equity holders of the Company** | | **10,015** | (30,875) |

**Consolidated statement of changes in equity**
For the year ended 31 December 2015

| | Note | Share capital £'000 | Share premium account £'000 | Merger reserve £'000 | Translation reserve £'000 | Equalisation reserve £'000 | ESOP reserve £'000 | Retained earnings/ (accumulated losses) £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January 2014 | | 17,120 | 33,292 | (100,399) | 609 | 8,129 | 11,688 | 5,259 | (24,302) |
| Total comprehensive expense | | — | — | — | 111 | — | — | (6,749) | (6,638) |
| Movement on equalisation reserve | | — | — | — | — | (642) | — | 642 | — |
| Current tax charge on equalisation reserve movement | | — | — | — | — | — | — | (138) | (138) |
| Equity settled share-based payment charge | | — | — | — | — | — | 203 | — | 203 |
| Deferred tax on share-based payment charge | | — | — | — | — | — | — | 1 | 1 |
| Exercise of share options | | 6 | (1) | — | — | — | — | (6) | (1) |
| **At 31 December 2014** | | 17,126 | 33,291 | (100,399) | 720 | 7,487 | 11,891 | (991) | (30,875) |
| Total comprehensive income | | **—** | **—** | **—** | **271** | **—** | **—** | **20,837** | **21,108** |
| Movement on equalisation reserve | | **—** | **—** | **—** | **—** | **(1,244)** | **—** | **1,244** | **—** |
| Current tax charge on equalisation reserve movement | | **—** | **—** | **—** | **—** | **—** | **—** | **(252)** | **(252)** |
| Equity settled share-based payment charge | | **—** | **—** | **—** | **—** | **—** | **1,466** | **—** | **1,466** |
| Deferred tax on share-based payment charge | | **—** | **—** | **—** | **—** | **—** | **—** | **86** | **86** |
| Purchase of ordinary shares | 12 | **—** | **—** | **—** | **—** | **—** | **(264)** | **—** | **(264)** |
| Exercise of share options | 12 | **1** | **(1)** | **—** | **—** | **—** | **—** | **(1)** | **(1)** |
| Other ordinary share issues | 12 | **6,812** | **11,935** | **—** | **—** | **—** | **—** | **—** | **18,747** |
| **At 31 December 2015** | | **23,939** | **45,225** | **(100,399)** | **991** | **6,243** | **13,093** | **20,923** | **10,015** |

**Consolidated cash flow statement**

For the year ended 31 December 2015

| | Note | **2015 £'000** | 2014 £'000 |
|---|---|---|---|
| **Net cash used in operating activities** | 14 | **(1,360)** | (32,906) |
| **Investing activities** | | | |
| Interest received | | **282** | 432 |
| Purchases of property, plant and equipment | | **(194)** | (190) |
| Purchases of intangible assets | | **(4,435)** | (406) |
| Cash consideration in respect of sale of discontinued operation | 7 | **—** | 275 |
| Credit associated with disposal of discontinued operation | 7 | **—** | 28 |
| Investment in joint venture | 7 | **—** | (1,000) |
| **Net cash used in investing activities** | | **(4,347)** | (861) |
| **Financing activities** | | | |
| Repayment of bank loans | | **(12,000)** | — |
| (Repayment of)/proceeds from the Commission Deferral Agreement | | **(1,304)** | 8,831 |
| Proceeds from the Second Commission Deferral Agreement | | **1,304** | — |
| Interest paid | | **(903)** | (514) |
| Costs of refinancing | | **(220)** | — |
| Costs of compromising the Commission Deferral Agreement | | **(743)** | (193) |
| Issue of ordinary share capital and associated costs | | **18,980** | (499) |
| **Net cash from financing activities** | | **5,114** | 7,625 |
| **Net decrease in cash and cash equivalents** | | **(593)** | (26,142) |
| Effect of foreign exchange rate changes | | **(196)** | (159) |
| Cash and cash equivalents at 1 January | | **40,599** | 66,900 |
| **Cash and cash equivalents at 31 December** | 9 | **39,810** | 40,599 |

## 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 2016.

The figures shown for the year ended 31 December 2015 are unaudited and do not represent statutory accounts within the meaning of section 435 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2015 will be delivered to the Registrar of Companies after the Annual General Meeting. This announcement has been agreed with the Company's auditors for release. A copy of this preliminary announcement will be published on the Company's website www.cppgroupplc.com. The Directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differ from legislation in other jurisdictions.

### 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 2014 except for comparative amounts that have been restated to reflect the Airport Angel business as discontinued. 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 |
|---|---|
| Annual improvements to IFRSs | 2011 – 2013 cycle |

### 3. Critical accounting judgements and key sources of estimation uncertainty

**Provisions**

The Group's provisions are detailed in note 11. The remaining provisions include estimates relating to response rates for customer redress and the non-utilisation period at a vacated office in the UK.

Any changes to the estimates applied would lead to a change in the provisions required which would be reflected through the consolidated income statement

**Share-based payments**

Determining the fair value of share options granted requires estimation of share price volatility, risk-free rates and a discount for potential cancellations. Details of the assumptions made are included in note 13.

Changes to the assumptions would alter the share-based payment charge for the current and subsequent periods. Valuations for equity settled share-based payments are set at grant date.

**Current tax**

The Group is required to estimate the corporation tax payable for the year in each of the territories in which it operates. Applicable tax regulations are complex and require that judgement be exercised in calculating the taxable profit. In many countries in which the Group operates, filed tax positions remain open to challenge by local tax authorities for several years. Corporation tax is therefore accrued on the Directors' assessment of territory specific tax law and likelihood of settlement.

Any changes to estimates of uncertain tax positions would be reflected in the consolidated income statement.

## 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, Portugal, France and Brazil);
- Asia Pacific (India, Hong Kong, China, Malaysia and Singapore).

Segment revenues and performance have been as follows:

| | UK and Ireland 2015 £'000 | Europe and Latin America 2015 £'000 | Asia Pacific 2015 £'000 | Total 2015 £'000 |
|---|---|---|---|---|
| **Year ended 31 December 2015** | | | | |
| **Continuing operations** | | | | |
| Revenue – external sales | **42,979** | **25,455** | **8,337** | **76,771** |
| Cost of sales | **(14,939)** | **(12,479)** | **(4,928)** | **(32,346)** |
| **Gross profit** | **28,040** | **12,976** | **3,409** | **44,425** |
| Depreciation and amortisation | **(292)** | **(264)** | **(30)** | **(586)** |
| Other administrative expenses excluding exceptional items and MSP charges | **(25,759)** | **(8,118)** | **(3,099)** | **(36,976)** |
| **Regional underlying operating profit** | **1,989** | **4,594** | **280** | **6,863** |
| Exceptional items (note 5) | | | | **17,777** |
| MSP charges | | | | **(1,658)** |
| **Operating profit** | | | | **22,982** |
| Investment revenues | | | | **282** |
| Finance costs | | | | **(1,362)** |
| **Profit before taxation** | | | | **21,902** |
| Taxation | | | | **(3,374)** |
| **Profit for the year from continuing operations** | | | | **18,528** |
| **Discontinued operations** | | | | |
| Profit for the year from discontinued operations (note 7) | | | | **2,309** |
| **Profit for the year** | | | | **20,837** |

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 £1,704,000 presented within UK and Ireland in the table above which have been charged to other regions for statutory purposes.

| | UK and Ireland 2014 £'000 | Europe and Latin America 2014 £'000 | Asia Pacific 2014 £'000 | Total 2014 £'000 |
|---|---|---|---|---|
| **Year ended 31 December 2014 – restated (note 2)** | | | | |
| **Continuing operations** | | | | |
| Revenue – external sales | 57,412 | 32,463 | 6,653 | 96,528 |
| Cost of sales | (29,919) | (16,357) | (3,619) | (49,895) |
| **Gross profit** | 27,493 | 16,106 | 3,034 | 46,633 |
| Depreciation and amortisation | (1,243) | (784) | (34) | (2,061) |
| Other administrative expenses excluding exceptional items | (28,372) | (10,160) | (3,233) | (41,765) |
| **Regional underlying operating (loss)/profit** | (2,122) | 5,162 | (233) | 2,807 |
| Exceptional items (note 5) | | | | (6,022) |
| **Operating loss** | | | | (3,215) |
| Investment revenues | | | | 432 |
| Finance costs | | | | (2,147) |
| **Loss before taxation** | | | | (4,930) |
| Taxation | | | | 1,674 |
| **Loss for the year from continuing operations** | | | | (3,256) |
| **Discontinued operations** | | | | |
| Loss for the year from discontinued operations (note 7) | | | | (3,493) |
| **Loss for the year** | | | | (6,749) |

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 £1,845,000 presented within UK and Ireland in the table above which have been charged to other regions for statutory purposes.

**Segment assets**

| | **2015 £'000** | 2014 restated (note 2) £'000 |
|---|---|---|
| UK and Ireland | **47,667** | 49,346 |
| Europe and Latin America | **8,074** | 7,012 |
| Asia Pacific | **4,065** | 2,937 |
| **Total segment assets** | **59,806** | 59,295 |
| Assets relating to discontinued operations | **797** | 2,327 |
| Unallocated assets | **652** | 2,248 |
| **Consolidated total assets** | **61,255** | 63,870 |

Deferred tax is not allocated to segments.

**Capital expenditure**

| | Intangible assets | | Property, plant and equipment | |
|---|---|---|---|---|
| | **2015 £'000** | 2014 £'000 | **2015 £'000** | 2014 £'000 |
| **Continuing operations** | | | | |
| UK and Ireland | **4,415** | 393 | **129** | 118 |
| Europe and Latin America | **21** | 13 | **48** | 61 |
| Asia Pacific | **—** | — | **17** | 11 |
| **Additions from continuing operations** | **4,436** | 406 | **194** | 190 |

**Revenues from major products**

| | **2015 £'000** | 2014 restated (note 2) £'000 |
|---|---|---|
| **Continuing operations** | | |
| Retail assistance policies | **68,139** | 82,652 |
| Retail insurance policies | **5,384** | 10,229 |
| Wholesale policies | **2,344** | 2,802 |
| Non-policy revenue | **904** | 845 |
| **Revenue from continuing operations** | **76,771** | 96,528 |
| **Discontinued operations** | **13,107** | 12,278 |
| **Consolidated total revenue** | **89,878** | 108,806 |

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 on-going product or service which is provided for a specified period of time; "non-policy revenues" are those which are not in connection with providing an on-going service to policyholders for a specified period of time.

**Geographical information**

The Group operates across a wide number of territories, of which the UK 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 | |
|---|---|---|---|---|
| | **2015 £'000** | 2014 restated (note 2) £'000 | **2015 £'000** | 2014 restated (note 2) £'000 |
| **Continuing operations** | | | | |
| UK | **42,179** | 56,134 | **8,062** | 4,064 |
| Spain | **11,873** | 15,215 | **122** | 176 |
| Other | **22,719** | 25,179 | **143** | 352 |
| Total continuing operations | **76,771** | 96,528 | **8,327** | 4,592 |
| **Discontinued operations** | **13,107** | 12,278 | **—** | 36 |
| | **89,878** | 108,806 | **8,327** | 4,628 |

**Information about major customers**

There are no customers either in the current or prior year from which the Group earns more than 10% of its revenue.

**5. Exceptional items**

| | Note | **2015 £'000** | 2014 restated (note 2) £'000 |
|---|---|---|---|
| Commission deferral compromise and associated costs | | **(19,388)** | 744 |
| Customer redress and associated costs | 11 | **900** | 3,000 |
| Restructuring costs | | **711** | 2,278 |
| **Exceptional (credit)/charge included in operating profit or loss** | | **(17,777)** | 6,022 |
| Tax on exceptional items | | **2,344** | (646) |
| **Total exceptional (credit)/charge after tax** | | **(15,433)** | 5,376 |
| Discontinued operations after tax | | **(38)** | 301 |
| | | **(15,471)** | 5,677 |

The gain from the commission deferral compromise and associated costs of £19,388,000 (2014: £744,000 charge) relates to the settlement in full of the Commission Deferral Agreement for a payment of £1,304,000, net of costs associated with finalising the agreement to compromise.

The customer redress and associated costs of £900,000 (2014: £3,000,000) relate to the latest estimate with respect to residual customer redress activity, which has arisen following changes to commission arrangements in the UK.

The restructuring costs of £711,000 (2014: £2,278,000) principally relate to redundancy programmes and associated costs across the Group. The majority of this cost is located in Spain.

### 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/(loss) 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.

**Earnings/(loss)**

| | **Continuing operations** | | **Discontinued operations** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2015 £'000** | 2014 restated (note 2) £'000 | **2015 £'000** | 2014 restated (note 2) £'000 | **2015 £'000** | 2014 £'000 |
| Earnings/(loss) for the purposes of basic and diluted earnings/(loss) per share | **18,528** | (3,256) | **2,309** | (3,493) | **20,837** | (6,749) |
| Exceptional items (net of tax) | **(15,433)** | 5,376 | **(38)** | (10) | **(15,471)** | 5,366 |
| MSP charges (net of tax) | **1,318** | — | **—** | — | **1,318** | — |
| **Earnings/(loss) for the purposes of underlying basic and diluted earnings/(loss) per share** | **4,413** | 2,120 | **2,271** | (3,503) | **6,684** | (1,383) |

**Number of shares**

| | **Number (thousands)** | Number restated (note 2) (thousands) |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share | **766,667** | 171,622 |
| Effect of dilutive potential ordinary shares: share options | **2,748** | 6,059 |
| Weighted average number of ordinary shares for the purposes of diluted earnings/(loss) per share | **769,415** | 177,681 |

| | **Continuing operations** | | **Discontinued operations** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2015 Pence** | 2014 restated (note 2) Pence | **2015 Pence** | 2014 restated (note 2) Pence | **2015 Pence** | 2014 restated (note 2) Pence |
| Basic and diluted earnings/(loss) per share | | | | | | |
| Basic | **2.42** | (1.90) | **0.30** | (2.04) | **2.72** | (3.94) |
| Diluted | **2.41** | (1.90) | **0.30** | (2.04) | **2.71** | (3.94) |
| Basic and diluted underlying earnings/(loss) per share | | | | | | |
| Basic | **0.58** | 1.23 | **0.30** | (2.04) | **0.88** | (0.81) |
| Diluted | **0.57** | 1.19 | **0.30** | (1.97) | **0.87** | (0.78) |

The Group has 171,650,000 deferred shares which have no rights to receive dividends and will only have 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.

On 19 January 2016, the Company awarded options over 26,050,000 ordinary shares through the 2016 LTIP. This award occurred after the period end and as such is not considered in the current year diluted earnings per share calculation.

## 7. Discontinued operations

The Group announced on 27 May 2015 its decision to cease providing airport lounge access services (Airport Angel). The closure of the business was completed on 31 December 2015.

In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" this operation has been presented as a discontinued operation. The comparative figure includes the disposal of Home3 Assistance Limited (Home3) which completed in March 2014.

The consolidated income statement, summary of cash flows and assets and liabilities of this business is set out below:

### (i) Consolidated income statement

| | **2015** | 2014 – restated (note 2) | | | |
|---|---|---|---|---|---|
| | **Airport Angel £'000** | Airport Angel £'000 | Home3 £'000 | North America £'000 | Total £'000 |
| Revenue | **13,107** | 12,278 | — | — | 12,278 |
| Cost of sales | **(8,808)** | (10,879) | — | — | (10,879) |
| **Gross profit** | **4,299** | 1,399 | — | — | 1,399 |
| Administrative expenses | **(2,186)** | (3,982) | — | — | (3,982) |
| Share of loss of joint venture | **—** | — | (1,096) | — | (1,096) |
| **Operating profit/(loss)** | **2,113** | (2,583) | (1,096) | — | (3,679) |
| Analysed as: | | | | | |
| Underlying operating profit/(loss) | **2,060** | (2,282) | (1,096) | — | (3,378) |
| Exceptional items | **53** | (301) | — | — | (301) |
| Finance costs | **(161)** | (149) | — | — | (149) |
| **Profit/(loss) before taxation** | **1,952** | (2,732) | (1,096) | — | (3,828) |
| Taxation | **357** | 24 | — | — | 24 |
| **Profit/(loss) after tax** | **2,309** | (2,708) | (1,096) | — | (3,804) |
| Profit on disposal | **—** | — | 265 | 46 | 311 |
| **Profit/(loss) for the year** | **2,309** | (2,708) | (831) | 46 | (3,493) |

The Group has not made any disposals required to comply with IFRS 5 in the current year.

| | **2015** | 2014 | | |
|---|---|---|---|---|
| | **Total £'000** | Home3 £'000 | North America £'000 | Total £'000 |
| Proceeds | — | 275 | — | 275 |
| (Costs)/credit associated with disposal | — | (10) | 46 | 36 |
| **Profit on disposal** | — | 265 | 46 | 311 |

**(ii) Summary of cash flows**

| | **2015 £'000** | 2014 restated (note 2) £'000 |
|---|---|---|
| Net cash flows from operating activities | **(432)** | (3,703) |
| Net cash flows from investing activities | **21** | 34 |
| Net cash flows from financing activities | **(161)** | (148) |
| Cash consideration in respect of sale of discontinued operation | **—** | 275 |
| Credit associated with the disposal of discontinued operation | **—** | 28 |
| Investment in joint venture | **—** | (1,000) |
| **Net cash outflow** | **(572)** | (4,514) |

**8. Other intangible assets**

| | Contractual arrangements with third parties £'000 | Business relationships £'000 | Internally generated software £'000 | Externally acquired software £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| At 1 January 2014 | 17,420 | 1,211 | 19,478 | 19,402 | 57,511 |
| Additions | – | – | 194 | 212 | 406 |
| Disposals | – | – | – | (151) | (151) |
| Exchange adjustments | – | – | – | (66) | (66) |
| **At 1 January 2015** | 17,420 | 1,211 | 19,672 | 19,397 | 57,700 |
| Additions | **–** | **–** | **574** | **3,862** | **4,436** |
| Disposals | **(17,420)** | **(1,211)** | **–** | **(276)** | **(18,907)** |
| Exchange adjustments | **–** | **–** | **–** | **(83)** | **(83)** |
| **At 31 December 2015** | **–** | **–** | **20,246** | **22,900** | **43,146** |
| | | | | | |
| **Accumulated amortisation:** | | | | | |
| At 1 January 2014 | 15,153 | 1,211 | 19,181 | 18,667 | 54,212 |
| Provided during the year | 2,012 | – | 297 | 575 | 2,884 |
| Disposals | – | – | – | (147) | (147) |
| Exchange adjustments | – | – | – | (57) | (57) |
| **At 1 January 2015** | 17,165 | 1,211 | 19,478 | 19,038 | 56,892 |
| Provided during the year | **255** | **–** | **–** | **136** | **391** |
| Disposals | **(17,420)** | **(1,211)** | **–** | **(275)** | **(18,906)** |
| Impairment | **–** | **–** | **–** | **21** | **21** |
| Exchange adjustments | **–** | **–** | **–** | **(77)** | **(77)** |
| **At 31 December 2015** | **–** | **–** | **19,478** | **18,843** | **38,321** |
| | | | | | |
| **Carrying amount:** | | | | | |
| At 31 December 2014 | 255 | – | 194 | 359 | 808 |
| **At 31 December 2015** | **–** | **–** | **768** | **4,057** | **4,825** |

### 9. Cash and cash equivalents

Consolidated cash and cash equivalents of £39,810,000 (2014: £40,599,000) comprises cash held on demand by the Group and short term deposits.

Cash and cash equivalents includes the following:

i) £12,126,000 (2014: £21,542,000) cash maintained by the Group's insurance businesses for solvency purposes; and

ii) £21,753,000 (2014: £13,380,000) cash held in the UK's regulated entities CPPL and HIL which is restricted by the terms of the VVOP and cannot be distributed to the wider Group without FCA approval. This restricted cash whilst being unavailable to distribute to the wider Group, is available to the regulated entity in which it exists including for operational and residual customer redress purposes.

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 are as follows:

| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| AA | **1,679** | 1,537 |
| A | **36,064** | 37,069 |
| BBB | **548** | 1,000 |
| BB | **1,405** | 978 |
| Rating information not available | **114** | 15 |
| | **39,810** | 40,599 |

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:

| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| Bank loans due outside of one year | **1,000** | 13,000 |
| Less: unamortised issue costs | **(152)** | (969) |
| Commission Deferral Agreement | **—** | 20,702 |
| Second Commission Deferral Agreement | **1,343** | — |
| **Borrowings due outside of one year** | **2,191** | 32,733 |

Analysis of repayments:

| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| Within one year | **—** | — |
| In the second year | **1,343** | 13,000 |
| In the third to fifth years | **1,000** | 20,702 |
| **Total repayments** | **2,343** | 33,702 |
| Less: unamortised issue costs | **(152)** | (969) |
| **Total carrying value** | **2,191** | 32,733 |

The Group's bank debt is in the form of a £5,000,000 revolving credit facility (RCF). The current RCF became effective on 11 February 2015. 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.

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.

All amounts outstanding in respect of the Second Commission Deferral Agreement fall due for repayment on expiry of the agreement on 31 January 2017. The Commission Deferral Agreement bears interest at a fixed rate of 3.5% and is secured by charges over the assets of CPPL in substantially similar form and terms to the security granted under the RCF.

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

| | **2015 %** | 2014 % |
|---|---|---|
| Bank loans | **2.5** | 4.5 |
| Commission Deferral Agreements | **3.5** | 3.5 |
| Weighted average | **2.9** | 3.9 |

The bank loans weighted average interest rate of 2.5% comprises the interest rate charged on the drawn amount and the interest rate charged for the commitment on the undrawn element.

At 31 December 2015, the Group has £4,000,000 undrawn committed borrowing facilities (2014: £nil).

## 11. Provisions

| | **Onerous leases 2015 £'000** | **Customer redress and associated costs 2015 £'000** | **Total 2015 £'000** | Onerous leases 2014 £'000 | Customer redress and associated costs 2014 £'000 | Total 2014 £'000 |
|---|---|---|---|---|---|---|
| At 1 January | **1,658** | **6,356** | **8,014** | — | 37,398 | 37,398 |
| (Credited)/charged to the income statement | **(97)** | **900** | **803** | 1,658 | 3,000 | 4,658 |
| Customer redress and associated costs paid in the year | **—** | **(4,821)** | **(4,821)** | — | (34,042) | (34,042) |
| Utilisation of onerous lease provision in the year | **(732)** | **—** | **(732)** | — | — | — |
| Transfer to trade and other payables | **—** | **(824)** | **(824)** | — | — | — |
| **At 31 December** | **829** | **1,611** | **2,440** | 1,658 | 6,356 | 8,014 |

The customer redress and associated cost provision comprises anticipated compensation payable to customers through residual customer redress exercises and associated professional fees. The outstanding regulatory fine of £8,500,000 is included in trade and other payables.

The onerous lease provision reflects the future lease payments and associated costs in the expected non-utilisation period at one of our vacated offices in the UK.

Customer redress and associated costs are expected to be settled within one year of the balance sheet date and onerous lease provisions are expected to be settled within two years of the balance sheet date.

Provisions are expected to be settled in the following periods:

| | **Onerous leases 2015 £'000** | **Customer redress and associated costs 2015 £'000** | **Total 2015 £'000** | Onerous leases 2014 £'000 | Customer redress and associated costs 2014 £'000 | Total 2014 £'000 |
|---|---|---|---|---|---|---|
| Within one year | **643** | **1,611** | **2,254** | 685 | 6,356 | 7,041 |
| Outside of one year | **186** | **—** | **186** | 973 | — | 973 |
| **At 31 December** | **829** | **1,611** | **2,440** | 1,658 | 6,356 | 8,014 |

**12. Share capital**

| | **Ordinary shares of 10 pence each (thousands)** | **Ordinary shares of 1 penny each (thousands)** | **Deferred shares of 9 pence each (thousands)** | **Ordinary shares of 10 pence each £'000** | **Ordinary shares of 1 penny each £'000** | **Deferred shares of 9 pence each £'000** |
|---|---|---|---|---|---|---|
| **Called up and allotted:** | | | | | | |
| At 1 January 2015 | 171,650 | — | — | 17,126 | — | — |
| Issue of shares in connection with: | | | | | | |
| Capital reorganisation | **(171,650)** | **171,650** | **171,650** | **(17,126)** | **1,713** | **15,413** |
| February placement | **—** | **666,667** | **—** | **—** | **6,667** | **—** |
| June share issue | **—** | **8,550** | **—** | **—** | **86** | **—** |
| November share issue | **—** | **5,883** | **—** | **—** | **59** | **—** |
| Exercise of share options | **—** | **84** | **—** | **—** | **1** | **—** |
| **At 31 December** | **—** | **852,834** | **171,650** | **—** | **8,526** | **15,413** |

On 20 January 2015, each of the Company's 10 pence ordinary shares was subdivided and redesignated into one new ordinary share of 1 penny each and one new deferred share of 9 pence each. Each new ordinary share of 1 penny carries the same rights as the old 10 pence ordinary share. 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.

On 11 February 2015, the Company transferred the trading of its shares from the main market of the London Stock Exchange to AIM. On transfer to AIM, as part of a placing, the Company also issued 666,666,667 1 penny ordinary shares for cash consideration of £20,000,000. Costs of the share issue of £1,686,000 have been charged to the share premium account.

On 25 June 2015, the Company issued 8,550,000 1 penny ordinary shares as part of the Group's new share incentive scheme, the MSP. The newly issued shares, which represent investment shares in the terms of the plan, were purchased for total consideration of £257,000. The second investment date for MSP completed on 24 November 2015, resulting in the issue of a further 5,883,000 1 penny ordinary shares which were purchased for total consideration of £176,000.

The ordinary shares issued in the placing and MSP have increased the share capital of the Company by £6,812,000 and increased the share premium account by £11,935,000.

On 24 November 2015, the CPPGroup Plc Employee Benefit Trust (EBT) purchased 1,763,000 of the Company's ordinary shares for total cash consideration of £264,000. The total amount paid to acquire the shares has been deducted from the ESOP reserve. As at 31 December 2015, the total number of ordinary shares held by the EBT was 1,763,000 (2014: nil).

During the year, the Company issued 84,347 shares to option holders for total consideration of £1,000.

Of the 852,833,955 ordinary shares issued at 31 December 2015, 852,333,956 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.

### 13. Share-based payment

The MSP was implemented, subsequent to the transfer of the Company's shares to AIM in 2015, to more closely align senior management interests with those of shareholders. MSP charges separately disclosed in the income statement include £1,457,000 (2014: £nil) relating to the share-based payment charges. There have been 38,010,000 options granted in the current year as part of the MSP; the plan was not in operation in the prior year.

| | **2015** | | 2014 | |
|---|---|---|---|---|
| | **Number of share options (thousands)** | **Weighted average exercise price (£)** | Number of share options (thousands) | Weighted average exercise price (£) |
| **MSP** | | | | |
| Outstanding at 1 January | **—** | **—** | — | — |
| Granted during the year | **38,010** | **0.01** | — | — |
| Forfeited during the year | **(1,875)** | **0.01** | — | — |
| **Outstanding at 31 December** | **36,135** | **0.01** | — | — |

Options granted under the MSP have an exercise price of 1 penny and they 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.

The options outstanding at 31 December 2015 had a weighted average remaining contractual life of two years.

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

| | **MSP 2015** |
|---|---|
| Weighted average share price | **£0.09** |
| Weighted average exercise price | **£0.01** |
| Expected volatility | **140.93%** |
| Expected life | **2 years** |
| Risk-free rate | **0.76%** |
| Dividend yield | **n/a** |

There have been 38,010,000 share options granted in the current year. The aggregate estimated fair value of the options and shares granted in the current year under the MSP was £3,208,000.

### 14. Reconciliation of operating cash flows

| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| Profit/(loss) for the year | **20,837** | (6,749) |
| **Adjustment for:** | | |
| Depreciation and amortisation | **856** | 4,155 |
| Equity settled share based payment expense | **1,466** | 203 |
| Impairment loss on intangible assets and property, plant and equipment | **21** | 86 |
| Loss on disposal of property, plant and equipment | **16** | 43 |
| Profit on disposal of discontinued operations | **—** | (311) |
| Commission deferral compromise and associated costs | **(19,388)** | 744 |
| Share of loss of joint venture | **—** | 1,096 |
| Investment revenues | **(282)** | (432) |
| Finance costs | **1,523** | 2,296 |
| Income tax expense/(credit) | **3,017** | (1,698) |
| **Operating cash flows before movements in working capital** | **8,066** | (567) |
| Decrease in inventories | **50** | 56 |
| Decrease in receivables | **2,234** | 5,202 |
| Decrease in insurance assets | **276** | 2,794 |
| Decrease in payables | **(4,410)** | (9,892) |
| Decrease in insurance liabilities | **(830)** | (1,970) |
| Decrease in provisions | **(5,574)** | (29,384) |
| **Cash used in operations** | **(188)** | (33,761) |
| Income taxes (paid)/repaid | **(1,172)** | 855 |
| **Net cash used in operating activities** | **(1,360)** | (32,906) |

### 15. Related party transactions and control

**Ultimate controlling party**

Following the equity raise in February 2015, Mr Hamish Ogston's holding in the Company has reduced and currently represents 42.3%, resulting in the Group no longer having a controlling party. Mr Hamish Ogston's family investment vehicle, Milton Magna Limited, is an investment client of the Schroder group of companies, of which Schroder Investment Management Limited is part. Schroder Investment Management Limited has a holding of 10.0% in the Company.

**Transactions with related parties**

As part of the placing of 666,666,667 ordinary shares by the Company on 11 February 2015, Mr Hamish Ogston acquired 264,144,352 ordinary shares through his family investment vehicle Milton Magna Limited for consideration of £7,924,000 and Schroder Investment Management Limited acquired 61,437,285 ordinary shares for consideration of £1,843,000. Both parties were substantial shareholders in the Group prior to the placing.

As part of the MSP, key management personnel of the Group purchased investment shares on 25 June 2015 and 24 November 2015 for total consideration of £433,000.

On 23 December 2015, Ruth Evans, a Non-Executive Director of the Group at the time, purchased 208,571 ordinary shares in the Company for total cash consideration of £25,000.

**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:

| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| Short term employee benefits | **4,098** | 2,133 |
| Post employment benefits | **121** | 100 |
| Termination benefits | **239** | — |
| Share-based payments | **1,128** | 8 |
| | **5,586** | 2,241 |

In 2015, the remuneration of key management personnel includes an expansion of the senior management team, settlements to former Directors and senior management and provision for bonuses reflective of the turnaround in the Group's performance.

**16. Events after the balance sheet date**

As announced on 21 March 2016, Schroder Investment Management Limited (Schroders) has filed a notice requisitioning a general meeting of the Company's shareholders (the Requisition). The Requisition proposes resolutions to remove the CEO and current Non-Executive Directors from the Board and to replace them with individuals proposed by Schroders. It is believed that Schroders are working with Mr Hamish Ogston, one of the Group's major shareholders and founder of the Company.

The intention is to call the general meeting within 21 days of receipt of the Requisition and to provide for such meeting to be held not more than 28 days after the date of notice.

**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.