CPPGROUP PLC

24 MARCH 2017

FULL YEAR REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

CPP positions business for growth

CPPGroup Plc – Full year report for the year ended 31 December 2016

CPPGroup Plc (CPP or the Group), the international assistance business, today announces its full year results for the year ended 31 December 2016.

Highlights

- Group revenue from continuing operations of £73.6 million (2015: £76.8 million). This represents a significantly reduced rate of decline of 4% compared to previous years (2015: 20%)
- Revenue in our international markets has grown by 33% to £44.9 million (2015: £33.8 million). This includes revenue from India which has more than doubled to £15.2 million (2015: £6.3 million)
- Live policy base has returned to growth at 4.3 million (2015: 3.8 million) representing a growth in customer numbers for the first time in five years
- Underlying operating profit from continuing operations up 22% at £8.4 million (2015: £6.9 million)
- Underlying profit after tax from continuing operations increased to £8.9 million (2015: £4.4 million)
- Profit for the year from continuing and discontinued operations at breakeven (2015: £20.8 million). The breakeven performance is significant considering the impact of exceptional charges in the year of £9.2 million (2015: £17.8 million credit)
- Net funds position at £26.9 million (2015: £37.6 million)

Outlook

The Group is focused on its strategic priorities, which support its existing revenue, new revenue generation and growth ambitions. The current year has started well, and while the Group anticipates growing revenues in 2017, further investment will be made in the current year in order to provide a sustainable performance in the medium to long term. The Board remains confident in the direction the business is heading and the progress it is making.

Jason Walsh, Chief Executive Officer, commented:

“Since my return to the business last May, I have undertaken a review of the business and made a number of significant operational improvements. 2016 was a year where we laid the foundations for our future growth. We have started to see encouraging signs of customer growth although there is still work to be done. The strength of our international business is particularly encouraging, most notably in India.

New product development is key for our business as we continue to provide assistance products to our customers. We will grow our business both organically, through product development such as OwlDetect, and through acquisitions where complementary. Following the year end, we acquired Blink Innovation Limited, an Ireland based business that will provide us with leading product development capability for our global markets.”

Financial highlights – continuing operations	31 December 2016	31 December 2015
Revenue (£ millions)	73.6	76.8
Operating (loss)/profit (£ millions)		
− Reported	(1.8)	23.0
− Underlying[1]	8.4	6.9
(Loss)/profit after tax (£ millions)		
− Reported	(0.5)	18.5
− Underlying[2]	8.9	4.4
Profit for the year (£ millions) [3, 4]	0.0	20.8
Reported (loss)/earnings per share (pence)		
− Basic	(0.06)	2.42
− Diluted	(0.06)	2.41
Net assets (£ millions)	10.1	10.0
Net funds (£ millions)[5]	26.9	37.6

1. Underlying operating profit excludes exceptional items of £9.2 million (2015: £17.8 million credit). Further detail is provided in note 5 to the condensed financial statements. Underlying operating profit also excludes £1.0 million (2015: £1.7 million) Matching Share Plan (MSP) charges.
2. Underlying profit after tax excludes exceptional items net of tax of £8.7 million (2015: £15.4 million credit) and MSP charges net of tax of £0.7 million (2015: £1.3 million).
3. Profit for the year includes (loss)/profit after tax from continuing and discontinued operations.
4. Profit for the year in 2015 includes a one-time gain of £19.4 million from the compromise of the Commission Deferral Agreement.
5. Net funds comprise cash and cash equivalents of £28.2 million (2015: £39.8 million) partially offset by borrowings of £1.3 million (2015: £2.2 million). Cash and cash equivalents includes cash held in the UK's regulated entities of £18.7 million (2015: £33.9 million) which is either held for regulatory purposes or restricted by the terms of the Voluntary Variation of Permissions (VVOP). 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.

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About CPP

CPP provides a range of assistance based services to customers in the UK and Ireland and 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

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CHAIRMAN'S STATEMENT

First impressions

Dominated by its history over the past five years, CPP had become an organisation preoccupied with the past, which was UK-centric in its focus and behaviours, despite the extraordinary potential developing in its overseas markets. In 2016, we have started work to redefine the organisation in order to refocus our resources towards building a successful international operation, using the talent and skills in our overseas businesses as well as those that we have in the UK. These changes will not happen overnight, but the organisation is progressing, led by a Group Chief Executive who has been skilful in keeping morale high whilst introducing difficult changes. This has been a solid start to building a better future.

Progress to date

At the initiative of shareholders, the Board was mostly changed in early May 2016 and a new Group Chief Executive, Jason Walsh, was appointed. Shortly afterwards, all the new Directors were approved by the FCA. This was then followed by the appointment of Justine Shaw as People & Culture Director. Michael Corcoran has advised the Board of his intention to stand down from the business and the Board with effect from 30 April 2017. Michael has made an invaluable contribution to the stability of the Group and provided continuity during a period of potential risk to the business, and the Board wishes him well in his future roles.

A major review of the Group's strategy was launched during the year. This review has already concluded that resources needed to be shifted towards providing greater support to our businesses in the rapidly developing markets for our products in India, China, Turkey and Mexico. At the same time, line management of the UK business has been separated from the Group functions in order to treat the UK as a self-standing market alongside other developed markets, such as Germany and our southern European markets, as well as the developing high growth markets mentioned above. The UK's regulated businesses have been ring-fenced against the background of establishing an open and constructive dialogue with the FCA. New product development is being refocused to enable legacy products to be adapted to meet customer requirements in all markets whilst styling new innovative products to be attractive propositions, in either a chosen developing market, or in an established market prior to global roll-out. These new products may include regulated (insurance) content alongside non-regulated (service) content. Design will be driven by customer requirements. Our recently announced acquisition of Blink Innovation Limited (Blink) adds further substance to our product ambitions.

During a period of change in the organisational structure and behaviour, senior management had become stretched. In January 2017, the Board agreed a temporary extension to Nick Cooper's role in order to provide additional capacity to Jason Walsh and his executive team. One of the many benefits of Nick's willingness to contribute in this way is that it avoids the immediate temptation to make permanent appointments too quickly to an organisational structure that is still evolving.

Governance

The Board is committed to maintaining high standards of governance, both at Board level and operationally throughout the business. A number of key permanent appointments have been made during the year to support this approach and strengthen our internal controls.

Performance

The Group's performance in 2016 had many positive developments. However, there remains a good deal of work to be done to return the Group to a position of strength and sustainable growth and the Board sees this development as a long term goal, which will ultimately benefit all of the Company's stakeholders.

Looking ahead

2016 saw the first steps in laying the foundations for a prosperous and sustainable future and I look forward to continuing that progress in 2017.

On behalf of the Board I would especially like to thank our valued colleagues for their commitment and hard work during the year and very much look forward to working with you all in the coming year.

Sir Richard Lapthorne
Chairman

23 March 2017

CHIEF EXECUTIVE OFFICER'S REVIEW

CPP is committed to providing a great service to its customers which is why I was delighted to return to the business as its CEO in May 2016. Upon arriving I was heartened by the resilience and professionalism all employees demonstrated through what had potentially been a difficult period.

Since returning I have undertaken a major review of the business and have identified many things that are good and working well, but also opportunities that we are not capitalising on. I have set focused plans in motion to address these missed opportunities. I have visited all of our major operations to understand how they are run and where the opportunities lie. Both the progress being made and the relationships being developed in many of our markets are highly encouraging.

Organisational improvements

For any business to be successful it is critical that the structure is right; it must enable flexible and dynamic operations. As a result, the Group Leadership Team has been slimmed down, allowing focus to be provided in the correct areas. There is now direct responsibility for country operations, product and innovation in addition to marketing and the support functions, which allows the Company to focus on the key growth drivers in the business. As part of this streamlining certain Executive Directors have also accepted additional support function responsibilities. This action has also taken cost out of the business, which will allow investment in other strategically important areas and roles.

What's the plan?

My assessment of our operations quickly led me to identify a clear set of strategic priorities that will propel the business towards sustainable, profitable growth. These strategic priorities are:

- growing revenue and customer volume;
- driving innovation, through local insight and global new product development; and
- cost management

These priorities will be underpinned by the development of colleagues and the cultural behaviour within the organisation, along with the launch of a new visual identity for the business. The strategic priorities have been cascaded into the business and colleagues are focused on successfully realising our growth ambitions which have been articulated in a vision for the Group that takes us to 2020. These are exciting times.

Growing revenue and volume

The future looks very positive in some of our developing markets such as India, China, Turkey and Mexico and our strategic plan focuses on ensuring that the required investment is directed to these markets to maximise all available opportunities. The potential in these markets is significant. India, China and Turkey are already contributing increased volumes to the business, but there is more to come. Our established markets are not going to be forgotten and we expect renewed contribution from markets such as the UK, Spain, Germany and Italy. Stronger renewal rates in these countries are really encouraging and have contributed to an improvement in the Group renewal rate to 74.9% (2015: 72.9%).

Driving innovation

Whilst proud of our existing products we recognise the need to stay relevant in a rapidly changing world. New product development is key. We are creating a suite of products with global appeal and compatibility. These are service-based propositions that can be traded in any of our markets, including the UK. The first in this suite of products, OwlDetect, has been launched in the UK and Germany during 2016. Mexico and Spain will follow shortly, with other markets due to launch in the first half of the year.

A further product is planned for release in H1 2017, with others to follow as we continue to invest in ideas and concept generation. These propositions are centred on consumer insight and needs and will also be delivered digitally to match consumer preference. Product innovation will also draw on external sources – via partnerships and strategic alliances – to generate additional concepts to test and market. The acquisition of Blink represents the first step in this. New products may have regulated content if the opportunity arises. Aligned to this, and very much a part of the overall product strategy, local innovation is being encouraged and supported to capitalise on particular market and Business Partner opportunities.

Cost management
To enable additional investment in our emerging markets, cost management remains an important pillar of the strategic plan. This will ensure that our cost base remains appropriate and can be targeted in the right areas. The Company has made important decisions in the recent past to control costs but more can be done. In 2016 a number of difficult decisions were taken to promote this: we stopped development of our IT platform with SSP Limited (SSP) in favour of developing a more cost-effective, flexible in-house platform, the leadership team has been slimmed down, and operational requirements and capability across the Group have been reviewed. The changes made have not only reduced costs but improved the performance of the Group. Cost management initiatives will continue in 2017.

Colleague engagement and culture
Our colleagues are central to the success of the business and are at the heart of providing great products and services to our customers. We have embedded values of 'commit, collaborate and perform' within the organisation and implemented initiatives to promote colleague development and behaviours. The promotion of our People & Culture Director, Justine Shaw, to an Executive Director position further demonstrates our commitment to colleague development. This has created greater influence at Board level to drive the colleague engagement programme.

Customer
Our customers are hugely important to us. We pride ourselves on providing relevant and engaging propositions, along with a great ongoing customer experience. This will not change and our new product development has this understanding and commitment at its core. Our customer contact centres remain important but we recognise that we must also embrace digital channels, supported by innovative and engaging branding.

Understanding and engaging with our stakeholders
We have proactively engaged with our stakeholders through frequent, transparent dialogue and consultation. We believe this is critical in the development of the Group and sustaining valued relationships. We have a credible plan and a strong team and I am committed to ensuring our business operates in a responsible way, meeting the needs of all stakeholders.

Performance
Our global operations continue to progress well, leading to a reduced dependency on the UK. Asia Pacific has seen significant growth and now represents 23% of Group revenue, compared to 11% in 2015. This has been a record year for India; customer numbers are increasing rapidly; new propositions introduced to the market are gaining momentum; and a significant contract signed with a leading non-banking financial company is expected to provide continued growth. Turkey has shown good revenue growth, driven by developing multi-partner, multi-channel routes to market which will provide a level of sustainability and further market opportunity. Other markets are also contributing with the annual renewal rate increasing to 74.9% (2015: 72.9%). This is largely due to rates increasing in our established markets, providing a continued endorsement of the value customers place on our traditional products. Symbolically, the Group's live policy base has also returned to growth with 4.3 million customers at the year end (2015: 3.8 million), reflecting growth in our Indian and Chinese markets.

As expected, Group revenue from continuing operations has declined to £73.6 million (2015: £76.8 million). However, this represents a much reduced rate of decline than previous years. The growth in India has been offset by the natural decline in the UK renewal book where new regulated sales remain restricted. Underlying operating profit from continuing operations has increased to £8.4 million (2015: £6.9 million), which reflects the improved performance in India and continued focused management of the cost base. During 2017, we anticipate that revenues will grow, however further investment will be made in order to provide a sustainable performance in the medium to long term.

Looking ahead

We have made good progress in 2016 and are moving forward with a clear plan which will provide the platform for long term growth and profitability. New product development is progressing well with further globally applicable propositions currently in development. As a truly global business, we are genuinely excited by the great opportunities we have to support customers around the world.

Jason Walsh
Chief Executive Officer

23 March 2017

OPERATING REVIEW

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

Year ended	**2016 £'m**	2015 £'m	Growth	Constant currency growth
UK and Ireland				
– Revenue	**28.8**	43.0	(33)%	(33)%
– Underlying operating profit[1]	**1.5**	2.0	(24)%	(24)%
Europe and Latin America				
– Revenue	**27.6**	25.5	9%	(2)%
– Underlying operating profit[2]	**5.2**	4.6	13%	0%
Asia Pacific				
– Revenue	**17.3**	8.3	107%	88%
– Underlying operating profit[2]	**1.6**	0.3	487%	433%

1 Excluding exceptional items and MSP charges

2 Excluding exceptional items

UK and Ireland

Financial performance
Revenue for 2016 decreased by 33% to £28.8 million (2015: £43.0 million). Underlying operating profit has decreased to £1.5 million (2015: £2.0 million).

Review
The UK and Ireland region accounted for 39% of Group full year revenue in 2016. New retail business performance in the UK and Ireland continues to be constrained by restrictions relating to the ongoing VVOP. As a result the UK services a renewal book where renewal rates have been strong and encouraging. In the interests of providing value to our existing customers we implemented, through savings from commission payments, price reductions across our Card Protection and Identity Protection books during the year. Excitingly, we launched our new non-regulated proposition, OwlDetect, in December 2016. This is initially in a direct-to-consumer capacity, but we also intend to operate a business-to-business model for this proposition in the future.

Extensive work has been undertaken in 2016 to create a more cost-effective and growth-orientated operating structure, which is suitable for working within a global business. This focus will help promote good governance and improved customer treatment, ensuring we are operationally and commercially ready to apply to lift the existing trading restrictions. In addition there have been key appointments to support this, including a new Country Manager and senior roles in support functions.

Europe and Latin America

Financial performance
Revenue has decreased by 2% on a constant currency basis compared to the same period in 2015 to £27.6 million (2015: £25.5 million). The underlying operating profit has increased to £5.2 million (2015: £4.6 million).

Review
The Europe and Latin America region includes Spain, Italy, Portugal, Germany, Turkey and Mexico. Europe and Latin America represents 38% of the Group's full year revenue.

Turkey has shown significant development during the year growing revenues, profit and customer numbers. This growth is through a sustainable business model in which we are delivering multiple engaging products across a variety of channels and Business Partners.

Mexico continues to develop, growing revenue in the year as well as building the right structure and experience within the business to capitalise on the further market opportunities that exist.

The core European markets delivered solid renewal performance, operational efficiencies and Business Partner engagement throughout 2016. Germany also became the second country in the Group to launch OwlDetect in December. Other markets across the region are expected to follow in 2017.

We are actively building strength and depth within an appropriate operating structure for the region. The appointment of a new Country Manager in Spain, along with a number of marketing and sales roles across the region will provide the necessary skill sets for an effective launch of Group-led propositions.

Asia Pacific

Financial performance
Revenue has increased by 88% on a constant currency basis compared to the same period in 2015, to £17.3 million (2015: £8.3 million). The underlying operating profit has improved to £1.6 million (2015: £0.3 million).

Review
The main trading operations in our Asia Pacific region are in India, China, Malaysia and Hong Kong. These markets account for 23% of the Group's full year revenue, which is a significant increase on the prior year and reflects the growth experienced in this region. This growth has been led by India which has had its most successful year, growing revenues by 120% on a constant currency basis and increasing profitability. This growth has been generated by strong customer volumes and introducing new products to market. In late 2016, we signed a new contract with a leading non-banking financial company for sales of our Asset Care and FoneSafe products which demonstrates the strength of the relationship and will provide future growth opportunities in 2017 and beyond. We are investing in operational infrastructure in India to provide robust support for the continued growth of the business.

China has continued to progress, growing revenue and improving operating performance during 2016. This growth is underpinned by new Business Partner wins and channel development activity. It is our intention to build infrastructure and capability in China which will set the foundation for accelerated growth.

The Malaysian renewal performance continues in line with expectations, although having signed a new Business Partner contract in early 2016 we have been disappointed by new revenue performance. Renewal performance in Hong Kong has continued to perform in line with expectations.

FINANCIAL REVIEW

Overview

The Group's financial performance has exceeded expectations during the year; underlying operating profit has improved and work continues on initiatives designed to place the business in a better position for sustainable growth in the future. This has been underpinned by a number of key strategic decisions and further measures taken to improve the profitable performance of our underlying business.

Importantly, the shape of the business is changing with less reliance on our traditional core markets in the UK and Europe. There has been excellent traction in a number of our key strategic growth markets. The Asia Pacific region has seen revenue growth levels of 107% and now represents 23% (2015: 11%) of Group revenue. This growth in Asia Pacific has principally been generated in India through strong partnerships and sales from new products introduced to the market. There is great potential for further growth in the region, with continued development in India expected and exciting opportunities in China. We are also encouraged by the development of some of our other markets during the year, such as Turkey which is attracting significant levels of new customers and growing revenue.

In September 2016, the Group decided to cease the development of an IT platform with SSP in favour of developing an in-house global IT platform which will better suit current and future requirements and will ultimately be a more cost-effective solution. This decision has led to an exceptional charge to the income statement of £9.1 million, following a £6.4 million impairment to the asset in development, a £2.5 million cash payment to conclude the SSP contract and other minor payments to satisfy contractual commitments.

In 2015, the business decided that it was no longer appropriate to make commission payments on renewing policies where the Business Partners have no ongoing involvement in the renewal process and do not provide any service to the customer. During the year these commission savings provided price reductions to our customers and are being invested in product content enhancements. Our commission approach has been agreed with a number of the affected Business Partners, although the position with some of our Business Partners is not yet finalised.

Cost management remains integral to the Group's strategy, the benefit of which will enable focused investment in the correct areas to drive growth. During 2016 the Group's administrative costs, excluding exceptional items and MSP charges, were £37.5 million (2015: £37.6 million). Administrative costs are broadly in line with the prior year which reflects continued cost management and savings in core areas of the business offset by foreign exchange movements which have effectively increased costs in most of our non-UK markets, and the cost of developing and marketing new products and positioning to take advantage of opportunities in other markets.

Looking ahead, the Group is well placed financially for 2017 and beyond; however, profit margins are expected to settle at a lower average level due to continued back book decline in established markets, costs associated with developing and launching new global products, and growth in developing markets that typically have lower profit margins. Focus on effective cost management will continue to be a priority for the business.

Continuing operations	2016	2015
Revenue (£ millions)	73.6	76.8
Gross profit (£ millions)	45.9	44.4
Administrative expenses[1] (£ millions)	(37.5)	(37.6)
Underlying operating profit (£ millions)	8.4	6.9
Exceptional items (£ millions)	(9.2)	17.8
MSP charges (£ millions)	(1.0)	(1.7)
Reported operating (loss)/profit (£ millions)	(1.8)	23.0
Net finance costs (£ millions)	(0.1)	(1.1)
Reported (loss)/profit before tax (£ millions)	(1.9)	21.9
Basic (loss)/earnings per share (pence)	(0.06)	2.42
Net assets (£ millions)	10.1	10.0
Net funds (£ millions)	26.9	37.6

1 Excluding exceptional items and MSP charges

Summary

Group revenue from continuing operations has declined by 4% to £73.6 million (2015: £76.8 million). This level of decline is much lower compared to previous years and mainly reflects the natural decline in the UK renewal book whilst new regulated sales remain restricted. The impact of this has been partly mitigated by significant growth in India and the effect a weaker sterling has had on reported revenues in our European operations. On a regional basis revenue has reduced by 33% in the UK and Ireland. Revenue in Asia Pacific has grown by 107% (88% on a constant currency basis) and 9% (2% decline on a constant currency basis) in Europe and Latin America.

The underlying operating profit in the year from continuing operations is £8.4 million, which is a £1.5 million improvement on 2015. This improvement reflects the profit impact of the revenue growth in a number of our international markets, most notably India and Turkey. The impact of declining revenue in the UK is mostly mitigated by actions taken to reduce the related cost base.

Exceptional items in the year total £9.2 million (2015: £17.8 million credit) comprising IT impairment and settlement costs, associated with the SSP-led IT platform of £9.1 million; restructuring costs of £1.2 million; professional costs associated with the shareholder requisition in May 2016 of £0.5 million; a credit of £1.5 million relating to impairment reversal on the freehold land and property and a smaller credit of £0.1m relating to customer redress.

Share-based payment charges relating to the MSP were £1.0 million (2015: £1.7 million). Due to the one-off nature of this plan, MSP costs are presented separately from underlying operating results.

The exceptional items and MSP charges contribute to a reported operating loss of £1.8 million (2015: £23.0 million profit). The profit reported in the prior year benefited from an exceptional gain of £19.4 million following the settlement in full of the Commission Deferral Agreement of £20.9 million for a compromise payment of £1.3 million. There were £0.2 million costs in 2015 associated with the transaction.

Net interest and finance costs of £0.1 million (2015: £1.1 million) are significantly lower than 2015. The prior year charge included the write-off of unamortised issue costs on the previous debt facility, which was refinanced midway through a three year term. Since the refinancing in February 2015 borrowing levels have remained broadly similar.

As a result, the reported loss before tax from continuing operations was £1.9 million (2015: £21.9 million profit) and the reported loss after tax from continuing operations was £0.5 million (2015: £18.5 million profit).

Profit from discontinued operations of £0.6 million (2015: £2.3 million) reflects the final benefits from the closure of the Airport Angel business in 2015.

Basic loss per share from continuing operations is 0.06 pence compared to earnings of 2.42 pence in 2015.

There has been a substantial weakening in sterling during the year against our main trading currencies the euro and Indian rupee. The impact on the Group has been to improve reported revenue and profits from our international operations. Revenue in the year declined at 10% on a constant currency basis, but 4% at actual exchange rates. Underlying operating profit increased at 10% on a constant currency basis compared to 22% at actual exchange rates.

Key Performance Indicators

	2016	2015	Change
Live policies (millions) (see table below)	**4.3**	3.8	14%
Annual renewal rate (%)	**74.9**	72.9	2.0
Revenue by major product (£ millions) (see table below)	**73.6**	76.8	(4)%
Cost/income ratio (%)	**70.8**	66.3	4.5
Underlying operating profit margin (%)	**11.4**	8.9	2.5
Group cash balances (£ millions) (see table below)	**28.2**	39.8	(29)%

Live policies (millions)	**2016**	2015	Change
Retail assistance policies	**2.9**	2.5	17%
Retail insurance policies	**—**	—	n/a
Wholesale policies	**1.4**	1.3	9%
Total	**4.3**	3.8	14%

Revenue by major product (£ millions)	**2016**	2015	Change
Retail assistance revenue	**68.0**	68.1	0%
Retail insurance revenue	**2.5**	5.4	(54)%
Wholesale revenue	**2.5**	2.3	7%
Non-policy revenue	**0.7**	0.9	(27)%
Total	**73.6**	76.8	(4)%

Group cash balances (£ millions)	**2016**	2015	Change
Regulated and VVOP restricted cash	**18.7**	33.9	(45)%
Free cash	**9.5**	5.9	61%
Total	**28.2**	39.8	(29)%

Live policies
The live policy base has increased by 14% in the year to due to customer growth in our Indian, Chinese and Turkish markets. The positive impact of these markets is partly reduced by the continued decline in the UK.

Annual renewal rate
The annual renewal rate for 2016 has increased by 2.0 percentage points since December 2015 due to improving rates across the Group, partly offset by the mix impact of increasing renewal bases in our developing markets which typically have a lower renewal rate than our established markets.

Revenue by major product
Revenue from retail assistance policies is broadly stable year on year with growth in India being offset by the continued decline in Card Protection and Identity Protection renewals in the UK. Retail insurance revenue, which relates to an historic UK Business Partner contract, has continued to decline as expected.

Cost/income ratio
Our cost/income ratio has increased 4.5 percentage points year on year due to declining UK renewal revenue (including the impact of price reductions) which is partly offset by growth in India which has a comparatively low cost base (excluding commissions). The cessation of commission payments on renewing policies in the UK does not impact this measure.

Underlying operating profit margin
Our underlying operating profit margin has improved by 2.5 percentage points year on year, reflecting a rate improvement in India and the benefit of ceasing commission arrangements in the UK, offset by the associated price reductions applied in the UK and the mix impact of growth in India which is typically at lower margins. Continued growth in India and other developing countries is expected to pressure margins in the future.

Group cash balances
Cash held in the UK's regulated entities has decreased year on year due to clearance of the regulatory fine, capital expenditure on the SSP-led core platform IT system prior to cancellation and a one-time payment to cancel the SSP contract.

Free cash has increased year on year through increased cash balances overseas, which includes a positive impact on translation from a weakened sterling.

Tax

In 2016 there was a tax credit on continuing operations of £1.3 million (2015: £3.4 million charge). A one-time net credit of £1.2 million arises from the release in full of the equalisation reserve following adoption of Solvency II reporting for our insurance entity, Homecare Insurance Limited (HIL). A corresponding tax charge of £1.2 million on the equalisation reserve release has been recognised in reserves. A deferred tax asset has been recognised on Indian prior year losses increasing the credit to the income statement, which is largely offset by charges on the profits made in Spain, Turkey and Italy. Due to the various movements noted, the effective tax rate for the year is not considered to be a representative measure.

Cash flow and net funds

Cash used in operations amounted to £6.0 million (2015: £0.2 million) and results primarily from settlement of the regulatory fine and the one-time payment to conclude the SSP contract. This impact has been mitigated in part by positive operating cash flows.

The Group's net funds position has reduced in the year to £26.9 million (2015: £37.6 million). The net funds figure includes cash balances of £18.7 million held in the UK's regulated entities, Card Protection Plan Limited (CPPL) and HIL. These cash balances cannot currently 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.

Dividend

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

Balance sheet and financing

At 31 December 2016 the Group had net assets of £10.1 million which is a marginal increase of £0.1 million from the 2015 net asset position of £10.0 million. This increase in net assets is recognised after the impact of ceasing development of the SSP-led IT platform, and results from the Group's improved trading performance. The balance sheet is in a stronger position than the prior year. The Group has not drawn against its borrowing facility at the year end and has substantially completed its remaining redress obligations, including clearance of the regulatory fine.

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 £1.4 million broadly half of which has been repaid subsequent to the year end. The RCF was not drawn at the year end.

Events after the balance sheet date

As announced on 17 March 2017, the Group has completed the acquisition of Blink for an initial consideration of €1 million, which was paid on completion. The acquisition allows for a further earn-out based on future products developed by Blink. The maximum earn-out is based on up to 20% of defined profits generated by Blink up to a maximum of €20 million in profits over the next five years.

Michael Corcoran
Chief Financial Officer

23 March 2017

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 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 their 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:

The overall liquidity profile is actively managed, ensuring that the business plans and strategy are effective and aligned. A number of dynamic programmes are in place to develop and deploy new products and offerings, and to 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 relationships 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 our 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: No change 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: No change 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 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. The Group has introduced incentivisation schemes for certain key roles.

Risk: Technology and information security

Status: Increased on prior year

Nature of risk and potential impact:

The Group had embarked on a significant and wide ranging transformation programme that includes replacement of the core IT platform. A change of strategy saw the Group exit its relationship with the external partner (SSP) and embark on an in-house development programme. The full scope of this programme is being developed and other strategic initiatives are being progressed. This programme of work is an enabler 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 and on time. The Group is also rolling out a revised information security agenda to strengthen the overall framework.

Mitigation:

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

Risk: International business

Status: Increased on prior year

Nature of risk and potential impact:

Our business is broadly diversified by region and operates in multiple regulated markets worldwide. The proportion of our business from international markets is increasing. 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: Decreased 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: No change 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: No change 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 how we deal with the UK's exit from the European Union and the increase in cyber-crime.

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 has continued to trade profitably during 2016 and residual redress activities are substantially complete. Whilst there continues to be some uncertainty from medium term trading and strategic risk, forecasts show that the Group has the necessary resources to trade and operate within the level of its borrowing facilities.

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

Consolidated income statement
For the year ended 31 December 2016

	Note	**2016 £'000**	2015 £'000
Continuing operations			
Revenue	4	**73,649**	76,771
Cost of sales		**(27,737)**	(32,346)
Gross profit		**45,912**	44,425
Administrative expenses		**(47,693)**	(21,443)
Operating (loss)/profit		**(1,781)**	22,982
Analysed as:			
Underlying operating profit	4	**8,365**	6,863
Exceptional items	5	**(9,172)**	17,777
MSP charges	13	**(974)**	(1,658)
Investment revenues		**231**	282
Finance costs		**(325)**	(1,362)
(Loss)/profit before taxation		**(1,875)**	21,902
Taxation		**1,342**	(3,374)
(Loss)/profit for the year from continuing operations		**(533)**	18,528
Discontinued operations			
Profit for the year from discontinued operations		**579**	2,309
Profit for the year attributable to equity holders of the Company		**46**	20,837

Basic (loss)/earnings per share		**Pence**	Pence
Continuing operations	6	**(0.06)**	2.42
Discontinued operations	6	**0.07**	0.30
Total		**0.01**	2.72

Diluted (loss)/earnings per share		**Pence**	Pence
Continuing operations	6	**(0.06)**	2.41
Discontinued operations	6	**0.07**	0.30
Total		**0.01**	2.71

Consolidated statement of comprehensive income
For the year ended 31 December 2016

	2016	2015
	£'000	£'000
Profit for the year	**46**	20,837
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(62)**	271
Other comprehensive (expense)/income for the year net of taxation	**(62)**	271
Total comprehensive (expense)/income for the year attributable to equity holders of the Company	**(16)**	21,108

Consolidated balance sheet
At 31 December 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Intangible assets	7	**2,136**	4,825
Property, plant and equipment	8	**5,316**	3,502
Deferred tax asset		**818**	652
		8,270	8,979
Current assets			
Insurance assets		**62**	317
Inventories		**40**	43
Trade and other receivables		**16,991**	12,106
Cash and cash equivalents	9	**28,250**	39,810
		45,343	52,276
Total assets		**53,613**	61,255
Current liabilities			
Insurance liabilities		**(863)**	(1,189)
Income tax liabilities		**(1,946)**	(2,483)
Trade and other payables		**(38,099)**	(42,629)
Borrowings	10	**(1,391)**	—
Provisions	11	**(1,143)**	(2,254)
		(43,442)	(48,555)
Net current assets		**1,901**	3,721
Non-current liabilities			
Borrowings	10	**80**	(2,191)
Deferred tax liabilities		**(103)**	(308)
Provisions	11	**—**	(186)
		(23)	(2,685)
Total liabilities		**(43,465)**	(51,240)
Net assets		**10,148**	10,015

Equity			
Share capital	12	**23,975**	23,939
Share premium account		**45,225**	45,225
Merger reserve		**(100,399)**	(100,399)
Translation reserve		**929**	991
Equalisation reserve		**—**	6,243
ESOP reserve		**14,516**	13,093
Retained earnings		**25,902**	20,923
Total equity attributable to equity holders of the Company		**10,148**	10,015

Consolidated statement of changes in equity
For the year ended 31 December 2016

	Note	Share capital £'000	Share premium account £'000	Merger reserve £'000	Translation reserve £'000	Equalisation reserve £'000	ESOP reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2015		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
Movement in EBT shares	12	—	—	—	—	—	(264)	—	(264)
Exercise of share options		1	(1)	—	—	—	—	(1)	(1)
Other ordinary share issues		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
Total comprehensive expense		**—**	**—**	**—**	**(62)**	**—**	**—**	**46**	**(16)**
Movement on equalisation reserve		**—**	**—**	**—**	**—**	**(6,243)**	**—**	**6,243**	**—**
Current tax charge on equalisation reserve movement		**—**	**—**	**—**	**—**	**—**	**—**	**(1,249)**	**(1,249)**
Equity settled share-based payment charge		**—**	**—**	**—**	**—**	**—**	**1,486**	**—**	**1,486**
Deferred tax on share-based payment charge		**—**	**—**	**—**	**—**	**—**	**—**	**(11)**	**(11)**
Movement in EBT shares	12	**—**	**—**	**—**	**—**	**—**	**(63)**	**—**	**(63)**
Exercise of share options	12	**36**	**—**	**—**	**—**	**—**	**—**	**(50)**	**(14)**
At 31 December 2016		**23,975**	**45,225**	**(100,399)**	**929**	**—**	**14,516**	**25,902**	**10,148**

Consolidated cash flow statement

For the year ended 31 December 2016

	Note	**2016 £'000**	2015 £'000
Net cash used in operating activities	14	**(7,209)**	(1,360)
Investing activities			
Interest received		**243**	282
Purchases of property, plant and equipment		**(592)**	(194)
Purchases of intangible assets		**(3,812)**	(4,435)
Net cash used in investing activities		**(4,161)**	(4,347)
Financing activities			
Repayment of bank loans		**(1,000)**	(12,000)
Repayment of the Commission Deferral Agreement		**—**	(1,304)
Proceeds from the Second Commission Deferral Agreement		**—**	1,304
Interest paid		**(230)**	(903)
Costs of refinancing the bank facility		**—**	(220)
Costs of compromising the Commission Deferral Agreement		**—**	(743)
(Purchase)/issue of ordinary share capital and associated costs		**(76)**	18,980
Net cash (used in)/from financing activities		**(1,306)**	5,114
Net decrease in cash and cash equivalents		**(12,676)**	(593)
Effect of foreign exchange rate changes		**1,116**	(196)
Cash and cash equivalents at 1 January		**39,810**	40,599
Cash and cash equivalents at 31 December	9	**28,250**	39,810

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 2017.

The financial information set out above does not constitute the Company's statutory financial statements for the years ended 31 December 2016 or 31 December 2015, but is derived from the 2016 financial statements. Statutory financial statements for 2015 for the Company prepared under IFRS have been delivered to the Registrar of Companies and those for 2016 for the Company will be delivered following the Company's Annual General Meeting. The Auditor, Deloitte LLP, has reported on these financial statements; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006. These 2016 financial statements were approved by the Board of Directors on 23 March 2017.

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 2015. 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	2010-2012 Cycle
IAS 1 (amendments)	Disclosure Initiative
Annual improvements to IFRSs	2012-2014 Cycle
IAS 16 and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation

3. Critical accounting judgements and key sources of estimation uncertainty

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

Share-based payments
Judgement and estimation are required in determining the fair value of share options at the date of award. The fair value is estimated using valuation techniques which take account of the awards term, the share price volatility and risk-free rates. Judgement and estimation are also required to assess the number of options expected to vest. Details of the assumptions made are included in note 13.

Different 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 and revised for changes in non-market conditions.

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

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

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.

Capitalised software costs
The Group has capitalised internally generated intangible assets in accordance with IAS 38. The recoverable amount of the assets has been determined using value in use calculations which require the use of estimates and judgements. Internally generated intangible assets are routinely reviewed for impairment.

4. Segmental analysis

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

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

Segment revenues and performance have been as follows:

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

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

	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 charge	(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				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.

Segment assets

	2016 £'000	2015 £'000
UK and Ireland	**30,454**	47,667
Europe and Latin America	**8,262**	8,074
Asia Pacific	**14,038**	4,065
Total segment assets	**52,754**	59,806
Assets relating to discontinued operations	**41**	797
Unallocated assets	**818**	652
Consolidated total assets	**53,613**	61,255

Deferred tax is not allocated to segments.

Capital expenditure

	Intangible assets		Property, plant and equipment	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Continuing operations				
UK and Ireland	**3,780**	4,415	**478**	129
Europe and Latin America	**32**	21	**27**	48
Asia Pacific	**—**	—	**87**	17
Additions from continuing operations	**3,812**	4,436	**592**	194

Revenues from major products

	2016 £'000	2015 £'000
Continuing operations		
Retail assistance policies	**68,013**	68,139
Retail insurance policies	**2,473**	5,384
Wholesale policies	**2,503**	2,344
Non-policy revenue	**660**	904
Revenue from continuing operations	**73,649**	76,771
Discontinued operations	**91**	13,107
Consolidated total revenue	**73,740**	89,878

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, India and Spain are considered individually material. Revenue from external customers and non-current assets (excluding deferred tax) by geographical location are detailed below:

	External revenues		Non-current assets	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Continuing operations				
UK	**28,358**	42,179	**7,074**	8,062
India	**15,163**	6,256	**90**	14
Spain	**11,997**	11,873	**92**	122
Other	**18,131**	16,463	**196**	129
Total continuing operations	**73,649**	76,771	**7,452**	8,327
Discontinued operations	**91**	13,107	**—**	—
	73,740	89,878	**7,452**	8,327

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	**2016 £'000**	2015 £'000
Aborted IT platform and associated contractual settlement costs	7	**9,104**	—
Restructuring costs		**1,170**	711
Requisition costs		**532**	—
Reversal of freehold property impairment	8	**(1,534)**	—
Customer redress and associated costs	11	**(100)**	900
Commission deferral compromise and associated costs		**—**	(19,388)
Exceptional charge/(credit) included in operating profit or loss		**9,172**	(17,777)
Tax on exceptional items		**(436)**	2,344
Total exceptional charge/(credit) after tax		**8,736**	(15,433)
Discontinued operations after tax		**—**	(38)
		8,736	(15,471)

The aborted IT platform and associated contractual settlement costs of £9,104,000 (2015: £nil) comprises:

- £6,404,000 relates to the impairment and subsequent write-off of the IT platform that was in development;
- £2,500,000 relates to the payment to conclude the SSP contract; and
- £200,000 relates to other payments to satisfy associated contractual commitments.

Restructuring costs of £1,170,000 (2015: £711,000) relate to employment settlement costs and additional costs relating to the expiry of the lease at a vacated office in the UK.

Requisition costs of £532,000 (2015: £nil) relate to professional costs associated with the shareholder general meeting requisition and subsequent interim injunction proceedings. The shareholder requisition, announced on 21 March 2016, proposed resolutions to remove the CEO and Non-Executive Directors from the Board. These resolutions were subsequently passed at a general meeting on 5 May 2016.

Reversal of freehold property impairment is a credit of £1,534,000 (2015: £nil) and reflects the write-back of the asset to its current fair value, refer to note 8 for further detail.

Customer redress and associated costs are a credit of £100,000 (2015: £900,000 charge) and relate to a release of provision in line with the latest estimate of residual customer redress activity.

6. (Loss)/earnings per share

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

(Loss)/earnings

	Continuing operations		Discontinued operations		Total	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
(Loss)/earnings for the purposes of basic and diluted (loss)/earnings per share	**(533)**	18,528	**579**	2,309	**46**	20,837
Exceptional items (net of tax)	**8,736**	(15,433)	**—**	(38)	**8,736**	(15,471)
MSP charges (net of tax)	**698**	1,318	**—**	—	**698**	1,318
Earnings for the purposes of underlying basic and diluted earnings per share	**8,901**	4,413	**579**	2,271	**9,480**	6,684

Number of shares

	Number (thousands)	Number (thousands)
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share and basic underlying earnings per share	**854,677**	766,667
Effect of dilutive potential ordinary shares: share options	**28,506**	2,748
Weighted average number of ordinary shares for the purposes of diluted underlying earnings per share	**883,183**	769,415

	Continuing operations		Discontinued operations		Total	
	2016 Pence	2015 Pence	**2016 Pence**	2015 Pence	**2016 Pence**	2015 Pence
Basic and diluted (loss)/earnings per share						
Basic	**(0.06)**	2.42	**0.07**	0.30	**0.01**	2.72
Diluted	**(0.06)**	2.41	**0.07**	0.30	**0.01**	2.71
Basic and diluted underlying earnings per share						
Basic	**1.04**	0.58	**0.07**	0.30	**1.11**	0.88
Diluted	**1.00**	0.57	**0.07**	0.30	**1.07**	0.87

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

7. 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 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 1 January 2016	–	–	20,246	22,900	43,146
Additions	**–**	**–**	**362**	**3,450**	**3,812**
Disposals	**–**	**–**	**(420)**	**(6,583)**	**(7,003)**
Exchange adjustments	**–**	**–**	**–**	**137**	**137**
At 31 December 2016	**–**	**–**	**20,188**	**19,904**	**40,092**
Accumulated amortisation:					
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 1 January 2016	–	–	19,478	18,843	38,321
Provided during the year	**–**	**–**	**–**	**104**	**104**
Disposals	**–**	**–**	**(420)**	**(6,583)**	**(7,003)**
Impairment	**–**	**–**	**420**	**5,984**	**6,404**
Exchange adjustments	**–**	**–**	**–**	**130**	**130**
At 31 December 2016	**–**	**–**	**19,478**	**18,478**	**37,956**
Carrying amount:					
At 31 December 2015	–	–	768	4,057	4,825
At 31 December 2016	**–**	**–**	**710**	**1,426**	**2,136**

During the year the Group recognised an impairment of £6,404,000 on its core platform IT system following the decision to abort the project with SSP, this element of the asset has subsequently been written off. The impairment loss has been recognised as an exceptional item through the consolidated income statement and relates to the UK and Ireland segment. The carrying value of intangible assets includes £1,331,000 relating to the ongoing in-house development of a core platform IT system. This asset is recognised across internally generated software and externally acquired software.

8. Property, plant and equipment

	Freehold land and property £'000	Leasehold improvements £'000	Computer systems £'000	Furniture and equipment £'000	Total £'000
Cost:					
At 1 January 2015	7,278	5,545	28,855	6,523	48,201
Additions	–	34	148	12	194
Disposals	–	(56)	(315)	(431)	(802)
Exchange adjustments	–	(77)	(163)	(74)	(314)
At 1 January 2016	7,278	5,446	28,525	6,030	47,279
Additions	**–**	**140**	**390**	**62**	**592**
Disposals	**–**	**(89)**	**(1,165)**	**(120)**	**(1,374)**
Exchange adjustments	**–**	**125**	**312**	**101**	**538**
At 31 December 2016	**7,278**	**5,622**	**28,062**	**6,073**	**47,035**
Accumulated amortisation:					
At 1 January 2015	4,265	5,287	28,568	6,261	44,381
Provided during the year	86	64	209	106	465
Disposals	–	(53)	(312)	(422)	(787)
Exchange adjustments	–	(63)	(156)	(63)	(282)
At 1 January 2016	4,351	5,235	28,309	5,882	43,777
Provided during the year	**87**	**74**	**110**	**129**	**400**
Disposals	**–**	**(69)**	**(1,166)**	**(120)**	**(1,355)**
Impairment reversal	**(1,534)**	**–**	**–**	**–**	**(1,534)**
Exchange adjustments	**–**	**114**	**305**	**12**	**431**
At 31 December 2016	**2,904**	**5,354**	**27,558**	**5,903**	**41,719**
Carrying amount:					
At 31 December 2015	2,927	211	216	148	3,502
At 31 December 2016	**4,374**	**268**	**504**	**170**	**5,316**

Included in freehold land and property is freehold land at its cost value of £759,000 (2015: £759,000), which is not depreciated.

During the year the Group has recognised the reversal of prior year impairment in respect of the freehold land and property totalling £1,534,000. This reversal reflects a change in the basis of the recoverable amount from value in use to fair value less costs of disposal. The value of the property has been written back to £4,500,000 comprising £4,374,000 freehold land and property and £126,000 leasehold improvements. The impairment reversal has been recognised as an exceptional item through the consolidated income statement and relates to the UK and Ireland segment. The fair value basis is categorised within level 3 of the fair value hierarchy.

9. Cash and cash equivalents

Consolidated cash and cash equivalents of £28,250,000 (2015: £39,810,000) comprises cash held on demand by the Group and short term deposits.

Cash and cash equivalents includes £18,727,000 (2015: £33,879,000) cash held in the UK's regulated entities, CPPL and HIL. This cash is either maintained by the Group's insurance business for solvency purposes or restricted by the terms of the VVOP. The VVOP restricted cash cannot be distributed to the wider Group without FCA approval. The 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 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 is as follows:

	2016 £'000	2015 £'000
AA	**3,162**	1,679
A	**21,510**	36,064
BBB	**2,027**	548
BB	**1,414**	1,405
Rating information not available	**137**	114
	28,250	39,810

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:

	2016 £'000	2015 £'000
Second Commission Deferral Agreement	**1,391**	—
Borrowings due within one year	**1,391**	—
Bank loans due outside of one year	**—**	1,000
Less: unamortised issue costs	**(80)**	(152)
Second Commission Deferral Agreement	**—**	1,343
Borrowings due outside of one year	**(80)**	2,191

Analysis of repayments:

	2016 £'000	2015 £'000
Within one year	**1,391**	—
In the second year	**—**	1,343
In the third to fifth years	**—**	1,000
Total repayments	**1,391**	2,343
Less: unamortised issue costs	**(80)**	(152)
Total carrying value	**1,311**	2,191

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. At 31 December 2016, the Group has £5,000,000 undrawn committed borrowing facilities (2015: £4,000,000).

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

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 Second 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:

	2016 %	2015 %
Bank loans	**2.3**	2.5
Commission Deferral Agreements	**3.5**	3.5
Weighted average	**2.5**	2.9

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

11. Provisions

	Onerous leases 2016 £'000	**Customer redress and associated costs 2016 £'000**	**Total 2016 £'000**	Onerous leases 2015 £'000	Customer redress and associated costs 2015 £'000	Total 2015 £'000
At 1 January	**829**	**1,611**	**2,440**	1,658	6,356	8,014
Charged/(credited) to the income statement	**500**	**(100)**	**400**	(97)	900	803
Customer redress and associated costs paid in the year	**—**	**(1,035)**	**(1,035)**	—	(4,821)	(4,821)
Utilisation of onerous lease provision in the year	**(662)**	**—**	**(662)**	(732)	—	(732)
Transfer to trade and other payables	**—**	**—**	**—**	—	(824)	(824)
At 31 December	**667**	**476**	**1,143**	829	1,611	2,440

The onerous lease provision reflects the future lease payments and associated costs in the expected non-utilisation period at a vacated office in the UK.

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

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

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

Provisions are expected to be settled in the following periods:

	Onerous leases 2016 £'000	**Customer redress and associated costs 2016 £'000**	**Total 2016 £'000**	Onerous leases 2015 £'000	Customer redress and associated costs 2015 £'000	Total 2015 £'000
Within one year	**667**	**476**	**1,143**	643	1,611	2,254
Outside of one year	**—**	**—**	**—**	186	—	186
At 31 December	**667**	**476**	**1,143**	829	1,611	2,440

12. Share capital

	Ordinary shares of 1 penny each (thousands)	**Deferred shares of 9 pence each (thousands)**	**Total (thousands)**	**Ordinary shares of 1 penny each £'000**	**Deferred shares of 9 pence each £'000**	**Total £'000**
Called up and allotted:						
At 1 January 2016	852,834	171,650	1,024,484	8,526	15,413	23,939
Issue of shares in connection with:						
Exercise of share options	**3,647**	**—**	**3,647**	**36**	**—**	**36**
At 31 December	**856,481**	**171,650**	**1,028,131**	**8,562**	**15,413**	**23,975**

During the year, the Company issued 3,647,000 shares to option holders for total consideration of £36,470. Further details relating to share options are provided in note 13.

During the year the CPPGroup Plc Employee Benefit Trust (EBT) purchased 3,000,000 (2015: 1,763,000) of the Company's ordinary shares for total cash consideration of £120,000 (2015: £264,000). Of the total shares purchased by the EBT 711,874 (2015: nil) were used to settle awards under the MSP.

The total amount paid by the EBT to acquire shares, offset by the value of shares used to satisfy the MSP award, has been deducted from the ESOP reserve. The reduction in the ESOP reserve in the year is £63,000 (2015: £264,000).

Of the 856,480,830 ordinary shares issued at 31 December 2016, 855,980,831 are fully paid and 499,999 are partly paid.

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

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

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

13. Share-based payment

Current share plans

Share-based payment charges comprise 2016 Long Term Incentive Plan (2016 LTIP) charges of £582,000 (2015: £nil) and MSP charges of £902,000 (2015: £1,457,000). These costs are disclosed within administrative expenses, although the MSP share-based payment charge forms part of the MSP charges which is not included in underlying operating profit. MSP charges in the income statement are different to the share-based payment charge due to the recognition of employer's national insurance relating to future option exercises. There have been 26,050,000 options granted in the current year as part of the 2016 LTIP; the plan was not in operation in the prior year. There have been no MSP options granted in the current year (2015: 38,010,000).

	2016		2015	
	Number of share options (thousands)	**Weighted average exercise price (£)**	Number of share options (thousands)	Weighted average exercise price (£)
2016 LTIP				
Outstanding at 1 January	**—**	**—**	—	—
Granted during the year	**26,050**	**—**	—	—
Forfeited during the year	**(10,969)**	**—**	—	—
Outstanding at 31 December	**15,081**	**—**	—	—
MSP				
Outstanding at 1 January	**36,135**	**0.01**	—	—
Granted during the year	**—**	**—**	38,010	0.01
Forfeited during the year	**(14,111)**	**0.01**	(1,875)	0.01
Exercised during the year	**(4,359)**	**0.01**	—	—
Outstanding at 31 December	**17,665**	**0.01**	36,135	0.01
Exercisable at 31 December	**1,810**	**0.01**	—	—

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

Options granted under the MSP have an exercise price of 1 penny and vest over a three year period, with 25% vesting on the first anniversary of the grant date, 25% vesting on the second anniversary and 50% vesting on the third anniversary. Options lapse if not exercised within ten years of the grant date and will lapse if option holders cease to be employed by the Group or sell any of their investment shares. There have been no options granted in the current year (2015: 38,010,000) and options exercised in the current year total 4,359,000 (2015: n/a).

The options outstanding at 31 December 2016 had a weighted average remaining contractual life of two years (2015: n/a) in the 2016 LTIP and one year (2015: two years) in the MSP.

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

	LTIP 2016
Weighted average share price	**£0.12**
Weighted average exercise price	—
Expected volatility	**150%**
Expected life	**3 years**
Risk-free rate	**0.67%**
Dividend yield	**0%**

There have been 26,050,000 share options granted in the current year. The aggregate estimated fair value of the options and shares granted in the current year under the 2016 LTIP was £2,852,000.

14. Reconciliation of operating cash flows

	2016 £'000	2015 £'000
Profit for the year	**46**	20,837
Adjustment for:		
Depreciation and amortisation	**504**	856
Equity settled share-based payment expense	**1,486**	1,466
Impairment loss on intangible assets	**6,404**	21
Reversal of freehold property impairment	**(1,534)**	—
Loss on disposal of property, plant and equipment	**20**	16
Commission deferral compromise and associated costs	**—**	(19,388)
Investment revenues	**(243)**	(282)
Finance costs	**325**	1,523
Income tax (credit)/expense	**(1,342)**	3,017
Operating cash flows before movements in working capital	**5,666**	8,066
Decrease in inventories	**2**	50
(Increase)/decrease in receivables	**(3,542)**	2,234
Decrease in insurance assets	**255**	276
Decrease in payables	**(6,718)**	(4,410)
Decrease in insurance liabilities	**(326)**	(830)
Decrease in provisions	**(1,296)**	(5,574)
Cash used in operations	**(5,959)**	(188)
Income taxes paid	**(1,250)**	(1,172)
Net cash used in operating activities	**(7,209)**	(1,360)

15. Related party transactions and control

Transactions with related parties

The Group has settled legal fees totalling £210,000 incurred by Mr Hamish Ogston in relation to the interim injunction proceedings which were announced on 11 April 2016 and subsequently withdrawn on 25 April 2016. Mr Ogston is a substantial shareholder in the Group.

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:

	2016 £'000	2015 £'000
Short term employee benefits	**2,697**	4,098
Post-employment benefits	**142**	121
Termination benefits	**817**	239
Share-based payments	**1,028**	1,128
	4,684	5,586

16. Events after the balance sheet date

As announced on 17 March 2017, the Group has completed the acquisition of Blink Innovation Limited (Blink) for an initial consideration of €1 million, which was paid on completion. The acquisition allows for a further earn-out based on future products developed by Blink. The maximum earn-out is based on up to 20% of defined profits generated by Blink up to a maximum of €20 million in profits over the next five years.

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.